



## **Corporate Services Scrutiny Panel**

### **Draft Public Finances (Amendment of Law No.1) (Jersey) Regulations 201- (P.133/2013)**

### **Hearing with Minister for Treasury and Resources MONDAY, 13th JANUARY 2014**

**Panel:**

Senator S.C. Ferguson (Chairman)

Deputy J.G. Reed of St. Ouen (Vice-Chairman)

**Witnesses:**

Senator P.F.C. Ozouf (The Minister for Treasury and Resources)

Deputy E.J. Noel of St. Lawrence (The Assistant Minister for Treasury and Resources)

Ms. L. Rowley (Treasurer of the States)

[15:31]

**Senator S.C. Ferguson (Chairman):**

Good afternoon, ladies and gentlemen. Welcome to this hearing of the Corporate Services Scrutiny Panel to discuss P.133. The Panel want to understand the implications of the particular amendment to the Public Finances (Jersey) Law regarding lending. Before we start I wonder if I

can bring to your attention, Minister, the normal Scrutiny Panel health warning and privileges and so on. If you would like to go around the table and could you say who you are and what your position is please? I have apologies from Deputy Rondel and Connétable Mezbourian who are unable to be here tonight ... or today. It feels like tonight, I am sorry. They are unable to be here today. Now, if you have finished with your cameras, gentlemen, lady. Thank you very much, gentlemen. We hope we have not broken the cameras. As I say, Richard is helping the Connétable of St. Helier set up more links with Madeira.

**The Minister for Treasury and Resources:**

A jolly good thing that is too.

**Senator S.C. Ferguson:**

Yes, they seem to have been doing very well.

**The Minister for Treasury and Resources:**

Right, ready to go?

**Senator S.C. Ferguson:**

Right, Minister, can you please confirm what is the current maximum sum of money that the States may lend?

**The Minister for Treasury and Resources:**

It is probably worth starting by saying Happy New Year to the Panel. I hope we are going to enjoy a good few months of constructive scrutiny in the new few months. I think it is probably worth starting this by saying that the Public Finances (Jersey) Law sets out an overall percentage of what we are allowed to lend but that is not the end of the control. There are lots of other controls that sit beneath that overall simple percentage.

**Senator S.C. Ferguson:**

Yes, well that was not...my question was...

**The Minister for Treasury and Resources:**

Okay, fair enough. But...

**Senator S.C. Ferguson:**

...current estimate. We will get on to that in a minute.

**The Minister for Treasury and Resources:**

Absolutely. I think it is important to stress that this is a very high level percentage control which just sets out a number but it does not, in no means, lead to the conclusion that sometimes somehow lending can be made without significant controls in place. Currently, according to the calculations that we have, 15 per cent of States income would allow us to borrow a maximum of £87.8 million, I think is the number, and that 60 per cent number would lift that number to £351 million.

**Senator S.C. Ferguson:**

Super, and how much have we got lent out at the moment?

**The Minister for Treasury and Resources:**

I think we have sent you quite a lot of detailed schedules and I do not know whether that particular schedule has been included for the Panel's benefit.

**Treasurer of the States:**

It has, Minister, yes.

**The Minister for Treasury and Resources:**

Okay. So on the information that you have been sent the total...and of course all this is also set out, annually, in the States accounts, all G.A.A.P. (Generally Accepted Accounting Principles) compliant and all the rest of it, would mean that all our financial transactions will have been historically noted. So the total current lending by the States is currently, at 30th September 2013, about £11.4 million. Some of these loans go back some time. Les Vaux Housing Trust being, I think, some of the oldest. Some of the more recent ones being Parish of Trinity, an excellent project that we allowed the construction of first time buyer homes around Trinity, delighted that that is progressing really well and you have seen the full schedule. Included in that, of course, is also the lending of the Dwelling Houses Loan Fund and indeed agricultural loans as well.

**The Minister for Treasury and Resources:**

Is there any lending that falls outside of those numbers or is in addition to those numbers?

**The Deputy of St. Ouen:**

I do not believe so.

**Treasurer of the States:**

No, Chairman, but what is important that I should mention to you for the avoidance of confusion, is that we do have investments as well. So we have, for instance, investment of the Currency Fund

to help Trinity with their housing project but that is very limited and it is covered separately but I have brought the schedule with me for you so that you have the full schedule available to you.

**The Deputy of St. Ouen:**

Just to get a general feel...headline figures.

**Treasurer of the States:**

As at the end of September, which is the last quarterly report we have, it is £11,394,552.59.

**The Minister for Treasury and Resources:**

That is out of States general revenues.

**The Deputy of St. Ouen:**

As you say you separately...the other loans that you have made through the investment fund?

**The Minister for Treasury and Resources:**

Yes. They are not loans, they are investments.

**The Deputy of St. Ouen:**

They are not loans?

**The Minister for Treasury and Resources:**

No.

**The Deputy of St. Ouen:**

Can you give us a definition of what you believe is to be a loan and what is an investment?

**Treasurer of the States:**

We can certainly, Chairman. An investment, necessarily, has risk associated with it and variability in the level of return that might come to the States whereas a loan has certainty around those issues. So when you make the loan you agree the interest rate in advance. People know what they are paying and the States knows what it is going to receive in return. With an investment there is some variability around the level of return that you might achieve.

**Senator S.C. Ferguson:**

Super. If we go on I wonder if you could please clarify the process currently followed for the approval of States lending.

**The Minister for Treasury and Resources:**

That is quite a big question for...I mean there are the additional controls that I set out. The Treasury and Resources Minister in any one year in the name and on behalf of the States of Jersey on a Ministerial Decision can lend up to £500,000, that is for a one-off transaction, and all these are set out in the Public Finances (Jersey) Law Regulation 13 and of course everything must be reported. The total amount lent under those arrangements could only be £10 million. This is obviously Ministerial Decisions. Any lending should be repayable within 20 years. Basically those are the simple controls.

**Treasurer of the States:**

So that there is very little, Chairman, that the Minister for Treasury and Resources can do in his own right as the Minister set out. He can only do £500,000 in any one transaction and up to £3 million in any one financial year and up to £10 million in total. So the process that we have very much relies upon the States making the first decision about the purpose for the lending. So if we were to take the current housing arrangements, for example, the first decision was that the States approved the Housing White Paper within which was an expectation, a requirement, of £207 million in funding, so a funding requirement. The Treasury team was asked to go away and identify how that money would be found so the States made the decision that the investment should be made and that the investment in housing should be made. We were asked to go away and identify a way in which that could be achieved so we have come back with those proposals.

**The Deputy of St. Ouen:**

Sorry to rephrase the question or clarify it somewhat, we understand that obviously a decision has got to be made by the States to lend money to a particular body.

**Treasurer of the States:**

For a particular purpose.

**The Deputy of St. Ouen:**

However, we would like to understand very generally and quite briefly the role that the Treasury play because obviously prior to the States making a decision Treasury is required to undertake certain actuals.

**Treasurer of the States:**

Well, the...

**The Deputy of St. Ouen:**

Then following the approval obviously there are further actions that the Treasury need to take, am I not right?

**Treasurer of the States:**

Well, the first decision, when it comes to lending, as I have outlined already, the very, very limited circumstances in which the Minister for Treasury and Resources can make lending decisions under his own powers. All the other lending, if you look at the accounts, we set out lending like the Agricultural Loans Fund, the Housing Development Fund so the first decision was a States decision that that is a proper purpose for lending. Then what we do, Chairman, is we identify the funding for that within Treasury and then within the financial directions we set out how that process will then be managed and then within our accounts, I do not know if Kevin has got a copy of the accounts for me, but within the accounts we then report on all of those funds and we have a schedule within the accounts on each fund and all the movements within it so that the reporting on the lending, on any lending, is part of our formal accounts and it is reported on every year, any additional loans made, any repayments made and that is all set out.

**The Minister for Treasury and Resources:**

I go further than that, every decision has to be by public Ministerial Decision and then all the transactions that are made as a result of any Ministerial Decisions, and it is very rare we do lend money, let us be frank about this, are then reported in a 6-monthly report. I heard on the radio this morning, while you were not suggesting anything improper in relation to the way that I would do things, I think we also need to be clear that any Minister and Assistant Minister or I do not sit there and draft our own Ministerial Decisions and sign them. Every single Ministerial Decision is presented upon the advice of the Treasury. Every Ministerial Decision is recommended for signature to me by the Treasurer. So this kind of picture that is potentially being portrayed that somehow a Minister would draft up their own M.D.s (Ministerial Decisions) and sort of say: "Well, I will lend a few quid to this person or the other person", is...

**Senator S.C. Ferguson:**

No, I never thought that at all. However...

**The Minister for Treasury and Resources:**

I just want to finish off from what the Treasurer was saying. There are two extant decisions that the States has made in respect of the lending to this new housing company – two. The first one, and the proposition is before me, P.33/2013, specifically B4: "The Minister for Treasury and Resources is to take the necessary action to establish the funding arrangements as set out in the section 3.59 and 3.63 of the attached report." That is the first thing; is that if the States did not

want me to go and find a funding mechanism for the new housing entity they would have voted against it.

[15:45]

So we did that and then we took a specific part of the Budget, which because I cannot sign these things by myself, or the Treasurer cannot recommend that I do it and the Treasurer cannot do it herself either, we specifically set out a recital in the Budget which was that we would borrow and lend on for the housing purposes. So this bit of legislative amendment of the Public Finances (Jersey) Law from our perspective was entirely a consequential amendment to these earlier decisions and it requires that percentage of lending to be changed but somehow the need for this consequential amendment from 15 per cent to 60 per cent has been...I do not know quite what the sort of process of decision-making has been with people but it has been built up as a whole separate issue. Housing wanted money, they set it out in a report, got it approved by the States and asked us to find the funding. We did that work. We said: "The best way and the best value for money of this funding is to borrow money from capital markets." Not in the way that other Governments do and borrow and I am going to have to respond to solicitors and the *J.E.P. (Jersey Evening Post)*...

**Senator S.C. Ferguson:**

Yes, we understand that, Minister.

**The Minister for Treasury and Resources:**

...and all the rest of it and then to lend it on. I just do not understand what is new.

**Senator S.C. Ferguson:**

We understand that but it does say in the proposition: "That if the States approved the proposals in the Budget statement for the provision of lending for housing purposes [not necessarily to whom it is being lent, merely the purpose for which it is being lent] the Minister may, in line with the existing provisions of the law, authorise specific loans for housing purposes in the name of and on behalf of the States without further recourse to the States up to the £250 million limit."

**The Minister for Treasury and Resources:**

That is right.

**Senator S.C. Ferguson:**

Now, that is a lot of responsibility to give to one person and normally, in business, you would get two signatures on that at least.

**The Minister for Treasury and Resources:**

Sarah, let us be clear, £207 million was the estimate of capital requirements for the new housing entity. Okay? That is the £207 million.

**Senator S.C. Ferguson:**

So there, 43.

**The Minister for Treasury and Resources:**

Right. This is set out in P.33/2013. The additional money, capital, over £207 million, the difference between £207 million and £250 million is for additional units of affordable social rented housing which the Minister for Housing has set out that he wishes, and that again is not just him, that is a full Council of Ministers' decision, setting out requirements for social housing extensions and improvements over the next few years and we...

**Senator S.C. Ferguson:**

Which is we are one single...

**The Minister for Treasury and Resources:**

Hold on, hold, on, hold on.

**Senator S.C. Ferguson:**

One single housing trust and you did not put it out to tender.

**The Minister for Treasury and Resources:**

Look, no. No, no, no, no. The Treasury is ambivalent, ultimately, as to who the provider of the additional units will be, of course, on a case-by-case study looking at the individual applicants but there are two major social housing provisions and there are a few minor ones. There is going to be the Housing Department, known in future as Andium Housing and there is the Jersey Homes Trust. The other ones are important but they are in no way on anything like the scale of those two entities. The Jersey Homes Trust has about 1,000 units and Andium will have about 4,400 units and the additional funding is designed to put into the market, when the economic position continues to be difficult and it is the right time to provide this additional housing, housing supply is absolutely critical to continue to provide. We will work with any housing trust but in reality there are only two that are of the scale that could deal with those sorts of numbers.

**Senator S.C. Ferguson:**

Yes, but you see the whole point is that at the moment you can lend up to £250 million without recourse to the States, a States that is divided on...



**Treasurer of the States:**

No, Chairman, because we already...

**Senator S.C. Ferguson:**

You have permission, yes, from the States.

**Treasurer of the States:**

It is not without recourse to the States, Chairman, because the States has already made that decision. The States has already made the decision that £207 million of it...

**Senator S.C. Ferguson:**

Will go to...yes.

**Treasurer of the States:**

...is for the new housing company.

**The Deputy of St. Ouen:**

So just to clarify, £43 million, which is the additional sum of money above £207 million in the Budget, it says: "For provision for rezoned sites and site acquisition." That is quite different to what you just said, is it not?

**The Minister for Treasury and Resources:**

No.

**Treasurer of the States:**

No, it is consistent.

**The Minister for Treasury and Resources:**

It is absolutely consistent.

**The Deputy of St. Ouen:**

So just explain...because this seems to be that you are planning to use money to purchase sites, is that right? Or it may be.

**The Minister for Treasury and Resources:**

If there are rezoned sites and the Jersey Homes Trust or Andium need to buy those units, or acquire them and develop them.

**The Deputy of St. Ouen:**

Right, so that would be different.

**The Minister for Treasury and Resources:**

They are going to need to buy them, yes.

**The Deputy of St. Ouen:**

But the sole purpose of the money for housing is for social housing only?

**The Minister for Treasury and Resources:**

Affordable social housing. Now, the Minister for Planning, the Minister for Housing, the Chief Minister and I are committed to providing a range of affordable housing options for home buyers in Jersey. Social rented housing is one type of tenure but it is the aspiration of both the Minister for Housing and the Planning Department that there should be other tenures such as variants of right to buy, shared equity and other forms of low cost housing that allow people that otherwise would not be able to operate in the so-called open housing market to get into home ownership.

**The Deputy of St. Ouen:**

Right, so some of these funds that we are going to be borrowing, this new borrowing, will be used to help subsidise individuals to get on the housing ladder, is that what you are saying?

**The Minister for Treasury and Resources:**

Well, that is possible but it is for the Minister for Housing and his Strategic Housing Unit to work up, and that work is underway now, because the only type of tenure we have got, we have only had in Jersey social housing and effectively this home buy scheme, which itself has been the subject of a number of reviews, and so the Strategic Housing Unit, which the Minister for Housing, myself and Planning, work together on is looking into new innovative forms of affordable housing which have been very successful elsewhere.

**The Deputy of St. Ouen:**

During the debate on P.133 your Assistant Minister obviously ably presented the proposition, said: "That you [Minister] were keen to ensure that the relevant key safeguards were in place and further strengthen the existing robust provisions." Maybe either the Assistant Minister or you can explain what strengthening you plan to do with regards to the existing provisions.

**The Minister for Treasury and Resources:**

Sure. Well, what we envisage is first of all there were a number of steps, as far as the new housing company is concerned the States still has to agree the details of a number of the sort of

final details of its incorporation. There needs to be the memorandum of understanding, the incorporation...

**Treasurer of the States:**

The detail of the law is...

**The Minister for Treasury and Resources:**

Yes, the details of the law, the articles of association is the phrase I was looking for. So that is going to set out all of the modalities of the way this new entity is going to operate. It is a company limited by guarantee. It has a single shareholder. All States entities are under the shareholding of the Treasury and what the Treasurer and Deputy Noel and I have agreed is that in this case we will set out a revised and new financial direction that will set out the specific drawdown arrangements for the £207 million to the new Andium housing and that will be, because obviously they are not going to require all of this capital upfront they will be drawing it down for the specific projects that were set out in P.33.

**Senator S.C. Ferguson:**

Right, what are the new procedures you are going to be following prior to any loan for housing purposes being made?

**The Minister for Treasury and Resources:**

Well, we said we are going to use the Housing Development Fund which was the entity that has not been used for a number of years and was very successful...that the operation of the Housing Development Fund created in itself hundreds of social housing units in former hotel sites around Woodville Apartments, the back of the old St. Saviour's Road maternity unit was one example. That was first-time buyers. So there is an already existing framework with the Housing Development Fund that has not been used for some time so we are going to set out those arrangements. Remember there is a segregation of duties. We are the fund's holders and the new housing entity are going to be effectively the borrower so we are going to put all the necessary appropriate arrangements and we are going to be appropriately searching and detailed in the questions and the arrangements that we are going to put in place to drawdown the individual funds.

**Senator S.C. Ferguson:**

Yes, so what arrangements are you going to put in place?

**Treasurer of the States:**

Well, Chairman, obviously we will have formal loan agreements between the States and the newly incorporated housing body and both sides will have the usual legal advice about that so we will have formal loan agreements between the States and between the new housing body.

**Senator S.C. Ferguson:**

What else?

**Treasurer of the States:**

What else?

**Senator S.C. Ferguson:**

Yes.

**Treasurer of the States:**

So the way that the Minister has described...well, first of all importantly you have the States decision that the purposes for the loan are for housing purposes so we have that. That is our fundamental decision that the States has already made. Our job was to identify funds to enable that to go ahead, which we have done. We then underpin that with the Financial Direction, that the Minister has described, and that is exactly what we have done, for instance, with other funds; we have Financial Directions that show how those funds are administered. We then get on with the administration of those funds so going down a further level. Where we have a loan we would have a loan agreement between ourselves and the newly incorporated housing body. Just as I was mentioning earlier we will then, of course, report on all of that. Page 223 of the States accounts sets out the current special funds for specific purposes including the loan funds. They are for things like the 99 Year Leaseholder's Fund, the Agriculture Loans Fund, the Dwelling Houses Loan Fund and this is for the house purchase scheme. Now for each of those we have established administrative arrangements for how all of that money is administered and we get on and manage those funds and then we report on it and that is part of our accounts. Each of the loan funds has its own account and balance sheet and of course where we have surplus funds we invest and get a return through the Common Investment Fund.

**The Deputy of St. Ouen:**

We understand that you have certain safeguards in places. I mean what we do really want to explore, and following the comments made in the reported proposition and by the Assistant Minister, is what additional safeguards...

**The Minister for Treasury and Resources:**

What else are you looking for?

**The Deputy of St. Ouen:**

...what additional provisions are you going to make and you feel necessary to make because obviously you would not have said: "Well, we are going to improve the current provisions" if they were good enough. So we want to know what additional efforts or actions you are going to take to deal with obviously some of the concerns you must have.

**The Minister for Treasury and Resources:**

No, we have no concerns. We are just putting in place a framework. We are borrowing a very significant amount of capital to lend on to the housing entity and we are going to be using the Housing Development Fund to do that. The code of direction is going to be drafted in such a way to reflect the arrangements of what housing need and we need to safeguard that money which includes project specific loan agreements, including a repayment provision and ensuring that that has got monitoring and compliance on board.

[16:00]

Remember that this new housing exercise...

**The Deputy of St. Ouen:**

Right, how is that in place?

**The Minister for Treasury and Resources:**

We do not do that at the moment. This is a new entity, Deputy.

**The Deputy of St. Ouen:**

I thought you had lent money to the Housing Department over the last number of years to undertake projects.

**The Minister for Treasury and Resources:**

Andium is a new legal entity so when we say "a new arrangement" it is because Andium is new and it is different to the other entities that we have lent as we are going to be the shareholder for this entity and that is going to set out a memorandum of understanding which Andium is going to have to set out a business plan on an annual basis but also we are looking to see a 5, a 10 year business plan from this organisation. There are going to be official meetings with Andium on a regular basis, just as we have with all of the other owned entities, and there is going to be

reporting where they are going to have to report their financials and they are going to have to give updates of how their projects are going. We are not the board of directors of Andium but we are wanting to ensure, and I have got full confidence that the new chief executive of this entity and the board that is going to be appointed is going to do this job, but it is our job to ensure that there are no surprises, that they follow through on what they say and that we then have reported the...because there will be of course some project delay slips as with all things. If they are going to be redeveloping Green Street Car Park they are going to need planning permission and they are going to have variants of that planning decision and there may be some slips or maybe there will be some bringing forward of schemes and we just want to know about it. It is just the French expression, '*de bons comptes font les bons amis*' – 'good accounting makes good friends' – and that means that we want an entity which we have confidence in, we know what is going on, and the code of direction that is going to be specific for Andium under the H.D.F. (Housing Development Fund) is going to set that out.

**Senator S.C. Ferguson:**

How is Andium connected with Green Street Car Park?

**The Minister for Treasury and Resources:**

Sorry, Green Street...did I say car park? The Green Street development. That is one of housing's big projects. They are going to develop the social housing along Green Street.

**Assistant Minister for Treasury and Resources:**

The bottom end of Green Street at Havre des Pas, the low rise.

**The Minister for Treasury and Resources:**

So if I said Green Street Car Park I am sorry, I meant Green Street. Sorry, I do not want to raise your hackles again. I should not do that.

**Senator S.C. Ferguson:**

No, I just was curious as to where they were going to put flats on.

**Treasurer of the States:**

Just to help Deputy Reed I think you may be thinking about...we did bring forward some of the housing schemes so that they had some funding in advance but it was not done as a loan it was just done through a...

**The Deputy of St. Ouen:**

It was reported as a loan.

**Treasurer of the States:**

No, it was not.

**The Deputy of St. Ouen:**

Certainly in the Medium Term Financial Plan it was requiring repayment. Well, if it was not a loan what was it?

**The Minister for Treasury and Resources:**

It was an amount of money that was advanced that was being repaid.

**The Deputy of St. Ouen:**

If a sum of money is required to be repaid my definition of that is a loan. I mean maybe I am wrong but then maybe you could correct me.

**Treasurer of the States:**

Okay. Yes, I am trying to get a word in.

**The Deputy of St. Ouen:**

Very well.

**Treasurer of the States:**

What was done was that the schemes were...that there was a long-term plan for housing schemes and because the States was keen to get that money into the economy some of those projects were brought forward so that they could be funded but they are funded from our traditional capital routes at the moment. You cannot have a loan of the sort that you described for yourself so the loans that we will have in the future will be between the States and the newly incorporated housing body. They have had some of their funding in advance and that is what they will repay to us.

**The Deputy of St. Ouen:**

So the housing association, which is yet to be incorporated...

**Senator S.C. Ferguson:**

There was a previous loan I think. Was it not under the fiscal stimulus where they had about £8 million which had to be repaid as the...

**The Deputy of St. Ouen:**

It was £40 million.

**Assistant Minister for Treasury and Resources:**

It is £9 million plus £27 million.

**The Minister for Treasury and Resources:**

£27 million.

**Senator S.C. Ferguson:**

Yes, but there...

**The Minister for Treasury and Resources:**

We advanced the money early in the anticipation of incorporation and then we are drawing this money down.

**Senator S.C. Ferguson:**

Because that one came out of the Currency Fund I think, did it not?

**Assistant Minister for Treasury and Resources:**

No, it did not in the end.

**Senator S.C. Ferguson:**

Where did it come from in the end then?

**The Minister for Treasury and Resources:**

Consolidated Fund.

**The Deputy of St. Ouen:**

The expectation is that once the housing association is incorporated and the bond is issued and paid to the Housing Development Fund then you, as Minister for Treasury and Resources, presumably, are expecting that whole amount to be repaid.

**Treasurer of the States:**

Yes, we are.

**The Minister for Treasury and Resources:**

There is nothing new about that, we have said that right from the start.

**The Deputy of St. Ouen:**

Right, immediately?



**The Minister for Treasury and Resources:**

Yes.

**Treasurer of the States:**

That has always been in the plans.

**The Minister for Treasury and Resources:**

What a huge success that has been.

**The Deputy of St. Ouen:**

Absolutely.

**The Minister for Treasury and Resources:**

We advanced the money, we did not have sufficient capacity in the capital programme at the time and our whole approach on this is value for money, let us not forget that. We are here to absolutely ensure that we get best value on everything we are doing and that our activities are complementary to the economic situation. So we advanced the money that otherwise if we had not done Le Squez would not be built today.

**The Deputy of St. Ouen:**

I am not questioning the advancement. I am just questioning how it is treated.

**The Minister for Treasury and Resources:**

There are lots of people listening to this. Okay, there are lots of people listening to this and we sometimes, in the micro detail of our administrative procedures, get lost in the overall principle. We delivered much needed social housing schemes earlier than otherwise would have been possible at crackingly good construction cost rates and we always said that when the housing entity would be incorporated we would ask for that money to be repaid for it. What to do? So that we can get on with other capital projects in the capital programme. I have always been clear I am not prepared to borrow or lend for revenue expenditure. It is right to borrow and to look at the way of funding capital projects that have investment returns. What this whole argument is about, and why I am absolutely respecting your right to call this in, we are in a race against time in terms of ensuring that we borrow this money at the cheapest possible rates. You can see with the markets turning at the moment, with economic recovery on its way in the U.K. (United Kingdom), stronger day-by-day, in the U.S. (United States) as well, obviously the Eurozone is a different issue. Our concern is that we wanted to get capital for debt financing, not for the normal reasons that Government go and borrow money, for investment in our housing stock at the lowest possible rates.

**Senator S.C. Ferguson:**

Yes, well in the meantime.

**The Minister for Treasury and Resources:**

That is what we are trying to achieve.

**Senator S.C. Ferguson:**

Yes, we appreciate that.

**The Minister for Treasury and Resources:**

We have all of the administrative arrangements and controls in place to control it.

**Senator S.C. Ferguson:**

Well, in your proposition you said that you were going to...now what is it...“Is keen to ensure that that correct checks and balances are in place before authorising any loan and intend to strengthen the existing procedures, et cetera, et cetera” and obviously we are fairly cautious. We like to see that all the provisions are in place.

**The Minister for Treasury and Resources:**

That is not a standalone proposition. That proposition is a consequential proposition to two more propositions that the States have already approved.

**The Deputy of St. Ouen:**

Minister, your own words say: “I want to strengthen the current provisions”...

**The Minister for Treasury and Resources:**

For the H.D.F.

**The Deputy of St. Ouen:**

...it is only right that we, as a Panel and States Members, should ask you how you are going to do it. Why do you need to do it?

**The Minister for Treasury and Resources:**

But do not turn the question as if there is a current problem. We are putting in place a framework to permit the appropriate structuring of lending to this new entity.

**Senator S.C. Ferguson:**

Absolutely right and we are just making sure...

**The Minister for Treasury and Resources:**

We will not compromise on standards.

**Senator S.C. Ferguson:**

...on behalf of the taxpayers that we are happy about it. Right, so you agreed that lending would occur after consultation with the Minister for Housing. How will that consultation be formalised?

**The Minister for Treasury and Resources:**

What I envisage is that I will formally meet with the Minister for Housing to review the business plan for the new Andium housing company. What we expect it to be, of course, is the work programme that is set out in P.33 with all of those projects that we want to improve social housing. Before I sign and before I am recommended to sign an individual Ministerial Decision to drawdown the project for Andium, I would expect to consult the Minister for Housing to see whether or not he would support this proposal by Andium to do what they are doing because he is interested of course in ensuring that the right tenure, the right number of units, the size of units, whether one or 2 or 3 bedroom properties are being created. So it just seems to me sensible to put in place a consultation mechanism with him.

**Senator S.C. Ferguson:**

Yes, because during the debate the Assistant Minister also advised that consultation would take place with the Council of Ministers before loans are made. Is that still your intention and how will that be formalised?

**The Minister for Treasury and Resources:**

Well, what I would do is that we would take, I would imagine, the Andium proposal for their work programme perhaps alongside the rest of the capital programme considerations when we are looking at the capital programme and look at what Andium are doing and report it to the Council of Ministers and seek views because one of the big activities which is going to be commanding our attention in the coming months is to take account, and we enthusiastically agreed and had already done a lot of work on the F.P.P. (Fiscal Policy Panel) recommendation, that our endeavours this year must be to get money spent on the economy; those capital allocations that have been spent must be spent, that money needs to get into the economy. It is absolutely vital but going forward, such is the scale of capital projects that are coming down the pipe with the hospital and other capital projects, we need to ensure that there is sufficient supply in the construction and the capital projects delivery part of the economy to ensure that as a result of the States demands on capital project buying that we do not overheat the economy. There are a number of measures that we are going to be considering to do that. So it just seems sensible to look at the overall because Andium

is going to be so big it just seems commonsense to look at the overall capital and then to consider the full demands on the construction sector.

**Senator S.C. Ferguson:**

Yes. Well, suppose you go to the Council of Ministers with a proposed loan project and the Council of Ministers disagree with it.

**The Minister for Treasury and Resources:**

I mean I cannot envisage that the Council of Ministers...broadly speaking we work by consensus and I cannot imagine a situation that I would be taking a loan proposal on something that has already been set out in P.33, that has been agreed by the States, that is delivering social housing units that the Council of Ministers is probably going to be saying: "Yes. Now, get on with it." It is about...

**Senator S.C. Ferguson:**

Yes, but suppose they did not.

**The Minister for Treasury and Resources:**

Pardon?

**Senator S.C. Ferguson:**

Suppose they did not. Just plan B, suppose they did not.

**The Minister for Treasury and Resources:**

We always operate on a system of consensus. If it is a renegade Minister that has got some dotty idea about some other form of housing tenure that it is not the views...at the end of the day we operate by consensus but at the end of the day decisions are made by the majority but we always try and take everybody with us. I do not see any opponents on the work of providing more social and affordable housing. I think that is one of the things that we are united in wanting to deliver.

**The Deputy of St. Ouen:**

Coming back to some of the key safeguards, or whatever safeguards that you wish to put in place, will one of them be a sort of clear definition of what the fund, the money, that we are going to borrow can be used for?

**Treasurer of the States:**

That is already in the proposition.

**The Minister for Treasury and Resources:**

It is already in the proposition.

**The Deputy of St. Ouen:**

You say that the proposition...because the proposition, some would argue, is perhaps vague in certain areas.

**The Minister for Treasury and Resources:**

Why is it vague, Deputy?

**Treasurer of the States:**

The proposition says very...

**The Minister for Treasury and Resources:**

It is crystal clear.

**Senator S.C. Ferguson:**

It says a body for housing purposes.

**The Deputy of St. Ouen:**

Housing purposes and so the acronym...

**The Minister for Treasury and Resources:**

And that is...

**Senator S.C. Ferguson:**

It could be S.o.J.D.C. (States of Jersey Development Company) for housing purposes.

**The Deputy of St. Ouen:**

You are happy with that definition of housing purposes in general?

**The Minister for Treasury and Resources:**

S.o.J.D.C. are going to be delivering some social housing as part of the planning obligation on the J.C.G. (Jersey College for Girls) site and that one is envisaged that it is going to be delivered by the Jersey Homes Trust and that is great news. That is fantastic. I want to see that project get on with it and I think anybody would disagree with using States sites for delivery of affordable and social housing. We want to see more supply.

**The Deputy of St. Ouen:**

Could these funds be available to private individuals or private companies based on the Island?

**The Minister for Treasury and Resources:**

I could not envisage that, no. No, because social housing landlords are not private individuals. They are, by definition, not for profit organisations who are delivering...

**The Deputy of St. Ouen:**

Are we moving away from social rental, as you call that...

**The Minister for Treasury and Resources:**

Against the policy that we have already agreed.

**The Deputy of St. Ouen:**

...the sale of affordable housing which is in the realms of any individual to be involved in, is that not right?

**Treasurer of the States:**

No, that is not the intention at all. The intention is that the lending is to the bodies that the Minister has mentioned. It is the £207 million to the new housing body, Andium, and then to other bodies like the Jersey Homes Trust or...

**The Minister for Treasury and Resources:**

It could be Parishes.

**Treasurer of the States:**

It could be Parishes.

[16:15]

**The Minister for Treasury and Resources:**

As we have done with Trinity.

**Treasurer of the States:**

It is not the intention to be lending money to individuals.

**The Deputy of St. Ouen:**

No, private companies. Let us be very clear you are saying...

**Senator S.C. Ferguson:**

Well, we have talked about first time buyers.

**Assistant Minister for Treasury and Resources:**

Deputy, if you look at paragraph 3 of the report...

**The Minister for Treasury and Resources:**

No. Can I just correct something you said on Radio Jersey this morning? You said that this lending was for the deposit loan scheme, no, it is not. It never has been...

**Senator S.C. Ferguson:**

It has been mentioned. I was just looking for the reference.

**The Minister for Treasury and Resources:**

No.

**The Deputy of St. Ouen:**

Well, that is good.

**Assistant Minister for Treasury and Resources:**

If you look at paragraph 3 of the report...

**Senator S.C. Ferguson:**

Let us get that clear then.

**The Minister for Treasury and Resources:**

This is 4. But we have said this, Senator...

**Senator S.C. Ferguson:**

No, no, there has been mention of it either in the States debate or somewhere.

**The Minister for Treasury and Resources:**

No.

**Assistant Minister for Treasury and Resources:**

I think you may have mentioned it, Senator, but it certainly has not come from...

**Senator S.C. Ferguson:**

No, I have not mentioned it.

**Assistant Minister for Treasury and Resources:**

...the Treasury side.

**Senator S.C. Ferguson:**

No, I have not.

**Assistant Minister for Treasury and Resources:**

If you look at paragraph 3 of the report on P.133 it clearly sets out there under purposes: "The primary purpose of this amendment is to address the recommendations in the draft Budget statement 2014 to borrow up to a maximum of £250 million in 2014 for housing purposes and then lend up to this maximum sum for housing purposes to housing trusts, associations, companies or bodies with the same purpose registered in Jersey in order that they can provide housing for Islanders."

**The Deputy of St. Ouen:**

I thank you very much for drawing my attention to that because it is interesting to note that you talk about the primary purpose and it does not say the only purpose.

**Assistant Minister for Treasury and Resources:**

They are the same purpose.

**The Deputy of St. Ouen:**

Pardon?

**Assistant Minister for Treasury and Resources:**

It is the same purpose.

**The Deputy of St. Ouen:**

Sorry?

**Assistant Minister for Treasury and Resources:**

It says the same purpose.

**The Deputy of St. Ouen:**

The primary purpose of this amendment, you just read it to me.



**Assistant Minister for Treasury and Resources:**

Yes, but the last part of the sentence it says: "All bodies with the same purpose."

**The Deputy of St. Ouen:**

Yes, but you say "the primary purpose". I am just...

**Assistant Minister for Treasury and Resources:**

They have to have the same...

**The Deputy of St. Ouen:**

I just...let me speak. One of the concerns States Members have is that this fund could be used for other things and we just want you to clarify how will you ensure and satisfy Members of the States who believe that...to address that particular issue. Are you are going to issue a financial direction which said: "These funds will be required"...

**The Minister for Treasury and Resources:**

Okay. Let us go through an example. I mean if we are really going down this sort of decision-making questioning route, let us go through an example. So we have borrowed £250 million. We have put it into the Housing Development Fund which is where the recipients...all this money is going to be credited to the Housing Development Fund; that is what we are going to do. So, now it is in the Housing Development Fund. Does the Housing Fund permit any other purpose for activities and financial transactions with it that is not housing? I do not believe so. If it does it will be set out specifically in the Financial Direction. So it is for...it has been put in...the control we put in place is not to just put this £250 million into the Consolidated Fund and draw it out from there or one of our other...we are putting it in the specific fund that was set up by the States for delivery of, originally, first time buyer affordable and social housing. That is what it can be used for.

**Senator S.C. Ferguson:**

But there is mention that the rules...

**The Minister for Treasury and Resources:**

Can I just say...Senator, can I just finish a second? Can I just...before we go off on a little tangent somewhere let us consider the political implications of doing something that would be even attempting to circumnavigate these rules and lending it to Joe Bloggs Shop Limited or something else. It is just inconceivable. We are borrowing this money on P.33 for housing purposes for the capital requirements for Andium and the additional purpose is to provide up to 1,000 new units of affordable social housing. That is what it is there for. That is what we have said.

**The Deputy of St. Ouen:**

That is great. Thank you very much.

**The Minister for Treasury and Resources:**

We are not going to use it for anything else.

**Senator S.C. Ferguson:**

There was a comment somewhere that we might have to...we have amended the requirements of the Housing Development Fund, have we not?

**The Deputy of St. Ouen:**

The Minister has quite clearly said that the money can only be used for matters specified under the Housing Development Fund, great. That answers the question that Members have raised. Thank you.

**The Minister for Treasury and Resources:**

Okay, but that is not new. That is why we are using the H.D.F. It is called the Housing Development Fund so I think there is a clue in the title.

**Senator S.C. Ferguson:**

Right.

**The Deputy of St. Ouen:**

With regards to the reporting of lending in general and specifically around this matter have you any thoughts on how you may be able to answer some of the questions raised by States Members during the principal debate and improve on the current reporting mechanism that is in place?

**The Minister for Treasury and Resources:**

The reporting requirements are excellent, Deputy. Every single decision, a public Ministerial Decision, set out with a recommendation for either the Assistant Minister and I to sign and published within hours, days, however good the Greffe is, in reporting it. So nothing is done behind closed doors. Everything is transparent, 6-monthly reporting of all the decisions that we take under all of our obligations and then, as the Treasurer said, audited accounts published in detail, some of the most detailed transparent open accounts of any nation state in the world. I honestly do not think that there is any further...if you can think of something additional that you would like us to do...but that is about as transparent, as open and as...

**Senator S.C. Ferguson:**

The 6 monthly report is really a bit difficult because of the fact that it comes out 6 months after the date...

**The Minister for Treasury and Resources:**

But you have seen the individual Ministerial Decisions; they are public decisions.

**Senator S.C. Ferguson:**

Yes, but not all of them.

**The Minister for Treasury and Resources:**

All of them are.

**Senator S.C. Ferguson:**

No. There are missing numbers.

**The Minister for Treasury and Resources:**

No. Senator, I am sorry all Ministerial Decisions that involve the topic that we are talking about, which involve lending money, are public decisions, okay.

**Senator S.C. Ferguson:**

I was talking about them in general. However I was just about to give you a bouquet.

**The Minister for Treasury and Resources:**

If you would like to identify any other Ministerial Decisions that are...

**Senator S.C. Ferguson:**

I was just about to give you a bouquet.

**The Minister for Treasury and Resources:**

Good.

**Senator S.C. Ferguson:**

For a change.

**The Minister for Treasury and Resources:**

I would like a decision on this.

**Senator S.C. Ferguson:**

No, I was saying that the 6-monthly thing that we get in the States is a pain because it comes in in December and it refers back to June. Now, the quarterly reporting schedules that we have been seeing as the Panel are a great deal more use and a great deal more timely and if we could have more of those that is excellent.

**Treasurer of the States:**

We have promised you those, Chairman. We have been giving you the quarterly reports.

**Senator S.C. Ferguson:**

Yes, absolutely, and those are super but...

**The Minister for Treasury and Resources:**

Well, I do not think we can do quarterly more than quarterly.

**Senator S.C. Ferguson:**

Well, no. At least we get them; the June one is in September which is an improvement.

**The Deputy of St. Ouen:**

Would you aim to include lending in that quarterly report?

**Treasurer of the States:**

If you would like us to I will happily do that.

**The Deputy of St. Ouen:**

Well, forget about us liking it or wanting it, I am just wondering what the Council of Ministers have requested because I would have thought that they would have wanted to be informed of various decisions that are being made and especially with the sums of money that we are talking about.

**Treasurer of the States:**

As you know, Chairman, our quarterly reports are very, very detailed already and they cover all budgets so those quarterly reports will cover lending.

**The Deputy of St. Ouen:**

Will cover that and the Housing Development Fund?

**Treasurer of the States:**

We do not report quarterly on those individual funds which is why I am saying, if you would like me to include that, because of course we do the accounting for it monthly, then if you would like me to include that we will happily do so.

**The Deputy of St. Ouen:**

So the Council of Ministers does not request any additional information following, obviously, the creation of the bond and the lending...

**The Minister for Treasury and Resources:**

We have not got there yet.

**The Deputy of St. Ouen:**

Well, I would have thought that some of these matters may have been discussed prior to bringing the proposition to the States.

**The Minister for Treasury and Resources:**

No, they are bilateral discussions. This new entity...there is a process of decision. There is a process of work flow that we are doing to get the States to agree the borrowing and the lending and then we are going to put in place, of course, all of the modality but they are already there. All the structures are already there.

**The Deputy of St. Ouen:**

All right, so there will be some further work to be undertaken following the States decision on P.33...133, sorry.

**The Minister for Treasury and Resources:**

I do not want to create an impression that somehow that...you do not have a dog and bark yourself. This board is going to be legally responsible for running this entity. We will be authorising drawdowns to this entity and we are going to then depute to them, as the shareholder, responsibility for effectively getting on and running the show. We are not going to be micro managing them so we are going to agree...we, as politicians, and the Council of Ministers, should be agreeing strategy and then asking other people to get on with the implementation of it and holding them accountable to deliver that and those are the structures that we have got in place in the other shareholding entities that we have got and we do it.

**The Deputy of St. Ouen:**

Absolutely, and it is more important than ever to ensure, which is why we have asked you to this hearing to make sure that we have that transparency and accountability that gives that assurance that...

**The Minister for Treasury and Resources:**

But it is already there.

**The Deputy of St. Ouen:**

...these things can operate in a way that you suggest.

**The Minister for Treasury and Resources:**

The question would give the impression that that is not already in place, it is.

**Senator S.C. Ferguson:**

Well, that is why we are having the hearing to make sure that it is in place.

**The Deputy of St. Ouen:**

On a reporting matter I wonder if any consideration has been given to looking at Standing Order 168(3) which relates to the reporting of land transactions. It is quite interesting in this particular case a report is presented to the States and a period of time is given for States Members or other individuals to raise concerns before the transaction then takes place. I just wondered whether or not any thought had been given to operating something similar with regards lending?

**The Minister for Treasury and Resources:**

I would recommend against that. Effectively what that is, that is a calling mechanism and a calling mechanism should only be used...effectively it is a...just so that other people understand, you publish an intention of doing something and then there is a period of time in which somebody can try and effectively strike it down and not let it happen. It is appropriate to do it for property transactions but effectively it puts in place a 3-week period of uncertainty before we can get on with it. I want, and I think everybody would want, this new housing entity to be operating not as a States department. We want this housing entity, effectively, to be operating in a highly focused, highly commercial, that is not for profit, this is a not for profit organisation, for the benefit of providing a better service to the tenants and more plentiful social housing. It almost says: "Well, we are not"...if you have a calling it means that somehow you suspect that the decision-makers and the decision-making process could be deficient. I mean if you go along that line every decision that the Minister for Treasury and Resources would make would be subject to a 3-week call-in. I think we are going to set this housing entity up into a very poor standard of trust. I think it

is much better to put the obligations on to the entity themselves for them to have to complete certain modalities to drawdown and then to get them authorised and then get on with it.

**Senator S.C. Ferguson:**

No. I think the answer is trust and verify, is it not?

**The Minister for Treasury and Resources:**

Well, yes, but not verify at every single stage. We are very good as politicians at putting in place nomenclature and other things that make us feel better, that we have got our noses in lots of things and we want to control everything and it just paralyses the system. We are appointing a professional body with good people with a good set of independent directors that is working against an agreed policy, which is going to be subject to an additional control of decision-making via the Treasury, and I think that is sufficient. It is not as if they are going into speculative derivatives trading, they are building social housing.

**Senator S.C. Ferguson:**

Okay. Will you undertake to present a report to the Assembly detailing all the loans currently provided by the States and itemising individual annual repayments and the total amount loaned?

**The Minister for Treasury and Resources:**

I think you have asked me a written question on that so you will get it on Tuesday.

**Senator S.C. Ferguson:**

Well just making sure.

**The Minister for Treasury and Resources:**

But there is nothing else.

**Treasurer of the States:**

It is in the accounts.

**The Minister for Treasury and Resources:**

It is in the accounts. I mean strictly speaking, Senator, we should not have to answer questions of information that is already in the public domain and all of that information is in the public domain because it is in our accounts.

**The Deputy of St. Ouen:**

All loans?

**Treasurer of the States:**

Yes, of course.

**Senator S.C. Ferguson:**

But if you will notice I have also asked about off balance sheet financial transactions, which is slightly different.

**Treasurer of the States:**

What off balance sheet financial transactions?

**The Minister for Treasury and Resources:**

These questions, Sarah...

**Senator S.C. Ferguson:**

But anyway that is not part of the hearing.

**The Minister for Treasury and Resources:**

Okay, but hold on a minute.

**Senator S.C. Ferguson:**

No, no, it is not part of the hearing.

**The Minister for Treasury and Resources:**

No, no, you have asked the question...

**The Deputy of St. Ouen:**

Minister, I draw your attention that you are here to answer our questions regardless of what you think of those questions.

**The Minister for Treasury and Resources:**

You have just asked me about off sheet balance finance.

**Senator S.C. Ferguson:**

No, I did not say that. I just mentioned...

**The Minister for Treasury and Resources:**

Well, I think the words came out of your mouth. We do not have any off balance sheet financing matters, end of. We apply the highest standards...



**Senator S.C. Ferguson:**

Morier House?

**The Minister for Treasury and Resources:**

That is not off balance sheet.

**Treasurer of the States:**

That is in the balance sheet, Chairman. That is borrowing.

**Senator S.C. Ferguson:**

The other one I think was the Alpha Taxiway. Anyway...

**Treasurer of the States:**

Would you like me to show you where it is in the accounts?

**Senator S.C. Ferguson:**

...but we are not talking about that at the moment. That happens to be a personal question which I have asked for question time.

[16.30]

In that case you will answer my written question and also if you would send a copy to our Scrutiny Officer that would be helpful.

**Treasurer of the States:**

We will certainly do that, Chairman.

**Senator S.C. Ferguson:**

If we carry on...now, the £250 million, which will be borrowed, you have said, I think that £207 million will be lent to the Housing Association. When will the first tranche be made?

**Treasurer of the States:**

The plan, Chairman, is all set out in the Budget Report that we brought in December and, as you know, there is a clear schedule within the Budget Report that sets out the planned profile of spending for housing. So we would envisage that the first drawdown by the new company...first of all the new company has to be fully established and all of that work has to be done but as we sit here at the moment we are expecting the first drawdown to be within a month or so of a new housing company being established.

**The Deputy of St. Ouen:**

Which is likely to be?

**Treasurer of the States:**

Well, the plan, Chairman, is July of this year so we would expect the first drawdown to be around that time. Obviously the new housing company will need to be properly established and capable of entering into the loan agreements that we described earlier.

**The Deputy of St. Ouen:**

Can you give us an indication of what the likely amount will be?

**Treasurer of the States:**

Yes, it is in the Budget Report. May I just borrow your...and I will show you where it is in the report.

**The Deputy of St. Ouen:**

Just tell me the figure rather than point to a page. It would be much easier.

**The Minister for Treasury and Resources:**

We are good but we...

**Assistant Minister for Treasury and Resources:**

It is not a memory test.

**The Minister for Treasury and Resources:**

It is not a memory test. It is already set out. All the projects are all set out.

**Treasurer of the States:**

So that is the...

**Senator S.C. Ferguson:**

It would be helpful for the audience here if you...

**Treasurer of the States:**

Here we are, Chairman. That is the...

**The Deputy of St. Ouen:**

Just tell us.

**Treasurer of the States:**

Yes. So that is the spend profile and it has got page 82 of the Budget Statement that States Members approved in December and, in 2014, £61.7 million and it goes on.

**The Deputy of St. Ouen:**

So you are planning to make a first loan of £61 million to the...

**Treasurer of the States:**

Well, we probably will probably not do £61.7 million. We might do £62 million or something like that.

**The Deputy of St. Ouen:**

Right, okay, but it is around that figure?

**Treasurer of the States:**

It will be around that figure.

**The Minister for Treasury and Resources:**

Or if they can bring projects forward it will be £70 million.

**Treasurer of the States:**

That all adds up to the £207 million. That is the schedule there, James.

**The Deputy of St. Ouen:**

Thank you.

**Senator S.C. Ferguson:**

When would you expect to be lending to the Housing Trusts?

**Treasurer of the States:**

We do not have an agreement with the Housing Trusts at the moment, Chairman.

**The Minister for Treasury and Resources:**

There is no planning permission for J.C.G. yet. It is expected, but we do not have that. Obviously one of the things that we want to do is we want to try and encourage as much social housing, including the Jersey Homes Trust doing J.C.G. as possible. That, by the way, was in agreement with the housing entity. The Housing Department themselves have said that their preferred supplier of the new social housing units and the affordable units at J.C.G. and, incidentally, at Ann

Court is the Jersey Homes Trust because they have the scale and they have also got some cash on their own balance sheet as a result of low interest rates.

**The Deputy of St. Ouen:**

Sorry, Minister. Did you say there was no agreement currently in place with the Housing Trusts to be able to lend money through the Housing Development Fund?

**The Minister for Treasury and Resources:**

No. It is envisaged. We have not got planning consent at the moment, so there is no agreement. If the Jersey Homes Trust gets an agreement with a planning consent and S.o.J.D.C. to deliver the affordable social units on J.C.G., then we have indicated to them that we would be minded to fund that because it is a cheaper form of borrowing than they would get by lending from banks.

**The Deputy of St. Ouen:**

Currently the Housing Trusts have no guarantees that, even if they tick all the right boxes, they will have access to the funds?

**The Minister for Treasury and Resources:**

Why would they?

**The Deputy of St. Ouen:**

Well, because that is the purpose of borrowing the sum of money as specified in the report, for them to lend to the Housing Trust...

**The Minister for Treasury and Resources:**

We do not know whether there is going to be planning permission yet.

**The Deputy of St. Ouen:**

...and companies and other bodies registered in Jersey.

**The Minister for Treasury and Resources:**

Sorry. We are not going to do all the work to put in place a loan agreement with the Jersey Homes Trust on a scheme that we do not know whether or not we are going to get planning permission for. But we hope they do, and if they do, we will lend them the money on our standard debt redemption model that we have done with the Jersey Homes Trust with the interest support for the last 13 years.

**The Deputy of St. Ouen:**

Regardless of whether it is Jersey Homes Trust or another trust, can you just please confirm, given that they aim to provide additional social housing, that they will be able to access the funds from the Housing Development Fund?

**Treasurer of the States:**

They will be able to make the request.

**Assistant Minister for Treasury and Resources:**

Deputy, they will be able to request the funds, but we might end up having requests for the sum of £70 million but we have only got £43 million. So they will have to come forward with, effectively, requests for the funding.

**The Deputy of St. Ouen:**

Right. So it is limited support available...

**Assistant Minister for Treasury and Resources:**

Well, it is limited up to £43 million.

**The Deputy of St. Ouen:**

...to the Housing Trusts and other bodies?

**Assistant Minister for Treasury and Resources:**

Yes, but we only have £43 million to lend.

**The Deputy of St. Ouen:**

Okay.

**Treasurer of the States:**

Chairman, you mentioned off balance sheet and you mentioned Morier House. I would just, for the record, refer to page 146 of the accounts where the finance lease obligations for Morier House and Maritime House are set out in the accounts. So there is no off balance sheet...

**Senator S.C. Ferguson:**

Okay, fine. Thank you very much.

**The Minister for Treasury and Resources:**

There is no off balance funding for any States department that is not reported, in compliance with G.A.A.P. reporting and our high standards of financial transparency.

**The Deputy of St. Ouen:**

It was also mentioned that...

**Treasurer of the States:**

Maybe you can let me know what it is you are worried about so that I can...

**Senator S.C. Ferguson:**

We will talk about it afterwards.

**Treasurer of the States:**

Yes, okay.

**The Deputy of St. Ouen:**

The Assistant Minister and yourself also mentioned the possibility of lending money to Parishes. Will the same situation exist, that basically it might be on a first-come first-served basis and, because there is a limited amount of money, not all Parishes or trusts or projects will be able to be funded through the Housing Development Fund?

**The Minister for Treasury and Resources:**

The Minister for Planning, with the full support of the Council of Ministers and encouragement of the Council of Ministers, is consulting on rezoning a number of sites. That is because there has been a housing needs survey which has set out the expected demand for housing in Jersey, of which a subset is social rented and a subset is affordable purchase and another market. Now, the rezoning proposition has got a number of parcels of land of which the social rented provider has not yet been agreed. So it could be the Andium; it could be the Jersey Homes Trust, it could be a Parish or, conceivably, it could be one of the two smaller housing trusts: Les Vaux or Christians Together. Now, we have and have had for 15 years, which has worked extraordinarily well, a debt redemption model that was drawn up, which sets out the financial arrangements for building and constructing social rented units based on the cost of construction, the rent receivable, et cetera. I have been involved in that debt redemption model since at least 1999 when it was originally drafted and it is on that basis that we lend. We are, at the end of the day, ambivalent as to who provides the social rented units, providing it is a good entity.

**Treasurer of the States:**

You mean agnostic.

**The Minister for Treasury and Resources:**

Agnostic, yes. Thank you, Treasurer. We are agnostic, whether or not it is a Parish or whether or not it is Jersey Homes Trust or Andium. We will, of course, consult the Minister for Housing as to what his preferred options are. What we want and I think what the public wants, and what the potential tenants want is they want them delivered.

**The Deputy of St. Ouen:**

I know you have already mentioned about Jersey Development Company, but one of the States Members raised the question: "Is it possible for the Jersey Development Company to access funds from this source?" Yes or no?

**The Minister for Treasury and Resources:**

Well, we have mentioned J.C.G.

**The Deputy of St. Ouen:**

Yes.

**The Minister for Treasury and Resources:**

Let us not go off on another wild goose chase. Yes, but only for the purposes of the criteria set out in P.33 and set out in the Budget, which is the provision of affordable and social housing.

**Senator S.C. Ferguson:**

Good. Now, in your message to all States Members you advised that the bond cannot be issued before early February and if you would just confirm that this is the case.

**The Minister for Treasury and Resources:**

It cannot be, but we urgently need this P.33 sorted. We do not want there to be any risk associated with the Treasurer and her team carrying out work... The Treasurer has done an enormous amount of work to get to the point in which we are ready now to effectively fire the starting pistol on the process of this bond issue and this is a very, very big project which involves an awful lot of individuals and an awful lot of advice. We are extremely concerned that there should be no uncertainty. The Treasurer wants to go out to tender to appoint what are called book runners, which are the people that run the bond process, and we are on a very tight timetable and want to go to the market as soon as possible. We have been working on this timetable always on the basis of getting the States' approval and, as the year turned, we wanted to go.

**Senator S.C. Ferguson:**

Yes. Well, presumably you have had exploratory discussions with respective lead institutions already.

**Treasurer of the States:**

Well, we have taken independent advice, Chairman, rather than prospective...

**Senator S.C. Ferguson:**

Yes, we saw that, which is only sense. Yes.

**The Minister for Treasury and Resources:**

The Treasurer, quite helpfully, has just given us this chart which shows the rising cost of debt in markets. Now, I think that anybody would see the emerging international resurgence of optimism and, therefore, the US Federal Reserve and Bank of England's likelihood of raising rates earlier than previously envisaged. What we are trying to do here is we are trying to borrow at the lowest possible cost for the longest period of time. I cannot tell you what markets are going to do. I have not got a crystal ball, but everything points to the fact that rates are going to move earlier than was envisaged a number of months ago because of the economic recovery.

**The Deputy of St. Ouen:**

Are you saying that we have missed the boat?

**The Minister for Treasury and Resources:**

No, but we are going to.

**Treasurer of the States:**

I thought this would be irrelevant for today, but... We asked Ernst & Young to give their current position and what they have come back with is that gilt rates have increased from the rates seen in the market in early to mid-2013 and: "The market has witnessed an upward trend in gilt rates since Q2 2013 following positive economic data release and central bank guidance regarding quantitative easing tapering." So what they are saying...

**The Deputy of St. Ouen:**

There is already additional cost.

**Treasurer of the States:**

What they are saying is that they are encouraging us not to delay. That a long way of saying that.



**The Minister for Treasury and Resources:**

Yes. So this says today that 30-year gilt, which is what we want...we want to get 30-year money, which we would never get from banks, of course. That is the whole purpose of what we are trying to do here. Well, it looks about 3.8.

**Treasurer of the States:**

Then we would pay a 50 per cent...

**The Minister for Treasury and Resources:**

Fifty basis points.

**Treasurer of the States:**

Sorry, 50 basis points above gilt, probably.

**The Minister for Treasury and Resources:**

So on today's market that would be about 4.2.

**Assistant Minister for Treasury and Resources:**

You can see, Chairman, why we are keen to get this done as soon as possible, because a small movement adversely to us over 30 years on £250 million is a substantial sum of money.

**The Deputy of St. Ouen:**

Equally, the opposite could happen, too.

**Assistant Minister for Treasury and Resources:**

But, look at the markets; gilts are not going to go down.

**The Deputy of St. Ouen:**

I remember the incinerator costs.

**The Minister for Treasury and Resources:**

Sorry?

**Assistant Minister for Treasury and Resources:**

Gilts are not going to go down, Deputy.

**Treasurer of the States:**

That was the currency. That was not interest rates. That was a currency change.

[16:45]

**The Deputy of St. Ouen:**

I know, but it was timing.

**Assistant Minister for Treasury and Resources:**

Gilt rates are not going to go down.

**The Deputy of St. Ouen:**

At what date, based on the revised timetable that you have kindly presented to us, do you believe that the actual rate would be agreed?

**The Minister for Treasury and Resources:**

Well, if we can get this...

**The Deputy of St. Ouen:**

We know it is going to be debated next Tuesday.

**The Minister for Treasury and Resources:**

Right, okay. 21st April.

**The Deputy of St. Ouen:**

April?

**The Minister for Treasury and Resources:**

Yes. Just to give you a flavour of how much work, even though all the preparatory work has been done - getting credit rating, all of the work that has been going on - there is now a significant...it is not just a casual phone call that gets you to the market with £250 million bonds. We have to appoint book runners. We have to get lawyers. We have to prepare a road show where we will be going and presenting our bond to the market, in all likelihood across the United Kingdom. We will probably be doing a week of road shows in Edinburgh and London and maybe a little further afield. It will then be launched and then it will be executed.

**Senator S.C. Ferguson:**

What about the locals? I have had quite a few people who have said they would be interested because they had local bonds before.

**Treasurer of the States:**

Yes. I think that is right, Chairman, because there is a history of the States having done borrowing previously. As you know, the States has previously borrowed for housing. It has previously borrowed for liquid waste infrastructure, funnily enough, and it has also previously borrowed for telecoms infrastructure. So there is a previous history of the States borrowing for these sorts of purposes. We have had interest. People have said to us: "Will it be possible to have a retail element to this bond?" In other words, small denominations so that ordinary people can lend some money and then receive a decent interest rate; as the Minister said, maybe 4.25 per cent or something like that over a period of time. So we have had some advice from Ernst & Young on that and the initial advice from them is that that is an expensive way for the States of doing the borrowing because the interest rates would need to be higher and also the administrative costs of administering lots and lots and lots of small bits and...

**Senator S.C. Ferguson:**

Well, you would do it through the local institutions, surely.

**Treasurer of the States:**

Well, yes, but even so...

**Assistant Minister for Treasury and Resources:**

They need to be paid.

**Treasurer of the States:**

Even so...

**Senator S.C. Ferguson:**

They would get their turn on the price they charge.

**Treasurer of the States:**

But we have to meet the coupon, Chairman. So the States has to meet the coupon. The coupon is the interest rate and the interest rate...

**Senator S.C. Ferguson:**

Yes, I know. If you issue them above or below par, then you can vary the interest rate to the...

**Assistant Minister for Treasury and Resources:**

But you still have to have the appointment of a registrar to monitor who has got which segment of bond. It is an additional layer of cost.

**The Minister for Treasury and Resources:**

You interrupted the Treasurer. She was in the process of trying to explain something.

**Senator S.C. Ferguson:**

I nearly threw it in, because...

**The Minister for Treasury and Resources:**

Well, can you just hold your horses a second?

**Senator S.C. Ferguson:**

Just a minute; I spent 30 years in the finance industry.

**The Minister for Treasury and Resources:**

Well, then the Treasurer is just about to tell you what we are going to do.

**Senator S.C. Ferguson:**

Right.

**Treasurer of the States:**

Notwithstanding what I have said, Chairman, about the additional costs and so on of administering small denominations and also the fact that it is less attractive to the banks for that reason, which is why there is then an extra margin and an extra cost on the interest, what we thought we would do is, in our invitation to tender for the prospective book runners (that is the institution that helps us to promote the bond), to ask them 3 things. What if we borrow £250 million in one go and what would be your terms and conditions and your interest rate associated with that? How would that vary if we were to borrow £150 million, say, this April and we were then to borrow another £100 million but to be guaranteed that that £100 million would be available to us at a later date? They will do that. They will promise you a larger sum like £250 million and then offer it to you in two tranches or more but, of course, what then happens is they will not promise you the interest rate.

**Senator S.C. Ferguson:**

No.

**Treasurer of the States:**

So you then have the risk of borrowing £150 million, for the sake of argument, in April 2014 and the further £100 million at a later date, but then they will not guarantee that interest rate at that later date. We then have a risk of a higher interest rate for that second amount of borrowing, but we are nevertheless going to ask the question. Then the third thing that we are going to ask is:

what if we were to have a proportion of the £250 million effectively as a retail bond, in small denominations that would enable small investors, say for the sake of argument, in denominations of £10,000 or £5,000 or something like that? What would be the implications if we were to have a proportion of the bond structured in that way? So we are going to ask the banks to answer those 3 questions for us so we can see and we can evaluate the pros and cons of those different approaches. We are not absolutely dismissing the notion of having an element of the bond as a retail element because...

**Senator S.C. Ferguson:**

Well, a retail element would be £5,000 or £10,000 at least, like Eurobonds.

**Treasurer of the States:**

Yes.

**The Deputy of St. Ouen:**

Who will make the ultimate decision on what option to take?

**Treasurer of the States:**

Well, I think we will evaluate that. We will bring those options to the Minister for Treasury and Resources and, of course, we will discuss those options with the Chief Minister and whoever he wishes us to discuss the options with.

**The Deputy of St. Ouen:**

Right. So, ultimately, it would be a Ministerial Decision as to the form that the bond would take and that would be, as you say, public...

**Treasurer of the States:**

Yes. At the moment, Chairman, in the report and proposition the formal decision, as you would expect, is for the Minister for Treasury and Resources to take but, of course, we will canvass opinion around that.

**Senator S.C. Ferguson:**

Presumably you would go to the Council of Ministers.

**Treasurer of the States:**

Yes. We will happily consult with you about it also when we get closer in and I am very happy to brief you in private about the process as we are going through. Of course, we would want to invite the Panel to come to the first road show in Jersey, which we plan for March.

**The Minister for Treasury and Resources:**

But it is just worth saying that, of course, our objective is to get this debt for the housing company at the lowest possible cost.

**Senator S.C. Ferguson:**

Yes, absolutely.

**The Deputy of St. Ouen:**

Can you explain? I know, Minister, you were not there, but during the debate on P.133 the Chief Minister said: "It would be wholly unsatisfactory to have funds sitting in the Strategic Reserve or Consolidated Fund." If you were to make the decision to borrow £250 million and obviously it would be paid in one lump sum to the Treasury Department, it would be sitting maybe not in the Strategic Reserve or the Consolidated Reserve, it would be sitting in the Housing Development Fund generating no income.

**The Minister for Treasury and Resources:**

No. As is our normal practice for all funds, we will publish a specific investment strategy for that fund and what that is going to be is that for the period of time before drawdown we will have our, I think, extremely successful advisory committee which the Assistant Minister and the Treasurer obviously lead. The Assistant Minister sits on that for me. There is an external benefactor and non-execs doing that and they will be given the task with the professional States advisers within the context of the Common Investment Fund. So the Housing Development Fund will form a slice of the Common Investment Fund, which will then have its own investment criteria whose aim will be effectively to pay for or to reduce the cost of carry. What we are doing here is we are taking a very, very long-term view. Our expectation - and I do not think anybody would disagree with this, no matter what our political views on some things are - is interest rates are currently at historic lows and what we would like to have is people in 10 years' time saying: "Well, that was a pretty smart decision." When base rates are returned back to their normal rates, which are not 0.5 per cent, the borrowing costs that we will have got this cash for, which is for long-term housing infrastructure, will look pretty keen at that period. In the short-term, of course, the challenge - but I am sure the investment group are up to it - will be to ensure that the non-drawn down cash is put to work with an investment strategy, obviously highly risk averse, in order to pay for as much of the carry as possible.

**The Deputy of St. Ouen:**

But ultimately, as you rightly said, although it might be risk averse, it is still a risk and we are all aware that investment returns can go down as well as up.

**The Minister for Treasury and Resources:**

Well, yes, but we have a very, very, very substantial and professional, diverse group of investment advisers and with the scale of the fund that the investment subcommittee look after - what is it: £1 billion of current States funds and another £1 billion of social security funds - they are very alert and have shown themselves to be extremely performing in the way they do things.

**The Deputy of St. Ouen:**

I am pleased that that is the case...

**The Minister for Treasury and Resources:**

It is not going to be put on the 2:40 at Newmarket, put it that way, or under the bed.

**Treasurer of the States:**

Just on that as well, Chairman, another thing we will be asking the banks is for the people that lend us the money to say to us how they would help us to minimise the cost of carry; the cost of carry being, as James has said, the difference between how much we are paying out to the people who have lent us the money and how much we are able to generate ourselves. But, of course, as soon as we have lent money to the new housing body Andium, they become responsible for all the repayments.

**Senator S.C. Ferguson:**

You are not lending to make a turn?

**Treasurer of the States:**

We will cover...

**Senator S.C. Ferguson:**

Will you make a turn when you lend to Andium?

**Treasurer of the States:**

A very small amount. All we are seeking to do is to cover the costs and to cover our administration because, otherwise, we are cutting off our nose to spite our face. In all of this, the States continues to own 100 per cent of the new housing company.

**Senator S.C. Ferguson:**

Yes.

**Treasurer of the States:**

So we are kidding ourselves if we think we are making any money on that. What we are seeking to do is to...

**Senator S.C. Ferguson:**

You are effectively moving the risk downstream to Andium.

**Treasurer of the States:**

Yes. Through using the States as the body that does the borrowing, the States might be able to borrow at 4.5 or 5 per cent and lend it on to Housing at just a few basis points or 10 basis points above that...

**The Minister for Treasury and Resources:**

Cover our costs.

**Treasurer of the States:**

...as against some of the loans that are between the banks and the housing associations at the moment. They would be lucky, at the moment, if they could get a loan at 8 per cent. So that is what we are trying to do. We are trying to minimise the cost to the public purse of funding housing.

**The Minister for Treasury and Resources:**

Yes. This was set out in P.33. Housing themselves went to local institutions and said: "This is the kind of funding profile that we have got for our projects. What could you lend us?" This is all set out, of course, in our Budget. There are 2 advantages of going to the markets to borrow. One is the interest rate on the back of our own covenant. We own them. The public of Jersey is the public of Jersey. Secondly, it is the longevity of the debt. We are going to take advice and we will take a market determination about whether or not we draw it all down at £250 million or we do it in 2 tranches. That is obviously a market tool about where you expect interest rates to go and that is a judgment that you take upon professional advice, but no bank would lend to us for 30 years. Not at a fixed rate or not without very significant costs and that is what we are trying to do. We are trying to get cheap capital for the housing entity and this is not, as a correspondent in the *J.E.P.* said, lending and the Minister for Treasury and Resources has not taken leave of his senses like other Governments. What we are doing is we are using the States' covenant to get low interest capital for the housing entity.

[17:00]



**Senator S.C. Ferguson:**

What are you calling the States' covenant?

**The Minister for Treasury and Resources:**

Well, the States' covenant is Government debt. We are issuing Government debt for the purposes of housing. That is what we are doing.

**Senator S.C. Ferguson:**

Yes, I know that. I just wondered why you called it the covenant.

**The Minister for Treasury and Resources:**

The covenant is the AA+ rating.

**Treasurer of the States:**

It is the strength of the ability to repay. The States has a very strong covenant.

**Senator S.C. Ferguson:**

Is there anything else you would like to say to us?

**The Minister for Treasury and Resources:**

Only that we would be extremely appreciative of the ability to get this resolved at the sitting of the 21st. It is extremely important. We totally respect the right of the Panel to call this in - absolutely right, happy to answer your questions - but we are on a timeline. We expect markets to be hardening. We expect interest rates to be rising and we will not go and borrow £250 million unless we have got the permission to lend it on. Now, we thought we would have that permission and that permission was implicit in the two propositions that we set. There is - it is not an oddity, it is what it is - this Public Finances Law amendment, but it is totally subordinate to the other decision. We really do not want to delay this.

**Senator S.C. Ferguson:**

We appreciate that.

**The Deputy of St. Ouen:**

We will be interested to follow whether the timetable that you have set for yourselves to deliver the bond will be met.

**Treasurer of the States:**

Do you have any other questions for us, Chairman? Is there anything else that will make up your mind?

**Senator S.C. Ferguson:**

Yes, just keep us up to speed when you get your revised Financial Directions and so on, all the paperwork side of it.

**The Minister for Treasury and Resources:**

We will publish it.

**Treasurer of the States:**

We will send you a consultation draft, Chairman, if you would like that.

**The Deputy of St. Ouen:**

It might be useful to present to Members some of the additional safeguards that you are planning to introduce or give a greater explanation.

**The Minister for Treasury and Resources:**

I am more than happy to do that, but my sense is, Deputy, that most States Members want us to get on with this. We have had two debates on it. They were not expecting this final hurdle. I totally respect the right to do it, but most States Members want us to get on with it. I mean the States made a decision on 29th October. I was not there, was I?

**Assistant Minister for Treasury and Resources:**

In principle, the vote was passed 29 votes for.

**The Minister for Treasury and Resources:**

So you called it in...

**Senator S.C. Ferguson:**

Yes, I did.

**The Minister for Treasury and Resources:**

...on your own call in, but our sense is there is very strong States support for this.

**The Deputy of St. Ouen:**

Then there will be no problem on 21st January that you will be able to...

**The Minister for Treasury and Resources:**

I am delighted you are saying 21st January.

**The Deputy of St. Ouen:**

I will just remind you, Minister, that there are two parts to Government. One is the Executive and the other one is Scrutiny and Scrutiny has a function to perform. We aim to do that and ensure that we can reinforce the actions and efforts that you are doing to do deliver agreed propositions.

**The Minister for Treasury and Resources:**

We totally appreciate that, but I think the thing that we sometimes forget is time is our most precious commodity and we use time...

**The Deputy of St. Ouen:**

I think you are one of the ones that possibly could equally learn from that on occasion, but we will not discuss that now.

**Senator S.C. Ferguson:**

No. Right, thank you very much. The hearing is now closed.

**Treasurer of the States:**

If you do think of anything else, Chairman...

**Senator S.C. Ferguson:**

I will let you know.

[17:04]