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Deputy Sam Mézec
Chair of the Corporate Services Scrutiny Panel
Morier House
St Helier
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Date 21 November 2023

Corporate Services Scrutiny Panel

Government Plan 2024-27 Review Hearing – Further Information Requests

Dear Chair,

Thank you for your letter dated the 14 November 2023. As requested, please see below responses to the Panel's queries with specific reference to my department, Treasury and Exchequer.

Current data and trends regarding mortgage pressures being felt by Islanders from Government's discussions with the banks:

See below.

Current number of Islanders being impacted by mortgage pressures:

Discussions with mortgage lenders suggest that the majority of residential mortgages are on fixed rate products that pre-date the rise in interest rates. This has been confirmed by Statistics Jersey in their [Household Spending Report, 2021/2022](#) which shows that 73% of residential mortgages were on long-term fixed rate products.

Additionally, discussions with mortgage lenders also suggest that few mortgage holders are in arrears and mortgage lenders have reassured Ministers that they are proactively working with mortgage holders at risk of arrears.

Data that influenced deciding against halting the phased removal of mortgage interest tax relief:

It remains the Government's view – supported by OECD research – that mortgage interest tax relief fosters inflation in the housing market.

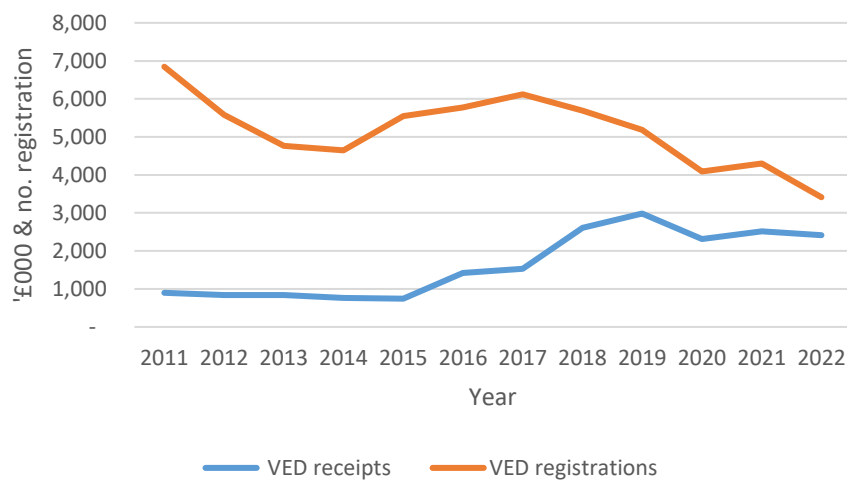
It also runs contrary to equitable treatment of the tax system between renters and owners. It is not right to provide a relief which would be targeted only at homeowners. The Government's policy is to support Islanders by increasing the personal tax thresholds, which apply regardless of whether a person owns their own home or rents.

Data demonstrating the shift to electric vehicle purchases in 2023 as a result of the increases to vehicle emissions duties across all bands:

Data for 2023 will be finalised after the year's end. However, trends since the introduction of VED in 2010 to 2022 suggest that the consumer shift to electric vehicles will continue to respond positively to vehicle emissions duty (VED).

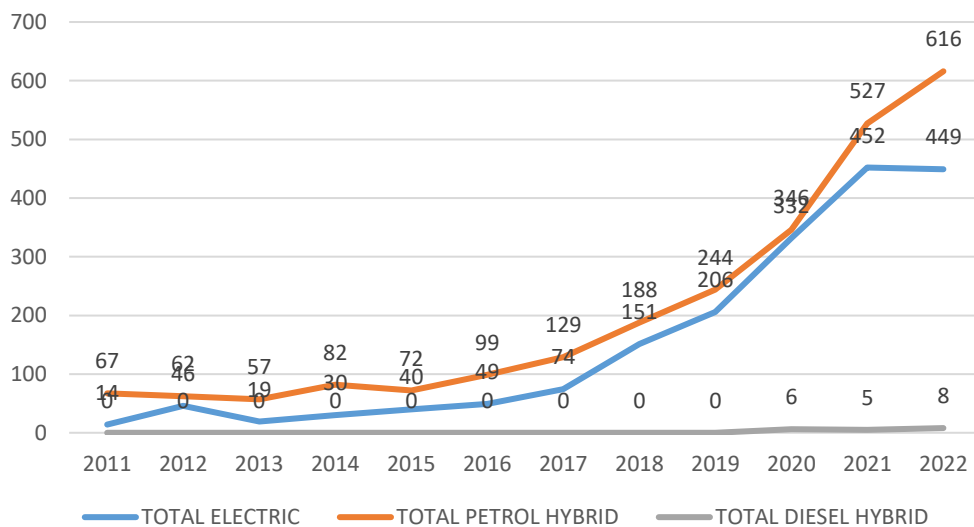
For example, VED registrations of vehicles with internal combustion engines have declined by 6.1% annually on average since the introduction of VED (Figure 1) while VED revenues have increased by 10.1% per year (corresponding to an average annual increase in duty per vehicle of 17.3%). Revenues now appear to have peaked as the shift toward the electrification of transportation in Jersey has accelerated.

Figure 1: VED receipts versus registrations



Over the same period, electric vehicle registrations have increased by 23% annually and hybrid petrol vehicles have increased by 22% (Figure 2).

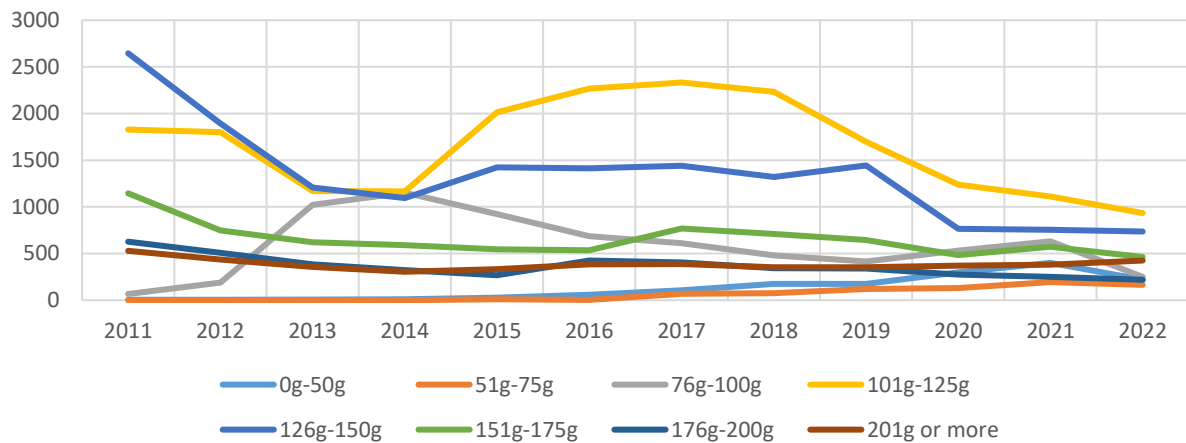
Figure 2: Electric vehicle registrations



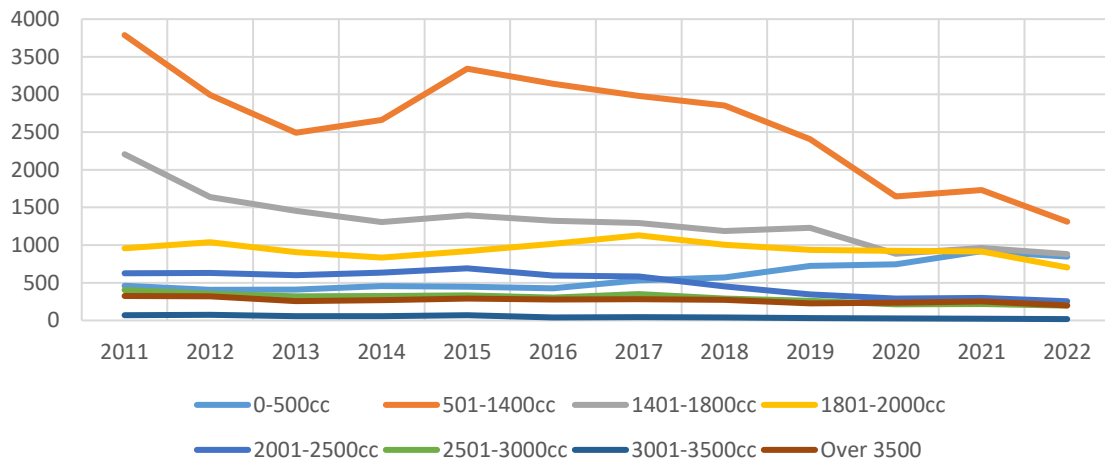
Determining the causal relationship between rising VED and the electric car shift is complicated by several price and income factors, most importantly that both the absolute price of electric vehicles and their relative price compared to internal combustion engine vehicles have declined, increasing demand.

However, a strong indicator that the effect is causal is that, despite constant or declining oil prices over the same period (depending on the starting point picked in the volatile 2010-2011 years) there has been an overwhelming shift toward smaller engine sizes and more fuel efficient vehicles registered in Jersey.

VED registrations (CO₂) 2011-2022



VED registrations (CC) 2011-2022



Further detail on VED revenue is publicly available on Statistic Jersey's [website](#) and in the Government of Jersey's annual accounts.

A breakdown of the revenue expenditure (how 2023 funds have been spent) in 2023 for the Healthcare Facilities:

As of 31 October, £34.3m has been spent on the Healthcare Facilities project, with a forecast to spend £45m of total £51.5m full year budget, by year end. A breakdown of expenditure to 31 October is provided below

New Healthcare Facilities £m	Oct YTD 2023			Full Year
	2023 Actuals	2023 Budget	Actuals vs Budget	2023 Budget
Project Team	0.9	1.0	-0.2	1.3
Professional and Specialist Fees	6.9	13.5	-6.6	16.2
Governance and Scrutiny	0.0	0.0	0.0	0.0
Contingency	0.0	1.5	-1.5	1.8
Total GOJ Team expenditure	7.8	16.0	-8.3	19.3
Direct Delivery Partner inc PCSA	3.1	0.0	3.1	0.0
Direct Delivery Partner Decant LQS	6.8	11.8	-5.1	12.5
Site Acquisition, Stamp Duty Fees and Planning	16.7	15.8	0.9	16.0
Client Contingency and Optimism Bias	0.0	2.3	-2.3	3.8
Total Construction and Associated expenditure	26.6	29.8	-3.3	32.3
Total OHP Project expenditure	34.3	45.9	-11.5	51.5

A breakdown of unspent reserves for 2023 and how any unspent reserves will be used in 2024:

As of 31 October, there are three reserves held in the Government Plan, the table below breaks down the current reserves position reported at the end of October.

£'000	General Reserve	Centrally Held Items	Revenue Reserves Total	Capital Reserve
Government Plan Budget	16,737	43,506	60,243	8,100
End of Year Carry Forward	49,614	5,433	55,047	1,900
Total Budget	66,351	48,939	115,290	10,000
Allocations	(24,544)	(41,635)	(66,179)	-
Unallocated Budget	41,807	7,304	49,111	10,000
Committed – Letters of Comfort	(4,361)	-	(4,361)	(1,120)
Committed – Ring Fenced	(24,432)	(6,960)	(31,392)	(3,000)
Available Budget	13,014	344	13,358	5,880

After considering committed reserves including ringfenced budgets (for Assisted Home Ownership and other specific items), as well as letters of comfort, there remains £13m available revenue reserves budget and £6m capital reserves budget (central risk and inflation reserve).

As the position changes closer to year end, it is likely that unspent reserve budgets will be required to cover known overspends within Health and Community Services of up to £29 million.

Yours sincerely

A handwritten signature in black ink, appearing to read 'I. Gorst', with a long horizontal stroke extending to the right.

Deputy Ian Gorst

Minister - Treasury and Resources

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