

19-21 Broad Street | St Helier
Jersey | JE2 3RR

Deputy Jonathan Renouf
Chair - Hospital Review Panel

11th September 2024

BY EMAIL

Dear Chair,

RE: Hospital Review Panel: Proposed Budget 2025-2028

Thank you for your letter dated 27th August 2024. Please see the below in answer to the Panel's questions:

- 1. The Budget states that “*interest costs (estimated at £25-£30 million) would be met from base case Pillar Two receipts...*”. Please can you clarify whether ‘interest costs’ fall within the ‘Financing Costs’ estimate information set out in Table 36?**

“Financing Costs” includes both interest costs and costs relating to the issuance of the debt. It does not include any amounts relating to the eventual repayment of the debt.

- 2. The Panel understands that “*the full extent of Pillar Two receipts is not yet known...*”. Please can you advise what contingency is in place in the event that Pillar Two tax receipts are not sufficient to meet the £25-£30 million in ‘interest costs’?**

The Budget includes a “base case” forecast of Pillar 2 receipts of £52 - £54 million based on an estimate of additional revenue that we are reasonably confident will be raised on a recurring basis for the foreseeable future. This prudent approach means it is highly unlikely that Pillar Two receipts would be insufficient to meet the interest costs.

- 3. The total financing cost estimates from years 2025 to 2027 have risen from approximately £20m in the previous Government Plan compared with £48m in the Budget. Please can you explain the rationale for the increase in ‘Financing Costs’ in these years?**

The Government Plan 2024 to 2027 included approvals for borrowing of up to £142 million for the New Healthcare Facilities, in line with the approvals for spend in advance of the full approval of Phase 1, now proposed in the Budget 2025. Financing costs included in the GP24 were, therefore, estimated based on the borrowing approval of £142 million.

The Budget 2025 – 2028, seeks approval for the full costs of Phase 1 of the programme at £710 million, with financing costs now estimated on the proposal to borrow a total of £523 million. The costs have been updated to reflect both the increased level of borrowing and latest forecasts for interest rates (which drive the cost of Government borrowing).

Yours sincerely

A handwritten signature in black ink, appearing to read 'E. Millar', written in a cursive style.

Deputy Elaine Millar
Minister - Treasury and Resources

D +44 (0)1534 440215

E e.millar@gov.je