

# STATES OF JERSEY



## **PROPOSED GOVERNMENT PLAN 2023- 2026 (P.97/2022): ELEVENTH AMENDMENT (P.97/2022 AMD.(11)) – COMMENTS**

### **RINGFENCED STAMP DUTY**

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**Presented to the States on 7th December 2022  
by the Council of Ministers**

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**STATES GREFFE**

## COMMENTS

### Summary

This amendment proposes to ring-fence Stamp Duty revenue raised through property purchases valued over £2.5 million, with the monies to be used to fund assisted home ownership schemes.

The Council of Ministers understands the Deputy's aim of providing affordable housing purchase schemes, but it asks States Members to reject the amendment on the basis that (a) a funding source for such schemes is already in place; (b) ring-fencing funds is contrary to the advice of the Fiscal Policy Panel; and (c) it is estimated that this would lead to approximately £8m being ring-fenced, meaning that these monies would not be available for the purposes set out in the Government Plan, and would lead to a negative balance in the Consolidated Fund, thereby undermining financial sustainability.

### Funding Jersey's Assisted Home Ownership Schemes

1. It is suggested that the ring-fenced revenue is used to create and fund further assisted home ownership schemes, potentially by transferring the funds to the Dwelling-Houses Loan Fund ("DHLF").
2. In its comments to Deputy Andrews' second amendment to the proposed Government Plan 2023-2026, the Council of Ministers explains why the DHLF is not currently the appropriate vehicle to fund home ownership schemes.
3. It should be noted that £10 million has already been allocated within the General Reserve for assisted home ownership schemes in 2022, which will be carried forward to 2023 within the reserve for the same purpose. Therefore, a separate hypothecated fund for assisted home ownership schemes as proposed by the Deputy creates duplication and adversely affects value for money through requiring the management of multiple funds for the same purpose.
4. Given that £10 million already exists to support assisted home ownership schemes in 2023, it is not considered necessary to secure additional funding for this purpose, at this time. Great care will need to be taken to ensure that the scale and nature of an assisted home ownership scheme will lead to an overall benefit to the condition of Jersey's housing market and economic wellbeing, and this will be considered in light of the Fiscal Policy Panel's advice. Should further funding be deemed necessary to support an appropriate scheme in the future, this will be sought in a future Government Plan.
5. As set out in his Ministerial Plan, the Minister for Housing and Communities has committed to work collaboratively with States Members to find solutions and new opportunities to address the housing crisis, together. As such, the Minister would welcome the opportunity to engage with Deputy Andrews, or any other States Member, about how the existing £10m funding for assisted home ownership schemes can be used optimally.

### Fiscal Policy Panel (FPP) advice

6. The FPP provides independent advice to the Minister for Treasury and Resources and to States Members on various matters including fiscal policy.

7. It has been the long-standing view of the FPP that hypothecation (ring-fencing) is undesirable. In its latest Annual Report dated November 2022, the Panel states:

Hypothecation is where the government commits to spend a revenue stream, usually taxes, on a specific objective or policy issue. The Panel has previously recommended that hypothecation should only be introduced where revenue and spending are likely to be justifiably related. No new separate funds are proposed in the Government Plan. The Panel is pleased that their previous recommendation that the proliferation of separate funds is undesirable has been followed. Thorough consideration should be given towards the consolidation of funds and no further funds should be proposed without strong rationale.<sup>1</sup>

8. Whilst Deputy Andrews’ rationale links the funding of home ownerships schemes and the Stamp Duty proceeds from the purchase of certain higher value properties, this report has already noted that a funding source for schemes is in place.
9. The FPP’s annual report also identifies that the cost of housing remains a risk to economic growth in Jersey and that this should be addressed as a priority, consistent with the Government’s aims. However, the FPP also specifically raise the point that interventions which boost short-term housing demand and support prices artificially are not desirable.
10. The Council of Ministers does not believe that sufficiently “strong rationale” has been provided in this case and therefore asks States Members to reject the amendment.

**Negative balance on the Consolidated Fund**

11. Hypothecating Stamp Duty receipts from the sale of properties over £2.5m is estimated to lead to approximately £8m per annum being ringfenced within the Consolidated Fund. This would mean that these monies could not be allocated to fund other priorities.
12. Setting aside an estimated £8m would lead to a negative balance in the Consolidated Fund in the years 2024 and 2025, thereby undermining the financial sustainability of the Government Plan.

| Consolidated Fund Balance      |          |          |          |          |
|--------------------------------|----------|----------|----------|----------|
|                                | 2023     | 2024     | 2025     | 2026     |
| £'000                          | Estimate | Estimate | Estimate | Estimate |
| Closing Balance                | 14,730   | 5,591    | 50       | 24,863   |
| Ringfenced Stamp Duty Estimate | -        | (8,000)  | (8,000)  | (8,000)  |
| Closing Balance – amended      | 14,730   | (2,409)  | (15,950) | 863      |

<sup>1</sup> [FPP 2022 Annual Report.pdf \(gov.je\)](#), p.36