

1.1 Connétable A. Jehan of St. John of the Minister for Treasury and Resources regarding ...

In view of the apparent disparity between the Minister's comments in debate on P.18/2022 on the timing of borrowing for the Our Hospital project and the chief executive's remarks to the Public Accounts Committee on 28th March, will the Minister confirm whether or not the Government intends to enter into any agreement to borrow money for the Our Hospital project before the formation of the next Council of Ministers?

Deputy S.J. Pinel of St. Clement (The Minister for Treasury and Resources):

I apologise if there has been some confusion but as part of the Government Plan 2022-2025, the Assembly approved borrowing, including £1.2 billion of new longer-term debt, to cover the costs of both the Our Hospital project and the costs of refinancing the existing past service liabilities. I did not make that clear. I took it as one lump sum yesterday but that is the breakdown. In advance of longer-term borrowing being put in place, £21 million has already been borrowed from the revolving credit facility in 2021 in line with P.80/2021, which amended the Government Plan of 2021. This is short-term borrowing only. Government Plan 2022 highlighted that the execution of the longer-term borrowing would be carried out as a programme of issuance potentially over several years in line with the debt strategy. This will include taking into account the States' ability to raise debt. The level of debt that can be effectively issued must be carefully managed to ensure that we maximise the probability of achieving the amount we need and do not pay over the odds. Officers are currently working with our expert advisers to finalise an issuance strategy. It is likely that we will issue a first tranche of roughly £500 million but the exact amount and timings will depend on the market conditions. The proceeds from any issuance will be allocated to the repayment of past service liabilities based on the cashflow timings for payments and the benefits of delivering the savings quickly. Any balance would then be allocated as borrowing for the hospital but this is likely to be small; all as approved by this Assembly and the Government Plan. Further tranches of debt and issuance would be after the formation of the next Council of Ministers and, in the meantime, we would continue to use the short-term facility if required.

1.1.1 The Connétable of St. John:

Given the Minister is committed to this record level of debt, can the Minister confirm that she now has accurate forecasts for the running costs of the new hospital and that these will be shared with the Assembly?

Deputy S.J. Pinel:

I am not quite sure how accurate one could be on an estimate and nothing will be issued as far as the pay into the hospital until September/October based on the planning permission approval.

1.1.2 Deputy I. Gardiner of St. Helier:

Following the Minister's answer, we all agree that £1.2 billion accepted by the Government Plan is an option; we do not have to borrow £1.2 billion if we decide not. The Minister indicated that we have £500 million first tranche, would the Minister please give a breakdown for what this first tranche would be used?

Deputy S.J. Pinel:

I think I just did mention that. It would be for the pre-1987 pension debt service liabilities.

1.1.3 Deputy I. Gardiner:

Can the Minister confirm that no borrowing would be done for the hospital prior to the formation of the new Council of Ministers?

Deputy S.J. Pinel:

Only if there was, as I said before, anything left over from the £500 million, having paid off the pension debt, which in the long term will pay back hugely without that debt on our plates, and if there is anything left over that will go towards the hospital but no serious funding for the hospital will be until after planning permission has been approved.

1.1.4 Deputy K.F. Morel of St. Lawrence:

Would the Minister venture to advise the Assembly, how does she see the interest rates that will likely be paid on debt that is going to be asked for later in the year because interest rates at the moment are rising on a monthly basis? How does she expect it to impact the interest rate?

Deputy S.J. Pinel:

Yes, we are all aware that the interest rates are going up but, as I think I alluded to yesterday, this is a very long-term debt - we are looking at 30, 40 years - and for that sort of issuance then you can achieve a much lower interest rate than the market interest rate. Of course, the market interest rate is what is being paid on the reserves that we have. So, one will more than compensate the borrowing of the other.

1.1.5 Deputy K.F. Morel:

I believe when we discussed the debt in the Assembly, 2.5 per cent was the approximate level of interest that was talked about. Does the Minister expect 2.5 per cent to be achievable or will it be higher than that?

Deputy S.J. Pinel:

That is exactly what was said, Deputy, and that is what I still understand to be the case but I am not in charge of the markets, I am afraid.

1.1.6 Deputy S.G. Luce of St. Martin:

Can the Minister just clarify that? If, for example, she was to take a second tranche in 18 months' time, is she telling us that that tranche 2 will be at 2.5 per cent?

Deputy S.J. Pinel:

I cannot guarantee that, I am afraid. As I just said to Deputy Morel's question, we are not in charge of the market rates but what is being understood at the moment is the 2.5 per cent.

1.1.7 Senator K.L. Moore:

With regard the pension debt, what recalculation has been undertaken since the Government Plan, given the change in financial markets?

Deputy S.J. Pinel:

I do not have those figures, I am afraid. I was not expecting to deal out figures for the pension debt, but I can get them to the Senator.

Senator K.L. Moore:

Thank you, I would be very grateful.

1.1.8 The Connétable of St. John:

Following the Minister's confirmation yesterday that she had reached an agreement with 4 banks, could she please confirm what the terms of reference were for selecting a bank. If there were no terms of reference, on what basis did she reach an agreement with these banks and how many other banks was the Minister in negotiation with? What consideration, if any, was given to the issuing of bonds to local private lenders?

Deputy S.J. Pinel:

Interviews took place with more than the 4 banks on a tendering basis. I was not part of those interviews but it was a very thorough process and took place over about 2 months before selection was made.

The Connétable of St. John:

Were there private lenders?

Deputy S.J. Pinel:

As I said, I was not part of the interview process so I was just informed. Again, it is a confidentiality agreement as to which banks have been selected, but I was not part of the interviewing or selection process.

[9:45]

The Greffier of the States (in the Chair):

That was 4 questions in your final question. Possibly a written question might be ...

Deputy M. Tadier of St. Brelade:

He is learning quickly, Sir.