Corporate Services Scrutiny Panel

Quarterly Review Hearing

Witness: The Minister for Treasury and Resources

Tuesday, 17th February 2026

Panel:

Deputy H.M. Miles of St. Brelade (Chair)

Deputy L.K.F. Stephenson of St. Mary, St. Ouen and St. Peter

Connétable D. Johnson of St. Mary

Deputy J. Renouf of St. Brelade

Witnesses:

Deputy E. Millar of St. John, St. Lawrence and Trinity - The Minister for Treasury and Resources

Deputy I.J. Gorst of St. Mary, St. Ouen and St. Peter - Assistant Minister for Treasury and Resources

Mr. R. Bell - Treasurer of the States, Treasury and Exchequer

Mr. R. Summersgill - Comptroller of Revenue

Mr. P. Ashley - Interim Group Director, Finance Business Partnering and Analytics

Mr. J. Russell - Deputy Director - International, Revenue Jersey

[13:03]

Deputy H.M. Miles of St. Brelade (Chair):

Welcome to the public hearing of the Corporate Services Scrutiny Panel. Today is 17th February and this is our final quarterly hearing with the Minister for Treasury and Resources. So I would like to draw everybody's attention to the following. The hearing is being filmed and streamed live. The recording and the transcript will be published afterwards on the States Assembly website. For the purposes of the recording and the transcript I would be grateful if everyone who speaks could ensure that you state your name and your role. All electronic devices, particularly mobile phones, should be switched to silent. So if I can begin with the introductions, I am Deputy Helen Miles, Chair of the Corporate Services Scrutiny Panel.

Deputy L.K.F. Stephenson of St. Mary, St. Ouen and St. Peter:

I am Deputy Lucy Stephenson, Vice-Chair of the panel.

Deputy J. Renouf of St. Brelade:

Deputy Jonathan Renouf, member of the panel.

Connétable D. Johnson of St. Mary:

Constable David Johnson, member of the panel.

The Minister for Treasury and Resources:

Elaine Millar, Minister for Treasury and Resources.

Assistant Minister for Treasury and Resources:

Ian Gorst, Assistant Minister.

Treasurer of the States, Treasury and Exchequer:

Richard Bell, Treasurer.

Comptroller of Revenue:

Richard Summersgill, Comptroller of Revenue.

Interim Group Director, Finance Business Partnering and Analytics:

Phil Ashley, Interim Group Director of Finance Business Partnering and Analytics.

Deputy Director - International, Revenue Jersey:

Jonathan Russell, Deputy Director - International, Revenue Jersey.

Deputy H.M. Miles:

Okay, thank you very much. I think we have 2 hours scheduled for this hearing today. As usual, we have probably more questions than we will have time to answer so we will try to be concise. But it is just to mention that a large portion of the hearing today is going to be about the proposition and report around the Jersey Capital Investment Fund, which gives us an opportunity to inform comments at a later date. So I am going to kick off just with some questions around the fund structure. So, Minister, can you briefly explain the structural changes being proposed by the draft regulations for replacing the Consolidated Fund with the Jersey Capital Investment Fund and General Revenue Fund and how this new arrangement will strengthen the financial position?

The Minister for Treasury and Resources:

Well, I think it is largely as you have just described, largely as it says on the tin. We will take what is currently the consolidated ... these regulations are setting out the skeleton for the new capital framework going forward and also the revenue implications of that. So this is simply the changes to the Public Finance Law to create the fund. What it will do is split what is currently known as the Consolidated Fund into 2 funds, which will be the Jersey Capital Investment Fund, which will hold funds and through which funds will flow for capital and asset-related spend, and then the General Revenue Fund, which will deal with our general day to day spending on services. So the General Revenue Fund, much as it does at the moment, will receive all our general revenue income. So tax income and other departmental charges will go into that fund, which will then pay the relevant amount into the Jersey Capital Investment Fund. That will also receive things like rental income from where there are rental charges on States properties that have been let to third parties, for example, and any proceeds from asset sales. So any property capital released income will go into that fund and that will be used ... it will really be ringfenced for capital spend. So that will include things like general day to day facilities maintenance, I think. No, maybe not that. So general maintenance of keeping properties in a good state of repair and fit for the purpose that they are being used for to make sure that we have the assets, that what we already have is maintained properly and in a timely way so that we hopefully do not end up in another 10 years with a building needs a new roof because we have not done anything with it for 10 years. So that will be supported by the long-term capital plan which the team have been working on for some time. Anyway, that was the foundation for some of this work, which was subsequently swept into the Investing in Jersey programme. So that is something we have worked on for quite some time to identify what assets we have, what maintenance needs there are, what the depreciation requirements are. We are proposing to structure it in such a way that monies will go into the ... it will go into the Jersey Capital Investment Fund – sorry I was just looking at a little diagram - and if there was an underspend - so, for example, if there was a project - the underspend would be retained within that fund. We do not have a mechanism ... we are proposing that monies cannot come out of that fund for revenue spend. If there were underspends in the revenue fund, those underspends could go into the Capital Investment Fund but not the other way round. So it is really about trying to preserve capital budgets for capital projects.

Deputy H.M. Miles:

I understand that and you have explained how the new structure is going to strengthen the financial position for the investment so that money cannot be taken out, but that is going to reduce the flexibility that you have at the moment to move money around. So, for example, money has come out of the capital budget in order to fund overspends in health, for example. So what else are you going to have to put in place to make sure that you have that flexibility? Where else will the money come from if you cannot take it from the capital?

The Minister for Treasury and Resources:

Well, we would have to fund that through general revenues. I think that feeds into the underlying ethos that we have been trying to work towards in the last couple of years is really trying to rein in spend, revenue spend. We are arguably spending more than we should be, given the state of our income. So we do just need to look ... it will require more discipline around revenue spending and everybody remaining within budgets. If there were growth, if we did need more money, then we would be looking to fund that from revenue income or other charging or other sources of income.

Deputy H.M. Miles:

Okay. Would that include the central reserve?

The Minister for Treasury and Resources:

There will be a central reserve. We will continue to have a central reserve as we do at the moment and that will hold ... the central reserve holds things like general funds for contingency. For example, if we budget on the basis of inflation being a certain amount, if inflation ended up a higher amount that we had anticipated, the central reserve would fund that. It funds pay rises, things like that.

Deputy H.M. Miles:

Yes, because at the moment the central reserve is quite low level. There is only £5 million in the central reserve.

The Minister for Treasury and Resources:

At the moment, yes.

Deputy H.M. Miles:

So at the moment if you were going to fund anything else, you would be looking at the Capital Investment Fund. So how are you going to better manage the central reserve to make sure you have that kind of ...?

The Minister for Treasury and Resources:

So, looking forward, the Capital Investment Fund, one of the things that the future Assembly needs to think about is how we fund that fund. So we are looking at existing capital budgets. So the money that we already spend will go in there. Capital receipts will go in there. We may need to look at reprioritisation of spending and efficiency savings or we may put those in or we may have to keep them to build the central reserve if we thought that was necessary. So there will be a bit of getting to grips with all of those things.

Deputy H.M. Miles:

Okay, but is the plan to fund the central reserve before you top up the Capital Investment Fund?

Treasurer of the States, Treasury and Exchequer:

So we need to do a piece of work firstly. I will just put down this marker. We need to do a piece of work in terms of how big the reserve should be for a medium-term plan. So as we intend to bring forward the regulations to the next Government, should they decide to back it, to have a 3-year plan after the first initial year of a Government, that will require us to hold a larger reserve to span the 3 years. It will be possible, subject to what we do there, to take into account if income were to go up during the period and we will need to think about how the mechanics work in terms of the Stabilisation Fund in the event that future income drops off. In answer to your question, we do hold the position as officers the reserve needs to be higher. That number is roughly the same provision that we have had since I can remember and it is fair to say that it needs to increase. But what we also need to do is, therefore, make sure that those funds are there for use for urgent and unforeseen in accordance with the policy. So greater financial discipline around the use of the funds would give you greater flexibility should you need it further down the line for urgent and unforeseen matters.

Deputy H.M. Miles:

Okay. Thank you. Can you explain the rationale for the change of the calculation for the operating balance of the General Revenue Fund and the implications of doing that?

The Minister for Treasury and Resources:

The change in calculation ...

Treasurer of the States, Treasury and Exchequer:

We played "rock, paper, scissors" and Phil is going to ... **[Laughter]**

Interim Group Director, Finance Business Partnering and Analytics:

Yes. So from my perspective this effectively introduces a bit of a triple lock to properly describing what our surplus position should be. So as you will know, in any given period if economic times are good, we would recommend that the Assembly approve a budget that is in surplus. That means that we are spending less than we bring in from an income perspective. We should also make sure that that surplus is sufficient to cover depreciation. That is the accounting treatment of how we measure the use of assets over time. But this adds in that we should also reflect on the base transfer, we have called it, to the Capital Investment Fund. That is linked to what the long-term capital plan describes as our minimum spending needed to sustain our existing asset base to provide for the maintenance of that asset base on an as is service basis. So there will be 2 dimensions to that long-term capital plan. One will be more change and improvement focused while the whole intent of this is to try to ensure that we are adequately maintaining our existing assets. By providing for that base transfer as a minimum, then we have a much clearer picture of what actual sustainability looks like, so it complements our existing measures.

[13:15]

Deputy H.M. Miles:
Thank you. In respect of the net revenue expenditure, page 8 of the report on the proposition, there are a couple of lines there: "It is presumed that all staff will be paid through the G.R.F. (General Revenue Fund) and where staff work to deliver capital projects or maintain assets the appropriate cost will be recharged to the J.C.I.F." (Jersey Capital Investment Fund). Can you just clarify exactly what is meant by that statement and the rationale behind it?

Interim Group Director, Finance Business Partnering and Analytics:
The intent here is that alongside the capital spending needed for a major refurbishment or extension perhaps to buildings that we operate that we would also be protecting funds that are for the day to day maintenance, net revenue in nature, typically what they would feature in a departmental budget today, but they have been targets during times of efficiency cuts, soft targets for departments. So we want to make sure that that spending is maintained and protected. It gets a little complicated when you reflect on the fact that staff are involved in maintaining buildings. So while you would protect the budgets associated with them, you do not want to start necessarily moving staff to be paid for by different ... by a Capital Investment Fund. So it would allow for the recharging. That would be codified in the Public Finances Manual or potentially through a Ministerial policy. I think it is really important that we have robust governance that defines what is legitimate in terms of transfers so that it is not an outlet for spending from the fund.

Deputy H.M. Miles:
Exactly, and I think that is where the panel were thinking. Because arguably the entire Department for Infrastructure has staff who work to deliver capital projects or maintain assets. So I think the question we were thinking is: what is to stop the General Revenue Fund cross-charging for the entirety of the staff budget from the Capital Investment Fund?

Interim Group Director, Finance Business Partnering and Analytics:
It is already the case that many staff are recharged to capital. So those staff that are recharged to capital in an existing approach, we would mirror that. Most of the employment cost in infrastructure is actually about running services. So they are running the energy from waste plant, for example, as opposed to solely maintaining it. We would not necessarily charge those costs to it. We are

working with the Department for Infrastructure now to codify exactly how we would assign staff costs, but we do so in a transparent way published through the Public Finances Manual.

Deputy H.M. Miles:
So nothing would happen until that had been codified and it actually appears in the Public Finances Manual so it cannot be an ad hoc "we are running massive overspends, let us just recharge it to the capital plan"?

Treasurer of the States, Treasury and Exchequer:
Yes, recharges have to stack up. So we have this ourselves in Treasury for staff that we recharge and other costs that we recharge through different funds. They have to stack up and will be subject to internal audit as well.

The Minister for Treasury and Resources:
For example, I think in Social Security, in terms of the staff who run elements of the Social Security Fund, there is a recharge for that support, which is within the law, permitted within the law.

Deputy H.M. Miles:
So it carries it forward, okay.

The Minister for Treasury and Resources:
Yes, but you would not use it to ...

Deputy H.M. Miles:
No mischief possible in that line.

Interim Group Director, Finance Business Partnering and Analytics:
There is already a requirement for an evidential basis to be in place to justify existing recharges. So a lot of this we have established practice around. There is a minor risk here that we need to address; we are very conscious of that. I think the intent here is to ensure there is no potential outlet in that respect.

Deputy H.M. Miles:
Thank you. Can you just provide us an example of how the new structure will work in practice? Have you got a scenario?

The Minister for Treasury and Resources:
Such as ...?

Deputy H.M. Miles:

I do not know, if you want to develop a new energy from waste plant, for example.

The Minister for Treasury and Resources:

I do not think that will change dramatically the process for if someone said: "We need a new energy from waste plant". The whole process of approving that, bringing it to the Assembly, the Assembly is not being cut out of any decision-making here. The same project management rules still apply in terms of a significant project. So that project will have to go through the normal approval project management processes. It is just that the funding will be structured through the Capital Investment Fund.

Deputy H.M. Miles:

So will there be any change at all, will these regulations bring any change at all, to the powers of the States Assembly?

The Minister for Treasury and Resources:

I do not think so, no.

Deputy H.M. Miles:

Will not bring any change at all to the powers that you have as Minister for Treasury and Resources?

The Minister for Treasury and Resources:

I think this on its ...

Treasurer of the States, Treasury and Exchequer:

Well, it restricts the Minister in the way that you talked about earlier, not being able to transfer money out of the Capital Investment Fund or capital programme to cover revenue budgets.

Deputy H.M. Miles:

Okay.

Assistant Minister for Treasury and Resources:

You would argue that it strengthens the Assembly because the money that the Assembly votes for capital projects will go into the capital fund and, therefore, the Minister or the Council of Ministers cannot do other things with it.

Deputy H.M. Miles:

Okay, thank you.

Deputy J. Renouf:

Can I just pursue one line with that, which is clearly the aim here is to introduce the structural rigidity that does not exist at the moment, but there must come a point at which that could have unintended consequences. For example, if there is a considerable underspend you are going to hold it in the Capital Investment Fund on the basis that that project will go ahead at some point. But if it rolls on with another underspend in another project, you could get to a point where you are holding quite a lot of money in the Capital Investment Fund with an inefficiency, if you like, in terms of how that is being used. Is there a thought about that and what the pain threshold would be in terms of that kind of thing, or are you simply prepared to let the Capital Investment Fund build up the money regardless?

Treasurer of the States, Treasury and Exchequer:

Well, not regardless. I suppose I would qualify this to say I do not expect capital ... I do not expect, I would hope that some capital programmes would underspend. What I would suggest is more likely to happen is that projects will delay spend and that, therefore ...

Deputy J. Renouf:

Yes, that is what I meant. So a school, for example, at Gas Place has been pending for a while.

Treasurer of the States, Treasury and Exchequer:

Yes. At that point you will do an appraisal to figure out whether it is still possible within the capacity of the organisation and the capacity of the Island to be spending the money. It may therefore be, through Assembly decisions, changes to how much gets transferred, but it will be an Assembly decision. So I think the law does provide that the Assembly can change any amount that was envisaged to be transferred, but that would be at the Assembly level.

Deputy J. Renouf:

So it would be an Assembly decision if that situation were to develop. Okay. Thank you.

The Minister for Treasury and Resources:

I do not see the fund as being ... generating a huge surplus of cash because once you have surplus there will be people saying: “Oh, I will have that for this, that and the other thing.” So it will still be about managing the money we need rather than creating a huge pot of available funds for pet projects on capital. But projects do get delayed all the time and there will have to be that ...

Deputy J. Renouf:

That is my point, a rolling series of delays could lead to quite a large accumulation of capital within that fund that may be hard to spend, to draw down in the way that you want. It could just build up and build up year on year.

Interim Group Director, Finance Business Partnering and Analytics:
I think in response to that there are 2 ... firstly, I think to set the scene, it has always been the opposite problem. For a long time we have underprovided for capital overall. So we have a large backlog of things that we need to address. We know that we need to make sure that future budgets are providing to resource all of that. What this fundamentally does, alongside ringfencing and protecting money, is it encourages a much more long-term planning horizon. So while there will be inevitably some plans that do not go to plan or are not delivered to plan, that are overoptimistic, we need to be ensuring that we have plan B and plan C ready so that other projects could be accelerated, that we are getting to a level of maturity that when we set budgets in the long-term capital plan they are robust in the first instance and likely to go ahead as planned, but where they do not that we have the opportunity to bring other projects forward to maximise impact for the funds that we have available to us. Of course, through the annual budget process you will also reflect on whether, if there is a degree of spare funding in the system, you would want to use the budget process to reassign cash to support revenue investment. More than likely there will be plenty for us to do in the next 10 years at least to accelerate other projects and ensure that we are rebuilding the Island and renewing it.

Deputy J. Renouf:
The other tendency, though, is to over-commission capital projects, £120 million worth of bids and so on, which presumably as you say the aim will be to discipline that process.

Interim Group Director, Finance Business Partnering and Analytics:
Yes. We have shown a degree of that in recent years. The end year position, we have had a lot less underspend on capital than we have in previous years. So we are starting to encourage better discipline in that respect.

Assistant Minister for Treasury and Resources:
It is where the 3-year budgeting plan really fits together with this because then it addresses both not having enough and if you have money sitting there you can make a political decision in the Assembly to ... you might want to reprioritise capital at that point or you might do something else.

Deputy J. Renouf:
Okay. In terms of the regulations themselves, can you clarify what is being brought forward now as opposed to what is going to be needed in the future to bring this to fruition? So the next budget will

presumably include some elements of enacting this and there may be future regulation changes which are not in this batch that are coming through. So can you just outline how far we get with these regulations and how far there is still work to do beyond them?

Treasurer of the States, Treasury and Exchequer:
In terms of the regulations as they are proposed in respect of the Capital Investment Fund, then the regulations will be turned on in 2 tranches. I will have to come back to you to tell you exactly which ones are turned on. But they are turned on or should be turned on by the Minister or the new Minister, depending upon when those orders are put in front of the Minister. That turns on the ability to budget in 2027, i.e. to present to the Assembly a budget that has the Capital Investment Fund in it and the General Revenue Fund. At the point that is agreed at the start or so that it is effective from the start of January 2027, we will then enact the regulations that basically turn the Consolidated Fund off and see the Capital Investment Fund and the General Revenue Fund in accordance with the decisions made in the Assembly turned on, in my sort of language. In terms of the future, this set of regulations does not introduce medium-term financial planning. That will come as a second order. So what we are envisaging is where we perennially run up against an issue in the previous legislation that had a 4-year medium-term financial plan was that that first year you always had to make one year because you did not have the time to work with that Government to do so. In actual fact, the way it worked was the last year became the ... the last 18 months of that plan became the first 18 months of the next Government. It did not work very well. What we are suggesting here is the first budget a Government puts in place would be a one-year budget. That Government would then agree a 3-year budget. That is not in these regulations; that is something that comes later. But as 2027 will be a one-year budget, then we can agree that either in budget 2027 or shortly after in order to do that 3-year budget from 2028.

Deputy J. Renouf:
That is it then? Basically, then it is just about how you fund it?

The Minister for Treasury and Resources:
Yes.

Deputy J. Renouf:
It is just about where the money is going to come from to go into it, put extra resources and so on. Okay. In terms of ...

Treasurer of the States, Treasury and Exchequer:
Just that, yes.

Deputy J. Renouf:

Yes, just that. **[Laughter]** The Public Finances Manual will need to change, we think, to reflect these changes. So what is the process for that and will scrutiny, the Assembly and so on be involved in that or is that a technical exercise that is going on in government that will simply produce a lovely, shiny new finances manual?

Treasurer of the States, Treasury and Exchequer:

That will largely be a technical exercise that splits out the existing powers, responsibilities and rule that sit for a capital project in the Consolidated Fund. It just splits that into 2 funds. Our process for doing so is we internally will work through how that should work. We will do it at the same time and check off to see if there are any improvements we might make to those general controls. We will consult with the C. and A.G. (Comptroller and Auditor General) when we put that together. Then when the Minister makes the decision, they go copied in full to the ... every change in the Public Finances Manual gets copied to the Public Accounts Committee.

The Minister for Treasury and Resources:

I think that is something we do every year. There does seem to be a round of changes to the Public Finances Manual every year to pick up whether it is C. and A.G. recommendations or just other best practice things that have developed in the accounting world, I think. I go through all of those. The team put them together and I go through them and then P.A.C. (Public Accounts Committee) can look at them.

Deputy J. Renouf:

So the timeline for that, the timeline for the changes to the Public Finances Manual, do they have to be in place before the budget comes in, for example, the next budget?

Treasurer of the States, Treasury and Exchequer:

There might be bits that do but we will want it in place before the budget because the financial year comes very shortly after the budget. So you do need it in place in advance so that any changes ... which are not that considerable given that we are splitting responsibilities that A.O.s (accounting officer) and other named people have for one fund into 2 funds. Head of expenditure responsibilities will still be the same. We will have to issue A.O. responsibility letters that split out between the 2 different funds, et cetera. But the aim will be to have it done well in advance of the budget.

[13:30]

Deputy J. Renouf:

In terms of governance arrangements, are there any significant changes in governance arrangements through this proposition?

Treasurer of the States, Treasury and Exchequer:

I am not thinking there are quite so much. You might want to change some of the definitions and terms of references that apply to the ... there is an Officer Capital Group that feeds into the Regeneration Steering Group, for example.

Deputy J. Renouf:

The Public Finances Manual has quite a lot of governance in this, so those things will just continue?

Treasurer of the States, Treasury and Exchequer:

Yes.

Deputy J. Renouf:

Okay. The report to the proposition notes that full implementation of the Capital Investment Fund will be brought forward as part of the budget. Full implementation, what do we mean by that? What is the thing that happens in the budget process that will not have happened up until that point? What do you mean by that?

Treasurer of the States, Treasury and Exchequer:

Well, firstly, the law will be approved but it will not be enacted until that time. We will have to set out the transitions in terms of transfers. At the moment assets are held in the Consolidated Fund, so when we are talking about property, plant and equipment and suchlike, they will transfer into the Capital Investment Fund or the Jersey Capital Investment Fund. So there is that, for example. So we have all that to do in the background, largely just technical, and then the budgets will be set in the budget as they are to be set out for each of those 2 funds. So that is broadly the level that we have to bring into force.

Deputy J. Renouf:

So by implementation you mean the actual allocation of funds and what they are going to be spent on and those sorts of things?

The Minister for Treasury and Resources:

Actually creating the 2 pots.

Deputy J. Renouf:

That is what full implementation refers to. I think we have done question 13.

The Connétable of St. Mary:

Continuing with questions on the J.C.I.F., Article 34B outlines what must be paid into the fund, briefly proceeds from the disposal of assets, income derived from rental, income derived from investments and other income specified in the appropriate budget. So how is it determined at the outset what assets will be held in the fund?

Treasurer of the States, Treasury and Exchequer:

So I think we set out in the report what they would be.

The Connétable of St. Mary:

Is there an established list already there?

The Minister for Treasury and Resources:

Well, we have existing ...

Treasurer of the States, Treasury and Exchequer:

Well, it is not a list asset by asset but we will run through the asset inventory on the general ledger and transfer the funds that qualify as assets in the sense of property, plant and equipment into the fund and the according liabilities ...

The Connétable of St. Mary:

I just question how closely they will be defined, really.

Treasurer of the States, Treasury and Exchequer:

Broadly in line with accounting standards in terms of how you would describe whether something is an asset ...

The Connétable of St. Mary:

That narrow. **[Laughter]**

Treasurer of the States, Treasury and Exchequer:

That amount of latitude. No. So broadly in line with the definitions of what you would expect if you were to see them on the balance sheet of the States of Jersey.

Interim Group Director, Finance Business Partnering and Analytics:

There is an illustration in part 6 on page 20 of the report, I think, which tries to show elements that would remain within the General Revenue Fund, so assets under one year, for example, but fixed and tangible assets would all be transferred.

The Connétable of St. Mary:
Okay, thanks for that. When and how can changes be made to the assets once held in the fund? What is the procedure for changing assets?

Treasurer of the States, Treasury and Exchequer:
Do you mean changing definitions or ...?

The Minister for Treasury and Resources:
Or do you mean an actual asset? I would imagine once an asset, if it is real property, once that is held within the fund, if it was going to be disposed of it would be disposed of pretty much in the same way as happens at the moment with the receipt going into the fund, if that is what you ...

The Connétable of St. Mary:
All right. Going on to an ongoing matter of the rental or leasing of assets, can you clarify what that means?

The Minister for Treasury and Resources:
I think where we have properties ...

The Connétable of St. Mary:
What it covers, what it does not cover?

The Minister for Treasury and Resources:
... where there are property ... well, it will come to is there a real asset which sits within that, a capital asset within the fund which generates some kind of rental or lease income. That income will go into the Capital Investment Fund and it will then be used for things like the ongoing maintenance of that building or other costs relating to that asset or other assets rather than going into the revenue fund and being used for something else altogether. That is right, is it not?

Treasurer of the States, Treasury and Exchequer:
Yes.

The Connétable of St. Mary:

Moving on to what is termed softer maintenance, like the costs of running services associated with the assets held in the fund, matters like cleaning will not be managed by the J.C.I.F. Can you explain the rationale for transferring that obligation elsewhere rather than within the fund?

The Minister for Treasury and Resources:

I think the thinking there is that if you had to reroof a building, that is clearly capital maintenance. I think we have the term "hard maintenance" somewhere. So if you were reroofing or putting new windows in, that is maintenance and depreciation, whereas someone coming in cleaning is more like a revenue spend. Keeping the building clean and the windows washed once they are there is more in the nature of revenue spend than capital spend. So those would continue to be funded from the revenue fund.

Deputy J. Renouf:

There are clearly grey areas, are there not? If the central heating system breaks, is that a capital spend or is that a revenue spend?

Interim Group Director, Finance Business Partnering and Analytics:

Yes, to be fair they are revenue but they are ...

Deputy J. Renouf:

Capitalised.

Interim Group Director, Finance Business Partnering and Analytics:

Yes. Obviously, there is a balance you have to strike here. We do not want the scenario we talked about earlier where a whole department gets recharged to this fund. We are trying to understand what are the operating expenses of the building, what are the things that are about sustaining its fabric, replacing equipment within it, and those things are what we want to categorise within ... protect, rather, in the Capital Investment Fund. So yes, the new radiator and the costs thereof, yes; the cleaning, no.

The Connétable of St. Mary:

So, Deputy Renouf, it is quite a grey area then. I am trying to ...

Interim Group Director, Finance Business Partnering and Analytics:

There are established definitions within the property management sphere. So soft F.M. (facilities management), hard F.M. does mean something to people who work in that space. They are not just terms that we have come up. So that is how we are trying to split it. There are more detailed definitions that follow within those.

The Connétable of St. Mary:
Okay.

Treasurer of the States, Treasury and Exchequer:
But it is not all a grey area. There are things are very much hard maintenance and there are things that are very much soft maintenance, and there are often a minority of cases in the middle. But as Phil says, they are generally quite recognised as to which side of the line they fit.

The Connétable of St. Mary:
Okay. I will leave it at that, Chair.

Deputy L.K.F. Stephenson:
Thank you. Could you clarify how the fund could invest to derive income, please?

The Minister for Treasury and Resources:
Could invest to derive income?

Treasurer of the States, Treasury and Exchequer:
So all funds have an investment strategy that will sit alongside them. Those investment strategies sit alongside the purpose of the funds and what the funds are generally used for, but they also take into account, back to your question earlier, the amount of investable cash, for want of a better phrase, of funds that are sitting in unused. The investment strategy for this fund, subject to us being proven wrong in the future about how much balance is sitting there, I do not expect to be anything other than short-term investments rather than investments held for the long term. So I would not expect the same sort of strategy as you have for the Strategic Reserve, for example. There is a requirement upon us to have an investment strategy in place which will largely talk about highly liquid assets that are not volatile in their value.

Deputy L.K.F. Stephenson:
Okay. So the Social Security Reserve Fund was used to invest in government assets to acquire the new government headquarters. Is that kind of investment anything that might be on the table for this investment fund?

The Minister for Treasury and Resources:
I would have thought ...

Treasurer of the States, Treasury and Exchequer:

In one sense that is exactly what it does because it invests in schools, it invests in drains, it invests in those physical assets, but not in the sense of an investment asset. It is not outwith the possibility, should the Assembly choose to do so in the future, to use the fund on that basis to create an investable asset. I see the fund as having that main purpose in the way that we have invested in the office building as part of the investment portfolio. This is more about the States' actual assets as opposed to the ownership and the return that is being earned on that. But it is not outwith the ... and if you think about some of those assets, some of those assets currently largely internally ... I cannot think of an exception at this point, but there are one or 2 buildings and maybe one of those would be Maritime House where we rent out Maritime House to Ports, for example. So it creates a return but it is still not in that sense held as an investment, it is held as an asset that we rent out.

Deputy L.K.F. Stephenson:
But as I think we just explained before, rental would come back into this fund and would stay in this fund, so that might be some of the money that is potentially building up, or not?

The Minister for Treasury and Resources:
I am not sure there will be a lot of money building up because I think the money that comes in will broadly be used to fund maintenance and replacement of assets rather than creating continuous surpluses.

Deputy L.K.F. Stephenson:
But it is not being ringfenced for that building specifically, it is being ringfenced for capital generally?

Interim Group Director, Finance Business Partnering and Analytics:
All money is fungible so you can move it around and decide which bit funds which, but in the first instance our existing corporate landlord model is established to try to set rents at a level that allow for the maintenance of that asset. So in many cases it will be that we are renting a building externally, that income coming into the States will therefore allow us to continue to maintain that building. It could be that we are in a position in the future where we are generating surpluses through that rental, in which case you could reinvest in the wider public sector estate. But it is just trying to get a more ... or give life to what is our existing corporate landlord model where income is generated by assets, income generated by assets is used to reinvest and sustain those assets.

Deputy L.K.F. Stephenson:
Thank you. From investing to borrowing, can you explain the process by which the Jersey Capital Investment Fund can borrow to fund capital and how will that be managed?

Treasurer of the States, Treasury and Exchequer:

So first and foremost only in accordance with decisions made by the Assembly, so none of that changes. Proposals to increase borrowing limits or to borrow for specific projects will still all come forward in the annual budget or the 3-year budget as we hopefully get to one day. So none of that changes and the way we would therefore manage it is that it is in a different fund as opposed to being the Consolidated Fund. So it is as it is now.

Deputy L.K.F. Stephenson:
Okay. So nothing will change as such? It is going to change ...

Treasurer of the States, Treasury and Exchequer:
Yes.

Deputy L.K.F. Stephenson:
... of course it is going to change, but ...

The Minister for Treasury and Resources:
The process does not change. I think the process will still be ... this is not about opening up a whole new seam of borrowing. There will always be cases where borrowing is necessary and approved by the Assembly and the borrowing will be done through Treasury in the same way as it would be done at the moment with appropriate debt and legal and accounting advice and with a repayment plan.

Deputy J. Renouf:
It will have greater visibility, I guess? That is one change. You will see the borrowing, it will be in that fund, and it will be separate from borrowing that is being done elsewhere in government for other purposes?

Treasurer of the States, Treasury and Exchequer:
Yes, so borrowing ...

The Minister for Treasury and Resources:
Although I think all our borrowing is visible at the moment. It is not concealed anywhere.

Deputy J. Renouf:
Visible in the sense of clarity around the purpose?

Interim Group Director, Finance Business Partnering and Analytics:
The linkage, exactly, so what that borrowing is for.

Deputy L.K.F. Stephenson:
How will capital investment needs be assessed and who is going to make those decisions around what will be funded and when and how will they be prioritised and through what criteria?

The Minister for Treasury and Resources:
Does that come into your long-term capital plan?

Interim Group Director, Finance Business Partnering and Analytics:
Exactly right. So the long-term capital plan is a vehicle. As the report sets out, there are 2 components to that. As I mentioned earlier, there is an essential component. In terms of then how we prioritise that work, it is the established process we already have to set capital budgets, look at the needs, understand which of the strategic needs are highest, and prioritise investment in those assets, reflect on the extent to which and the pace at which we can deliver. So there might be a burning need but it takes us, as we have discussed today, a lot of time to build a school and so we need to obviously make sure that our plans are deliverable. But this is not necessarily a vehicle for changing our prioritisation criteria. What it really does is get us planning on a longer-term basis, making sure we are thorough in that planning and that there is a transparency across the Assembly that if we were to change things around it is very visible, that if we were not to provide for the funding that is needed it is not possible if it is an essential component of it, or if there is displacement because you have changed your plan and it is now very visible that something has been removed there would be a need to justify that to the Assembly.

Deputy L.K.F. Stephenson:
Just for those members of the public who perhaps do not know how things currently work, how are those decisions made? How will they be made going forward?

Interim Group Director, Finance Business Partnering and Analytics:
Ultimately, they are made by the Council of Ministers. Departments put together business cases to explain what funding they need and for what purpose. They are reviewed by the Treasury. We reach a recommendation and that is then put forward to the Council of Ministers, who take a decision whether to invest in something or not.

Deputy L.K.F. Stephenson:
So that will remain the same, so the long-term capital plan is still the Council of Ministers?

Assistant Minister for Treasury and Resources:
Well, it then goes to the ...

[13:45]

Interim Group Director, Finance Business Partnering and Analytics:
It goes to the Assembly, therefore, in the budget ...

Assistant Minister for Treasury and Resources:
The Assembly ultimately says yes or no. It can amend it, can it not? It can say: "No, we do not want that. We think you should be doing this."

Deputy L.K.F. Stephenson:
So that all stays the same. Yes. Okay.

Treasurer of the States, Treasury and Exchequer:
I think the big change is the long-term capital plan providing a greater evidential basis for what projects should be prioritised.

Deputy L.K.F. Stephenson:
Thank you. Then the proposals for what is going to be transferred into the new Jersey Capital Investment Fund, are they going to come forward with a budget for 2027 as what is going to ... for approval, for the States Assembly to get approval over that? Are they amendable, first of all, by States Members? People are nodding; could somebody ...?

Treasurer of the States, Treasury and Exchequer:
They are.

Deputy L.K.F. Stephenson:
Thank you. I think just for the record we probably need people to say it out loud, do we not, rather than just everybody nod. Thank you.

The Minister for Treasury and Resources:
Although it is always ... I am sure it is very frustrating for the team when they spend a huge amount of time and effort coming up with a plan and somebody then tries to put a shovel through it, effectively. So I think maybe we do need more discipline all round to make sure that when we have a plan that works that that plan is allowed then to operate.

Treasurer of the States, Treasury and Exchequer:

I think in terms of the assets I cannot ... I would think that is more of a definition matter. Back to accounting standards as are disclosed on our balance sheet, for example, we will define the assets. It would be a very, very extremely long list of all those assets that will be transferred from the consolidated ... and remember we are not transferring it from the General Revenue Fund. They exist in the Consolidated Fund and they go across. So from the asset and liability basis, very much as a definition you will have a number that relates to each asset class but it will not have a list of all the ...

Deputy J. Renouf:
I think what Deputy Stephenson is talking about, though, is what new sources of funding might ...

The Minister for Treasury and Resources:
Oh, that is a different question. So that is another ...

Deputy J. Renouf:
In terms of if there is going to be a tax on the uplift of land values when it is rezoned, for example, that would be a classic thing which, were it to come into place, you might think would go in here, those decisions.

The Minister for Treasury and Resources:
Sorry, I thought what Deputy Stephenson meant was ...

Deputy J. Renouf:
Sorry, I may have got you wrong, Deputy Stephenson.

The Minister for Treasury and Resources:
... we produce a capital plan and people say: "No, we do not want you to reroof the opera house."

Deputy L.K.F. Stephenson:
I am interested actually now in both of it, now you have both started the conversation, because I can see that some people may have a view on ... even if you would not like them to have a view on your list, some people may have a view on that list. I would first like to ask if States Members are going to be asked to approve that list or is that an internal matter?

Treasurer of the States, Treasury and Exchequer:
In my head I had seen this as a straightforward definition of assets being transferred rather than ...

The Minister for Treasury and Resources:

Yes, is it a capital asset or is it not?

Treasurer of the States, Treasury and Exchequer:
... there is not much in the way of consequence as to whether an asset in a grey area might be ... it is an asset.

Deputy H.M. Miles:
But if a States Member wanted to, they would be able to bring a proposition to say: "I do not want Mont Orgueil included in this", for example?

Interim Group Director, Finance Business Partnering and Analytics:
"Let us not maintain Les Quennevais School", you know. **[Laughter]**

The Minister for Treasury and Resources:
That is what I am saying, it would be really ...

Interim Group Director, Finance Business Partnering and Analytics:
But today that would be visible so ... sorry, Minister.

The Minister for Treasury and Resources:
If we have a capital plan that is worked out with ... so my vision of a capital plan is it says: "These are the assets we have. This the amount of money we have to spend maintaining these assets." When everybody has done that carefully in a concise way, what I thought we are meaning was exactly that, let us not spend money maintaining Les Quennevais School, let us spend it on something in ... let us spend it on Mont Orgueil. Those would be difficult decisions. But I think what you are saying ... I think we are now confusing various things. The capital management plan for me is how we maintain it and look after it once it is in there. What we get in there is what ... the first thing that will transfer is the capital assets. It is almost a matter of fact ...

Deputy H.M. Miles:
As currently listed.

The Minister for Treasury and Resources:
... what the capital assets are. They are either capital asset or they are not. I do not think there are very many grey areas. They move in and then the third element is where does further funding come from. If that was creating new charges or creating tax, hypothecating taxes, that would all have to come to the Assembly. We have had a list in previous briefings of what could be open to the Assembly but that is future funding so I have kind of compartmentalised into 3 different things.

Assistant Minister for Treasury and Resources:
It is clear that your example, Jonathan, that is a decision for the States.

The Minister for Treasury and Resources:
Yes.

Assistant Minister for Treasury and Resources:
The first question that everybody seems to ask is really how you describe ... what is the description of the assets that you want in. It is not really going down a long list of all these assets and saying: "We will put that one in; we will not put that one in." It is: "Are you putting these assets across?"

Deputy L.K.F. Stephenson:
Yes. Okay. Thank you. Just lastly from me for now, there are a number of references in the proposition that talk about how this will improve transparency. I wonder if you could just briefly explain how the structure of the new fund does improve transparency. In asking that, I do not just mean for States Members but for the public as well.

Interim Group Director, Finance Business Partnering and Analytics:
From my perspective, where I was going with ... I went to Les Quennevais School and I want it maintained, for the record, please. **[Laughter]** So where I was going with that is as things stand today that decisions are implicitly taken so not be able to do all of that means that we need ... what this will provide is a long-term detailed list of all of the works that have to happen in order to sustain the Island's asset base, make sure the public buildings are fit for purpose, make sure our infrastructure lives up to Islanders' expectations. That at the moment is not visible. All you get is a 4-year snapshot of those things that have been funded. You will now get an objective view, as far as one can have an objective view of anything, that has been approved by officials and has been approved by the Council of Ministers. There will be business cases underpinning all of that to evidence the need. So to your earlier question, if there was any fear that you would be tied to committing to certain levels of spending on things deemed essential, there will be the evidential basis that you can hold departments to account over and delivery thereof. That I think is a big game changer. Alongside this fund, the funding that has been provided to sustain that plan and deliver that plan will be protected and cannot be subject to short-termism. So for me that I think will be quite meaningful for Islanders. It will show the construction industry and Islanders generally that we have a long-term plan to keep the Island in the right condition, help us build a pipeline so that suppliers can gear up their resources to deliver if a programme builds over time. All of that is novel and new.

Deputy H.M. Miles:

Thank you. I have some questions. I think you might have answered some of these already around multi-year budgeting, longer-term financial planning and the longer-term capital plan. I think we have kind of zigzagged over some of these but I will ask them regardless. How does the move to multi-year budgeting align with the adoption of the draft regulation and can you tell us what the advantages and the disadvantages are of moving to a multi-year budgeting process?

Treasurer of the States, Treasury and Exchequer:
Well, they are separable in that the move to the Capital Investment Fund stands on its own. It does not necessitate the move to multi-year budgeting. The move to multi-year budgeting, however, will provide ... or a return to multi-year budgeting will provide some of the certainty that departments look for, some of the certainty that charities look for who receive funding, for example. It will allow us to ... within reason, of course. We are not going to say to departments: "You can spend all of your budget in year 1 of a 3-year ...". It will enable us to start talking about carry-forwards, should there be carry-forwards, from underspends, for example. Some of the challenge has often been around the difference - which still exist to a degree - between the school year and the financial year. It will also improve long-term planning in that you will not go from year to year with fresh initiatives. You will be able to put all the initiatives ... plan properly at the start of that 3-year period, to start as soon as we have the first year budget put to bed, to have greater certainty about what we need to fund for those 3 years, rather than as we are at the moment. It would have to be said that the current framework is supposed to be a 4-year period but that is not the way the legislation works. It would be voluntary of any Council of Ministers and Assembly to limit itself to minor changes in any one year. This will allow all of that work to be done upfront. It will allow, therefore, departments to get on with delivery rather than what feels like building a well-known Scottish bridge every year where you start a process again of looking for more funding. So this gives greater certainty. It will allow for greater stability in finances over a period of time. It will also come with challenges that we learnt of when we first did this around when income will change and suchlike. That is all for another day, but that might change purposes for the Stabilisation Fund or, as we talked earlier, we may need to hold bigger contingency reserves to cover off against any of those income changes.

Deputy H.M. Miles:
Is there going to have to be changes to the Public Finances Law then to make that happen?

Treasurer of the States, Treasury and Exchequer:
Yes.

Deputy H.M. Miles:
So what is the likely process and timeline for that?

Treasurer of the States, Treasury and Exchequer:
So we will have to see how much work over the summer ... so we are progressing with that in any case. What that looks like will be a matter for the new Ministers and where that will fit in their priorities immediately after the election. I suggest a lot of that work for a new Council of Ministers is in that first year. There is not a lot of time to put that first budget in place. That will be priority number 1 and we will look to see whether we can build the medium-term financial plan changes into that budget or whether it will come shortly after in preparation for the subsequent lodging.

Deputy H.M. Miles:
So that is going to be very tight, is it not?

Treasurer of the States, Treasury and Exchequer:
You have a degree of flexibility as to how you do that. It would at the very latest I would suggest need to be done by the first quarter of 2027.

Deputy H.M. Miles:
Okay. Thank you.

Treasurer of the States, Treasury and Exchequer:
But we have been there before.

Deputy H.M. Miles:
I think you have already highlighted how the funding is going to align with the long-term investment plan and that has been helpful. Thank you. Can you just identify any risks or challenges that could occur with aligning the longer-term plan to the J.C.I.F.?

Treasurer of the States, Treasury and Exchequer:
Any challenges in respect of the ...?

Deputy H.M. Miles:
Transparency or any challenges ...

The Minister for Treasury and Resources:
The long-term capital plan?

Deputy H.M. Miles:
Yes.

The Minister for Treasury and Resources:
Well, they should kind of operate quite comfortably together, you would think, because the capital plan underpins that. That will help drive a clear understanding of what the spend requirement is for things like maintenance and depreciation and that will then feed into what the fund needs to be able to provide the monies.

Deputy H.M. Miles:
So in terms of the long-term investment plan, which kind of goes beyond the budget cycles, how will Ministers be held to account for those investment decisions?

Interim Group Director, Finance Business Partnering and Analytics:
In terms of the long-term capital plan beyond that first 4 years which is approved in a budget?

Deputy H.M. Miles:
Yes.

Interim Group Director, Finance Business Partnering and Analytics:
Yes. I think a big part of what we are trying to encourage here is obviously visibility, as we have talked about. What we also want is a culture of proper long-term planning. So there should not be radical change. So what we have seen in the past, and it is one of the key reasons that this is needed, we have seen lots of chopping and changing in capital programmes. If you look at the past 5 years how different those capital programmes look. We should not see that in the essential spending component of the first 10 years arguably in this plan. Obviously, there is a degree of maturing processes in order to live that, and it might be a few years before we get to that standard, but I think it is really important that Ministers are held to account for putting robust plans out into the public domain that Islanders can have confidence in and then for delivering against them. So that is one of the key benefits that will flow from this is the departments are having to plan rigorously and their Ministers are going to want that because they will ultimately be held to account for that in the Assembly. Again, not something we have had before because we only had a limited 4-year view.

Deputy L.K.F. Stephenson:
Which brings me very nicely on to my next question, which is how or who determines what is essential capital spending. I think the other one is change and improvement spending as it is set out. Who decides the criteria and measurements for those? Also, is that something that is changeable by Government or is it something that is set out in like the Public Finances Manual that is accepted and worked towards each time?

Interim Group Director, Finance Business Partnering and Analytics:

We try to be pretty robust in defining essential. It is about existing assets, quite objective. They exist or they do not. It is about maintaining current service standards. It is not necessarily about providing extra quality service or an improved quality service to Islanders.

[14:00]

So that will require some change to existing assets potentially. You have a school that needs to expand and you might extend that school, but it is all framed around providing for a base service, which is we educate children, in an existing facility and then the maintenance of those assets.

Deputy L.K.F. Stephenson:
The word "current", current to when? When the fund is created or is that a moveable thing?

Interim Group Director, Finance Business Partnering and Analytics:
Well, it will always move, will it not, because if we are ... so we must also ... the key component I missed there was responding to key macro trends. So climate change can have implications for our shoreline defences. Those defences will have to be expanded to meet the pressures of rising sea levels. Sustaining them in the future will therefore be more expensive and there will be more potentially to our coastline defences. So they will become the as is assets of the future. If we expand a school, it is the expanded part as well as the original part, but it is still that same building.

The Minister for Treasury and Resources:
Equally, there could always be a time where we think that a particular asset is no longer needed. It is surplus to requirements and we may decide ... you could decide that if you build Gas Place there will be other schools that you just do not need and you would do something, sell them or use them for another purpose. So there is always scope for that overall what is in the capital plan to change as properties just are no longer required or no longer fit for the purpose we want them for, which is the right thing to do. We should be disposing of assets we do not need.

Deputy L.K.F. Stephenson:
I was just going to say in terms of who decides that, so when it comes to accountability, is it Ministers, is it officers, is it the Treasury, is it individual Ministers? Where does that accountability lie?

Interim Group Director, Finance Business Partnering and Analytics:
We were talking about risk earlier. Sorry, go on.

Treasurer of the States, Treasury and Exchequer:
Go on.

Interim Group Director, Finance Business Partnering and Analytics:

The key risk here is quite clear. We have a building. We then have a decision as to whether we want to keep it. So J.P.H. or Jersey Property Holdings, our corporate landlord, is developing asset-specific property asset management plans, so that building will have a life. They have consulted with the relevant department to understand the requirements for that building in the future: is it needed; is it not needed? They will put forward a case as to whether it is required or not. If it is required, they will put forward an assessment of the works that need to be undertaken in order to sustain it at the right standard. That will all be embedded in a business case. That is approved through the process I described earlier. It comes to the Treasury. There is an officer consensus as to whether that is recommended and accepted or not. Often we will debate that internally, as you would expect us to, to make sure that the costings, the assumptions, are robust. Then it is onward to Ministers to approve whether they are in agreement with what officers are recommending to them and then ultimately the Assembly to approve. But much more advanced than we are today where these decisions often are taken within departments or we have not got those plans in place at all.

Deputy H.M. Miles:

You talk about the role of Jersey Property Holdings in this. From what you are saying, it seems that there is going to be an increase in the breadth of their role. So presumably they are going to have to be resourced in a different way or certainly an increase in resources to meet the requirements that you have just said.

Interim Group Director, Finance Business Partnering and Analytics:

So we have already established the property strategy team. That was one of the growth initiatives in recent years. That team has been building the property asset management plans that I just described, so they are ready. They are still doing that work but they are going to be ready for the long-term capital plan to come. It should not necessarily require additional investment in people from a strategy perspective. Clearly if there are works that we need to ramp up, that will involve a degree of extra resourcing but that is more likely to be contractors who are doing work on buildings.

Deputy H.M. Miles:

Certainly what we heard from Ministers is that there are insufficient resources within Jersey Property Holdings to do what needs to be done currently let alone what needs to be done in the future to make sure that the J.C.I.F. is managed properly.

Treasurer of the States, Treasury and Exchequer:

I think where a lot of that perspective comes from relates to maintenance budgets rather than the administration of what we are talking about here in terms of classifications and working with Treasury on the long-term capital plan. We have done a lot of work on the condition survey, for example, already and another advantage of the fund is that maintenance budgets start competing with capital budgets as opposed to maintenance budgets competing with more nurses or more teachers or whatever it is; therefore, all costs relating to capital are far more visible. The trade-off between maintaining and building essential replacements, if you like, can be seen holistically rather than in the revenue budget or in the capital budget.

Deputy L.K.F. Stephenson:
Will the proposed 4-yearly reviews of the long-term capital plan be a binding and statutory obligation like we have with budgets for new governments and things?

Treasurer of the States, Treasury and Exchequer:
To the extent we can have it binding, we should put something in the Public Finances Manual if that would be what the Minister would prefer. I do not see a need for it to be statutory or defining the long-term capital plan in the legislation as much and we do that with an alternative name to it. We are saying this is the basis upon which Ministers, departments and those who scrutinise that will be able to look at a more evidential plan that is longer than the plans we currently put together to be able to challenge why one project has been brought forward ahead of another.

Interim Group Director, Finance Business Partnering and Analytics:
I think philosophically we have tried to be proportionate about the changes made to legislation and tried to ensure that core governance was rightly in the P.F.M. (Public Finances Manual). If you look at the last change to the Public Finances (Jersey) Law, definitions of major capital having £5 million figures attached to them, if you reflect on that it is not something you would want to do. You have unnecessarily bound yourself. It would have been more elegant to put that in the P.F.M. Philosophically that has been our approach.

Deputy L.K.F. Stephenson:
One of my questions, to skip a couple, is can you provide the rationale for removing the definition of major projects in the Public Finances (Jersey) Law and the implications of that? Is that what you are talking about there?

Interim Group Director, Finance Business Partnering and Analytics:
Yes. Having a £5 million banner on it is not necessarily helpful. We are going to retain the governance attached to major projects, so those that are going to be classified as major projects have a higher level of governance. They have to go through the Corporate Portfolio Management Office to ensure they are really well governed. The only real fundamental distinction between other projects and major projects was that a total amount of money was approved for the project. In

practice, having lived with that for a few years, we have come to the point where we approve an amount of money. Whether it is a £2 million project or an £8 million project, once you are under way it is very difficult to start taking that funding away. We do, in practice, allocate a total amount of money to a project. We do give them inter-year flexibility. That was a key distinction in the law and we are not working that way, so we are reflecting how we really work, which is when you have commissioned a building you allow the project managers and the construction partners to finish it.

Treasurer of the States, Treasury and Exchequer:
In terms of finance law approvals, every project now will have the same sort of framework that only those above £5 million would have had. In terms of managing the projects, there is a separate set of definitions that sit somewhere else already.

Deputy L.K.F. Stephenson:
As well as the 4-year long-term capital programme, there is also mention of an annual refresh for exceptional cases. Who decides whether a new project should be added as part of that annual refresh or I presume taken away as well?

Interim Group Director, Finance Business Partnering and Analytics:
I think the key purpose of the annual refresh is to do what Deputy Renouf was describing earlier and just reflect where there has been a degree of slippage and a need to reprofile. We do reprofiling, as we know, with the current programme. That is its primary purpose. There will be things that emerge that you did not foresee. Perhaps some event has triggered a degrading of an asset to an extent that was not otherwise foreseeable.

Deputy L.K.F. Stephenson:
Who will make those decisions?

Interim Group Director, Finance Business Partnering and Analytics:
It would be approved in the same way as all spending is, which is a business case to be put forward, officer consensus, through to the Council of Ministers, ultimately agreed by the Assembly. The difference with a 4-year refresh is that there are lots of big macro assumptions you have to make about population, climate change and its implication for sea levels. They cannot be reset annually and you cannot replan thoroughly on that basis. You can do that every 4 years and it is about being proportionate.

Deputy L.K.F. Stephenson:
The annual refresh will come to the Assembly as well?

Interim Group Director, Finance Business Partnering and Analytics:
Yes, all things, all approvals will be done by the Assembly. The culture has to be as we described earlier. There should not be substantial annual change. This is failing if that happens and we are trying to build that culture through this because you have got new structures in place that make it ... add friction.

Deputy J. Renouf:
Can I just reflect on some of those comments you have made about the long-term capital plan, which in one reading could be the civil service basically saying can we just make sure you politicians do not mess it up, because we have got a bad record with the hospital, even in recent years we have been slow on the school, we have changed youth clubs. There have been consistent shifts around with political changes and in a way what you are saying is: "Can we have less of that, please? You all sign up to a long-term plan and can you please stick to it?" Is that where this is driving?

Assistant Minister for Treasury and Resources:
It is not fair to characterise Phil in that respect. I would say it goes back to the question that you asked earlier: where is the accountability? If you have got a long-term approach that has been agreed and it has gone to the Assembly, Ministers who wish to change their minds and chop and change can now be held accountable for that because it will be clear that is what they are doing. That is how I would view it.

Interim Group Director, Finance Business Partnering and Analytics:
The opposite is also true. It is about ensuring the civil service is providing Ministers the right quality and standard of information to make informed decisions, and I think that has been lacking.

Deputy J. Renouf:
A change of government is obviously a potential change of priorities, so it is intrinsic there, but what you are basically trying to do is put a higher threshold in and say: "You really did not think about this before. Are you absolutely sure?"

Treasurer of the States, Treasury and Exchequer:
Politicians from all sides, and rightly, have asked us to give some more consideration to longer-term planning. This is that first element of that longer-term planning. It is built up from evidence rather than guess work. The next step will be long-term financial planning on the departmental side so that you can think about sustainability of public finances, for example. The other thing it will start to do is build up what that budget needs to look like over a period of time. Whether you swap and change a particular project, that expenditure will still be needed over the longer term.

Deputy J. Renouf:
For what it is worth, I am broadly supportive.

The Connétable of St. Mary:
Wrapping up this area really, there are 2 or 3 points in the amendments. First in relation to the States trading operations, the regulations amend Article 2 to give the Minister for Treasury and Resources the power to approve an additional withdrawal from a fund if the amount required for a head of expenditure exceeds the approved amount and if there is a surplus available in the fund that is adequate. First of all, how does that change from the previous position?

The Minister for Treasury and Resources:
I think it is broadly the same.

The Connétable of St. Mary:
It is an amendment.

Treasurer of the States, Treasury and Exchequer:
I think it will require that you have to sufficient funds in a central capital reserve. It is likely that a general reserve will now be more segregated. There will be a capital element of that and a departmental expenditure element.

The Connétable of St. Mary:
It is a change, which is why we flagged it.

Treasurer of the States, Treasury and Exchequer:
At the moment those 2 reserves are held as one, essentially. They operate in the background as 2 and I think we disclose in the budget but they are not separate heads of expenditure, so we sometimes use funds that were originally earmarked for capital reserve for revenue matters and the other way round. This will mean that there will be a capital reserve within that capital fund and a general revenue departmental spend reserve in the general revenue fund.

The Connétable of St. Mary:
So in practical terms there is not too much of a change, is what you are saying?

Treasurer of the States, Treasury and Exchequer:
There is not. Different pots.

Interim Group Director, Finance Business Partnering and Analytics:

It is worth stressing that there is no immediate intent to change our approach with States trading funds but there is the option to do that in the future and it is about ensuring the law provides for that. It would not make sense if we had lots of needs on the overall capital programme for us to have money sitting idle in a States trading fund, so we need to ensure that the law provides us the ability, should we wish to change tack, to move that money to other priorities.

[14:15]

The Connétable of St. Mary:
Thanks for that. Only 2 more in this area. Can you please briefly explain the change to Article 24 which relates to the addition of a new paragraph to allow the Minister to make a transfer from the Strategic Reserve Fund of up to £100 million to meet emergency expenditure if sufficient funds are not available in the General Revenue Fund? Again, maybe it follows the same pattern. What is the rationale for that or is there a reason for this change?

Treasurer of the States, Treasury and Exchequer:
That one relates to emergency powers with the Minister, if I recollect correctly, relating to the use of the strategic review during a significant threat to health and safety of Islanders, for example. Those are existing provisions within the Public Finances (Jersey) Law.

The Connétable of St. Mary:
So in practical terms again, not really a change as such.

The Minister for Treasury and Resources:
It might be consequential because of the division into a General Revenue Fund and Jersey Capital Investment Fund. It could just be largely consequential because of the renaming of the funds rather than a consolidated fund.

The Connétable of St. Mary:
Thank you for that.

The Minister for Treasury and Resources:
An emergency fund would go into GRF rather than the Capital Investment Fund, you would think.

Treasurer of the States, Treasury and Exchequer:
Which article was it again?

The Minister for Treasury and Resources:

Article 24.

The Connétable of St. Mary:
My final question has really already been answered. Regarding all these consequential amendments brought by the draft regulations, can you confirm that these amendments effectively are only to replace consolidated funds, which the draft regulation deletes, with central reserve funds, which the draft regulation serves, or to replace "Government Plan" with "Budget"? That is all that is being done, really.

The Minister for Treasury and Resources:
Yes, I think that is right, they are just consequential in terms of terminology catching up with Budget, Government Plan.

The Connétable of St. Mary:
Okay. They are necessary consequential changes to these words and terms?

The Minister for Treasury and Resources:
Yes, I think they are.

Deputy H.M. Miles:
We have just got to hope that the next government does not want to change it back to Government Plan and undo them all.

The Connétable of St. Mary:
Just waiting for the Treasurer; has he got it at his fingertips or not?

Treasurer of the States, Treasury and Exchequer:
If there are any consequential amendments, it is consequential amendments arising from the split of the 2 funds not bringing in a new power.

The Connétable of St. Mary:
Nothing new as such. Yes, okay, thank you.

Deputy L.K.F. Stephenson:
A change of topic now, independent taxation. We obviously heard at our previous hearing that individual I.T.I.S. (Income Tax Instalment System) effective rates for married couples and guidance were due to be sent out to Islanders I think in November. Can you update us on that process and

any feedback you may have had from Islanders? Have there been any challenges that have been faced by people? What has that feedback been like?

The Minister for Treasury and Resources:

I think, yes, we have sent out the notices. The notices were sent out from the week commencing 17th November, so everybody should have had an individual I.T.I.S. rate that affects their own circumstances rather than the couple's circumstances. Richard, do you want to talk about that?

Comptroller of Revenue:

Yes. As we anticipated, we did see an increase in footfall at the help desk and on our telephone lines, not perhaps as much as we expected. We have seemed to be able to cope with it quite well. Clearly, despite all of the communications we did, some people were blindsided by it and were surprised by the change in their rates and so on. We have effectively individually helped them understand the change, so I think it has gone as well as it could have done.

Deputy L.K.F. Stephenson:

What are the next steps for delivery of independent taxation?

Comptroller of Revenue:

We will probably send out or make another media announcement in the next few weeks about joint filing. For people who wish to file jointly, they will have to make that election by 30th September, so we will just remind people about that. The election form is not going to be available until April. Both the online and the paper form will be issued in April, so we will do something at that point again just to remind people that it is available. Then really the next tranche of action will be in the autumn going into the winter when, as I think we have said before, we will start to ramp up communications, particularly for married women who are perhaps making a return for the first time. In particular for older Islanders I think we will be ramping up the community helpdesk in the parishes so that we go out to people rather than them necessarily have to come into St. Helier.

Deputy L.K.F. Stephenson:

Thank you. Then personal income tax. Obviously the window for submitting tax returns is open. Can you update us on any issues there may have been, resourcing, systems, that kind of thing, so far?

Comptroller of Revenue:

Yes. We have had about 12,000 returns, just over 12,000 returns filed already, and about 8,000 of those have been filed online, which is a slightly better position than last year. There has been one glitch in the system, which is a global issue by the provider of the underlying software. We think it has affected about 2 dozen Islanders potentially, so it is not a big issue but a few taxpayers have reported that if they file online and save the return midway, so they have not entirely completed it, some of them have experienced a loss of the input they have made. It is a random glitch and it has not affected everyone who has stopped a return midway. The software providers and our digital services people believe they have now found a solution, which is being trialled and tested this week. I think they are hopeful we will be able to roll that out and make an announcement later this week. As I say, it is a relatively small glitch, random in its effect and it has not affected too many people.

Deputy L.K.F. Stephenson:
You do not expect that it will have an impact on the numbers that might file online or anything like that going forward?

Comptroller of Revenue:
I do not think so. In terms of online filing, at the end of 2025 we saw another 2 percentage point increase in uptake of online filing, so it went from 52 per cent to 54 per cent. We are still a little disappointed by that. We really would like to have seen a step change and we are doing a project which is effectively targeting new entrants to the labour market, particularly school leavers and so on, and encouraging them to file online.

Deputy L.K.F. Stephenson:
Do you have a target for this year?

Comptroller of Revenue:
Well, we do not set a target because we do not really have the levers to influence it. We always aim to get as many people filing online as possible. I think the next big potential step change will be if we start to get more school leavers immediately filing online, so that is where we are focusing the effort.

The Minister for Treasury and Resources:
For example, we are focused on the fact that for school leavers, the first communication they get from us has included a paper tax return. If we start by sending people paper tax returns and we are trying to get away from that by encouraging them to do online filing straightaway, you would imagine young people will not have a problem with doing that. We are also backing that up. We have a briefing next week, I think, on the revenue ready education programme for schools, which we are going to start rolling out quite soon, so I am waiting for briefing on that. That is quite an interesting development.

Deputy L.K.F. Stephenson:

Do you think that for online the necessities around I.D. (identification) verification stuff, does that impact on people filing online?

Comptroller of Revenue:
I think when we first introduced online filing and we just had the Yoti application, quite a lot of Islanders did find that daunting, partly because it required them to have a passport and quite a lot did not, apparently. We then introduced the JerseyMe service where it is possible to validate identity in the post office and it is somewhat different to Yoti, so I think that has helped. I think there is a degree of resistance to I.D. verification.

Deputy L.K.F. Stephenson:
It is a barrier, is it not?

Comptroller of Revenue:
There is.

Deputy L.K.F. Stephenson:
When you have got a form there you can fill or you have to go ... and that takes some time and I have to go and do this and do this.

Comptroller of Revenue:
Yes, but it is absolutely essential to protect people's identity from identity fraud, so it has to be done. I personally find Yoti works very well for me and I think most people find it, some do not. I think again it is a little random.

Deputy H.M. Miles:
If you shaved your beard off you would not have exactly the same experience. It would not recognise you properly.

Deputy L.K.F. Stephenson:
The equivalent for the paper form is because it has got your unique number on it and it has been sent to your home address?

Comptroller of Revenue:
It has got your unique number, it has been sent to your home address and we do have your wet signature on it.

Deputy J. Renouf:

What about a £50 discount for somebody paying online?

Comptroller of Revenue:
I think that is a question for the Treasurer.

The Minister for Treasury and Resources:
I think it is probably right to say that by giving people a discount you would benefit those who are technically savvy or more able to deal with it to the prejudice of those who simply cannot or do not feel up to it.

Deputy J. Renouf:
Corporate income tax, Pillar Two, or the get out of jail card, as I like to call it. Registrations by in-scope organisations for Pillar Two were due at the end of 2025. I think you then gave an extension to the end of February. Why was that extension?

Deputy Director - International, Revenue Jersey:
The reason that we gave the extension was because we had heard from a number of tax agents who had been approached by service providers to onboard their clients and that there was due diligence and client procedures they had to go through. They were saying that they would not be able to meet the 31st December deadline as it stood and that they would have to turn away business. We consulted with industry, a wide range of the agents, and they were all saying the same thing, so we decided at the end of December to extend to 28th February as a blanket extension. It means that any year-end up to effectively 27th February has now got until the end of February to file on time. It is also now being mirrored by other jurisdictions as well. We are not the only jurisdiction that has extended.

Deputy J. Renouf:
Do you now know how many ... we must have a very clear idea by now how many organisations are signing up?

Deputy Director - International, Revenue Jersey:
We know that there is a deadline for 28th February. There is also a registration deadline for the March year-ends as well that would have up until 31st March to register. You are correct, as at 1st April, if everyone has registered on time, then we will know what the numbers look like. Just now we have just over 200 groups on Island that have registered and that accounts for just shy of about 1,200 standalone entities.

Deputy J. Renouf:

Is that roughly what you would expect? You have done a lot of engagement about that.

Assistant Minister for Treasury and Resources:
It is just a little bit shy but bearing in mind the lead time, we are not far off what we expected to be but it is just a bit shy of it. We expect over the next weeks, as Jonathan said, we will get roughly to the number that we expect it to be.

Deputy J. Renouf:
How is that translating into revenue forecasts?

Assistant Minister for Treasury and Resources:
Well, do not forget we do not get the first payment ... the first payment on account is due at the end of May, so the registration does not ... we will have to wait for that first payment on account.

Deputy J. Renouf:
But you must have some idea, looking at those figures.

[14:30]

Assistant Minister for Treasury and Resources:
We have been very, very careful all along to just talk about the base case, which is where we can be certain. That base case we believe continues to hold true and we do not think it is either sensible or responsible to try and second guess what the actual amounts might be. Even after we have had the first payment on account, it might still be challenging but at that point we will have a much better handle on what the number will be coming in this year, for last year's liability of course. That will make last year clear but what it will not do is give us any indication necessarily of what the going-forward figure will be.

Deputy J. Renouf:
You have got 52.

Assistant Minister for Treasury and Resources:
Around 52. It starts at 48 and ends up at 52 for the full-year period.

Deputy J. Renouf:
Are you confident, quietly confident, that you will get more than that in the £50 million range more or what?

Assistant Minister for Treasury and Resources:
As I have said all along, that number is the base case. What we have done is look at those companies who we know are already paying, will fall within the new 50 per cent rate and have got such substance here in Jersey that we know are what you would consider to be sticky. As we have gone through this process, and as Jonathan said, we have got these 1,200 registrations now. We are more confident that there will be an upside but we still think it is prudent to wait until we have had the payments on account to talk about what amount that might be.

Deputy J. Renouf:
If there is that upside, how confident are you that it would be sustainable? I am thinking here in the context of a budget that depends heavily on funds that are not sustainable in terms of the Social Security Reserve Fund and so on. Do you put this in the same category?

Assistant Minister for Treasury and Resources:
We will leave the Minister to reply to your little political jibe about the Social Security Reserve Fund.

Deputy J. Renouf:
I do not think it is political, is it?

Assistant Minister for Treasury and Resources:
Anyway, we will come back to that because I think that is ... let us keep it ...

Deputy J. Renouf:
Beyond 4 years.

Assistant Minister for Treasury and Resources:
Ask me the actual question again.

Deputy J. Renouf:
How confident are you that the upside will last?

Assistant Minister for Treasury and Resources:
That again will depend on what the payments on account are and from which firms at the end of May. The reason I say that is because we will be able to look at those companies and have a good understanding of whether they might do some restructuring or not, what restructuring might be available to them and, therefore, we will not know the answer to that question fully. So we will have the numbers question answered but we will also have whether it is just a one-off or it is likely to continue or not.

Deputy J. Renouf:

In terms of the instability around Pillar Two, the Pillar Two regime changes with the Americans and so on, can you update where we are with Pillar Two in terms of going forward? What are the next steps, things that you expect to happen?

Assistant Minister for Treasury and Resources:

As you know, we developed a bespoke domestic cover tax, which we believe is creditable under the Pillar Two regime. What has happened is that the U.S. (United States) have probably strong-armed through politics the rest of the G7 initially, at which point the game was over, to say that they were more concerned about the potential domestic changes in American taxation and, therefore, they would concede that the U.S. system was roughly similar to the O.E.C.D. (Organisation for Economic Co-operation and Development) global tax system even though one was global blending and one was jurisdictional, but anyway, that is all politics. We are now in this position where there is a broad acceptance. We remind ourselves that we came to this with a number of priorities which are representative of our competitiveness position. That was we wanted to comply with international standards but we did not do it as a tax raising measure. Any tax raising measure for us is an upside of compliance with international standards. We were also mindful at the time that there was a mismatch between what was Pillar Two and what was the American system and so we also tried to deal with what that mismatch was at the time. That mismatch, of course, has now fallen away because of domestic changes in the American tax code around credibility of various taxes and at the same time now the O.E.C.D. has delivered side-by-side, but with that side-by-side statement on 5th January - I do not know how many pages it was, Jonathan, it was somewhere between 70 and 200 or something - of various clarifications and changes, what we have done, mindful of those 2 initial policy principles that we have approached with, is engaged directly with our big American institutions but also being mindful that our European institutions also want something. The things that those institutions want are not necessarily aligned, so we are now having to navigate through are there any adjustments that we may make in the future, but that will be very much led by us wanting to remain competitive and be attractive to business.

Deputy J. Renouf:

Okay. We can leave it there if you want. That is very helpful. Thank you. In effect, quite timely moving on to the temporary reduction in the States grant to the Social Security Fund. The reason I said, by the way, unsustainable is, as I understand it, you are only proposing it for 4 years and therefore you could not keep on reducing. I was not passing comment on the 4 years as a period.

The Minister for Treasury and Resources:

I do not accept it is not a sustainable fund.

Deputy J. Renouf:

No, I was not saying the fund, I am saying the transfers. Anyway, we will leave it for that. You want to protect the long-term sustainability of the fund. What steps are being taken to ensure that that happens?

The Minister for Treasury and Resources:

Well, there is a review going on. I think it came back to a recommendation about reviewing the purpose of the funds and that is a hugely big job but there is a review going on about funding of the Social Security Fund. The Minister has instructed, I believe, the normal actuarial reports that have been used. It does not make sense to get more than that. It is an expensive and certainly time-consuming process, but the actuarial reviews will definitely help ... the actuarial response will help inform those reviews and how we look at funding in the long term. The Social Security Reserve Fund has grown now to £2.7 billion and last year it generated investment returns of £250 million, so in comparison to the States grant, that is a very significant sum in a year. That is a 10.5 per cent return against the target of 6.8 per cent. Now obviously I do not need to be told that past performance is no guarantee of future success but ...

Deputy J. Renouf:

And it was an unusual year.

The Minister for Treasury and Resources:

Well, I am not sure it is that unusual. It has generated very good returns and at that cost, at that scale there are those that are not continuing to generate reasonable returns going forward, but that is all things that will come into the mix as part of our longer-term financial planning. I do not believe the Reserve Fund ever had a target for size. It was there to deal with the bulge of the ageing population but we think there is a broad indication that it wanted to be 5 times spend. It is now at 7 times annual spend, so I think that those numbers ...

Deputy J. Renouf:

Can I just pin you down a little bit? You said there is a review going on. The Minister for Social Security told the Health and Social Security Panel that there was: "Commissioning a separate piece of work in the context of the Social Security Fund, the amount of tax-funded money that goes into it each year, the level of reserves it would be prudent to hold, the way in which other countries address these issues. This broad review, which is not a straightforward actuarial review, in other words it is additional, is a much broader policy-based review and that will be ready for the incoming Ministers." Is that work you are involved in? What is that piece of work?

The Minister for Treasury and Resources:
That sounds like a bigger policy thing rather than what we ... because our review is looking at where we are at the moment if we continue what we are doing. That sounds like a different piece of policy work in terms of looking at how our fund compares with what other people do and I am always slightly reluctant to start comparing ourselves with other people unless we are comparing apples with apples. Can you explain what our review is doing?

Interim Group Director, Finance Business Partnering and Analytics:
It just brings into play the objectives of the fund, so objectives neutral and, as the Minister said, we are in an excellent place. Last year was a good year for returns; it averaged over 9 per cent over a really long period of time. We have achieved investment returns far in excess of expectations when the actuaries informed the original formula. That work will look at the sustainability of the fund as is. It will also look at other policy objectives to back that up.

Deputy J. Renouf:
You are currently doing a piece of work in Treasury to look at the Social Security Reserve Fund?

Interim Group Director, Finance Business Partnering and Analytics:
The Minister is leading that work but we are involved.

Deputy J. Renouf:
You are involved, okay. What is the timetable for delivery of that work?

Interim Group Director, Finance Business Partnering and Analytics:
I think it is intended to have ... I do not have the hard deadline but it is intended to be ready for the next government.

Deputy J. Renouf:
Are there terms of reference for this? Is this just a kind of we are having a look at this or is this a serious piece of work with terms of reference and a delivery schedule and objectives, all of that kind of stuff?

Interim Group Director, Finance Business Partnering and Analytics:
It is a little outside my area of responsibility, Treasurer.

Treasurer of the States, Treasury and Exchequer:
I will have to confirm terms of reference but we are involved with that. I will confirm that for you.

Deputy J. Renouf:

Okay, because I am a little confused about the number of different things. Full actuarial review, understood. Is this piece of work that the Minister for Social Security told us about the same as the piece of work that you are involved in?

Treasurer of the States, Treasury and Exchequer:

No, that is a piece of work ... you wouldn't expect us to run separate pieces of work.

Deputy J. Renouf:

You do not sound that involved if you do not know ...

Treasurer of the States, Treasury and Exchequer:

I am not personally involved. I am, from the conversation, thinking that one of my officers is involved.

Interim Group Director, Finance Business Partnering and Analytics:

Yes, strategic finance colleagues are involved in a formal review. I am sure there are terms of reference but we will get back to you on the structure of it.

Deputy H.M. Miles:

I have just got a quick question about insurance. Can you just talk us through the process followed when insurance claims are paid back to government? For example, a good sum of money was taken out of the Strategic Reserve to fund the emergencies that we had back in 2022, 2023. How does the process of those costs getting repaid go ahead?

Treasurer of the States, Treasury and Exchequer:

More generally, when a department suffers an insurable incident, they have their budget to meet the consequential costs of that pending an insurance claim. If they, therefore, spend that money from their existing budget, when that insurance award comes in, it will go to that department.

Deputy H.M. Miles:

When we have a major emergency and a considerable amount of money comes out of the Strategic Reserve to fund, where does that repayment ... how does the insurance claim process work?

Treasurer of the States, Treasury and Exchequer:

In principle I would expect that to go back to the Strategic Reserve, but if you give me an example I will go back to confirm that position.

Deputy H.M. Miles:

For example Haut du Mont, a significant amount of States money.

Treasurer of the States, Treasury and Exchequer:

Of course there was a lot of expenditure incurred that was not insurable. The majority of the insurable costs relate to the owners of the property, which in this case is Andium Homes. There was an awful of expenditure in respect of Haut du Mont that was not covered under insurance and there are obviously deductibles in terms of how much you have as what we normally think of as excess on our personal policies, that they would expect us to bear as well. In this case, the majority of those insurable costs related to the damage of property.

Deputy L.K.F. Stephenson:

Moving on, Minister, could you provide an update on the use of the revolving credit facility, please, and the process followed to access the facility in its current position?

Treasurer of the States, Treasury and Exchequer:

We use the current R.C.F. (revolving credit facility) twofold. One is as part of the borrowing approved by the Assembly, to fund the new hospital facilities project and, secondly, there is a change in legislation allowing us to use that facility as overdraft, which previously it did not until those changes were made, I think in the budget before last in terms of approvals. We use it for those 2 purposes.

[14:45]

Drawdown I think at the end of the year was roughly £100 million in respect of each of those, leaving £100 million headroom against the current level of the R.C.F. The R.C.F. does have what we call an accordion facility up to £500 million. Obviously the £500 million is still within the borrowing approvals for the hospital and the powers of the Minister in respect of overdraft as well. We are currently undertaking a piece of work and working with the N.H.F. (New Healthcare Facilities) team to understand the cash flow requirements in particular this side of the period of election sensitivity, notwithstanding the other item we just touched on, which is at the end of May we have a highly variable amount of money that we may get in arising from Pillar Two for the part payments. I need to take a prudent view of that if I get halfway through the period of election sensitivity and not have the funds in place to make sure that the hospital can proceed and to fund ongoing cash requirements of the States. We are doing that piece of work in terms of cash flow to advise the Minister as to whether we execute one of those increases to the size of the revolving credit facility amount.

Deputy L.K.F. Stephenson:

Can you just briefly explain the link with Andium and the revolving credit facility?

Treasurer of the States, Treasury and Exchequer:
Andium have their own revolving credit facility.

Deputy L.K.F. Stephenson:
Okay. I will come on to my next question, that is the Andium one. Can you just briefly explain the Andium one to me and how that one works as well, please?

Treasurer of the States, Treasury and Exchequer:
The revolving credit facilities in terms of capital projects, and it is the same for all of us, is obviously at the start of a capital project - and if I talk about the hospital but it applies to Andium as well - if you go out and spend or you go out to market and borrow £250 million and £250 million lands in your bank account, you have to be paying interest on that money and you have not necessarily spent the money. An R.C.F. in this particular case means that your level of actual debt increases as you spend money and develop the sites, rather than having all the money upfront. It feels a bit like an overdraft facility. It is not an overdraft but it builds as you spend money. That is what they are using there in terms of matching against development costs and what you would expect further down the line, as is the case with the States, is you convert that into a more permanent arrangement, either in our case by the issuance of bonds or going to banks for a fixed amount of borrowing.

Deputy L.K.F. Stephenson:
When it comes to the involvement of the Minister for Treasury and Resources with Andium's borrowing or use of that revolving credit facility, how does that work? I am referring to I think there was a recent States written question, which was also covered in the media, which then talked about the level of borrowing, Andium Homes borrowing expected to surpass £500 million. Minister, you stated that: "It is the responsibility of the Andium board to monitor financial viability and debt levels in accordance with their risk appetite. I remain satisfied that the necessary assessments have been regularly undertaken." What engagement do you have with Andium to make sure, to give you that confidence?

The Minister for Treasury and Resources:
Before any of the States owned entities go into a borrowing arrangement like that, they themselves take quite extensive debt advice and they then come to us. We then look at it, we review it and take external advice on it. So we go over it all again to make sure it is satisfactory that they can use it. Again Andium will use their revolving credit facility in the same way as we do to get the most cost effective means of funding in a particular situation, fixed term finance or not fixed term, but they do not just say: "Oh, by the way, we have entered into a new £100 million facility, it is a done deal." We know about it in advance and we have to check the whole viability and how ...

Deputy L.K.F. Stephenson:

Do they notify you or do you have to approve it?

The Minister for Treasury and Resources:

I think we have to approve it, yes.

Deputy J. Renouf:

How would you know if there was a problem with it? There must come a point at which there is a theoretical possibility you would have to say no. Who would tell you that? Who would tell you that that was ...

The Minister for Treasury and Resources:

Our own advisers, our own review and our own advisers would say this is ... they are not using a one man and his dog in a garage type of debt adviser. They are using very sensible debt advisers, as do we, and if our adviser said they had concerns about this, we would go away and ask questions and make sure those questions were addressed before we gave approval for entering into the funding arrangement.

Deputy J. Renouf:

The point of having a Ministerial input in it is to have a second opinion about it. It would not be valuable if it was just a tick because it ...

The Minister for Treasury and Resources:

It is not just a tick. For States-owned entities I am not a rubber-stamping process, absolutely not, and I think if you asked them that - they will probably tell you that as well, or I would like to think they would tell you that as well - we do look very closely at these type of proposals. It is the same as when they go into a new development, they come up with their plan, we have a third-party quality assurance of any development they do, so we use third-party advisers. We do have appropriately qualified people looking at all these proposals before we say yes and if we have questions we would ask questions, and we do ask questions.

Deputy L.K.F. Stephenson:

In response to that written States question, it said that the revolving credit facility was first agreed in 2020 and extended in December 2025. Is that a decision that came to you and you approved the extension of that?

The Minister for Treasury and Resources:

Yes, it would have done. I cannot remember the dates.

Deputy L.K.F. Stephenson:
Recently in the past few months the extension would have been agreed by you?

The Minister for Treasury and Resources:
Yes. Initially Andium in the first instance talked to the officer, Steve, who is our main point of contact, raise with him and the officers review everything and then it will come to me for a decision. We will talk about it and ask questions. I read the papers.

Deputy L.K.F. Stephenson:
Does the Minister for Housing have any input into those kind of decisions?

The Minister for Treasury and Resources:
I think possibly less so with financing but I think in terms of developments. If Andium came in tomorrow and said: "We are going to build 30 new houses on this field" then the housing policy team are engaged at that level. I do not think they are involved as much in the financing but we would look closely at the financing to the extent that was engaged.

Deputy L.K.F. Stephenson:
Thank you. Just for the public record then, because I do not think the written question stated how much the extension was. It said what the total from the revolving credit facility was. How much was the extension in December for?

The Minister for Treasury and Resources:
I do not remember.

Assistant Minister for Treasury and Resources:
I think it was an extension of the facility.

Deputy L.K.F. Stephenson:
So they have not necessarily drawn it down? It is the extension of?

Assistant Minister for Treasury and Resources:
You are extending the facility, whatever it was.

The Minister for Treasury and Resources:
I cannot remember if it was making it bigger or if it was just making it more available.

Treasurer of the States, Treasury and Exchequer:
We will come back to you.

Deputy L.K.F. Stephenson:
Thank you.

The Connétable of St. Mary:
I have a couple of questions on the States owned entities, which I know you are dying to hear. Can you please update us on the nature and extent of any recent engagement with S.O.E.s (States-owned entities) for which you have a role of shareholder representative? Do they focus on any particular challenges you have seen before during your term?

The Minister for Treasury and Resources:
We do, yes. I meet with all of them quarterly. There are so many, I try to meet with them quarterly. I have recently met with Ports and J.D.C. (Jersey Development Company) in the last few weeks. I think there is a Post one coming up very soon in my diary, but I meet them ... I try to meet them quarterly. We will have the full shareholder pack, which will include the finance update, chief executive's report, things that they are working on. They operate a general no surprises policy where they should tell me in advance of anything that we need to know. With Ports, for example, we have discussed some of their big projects quite recently. I think the actual announcement is coming out very soon about their projects. I think we have a good relationship with them. If we needed an ad hoc meeting, we would have them. They may phone me for ... I get the occasional phone call saying: "Just so you know this."

The Connétable of St. Mary:
Does any common theme come from those?

The Minister for Treasury and Resources:
Not necessarily. I think with Ports recently we have looked at strategic business plans recently. It is generally where they are and the thing that I have tried quite hard to focus them on is rather than spend 2 hours going over everything, to focus on what are the big issues, what are the big issues that I need to know about, what are the big issues you are working on, what are the big issues that need my help, what are the issues that are going to be ... that the media might be interested in. I really try to focus on what the key issues are and how they are doing and we do have some ... I do meet the executive. I also meet the chairs separately after these meetings where we can discuss anything we are concerned about

The Connétable of St. Mary:

Leading on from that, we have recently seen, if not fully yet, the report from the Public Accounts Committee on arm's length bodies. Have you had a chance to look at that in any depth?

The Minister for Treasury and Resources:
I did read the recommendations very quickly. I think the S.O.E.s and my sense of it from a reasonably quick reading was that the S.O.E.s are generally accepted to be the governance arrangements are good, we do see them regularly, they follow a corporate code, we have got the M.O.U.s (memoranda of understanding). There is a rotation of non-executives and chairs in line with corporate standards. So I think that relationship works quite well. I think I have a very open relationship with them.

The Connétable of St. Mary:
I am aware of the time, Chair, but ...

The Minister for Treasury and Resources:
I think putting ... I am slightly ... I think it is unfortunate the States owned entities are quite often put in the same bucket as the A.L.O.s (arm's length organisations) because they are quite different things.

The Connétable of St. Mary:
I do have here some questions on the recommendations but time does not really permit. You will be replying to these recommendations obviously in the natural course.

The Minister for Treasury and Resources:
We will reply in due course when we have had time to ... they have had a long time to pull it together. I think we need some time to respond.

The Connétable of St. Mary:
We will await those with glee. Thank you.

Deputy H.M. Miles:
We are coming to the end. We just have a few minutes, but really the last questions are just on your reflections of your time as Minister for Treasury and Resources. Looking back over your term in office, what do you consider to have been the most challenging aspect and what areas of opportunity for progress have become apparent?

The Minister for Treasury and Resources:

I think in general there was recognition that we are as Government, Government spending rather more than it should ... I think everybody is accepting of that, that we seem to struggle to rein that in in quite a lot of ways but we have made I think quite good progress trying to do that. I think it is something we have to continue to do going forward and I think the team have done really good work on ... the long-term capital plan is something we were working on for a long time and then we got stretched into Investing in Jersey and the Jersey Capital Investment Fund, and that underpins that very well. We do have more to do in terms of we have said multiyear budgeting we think will help that. I think the Minister for Treasury and Resources historically had greater powers than I have and I think we need to reinstate some of those powers as a means of again trying to bring that back in line. We have made good progress with independent taxation, although it is very frustrating the number of times we have a decision that seems to be tweaked, fiddled with. I think the tendency that we have to try to reopen previous decisions is unfortunate, particularly in the financial, tax sphere. It does not help us plan, it does not make for an easy or simple system to operate. It does not make it a cheap system to operate when you have got multiple options running round and I am sure there are lots of things ... I am sure the Comptroller would say there are things we could do to make our tax system easier and simpler for individuals but just the scale of work and trying to fight through that I think would be a huge amount of work. I think we have done some good work. What I probably did not expect at the start of 2024 was to spend quite so long on matters relating to connectivity. I spent a long time in 2023 discussing sea connectivity and contingency for that service, just the stability of that service and the contingency around it and making sure that we always ... we were not in a position where we found ourselves without a boat, so that took up a huge amount of time.

[15:00]

Then last year we had similar issues around air connectivity and I do think that has ... painful as it would have been for a number of people at the time, I think we are in a stronger position now with Loganair than we have been for some time. That is no criticism of Blue Islands. It was a small airline and we had issues that arose with it being a small airline. I think as it settles with DFDS, we will be in a strong place with DFDS going forward. I do think that does put us in ... both of those changes put us in a strong place. The team have all done an inordinate amount of work in all of these areas, for which I am very grateful. Then the other thing that took up a lot of time last year was the Manx deal with Jersey Telecom, so it has been very busy. I know there are some people say lawyers shouldn’t be anywhere near the money. I think my particular skills have been quite helpful in some of the things we had in the last year.

Deputy J. Renouf:

You did not mention dealing with Scrutiny as one of your highlights. **[Laughter]**

The Minister for Treasury and Resources:

That is one of the highlights.

Treasurer of the States, Treasury and Exchequer:

Surrounded by accountants.

The Minister for Treasury and Resources:

Surrounded by accountants, yes, nothing wrong with accountants.

Deputy H.M. Miles:

I am just conscious of time, so I just want to thank you all for your time today. Thank you to you, Minister, and to officials. Let us close the meeting, please.

[15:01]