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Corporate Services Scrutiny Panel

Proposed Budget 2026-29 Review

Witness: Minister for Treasury and Resources

Wednesday, 29th October 2025

Panel:

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

Connétable D. Johnson of St. Mary

Deputy A.F. Curtis of St. Clement

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 of Jersey

Mr. R. Summersgill, Comptroller of Revenue

Mr. A. Hacquoil, Group Director of Strategic Finance

Ms. C. O'Brien, Deputy Comptroller of Revenue

[12:03]

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

Thank you. Welcome to this public hearing of the Corporate Services Scrutiny Panel. Today is 29th October 2025 and this is our Proposed Budget 2026-29 Review Hearing with the Minister for Treasury and Resources. I would like to draw everyone's attention to the following. The hearing will be filmed and streamed live. The recording and transcript will be published afterwards on the States Assembly website. All electronic devices, including mobile phones, should be switched to silent. 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 role. So if I can begin with introductions, I am Deputy Helen Miles, Chair of the Corporate Services Scrutiny Panel.

Deputy J. Renouf of St. Brelade:

Deputy Jonathan Renouf, Member of the Scrutiny Panel.

Connétable D. Johnson of St. Mary:

Constable David Johnson, Member of the Panel.

Deputy A.F. Curtis of St. Clement:

Deputy Alex Curtis, Member of the Panel.

The Minister for Treasury and Resources:

Elaine Millar, Minister for Treasury and Resources.

Treasurer of the States of Jersey:

Richard Bell, Treasurer.

Comptroller of Revenue:

Richard Summersgill, Comptroller of Revenue.

Deputy Comptroller of Revenue:

Cora O'Brien, Deputy Comptroller.

Group Director of Strategic Finance:

Andy Hacquoil, Group Director of Strategic Finance.

Deputy H.M. Miles:

Lovely, thank you very much. I would just like to draw your attention that we have got 2 hours scheduled for this meeting. Therefore, we can begin and I am going to hand over to Deputy Renouf to ask the first set of questions.

Deputy J. Renouf:

So the Fiscal Policy Panel said that in 2024 the Government ran an operating deficit and 2025 the budget is being bailed out by withholding money from the Social Security Fund to the tune of £50 million. Do we have a structural deficit, Minister?

The Minister for Treasury and Resources:

We have had operating deficits in recent years and I think, because spend is exceeding revenue growth, it could become structural unless we do something to address it. Now, something to address it could either be increasing revenue by raising tax, which nobody wants to do, or by reducing spend, and that is what we are trying to focus on.

Deputy J. Renouf:

So the structural deficit argument would be that we are relying on a short-term funding measure for the next 4 years to fund long-term commitments in health and education and so on. In what way would you say that avoids being a structural deficit?

The Minister for Treasury and Resources:

Well I think there are other things, we do need to look to grow the economy, we do need to look to grow revenues by revenue growth. Issues have also been that we have put more money into capital, a combination of capital and depreciation is also part of the issue. So those are all things that have to be considered. So, there is work to do and the future Government will have to consider some of that to make sure. But you either raise revenue or you reduce spend and either of those things are not necessarily easy.

Deputy J. Renouf:

So in terms of ...

The Minister for Treasury and Resources:

But I think we are forecasting, later in the plan, revenue increasing. The period we are going through at the moment will improve. We are reliant on financial services to a very great extent in terms of economic growth and contribution. The work we are doing with financial services on the competitiveness programme to make sure that continues to thrive and grow will also produce benefits in the budget. But we do have a programme, we have talked about it several times at Council of Ministers in terms of how we reduce the size of the public sector, which has got out of control. It does require everybody to bear that in mind because nobody ever brings a proposition requiring us to spend less. Every proposition that a Backbencher brings involves spend, even when it is business as usual, officers can do it on the side of their desk. The officer doing it is then being distracted from something else. So, it is very difficult when we are constantly getting propositions requiring us to spend money or to create new bodies. Every time you create a new independent body, you create a potential for vastly increased costs, and all of those things, we have all as an Assembly got to start facing up to all of those things and thinking about the impact of the propositions that we bring.

Deputy J. Renouf:

So, we ran an operating deficit in 2024, we are doing the same in 2025 effectively. How does the Treasury define what is sustainable, because presumably you would accept that is not sustainable going forward?

The Minister for Treasury and Resources:
Treasurer, would you like to help on that?

Treasurer of the States of Jersey:
We would expect and are indeed required to be able to balance the books across the period of the plan. Each of those successive budgets does have a plan in place to balance the books. There are challenges we have, and the challenges in particular with this budget, while income will still increase, it will not increase by as much as we had previously forecast. Higher inflation has increased the expenditure forecasts for Government. So, the plan has changed between years. It still says that we have a balanced budget over the period of the plan and into those future years. I take the points about the changes to the Social Security Grant, but the Minister for Social Security will be undertaking the actuarial review and then a review of the position of that fund. That fund is in rude health, so if talking about sustainability into the long term, we have good reserves. We may have recommendations from the Fiscal Policy Panel that the Strategic Reserve should be larger, but the Social Security Reserve is a little bit above the original intent of the size of the fund. So, in terms of long-term resilience and sustainability, the States are in a relatively good place.

Deputy J. Renouf:
The fund is only sustainable at that level if contributions are restored, and the current plan is to take money from the contributions for 4 years, and that is it. After that, money will have to be found from somewhere else to close these deficits.

The Minister for Treasury and Resources:
That is still a temporary measure, and we believe that will not affect the long-term sustainability of that fund. In the meantime, we will be looking to reduce spend, as the financial services ticks up.

Deputy J. Renouf:
The plan is to cut spend to close that gap in the meantime. The aim is to close the gap by cutting spending in the next 4 years so that you will not have to rely on that. Can I come at this from another point of view, then, which is that you are using £50 million from the contributions. How did you decide on that figure, Minister?

The Minister for Treasury and Resources:
Well, I think because that was the money we needed to balance the books.

Deputy J. Renouf:
Okay. So, you did not look at the fund and think, this is how much money the fund can afford to lose; you looked at the budget and said, this is how much we need?

The Minister for Treasury and Resources:
The fund is in very strong health. It has over £2 billion in the Social Security Reserve Fund. The actuarial reviews, which were published in 2023, show that in a variety of situations the fund is sustainable well into the 2080s. But it is secure. It is continuing to accrue very good investment returns. It is continuing to grow. We have got graphs that show that it is continuing to grow. If you have a choice between the idea that we just go: "Oh, let us just cut this grant without thinking about anything else", the obvious things are increased tax, increased contributions, or cut spending dramatically. Nobody wants to do that.

Deputy J. Renouf:
I am still trying to get to this £50 million. Why £50 million? Why not £60 million? Why not £80 million? Why not £20 million? What was the choices that made you choose £50 million?

The Minister for Treasury and Resources:
Because I think that is what we need to balance the books.

Deputy J. Renouf:
The need is relative here, is it not, because these are all choices, choosing to increase money going into certain places.

The Minister for Treasury and Resources:
Yes. Would you like us to increase tax? Who is going to vote to increase tax?

Deputy J. Renouf:
Minister, I am asking you why you made the particular choices you made.

The Minister for Treasury and Resources:
Because it was the best option. Because the options are, if you have a shortfall, the options are to increase tax dramatically or to cut spending dramatically and actually say: "No, we are not going to put more money into health and they will have to stop providing services and we will create waiting lists, or we will stop providing school meals, or we will stop providing other services to the public, which will not be acceptable to the public or to politicians, or to take money out of the Strategic Reserve", which the F.P.P. (Fiscal Policy Panel) tells us we should not do: "or to cut, to reduce the

States Grant on a temporary period". These are all things that are considered, we do not just pluck things, and you will recollect that, because the States Grant was also proposed to be reduced in 2023 and 2024 and it was reduced in 2022.

Deputy J. Renouf:

By £20 million with a promise to repay it, somewhat different to a quarter of a billion pounds, which is not going to be repaid.

Deputy A.F. Curtis:

I think Deputy Renouf's question about cutting spending and the short-termism is, your response was: "We need to bridge that gap within 4 years as this is a temporary measure and these are choices", so why could the choice not be made now to make those choices about the level of spending need, to say £50 million is a lot to come out, or may not be, but we do not need the budget to be, we could cut our cloth earlier than in 4 years' time. Because it feels like ...

The Minister for Treasury and Resources:

Cutting by £50 million in a year; I do not know how we would do that.

Deputy A.F. Curtis:

I did not say the whole amount, but the choice is, it sounds like that shortfall has to be met within 4 years to meet what is being put forward as a temporary measure, and so that is not a long time, so it is trying to work out where these numbers came from.

The Minister for Treasury and Resources:

Over that time, they came from the accounts, they came from what our financial accounts are telling us.

Deputy A.F. Curtis:

But what we are choosing to spend as well.

The Minister for Treasury and Resources:

We are choosing to spend because what was the alternative, that we do not work, that we do not do drains and roads, that we do not do the Fort, that we stop providing services, that we do not build children's homes for vulnerable children?

Deputy A.F. Curtis:

What provides you confidence that in 4 years' time the answer will be different, that we will have found ways to deliver savings without that compromise that the public might have to accept, because if nothing's acceptable to cut right now, what will be different in 4 years to give assurances that our funds will be stable?

[12:15]

The Minister for Treasury and Resources:
If over the 4 years you cannot reduce the spend, which is what everybody is telling us they want us to do, the public, I have no doubt, if you stopped them and said: "How would you feel about paying more tax?" they will say: "No, stop spending first, stop wasting our money". Until the public are in a position where they think we are not wasting their money, nobody will accept tax increases. So there is that period where, if we cannot reduce spending in a way that is acceptable to everybody, including politicians, then you would have to look at what else you do to increase revenue, and that has its own issues for the economy.

Deputy J. Renouf:
So what you are saying is that there is lots of good stuff we need to spend the money on, health and so on, great, but why stop at £50 million; why not £60 million?

The Minister for Treasury and Resources:
Because we do not need the £60 million.

Deputy J. Renouf:
So no Minister would have wanted to increase their budget?

The Minister for Treasury and Resources:
What we have tried to do is stop the growth cycle. You will remember in 2023, the Government Plan process in 2023 involved dozens and dozens and dozens of growth bids, which involved 10s of millions of pounds of additional spend, and I cannot remember the number, but I do recollect it being in the region of 600 new head count. We are not having that growth process anymore. There have been some, there is some new spending, and the new spending has been limited to C.S.P. (Common Strategic Policy) priorities, so things like the new children's homes, which are essential, and to areas where there is a risk factor, which children's services, there is a risk factor. But we are not saying to people: "Government Plan time, come and ask for new money and see what happens".

Deputy J. Renouf:
Yes, okay, well let me come at it from a different point of view, which is 2 Ministers have told Scrutiny that they would have rather seen the £50 million, because it is not recurring as a source of funding,

spent on capital projects, which are time-limited and therefore more suitable for a temporary source of funding. Why did the Government not choose to do that?

The Minister for Treasury and Resources:
We will be investing in capital; there is capital investment.

Deputy J. Renouf:
The budget says very clearly what the £50 million from the Social Security Grant is going on, it is going on, health, childcare, more police, so on.

Treasurer of the States of Jersey:
But there is increased capital investment over the period as well.

Deputy J. Renouf:
The Ministers said clearly that they thought the money should not be spent on recurring expenditure, and it was the Minister for Economic Development and the Minister for Infrastructure.

The Minister for Treasury and Resources:
I do not recollect that being discussed at C.O.M. (Council of Ministers).

Deputy J. Renouf:
In which case I would ask you, what is your opinion about that?

The Minister for Treasury and Resources:
My opinion is that we clearly need capital investment, and we are investing money in capital improvement, in infrastructure, in the Fort, in the hospital, in the drainage systems, which we are crying out for. We cannot build more homes until we have sorted out the drains. We have to do that spend, but we also have to deliver revenue spending, or we do not, we just do not do it. We do not deo revenue spending; we just say these services will not be provided. But everybody wants services provided, as if we were a very large country.

Deputy J. Renouf:
The question is, the Government has hit on a new source of funding, which has not been used by Governments previously, except in a tiny, tiny way.

The Minister for Treasury and Resources:
It has been used by Government for quite some considerable time.

Deputy J. Renouf:

Reductions in the Social Security Grants are a new feature. They were voted out ...

The Minister for Treasury and Resources:

They go back to 2014, I believe.

Deputy J. Renouf:

They were emergency reductions to do with COVID and so on. But as a measure of finance ...

The Minister for Treasury and Resources:

I believe prior to COVID there were reductions in the grant. Somebody can confirm that. It is not new. We are putting money into a pot that is already very healthy. It is like putting, as I said before, it is like putting money into your savings and then not being able to pay your electricity bill.

Deputy J. Renouf:

There was no calculation on how much money the funds could afford to lose before you hit on that £50 million figure. The £50 million figure derives from how much you felt you needed to find, rather than a calculation of what the Social Security Fund could afford to lose in contributions.

The Minister for Treasury and Resources:

The fund is very, very healthy. It has over £2 billion. It is forecast to grow, and I do not have numbers right in front of me, it is forecast to grow by £0.7 billion, I think, over the period of the plan. It is forecast to grow over the period of the plan by £0.7 billion.

Deputy J. Renouf:

Depending on the assumptions that you feed into that.

The Minister for Treasury and Resources:

The assumptions are that it is very healthy. The returns have been above target on 5-year, 10-year and 14-year periods by over 3 per cent. The target return, it has exceeded, not 3 per cent every time, but at 14 years over by 3 per cent. It is forecast to grow.

Deputy J. Renouf:

Do they not say past performance is no guide to future return?

The Minister for Treasury and Resources:

But it has done very, very well. It has continued to grow. It has grown even in periods when it was not receiving the full grant per the original formula, and I think we have to remember that this fund was set up a very long time ago, and that the nature of the Social Security Fund and what it provides has changed dramatically, and I do not think it is unreasonable that at some point somebody has to sit down and say, is this fund working the way we want it to fund? It is forecast to go up to over £3 billion, between 3 ...

Deputy J. Renouf:
Might it not have been handy to do that before you decided what money to take out?

The Minister for Treasury and Resources:
We did do it. We did do it. These have not been retrofitted. This information was all available.

Deputy J. Renouf:
It was based on assumptions of increased return, which are now being looked at again, as we have asked the Minister for Social Security to do that. If we move on ...

The Minister for Treasury and Resources:
It will be based on actuarial reviews, which will look to the term. The last actuary review of this fund said it was in very good health, and it could continue to pay benefits for a long time on various immigration scenarios.

Deputy J. Renouf:
Has the Treasury planned for a low profitability scenario in the finance sector? In other words, if revenues continue to underperform, as the Treasurer pointed out they had this year, what planning is there, given that the Social Security Fund has now been used as a source? What other contingencies are there if resources do not match what are expected? What are the contingencies?

Treasurer of the States of Jersey:
In terms of in-year contingencies, they are within the plan, a £5 million contingency against expenditure, which is an historically low number. We have also contingencies in place for pay, so pay is provided for. In other parts of the world you do not necessarily have pay provided for within central budgets or on top of central budgets. They have to be found from departmental budgets, so there is provision there for those. We have mostly provisions that relate to expenditure rather than income. What we have said, and it is said within the budget document this year, is we think that we are convinced that we need to move back to 3-year plans, so that you have in place contingency across the 3 years. Departments know their budgets for 3 years. Those in receipt of funds from those departments know what their budgets will be for 3 years, and you therefore have to build a bigger contingency, as we used to have in place, against income fluctuations across the 3-year period.

Deputy J. Renouf:

What is that contingency, that bigger contingency against income fluctuations?

Treasurer of the States of Jersey:

We used to have a bigger contingency within the Consolidated Fund, that has been spread across a number of Governments, and in particular has been considerably impacted during the COVID years. While we did borrow during COVID, we also ran down the size of the Consolidated Fund rather than borrowing increased funds as we came out of COVID, rather than maintain that debt in place, we used to balance on the Consolidated Fund. So that level of shorter-term contingency is not what it has been historically.

Deputy J. Renouf:

So we do not have much contingency if income continues to underperform?

Treasurer of the States of Jersey:

Obviously, on a year-by-year basis, that is easily dealt with, or relatively easily dealt with comparatively, by adjusting the budget. We would rather move back to a system in which you reset the finances, have a contingency amount, and you give certainty to departments.

Deputy H.M. Miles:

I was just going to note that Deputy Gorst had joined us, just for the purposes of the recording.

Assistant Minister for Treasury and Resources:

Thank you. Sorry I was late, Chair.

Deputy J. Renouf:

One of the signature features of the budget is the creation of the Jersey Capital Investment Fund, with the aim of insulating capital spend from short-term spending pressures. How are you going to achieve that, given that, for example, the Social Security Fund contributions, which are protected in law, have been used in this budget? What is going to be different about the Capital Investment Fund that will prevent it being raided, just as it has in the past?

The Minister for Treasury and Resources:

Well, that is the idea, that by setting up a fund that is kind of ring-fenced for investment, it is not raided all the time, because that has been one of the previous problems, that instead of investing money into capital, we move it into revenue spend. So, by setting up the fund, the fund will be established. We will have to bring forward legislation to establish the fund, to set out the terms of reference. It is underpinned by a 25-year Long-Term Capital Plan, which the Treasury team have been working on for some time. That has been one of their objectives for some considerable time, to look at how we invest in capital, in terms of what we need. What capital do we need to maintain what we have? I think, does depreciation come into it as well? How do we pay for depreciation? It is about maintenance and building.

Group Director of Strategic Finance:
So, depreciation is one of the ways, because we balance the books after depreciation. That provides one way in which you would provide for capital, but what we found, as you look at the Long-Term Capital Plan, is the need for investment to maintain the assets, even in their current state, to provide the services that they currently do, depreciation is not enough. That is why, or part of the reason, the Consolidated Fund has reduced from the levels it was previously, down to a lower level now. The move to the Capital Investment Fund, one of the key ways that it protects capital is through the transparency. So, if you have a Long-Term Capital Plan, which says you should be putting in, let us use a hypothetical number of £100 million a year, if subsequent Governments choose not to put that £100 million in, they are effectively saying: "We are choosing to under-invest", I use that word reservedly: "in our capital for this period." They would have to have a good justification to do it. So, that transparency makes it very clear. To take your point on the Social Security Fund, it currently has 7 times expenditure. It is, as the Treasurer said, slightly higher than the original target for the fund it was. So, therefore, you can look at it and say, well, the justification for not putting as much money into that fund is because of these pressing needs. Future Governments, you cannot tie the hands of future Governments entirely, so they may choose to put less money into capital, but that would have to be for good reason. That transparency means that they would be justifying why that was the appropriate thing to do.

Deputy J. Renouf:
So, it is transparency that is the signature ...

Group Director of Strategic Finance:
There are other things as well, but I think that would be one of the key ways that it would be done. It would be very clear that has happened.

Deputy J. Renouf:
Do you, Minister, prefer the idea of a 3-year budget cycle, rather than the single-year cycle, on the same principle that you are making commitments that are harder to break?

The Minister for Treasury and Resources:

I think the 3-year cycle, I think it will make it easier for officers to manage their budgets over the 3-year period, and we will not have, have we got an underspend that has to be rolled over, it will make it easier for officers. It means that we should not have people coming in every year asking for more money, because people are being asked to look at a medium-term view. It will make life easier for everybody. We have the budgeting pain once every 3 years instead of once every year.

Deputy J. Renouf:
Is that the plan going forward, that we will have a budget for a new Government, and then a budget the following year, and then that is it?

The Minister for Treasury and Resources:
We will have to work through that.

Treasurer of the States of Jersey:
Okay, we are working through that. Therefore, there were disadvantages to the way that it used to work with the 3-year budgeting. What we are trying to do is work through the pros and cons of both models. We do think that you would have an annual budget in the sense of setting your income plans, but also that might also be the tool through which you would adjust your capital plans, and that is merely about phasing of capital rather than reducing funding. It is just to say that is what we used to do. We used to come back every year with a change to the capital plan in addition to the income-raising measures that underpin that 3-year financial plan. So, we would say that part and parcel of it would be to come back at some point, whether that is about capital, I do not know. We could build the flexibility into the 3-year plan. But what we are saying is for departmental revenue spend, the current system, while you could say that the aims were to have 3- to 4-year budgeting, the current system as it is in legislation means that it drives people towards wanting security of growth in the first year rather than a 3-year plan over which any growth available could be deployed, for example.

[12:30]

Deputy J. Renouf:
Is there a timetable for bringing forward proposals for changing the budgeting process?

Treasurer of the States of Jersey:
We have 2 phases of the changes we are looking at. The first would be the Capital Investment Fund, which will be available to be decided before the period of election sensitivity. The second phase we will be working on is working through how we see the pros and cons of the 2 models,

having experienced the 2 models, what we would propose changes would be, not just in terms of the legislation, but in terms of how it would work in the background through the finance manual.

Deputy J. Renouf:

Final one from me. Are there any plans, reviews, or any similar kind of work going on to try to broaden the tax base beyond Pillar 2?

The Minister for Treasury and Resources:

No.

Deputy J. Renouf:

So there is no current intention to try to broaden the tax base?

The Minister for Treasury and Resources:

I think that could be very counterproductive. Jersey's reputation relies on its tax stability. As soon as we start changing tax, we would have to really, really need to do that. The bottom line is, we are still spending more than we should, or we are spending a lot of money that we need to try to rein in. You could say you either tax everybody more, which will not be popular, and if you say we are just going to tax the wealthy, that would be utterly counterproductive, because those people are very mobile and would not stay in the Island. It creates a reputational risk, and we have talked about this a lot with people. Jersey's reputation is for stability. When we start changing the tax system, that will affect that reputation for stability. So, for me, it would be a last resort.

Deputy J. Renouf:

There are things to ...

The Minister for Treasury and Resources:

I do not think the public would accept it anyway, because they see wasted funds.

Deputy A.F. Curtis:

I would like to stay on some of the strategic elements of the budget outside of year-on-year expenditure. Part of the budget commits to or assesses some of the longer-term fiscal planning. So to start with, part of that is around understanding long-term costs, long-term fiscal pressures. So, within 2025, and part of the budget preparation, what work was done in assessing health, social care, pensions, some of the longer-term fiscal pressures that we are aware of, and our sustainability risks to our budgets?

Treasurer of the States of Jersey:

A key piece of ongoing work that it is fair to say at this point, more in partnership with Healthcare Jersey, Health and Social Services, is the piece of work around future costs, future sustainability of costs for the health service. So we have been working, there is a ministerial group that overlooks that, which the minister is a member of, with the Minister for Social Security and the Minister for Health and Social Services, to look at what those future costs are, to have an agreed position as between Treasury and Health as to what the current cost requirements are, and what their impact on the States finances will be. Some of that work has informed a position for increasing the amount of money over and above that which we have previously provided at 2 per cent of inflation to, in practical terms, 3 per cent above inflation for the one year while that work progresses. So that is one example. The other example would be the advancement of the Long-Term Capital Plan. So that underpins lots of what is within the Investing Jersey proposals, within which of course we have got the Capital Investment Fund, as we have just talked about. That, for the first time, will give us a plan over the long term based upon, not just the usual things you might base that upon, but also about demographics, particularly as it might affect the school estate, but also in terms of the current condition of the estate.

Deputy A.F. Curtis:
So Health, for a start, page 96, so near the end of this: "Financial matters under development", sustainability of health funding finds itself pretty much 2 pages from the appendix. We have known there is a pressure there, subsequent budgets have always recently applied above-inflation increases to health to address that. Why in this budget is it not taking, apart from the fact that it is taking a pressure on the immediate budget and Deputy Renouf has touched on and we have touched on obviously the pressures on expenditure over revenue, why does it not take a more pressing position within the budget as a strategic risk?

Treasurer of the States of Jersey:
Thank you for confirming it is in the budget document. This is the budget for 2026. That work will aid the Council of Ministers of the time, the Government and the Assembly in forming a view as to what long-term funding looks like as opposed to the funding for 2026. But it is in the document, it is a priority that we are working with the Health team on.

The Minister for Treasury and Resources:
We have had a position for some time where Health have an uplift, everybody has a kind of inflation uplift, Health's normal uplift is more than inflation, but it would transpire, and that was something that was agreed with them I believe some time ago, Health said this is what we need. We are not alone in this, the health costs are because we have a more ageing population, people have more complex needs, there are more treatments which are more expensive, the cost of tertiary care that

we are having to send people to the U.K. (United Kingdom) is increasing and the uplift is not sufficient. The U.K. are seeing exactly these pressures as well, so there is long-term work ongoing.

Deputy A.F. Curtis:

They are well-established problems, the requirement for services is well-established by a lot of people, it is just trying to work out how much priority is being given to assessing the position and working out where this budget is for next year, it is 2026, but it is to 2029 as well. So, the fact that we find it on page 96 does feel a bit acknowledged, but not necessarily assessing the severity of the issue.

The Minister for Treasury and Resources:

I think it is a priority; it is clearly a priority.

Treasurer of the States of Jersey:

Added to which, of course, this budget does, as well as funding to deal with current pressures and additional inflation within the budget, does prioritise within additional funds. While, let us be clear, healthcare spending will continue to go up, the advice is that increased investment in preventative measures will hold down those future costs, as well as improve outcomes for patients, of course, and the investment in Health Digital is aimed towards creating greater efficiency and effectiveness in the service as well, which also helps mitigate future cost rises.

Deputy A.F. Curtis:

Health sustainability funding are in matters under consideration, pensions and social care less so, I would suggest in the narrative. Would you consider they are equally areas of priority for understanding the long-term sustainability risks to our funding models?

The Minister for Treasury and Resources:

We know pensions are not at risk. As I have said, the Social Security Fund can pay pensions into the 2080s, that was what the last actuarial report said.

Deputy A.F. Curtis:

I do want to touch on that one more time, because ...

The Minister for Treasury and Resources:

The Social Security Fund, in terms of pensions, we have to remember, Social Security Fund is not just about pensions, it funds a whole range of other benefits. It is an insurance scheme; people do not have their own personal pot. Long-term care, we are aware that that fund needs topping up, and there is a proposal to do that, but long-term care, more work will need to be done on that in due course, and I think the 2 Ministers are looking at that.

Deputy A.F. Curtis:

I do not want to visit Social Security too much more, but is it fair to recognise that the fund may look in good health, but the same actuarial reviews that provide the positive narrative for the budget to take the money also show that, if we are to maintain payment expenditure with contribution rates, every scenario pretty much requires an increase in the contribution rate from the ...

The Minister for Treasury and Resources:

Which fund are you talking about?

Deputy A.F. Curtis:

The Social Security and Social Security Reserve. So, to meet the long-term ...

The Minister for Treasury and Resources:

I do not think those indicate ...

Deputy A.F. Curtis:

Pretty much every ...

The Minister for Treasury and Resources:

My recollection is that they do not require ...

Deputy A.F. Curtis:

To meet projected break-even contribution rate to expenditure in the last actuarial review, pretty much 3 out of the 4 scenarios, all but the net 1,000, do require an increase in contributions pretty much from 2027. So, I mean ...

The Minister for Treasury and Resources:

That is not my recollection. I think the Long-Term Care Fund, which is a separate fund, will need additional contributions.

Deputy A.F. Curtis:

Long-term care is another position, but ...

Group Director of Strategic Finance:

So, from memory, the break-even contribution rate does not, and I would have to go and check this, so it might be something that we follow up after the meeting. It does not necessarily take into account investment returns. So, you were setting a contribution rate which assumes you have no reserve and cannot use investment returns to supplement the pension payments. So, it is a slightly different number that is calculated. So, we are very lucky. We do not need to put up contribution rates because there is that reserve. Investment returns help to defray some of the costs of pensions, which was always the intention. The original proposition back in 1996 expected the fund to go up and then be drawn down. I think drawdown should have started before now. We have been lucky with investment returns. The fund has grown greater than originally envisaged. So, I think the key question, and one of the things the Minister for Social Security will ask the actuaries, is what are the options for the Assembly now to look at, how will we use the Social Security fund going forward? Indeed, the Fiscal Policy Panel have said we should review the objectives of the fund because we are not in the same position we thought we would be. So, what is the best way to make sure that we are safeguarding pensions, helping intergenerational fairness, trying to smooth the impact on contribution rates if that is required? But that actuaries work needs to happen to do some of those for that wider conversation. But I think that the next Assembly will have all of that information to allow them to make some of those longer-term decisions.

Deputy A.F. Curtis:

Okay. Turning to another part of the strategic element of the budget and Treasury's function within it, and Deputy Renouf touched on the tax base, but it is about economic diversification and it is understanding what work Treasury is doing in thinking about the long-term fiscal planning in economic diversification to mitigate economic shocks and the impact to your revenue.

Treasurer of the States of Jersey:

The plan beyond the Long-Term Capital Plan is to also move to working with economists to look at the longer term, not necessarily longest term, revenue expenditure pressures as well as the forecasts. That would be based upon work that has already been done, previously published through the Economics Unit, where they have looked at those long-term pressures as they affect income as well as, top of my head, they affect expenditure. So, those are laid out in terms of very long-term estimates made or forecasts made through the Economics Unit. We work closely with the Economics Unit. Treasury is not directly the department responsible for the economy, but we do work closely with those departments responsible for that, including financial services.

Deputy A.F. Curtis:

Okay. One or 2 more things from this section of the budget, which is the financial matters under development. There is a phrase in here regarding the longer-term planning function, which you have just mentioned, and the final paragraph says: "It is anticipated that the development of these models, being the short-, medium- and longer-term models, will be a multi-year project drawing on existing work to eventually incorporate all aspects of Government finances into a holistic model." Could you explain a bit more about what the current plan is, what the holistic model refers to, and what Treasury is setting its sight on when it says this is work under development?

Group Director of Strategic Finance:
So, I think a lot of this is very complex. The idea is to build the model in stages. So, the first stage would be to look at what we currently have as the Consolidated Fund. So, what are departments spending, what is the tax revenue that comes in. You have then got other elements, which are very important to overall Government finances, such as Social Security Fund and the money they spend, Long-Term Care Fund. Those are likely to be added in subsequent stages. So, as the actuarial review completes, you will then be able to feed in what the actuarial review is saying into the model as well. So that, as well as just looking at here is our Consolidated Fund in this bit of Government, you would look at everything that is incorporated in all States funds. Most other States funds are relatively modest, so are less impactful, but Social Security Fund is the biggest one that will be added in.

Deputy A.F. Curtis:
Okay. It says that work is expected to be undertaken in 2026. What is the expectation at the end of 2026 as to the maturity of the different models that you are developing short, medium and long term?

Group Director of Strategic Finance:
So, the intention is to have an initial model, certainly for the Consolidated Fund in 2026, to inform the next budget. However, it is very complicated. So, there may be elements of that where we have taken a more simplistic approach. So, as we develop the healthcare funding, that might be a bit more sophisticated. When you look at other departments, it might be broad assumptions like tracking the economy or tracking population. As we get more detailed information, you could add in what we think the trends would be in those, which means that the model will become more and more sophisticated as time goes on. So, that is what we mean by multi-year approach is that we will get something, but then we will continue to improve it as we move forward to help inform subsequent budgets.

[12:45]

Deputy A.F. Curtis:
We might follow up on questions as to specific timeframes and expected delivery.

Deputy H.M. Miles:

Thank you. Connétable Johnson.

The Connétable of St. Mary:

Yes, thank you. Move on now, please, to some general questions on the general revenue and your or budget proposals. So, starting with the level of engagement, if I may. Can you confirm, please, or outline the levels and approach to stakeholder engagement in developing revenue raising and relief measures for the budget, including key findings from such consultation with stakeholders and how they influenced the ultimate Government decisions?

The Minister for Treasury and Resources:

We do follow a programme of engagement and we write to various stakeholders in March every year saying: "Would you like to make representations about changes, about things you would like to see?" We consult with them about proposals that we are bringing forward. We speak to the likes of the Jersey Hospitality, the Motor Traders Federation, the F.S.G. (Fiscal Strategy Group), which are from the tax agents and legal profession. We go to them, we discuss with them, who are experts in the field, and we take their views. Now, they may sometimes say, "Well, they consulted and they ignored us". We have not necessarily ignored them, but you cannot always give people what they want. For example, Jersey Hospitality, I think, would like us not to charge any duty at all on alcohol. That is not going to happen. It is not that we are ignoring the request, but it is just simply not deliverable. So, we do an extensive consultation. Who else have I missed out?

Comptroller of Revenue

We have a number of standing stakeholder groups that meet quarterly. Cora chairs one on tax policy, where I think the budget measures are always discussed.

The Minister for Treasury and Resources:

Yes, so the other people, so Jersey Farmers Union, some stakeholders do not come back to us, or they come back to us when it is simply too late for us to do anything, and they come back with things that we cannot deliver. We cannot deliver something for workers in agriculture that you cannot deliver for workers in hospitality. You know that there are some things that you simply cannot do. But we do engage and we do hear their views.

The Connétable of St. Mary:

That was my question about level of engagement. I presume your span of stakeholders covers the whole field, I assume, in all areas.

The Minister for Treasury and Resources:

I think it does, yes.

The Connétable of St. Mary:
Following feedback, you do continue to engage? How intrinsically engaged do they feel, as it were?

Comptroller of Revenue:
I would say that some stakeholder groups are more likely to engage routinely than others. Probably the most active stakeholder group is the Fiscal Strategy Group, which covers accountants, lawyers, representatives of the trade bodies in the financial sector, and so on. Farmers Union, for example, tend to approach us on an issue-by-issue basis. So it really does depend. I mean, it also depends to some degree on the extent to which different sectors of the economy do have a representative body and do have standing officers in that body that can engage with us. Otherwise, it is very much, on their side, down to voluntary engagement.

The Connétable of St. Mary:
Once these are all in place, what is the monitoring of those measures to assess their impact on Island businesses once the go-ahead has been given?

Comptroller of Revenue:
It does depend on the measure. If, for example, we were introducing a new form of taxation, there would be a process of post-implementation review about how well we implemented the measure. But in the longer run, there would be a policy evaluation, which would try to establish the extent to which a change of policy had been effective. We do not tend to do those very often, unless it is a significant change. So, for example, Pillar 2 will in due course have a policy evaluation review. The vaping tax that is coming in this year, we will probably, with Health, keep monitoring the impact of that.

The Connétable of St. Mary:
Thank you. Turning to the question of exemptions and thresholds for personal taxation. How have cost-of-living pressures been monitored in 2025 and how was it decided that the proposed increase would effectively support low-income earners?

Comptroller of Revenue:
I think that is more for the Minister, perhaps. Obviously, the increases are below inflation, so I think the Minister has definitely ...

The Connétable of St. Mary:

Sorry, my question for that is, what approach was taken to determine what the exemption levels should be?

The Minister for Treasury and Resources:

Well, we have considered that. I think we have to remember, I do have to keep emphasising that our personal tax threshold is significantly more than anyone else's. It is £21,250. The U.K., £12,570, and Guernsey, £15,200. That tax allowance keeps money in people's pockets. That will definitely help low earners. We could have saved some money and done what the U.K. do, which is some jurisdictions do not increase their personal tax allowances every year, which means that the value, the benefit of that exemption erodes. We have maintained ours. We have continued to increase it. That ensures that Jersey will remain competitive, and that will benefit lower earners, and it will keep some money in their pockets. We have also introduced the child tax allowances, which people with children will benefit from those. So those benefit lower earners. There is no question about that, I do not think.

The Connétable of St. Mary:

I am concentrating on the low-income earners for the moment. It is obviously a Treasury decision, assuming you have engagement with your counterpart in Social Security, where the ...

The Minister for Treasury and Resources:

Yes, we do, and cost of living, we look at what inflation is doing, where the cost-of-living group meets. Things like the community cost bonus was increased. It was doubled in 2022, and it has never been reduced. It has been maintained at over £500. The minimum wage has gone up very significantly, and I did ask for figures from that, but I do not understand the table. But the minimum wage has gone up by significantly more than inflation. So we are aware of that. The cost-of-living group have agreed to do minimum income standards, do some work on minimum income standards, which will help in future. But we have considered cost of living, and that is why we have agreed, we decided to increase the threshold rather than leaving it static, and 90 per cent of taxpayers will benefit from that, the increase in thresholds, but it will particularly benefit low earners, because it means they are paying even less tax.

The Connétable of St. Mary:

Okay, changing tack slightly on to excise duties. Can you provide an update on the monitoring of the impact of freezing or reducing duties on alcohol, fuel and tobacco from 2023-25, including any observed trends?

Comptroller of Revenue:

I do not have the data with me, but I think consumption of alcohol continues at pretty much the same levels. I think what we observe is that, overall, the freezes have helped slightly. I think Jersey Hospitality and others in the industry would still say that they could do with more help.

The Connétable of St. Mary:
Has that been considered?

Comptroller of Revenue:
I think it becomes increasingly difficult to freeze alcohol duties; they have been frozen or lower than inflation for several years. So their real value to the Exchequer has kept diminishing and I think this year we are broadly returning to the longer run policy. Obviously, if one continues to uprate the personal income tax allowances by inflation, but does not uprate things like the excise duties and the wider impôts, then you do start to create a structural imbalance.

The Connétable of St. Mary:
I think there are further questions in that area later, so I will leave it there. Thank you.

Deputy H.M. Miles:
Thank you. Yes, just moving on to alcohol duties, what was your rationale for proposing the R.P.I. (Retail Price Index) aligned increase in alcohol duties for 2026?

The Minister for Treasury and Resources:
Well, the R.P.I., the duties on alcohol have been either frozen or below inflation for 5 years. We did think it was time, and clearly there are, as well as the needs of hospitality, the desires of people to go and socialise and use alcohol while socialising, we have got to think about the public health issues. Jersey has a very high level of alcohol consumption and we have got to bear that in mind as well. So there are very different balances to be struck. But we decided, as inflation has dropped quite considerably from its peak in 2023, that this was a time to put an increase, it is not increasing duty in real terms, we are still paying less in total on most alcohol in Jersey than we are elsewhere. It is still cheaper than it is in the U.K., I think, generally.

Deputy A.F. Curtis:
Sorry, do you mean duty? The duty on alcohol?

The Minister for Treasury and Resources:
I think if you take the combination of duty, and if you compare G.S.T. (Goods and Services Tax) and V.A.T. (Value-Added Tax), the cost per unit or whatever is less in Jersey than it is in the U.K.. If you

are paying 5 per cent, which is lower than very many other countries, G.S.T., and compare that with 20 per cent in the U.K., that is quite a significant difference.

Deputy A.F. Curtis:

It is, but declaring I have an interest in this area, but just to provide figures, the pure litre of alcohol in the U.K. is £32 for a pure litre of excise duty, and 20% tax at £38.40. In Jersey, it will be £46 for a pure litre, and 5 per cent on top of that is higher. So, I make no comment as to what is good or bad. I just wish to provide those numbers as context of the U.K. market.

The Minister for Treasury and Resources:

I believe that the small distiller's relief, Jersey Hospitality members have said that has significantly increased profitability. J.H.A. (Jersey Hospitality Association) have said they are content with that, I believe, that it has had benefit to them. I cannot offer you litres of pure alcohol, but what I have got is 70cl of spirits, total tax and G.S.T. in Jersey of £7.90, total tax in the U.K. £15.02.

Deputy A.F. Curtis:

Did you say £7.90?

The Minister for Treasury and Resources:

£7.90, that is the small distiller's relief, small distiller £7.90, £14.80 in the U.K., which is marginally less than the £15.02 in the U.K. So, for the customer buying a bottle of spirits, they are paying less tax and duty in Jersey than they are in the U.K., generally speaking.

Deputy H.M. Miles:

Okay, thank you. Can you briefly explain the work and consultation that you have undertaken with industry on the effectiveness and sufficiency of tap relief proposals?

The Minister for Treasury and Resources:

Tap relief has been discussed at great length at the Jersey Hospitality, and I think we do have to reflect that Jersey Hospitality Association does not necessarily speak with one voice. Tap relief will benefit, I think someone did say that 90 per cent of the taps in the Island will benefit from tap relief, so 90 per cent benefiting seems to me to be quite a good impact. There will be establishments that do not have taps, that will not have the benefit, but that is the nature of the business model. We have discussed with them, so that tap relief should create a reduction in price if you go into a pub to drink, and what matters is what the patrons, the landlords do with their pricing.

Deputy H.M. Miles:

Well, that is the rub, is it not, with the Jersey Hospitality Association, because they would argue that it absolutely will not reduce the price, but we can ...

Comptroller of Revenue:
I think opinions divide, so I think if you ask in particular the brewers, they are very happy indeed. I think the people who are perhaps less happy are people who only retail bottled goods.

Deputy H.M. Miles:
In terms of the categories proposed to be covered by the tap relief proposals, predominantly the beer and the cider, did you look at any of that through a gender responsive lens?

The Minister for Treasury and Resources:
Yes, we did, and it is not just beer or cider, because you will recollect that was my first comment on it. We have been talking about this for some time. It will also cover cocktails, spirit mixes, cocktails and wines that are sold in large volumes. I think, if you are buying wine in a 10-litre container, you will have the benefit of tap relief. Now, I do not know if we know what the spread of bottles and large containers are.

[13:00]

Comptroller of Revenue:
I am sure that most of the cocktails drunk around this table are not from large containers.

The Minister for Treasury and Resources:
Mixed to order.

Comptroller of Revenue:
But yes, we have tried to extend the tap relief as far as it could possibly go.

Deputy H.M. Miles:
Has this put any burden on to industry, any administrative burden on to Government?

Comptroller of Revenue:
I would say there is some administration, which largely falls on our Customs colleagues in terms of importations. There will obviously now be a difference between the importations in large vessels like kegs, as opposed to the other. In terms of the burden on the industry, it is largely alleviated by the fact that it is a tap relief. So the big brewers obviously will have to differentiate between the duty they are being charged on kegs, as opposed to the goods they are bottling.

Deputy J. Renouf:

Can I just ask, are you attempting to drive changes in behaviour or do you expect changes of behaviour in the sense that businesses may spy an opportunity to sell lower-cost alcohol by using tap relief, by buying bags or whatever and putting things into there? Is that something you have modelled, thought about?

Comptroller of Revenue:

I would not say in great detail. I mean, the genesis of this originally was that Ministers were lobbied essentially to mirror what the U.K. was doing. There was an argument in particular about trying to reduce the cost of alcohol on-licence. There was a concern about keeping public houses and so on going as social hubs and so on. So we did look at it very much from the lens of trying to do something that would benefit on-licence sales. Now that that is there, obviously there is an opportunity for people to work with the tap relief to adjust their business models.

Deputy H.M. Miles:

You talk about the on-trade and the off-trade and that is something that was raised with us again by the Jersey Hospitality Association and certainly they have been proposing about a split duty rate. Have you done any work this year on how that might work?

Comptroller of Revenue:

We are still doing thinking around that. The real difficulty is that, if you are a brewer or a distiller, you do not know the end use of your product until it gets to the ultimate point of retail. So you can only really differentiate for tax purposes at the point of retail and that makes it very difficult to construct an effective excise duty. I think when we look at it in further depth, a more likely outcome is some sort of end-use taxation. So, for example, and I am not suggesting this is a good idea because we do not really want to complicate the G.S.T. system, but a higher rate of G.S.T. on alcohol sold in an off-licence, for example. It is very difficult otherwise to construct an effective form of taxation because of the risk of diversion.

The Minister for Treasury and Resources:

The likelihood is that they will be very burdensome in terms of administration for everybody. So everybody will have a much higher level of administration, including the retailers, and we do not think anybody else does it, which there may be good reason for that. So I think we have previously thought it would be very administratively difficult for everybody.

Comptroller of Revenue:

Yes, we are not aware of anyone that does it.

Deputy H.M. Miles:

From a public health perspective then, clearly linking the price to changing behaviour and reducing consumption, have you considered any other alternative approaches to levelling the playing field between the on-trade venues and encourage safe social drinking environments?

The Minister for Treasury and Resources:

I think that really sits with public health. I mean there is limits of what we can do in terms of tax because I am not sure, I believe there to be limited evidence as to what, if you apply minimum price per unit, it does not necessarily have any impact and it will impact those on low incomes more than it impacts the people that are quite happy to pay £10 for a bottle of wine. It will not impact them but it will impact people who are drinking at the much lower end of the market. So there is where the impact sits, and people at the higher end may be drinking just as much if not more than the people at the lower end of the income scale.

Deputy H.M. Miles:

Okay, thank you.

The Minister for Treasury and Resources:

So I suspect there is very limited steps we can take in terms of tax that would dramatically change behaviour and I think there has to be a much bigger health messaging.

Deputy H.M. Miles:

Although there is good international evidence to show that price and consumption are intrinsically linked, you increase the price of consumption, and it reduces ...

The Minister for Treasury and Resources:

But how far do you have to, in an Island where a lot of people cannot afford to drink, I think that is difficult.

Deputy J. Renouf:

Another duty that has been increased after several years of being frozen is fuel duty and it was proposed as a cost-of-living measure. Was there any monitoring of the impact it had on cost of living?

The Minister for Treasury and Resources:

As Richard says, it is difficult to monitor impacts of tax. I think it was also frozen for 3 years to reflect cost of living. Now I think you can either do something or you can do less and spend the money monitoring it. People are still driving their cars; it may make it easier for people to drive their cars.

Deputy J. Renouf:
It is a general; it will make things slightly better for people.

The Minister for Treasury and Resources:
Yes, we are trying to make things slightly better, and we also said as part of the C.S.P., it was very clear, we said very clearly as part of the C.S.P. that we would endeavour to minimise increases to Government duties and levies as much as we could to help the cost of living and that is the possibly relatively small thing that we can do is to not increase duties.

Deputy J. Renouf:
But you have.

The Minister for Treasury and Resources:
But there comes a point where you think, well ...

Deputy J. Renouf:
So what was that decision-making process? Why have you decided to reintroduce cost-of-living increase in fuel duty?

The Minister for Treasury and Resources:
Because, well, it is not increasing it in real terms, it is making sure that it says, I think it is an inflationary increase, we are returning to the pre-2023 convention in terms of increasing fuel prices. Also, fuel prices themselves have fallen. We saw some peaks, there were some real peaks in petrol prices, those have also come down, and we think the diversity of pump prices is such that the duty will have no impact. You could still go to another garage and pay less than your current garage. We also have to bear in mind that some of it, some of this will go into, I believe, into the carbon neutral roadmap. So we have got to think about that as well. There is numerous balancing exercises.

Deputy J. Renouf:
Okay, so what balance do you feel like 3 years of increasing duty was enough, given that fuel prices generally have fallen?

The Minister for Treasury and Resources:

Fuel prices have come down; inflation has come down. It has not come down as low as we would like, clearly, but it has come down dramatically from over 10 per cent and we feel that this is time to start.

Deputy J. Renouf:

Just on a niche subject, but one I have a particular interest in, which is the H.V.O. (Hydrotreated Vegetable Oil), there was a measure to freeze duty on that and in fact to cut it, I think, last year. Have you seen any changes in behaviour? What is the uptake?

The Minister for Treasury and Resources:

I do not know the answer to that.

Comptroller of Revenue:

I do not have the volumes. We can ask for the volumes and let you have those.

The Minister for Treasury and Resources:

I do not recollect them growing. I think there are issues, there are concerns about H.V.O. and its effectiveness.

Deputy J. Renouf:

On a similar vein, I guess the Vehicle Excise Duty increases, which have been targeted towards bigger fuel, high consumption fuel vehicles, and is there any data on whether that has had any impact on purchasing?

The Minister for Treasury and Resources:

Do we know the data on that?

Comptroller of Revenue:

Not off the top of my head.

The Minister for Treasury and Resources:

I mean, last year, again, what we did last year was to try to reflect the cost-of-living pressures and to not put increases on what we might term family cars. We focused the increases at that time on the higher ones. Now, if you are going to spend a 6-figure sum on a car, is V.E.D. (Vehicle Excise Duty) going to dissuade you? I do not know. But as some of that money, I think, goes into the carbon neutral map, does it not? Yes.

Deputy J. Renouf:

Maybe we should follow up with some written questions because obviously policies are supposed to have outcomes. So it would just be useful to know what the outcomes were.

The Minister for Treasury and Resources:
I am sure they are there. We have discussed it, but I am sure the environment team will have that data. I do not know it.

Group Director of Strategic Finance:
They will, and I think a written follow-up may be appropriate. But from memory, from the discussions that C.O.M. had when they were considering the V.E.D., the volumes of the highest-polluting cars seemed to be relatively unresponsive to the increases in V.E.D. that we have seen. What that means is that we are raising more money for the climate emergency fund from those cars. So the polluter is paying for some of the measures that go on.

Deputy J. Renouf:
But you might argue then that you could increase them more; that we have not found the sensitivity point yet.

Group Director of Strategic Finance:
I think that is probably fair to say. But then they have gone up significantly again this year, on top of last year as well. How far you want to go in any one year is absolutely a policy decision to make.

The Minister for Treasury and Resources:
We do have lobbying from people who like petrol cars. We have been discussing recently about collectibles, collectibles and vintage cars, people who want to bring those in, people who want to bring in a camper van for personal use. There are all kinds of anomalies, or not anomalies, but things that you do not necessarily think about.

Deputy A.F. Curtis:
Okay, staying on duties, tobacco duty. It is noted in the budget that tobacco duty has seen some large fluctuations with changing behaviours. It is quite challenging to forecast. So could you briefly explain the challenges and trends you are noticing in tobacco duty ultimately from purchases?

The Minister for Treasury and Resources:
I do not have details in front of me, Richard. I mean, I would imagine we would all like it to be going down. That would be the ultimate; that it would gradually decrease.

Group Director of Strategic Finance:

We have continued to see the trend of decreases in volumes of tobacco that is being sold. That trend has not changed. There was a bit of a blip during COVID, because it was not volumes of tobacco being sold or smoked, sorry, it was volumes of tobacco being dutied, as it were. So the assumption that we have made in the income forecasting is for that to continue and the Government policy of continuing to increase duties by more than inflation continues in that period as well.

The Minister for Treasury and Resources:
That is an area where I am regularly reminded that we do not, because W.H.O. (World Health Organisation) or some international guidelines, we do not consult with industry. We do not consult with the producers in terms of when we are setting rates.

Deputy J. Renouf:
The point you make about COVID is interesting because it did suggest that a lot of tobacco was coming in undutied. That is why the revenues increased in that period, because there was no undutied option available to people. Does the Treasury worry that by increasing tobacco taxation rates to very high levels, it effectively stimulates an illegal market?

Group Director of Strategic Finance:
We think the COVID change was more of a legal, as in people not being able to bring in duty free, which is not illegal. I do not think we have seen any evidence of more illegal trading, but we would have to ask the Customs.

Comptroller of Revenue:
Customs colleagues' general view is that there is not any significant tobacco smuggling going on.

The Minister for Treasury and Resources:
I discussed it with one of our team quite recently about, you know, what are their views on illegal importation, and they do not believe there is significant illegal importation.

Deputy A.F. Curtis:
Have there been any conversations about changing the legal duty limits, either as a revenue raising measure or as a policy measure with Customs?

Comptroller of Revenue:
The duty-free limits are governed by international conventions.

Deputy A.F. Curtis:
So there is no flexibility on that?

Comptroller of Revenue:
It is not very easy to achieve a change. The manufacturers pretty much produce a standard 200 box for duty free shops.

Deputy A.F. Curtis:
Okay. Another duty or tax is the inching closer to vaping liquids. What analysis has been taken on vaping proposals to ensure they balance discouraging uptake of smoking by those who have never smoked and supporting the transition, but also trying to deter people from vaping perhaps in the first place?

The Minister for Treasury and Resources:
Well, I think there has been quite a lot of work done. We are following generally what other countries are doing. We are following international initiatives on that. I think it is very difficult to say, if you put the price up.

[13:15]

I think the work that public health did with young people did disclose that a price increase would deter younger people. So it is trying to set a balance at a rate that will not deter people who are using vaping as a means of stopping smoking. So the vaping, subject to people's usage, of course, should still be significantly less than the cost of tobacco.

Deputy A.F. Curtis:
Are you aware of any impacts expected on Customs resourcing and enforcement being Treasury adjacent?

The Minister for Treasury and Resources:
If this is accepted, the tax will come in April. Customs will need to do some systems work to develop their system. They will need to do some training. They will need to do some work. They will need to do some engagement with industry. There are one or 2 for whom this will be a new development. But we will be doing that and that is why it will not come in until probably quarter 2. We are targeting quarter 2 because we cannot have that work done. The Assembly might say: "No, we do not like that idea", so we will do that work once the Assembly has passed it and it will come in quarter 2.

Deputy A.F. Curtis:

So the kind of implementation timeline is based on all the feasibility and technical requirements. So that is modelled and it is not forecast that implementation should take any longer than a target of delivering Q.2 (quarter 2).

The Minister for Treasury and Resources:
I do not believe so. No, we have discussed it with our team and with Customs, and we think quarter 2 is realistic.

Group Director of Strategic Finance:
There is a provision for the expenditure in the budget. It is in Home Affairs.

The Minister for Treasury and Resources:
It changes; someone has asked me: "Is the change in income because you are going to massively increase the tax in year 2?" No, it is not. It is just because year one will be a partial year and year 2 will be a full year. But we are not anticipating an increase in year 2 already. That is certainly not the thinking already.

Deputy A.F. Curtis:
Okay, one more duty is stamp duty. Could you explain the rationale for the revised stamp duty forecasts, including that reviewed 2025 increase and the 2026 reduction in forecast?

The Minister for Treasury and Resources:
The stamp duty for this year generally was positive. We thought that was a positive outcome. We are reducing the second-home stamp duty, proposing that by 1 per cent as being an affordable reduction, and also recognising what we are hearing in the market.

Deputy A.F. Curtis:
What analysis supports that decision?

The Minister for Treasury and Resources:
Sometimes it is about what we are hearing in the market, about the downturn in sales. The market has been slow. Clearly the increase, the 3 per cent, it obviously coincided with interest rates going up, but the market has clearly dampened. It is beginning to rise, which will boost stamp duty numbers. But it is reflecting the fact that we are hearing in the market about people being deterred from buying and building.

Deputy A.F. Curtis:

Some people would say the market is asking for no surcharge anymore. So what has provided the policy position to make it a 1 per cent and not, say, a 2 per cent reduction from the current surcharge?

The Minister for Treasury and Resources:
What we think was affordable.

Deputy A.F. Curtis:
I am just curious in the analysis, because if the market is saying that a reason for a reduced turnover is the surcharge, what analysis shows that reducing the surcharge reduces stamp duty rather than increases total take based on higher movement? Is affordability the analysis or are there other policies still at play here that you are weighing up?

The Minister for Treasury and Resources:
It should do. If by reducing stamp duty you increase the volume of transactions, you will increase overall stamp duty is the underlying ... did you have more on that, Andy, you can add?

Group Director of Strategic Finance:
I think it is important to note that when we look at stamp duty forecasts, we are very much informed by the F.P.P. economic assumptions, both in terms of what house prices will do and what housing transactions will do. That is the basis for the forecast that the Income Forecasting Group looks at in drafting that forecast. That is why - you have talked about drops in 2026 and 2027 - some of that is driven by what the F.P.P. are now expecting the housing market to do. 2025 has increased and since the Budget, we have seen another quarter's worth of stamp duty data. We are currently looking like the forecast that is in the Budget, which was elevated from in the previous Budget, is not looking unreasonable, I think, is fair to say. It does seem to be that there is more activity in the market. However, the F.P.P. were cautious in terms of what that meant in longer years and we will continue to heed that advice. Whether or not things change in the market will come through in later sets of economic assumptions.

The Connétable of St. Mary:
Yes, leading on from the Deputy's question, I mean the headline news on BBC News 2 nights ago was the current effect in the U.K. of the Renters' Bill designed to improve tenant's rights and the correlation to that was the suggestion that landlords were going to sell. Now, that was much in evidence when this panel did its Scrutiny Review of the legislation here. How closely are you following that particular aspect and what channels of communication are open with the professionals on that?

The Minister for Treasury and Resources:

I think some of that will sit with housing in terms of the impact on the market.

The Connétable of St. Mary:
It is an extra ingredient into the equation, is what I am getting at.

The Minister for Treasury and Resources:
What we have seen so far, and it is some time since seeing these figures, my recollection is that the number of rental properties that have ... I mean the Landlords' Association, various landlords have been saying: "It is all doom and destruction if you bring in this law", but I think the most recent figures before that debate said that - I think it was in the teens - less than 20 rental properties seemed to have come out of the market. Now, that is not suggesting a collapse in the buy-to-let market, but it has slowed and it may have slowed partly because of that and also partly because of interest rates.

The Connétable of St. Mary:
Here is a more general question: I mean the law has not yet been fully implemented here and I just want to make sure that there is a channel of communications, that you are alert to that with a possible review?

The Minister for Treasury and Resources:
We see stamp duty figures as they go along. How often do we get them, quarterly?

Group Director of Strategic Finance:
They come through quarterly. We do keep track from a financial point of view as well.

The Connétable of St. Mary:
Okay. Thank you.

Deputy J. Renouf:
I am intrigued by Mr. Hacquoil's comments about the most recent figures which show that revenue is stable from stamp duty or even potentially increasing. Does that include in the rental market because if it does, why would you need to cut the duty to stimulate the market?

Group Director of Strategic Finance:
I was just asking my team for what the latest numbers were. It is a financial number; it is not based on the transactions from the court, which we have not yet had for the last quarter. When that information becomes available, we will be able to look more granularly about what is driving the changes but in terms of delivering to the £50 million forecast that the budget assumes, that is looking like it should ... well, who knows, the last quarter may be different but it looks on track to be delivered.

Deputy A.F. Curtis:

Could I just conclude on this section? From what Mr. Hacquoil was saying, the finance is not the need for the change here. The stamp duty model is stable. To what extent is this area of policy owned by the Minister for Housing and is he in full agreement that this is the right step to make?

The Minister for Treasury and Resources:

I believe so.

Deputy A.F. Curtis:

Yes, okay.

Deputy J. Renouf:

Future taxes. The fuel duty replacement work was stopped on that on the grounds that revenues had not declined as much as people thought. What are the current plans in terms of fuel duty replacement? What work is being done on that to what schedule?

The Minister for Treasury and Resources:

We had started work on that. It had begun and it is not necessarily an easy thing to do. When we have looked at the figures, the amount of fuel duty has not ... I think there was a kind of assumption that fuel duty would gradually just plummet and it has not done that. Although there is a decline, the decline is much less rapid than we expected so we have been focusing on other things. The work we have done is not lost; it is there. It is a very difficult thing to achieve because you either go for a per vehicle charge which if you are - the example is - Mrs. Smith who lives in St. Ouen, who drives into town once a week, she is penalised more than the person who drives every day in their car. If you want to go for a usage model, we then need to bring in technology and get everybody to install technologies in their car and that will be mind-blowing for people.

Deputy J. Renouf:

Work is still paused, is the bottom-line.

The Minister for Treasury and Resources:

It is still paused at the moment because fuel duty is broadly holding up, or it is not in such a rapid decline as we expected.

Deputy J. Renouf:

It is another thing you are handing to the next Government.

The Minister for Treasury and Resources:
We can do work that is unnecessary or we can focus on things that are more important. It is addressing a problem that does not exist as yet. The work is there; it will continue. I am sure the team will continue ...

Deputy J. Renouf:
It is always good to be ahead of the curve.

The Minister for Treasury and Resources:
... to monitor but it is still in abeyance, I believe, is it not? Yes.

Deputy J. Renouf:
Okay.

Treasurer of the States of Jersey:
From a policy perspective, the work was done to get us ahead of the curve. Just merely prioritising taking it beyond policy working to greater implementation understanding, that was paused so it is not lost.

Deputy J. Renouf:
Carbon tax on private aircraft was effectively also paused because Ports of Jersey did their own charge. Have they done any work with you or have you done any work with them to look at the effect of that in terms of decarbonisation?

The Minister for Treasury and Resources:
I cannot remember. I did see something about it recently and I cannot remember what that was. I think their charge has been introduced but I cannot remember what I read. It was a few weeks ago and I cannot remember but they are doing that and the money there will go into their decarbonisation initiatives. I believe they are doing very well. I think they have been nominated for various green sustainable awards in the industry. They are doing very well towards their targets, is my recollection, but I simply cannot remember the detail.

Deputy A.F. Curtis:
Given they are now taking forward that piece of work, at least for their area, and that is in train, have any conversations during that time also looked at other parts of where their estate is, such as private yachts over a certain size, by your department?

The Minister for Treasury and Resources:

No.

Deputy J. Renouf:
Extending that thought further, what about marine diesel?

The Minister for Treasury and Resources:
I recollect that we had a discussion about that, but it was discounted for numerous reasons. It has not been continued for numerous reasons that go into the economy. We have boats coming into Jersey, spending money in Jersey that would stop coming into Jersey if we increased prices. There are wider impacts in raising ...

Deputy J. Renouf:
Has that been analysed or is that just a piece of folk wisdom?

The Minister for Treasury and Resources:
It was considered and discounted at the time.

Deputy J. Renouf:
Okay. Pillar 2, the O.E.C.D. (Organisation for Economic Co-operation and Development) tax reforms, Mr. Assistant Minister ...

Assistant Minister for Treasury and Resources:
Thank you, Deputy.

Deputy J. Renouf:
I wondered whether you could tell us anything about the forecast revenues for Pillar 2 now that we are getting closer to the implementation and whether you have any updates for this new corporate tax?

Assistant Minister for Treasury and Resources:
We may be getting nearer to the end of the financial year in which liabilities arise for in-scope companies for Pillar 2 and Revenue Jersey have been working hard to ensure registrations and that process is happening. They are also working on the technology more widely for payments to be received. The base case scenario remains as is in the Budget and the reason that I cannot give you any further certainty is, of course, because post the G.7 (Group of 7) declaration that they would like to see the U.S. (United States) regime sitting side by side with the O.E.C.D. regime, there has been ongoing negotiations between the U.S. and the O.E.C.D. Those conversations are ongoing and all of the detail of how that will work and the implications of that are not yet finalised.

Deputy J. Renouf:

Okay, so the base case scenario you are still confident in. What measures are you taking to ensure that those funds when they come in are reserved for measures that are not longer-term recurring spending on the assumption that this cannot be guaranteed as a long-term funding source?

[13:30]

Assistant Minister for Treasury and Resources:

There are 2 different things here. If we remind ourselves broadly, the base case for the test is from banking groups who I think we would expect to be stickier within the jurisdiction, therefore are more certain, and to a large extent should not be impacted by any future side-by-side arrangement. The side-by-side arrangements would impact more on any ...

Deputy J. Renouf:

Oh, dear.

Assistant Minister for Treasury and Resources:

... are relatively confident that the base case provision will be maintained, and you see from the budget what the allocation is of that base case. There may, of course, be some finessing around the edges of that. That will depend on, as I say, the outcome of that side-by-side, but our best forecast and guestimate at this point is that any side-by-side agreement would impact the upside position rather than the base case.

Deputy J. Renouf:

Are you comfortable then that the base case revenues can be relied upon sufficiently to become part of business-as-usual Government revenue?

Assistant Minister for Treasury and Resources:

Bearing in mind these are forecasts and bearing in mind no final agreement has been made around side-by-side, I think I am as comfortable as I can be that that base case forecast will continue to be appropriate, certainly for the lifetime of this plan. I am not just taking the one-year, I am taking the lifetime of the plan, the rolling plan, but as I say, there may be some small implications around the edges. I think because we took a prudent approach from day one in the way we calculated the base case, we can continue to be confident in that but there are still these moving parts that may impact it.

Deputy J. Renouf:

Okay. The additional revenues then that come in, you have no sense yet of how big that would be.

Assistant Minister for Treasury and Resources:
We would simply really be lifting our finger and putting it into the air if we tried to calculate that, so I do not think it is sensible to do that. However, because of the side-by-side agreement, which is seeking to be reached, I think the only thing that we can say is it would be very prudent for us if and when that upside occurs to ensure it was only used for one-off purposes in that specific way. It would not be appropriate nor prudent to seek to allocate it for ongoing expenditures.

Deputy J. Renouf:
The base case money is a £50 million windfall effectively for Government. The upside money should be reserved for one-off expenditures or time-limited expenditures.

Assistant Minister for Treasury and Resources:
Yes, and the budget currently talked about upside monies being used to support the hospital. Let us just say we are having ongoing conversations about use to support the hospital. That currently would seem sensible but in changing economic times you could also argue that any upside should go into reserves. I would personally argue, of course, and I have not been here for the whole of the hearing for which I apologise, but there is a need for us - and I think Deputy Curtis asked this question about the economy and diversification – there is a need for us to support the economy in times of global instability in targeting one-off matters.

Deputy J. Renouf:
Okay. Thank you very much. Minister in the room, if I could just talk about the total revenue expenditure for a moment, total revenue expenditure continues to grow through the planned period. How does this square with the aim to try and contain the size of Government?

The Minister for Treasury and Resources:
We are still trying to contain the size of Government. I mean there will always be things that we have to spend money on, health, education, all these kinds of things but we are still trying to curb growth. There will be various initiatives. We are talking about that at C.O.M. That will feed into an all-Members workshop in February where we talk about various things that we could do to reduce the size of the public sector, which has grown dramatically, and that will go beyond reducing our spend on consultants, reducing unnecessary management. There are some proposals as to how we take out layers of management which will be discussed with all States Members in February as that thinking all comes together but I think essential services, they are still there.

Deputy J. Renouf:

In terms of that goal, it is just not possible.

The Minister for Treasury and Resources:

It depends how far you want to cut. I mean if you think we can cut back-office functions, if you like, what are the things that we do not really need? What are the essential services? We do not want consultants. We do not want unnecessary layers. If you start cutting services, what services do you cut? Because that is the next option, cutting services, and it will be 5 minutes before somebody is jumping up and down shouting: "Austerity." We are trying to reduce spend and there are elements of Government that we are looking at how we can reduce those elements. At this stage, they are not sufficiently advanced where you can say: "We will save by doing this", because it has to meet general agreement and it will then feed into future years' budgets but I think we all have to agree that we need to try to stop spending or stop the growth in spending, such as creating new bodies and giving them independence.

Deputy A.F. Curtis:

There is a narrative, and I think it would be fair to say it was earlier in this hearing and other leaders within the civil service and politicians are saying: "Spending has dramatically increased", and there is now a narrative saying: "We need to cut spending; we need to reduce the size." Why is it so hard to pinpoint which recent spending that has increased is suitable for cutting or suitable for degrowth?

The Minister for Treasury and Resources:

I think it really comes down to what are the essential services that Government have to do? Is there overreach in Government? Is Jersey, which is a small jurisdiction with relatively low tax, behaving like a large jurisdiction with 45 per cent tax? We keep creating bodies and structures that are perhaps not suitable for Jersey because people think: "Let us do that." Every time we sign up to a convention, that creates a cost. It does create a cost because it creates work that we all have to do. I am not saying we are going to come out of any conventions, that is not what I am saying, but I am just saying, for example, every time we set up an independent body, that is a cost. They start off with: "We will set up this body. It will be one man and a secretary in a cupboard somewhere", and before you know it, they are in big, glossy offices with a huge staff and the wage bill has trebled.

Deputy A.F. Curtis:

It is just there is a very strong narrative that growth has been too fast and unnecessary. It feels like that is being backpedalled and that is the wrong thing but is it prudent to have that message if it cannot be pointed to which growth was too fast and necessary? Is that the right way to go about addressing the cost and the size of the public sector?

The Minister for Treasury and Resources:

I am not saying it is too hard. I do not think we are saying it is too fast and unnecessary. We are saying there has been growth and we need to really stop and think when we introduce various mechanisms, various bodies, are they the right things to do? It would be absolutely inappropriate for me to start to point to certain groups or bodies or services because that will create uncertainty in that group or body or service and that is not right. These things have got to be discussed, they have got to be agreed, and they have to be communicated properly to politicians, to colleagues, to our staff, to the employees and to the wider public. We cannot just throw things out and say: "Well, we are going to stop doing that or stop doing that", because it will create anxiety and uncertainty. It is not that it cannot be done but it has to be done in a careful and considered way.

Deputy H.M. Miles:

Thank you. I am going to move on.

The Connétable of St. Mary:

Yes, still on the question of growth and spending, one factor must be inflation. My question is: to what extent have inflationary pressures, including domestic inflation, affecting Government spending in 2025 being considered in the 2026 Budget?

Group Director of Strategic Finance:

In 2025, are you ...

The Connétable of St. Mary:

Was inflation last year considered in relation to the 2026 Budget?

Group Director of Strategic Finance:

When looking through the Budget, inflation provisions are made in 2 ways. Pay provisions are generally held centrally and then issued to departments once the amounts are known, so 2025 pay award has been funded. It has been given to departments and that has now been reflected in their base budget across the period. There were also provisions made in the Central Reserve based on ... well, for 2026 it is based on R.P.I. plus one per cent in line with the already agreed pay deal. For future years, it is based on R.P.I., which was the preceding policy. Obviously, that is subject to agreement both politically and with the unions et cetera. We also make provisions for non-pay. That has been allocated to departments in 2026 based on the F.P.P. assumption for inflation in the same way that in 2025 they received inflation in line with the F.P.P. assumption. Departments should have had the provisions that would allow them to meet the inflationary costs in both 2025 and in future years.

The Connétable of St. Mary:

You have answered my next question in part which was: how was the £40 million-plus allocation for inflation calculated and distributed across departments and what contingency plans exist to manage higher than expected inflation?

Group Director of Strategic Finance:

Staff pay inflation is based on what we expect the staff budget to be times by the appropriate inflation rate, similarly with non-pay as well. When we look at non-pay, we do also bear in mind the policy of not increasing fees by more than 2½ per cent without approval. We do limit the amount that income in departments would go up, so that is factored in. There is a detailed calculation that is used but is all based on F.P.P. assumptions.

The Connétable of St. Mary:

Okay, and then what consideration was given to the impact of inflation on businesses and particularly what support, if any, does this Budget provide to those businesses where support is needed?

Group Director of Strategic Finance:

The provisions for Government inflation? You could argue that by maintaining spending power of departments in real terms that helps businesses in that spending power has not been cut in real terms, but it is designed to make sure that departments can continue to afford to deliver the services that are currently delivered rather than being aimed towards businesses. It will be a secondary impact, I suppose.

The Connétable of St. Mary:

To explain to a layman, like me I mean, can you outline the process for contingency funding in 2026 and when such funding will be available and from where?

Group Director of Strategic Finance:

In 2026, the inflation provisions ... so for pay, for example, we have just had the September R.P.I. come out this morning. That is the number that will be used to drive the pay award for 2026 and the provision that is made in the plan should be sufficient to meet those. Pay, which is our biggest amount of spend, will not be an issue. In terms of non-pay, the amounts have already been allocated to departments. If they see inflation ... and this is always a feature. Not everyone suffers inflation equally with R.P.I. but without maybe hiring several extra people and adding to the growth in public expenditure to track absolutely what a government R.P.I. might be and how different departments are impacted, we use R.P.I. as an average that departments get so some departments do occasionally come through a budgeting process. We have seen before where there is very high inflation on certain things they will provide evidence to that and that may mean that it is appropriate to use some of the contingency funding the Treasurer referred to earlier. We do hold, I think, £5 million in the reserve for unforeseen items as well.

The Connétable of St. Mary:
Just to take us to an example, the fishing industry are concerned about the spiralling costs and have indicated that some fishermen might go under, so that is a contingency which may well come about. You are saying there is a process by which fishermen could be assisted in that respect?

[13:45]

Treasurer of the States of Jersey:
No, I think we are confusing support for businesses and internal allocations of inflation for department ...

The Connétable of St. Mary:
Sorry?

Treasurer of the States of Jersey:
They are different things. Support for business, there is support for business in this Budget. There is obviously through the Economy Department's Budget, particularly the second tranche of £10 million for Better Business Support Package, that is in the Budget as it was in 2025. What Andrew was talking about related to inflation within departments.

The Connétable of St. Mary:
Okay. I take the point; it is a different tool. Okay. Thank you.

Deputy A.F. Curtis:
Borrowing. How are the States managing their borrowing prudently and in particular how are they deciding how and where to borrow, such as a use of fixed or variable interest rates and the use of the Revolving Credit Facility?

Treasurer of the States of Jersey:
Currently, we are using, as you point out, the revolving credit facility to meet borrowing. That is part of the strategy we have in place. We are meeting often with those entities who helped us with our issuance in the past to look at rates. Of course, the market is not particularly going in the direction we would like it to be going in at the moment in terms of the cost of borrowing. We are comfortable at the moment that we continue to use the R.C.F. (Revolving Credit Facility) until such a time as we need to go out for sizeable amounts of borrowing. That is leading us to consider whether we might

go out for shorter-term debt compared to the very long-term debt we have issued in the past that might be 5 to 10 years. As and when we get sufficient quantum of borrowing need, we may - instead of going for the very long debt issuance - postpone that and use bank term debt in the meantime so we keep that under regular review.

Deputy A.F. Curtis:
Okay. New healthcare facility funding has access to the Revolving Credit Facility and is hoping to be in part then funded by receipts from Pillar 2. There is a model that further drawdown from the Strategic Reserve could occur if there is uncertainty over that. During 2025, modelling into 2026, what is the impact on the Strategic Reserve if that drawdown of £277 million has to come out of the Strategic Reserve and what kind of assessment has been taken of what might happen there?

Treasurer of the States of Jersey:
We had undertaken that when we first established that policy back last year. Much of that has not changed by the size of the Strategic Reserve, notwithstanding the fact the Strategic Reserve has benefited from the investment returns over that period. As indicated in the conversations, still uncertain in terms of what that upside may be but, as clarified by the Assistant Minister, plan Ais to use that upside for that instead of drawing down on the Strategic Reserve. Plan A is still to use whatever we see on the upside. We will know more come March, May.

The Minister for Treasury and Resources:
End of May.

Treasurer of the States of Jersey:
End of May next year.

Group Director of Strategic Finance:
For clarity, in the Budget, the estimate provided for the Strategic Reserve assumed the money is taken out even though that is not Plan A. We have used that prudent position so the balance in the Strategic Reserve is after the money being ...

Deputy A.F. Curtis:
The drawdown. The assumed drawdown.

Group Director of Strategic Finance:
Assuming the drawdown, even though that is not the preferred option. The other point just to make as well is that by the end of this year we will have transferred across the right to the remaining amounts from the prior year basis taxation. It was about £290 million, so that action - following the

States decision last year - increases the amount of assets in the Strategic Reserve, although as the F.P.P. have highlighted, it is not necessarily cash. It comes in over, say, the next 20 years.

Deputy A.F. Curtis:

Can you provide an update on the borrowing arrangements for Fort Regent as well as what other options for the funding of its redevelopment were considered?

Treasurer of the States of Jersey:

Yes, once we have had the Budget approved, we will revise our Debt Strategy accordingly. Given the size of the borrowing relative to the borrowing for the hospital, we would expect to just roll that up within the strategy for the hospital on an ongoing basis. We will use the R.C.F. in the short term as and when needed and then as we chunk it up into bigger amounts in the long term, it would form part of that borrowing.

Deputy A.F. Curtis:

Why was borrowing using the R.C.F. the decided model for Fort Regent?

Treasurer of the States of Jersey:

Why?

Deputy A.F. Curtis:

Why, yes. Why choose to borrow to redevelop Fort Regent and why use the same model of the R.C.F.? I mean you have said that is your current model for borrowing in the current climate; why borrow for Fort Regent?

Treasurer of the States of Jersey:

Why borrow for Fort Regent? I would suggest that given the options, so the options are: do we have the available funding without borrowing? Not unless you eat into reserves yet further. There is a plan in terms of how we would go about funding that. It is built into the Budget for 2026 so given your options, your 2 options would be to drawdown on reserves or borrowing. We favour the borrowing.

Deputy A.F. Curtis:

The proposed borrowing of, I think, £43 million is only to cover Phase 1, which is water-tight and is safe. There is a full business plan. There is a predicted amount, I think, in the public domain of circa £110 million to develop Fort Regent and one would expect some of that work to be carried out in 2028 and 2029. Why is there no allocation to the delivery of Phase 2 given it is more than likely to be something that follows Phase 1 and therefore would exist within the life of this Budget?

Treasurer of the States of Jersey:

There may well be options for different financing for Phase 2 once Phase 2 has finally been approved. In any event, short of pulling down Fort Regent 2, rather than the original Fort Regent, in terms of making the site safe, most of that expenditure is necessary to progress with Fort Regent in whatever model it is in future.

Deputy J. Renouf:

The question was about the second phase.

Treasurer of the States of Jersey:

Yes, the second phase. There could be other opportunities, including using partners, for the development of Phase 2. We would bring forward whatever the funding is probably in the next Budget.

Deputy A.F. Curtis:

It is interesting that, for example, the hospital, we knew there would be budget requirements for 4 years, more than that, and so the budgeting in debt was there. It was in the plan to know that it would be a liability on the Government. Why in the case of the Fort, knowing that there will have to be a Phase 2 of some form and it will almost certainly want to be delivered during the Budget period, is there no money in the Budget for what is almost certainly a piece of capital delivery by the Government?

Treasurer of the States of Jersey:

It is not currently in there for future years. At the time at which you enter into a contract to build a hospital, you need to know that the funding is in place for all of what you are entering into a contract for. In order to do Phase 1, you need to know as an accountable officer or third party, whichever is building it, that you have in place the budget to do that.

Deputy A.F. Curtis:

Because we did not need Phase 2 in here, we did not put it in.

Treasurer of the States of Jersey:

Yes.

Deputy A.F. Curtis:

Okay.

Deputy H.M. Miles:

Thank you. I am just conscious of time. We have only got 5 minutes left. We still do have some questions around States funds and other elements. We will put those into writing, if that is okay, and possibly with a short turnaround date so that we can prepare our review. Last question, I think, is largely around the Consolidated Fund. This Budget proposition proposes that £50 million be transferred from the Consolidated Fund to the Stabilisation Fund in 2026 based on availability of funds in the Consolidated Fund but we have seen in recent years that the Consolidated Fund is usually in a cash negative position. Previous year's proposal to transfer the £25 million was not available to be transferred so that never happened. Minister, really, the final question: how confident are you that this transfer that is proposed of £50 million will be possible in 2026 if it was not possible to transfer the £25 million in 2025?

The Minister for Treasury and Resources:

That depends on how Ministers manager their budgets and accountable officers manage their budgets.

Treasurer of the States of Jersey:

In terms of upside income, it is a provision in place for utilising that upside. How confident? I would be absolutely delighted were we to get to that position. The only possibility I think of getting that position would be through Pillar 2 but nevertheless we have that in there as a contingent measure that the Minister can take to make sure that that funding, should it be there, is prioritised to, if you like, building back up the Stabilisation Fund in a way that previously, if you do not follow that route through, it just forms part of the consideration of a subsequent budget and is not prioritised towards rebuilding the reserve.

Deputy H.M. Miles:

The Stabilisation Fund will remain depleted in other words. Can I just ask if there are any final questions from the panel?

Deputy J. Renouf:

A context one, I guess, you are taking £50 million from the Social Security Fund contributions and you are getting £50 million from Pillar 2 so there is £100 million a year uplift in income coming into these budgets and yet still the budgets are struggling to balance. Does that give you any cause for concern?

The Minister for Treasury and Resources:

Pillar 2 has been allocated towards ... well, we know what that has been allocated towards, which is principally capital into capital reserves so that is not going towards revenue spend and, as I have said, we do need to work on reducing the size of the public sector but that, really, requires everybody to work together.

Deputy J. Renouf:

It is almost a 10 per cent increase in revenues coming in or available to spend, I should say, and that is the sort of money that ...

The Minister for Treasury and Resources:

No, Pillar 2 is not being applied against revenue spend. We are doing something different with that and if you are talking about the money from the Social Security Grant, that is being applied on a temporary basis, so we still need to do work generally to reduce spend. That is not necessarily, as you have said, a continuing pot of money for revenue spending because if people did think there was a pot of revenue spending, £100 million, it would be spent next week.

Deputy J. Renouf:

Are you, as the Minister for Treasury and Resources, happy to be handing this problem to the next Government?

The Minister for Treasury and Resources:

We have a solution for the next 4 years which is temporary and we have a plan. We have a plan as to how that will be delivered.

Deputy J. Renouf:

Would you say spend and pray?

The Minister for Treasury and Resources:

No, I am not saying that. I think we are trying to do everything we can in terms of allocating funding to capital and making sure we have money for revenue but sooner or later, as an Island, we have to think about what we are spending money on. We cannot keep copying everything that they are doing in every other part of the world, like the U.K. We cannot keep creating structures and spending while we maintain low taxes.

Deputy H.M. Miles:

Thank you. Connétable Johnson, did you have any further questions?

The Connétable of St. Mary:

No, thank you.

Deputy H.M. Miles:

Deputy Curtis?

Deputy A.F. Curtis:

No, thank you.

Deputy H.M. Miles:

Okay. On that basis, with a couple of minutes to go, thank you very much, Minister, for attending our hearing today and for addressing the panel's questions, equally to your officers. There are a couple of points that we will follow up, as I have said, in writing so I declare this meeting closed. Thank you.

[13:57]