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Assemblée des États

Corporate Services Scrutiny Panel

Proposed Budget 2027-2030

Witness: The Minister for Treasury and Resources

Monday, 9th November 2026

Panel:

Deputy L.V. Feltham of St. Helier Central (Chair)

Deputy L.D. Carpenter of St. Helier Central (Vice-Chair)

Deputy C.D. Leck of St. Saviour

Deputy C.J. Rebindaine of St. Mary, St. Ouen and St. Peter

Deputy H.L. Jeune of St. John, St. Lawrence and Trinity

Witnesses:

Senator A.J.H.M. Maclean, The Minister for Treasury and Resources

Deputy R.J. Parker of St. Saviour, Assistant The Minister for Treasury and Resources

Mr. R. Bell, Treasurer of the States

Mr. R. Summersgill, Comptroller of Revenue and Competent Authority

[9:30]

Deputy L.V. Feltham of St. Helier Central (Chair):

Thank you, everybody. Good morning and welcome to this public hearing of the Corporate Services Scrutiny Panel. Today is 9th November 2026, and this is our Proposed Budget 2027-2030 review hearing with the Minister for Treasury and Resources. I would like to draw everyone's attention to the following. This hearing will be filmed and streamed live online. 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 transcript, I would be

grateful if everyone who speaks could ensure that you have stated your name and role, but we will do that within introductions. While we are doing the introductions, I will ask that if anybody has any conflicts of interest that they feel are going to arise during the hearing, please state that during your introduction. If anything does arise that appears to be a conflict of interest during the hearing, please do note it at the time, if you have not already. I am Deputy Lyndsay Feltham and I am the chair of the Corporate Services Panel.

Deputy L.D. Carpenter of St. Helier Central (Vice-Chair):
Deputy Lee Carpenter, vice-chair of the panel.

Deputy C.J. Rebindaine of St. Mary, St. Ouen and St. Peter:
Hello, Deputy Chris Rebindaine, Deputy for St Mary, St. Ouen and St. Peter.

Deputy H.L. Jeune of St. John, St. Lawrence and Trinity:
Deputy Hilary Jeune, member of the panel.

Deputy C.D. Leck of St. Saviour:
Deputy Chris Leck, representing St Saviour.

The Minister for Treasury and Resources:
Senator Alan Maclean, Minister for Treasury and Resources.

Treasurer of the States:
Richard Bell, Treasurer.

Assistant Minister for Treasury and Resources:
Deputy Robert Parker, Assistant Minister for Treasury and Resources.

Comptroller of Revenue and Competent Authority:
Richard Summersgill, Comptroller of Revenue.

Deputy L.V. Feltham:
Okay. We have 2 hours scheduled for this hearing. As always, we appreciate clear and concise answers to our questions. We may follow up in writing if we do not get through everything. We are going to start first by looking at strategic oversight and alignment of the Common Strategic Policy and Budget. Deputy Rebindaine is going to start with questions.

Deputy C.J. Rebindaine:

I have been given the honour of kicking off this morning. So, in cricketing terms, here is the opening loosener. Minister, what was your role, oversight function, when developing the Common Strategic Policy and proposed Budget to ensure a clear link is observed between the C.S.P. (Common Strategic Policy) priorities and the finances proposed in the Budget to deliver on them?

The Minister for Treasury and Resources:

First of all, using your cricketing analogy, I hope I am not going to be out for a duck. To answer your question, obviously as a Member of the Council of Ministers, I have an integral role, as all Ministers do, in the formulation of the C.S.P. and the Budget, and of course the interlinking between the 2. I think it is probably fair to say that in an ideal world, you are aware currently that we have got a 4-year C.S.P. constituted policy and a one-year Budget and then moving to a 3-year multi-budgeting phase. In an ideal world, it would have been good to have had the 2 running hand-in-hand, so both at similar times, but with the timing of the election and the time we had available to prepare for the Budget, it was not going to be possible to do that.

Deputy L.V. Feltham:

Can I just clarify that, just before we head on to the next question, there are 4 years in the Budget?

The Minister for Treasury and Resources:

Yes, there are, but we have made it clear that it is indicative for the next 3 years, but the intention is to move towards a multi-year budgeting process, which would be 2028-2030. Although there are indicative numbers now from 2027 looking forward, we want to change the process, and that is the intention going forward. As I said, the ideal situation and scenario would have been if we could have aligned the 2 together, but the timing of the election made that almost impossible. In fact, as you know, I think, we have had a very short period of time in order to pull this particular Budget for 2027 together.

Deputy C.J. Rebindaine:

Without wishing to be pedantic though, the 3-year Budget is a proposal, not a definitive thing as yet.

The Minister for Treasury and Resources:

It is a proposal; that is absolutely correct.

Deputy C.J. Rebindaine:

Okay. But going back to my question, is there a clear link between what the Budget can deliver and what the C.S.P. aspires to do?

The Minister for Treasury and Resources:

There are links. Certain items within the C.S.P., some of the priorities, for example, there is funding already allocated within departments to deliver. I can give an example of the *Time to Win* report, the £7 million for 2027 in the Budget for the delivery of Time to Win, and competitiveness is one of the key priorities that is contained and identified within the C.S.P. So there is funding within the Budget for delivering C.S.P. priorities. We will have to obviously adapt as time goes on for the latter years and when we come to Budget 2028 to 2030.

Deputy C.J. Rebindaine:
But short of raiding Pillar Two proceeds, it is not immediately clear that Revenue will be able to pay for the C.S.P. priorities?

The Minister for Treasury and Resources:
The intention is that as we move forward we will be looking for departments to drive efficiencies, we want to move towards budget surpluses to give ourselves more flexibility. There are of course contingencies built in in any event. There is more contingency built into this Budget than there has been in recent times, and we need to build that further together with building reserves. So having that flexibility will allow the funding for the priorities that are identified. But, as I have said, already there are funds available for delivering a number of the priorities in the C.S.P. Not all of them, I hasten to add, and some have not been priced up yet, if I can put it that way.

Deputy C.J. Rebindaine:
Thank you for acknowledging the fact that they are not all priced up and not all funded. The panel has heard during its hearing with the Chief Minister that this Budget is a one-year transitional Budget. I think he has also attributed the words “boring” to you.

The Minister for Treasury and Resources:
Sorry, to the Budget or to me? I trust the Budget.

Deputy C.J. Rebindaine:
So, Minister, what does a one-year transitional Budget actually mean? What is the impact on future forecasts, if that is all it is?

The Minister for Treasury and Resources:
What it means is, as I alluded to already, we came into being as a Council of Ministers, and I had this role as the Minister for Treasury and Resources with very little lead-in time before having to lodge the Budget, so we had a short period of time to prepare it. From the very beginning, we were concerned about how we were going to move public finances back into a more balanced and sustainable long-term position. That is why we are proposing what I have referred to as the multi-

year Budgets from 2028 to 2030. This is not new, by the way. It has been done previously. We had a Medium-Term Financial Plan from 2016 to 2019; I am sure we will come back to that later on. But nevertheless, we felt that the best way to deal with 2027, we were left with various commitments from the last Government, the last States Assembly that needed funding. An example would be violence against women and girls. There were a number of others. There were also savings targets which the previous Government had left us to deal with, and so we had to largely adopt the previous Budget and set the direction, hence the term "transitional", for this 12-month period while we work out the 2028 to 2030 period. That is where the changes need to be made, and that work is already beginning now.

Deputy H.L. Jeune:

Just on this, because the question was about impact on future forecasts, are you saying then that actually we could see potentially quite different figures in each department depending on ... because you are saying you are working up new figures, are we looking at the fact that those forecast figures could be completely different to what we are seeing now as provisional in the current Budget for the next 3 years?

The Minister for Treasury and Resources:

Yes, that is highly likely based on what we need to work through. Obviously for 2027 the changes that are made in 2027 are reflected out in the following years, and that is what you see at the moment. But, as I have mentioned, we did not make enormous amounts of changes. We have constrained expenditure, we have cut back on growth bids and what have you, we have tried to get into balance. This is a now balanced budget at a nominal level, and that is a step in the right direction. It is a small step but it is a step in the right direction. More is required and as changes are made for 2028 to 2030 that will be reflected in the following years that you have just referred to.

Deputy H.L. Jeune:

Would that then, coming back to the first question about the link of the C.S.P. to the Budget, would we see then more link from 2028 to being able to cover and having specific Budget for all the C.S.P. areas that we are seeing?

The Minister for Treasury and Resources:

Yes, I mean we are going to have to deal with some of the costs associated which have not been fully priced up yet for the C.S.P. We are going to have to deal with that in 2028 to 2030. All we can deal with at the moment, as I mentioned to Deputy Rebindaine, there are certain items that already have budgeting ... departments have funds within their existing budgets like the Time to Win. Obviously there is much more to do and that is why the 2028 to 2030 period is so crucially important. That is where the work undertaken now is to deliver on that multi-Budget period.

Deputy C.J. Rebindaine:

Thank you, Minister. So on the basis, we are accepting that this 2027 Budget is transitional, and if we do go to a multi-year budgeting process, that is going to make the 3-year Budget you propose next year even more important. So what would be the lodging and debate timeline that you foresee for those proposals?

The Minister for Treasury and Resources:

It is obviously a big job to pull together a multi-year Budget. The work is starting already. The work has actually started already. The intention is to be in a position by summer of next year to have the broad proposals outlined and available. We want to make certain that Scrutiny, yourselves, are involved as early as possible because it is going to be a big job, there is a lot to look at. So it will be around about summer of next year with the debate earlier than is the case this year.

Deputy C.J. Rebindaine:

Do you think we will be in a position to see it all by 1st September?

The Minister for Treasury and Resources:

I would hope so.

Deputy C.J. Rebindaine:

That sounds close to a yes to me. In a submission from the Comptroller and Auditor General, she raises that key actions are needed to underpin some of the proposed C.S.P. priorities; I can give you an example if you want. So where key actions are not yet available to underpin the C.S.P. priorities, how is Treasury ensuring coherence and value for money is observed in adherence to financial principle 4?

The Minister for Treasury and Resources:

Do you want to give the example you were referring to?

Deputy C.J. Rebindaine:

Focus on specific elements of education and lifelong learning in the absence of an overarching education strategy and fit-for-purpose funding formula, risk services are being designed without a framework to support coherence and value for money.

The Minister for Treasury and Resources:

That principle applies far broader than just that particular example. There are strategies required from a number of departments. I can cite Health as another good example in order to make sure

there is a holistic view, joined-up view, and to make sure that money is allocated appropriately both overall but also by departments themselves so they know what their key priorities are and what they need to deliver on. So it is about each department delivering a strategy.

Deputy L.V. Feltham:

Can I just, because that is quite a departure from what has been said in the previous Government around strategies. I know that the former chief executive officer said I think in public that he felt that there were too many strategies, and as a result of that advice I think the previous Government pulled back on a number of strategies. Is that a change in the way that this new Government will now be working? Will we start seeing more strategies?

The Minister for Treasury and Resources:

I think there needs to be a balance. There are a lot of reports and strategies that are produced over time that just collect dust on the shelf. Nevertheless, I think a department needs to have a strategic direction, which needs to be articulated. So I think it is ensuring it is proportionate, and more importantly, is acted upon. Delivery is the key element. I think in the past strategies have been produced and then not acted upon, in which case are a complete waste of time and money.

Deputy L.V. Feltham:

Then, as Minister for Treasury and Resources, if a strategy is developed by a Minister, would you see it as your role to provide the funding to deliver on that strategy?

The Minister for Treasury and Resources:

I think it would be a matter for oversight from Treasury, but also discussions among the Council of Ministers as well if it came down to a disagreement in the direction and the ability to deliver, in other words, if funding was not available. That would need to be a matter discussed more broadly with the Council of Ministers.

Deputy C.J. Rebindaine:

But just to pick up on that point, is there sufficient discipline and rigour within the Council of Ministers that you can push back if a hand is put out for more money and say: “Without the strategy you are not getting the money”?

The Minister for Treasury and Resources:

I think we have already. In the very short period of time - I have only been in this role 4 months - we had almost £40 million of growth bids, as you know, and we pushed back at that quite strongly. I think it is a change of culture, if you like, a change of approach, going back to perhaps where we

were a number of years ago, in recent years, and the Fiscal Policy Panel have made this point, we cannot continue to spend more than we have coming in in income.

[9:45]

It is as simple as that. We are putting the long-term sustainability of public finances at risk and the Island at risk if we do so. I am sure we will come on to the Fiscal Policy Panel, but they have made some very clear recommendations. I agree with what they are saying and we are moving in that direction to try and achieve those objectives.

Assistant Minister for Treasury and Resources:
Sorry, could I probably add that where we have had strategies in the past there have not probably been the associated costings. What we want to focus on is the costings and value for money and whether it is affordable going forward. So it is much more rigour in relation to just making decisions without understanding the costs and the implications to the Island as a whole. We are very keen to start creating that discipline within departments so that they come forward costing up what they want to do and why and how beneficial that is to the Island and the wider population.

The Minister for Treasury and Resources:
I would just add to that, and that is another reason why the multi-year budgeting is something that we are keen to push, because instead of getting into annual budgets where you make a decision and a commitment for one year, that commitment is often recurring and ongoing and yet there is no visibility about what the impact might be in year 2, year 3 and so on. Multi-year budgeting will give far greater visibility and it will ensure that there is stronger discipline within departments, so it helps to focus the mind. We have seen it before; I keep referring to the Medium-Term Financial Plan 2016 to 2019. Prior to that, we were running deficits. Once that came into place we were in balance - broadly balanced budgets - through that period of time. As soon as that ended from 2019 - I know we had the pandemic in 2020 - but from that period onwards it has been nothing but deficits, and quite significant deficits. So it is about getting into discipline, changing the culture and trying to get the focus in. We still need to maintain quality services, we need to deliver value for money; departments will have to prioritise. We cannot do everything so we need to prioritise what matters most to the community and to the Island in both the short, medium and longer term.

Deputy C.J. Rebindaine:
Thank you. Sticking with the Comptroller and Auditor General; also point out that several long-standing issues around data sharing, risk management and departmental collaboration. What practical changes will be delivered during the Budget period to address these systemic weaknesses

and how will Treasury ensure departments work across organisational boundaries rather than in silos when delivering the C.S.P. priorities against the budgets proposed?

The Minister for Treasury and Resources:

Again, I come back to the multi-year budgeting. It is a lot easier once you get into that format, assuming we manage to achieve it. That said, there is going to have to be clear prioritisation of the C.S.P. priorities. Some are fairly clear and, as I have said, can be accommodated within existing budgets, others not so much, so they are going to have to be prioritised as funds are available. Departments themselves are going to have to look at their existing budgets and prioritise those funds in order to deliver on the priorities that are set out within the C.S.P. It is just simply down to prioritisation and ensuring that funds are available for the key deliverables that departments feel are most important, and the Council of Ministers as a whole.

Deputy C.J. Rebindaine:

But while your topic of speciality is numbers, it is sort of a culture thing, is it not? Trying to work people across departments horizontally, not just working within their silos vertically so that you get ...

The Minister for Treasury and Resources:

Yes, absolutely. I think I used the word "culture" a moment ago. It is very much culture. It is changing culture, and our system of government is structured in such a way that, ironically, makes it quite difficult to achieve exactly what you are describing. But that does not mean it cannot be done. It can be done, has been in the past. We just need to get back to that. It is going to require a joined-up approach from the Council of Ministers. All Ministers need to, and I am confident they will - it is a strong group - come together in order to focus on the long-term objectives of the Island.

Deputy C.J. Rebindaine:

Is there no one person we can look to, to drive that culture change?

The Minister for Treasury and Resources:

I think you need to ultimately look at the Council of Ministers, but certainly as far as I am concerned with my responsibility with public finances, if you like, custodian of public finances, I think I am central to that agenda. I am certainly talking to Ministers and encouraging Ministers to have exactly that vision for the medium and long term. It is absolutely crucial that we do that. We are not going to get a second chance.

Deputy C.J. Rebindaine:

No, that is true. What steps have been taken by Treasury to strengthen financial oversight across departments? I know Health have decided to do their own accounting.

The Minister for Treasury and Resources:

I am not sure, Deputy, if you take that as a negative or not in the way you are saying it. Yes, Health have taken the finance function in-house, together with procurement function and what have you. But nevertheless there is still an oversight facility within Treasury, with Health, as well as other departments, and there is a regular interaction between Treasury and departments with their financing requirements and whether they are meeting their budgets and targets and so on. There have in recent years been some issues around Health having continuous overspends. That is a situation where Treasury is working with Health to make certain that we have clearer visibility going forward. We do not like last minute shocks or surprises probably is the best way to put it. Budgeting needs to be more accurate in that respect, and again it is the role of Treasury, the Treasurer and his team, to make certain that that happens and they do a sterling job. Do you want to add anything?

Treasurer of the States:

No, not to that. The business partner team have that view across departments. On top of that, I meet regularly with the financial leadership in Health. That is how we ensure across the organisation that we have the sight of finances and work with those individual departments.

Deputy C.J. Rebindaine:

But do you feel you have enough transparency within each department to ensure that the money you have given them to fulfil certain functions is spent on that function and not to use somewhere else, if you are having oversight?

The Minister for Treasury and Resources:

That of course is a good question. I think, as the Treasurer has said, the team do have regular interaction with the departments. I think we need to be stronger in terms of making certain that funds that are allocated for particular heads of expenditure are actually utilised in that way. That is what is supposed to happen; that is what generally does happen. We need to make absolutely certain that is the case and that at all times departments are focused on delivering their budget in the way intended and also, for that matter, delivering value for money, which is another key objective from a Treasury perspective.

Deputy C.J. Rebindaine:

The Comptroller and Auditor-General has raised that an at-the-glance view of a published Budget would be a valuable addition for Islanders, particularly given we have now had certain departments

moved and budgets therefore reallocated. Is there a way that you can make the changes to Budgets from 2026 to 2027 clearer for people to understand, on a like-for-like basis?

The Minister for Treasury and Resources:

In terms of the explanation of the Budget?

Deputy C.J. Rebindaine:

Or just what was where and is now somewhere else? That seemed to be the ...

The Minister for Treasury and Resources:

Maybe I am looking at it too often and therefore get used to it. It did not seem that unfriendly in many respects, but I can understand why a lay person, a member of the public, might look at the document and it may not be as clear or easily readable as perhaps one might like, which is perhaps what the C. and .A.G. (Comptroller and Auditor General) was referring to. We could perhaps, for the future, consider more of a highlight. We do, obviously, in the Budget document, which you will have a copy of, obviously the headlines are identified there, so I think that is pretty clear. I suppose what she is referring to is where the particular heads of expenditure may have been reallocated. We could perhaps make that a little bit clearer. We take that comment on board. I do not know if you have got any comments, Treasurer.

Treasurer of the States:

Yes, I think some of those head of expenditure changes are first, in 2027, relating to the creation of the Jersey Capital Investment Fund. So you see some costs moving into old reserve headings, in particular, moving into different places. The other ones are that perhaps we can provide some more mapping on where we have split Ministerial portfolios and departments up so you can see like for like where they are. So looking through that last week, see how we might improve the mapping going forward. That was quite a significant change. It is not always at that level of change. But we can certainly provide the mapping where, for example, N.H.F.P. (New Hospital Facilities Programme) financing costs is one head of expenditure for 2026 with all other financing costs but, in 2027, that is moved across to the capital fund and therefore is a separate head of expenditure now.

Assistant Minister for Treasury and Resources:

Another area could be where staffing is reallocated from one department to another, such as happened from Treasury into Health. I think if one can see that, then it makes some of the figures more understandable.

Deputy H.L. Jeune:

On that, I think it would be very useful for us in the E.H.I. (Environment, Housing and Infrastructure) Scrutiny Panel; we have had to ask for that information. I think that means, as it comes back to the question to have more visual to help the wider public, not having to ask what we would see are simple visuals to really show where everything is going ahead of time would be useful in the future.

The Minister for Treasury and Resources:

Yes, I think we can learn from that. The Budget document does the highlights, as I was mentioning, which is quite useful, but it perhaps could add a bit more to that to address the issues that the Treasurer was referring to.

Deputy C.D. Leck:

It is quite a daunting document, is it not, for the public; 117 pages? It is bad enough for an accountant to look at.

The Minister for Treasury and Resources:

I was going to say it is quite a daunting document for the Minister for Treasury and Resources to look at. But there we go. I am sure we can do something to try and improve the readability of the key movements.

Deputy L.V. Feltham:

Thank you, let us move on.

Deputy H.L. Jeune:

Yes, and I have got 2 sets of questions. One that we have had submissions on from the Care Commission and then from the Jersey Youth Assembly. First focusing on the Jersey Care Commission and their submission to the panel review refers to budget decisions affecting the Commission after business planning processes were already underway. Minister, what is the Treasury's role in agreeing these budgets?

The Minister for Treasury and Resources:

The Care Commission budget falls under the Health Department, as you will be well aware. They would have had have the interactive ...

Deputy H.L. Jeune:

I think it is in the Chief Minister's Department.

The Minister for Treasury and Resources:

Sorry, you are right; Care Commission. No, it was the Minister for Health and Social Services that was referring to it, I think. You are quite correct, I stand to be corrected. As far as the budget itself is concerned, the Care Commission has a budget in excess of £2 million. I think it has been asked to make an efficiency saving, which is relatively small in comparison to the overall sum of the budget.

Deputy H.L. Jeune:

I think where this, and potentially could be examples for others, is that, and you alluded to the fact it was the last minute, being on a short timeframe, but the Care Commission really pointed out that they had already started the planning process and they had not been told that there would be this cut. We have heard from you that this is a 2026 Budget, so in a way it should be or should have been obvious that there potentially was this savings needed or this, as you have described it, a small savings, but if this had been known for some time maybe they should have been warned sooner.

The Minister for Treasury and Resources:

I think it is unfortunate from a timing point of view. I think they commented, if I remember correctly, that they were first made aware of the request in September, which is quite late; I accept that point. Again when we move to multi-year Budgets, that if we get to that point I think it will be a lot easier for all organisations, particularly those receiving grants - and charitable organisations by the way also fall into that category – they will have a lot more certainty and visibility and will be able to consider what their long-term planning should and is going to be. So this was not ideal but it was a very short term lead-in time.

Deputy H.L. Jeune:

Moving into that question of the multi-year budgeting and next year for timing, when will you envisage bringing in these organisations who do receive regular grants and money from the Government, when do you bring them in into that multi-year discussions?

The Minister for Treasury and Resources:

If it is delivered, they will be beneficiaries of it, and certainly from initial discussions I have had, it is broadly welcome because organisations like that that receive grants and receiving a grant on an annual basis, they cannot plan at all; it is almost impossible. It creates ongoing financial difficulties and stress, particularly for charitable organisations. So those that I have spoken to are welcoming the prospect that this might happen, and I certainly hope it does.

Deputy H.L. Jeune:

Is there a moment, I suppose, before the Budget is agreed next year, for discussing if there are any efficiencies or savings that needs to happen for that multi-year financing, will that be put within your timeline?

The Minister for Treasury and Resources:
That is why the process has already started to look at the prospect of multi-year budgeting and timescales and such like.

[10:00]

As I mentioned to Deputy Rebindaine earlier on about something around that timing of when we are hoping to get the main details out, so that you can have a look at it as well as a Scrutiny Panel. But those organisations much earlier on will be brought into the process largely by the lead department, whatever the lead department is that is relevant to them.

Deputy H.L. Jeune:
It is something that we raised in the Environment Scrutiny Panel about with the Minister for Planning and Regulation. Of course, there is that balance and the panel understands that there is a need for these efficiencies and savings that you are talking about, but how does the Treasury reconcile efficiency expectations while increasing regulatory and statutory responsibilities are placed on the independent bodies? So like the Care Commission are saying that they have had increased responsibilities put on them at the same time being asked to do those efficiencies and savings. How does that balance work and how do you discuss that in a risk discussion really with the Council of Ministers and within the Treasury Department?

The Minister for Treasury and Resources:
I think one of the points around the regulation and oversight and such like, is making sure that it is proportionate. As a States Assembly and as a Government, we layer more and more on to organisations, on to businesses for that matter, in terms of regulatory oversight. I think we need to consider whether what is currently being asked is proportionate. I take the point about the Care Commission saying they are being asked to do more. I think we need to look very carefully at what is being asked. Is it proportionate? Do we actually need to be done that way? Could it be delivered more efficiently and so on and so forth? It is just really a basic reset. We cannot continue to add regulation on top of regulation that is not necessarily adding particular value, only cost. That is the case in some areas.

Deputy H.L. Jeune:
Thank you. Moving on to the Jersey Youth Assembly, the panel engaged with them as part of this review, who have highlighted in their submission their key messages, which includes climate change, cost of living, housing affordability and future opportunities as their main issues of concern. I am not sure, Minister, if you have seen their submission, but how have you engaged with the

Jersey's youth to ensure that their views are being understood and considered as part of not only this Budget, the future Budget, but also the C.S.P. as well?

The Minister for Treasury and Resources:

On a personal basis, I have teenage boys and they have a lot of contacts. I speak to a lot of young people, get feedback. What has been highlighted in that document is not a surprise, I do not think, to any of us. There is a concern by young people about opportunities in the Island. We need a strong economy to create those opportunities and jobs and salaries that will allow them to enjoy a good lifestyle and be retained, more importantly, within Jersey. We do not want to see our young people going, and too many at the moment are going. University is a great thing, but quite often our young people go to university and do not return because of the lack of opportunity, housing is too expensive. We have seen significant investment in the likes of Andium Homes. They are down to deliver something like 323 properties; some of those social rental of course, but first-time buyer properties as well. We have got to continue investing in the infrastructure to make sure supply is increased, that helps to moderate, and many of the programmes that Andium are running to give young people the opportunity to get on to the housing ladder. More things to do in the Island is important, having facilities that young people find acceptable and so on.

Deputy H.L. Jeune:

I know that Deputy Carpenter wants to come in, but have you engaged with the Youth Assembly yet or have you read their submission?

The Minister for Treasury and Resources:

Yes, I have seen the submission that they have made. I have not directly engaged with them as an Assembly myself, but obviously I have seen what they have said and I have picked up a lot of the concerns that young people in the Island have. So I do understand the problem as I think the Council ... well I do not think, I know the Council of Ministers also understands that, and I am sure many elected States Members as well. It is a job of work to try to address it, but I think there are a number of moves that have been made and investment that has been put into key areas that started that journey. It has been going on for a little while, we have got to do more though.

Deputy L.D. Carpenter:

Thank you. You mentioned in your initial answer that you speak to lots of young people. Were you referring to friends of your teenage sons or was it specific groups or organisations?

The Minister for Treasury and Resources:

More young people than specific groups. As I said, I have not actually engaged directly with the Youth Assembly. When I was previously involved in politics, and as Minister for Treasury and

Resources I did attend a number of schools and talked to young people and answered questions and what have you. That is something I would intend to do again because I find it invaluable. I think it is useful for them but it is also getting a feedback from young people directly that I do know is quite helpful.

Deputy H.L. Jeune:

Minister, finally, you have given a comprehensive answer to the areas of concern that the young people have been saying and about their concern that they do not feel that their future lies in Jersey. How are the risks and opportunities being assessed or addressed with regard to concerns facing young people within this Budget? Has there been a specific focus on looking at the impact of this Budget or the C.S.P. on young people, and how do we see that risk and assessments and balance being done?

The Minister for Treasury and Resources:

We had a very short period of time to pull the Budget together so perhaps I would say that not as much was done as we would have liked to have done given more time. We looked at some of the examples of where the pressures are. We sought to put measures in place and extend existing programmes that were going to be supportive across the community. But there is a big focus in the Budget, as you know, for families and young people, and that was what we thought was the appropriate thing to do with the time we had available. I do not think I can really add much more to that.

Deputy H.L. Jeune:

Looking forward, because you are saying a lot about the time, what could be a good tool to help focus in on young people's concerns and knowing how the C.S.P. going forward or the multi-year Budget going forward, is there a tool or a focus that could be so that young people see that there is that focus, there is that assessment going forward?

The Minister for Treasury and Resources:

I think that is a really good point, and I think we can certainly look at how we engage with young people, what the mechanisms might be in a more formal way than what I have been referring to, that we have been able to do to date. The Youth Assembly is an interesting idea, but there are other groups of young people that we could seek to engage with, and I think that is something we should take away and give consideration for, for the multi-year basis. It is a fair point, and I think it is valid.

Deputy L.V. Feltham:

Thank you. We are now going to move on to looking at the economic context and financial sustainability. Deputy Leck is going to start.

Deputy C.D. Leck:

Financial Principle 1 states that the Budget must take into account the sustainability and stability of public finances. How do you and your department define and measure the financial fiscal sustainability? What are the fiscal rules, thresholds or triggers that guide you in protecting the Government's fiscal position?

The Minister for Treasury and Resources:

The Budgets that have been run in recent years have been running deficits, and I think it is fair to say that where we are seeking to get to now is to balance our Budgets in the short and longer term basis. I think once we get to that stage, we will be in a much stronger position. But living within the means in terms of the revenue that we have got, not exceeding debt, following the F.P.P. (Fiscal Policy Panel) rules and guidelines, I think all of which is helpful in terms of guiding us when putting Budgets together. As I said at the outset, we did have to work largely with the Budget we had from 2026, or formulated in 2026. So it has been much more difficult, but I think it is worth taking on board the comments of the F.P.P. that they welcome the direction that we have taken in this and the small steps in the right direction that we have taken for 2027, to ensure that we move back to a position where longer-term sustainability is going to be delivered. Because spending our reserves and exceeding revenue being exceeded by expenditure is not a sustainable position to be in.

Deputy C.D. Leck:

What thresholds or triggers are you using to make sure that you are protecting the position? How often do you look at those?

Treasurer of the States:

I would not put it in terms of specific thresholds. What we have are a number of pieces of work that are ongoing in respect of ensuring that finances are sustainable in the future. We are embedded in the programme on the healthcare financial model and the funding arrangements for that in the future. We will be finalising into Budget 2028, which is the area in which it could be said in previous years insufficient funding has been put aside for capital. There will be a medium to long-term care capital.

Deputy C.D. Leck:

Sorry to interrupt. I suppose I am thinking more in the realms of monthly management accounts and things like that. How you are monitoring what the departments are doing and therefore making sure they are not going outside the budget as you would see it on the outer.

Treasurer of the States:

Right. So in-year financial management against budgets, a couple of things I would say there. Firstly, we are monitoring in respect of and tracking savings that are delivered to make sure that they are on a sustainable basis. When we see that departments through monthly financial monitoring are forecasting outside of the budget available, we have interaction between us, including letters from Treasury, seeking a cost reduction plan or a plan against which that particular A.O. (accountable officer) will balance their budget. So those are part of in-year and across the 4-year period of the budget where we are making sure that savings, if they are delivered on a one-off basis, for example, there is a plan to deliver those on a sustainable basis going forward.

Deputy C.D. Leck:

Okay, thank you. In 2026, you have had the economic assumptions by the Fiscal Policy Panel and advice from the Income Forecasting Group. I know it is being used to inform your Budget decisions, presumably, but given forecast carry inherits uncertainty, can you highlight the key uncertainties as you see them for the 2027 Budget and how have you addressed them?

The Minister for Treasury and Resources:

The key uncertainties are geopolitical risk, which is having and has had a significant impact on inflationary pressures. Most of what comes into Jersey is imported and the big impact ... energy and food, in particular, has been hit very hard by the wars in Ukraine, Middle East and so on, which has driven inflation up and created a great deal of uncertainty. The global political environment has added to that and falls under the same sort of geopolitical factor. Those are something that not just Jersey but all jurisdictions are having to consider and add a great deal, as the F.P.P. alluded to, uncertainty and volatility in forecasts.

Deputy C.D. Leck:

Have you got sufficient headroom and contingencies within the Budget to allow for the uncertainties?

The Minister for Treasury and Resources:

There is more contingency in this Budget than there was in the previous one but it is marginal. I would say that there is probably never enough, and it is one of the reasons why I am focused on the recommendations from the F.P.P. about replenishing the Stabilisation Fund for a start. The Stabilisation Fund is there to deal with short-term shocks. It had in excess of £100 million in it back in the 2008-09 when the financial crisis hit, and that money was used to support businesses and Islanders when that crisis evolved. It has currently got next to nothing in it; it is about £600,000, which in the size of our organisation is next to nothing. So replenishing reserves would give us far more resilience than we currently have. Clearly, we have the Strategic Reserve. That is for more of a systemic shock. Again, the F.P.P. have made the very valid point that it is not currently at a level that they feel is high enough to protect the Island in every scenario. We have got £1.5 billion in

round numbers in the Strategic Reserve, but we have debt as well. That is roughly 19 per cent of G.V.A. (gross value added). The recommendation is we get to a minimum of 30 per cent. That, by the way, to put it into context, is £1 billion added to the Strategic Reserve to bring it up to the minimum level required. If you want to deal with all scenarios and all risks, the resilience levels, they are there but not in the way that I think I or the Treasury would like them to be, and we have got to work hard to do that. What we have got to do is we have got to build surpluses, annual budget surpluses, so some of that surplus can be used to replenish the reserves that I have just been referring to.

Deputy C.D. Leck:
Do you model those scenarios in terms of risk, as you say, around inflation and geopolitical risks?

The Minister for Treasury and Resources:
Yes, they are modelled ... the I.F.G., (Income Forecasting Group), for example, use a range of scenarios when they are looking at their numbers; best, middle and lower scenario. There is quite a bit of scenario planning that goes on but that does not really help if you have not got the resources there to deal with a sudden shock should it occur. We are fortunate as a jurisdiction that we have significant reserves but they are just not at the level, I believe, or the Fiscal Policy Panel believe, will give us absolute peace of mind in a worst-case scenario.

[10:15]

Deputy C.D. Leck:
Obviously both within the C.S.P. and the Budget you have indicated that there is this need to grow the economy. You have various initiatives in terms of Time to Win, including also the Minister for Economic Development is tackling. But when you look at your Budget for 2027 and the indicative numbers for the future, you are looking at revenue increasing by 4 per cent roughly, and expenditure increasing by 4 per cent. It does not seem that you are taking into account economic growth.

The Minister for Treasury and Resources:
First and foremost, I think going back to the point about 2027 being a transitional Budget, what is in 2027 is what you see through 2028 to 2030 currently. When we get to the multi, if we get to the multi-budgeting process, then that picture will change and will reflect what estimates are going forward. For example, we would be looking for departments to drive some efficiencies, we want to get to budget surpluses, we want to make sure that there is investment to grow the economy. There is already investment in Time to Win £7 million a year, as you know, over the 4-year period; £30 million pounds in total at the moment. That will start to hopefully deliver dividends, which will be

reflected in the multi-year Budget numbers for 2028, 2029, 2030. They are not there now, which is what you are referring to.

Deputy C.D. Leck:

We keep hearing about Time to Win. When is it going to actually start delivering and bearing fruit and impacting on your budgets? It just seems to be that it is there as some sort of mantra. I do not quite get when it is going to bear fruit.

The Minister for Treasury and Resources:

I think to be fair, it was a report that was delivered or created at the beginning of 2026; I think it was March, pre the election. Some preparatory work was done in terms of the delivery side of that. Then, of course, we have had the election period, and unfortunately it largely ground to a halt or certainly slowed down. It has now got the focus that it deserves. Having said all that, we have a very successful and strong financial services industry, which is generating significant profits at the moment. Time to Win is to maintain and grow that industry to ensure the key part of it is the competitiveness. There are areas where we have become uncompetitive, the regulatory burden has perhaps become too heavy, too much of a burden. We have not got the balance right. Jersey needs to be well regulated clearly. It is one of our key selling points. We do not want to be over-regulated to the extent that we are losing business or not attracting business. But to answer your question about how soon we will see it, we have already seen revenues coming in, we have seen income going up, you have alluded to the amount. When are we going to see it improved? It is hard to say, but normally improvements will take a couple of years at least to start coming through. I would say towards the end of the planned period is when you are starting to see the genuine tax revenues improve. That is assuming, of course, there is not a wobble in the road. We face significant external international pressures. Any of those pressures could cause difficulties for any sector of the economy. That aside, it is right nevertheless to put the foundations in place and make sure we support our key industries and all those other industries which many people forget are interlinked. We talk about finance and financial services, which is okay, it is your banks, your fund industry and all that type of stuff. But you have got sports services, accountancies, solicitors, but the crucial part is these organisations need to have hotels, they need air links, they need all the things that are supportive of the hospitality. So it is interlinked across the community, and so a successful financial services industry will help the others be successful as well.

Deputy H.L. Jeune:

Of course in the C.S.P. there is this focus to develop the Time to Win for the wider economy that you have just alluded to, and just building on Deputy Leck's question about when we going to see the benefits of this push for this economic growth, which I feel sits between the 2 Time for Wins future, and of course we hear that the future Budget, or the future push, is being able to increase

the income generated by this economic growth. When do you feel or have you been given some forecasts of when we will likely see this increase or this economic growth happening?

The Minister for Treasury and Resources:

The very first thing that we want to see is that we sustain what we have got. We do not see job losses. We make certain that by getting the balance right, by ensuring competitiveness, by making sure the regulation in position is at the appropriate level, that we sustain the businesses we have got and we attract new business. That is the very first thing that is really important, because of course we are talking about growth but we do not want losses first. We do not want a reduction in jobs and revenue. That is the first thing. Secondly, in terms of growing from where we are and, to an extent, diversifying, and you can have diversification, by the way, in financial services. That has been the case for many years; looking at new products, new services, new geographical reach as to where business may come from. All of that work through the excellent officers of J.F.L. (Jersey Finance Limited) and others is ongoing. When do we see increased revenues? It is hard to predict. As I said a moment ago, I would suspect if all other things remain equal one would hope to see revenues continue to form above and beyond where they are at the moment within 2 or 3 years' time. But there are many caveats around that because of course globally you do not know what might happen that could rock the boat, if I can put it that way. But the most important thing is we have to work hard to sustain what we have got and create the environment where businesses have the confidence to invest and grow. I cannot emphasise that enough. Government's role is to create the environment to encourage investment and growth, and that is what we need to focus on doing, and I know the Minister for Economic Development is very much focused on that.

Deputy C.D. Leck:

A slightly broader question, looking at the financial principles which were previously established and continue for this Budget, the financial principles are said to be being kept under review and will be developed further for the Budget in 2028. I wonder if you could highlight, if you like, which areas you see being developed further.

The Minister for Treasury and Resources:

I think some fiscal rules or development of fiscal rules is something that we do need to spend a little bit more time on. I think there are some opportunities to pin down the areas that I have been alluding to during the earlier part of this hearing and that is about not ... following the guidelines of the F.P.P., not spending more than we are earning on a day-to-day basis, building budget surpluses on an annualised basis, making sure we replenish our reserves, pretty basic stuff. It does not have to be overly complicated, but that would be the direction that I think we need to set our fiscal guidelines around.

Deputy C.D. Leck:

Okay, thank you.

Deputy L.V. Feltham:

Thank you. Just before we move on, Minister, you just mentioned not spending more than we are earning. Which spending areas would be reviewed first if revenues underperformed forecast?

The Minister for Treasury and Resources:

What spending areas? Every department needs to look at what it is spending and what its priorities are; I think we touched on that earlier on. So if a department finds that its budget is being stretched and it is struggling within the resources that it has been allocated, then it needs to look closely at how it is delivering and reprioritise accordingly. It starts within each department.

Deputy L.V. Feltham:

You used the word "if" there. We know that there are some departments that are currently overspending on budgets. So what conversations have you had with those Ministers?

The Minister for Treasury and Resources:

We are trying to understand exactly where the pressures are and work with the departments. I think we all know one department that has been struggling and it is not unusual. I mean, health is an issue globally. The cost of drugs are rising and that is why there is a funding arrangement above inflation; there has been for a number of years at 2 per cent. Indeed they are looking for a figure higher than that or a percentage higher than that looking forward.

Deputy L.V. Feltham:

As Minister for Treasury and Resources, what Ministers have you spoken to personally in relation to overspends?

The Minister for Treasury and Resources:

I have spoken to a number of Ministers about pressures within their departments and those discussions are ongoing. They are going to be key and central to what we do moving forward for the 2028 to 2030 period. As I have said at the beginning, it is going to be absolutely crucial that the Council of Ministers come together on this change of direction and work hard together to manage the budgets that they have got and the pressures they have got, and prioritisation is going to be key. As I said, within each department and Ministers are obviously central to that.

Deputy L.V. Feltham:

So you have spoken personally to the Minister for Health and Social Services?

The Minister for Treasury and Resources:

I have spoken to the Minister for Health and Social Services; not in detail, but we have spoken. We have had lots of briefings at this stage. We have been focusing a lot on the capital side, obviously the revenue is another issue altogether and that is what you are touching on at the moment. But the capital we have had conversations on in terms of the various phases of the hospital - phase one, 2 and 3 - so we have had discussions around that and those discussions are ongoing.

Deputy L.V. Feltham:

Okay. I am going to move now on to talking a bit more about long-term sustainability.

Deputy L.D. Carpenter:

Thank you, Chair. The previous panel's review of the Budget 2026-2029 highlighted work to develop long-term fiscal planning as a key Treasury project. Can you update us on the work undertaken during 2026 to assess and address the projected long-term financial pressures such as our ageing population, changing population dynamic and health and social care costs to improve long-term financial sustainability.

The Minister for Treasury and Resources:

During 2026, did you say?

Deputy L.D. Carpenter:

Yes.

The Minister for Treasury and Resources:

Richard, are you able to help with that?

Treasurer of the States:

I am getting confused between the 2 questions. In answering the Deputy's question earlier, I talked about our heavy involvement in the future funding of healthcare in the Island, so getting that baseline about where annual increases are expected to be and we put that number in for 2027. We have continued with that work. That work has been subject to the Comptroller and Auditor General report as well, so that is one particular one. The second one is continuing to work on so that we can bring it forward for Budget 2028, not before, in respect of the long-term capital plan, so out from 10 programme there. That started originally back when we looked at condition surveys in respect of our assets. So there is that. We work closely in understanding in the Education Department, in particular, the contrasting issues, the wider inclusion strategy and the numbers of increasing fare compared to also the other side, the reducing demographics.

Deputy L.D. Carpenter:

Thank you. Minister, could you speak a little around how that work has informed the current Budget proposals?

The Minister for Treasury and Resources:

As I think I said earlier, we have had to work largely with what we had, but we have taken into consideration where the key pressures are from a community perspective, and that is why the Budget was designed and developed around supporting families and children, in particular, because no group has necessarily been left out, but families have been key and children have been key, because that is where we identified the greatest pressures currently with cost of living and so on.

Deputy L.D. Carpenter:

Thank you. What further work will be undertaken in 2027 to improve financial forecasting?

The Minister for Treasury and Resources:

I think the financial forecasting is reasonably strong at the moment within the I.F.G. We have got work and overviews from the Fiscal Policy Panel that is undertaken. There is internal work within the Treasury Department looking at forecasting. I think the forecasting generally, when you look at the outcomes in recent years, has been reasonably accurate. I think we will continue to monitor performance and make certain that the outcomes from the forecast are reasonably well-aligned, which they have been.

Deputy H.L. Jeune:

Looking at the financial sustainability, and it is something that I know has been agreed as an amendment in the C.S.P., but something that actually came up in the U.K.'s (United Kingdom) draft budgets as well is about looking at prevention as that long-term sustainability. So maybe there is a situation where there needs to be a bigger investment early on to be able to know that in the future that long-term sustainability of the Budget means that in the end it will decrease spend on the Government. How do you look into that forecasting from that prevention lens?

The Minister for Treasury and Resources:

Preventing a position?

Deputy H.L. Jeune:

For example, the Health budget may be a bigger investment now on certain things to ensure that there is, for example, less obesity in children. But that is obviously a wider ... it is not just one budget;

it will be a number of budget areas, but it ensures that then in the future you have a situation to spend less on health.

[10:30]

But how does that prevention, and I am thinking more in that sustainability when there is that pressure to reduce costs and ensure efficiencies where there potentially is a project that could be or programmes and wider programmes could be maybe a big cost now, but it will actually help the budget in the future?

The Minister for Treasury and Resources:
I am actually a great fan of preventative health, and the Health Department have been putting investment and time into developing preventative strategies, policies and so on. I think that is definitely the right way to go. I think the difficulty for not so much in Jersey, but most jurisdictions, is that that type of investment does not really align very well with political cycles. You made the investment today, and you were asking earlier when we are going to see the benefit of economic growth, which is very difficult to answer and I probably skirted around. But it is the same in this particular issue, because you invest in preventative now it is going to be beyond the next election and probably the one beyond that before you start seeing the benefits, particularly if you do it with children and across the piece. That is not a reason not to do it; I think it is the right thing to do for the long term. That is why we are supportive in principle of the direction that the Health Department have taken in looking at that matter. But, as you say, it is broader than just Health. But that is a very good example of where investing now in terms of education, awareness and all the rest of it of what people should do to ensure they have a longer life and become less of a burden on the health services is very much a positive.

Deputy L.D. Carpenter:
I just have a few questions on income and expenditure. What level of assurance has been obtained regarding tax revenue assumptions?

The Minister for Treasury and Resources:
Assurance in what respect? We have an Income Forecasting Group which has a look at the income assessment and numbers. As a department, we go out and speak to the big taxpayers. The key is if there was any substantive change from a significant taxpayer, we would want to know about it. We work quite closely with major taxpayers to understand what their projections are and what have you, all of which leads to a fairly robust assessment of what expected revenue is going to be. That obviously would not help if there was a seismic shock of any types, you would appreciate. But generally speaking, I think the forecasting of expected revenue is pretty good. If anything, it is on

the slightly conservative side, and that would be a preference of mine anyway. I think if we are going to get it wrong, I think it would be better in that direction than over-assessing what your income is going to be and then finding you have not got the money coming in. So we tend to take a more prudent and cautious view on forecasting income. But I think the record in recent times has been pretty robust in that area. Do you have anything to add to that?

Treasurer of the States:

We can probably add on the income side that we keep the model under review; these are economic metric models run through the Economics Unit. As of when we see departures from what the model would have told us for a year, we look back - or the cleverer people look back - at the model and see how we might need to change the model for different economic circumstances more currently. I would probably say the income forecast takes what we know in terms of tax receipts and what has changed in the year, what the mix might have been, looks at I.T.I.S. (Income Tax Instalment Scheme) and it looks at social security contribution data. In the case of impôt duties, we are looking currently what the consumption or rather the receipts are, and then looking over 3, 5 years, to see what the trend is and trying to eliminate any blips within that trend, for example. As all of that comes into being, in addition to which we do not create our own economic assumptions, we use the economic assumptions that are presented through the F.P.P.'s reports.

Deputy L.D. Carpenter:

Okay, thank you. The model, is that reviewed periodically or only when certain circumstances arise?

Treasurer of the States:

There is no fixed system there. We generally keep it under continual review within the Economics Unit. I could not tell you when the last full review of that had been done, but it is in particular for income tax, and mostly I am talking about personal income tax. The model is working fairly well. We will change that if we see different, for example, changes in pay award, going through different parts of the economy. So that is a variation that we built in ... I think that was about a year ago in terms of changes on non-private sector pay awards, for example.

Deputy C.D. Leck:

Sorry, can I just ask, are you forecasting any reductions in income tax revenue from A.I. (artificial intelligence), and also the fact that a number of the financial institutions are now outsourcing and outsourcing more overseas?

Treasurer of the States:

So that comes first and foremost. If you look at the economic assumptions provided through the F.P.P. there are ... it is more than just G.V.A. inflation house prices. Within there, you will see lines

for growth in pay for employees. It is actually called out separately within there. So we follow that. What we will be doing as we move forward to Budget 2028 are a couple of scenarios, one of which might involve what may happen through A.I. in the medium to longer term, in terms of how that changes. I am told through the Economics Unit at this point that within Financial Services, they are still looking for people as opposed to balance of shedding. So they are still looking for people. We will keep that under review. In respect of corporate income tax, as the Minister says, we are regularly talking to the big taxpayers through the Economics Unit and the tax team to understand what they are seeing in terms of forecasted profits.

Deputy L.D. Carpenter:
Should tax revenues underperform, what corrective mechanisms will be available to Government in that situation?

The Minister for Treasury and Resources:
It depends on what you mean exactly by that, in terms of fulfilling any shortfall in revenues that occur. Well, we have got reserves. We have got contingencies, first of all, if it is a small amount. If it is larger than a small adjustment that occurs, then we would be looking at reserves, which is why my point about replenishing the Stabilisation Fund is so utterly key, so that we have that backstop in the case of something like that happening. The other, of course, alternative will be that departments would need to look very closely at their budgets in-year and do what they can. But in the short term, it would be a case of utilising contingency. Then if it was that serious, then reserves beyond that.

Deputy L.D. Carpenter:
Thank you. Which of the main tax policy measures for which financial impact remains uncertain?

The Minister for Treasury and Resources:
Financial impact of what?

Deputy L.D. Carpenter:
Which tax policy measures do you consider the impact to be most uncertain?

The Minister for Treasury and Resources:
In terms of funding that you are referring to?

Deputy L.D. Carpenter:
The outcome.

The Minister for Treasury and Resources:

Yes, the outcome. So generating enough revenue in order to pay for a particular function or department or something like that.

Deputy L.D. Carpenter:
Yes.

The Minister for Treasury and Resources:
The biggest pressure is around health. The ongoing increase in the cost of funding health and medicines and such like is something that Jersey and other jurisdictions are struggling with and will continue to struggle with, I suspect. As we go forward we have got to make certain the model is right so that we have the ability to pay for the right level of healthcare that Islanders need and require. But it is a struggle, it is taking larger and larger proportions of our overall budget, and it is not an easy matter to resolve. But there will be ways in which we can help to make sure that is achieved.

Deputy L.D. Carpenter:
Okay. Finally, the C.S.P. states that targeted cost-of-living measures are necessary to help households under the greatest pressure. What analysis or modelling was undertaken by Treasury to decide on the proposals that you brought forward for tax allowances, childcare relief and other cost-of-living measures for 2027?

The Minister for Treasury and Resources:
I go back to what I said before. We had a relatively short lead-in period to do the work. Having said that, the Economics Unit had a look at the measures that were being proposed and they did some assessment. There were some discussions with relevant groups in the community that provide support. On that basis, we largely work with the existing mechanisms that were tried and tested and sought to expand those. Beyond that, we looked at bringing in measures on a short-term basis on the basis that this is a transitional Budget just for one year. Meanwhile, Senator Boleat is heading up a group regarding affordability, which is looking at the longer term, and that group will report in and be key to the development of the 2028 to 2030 Budget. So we have sought to deal with the 2027 as best we could from the information that was available, as I have described. But going forward, the work is now being done to look at longer term what may be possible to support those in most need for affordability issues.

Deputy L.D. Carpenter:
Thank you.

Deputy L.V. Feltham:

Treasurer, you have talked about the short lead-in time ... Treasury Minister I should say. I will come to the Treasurer in a minute.

The Minister for Treasury and Resources:
That is all right. You can speak to the Treasurer.

Deputy L.V. Feltham:
Minister, you have talked about the short lead-in time that you and the Council of Ministers had. The Treasury itself would have been preparing knowing that you needed to put forward a Budget. Are you seriously telling us that the Treasury did not provide you with any modelling on the measures that are within the Budget this year?

The Minister for Treasury and Resources:
I did not say that.

Deputy L.V. Feltham:
Okay, what did you say?

The Minister for Treasury and Resources:
What I said was we had a short ... clearly, there are 2 different things here. We have got a new Government coming in with new objectives, and that Government needs to decide what it is going to do. The Treasury and the Treasurer then respond to that, and they did not have a lot of time to respond because the Council of Ministers was formed relatively late in the process and then gave guidance as to what we were seeking to do. They then worked on that guidance and did an excellent job in the timeframe they had available.

Deputy L.V. Feltham:
But the Treasury would have done some pre-preparation and provided incoming Ministers with a pack of information. Then when the Council of Ministers met and discussed proposed Budget measures, the Treasury officers would have provided you with advice. Did that advice include modelling?

The Minister for Treasury and Resources:
There was modelling, I believe, undertaken. As I have said, a number of the measures that were undertaken and largely expanded were those that were in place in the past, and so that process will have been gone through, so information was available. We then need to decide ... it was a new Council of Ministers, they need to decide the direction of travel. I was the new Minister in. Also we needed to decide exactly where we are going to go. I go back to the point, it was relatively short to

finalise all the arrangements. That does not mean there was not a lot of information available, and the Treasury Department and civil servants had done an excellent job in bringing together what they had. We then need to decide the direction in which we needed to go.

Deputy L.V. Feltham:

Okay. Has an assessment been undertaken of the accumulative impact of all Budget measures across income groups? That is including low-income, middle-income and pensioner households, and whether the proposed interventions achieved their intended outcomes. Were the Council of Ministers absolutely crystal clear on the intended outcomes you wanted to achieve out of this Budget and did you give that to the Treasurer?

The Minister for Treasury and Resources:

To answer that in reverse, the Council of Ministers were crystal clear on what the objective was to deal with the affordability issues, the pressures that the Island was facing, having spoken to various interest groups and so on and so forth. So yes, that was the case. Could we have done more in terms of modelling? The Economics Unit have done more with this Budget than they have done in previous Budgets, even with the timescale available. There was some modelling. Was it as extensive and comprehensive as it could have been? No. Did it consider every single scenario? No. Could it have done more? Yes, it probably could, and I think we can learn from that. But there was modelling done, there were assessments done. As I have said, it was largely working on existing schemes like the Community Cost Bonus and what have you, and looking to extend those schemes. What the outcome is going to be and how successful it is going to be is something that will come in due course when we look back and assessment is made on the benefits and outcomes of those interventions and measures that we have put in place.

Deputy L.V. Feltham:

In relation to that, what evidence do you have that supports the view that the proposed tax measures are sufficiently targeted towards those households facing the greatest pressures?

The Minister for Treasury and Resources:

That was the information that we had through the modelling that was carried out. As I have said, the Economics Unit had a look at the various range of measures and they gave an assessment that we used, and we based our decisions largely on that. Did it cover every possible scenario, as I said a moment ago? No, it did not. Did it look at every possible make-up of different families? No, it did not. But it did give a very good indication generally of what the position was and how it was going to be delivered.

Deputy L.V. Feltham:

Just before we move on, yourself and the Treasurer have both mentioned the Economics Unit and the advice given by the Economics Unit.

[10:45]

I am conscious now that the chief economist has kind of moved roles and is also now the chief officer for the Department of Economy. How are you managing any form of conflict of interest that might arise from that change in role?

The Minister for Treasury and Resources:
I have not seen any visibility of a conflict of interest yet, but if there was there are other senior members within the Economics Unit that I feel comfortable would deal with that. If there are any concerns I would expect them to be raised, but I have not seen anything at this stage.

Deputy L.V. Feltham:
It is not a conversation that you have had around the Council of Ministers table that there could potentially be a conflict of interest arising from that change?

The Minister for Treasury and Resources:
No.

Deputy L.V. Feltham:
Okay. Why have you not thought through that?

The Minister for Treasury and Resources:
It is not a matter at this stage. He has only taken up the role relatively recently. I am not sure that there is anything visible or an issue that has been raised that would raise concerns, as far as I am concerned.

Deputy L.V. Feltham:
Okay. We will have to think further about that, I think. How will affordability measures be reviewed for 2028 onwards and, given that you have a bit more time, what data or metrics will be used or have you asked for as part of that analysis to ensure that measures are properly targeted towards Islanders' needs?

The Minister for Treasury and Resources:
The starting point here, and I think this is really important, the Chief Minister took the decision to appoint Senator Boleat to run the Affordability Group. They are engaging. I am on that group.

There are a number of Ministers on it, and we have been engaging with organisations within the community to get proper feedback as to where the particular pressures are. That group is going to be key to formulating what interventions are going to be most appropriate moving forwards. Then the summary of that group's conclusions will need to be properly analysed as we work our way through what we hope is going to be a multi-year budgeted process from 2028 to 2030, as I have mentioned.

Deputy L.V. Feltham:

Okay. What specific data are you going to be using in relation to developing those measures?

The Minister for Treasury and Resources:

Some of the data exists at the moment, some of the feedback that comes and data that comes in from the organisations that are in the front line, that is the most key feedback you can possibly get and that will go through into the Economics Unit. They will have a look at it as well and we will put together from that, or it will be formulated from there, what measures may be appropriate for the further multi-budgetary period.

Deputy L.V. Feltham:

How important is the Living Costs and Household Income Survey to monitoring affordability and measuring budget outcomes?

The Minister for Treasury and Resources:

It will feed into the mix, as many other things will.

Deputy L.V. Feltham:

Have you looked at it specifically?

The Minister for Treasury and Resources:

Not personally.

Deputy L.V. Feltham:

Okay. What is your view with regard to the frequency of the Living Costs and Household Income Survey for producing income distribution statistics to inform your Budget proposals?

The Minister for Treasury and Resources:

It has not been raised with me as an issue, but the fact you are asking the question suggests that you think it is.

Deputy L.V. Feltham:

I think you do need to read the correspondence that we have had from the Statistics Unit and the Statistics Council. Obviously, it is currently run every 5 years, so it was last carried out in 2021 and 2022, so you would not have had up-to-date data. How did you deal with that, and how will you deal with that when you are coming up with the 3-year Budget given that that data still will not exist?

The Minister for Treasury and Resources:

I would need to speak to the Stats Unit and need to consider with the Economics Unit the importance of having that data. They can still model from what they have, I am sure. That happens in many cases. It is obviously useful to have up-to-date data, but I suspect there may be a resource issue here that stopped it. I do not know the reason why it has not been done more frequently, but we will assess the importance of getting that done if it is relevant to get that particular data updated.

Deputy L.V. Feltham:

It was not raised with you as part of the process for this Budget? You did not have anybody come to you with a business case in relation to that particular survey?

The Minister for Treasury and Resources:

I do not recall that, no.

Deputy L.V. Feltham:

Okay, so you have not seen a business case. Okay, thank you.

The Minister for Treasury and Resources:

I do not recall seeing one, no.

Deputy L.V. Feltham:

Okay, and nobody asked you for additional money.

The Minister for Treasury and Resources:

Not that I can recall. Treasurer?

Treasurer of the States:

I cannot recall receiving, but if we have, we will correct that.

Deputy L.V. Feltham:

Okay, thank you. With regard to budget measures in relation to duties and relief measures, can you outline the level and approach for stakeholder engagement in developing revenue raising and relief measures for the 2027 Budget?

The Minister for Treasury and Resources:
Various interest groups are contacted to feed in. I think that there was limited feedback on a number of the measures that came forward or were proposed.

Deputy L.V. Feltham:
Would you be able to provide us a list in writing of all of the groups that were approached?

The Minister for Treasury and Resources:
And any feedback?

Deputy L.V. Feltham:
Your stakeholder list, yes.

The Minister for Treasury and Resources:
Any feedback that was received? I think we can. We can do that, can we not?

Treasurer of the States:
Yes.

Deputy L.V. Feltham:
What role did you play, Minister, in putting that list of stakeholders together? Did you approve the list of stakeholders? Did you suggest stakeholders?

Comptroller of Revenue and Competent Authority:
The budget representation cycle commences in February/March time every year, so there is a list of people we routinely invite to make budget representations. The list of representations, the stakeholders, would have been seen by the last Minister but, because it was an election year, this year we asked anyone who wished to make a representation to make it to the Treasurer because there would not be a Minister in place at the time. Then when the Minister took up office, one of the various briefing meetings we would have with him was around representations made.

Deputy L.V. Feltham:
Okay, so there was a level of preparedness before the Council of Ministers took office?

Comptroller of Revenue and Competent Authority:
Yes.

Deputy L.V. Feltham:
Okay, thank you.

Assistant Minister for Treasury and Resources:
I should point out I would have excused myself from any discussion on duty due to a vested interest.

Deputy L.V. Feltham:
Okay. Can you explain just for the public record what that conflict of interest would be?

Assistant Minister for Treasury and Resources:
I am chairman of the Hotel de France group.

Deputy L.V. Feltham:
Okay, and did other Ministers also register conflicts of interest during those discussions when it came around the C.O.M. (Council of Ministers) table?

The Minister for Treasury and Resources:
There is a standing requirement, I think you are probably aware, for conflicts of interest to be raised.

Deputy L.V. Feltham:
Absolutely, yes. I am asking whether there were any conflicts of interest raised.

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

Deputy L.V. Feltham:
You do not recall. Okay, perhaps …

The Minister for Treasury and Resources:
We can check the record and give it to you, but I cannot recall every meeting.

Deputy L.V. Feltham:
It is just important that we do ensure that that is well done. In respect of the 2026 Budget measures, have any of those measures been monitored in 2026 to assess their impact on Islanders, businesses and the economy, and in order to inform this Budget? I would imagine the Treasurer would be...

Treasurer of the States:

The way that the budget cycle works, most of those… it would be difficult, if not impractical, to understand the full impacts of those measures during Budget 2026 when you are trying to deliver Budget 2027 by the middle of the year. Most of the measures through Budget 2026 will take longer to collect the impacts of those. For example, we talked earlier about preventative measures within Health, and they have a very long cycle or curve towards improvements. Many of the measures, if not probably most of them, will require a longer timeframe in order to assess the benefits of their role.

Deputy L.V. Feltham:

Absolutely, and of course we do have the Island outcome indicators which do work on that longer-term timescale. Minister, have you appraised yourself of the Island outcome indicators and where we are tracking on those?

The Minister for Treasury and Resources:

Just at a high level. I have not had a detailed look at it.

Deputy L.V. Feltham:

Okay. Will you do that ahead of the next Budget?

The Minister for Treasury and Resources:

Of course.

Deputy L.V. Feltham:

Did the Council of Ministers do that assessment prior to developing the Common Strategic Policy?

The Minister for Treasury and Resources:

I am not sure about that. I could not answer it.

Deputy L.V. Feltham:

Okay. I am just trying to figure out where we are in terms of outcomes-based accountability and whether that is the way that this Government is tracking longer-term objectives.

The Minister for Treasury and Resources:

Yes, that specific point I could not clarify, but we can let you know.

Deputy L.V. Feltham:

Okay. Thank you.

Deputy H.L. Jeune:

Sticking in this area, what is your view on using taxation measures to encourage behavioural change? I will give you some examples. For example, the Vehicle Emissions Duty tries to discourage high-polluting vehicles, or increasing alcohol duties tries to help for health benefits, or the vape tax discouraging vaping comes back to my preventative discussion earlier when we talked about prevention. What is your specific view on using tax measures?

The Minister for Treasury and Resources:

I think generally it can have the desired outcome. Not always the case. I think we need to continue to monitor examples elsewhere about the success, or otherwise, of such measures, but it can affect outcomes. The example I would give where perhaps you could suggest that it does not necessarily work as well, you mentioned, I think, alcohol a second ago. You can continue putting alcohol duty up. You have the balance and impact from an industry point of view on hospitality and all the rest of it. The desire there is obviously to reduce consumptions from a health perspective. People that are committed to drinking will tend to spend more and more of their disposable income on an area like that if that happens to be a particular issue. It does not always have the outcome that one would hope but, having said that, I think overall it should be given as part of the consideration because it can do. Vehicle Emission Duty, again, is another example that continues to rise. It provides other benefits to help with the environment and such like. I think we need to look at it in the round in balance. It does not always solve absolutely the problems that it is seeking to, but hopefully it helps.

Deputy H.L. Jeune:

With that, looking at these measures and that analysis of monitoring, could you explain the rationale for reverting that annual indexation of the Vehicle Emissions Duty that goes now to the annual indexation in line with R.P.I. (retail price index) rather than before there was an escalator established under the Carbon Neutral Roadmap? Now there has been this change. Could you explain the rationale for that change?

The Minister for Treasury and Resources:

I am not sure I can. Treasurer, can you help?

Treasurer of the States:

I am not sure it was previously a uniform escalator in the same way that, for example, tobacco has been. We do work closely with the Environment team in bringing forward the particular proposals in any one year for V.E.D. (Vehicle Emissions Duty) increases, and that is what we did this year as well.

Deputy H.L. Jeune:

That is interesting because we were told by the Environment team that the changes to the escalator V.E.D. back to in line with R.P.I. came from the Treasury Department rather than from themselves.

Treasurer of the States:

I will have to go back to that team and clarify any misunderstandings.

Deputy H.L. Jeune:

I think that comes to my next question on that policy. Where policy development for duties crosses department remits, how is that discussed in the future? We have a good example there of finger pointing in different directions. How are there discussions to ensure that there is that balance between the Treasury …

Comptroller of Revenue and Competent Authority:

The teams' officers meet to discuss these issues. There is a lady in my Tax Policy team that liaises directly with the environment and transport areas on that particular issue.

Deputy H.L. Jeune:

Okay. Thank you. We will definitely come back to that.

The Minister for Treasury and Resources:

There is something I will just pick up on that. It may not be the reason, but it could well be that we have made it clear that we did not want departments raising their charges or fees above the cost-of-living R.P.I. and preferably below, for the reason that we are very keen to address the affordability issues. Of course, we do not want to internally, as a Government, start stimulating inflation at this critical time when it is rising anyway. Whether that has been misread … or not misread, but whether that has been taken into consideration by the decision-maker in this particular instance, I do not know.

Deputy H.L. Jeune:

Coming back to that encouraging behaviour and the polluter-pays principle, sometimes those decisions are clashing and maybe there needs to be a bit more discussion about what is the balance or what is needed more to talk about fees and duties on a very high-polluting vehicle.

Assistant Minister for Treasury and Resources:

I think there should be some more discussions also on the weight of vehicles and the issue with heavier vehicles regarding the polluting, or the wear of tyres and the like, and the impact on car

parks, and therefore encouraging people to go to smaller vehicles. That is an area where in the future, I think, it has to be discussed, because we have seen on our roads cars getting wider and larger, which obviously has serious impact regarding the way in which we can travel safely going forward. There is a wide issue there to be discussed.

[11:00]

The Minister for Treasury and Resources:
I am just going back; interpretation is probably a key factor. Departments and individuals may utilise different interpretation when considering such matters. On the point raised, of course we have electric vehicles and what have you. We do need to think about the reduction in revenues from fossil fuels and such like compared to electrification and how we deal with vehicles on the road and charge in the future. That is another matter for another day, I am sure.

Deputy H.L. Jeune:
Yes, but it says in the Budget that that will be needing to be looked at. That Fuel Replacement Duty has been on the cards for a long, long time, but yet has not been developed as much as we would like to see. Do you see that work accelerating to help feed into the multi-year financing budget going forward?

The Minister for Treasury and Resources:
It certainly needs to be looked at and it probably will accelerate. I think in part, there was a feeling a few years ago that the transition from traditional fuel to electric was going to happen faster than it did. It had a bit of acceleration and then it slowed down, and I think Jersey is not the only place that has seen a similar situation, but yes, it will get due consideration.

Deputy H.L. Jeune:
Another area that is noted for future development is the liquid waste charges as well. Do you see that being developed for the 2028 Budget and that 3-year forecast as well?

The Minister for Treasury and Resources:
We are certainly going to have a look at it. It is interesting because liquid waste charges were something that were being discussed back at the formation of the Medium-Term Financial Plan back in 2016. It has been on the agenda for discussion for an awfully long time. It is all about trying to balance the budgets and make sure that resources are there to ensure that infrastructure is right and services are delivered properly, but that is a matter that will need to be picked up as part of the consideration.

Assistant Minister for Treasury and Resources:

I should point out I have a vested interest in relation to the hotel. On the discussions that happened in the past, all waste was going to be charged, I think, at one rate and there was not a different ...

Deputy L.V. Feltham:

Can I just say, if you have a vested interest, probably best to stay quiet.

Assistant Minister for Treasury and Resources:

I will keep quiet.

Deputy L.V. Feltham:

Yes, I think we do need to move on now.

The Minister for Treasury and Resources:

Good advice.

Assistant Minister for Treasury and Resources:

Okay. I apologise.

Deputy H.L. Jeune:

Yes, and what monitoring of the housing and construction sector was undertaken in 2026 to establish the stamp duty forecast for 2027? I suppose that was for the Treasurer.

The Minister for Treasury and Resources:

I was not there so I shall ask the Treasurer.

Treasurer of the States:

Sorry, can you repeat the question?

Deputy H.L. Jeune:

What monitoring of the housing and construction sector was undertaken in 2026 to establish the stamp duty forecast for 2027?

Treasurer of the States:

We take, as I said earlier, across all areas of the income forecast, the current figures that we have during the year in order to predict forward the 2027 revenues and onwards. We use in-year numbers, the most up-to-date numbers we have at the time when we do the income forecast.

Deputy H.L. Jeune:

Thank you.

Deputy L.V. Feltham:

Okay, let us move on. I am conscious of time, so panel members can … and Ministers can keep answers fairly short and concise, that would be good. We are going to move on to talking about the Financial Principle 3 and Deputy Rebindaine is going to take those questions.

Deputy C.J. Rebindaine:

There was much debate in the 2026-2029 Budget Review, and by this previous panel, about £50 million worth of contributions that were not going to the Social Security Fund. It ultimately seemed to be the case that your predecessor said that the £50 million figure that was calculated by that was the amount of money missing, so it was £50 million. It was not whether the fund could afford it or not. In terms of the Budget process going forward, 2027-2030, I know there is an analysis coming out early next year, but is that a similar approach to how much money you need in terms of it just balances the books or is there any other assessment?

The Minister for Treasury and Resources:

There is an actuarial review being undertaken, as you will be aware, that is due to report in the first quarter of next year. That will influence whether or not the States contribution is appropriate or not; whether it is too high, too low, or what it happens to be. Currently, where we are, for this Budget 2027, there is a contribution being made of £52 million, I think it is, in terms of the grant. That is below the formula, but of course we need to remember that when the formula was put in place, and I think it was 2011, and that formula, the intention as we currently sit is that the grant formula would be reinstated at that level from 2030. That would be, for the avoidance of doubt, a sum of £102 million. I think it is £102 million, something of that order, that would come into place in 2030. As I said before, we will consider what the actuarial review has to say in the first quarter of next year to decide on the appropriate level. I think what I would also like to say, from my perspective, is that I think the reduction of the grant is not something that I would support or have supported historically. I think to use that money for revenue expenditure is poor practice. We may well change when we have the actuarial review, but to have done it in advance of that is something that I think was not a good decision at the time. I will perhaps leave it at that.

Deputy C.J. Rebindaine:

Okay. Thank you. Bearing in mind that the departmental business plans for 2027 have not been published yet, can you explain how departmental allocations have been determined?

The Minister for Treasury and Resources:

Along the lines and on the basis of how we have discussed the priorities and the pressures within the department. We focus on those and allocate it accordingly.

Deputy C.J. Rebindaine:
Potentially, cart after horse.

The Minister for Treasury and Resources:
You might wish to put it like that; I would not quite describe it in that way, bearing in mind, of course, that over a considerable period of time, the pressures and requirements of the department from a funding perspective are fairly clear.

Deputy C.J. Rebindaine:
There would have been predicted savings for 2026. Are they being delivered and are lessons being learned from those projects for 2027?

The Minister for Treasury and Resources:
You are talking savings across the piece?

Deputy C.J. Rebindaine:
Yes.

The Minister for Treasury and Resources:
There was £21 million of savings; relatively small, I might add, based on the entire turnover of the organisation. Nevertheless, there is a feeling that they will be delivered. Half of them have already. That is the pension changes. That was … was it £11 million? Yes, £11 million pension changes and £10 million of efficiency savings in relation to senior roles across the organisation in areas like governance and what have you. A lot of stuff that has been added in terms of functions in recent years, but which there is a high level of confidence can be addressed. That is over to individual departments to work out how they deliver on it. That is £21 million in total for that.

Deputy C.J. Rebindaine:
How are you going to ensure that savings do not reduce service quality or just simply shift costs to a different area?

The Minister for Treasury and Resources:
Departments need to look very carefully at how they deliver and, quite frankly, utilisation of technology, automation, changing the way in which services are structured and delivered. We believe when you consider the considerable increase in the running of Government in recent years,

that there is flexibility to be able to deliver that small number of savings without question. As I have said, half have already been delivered.

Deputy C.J. Rebindaine:

The C. and A.G. published in 2025 *Efficiency savings: a Good Practice Guide* based on 2 principles: simply spending less without reference to service quality and outcomes for Islanders is not efficiency saving, and efficiency is not improved by only changing the way services are funded, for example, by increasing user pay charges. Are you sympathetic to both of those comments and are you building in lessons from that in how the Budget is implemented going forward?

The Minister for Treasury and Resources:

I am sympathetic to that. I think it is absolutely right. There is no point cutting back on a budget or stopping a service to save money if it is not allowing you to deliver what needs to be delivered as a key priority, for example. I think it is really important, as I said a moment ago, focusing on value for money, but focusing on automation, different ways for delivery and making sure that the changes and savings that are introduced are sustainable in the longer term. Short term is not going to help anybody.

Deputy C.J. Rebindaine:

C.S.P. Priority 11 aims to deliver a leaner, less complex public sector with lower running costs. What assurances can Islanders have that the services they see are going to be at a level that they expect if that is the driver?

The Minister for Treasury and Resources:

Well, that is the driver: a leaner, more automated utilisation of technology. I think you just need to look at the incredible increase in the cost of running government over recent years. I think those numbers and 2,500 more F.T.E.s (full-time equivalents) over that period of time over the last 10 years suggests that we are doing an awful lot of things to an extent that perhaps are crowding out the private sector in some areas. That does not mean you get worse services or less services, it just means they are delivered in a different way, utilising, as I said, technology, A.I., automation and so on and so forth, and also focusing on what the priorities for the Government are, what they should be delivering on and not moving away from that focus.

Deputy L.V. Feltham:

The increase in F.T.E.s that you refer to, what departments are they in?

The Minister for Treasury and Resources:

You will see a large amount will be in Health and Education.

Deputy L.V. Feltham:
Automation, is that something that is achievable in those departments?

The Minister for Treasury and Resources:
I do not see any reason why not. Certainly from a Health perspective, there is quite an increase in the administrative function in Health as an example.

Deputy L.V. Feltham:
I think perhaps what we will do is do some analysis of the types of roles. Have you done that?

The Minister for Treasury and Resources:
We have started to look at some of them. Health is a significant contributor to the overall spend in Government; it is a big organisation and employs the largest number of people. We do need to look very closely, and that is why we are quite keen that they develop a strategy so we can see the direction in which they are heading.

Deputy L.V. Feltham:
Okay. I think some of your answers there probably deserve a bit more challenge, so we will pick that up separately given the time that we are in in this hearing.

The Minister for Treasury and Resources:
They also deserve the opportunity for me to say a lot more on them. We could perhaps have a separate hearing just on that subject.

Deputy L.V. Feltham:
Yes, I think so. Are you happy to move on?

Deputy C.J. Rebindaine:
Yes.

Deputy L.D. Carpenter:
Thank you, Chair. Financial Principle 3 states that existing expenditure should be challenged and prioritised before new spending is committed. How were growth proposals prioritised across Government?

The Minister for Treasury and Resources:

Are you referring to growth generally or capital growth? Capital we dealt with initially, as I think I mentioned, departments came up with almost £40 million of growth bids in capital, much of which was rejected or reprioritised into other years. Quite often, when one looks at these pressures, first and foremost, departments should be planning ahead and so the pressure is focused and visible a lot earlier than coming up as last minute pressure for next year.

Deputy L.D. Carpenter:

Sorry, Minister, in terms of the £40 million growth bids that you referred to that were pushed back on, what is the process that Treasury goes through to challenge those spending bids?

The Minister for Treasury and Resources:

Treasury officials go back to individual departments. They assess what that particular pressure is and work through with them. Whether if they had the funding for 2027, for example, they would be able to utilise it, whether indeed that particular item of equipment or whatever it happens to be that needs to be funded is required for 2027 or has it got a longer lifespan. They go through a fairly extensive programme and, as a result of all of that, we were are able to reduce the £40 million, or just under £40 million, down quite considerably and put in place a contingency for emergencies of around about £10 million, I think it was, for that.

Treasurer of the States:

Yes.

Deputy L.D. Carpenter:

Thank you. Then more generally, what role does Treasury have in reviewing, rejecting and forwarding the business cases to the Chief Minister ahead of then consideration by the Council of Ministers?

The Minister for Treasury and Resources:

The process that I have just described would come together and then would go to the Chief Minister. I would discuss with the Chief Minister and then we take it to the Council of Ministers for consideration there as well.

Deputy L.D. Carpenter:

Thank you. What contingency arrangements exist for projects facing cost overruns or delays and how does Treasury monitor this?

The Minister for Treasury and Resources:

It is, if I may say so, a very general question, but if you wanted to talk about one of the biggest projects, like the building of phase one of Overdale Hospital, that is an example. There is a contingency within that programme of … I think it is £40 million? Yes, or £45 million. Anyway …

[11:15]

Treasurer of the States:
£40 million.

The Minister for Treasury and Resources:
It is £40 million. There is a £40 million contingency in there, and again, officers will work with the programme team to be satisfied that that contingency remains relevant, or not, and there are regular meetings, obviously, as you would appreciate, the largest capital project the Island has ever undertaken. It is very closely monitored, both internally at Health but externally with Treasury officials looking to make certain that it is correct. We do expect contingencies to be appropriate, and they do need to be monitored to make sure they remain so.

Deputy L.D. Carpenter:
How have inflationary pressures been built into that?

The Minister for Treasury and Resources:
Assessments are taken based on best advice. Fiscal Policy Panel, for example, look at what the projections are, the pressures. You will appreciate that on inflation it has been moving rapidly in different directions as geopolitical events have been undertaken. It is clearly monitored on a regular basis to make sure that it remains appropriate and there is a contingency within the Budget to deal with inflationary pressures, which we believe is appropriate in these heightened times of uncertainty.

Deputy L.D. Carpenter:
Thank you. What lessons have been learned from previous capital projects where costs have increased significantly and how has that affected the creation of this Budget in particular?

The Minister for Treasury and Resources:
Sorry, I did not catch the last of what you said.

Deputy L.D. Carpenter:
What lessons have been learned from previous capital projects where costs have increased significantly and how has that affected your approach to this Budget?

The Minister for Treasury and Resources:

I think this approach to this Budget is requiring larger levels of contingency where possible. There is not enough contingency, quite frankly, in it for what I think I would like or probably the Treasurer would like in an ideal world, particularly with the risks the Island faces with geopolitical challenges and so on and so forth. It is very unpredictable and inflation does spike fairly quickly. It is important that it is continually monitored and that is what officers seek to do to stay ahead of whatever changes are developing.

Deputy L.D. Carpenter:

Thank you. I will just very quickly ask some questions on value for money. How has Treasury assessed where the funded projects represent value for money and how will that be measured?

Treasurer of the States:

Typically, in terms of projects and capital, that is through the business case. The business case will consider the cost and benefits, will consider the alternatives and the case for delivery. Thereby, probably not the same way that in a business sense that is just certainly about bottom line, it will measure a series of outcomes and then describe the benefits that are to be delivered through that project and capital spend.

Deputy L.D. Carpenter:

Okay, so there are specific outcomes required then to assess whether it has achieved value for money?

Treasurer of the States:

The value for money aspect is considered through the business case process.

Deputy L.D. Carpenter:

Okay. What actions will be taken where projects fail to achieve their expected benefits?

The Minister for Treasury and Resources:

Challenge back to the department, the sponsoring department, and look very closely as to why that had not happened and try to seek to make certain that the future delivers a better outcome.

Deputy L.D. Carpenter:

How frequently do Ministers receive performance reports on the progress of project delivery?

The Minister for Treasury and Resources:

Depending on what the project is and size of it. If you go back to the hospital and the phase one delivery, there are regular monthly meetings and data updates on progress and such like across all the metrics of the delivery of the project and the financing of it and contingencies that we just mentioned and so on.

Deputy L.D. Carpenter:

Thank you.

Treasurer of the States:

We are also, in this Government, putting together a capital project oversight and delivery monitoring process which has various boards underneath it through which Ministers will see progress against capital projects.

Deputy L.D. Carpenter:

Thank you. Thank you, Chair.

Deputy C.D. Leck:

I would just like to discuss a few aspects of States funds and reserves. Could you just briefly explain the governance arrangements which oversee the use of States funds and whether these have changed since the previous Budget?

The Minister for Treasury and Resources:

Sorry, could you clarify that? States funds, are you referring to reserves, strategic reserves or …

Deputy C.D. Leck:

Yes, and you have also reviewed in the past the number of funds that you have and how appropriate they are, so thinking of things like the Criminal Offences Confiscation Fund, the Insurance Strategy Fund, Social Security Fund, Long-Term Care Fund, those sorts of things.

The Minister for Treasury and Resources:

Sorry, your question relates to those?

Deputy C.D. Leck:

What your Government's arrangements are to oversee the use of those funds?

The Minister for Treasury and Resources:

To?

Deputy C.D. Leck:

Oversee the use of those funds.

The Minister for Treasury and Resources:

Each fund is considered in its own right and the purpose of the fund is considered. Again, it is internally from a Treasury point of view, and the oversight and management is undertaken as has always been the case.

Deputy C.D. Leck:

You do not see that changing in 2027. You think that will continue as before.

The Minister for Treasury and Resources:

I do not see any particular change. Are you suggesting whether the funds themselves are relevant or just the oversight of them?

Deputy C.D. Leck:

No, just the oversight of them and how you see them.

The Minister for Treasury and Resources:

The oversight would continue as has been the case. I do not see any needs changed. Treasurer, have you got anything you can add to that?

Treasurer of the States:

No, they are generally … it is clearly identified who is the lead Minister, and the accountable officer in place, and the oversight follows that route. There is going to be some work in respect of the costs and the future forecast for Long-Term Care Scheme, for example, and we have the actuarial review coming through for Social Security Fund that will inform ongoing purpose and level in respect of the Social Security Reserve Fund.

Deputy C.D. Leck:

How often do those actuarial reviews take place?

Treasurer of the States:

I am going to say in respect of the Social Security Fund, I think, it is 3 years, but in some cases the funds are on a 5-year basis. I will have to come back with the detail for the H.I.F. (Health Insurance Fund), the Long-Term Care and the Social Security Fund.

Deputy C.D. Leck:

How do you determine that period?

Treasurer of the States:

They are generally established at the point of establishing the funds and the legislation underpinning them.

Deputy C.D. Leck:

How does that legislation then determine that either 3 or 5 years is appropriate, particularly as you mentioned inflationary pressures and the geopolitical environment?

Treasurer of the States:

Actuarial reviews; I think if you did them annually you would see little difference unless you were changing the underlying contributions into the fund and spend coming out. The actuarial reviews are there to create an impression of the long term or forecast of the long term under a number of different scenarios. Three or 5 years feels quite right for those funds.

Deputy C.D. Leck:

Okay, and the use of those funds, you use models and such like to determine the impact of change and inflation and such like on them?

Treasurer of the States:

You can ask, and further detail, if I remember correctly, has been asked in respect of this, alongside this upcoming Social Security Reserve Fund actuarial review. If you read through those, they have different assumptions on investment income, for example, and different assumption on population, in particular immigration.

Deputy C.D. Leck:

Okay. Thank you. In terms of the overall Budget, you can see that the impact of the Budget proposals on General Revenue Fund is to increase it by about £5.8 million. That seems a very tight surplus in terms of if you look at it as a percentage of both revenue and expenditure. You have spoken earlier about you have contingencies built in, but that seems quite a tight budget in terms of making sure that you do not go into a negative position.

The Minister for Treasury and Resources:

It is tight and it is much tighter than we would like it to be, which is why I go back to my earlier comments about the need to build up the reserves, build up a situation where we are creating budget surpluses so that we have the flexibility that we need. Contingencies are at a level which is not as high as I would like to see them, but we are moving in the right direction, and this is why the 2028-

2030 budgetary period is going to be so crucial. We want to get to a situation where we have that flexibility, we have budget surpluses and we can start replenishing reserves to give ourselves the resilience, which is a word used a number of times by the Fiscal Policy Panel in their recent presentation. Resilience is key and we need to get to that position. We are moving in the direction slowly. We need to move on quickly in 2028 to 2030.

Deputy C.D. Leck:

Given that very small surplus, then you would not see further funding for other expenditure being put in place because you have so little headroom.

The Minister for Treasury and Resources:

There is not a lot of headroom unless we want to seek to utilise or spend reserves, which I am vehemently opposed to unless … investment in activities that have genuine economic value to them that would sustain or create jobs or generate revenues would be about the only exception. Generally speaking, your point raised is a very good one. We do not have the headroom that I would like and that we need to get back to with public finances to run surpluses and replenish our reserves. That has to be an absolute focus. The fact that we have reduced the amount going into the Social Security Fund is another example of where money has been utilised to backfill revenue expenditure, which is poor practice, in my view, and we need to get away from that situation in the future.

Deputy C.D. Leck:

Okay. Thank you.

Deputy L.V. Feltham:

Thank you. I think we will cover the majority of the rest of our questions in writing as we are coming to the end of the hearing. I did want to ask in relation to Pillar Two receipts, they are expected to be substantially above base case value. What further consideration are you giving to the best use of those additional funds?

The Minister for Treasury and Resources:

There are the windfall revenues that you are alluding to. The base case is in the Budget already for 2027 and going forward. Yes, there are going to be some 2026 uplift windfall revenues and the focus on that is very clearly on those funds going towards the hospital phase one, which currently has a budget of £710 million. The current position is we are expecting for 2026 around about £160 million from those additional windfall Pillar Two revenues, and it will exceed that probably. That is nowhere near the £710 million. What it means is we do not have to draw down on the Strategic Reserve. We are protecting the Strategic Reserve by using these one-off windfall revenues that we are receiving, which the Island should be very thankful for.

Deputy L.V. Feltham:

How did you come to the conclusion that that is the best use of those windfall monies?

The Minister for Treasury and Resources:

Quite simply, looking at ways in which we were going to have to fund the hospital. A bond is one option. We have a revolving credit arrangement at the moment. The cost of borrowing, you will be familiar, is rising and is predicted to rise further. Therefore, to use additional revenue coming in was … in the very uncertain period that we are in at the moment, the advice we have had is that longer-term borrowing costs could well ease a bit and it would be then more appropriate to look at fixed funding at that stage. In the short term, we protect the Strategic Reserve and that is a view supported by the Fiscal Policy Panel.

Deputy L.V. Feltham:

What other options did you look at in relation to use of those funds?

The Minister for Treasury and Resources:

Of the £160 million or whatever the windfall happens to be?

Deputy L.V. Feltham:

Yes. What options have you considered?

The Minister for Treasury and Resources:

There were no other options considered other than putting the funding towards the hospital and protecting the Strategic Reserve.

Deputy L.V. Feltham:

Okay, so you made no comparisons with any other option just to double check that that was the best use of those funds?

The Minister for Treasury and Resources:

We sought the advice of the Fiscal Policy Panel. As I have said, they believed that our approach is the correct approach.

Deputy L.V. Feltham:

Okay. That advice of the Fiscal Policy Panel, that is on public record, yes?

The Minister for Treasury and Resources:

They have just published their latest review, and the information is contained within that.

Deputy L.V. Feltham:

Okay. You have referenced this Budget, I think, as almost being like a one-year Budget. What is the purpose of the forward years within this particular Budget that is before the States Assembly now? It sounds a bit like you are suggesting that the forward years are not worth the paper they are written on. Is that the case?

The Minister for Treasury and Resources:

No, not at all. It is indicative. If things stay as they currently are, that gives an indication as to how public finances will look in 2028, 2029 and 2030. It is indicative and that is perfectly reasonable. What I have been saying is that we need to not carry on as we are. We need a fresh approach, we need to make sure we replenish reserves, we need to balance budgets, deliver surpluses and that is the change the 2028-2030 will seek to deliver, if indeed that format is adopted, which I hope it will be.

[11:30]

Deputy L.V. Feltham:

Okay, and we have talked about broad proposals for the 3-year Budget being brought forward in the summer with the debate earlier. You have mentioned several times the issues with timing that you felt you did not have enough time to be putting this Budget forward. How are you going to change the process for the 3-year Budget so that you feel more confident by the time you come and see us with the next Budget?

The Minister for Treasury and Resources:

We have plenty of time, have we not, for the 3-year processes? As I have already mentioned, we have started …

Deputy L.V. Feltham:

That was not my question. My question was not about time. My question was**:** what are you going to change about the process?

The Minister for Treasury and Resources:

The process is going to be much more detailed in terms of the analysis that we can do in terms of formulating policies and measures, and I have mentioned to you already about the Affordability Group. They are going to have an opportunity to have completed their work. All the analysis will be … we have time in order to consider all of that while putting together the 2028-2030 period.

Deputy L.V. Feltham:
What specific instruction have you given the Treasurer and his team around that analysis?

The Minister for Treasury and Resources:
At this stage it is very early on. We have not talked in detail about specifics. They are just preparing the groundwork for the preparation of the 2028-2030 Budget, but we have not got into the detail yet.

Deputy L.V. Feltham:
Okay, and when will you expect to get into the detail?

The Minister for Treasury and Resources:
In the coming weeks.

Deputy L.V. Feltham:
Okay, so this month?

The Minister for Treasury and Resources:
Probably over the coming weeks leading up to Christmas we will start getting into some more detail. We have plenty of time with this Budget. There is not an issue over the 2028-2030, if indeed that is the chosen route to adopt, which, as I said, I am pretty clear that we should be doing.

Deputy L.V. Feltham:
Did you have a question?

Deputy C.J. Rebindaine:
No, I was … no. It begs a question, but no.

Deputy L.V. Feltham:
Yes, I think the panel will have further questions as we come towards the next Budget.

The Minister for Treasury and Resources:
May I say, Chair, that I look forward to your further questions.

Deputy L.V. Feltham:
Good. On that note, I think that we will thank everybody for coming, thank the Minister and his team for coming to this hearing and giving us the 2 hours that we requested. Thank you to the Scrutiny staff and the Greffe staff as well for their support. On that note, I will close the hearing. Thank you.

The Minister for Treasury and Resources:

Lovely. Thank you.

[11:32]