States of Jersey
States Assembly



États de Jersey
Assemblée des États

Public Accounts Committee

Annual Report and Accounts Review

Witness: Treasurer of the States

Friday, 6th November 2026

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Panel:

Deputy K.M. Wilson of St. Clement (Chair)

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

Deputy V. Li of St. Helier North

Mr. M. Oliver, Lay Member

Mr. R. Duncombe, Lay Member

Mr. C. Heal, Lay Member

In attendance: Ms. L. Pamment, Comptroller and Auditor General

Witnesses:

Mr. R. Bell, Treasurer of the States

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

Mr. P. Ashley, Group Director, Strategic Finance, Treasury and Exchequer

[13:30]

Deputy K.M. Wilson of St. Clement (Chair):

Welcome to this public hearing of the Public Accounts Committee. Today is 6th November, and this is our Annual Report and Accounts review hearing with the Treasurer of the States, Mr. Richard Bell. I would like to draw everyone's attention to the following. The hearing is going to be filmed and streamed live. The recording and transcript will be published afterwards on the States Assembly website, and all electronic devices, including mobile phones, should be switched to silent. If I could ask you to check that now. I would ask that any members of the public who have joined us in the room today do not interfere in the proceedings. As soon as the hearing is closed, please leave quietly. For the purposes of the recording and the transcript, I would be grateful if everyone who speaks could ensure that you state your name and your role. And just to welcome the member of the public to the hearing today. If I can begin with introductions. I am Deputy Karen Wilson. I am the chair of the Public Accounts Committee.

Deputy L.D. Carpenter of St. Helier Central:
Deputy Lee Carpenter, Acting Vice-Chair of the committee.

Deputy V. Li of St. Helier North:
Deputy Victoria Li, panel member.

Mr. M. Oliver:
Mark Oliver, lay member.

Mr. R. Duncombe:
Rob Duncombe, lay member.

Mr. C. Heal:
Clive Heal, lay m ember.

Comptroller and Auditor General:
Lynn Pamment, Comptroller and Auditor General, in attendance today.

Treasurer of the States:
Richard Bell, Treasurer.

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

Group Director, Strategic Finance, Treasury and Exchequer:
Phil Ashley, Group Director of Strategic Finance.

Deputy K.M. Wilson:

Okay, thank you. If you are near a microphone and you are going to bring anybody else in, just please, ask them if you could get them to state their name and address. Sorry, their name and their role as well, not their address. I would like to draw your attention to the fact that we have 2 hours scheduled for the hearing today, so therefore I will begin. I will start with the first question, which was that you provided a report to the States Annual Report and Accounts, and you have obviously produced the executive response to that, and the P.A.C.'s (Public Accounts Committee) comments to that. Could you please start by telling us: the P.A.C. recommended that Treasury explore a public feedback mechanism for the Annual Report and Accounts, what progress has been made, and if no formal process is yet in place, how do you assess whether the report is meeting the needs of its intended audience?

Treasurer of the States:

Thank you. I will probably start by saying that in terms of this particular year we were constrained to a large degree by period of election sensitivity. We thought long and hard about how we would go about therefore launching the Accounts during that period and the Annual Report; lots of conversations about whether we would achieve the deadline in order to do so before that period started. So the presentation of the Annual Report and Accounts this year was, by necessity, a more mooted launch than in previous years. I guess I would say that the stats we have in terms of hits on websites for social media and such like suggest people stay in the accounts for not a very long period of time, which suggests that perhaps there was something that they were specifically looking for, they got that, and then they left or they could not engage with it. Indeed your report talks about how we could get some feedback in respect of engagement with it. We have tried to embrace more in the way of social media and we will do so again in 2026, to try and put more of the messages out there in an easily accessible way. That will include, firstly, a review of how the communication strategy has gone in respect of Budget 2026 ... I am trying desperately to remember. Budget 2027, sorry. We are desperately trying to remember which hearing I mean for which set of accounts or Budgets we are talking about. We will learn from that in terms of how we might change the way that we communicate the Annual Report and Accounts for 2026.

Deputy K.M. Wilson:

With all due respect, this has been going on for 2 years now, and I understand the sensitivities about the election. But I think there are concerns about the fact that there do not seem to be any particular targets for when things are going to be in place in response to this feedback and this engagement. So the performance and information that you presented in the response for 2024 talked about 150 views - 116 views on the finance - and then no data accompanying the response in the 2025, and agreed in principle to review a similar tool. The question we have is, when is this going to be a

serious piece of work that is done to demonstrate where the accountability is and that Islanders can see this coming forward.

Treasurer of the States:

I will firstly say that ... and I do not know the views of the current panel in respect of the efforts we have made in respect to making it more understandable, including, I would have to say, the changes to the accounting boundary, which have elicited, from my perspective, more interest. I saw that in particular within the election period around the question, what is the deficit, what is the surplus, what should we be looking at? That, for me, is a key indicator that there is greater interest and there is greater transparency in the finances. In a way, in the past, for example, where we were consolidating some entities and not others, that led to that analysis being very hard to interpret. I will recognise what has been said in respect of what more can we do to get the messages out there, but I would like to assure you at the very heart of what we are doing is trying to make what is in the accounts, and the C. and A.G. (Comptroller and Auditor General) will forgive me in respect of talking about what can be sometimes quite complicated accounting standards and their accessibility for members of the public, and really trying to distil what the core message is for taxpayers are. So I am encouraged that the last set of accounts, with its changes to accounting boundary, has led to more engagement both in terms of what is said in the newspapers, but also what I saw was being said throughout the election.

Deputy K.M. Wilson:

I think the thing is that the evidence suggests that one of the things that people are struggling with is that they cannot interrogate the information that is literally presented to them. We are trying to work out in terms of your response to the recommendation, how can you improve on that? What would be the timeframe to do that? Also, where are the, if I could say, principles of the efficiency and improvement to the department to actually build in use of technology, some innovations, work differently, to try and actually generate an engagement with the public that they feel they can connect with the data that you are producing?

Treasurer of the States:

While not signed off as of yet, the departmental business plan for 2027, as what is in place - one of, it is either 5 or 6, to be decided - upon improving performance through people, processes, data and technology. While that often relates to customer service, and Richard can talk to some of those aspects in respect of what the Minister is asking us to achieve in terms of moving from paper processes to digital processes or digital communication with taxpayers, that will also extend to how we communicate in respect of the Budget, which of course the Minister leads on, but also how we communicate the results.

Deputy K.M. Wilson:

So that is a business plan that is going to come forward for next year, so we can expect to see a more digitally-led platform, if you like, for the way in which the Annual Report and Accounts will be reported on, more interaction with the public that they are able to challenge this on an interactive platform, is that what you are planning to do?

Treasurer of the States:

Yes, by all means through social media. We have often tried. Take up has not been the best in terms of offering briefings as widely as possible. Technical briefings as well in respect to the Annual Report and Accounts; they are not often taken up, I would have to say.

Deputy K.M. Wilson:

It is not so much about the messages, Richard. It is more about can people ... so they have a paper report and what they cannot do is they cannot go into the detail of what is behind that statement.

Treasurer of the States:

I do not even have a paper report. The Annual Report and Accounts is a digital document.

Deputy K.M. Wilson:

Which they print off.

Treasurer of the States:

Okay, which they print off. But I was searching on it earlier for keywords and going in and out, look through links if I was searching for a particular aspect so that I could find information. I probably had to do quite a bit of that this week, bearing in mind that this is November and the Annual Report and Accounts for the period last year.

Deputy K.M. Wilson:

But if the point is more about usability and trying to get the public to engage in it and inclusion.

Treasurer of the States:

No, usability, first and foremost. We moved away from paper quite a long time ago. There are links within the document and there are other connections to other reports should anyone want to know more, such as how transfers were made during the year in question either to the Minister or ...

Deputy K.M. Wilson:

Does it help the public navigate their way through it? Does it help the public navigate ... the way in which it is presented, does it help ... are there any instructions or any guides to help the public navigate its way through all of the data, all of the detail that is in there?

Treasurer of the States:

Okay, that is a good challenge. We can take that one away. We have at the front a layout of what is in the report, what sections to go to, what is included in those sections, so that you can slim down from starting out. It is quite a long document but nowhere near as long as it used to be in terms of where you might learn about performance, where you might learn about accountability, where you might learn about risks, where you might learn about the financial review, where you might learn about the actual financial statements and the auditor's report, in particular. So those contents are at the front. You do not start on page one, picture of a castle, and work from there. So it has improved.

Deputy K.M. Wilson:

I think the recommendation that the C. and A.G. is making is how you build in a more interactive, engaging way of doing it. So we are trying to test the plan for that, when that is going to come forward, because we have looked at this now for 2 years.

Treasurer of the States:

We will look to see how the endeavours we have in place for Budget 2026 have been successful or not through feedback and accessibility to or accessing, in particular, to the messages that were within there, and we will see if there is any of that we can apply to the Annual Report and Accounts for 2026.

Deputy K.M. Wilson:

Okay.

Mr. R. Duncombe:

Do you have a figure in mind? Because you said at the moment the number of hits is very low, the engagement is low, even the people who access it, they do not stay on it for very long. What would be, I suppose in your eyes, a good outcome then in terms of improving accessibility and measuring that?

Treasurer of the States:

What I would like to see is an improvement over time. It is difficult to say, sometimes you put targets in, those targets are just pulled out of the air. What we need to do, I suppose, is look at councils in the U.K. (United Kingdom) to see what level of access, what level of strikes they have in respect of

their Annual Report and Accounts. We have never done that benchmarking to say how are we compared to elsewhere, and that will tell us whether there is more we can do and whether there will be more engagement. There is a great deal more interest in the financial situation of the States of Jersey than there has been for quite some considerable time, so I quite look forward to that level of interest in the Accounts for 2026, in particular.

Mr. R. Duncombe:

As you say, I think sort of benchmarking is key. I think if you can, I suppose, commit to go and identify a number of councils in the U.K., U.K. Government, to identify what would be proportionately a good level of analysis; that would be quite good to see.

Treasurer of the States:

It is an interesting one. I am quite interested in accounts, probably more than the average person, but I cannot recall hearing anything about the U.K. Government accounts.

Deputy K.M. Wilson:

I think the message is, it is about ... you mentioned that more people are starting to get interested. If that correlates with some of the improvements that you have made, fine, but what we are looking for is how much more are you planning to do that would allow somebody, a member of the public, who has no financial background at all, to understand the way in which taxpayers' money is being used, given that they are a taxpayer.

[13:45]

Phil, did you want to say something?

Treasurer of the States:

A further thought there is that we provide a - forgive me if I get the term wrong - child-friendly version of the Budget, and I think that what our current accounting boundary allows us to start to think about now, now that it is narrowed down, about what the corresponding document might look like for the Annual Report and Accounts. They are, by their very nature, a more complex beast but it is for us to try and distil those messages publicly in terms of what we are doing. The other point I will make is the Budget is often a political document, the Annual Report and Accounts is a more factual document. There is a degree of political interpretation over the top of that as well.

Deputy K.M. Wilson:

Sure, but I think what we should allow is the public to make their own assessment and judgment. Just before I bring you in, Phil, if I could ask Victoria to ask a question.

Deputy V. Li:

When you were saying that the low engagement, I think bearing in mind we have 40 per cent of the workforce on this Island working in finance sector, so what I felt is that if we compare with any U.K. council as the baseline, we should do better. That is my personal ... that is what I think, that you should take that into consideration.

Deputy K.M. Wilson:

Okay, Phil, do you want to?

Group Director, Strategic Finance, Treasury and Exchequer:

I guess I will respond to that in the first instance. All I would say is, on the flip side, political engagement in Jersey is lower than you would typically expect in a U.K. setting. So engagement with Government, generally, will be one of the variables you consider, as well as the accounting literacy of the population. Just to say, one of the recommendations is around the example in Canada. So an interactive tool that they have, which is great, it is something that the team have looked at. Conceptually, it can be done. We are in a place at the moment where our Digital Services function is absolutely and quite rightly prioritising the base infrastructure that we already have and getting that into the right condition, making sure that is cyber secure and all those things that we would expect to be doing. We are exploring whether we can do something as almost an interim step, using existing technologies we have available to us but without incurring substantial additional costs or taking up Digital Services' time, which has to be dedicated at the moment to doing the triple I.P. (intellectual property) project that is about securing our current infrastructure. That is something that is on the agenda for next year. Getting it done for 2026 accounts will be a challenge. I think certainly in terms of when we publish those accounts we might hope to do an initial pilot later in 2026 that would use those 2026 accounts as the baseline data, and then perhaps we could normalise that from 2027, if that were successful.

Deputy K.M. Wilson:

So if you have a look at the way in which the Canada Spends platform was developed very quickly; one person, an innovation. I think what we are trying to signal here is, I understand there are different pressures and different requirements around digital, but if the challenge is, can you think differently about how you will do this. Okay, I am going to move us on then. P.A.C. has previously recommended ... sorry, the C. and A.G. noted that a number of in-year allocations were made from the central reserve during 2025, including funding for pay awards and departmental financial pressures. To what extent do these one-off allocations affect the transparency of department's underlying financial performance? And how does Treasury distinguish between recurring spending pressures and expenditure that is genuinely non-recurring when reporting financial performance to

the Assembly? Do you want me to break that down in a couple of ways? If we take the first thing, which is the in-year allocations were made from the central reserve, which was funding for pay awards and departmental pressures. So do you want to talk to that piece first?

Treasurer of the States:

Yes, we can talk about pay first. I would dearly love to include, when we do the Budget, when the Budget is presented, what we anticipate to be paid by departments, but at the point at which the Budget is lodged, given the long period of scrutiny allocated to an individual budget, that is not possible to do so to the degree of accuracy that we would want to, which would hand over that budget to a department, and then a variation would involve, therefore, quite probably more complexity in understanding what is being allocated to departments by clawing money back or adding more money to that. Borne out of the necessity of the point at which the Budget is put together, it is not known on what the reference R.P.I. (retail price index) is; it is not known what it is. We have a forecast of what it might be. For example, there was a variation on that compared to what we put in Budget 2027 for the overall allocation. That is that, and obviously the numbers of people in post will change between when you are doing the Budget, which is often 6 months in advance, or by department basis in January of that year. So a very good reason we will do that. That is why, on the other hand, we allocate non-pay inflation; be more confident that that inflation or non-pay is a fairer ... is an estimate with a greater level of accuracy than you could have and obviously be swings and roundabouts there as well, in terms of different underlying levels of inflation. So that is pay. That is why we do it like that. That is why we have to therefore allocate during the year, and we are clear about that. We put that money into reserve, it is in the reserve head of expenditure for a budget in any one year and therefore there is a degree of visibility there, but that is overall pay. We then try, in the overall presentation of the financial review, be very clear what pay costs are year on year, for example.

Deputy K.M. Wilson:

But if you know how many people the States employs, and you have the workforce information that gives you an opportunity to predict what those budgets should look like and how they should be set, why is it necessary to be able to not build into the, sorry ... why is it that you cannot build into the Budget some of the contingency for some of that variation?

Treasurer of the States:

Well the contingency is there, it is held in reserve. Reserve head of expenditure includes pay. At the point at which neither do we know the R.P.I., we do not actually know what the pay settlement is by group at the point in time at which the Budget is lodged. At this point we still do not know what the pay for 2027 is going to be settled at, and that is why we did not put it in.

Deputy K.M. Wilson:

But you can make some assumptions around it, can you not?

Treasurer of the States:

There is a difference between what we do here and what we do elsewhere, which is you get your settlement and whatever the pay awards are on a departmental basis that is for departments to fund. That is not the way we do it here. In Jersey is that we centrally fund pay, and therefore by centrally funding pay that risk is not passed on to the departments, instead it is provided centrally. So that is just the basis. I could not tell you by group what the pay awards are going to be for 2027 at this point.

Deputy K.M. Wilson:

Okay, thank you for that clarification. Given that scenario, to what extent does the one-off allocation affect the transparency of the department's underlying financial performance?

Treasurer of the States:

In the Annual Report and Accounts it is included on a departmental basis, and therefore either through the annex or through the financial review on the accounts themselves, the costs of pay awards are included year by year, like by like.

Deputy K.M. Wilson:

Do you distinguish between recurring spending pressures and an expenditure that is genuinely non-recurring in reporting that financial performance?

Treasurer of the States:

In respect of pay awards that generally and in recent history has been, although there will from time to time be non-consolidated in a year in which we ... if non-consolidated was part of any year we would draw that out in the financial review. It has not been recently and therefore it is not drawn out. There is a challenge in respect of, and indeed we are thinking through how this would happen in respect of revisions that we are putting forward for medium-term financial planning in the Public Finances Law to think about learning from the last time we did the Medium-Term Financial Plan. The Minister should have the authority to approve in-year but then the need in the subsequent Budget, so there would still be an annual Budget process but it would not consider all spend at one point; the need for that spend to then be further ratified by the Assembly in a Budget rather than a Minister being able to commit to an ongoing expenditure commitment throughout the entire 3 years that then have to be ratified in the Assembly subsequently. What we endeavour to do, a financial overall state perspective, is where we would see any material one-offs, is draw those to the attention of the reader in the Annual Report and Accounts. It is less transparent, I would probably say, in the

annex in trying to pull that out. But what I would also say is, particularly thinking about the move to the Jersey Capital Investment Fund, that you are separating ... I will say capital but I mean project spend out from what I increasingly like to be referred to as day-to-day spend because revenue spend is not a particularly accessible way of describing it, and therefore typically project spend. It is not always just capitalised spend on to the balance sheet. It will include a large amount in some years and, in particular, that was in the case in 2026 of revenue spend, i.e. that that is expended to the income and expenditure account rather, so there will be a much greater separation between costs, project-based and capital-based, more likely to be one-off than those in the day-to-day spend. That is not always going to be the case.

Deputy K.M. Wilson:

How are you going to ... just to reference the chief executive's views about over-trading, just applying that approach, how do you intend to use that approach to stop the over-trading? Is it your plan because you are introducing that sort of control mid-year that you will hopefully achieve a control around that over-trading position or what is its other purpose?

Treasurer of the States:

Not necessarily an Annual Report and Accounts, but I think it is something that we would probably want to draw attention to in terms of performance alongside it, which is what is that number of projects. They are not all recorded in the accounts because, from my perspective, if it has got a price tag to it that is an additional price tag or a one-off price tag, then it will be in the Annual Report and Accounts because we are trying to also, through the accountability statement, reference back to the budgets that were set in order for the reader to be able to see what is happening. But I could take Digital Services, for example, there is a much firmer grip on the previous proliferation of projects that were there that meant that they were not always being handled particularly effectively. They were not necessarily consistent or coherent when lined up one by one, and it meant that their biggest risks were not necessarily being dealt with. So that prioritisation is firmly in place. We strongly believe in terms of capital, if you are thinking more about construction infrastructure of the infrastructure, in particular, what the J.C.I.F. (Jersey Capital Investment Fund) will do is separate with greater rigour funds that have been allocated to capital. In the past what has been prone to happen is faced with the decisions, day-to-day spend takes priority over ... day-to-day pressures takes priority over that longer-term capital spending. The intent of the move to the J.C.I.F. is to put more locks around funds that are available or capital.

Deputy K.M. Wilson:

Okay, so that is a future development, and that is helpful ...

Treasurer of the States:

Well it is there now.

Deputy K.M. Wilson:
... to understand what is coming for next time. I just want to come back to the accounts again, to just drill down on to this issue around pay because it is a large proportion of the public finance. What sort of connection ... do you think you have sufficient oversight of the relationship between negotiated pay increases, workforce productivity and the overall growth and public expenditure? I mean when the debate around pay negotiations is happening, what is your role? Where do you fit into that? What kind of business cases do you look at? Do you get any? Or is this somebody just making an announcement that we have agreed this amount as a pay rise?

Treasurer of the States:
On a personal level. So there is a recommendation of the C. and A.G. following previous advice that potentially was not given at the right time in respect to exit payments, which emphasises greater involvement of the Treasury in terms of advising the States Employment Board on financial matters.

[14:00]

I do not attend, as a matter of course, the States Employment Board but there is the opportunity to do so when they need advice or they necessarily need advice, usually whether they want that advice in respect of items that have a financial consequence. My relationship with the chief people officer, we regularly will talk about what is on the agenda for the States Employment Board and therefore that will give me sight of things that we might need to be involved with or might need to have colleagues involved with in respect of advice. In respect of envelopes ...

Deputy K.M. Wilson:
Sorry, if I could just pick up on that point there, Richard, if I can?

Treasurer of the States:
Yes.

Deputy K.M. Wilson:
Is your role principally to ensure the financial consequences of the decisions made by the S.E.B. (States Employment Board) can be accommodated within the budgets available or is your job to be called in at random to give a view on the affordability? What is that relationship? How does that work?

Treasurer of the States:

The affordability, principally, in terms of allocations in total for pay is more often taken at Council of Ministers' level in settling the Budget for the year or the Government Plan or hopefully in the future the medium term. The assumptions around that and the pay allocation in total therefore we have an opinion and will give that opinion. Within that envelope, pay settlements are the responsibility of the States Employment Board so it does not directly involve the Treasury. Insofar as providing that, we have done the necessary calculations so we are confident it can be afforded within the allocation. If it was the case that the States Employment Board was minded to exceed that, then we would expect greater involvement in the Treasury and we would have to go back to the Council of Ministers as well to confirm further funding in respect of that pay award.

Deputy K.M. Wilson:

Sorry to interrupt, when you say "expect", what is the control feature? If somebody came to you, like we have seen before, that a certain group are going to demand an 8 per cent to 10 per cent pay rise, as Treasurer, or in the Treasury, how do you control for the cost associated with that in terms of what is affordable in the Budget?

Treasurer of the States:

What is affordable is the pay envelope. The pay envelope sets the affordability alongside other cost drivers in the States. There is no formal notification that pings up on my screen, shall we say, when it is about to be a chance that that could be broken. That would come back through the chief people officer to me and we would revert back. We might get involved more in respect of any particular pay deal and, indeed, have been involved previously where there are arbitrations, for example, where we are explaining the financial position and my opinion on pay award might not be. Just one more, the other one will be if there is a particular pay group, where we are not talking pay award, but we are talking re-evaluation and stepping up of pay for that particular pay group, we will be more involved in that in respect to the business case in order to advise the States Employment Board.

Deputy K.M. Wilson:

Thank you.

Treasurer of the States:

Yes, sorry.

Mr. R. Duncombe:

I suppose, yes, for my understanding as well, as you say, if there is a particular group which has a higher pay award, which then takes them outside of the Budget allocation or the expected Budget, is there then a drive from your department back to them to say: "You need to find more internal efficiencies to fund this?" or is that something that you do not get involved in?

Treasurer of the States:

Typically, there is coming through the unions, and the unions are not, shall we say, responsible for the delivery of efficiencies within the department. Those are usually in that respect. If it is pay award led in terms of the unions themselves, if a department was bringing forward that they would like to do that, then that conversation would take place in terms of that as one of the options to fund that: "How might you go about making efficiencies or other savings in order to fund that?" That would be squarely within the responsibility of Treasury.

Deputy K.M. Wilson:

Were there any occurrences of that nature in 2025 that you can recall?

Treasurer of the States:

No, we had a 3-year pay deal. I had to remember that.

Deputy K.M. Wilson:

Yes, just checking.

Treasurer of the States:

Was that one to catch me out?

Deputy K.M. Wilson:

All right. I am going to move us on. Obviously just to note the J.A.O.'s (Jersey Audit Office) Audit Report findings that a number of allocations were made from the central reserve, and they are quite significant numbers: £27.9 million for the pay award and £18.5 million to support departmental revenue budgets. That is going to be a key area of interest to us to understand how and in what way the support for departmental revenue budgets is going to feature going forward, because I think, to go to the member's point, the question is: how are the controls making sure, within the budget available and the allocations made, that there is not going to be an over-reliance, save for exceptional circumstances, on having to bail out departmental revenue budgets to that scale?

Treasurer of the States:

Yes, currently and in nearly all instances it has worked well in terms of keeping pay awards within the envelope. To date, set as reasonably well, I would say.

Deputy K.M. Wilson:

Okay.

Treasurer of the States:

It allows us to have a better grip on the amounts that are allocated rather than a budget that might be in excess of that that is needed for pay awards.

Deputy K.M. Wilson:

All right. Thank you for that. I am going to move us on to a question about the States grant contribution. The C. and A.G. highlighted that the decision to reduce the States grant contribution to the Social Security Fund by £50 million would improve the 2025 expenditure outturn. When assessing the underlying financial position, should we regard this as a non-recurring adjustment and what would the 2025 financial position have looked like had this adjustment not been made?

Treasurer of the States:

Well, that depends who was funded. The decision of the Council of Ministers, then approved by the Assembly, was to reduce it, given the reductions against income against forecast that had been seen in 2024 and 2025 and the … this is in respect to 2025 as opposed to 2026.

Deputy K.M. Wilson:

Yes.

Treasurer of the States:

Then subsequently related to 2026, the pressures in terms of spend, and in 2025, another factor of that was the effect on inflation that we were seeing in respect of spend for 2025. If your assumption is - and I think that is how it would have to be, otherwise it would have had to have been withdrawn from reserves elsewhere - that steps be taken in the year to meet that spend within the envelope of the 2025 spend as opposed to adding … it will have a very different result in respect to how the accounts would end up on a consolidated basis.

Deputy K.M. Wilson:

How do you think they would have ended up?

Treasurer of the States:

I looked at spend. I did look at spending in terms of when we were talking about this to the wider audience when we were presenting the 2025 Accounts, notwithstanding your comments in respect to how well we do that on social media. From an underlying perspective, if I strip out the States grants - they are twofold there, one to the Long-Term Care Fund and the Social Security Grant - you could see in one of the stories of the accounts was still that spend had not gone up as significantly as it had day-to-day. Spend had not gone up as significantly as it had in the previous period. It was at or about the level of inflation once you take the effect of the grant out. We did some analysis

when we were presenting as to … and we were very conscious of the fact that the £50 million was an element of that. What we did when we were communicating that, when we were doing presentations, we said: "Even if I strip the States grant out …" and there is an argument to take but think about the States grant as something other than day-to-day spend. When I think of day-to-day spend, I am typically thinking of pay and non-pay on departmental spend delivering services. Then you could still see that there was a flattening out or curving of the level of increase in spend.

Deputy K.M. Wilson:

If that is the case, what does it say, making those adjustments, about the underlying financial position?

Treasurer of the States:

What does it say about the underlying financial position? Okay, so I think we have had a period of large growth in the public sector. During the COVID period in particular, what we did was - when we say "we", Government and the Assembly - not make the payment into the reserve because basically what you would have been doing would have been borrowing to do so. That served us well during … and was absolutely the right decision during COVID. I think when we came out of COVID, seeing that rapid spend that was not just limited to the COVID period, I would have to say, while income had been catching up with it, or income had been growing as well during the period, what we had seen is very clear prioritisation towards day-to-day spend and rapid growth in day-to-day spend. That has been, in probably years prior to 2025, a key feature that squeezed out the opportunity to be able to reinstate the grant in full. That is what I would say about it. What we would also say about it is that in terms of capital programme, for example, what you will also see over the period is a reduction on the level of the Consolidated Fund. I will just describe the Consolidated Fund as the current account, if you like. It had balances on it that now are significantly diminished and in previous budgets they have been close to zero. That transpired for a number of reasons and that meant that going forward you have to balance the books year in year out in order to afford the capital expenditure as well.

Mr. R. Duncombe:

Yes, just to check again, so at the start of 2025, the intention was to make the £50 million contribution to the Social Security Fund?

Treasurer of the States:

Yes.

Mr. R. Duncombe:

Then during the course of the year, things changed within the finances, which meant that it could not be made.

Treasurer of the States:
Yes, so when you lodge … yes.

Mr. R. Duncombe:
Would that be, I suppose, a budgeting issue beforehand, or was it all of this were exceptional items during the course of the year?

Treasurer of the States:
There were some items during the year, including ... I am sure we will come on to health spend, but my comments still in respect to health spend stand in respect of the overall financial position. When you lodge the Budget for 2025, most of the work that has been done on the forecast is done mid-June 2024. You have an income forecast that is largely done by that time. You have the summer to finish the position off and you lodge the Budget at the start of September to be debated. You are still a long way away from what will happen in 2025. What we saw in, I think, both 2024 and in particular 2025, was income not quite reaching forecast. We saw improvement, but overall not quite reaching forecast. The lack of much in the way of surplus between income and expenditure, combined with what we also saw with some inflationary pressures coming through in 2025 in particular, squeezed out that. When you are looking at it, you might say: "Well, I could take other measures in 2026 to make up for 2025", and when we discussed with the Ministers of the time, they said they would like to do something in respect to 2025 to balance 2025 rather than get through to 2025, found we were overdrawn on the Consolidated Fund and have to take the decisions in respect to 2026 instead. That all came through in Budget 2026. That was an amendment to the Budget 2026 retrospectively applied to Budget 2025.

Mr. R. Duncombe:
As you say, it is some issue with the forecasting, which was conducted in 2024, and I suppose looking forward, are we any better at forecasting now than we were in 2024 or is that just one of those things that might happen?

[14.15]

Treasurer of the States:
While I say the forecast was out; it was not out by very much. I guess we are not talking much as a percentage variation on the income forecast that leads to the need to take this action, and that was alongside, like I said, the R.P.I. pressures that were coming through on expenditure. The income

forecast was not significantly out, and if it was slightly the other way around - I feel it was reasonably accurate - it is just because it was down rather than up that it has consequences in respect of the financial position going into Budget 2026.

Mr. M. Oliver:
The operating deficit in 2025 was £118 million. If you add back the £50 million, so we are then looking at £168 million, that is getting on for 10 per cent of expenditure. That is quite a big variance.

Treasurer of the States:
The £118 million that you are referring to is the consolidated position. It is very subtle.

Mr. M. Oliver:
Basically, departments are spending more than we are generating in revenue.

Treasurer of the States:
No, but if I added £50 million that was expenditure on one side and £50 million that was income on the other side, they would eliminate ….

Mr. M. Oliver:
But the £50 million would not go into the Consolidated Fund. It would come out.

Treasurer of the States:
No, the £50 million would come out of the Consolidated Fund into the Social Security Fund. It depended whether you kept within your expenditure boundary for 2025.

Mr. M. Oliver:
The £118 million is the Consolidated Fund.

Treasurer of the States:
It is the consolidated accounts. I am sorry, the Consolidated Fund; when I talk about the Consolidated Fund, is the current account. When I talk about the consolidated position, it is the Consolidated Fund …

Group Director, Strategic Finance, Treasury and Exchequer:
It is the group operating deficit.

Mr. M. Oliver:

Sorry, I am just a simple old accountant. Did we or did we not spend £118 million more than we brought in on a day-to-day basis?

Group Director, Strategic Finance, Treasury and Exchequer:
Not just on the departments, so that includes States funds. It includes the Social Security Fund, which by design operates in a deficit because the Social Security Reserve Fund is intended to get us through the demographic bulge and therefore top up the Social Security Fund.

Mr. M. Oliver:
To my mind then, the table on page 193 of the Report and Accounts just really does not show the full picture.

Treasurer of the States:
Let me find page 192.

Mr. M. Oliver:
It is 193.

Group Director, Strategic Finance, Treasury and Exchequer:
It is not as detailed as that.

Treasurer of the States:
Yes. We tried to do 2 things in the Annual Report and Accounts, and this is why we tried to shrink down the boundary to exclude in particular States-owned entities, because that is another issue on top of it we try to look at. We are comparing from an accountability perspective what the States approved - they are typically approving general revenue income, taxation largely, but there are some other factors in there - day-to-day spend of departments and the capital spend. Presented alongside it - and it can only be on an estimate basis - is the spend of the Social Security Fund, the Health Insurance Fund, the Long-Term Care Fund in particular, and the position of the Strategic Reserve. They are not budgets that are agreed, so when we are trying to do accountability and defining against that which is presented to the Assembly, and has been for very many decades, the balance on the current account, which was previously called the Consolidated Fund and now it is called the General Revenue Fund, in terms of after depreciation in a way that you might see in a business, what is the surplus or deficit? That is separate, but we present it in the accounts in order to be in the accounts, but also the detail is there in the Budget that looks at the transactions of the Pension Fund, in particular. They are different, but one is a group and one is the core entities, as we describe it, in terms of the balance of day-to-day spending and taxation.

Deputy K.M. Wilson:

Going back to the original question then …

Treasurer of the States:

I cannot remember what that was. Sorry.

Deputy K.M. Wilson:

… which is about … I will rephrase it differently. Given that picture and the significant one-off items and reserve-funded allocations, is the Government's underlying financial position stronger or weaker than the headline position reported in the Annual Report and Accounts?

Treasurer of the States:

We have reported both of those numbers. What you can see in Budget 2027 is that in order to return to what the commitment on a long-term basis for the Social Security Fund will be, anticipating for that point surplus is in there, then there will be the need to find a further £33 million of measures in order to balance the books in 2030.

Deputy K.M. Wilson:

You are going to have £33 million worth of measures without relying on the States grant to do that?

Treasurer of the States:

Yes, because at that point the legislation reinstates the grant as things stand.

Deputy K.M. Wilson:

In full?

Treasurer of the States:

In full.

Deputy K.M. Wilson:

Yes, okay. That is fine. Thank you, Richard, for that. I am going to call on Mark now to pick up on the questions around the additional funding.

Mr. M. Oliver:

Where departments repeatedly require additional funding, at what point should that be regarded as a failure of financial management rather than simply a response to emerging pressures and what consequences would follow for those departments?

Treasurer of the States:

So we are principally here in recent times talking about Health and Care Jersey. In terms of what we have been doing between ourselves and Health and Care Jersey is there is regular dialogue and early flagging of financial pressures that exist. We made changes in the Public Finances Manual - was it back end of last year, this year - that now require me to write to the accountable officer of departments who do overspend or are forecasting an overspend for the year with a cost reduction plan, laying out that plan and how they intend to get back within the Budget that has been set for them by the Assembly and through any additions provided by the Minister. There is now an additional step. Previously it would be dialogue, and it would be regular meetings. It would be understanding the pressures, understanding what those departments could do in respect to meeting those pressures, and understanding what the consequences might be for their services. I do not mean the people who deliver the service. I am more talking about outcomes for their customers or patients, in particular when we are talking about Health, and what steps they would have to do in order to balance that project. Where we are in a position where that is a managed position, and by managed position I am meaning that we are in agreement as to how we are going to handle it and we are in agreement as to what the limits of that that assistance would be, then there are no direct consequences for, in particular, the A.O. (accountable officer) or for the department. If, however, there was disagreement, then there could subsequently be - and I feel this myself - consequences for A.O.s that is more about performance. In respect of Health, if I could continue on that basis, it is fair to say that where we are now, we are more satisfied in respect of there is still work to do, and I understand you are seeing the A.O. for Health next week with the finance director hopefully. You can see a much wider and more comprehensive programme of grip across spend in Health than was previously the case when this started back in - I am going to forget the year - 2023, if not before, with the putting in place of a financial recovery programme for Health. It is fair to say, particularly in the early days, that there was a degree of optimism bias in the targets and the deliverability, and indeed towards the end we are still seeing a bit of that. It has taken a while to turn the corner in that particular department. There is a balance of finding the money at the right time to bridge between what was the position and what is the position once those savings have been delivered. At this point in time, much more satisfied that there is grip in the department. If there had not been grip in the department, then I think we would be talking escalation of potential consequences. Also, I draw to your attention, there are 2 competing … not competing reasons, but there are 2 reasons why you might see some allocations. There are the allocations that will have been agreed and the allocations that have been agreed that should be provided in order that the department can continue to deliver its services and avoid the consequences that it would otherwise might suffer in terms of services. In addition, at the end of the year, we have a responsibility to make sure that the accounts are regularly presented. We have an audit opinion that does not just extend to financial statements, but it extends to whether the budgets are in place for that spend and having to avoid an audit.

Deputy K.M. Wilson:

Let us go to Clive first and then to …

Mr. C. Heal:

Just building on what you are saying, is that how you are holding departments accountable for repeated budget pressures and overspend? What is the mechanism for really doing that?

Treasurer of the States:

At the moment?

Mr. C. Heal:

Yes.

Treasurer of the States:

The new way we have of doing that is the continuous recovery plan - I am missing one letter out - and therefore monitoring closely performance against that plan. That is what we do now. We have it in writing. There is a tight turnaround on delivering that item, and then there will be greater focus in respect of those departments who are forecasting an overspend, their progress in order to balance the books, the balance against their budget in the year …

Mr. C. Heal:

I am trying to get a feel for how accountable a budget holder feels for coming in on budget and the consequences for not coming in on budget. Do they really feel pressure that they have to come in on budget or is it: "Well, if it goes over, it goes over, and I will come and talk to you and you will help me"?

Treasurer of the States:

It is difficult for me to talk about myself, but I feel that. I am an accountable officer. I am heavily focused on making sure that I live within budget. I do think across my colleagues, once we have put in place these plans and discussed them, I get an impression that they are serious about doing what they can to live within their budget. There are 2 or 3 departments where we have to come together to resolve the situation they find themselves in. For example, some departments will feel the squeeze … one particular department will feel the squeeze between their underlying cost pressures where we may provide inflation for non-staff, pay a flat level across the organisation, other than Health. There are some departments that have some underlying cost pressures over and above the general level of R.P.I. in the Jersey economy and that might be materials in particular.

Mr. C. Heal:

Give me an example.

Treasurer of the States:

Well, infrastructure departments, so chemicals. There is a high chemical cost in the Energy from Waste plant, for example. Those costs, particularly post Ukraine, have gone off the scale in terms of the level of inflation. In that regard, equally I would have to say, if you come to me saying: "All these costs have been above inflation", I might well ask: "What other costs have not been at the rate of inflation or where there are other steps you could take to deliver within budget?" Equally so, we would not expect you to say: "I have this pressure over here" and then go and increase your pay bill by a number of roles. We would expect to be monitoring both sides rather than a free ticket in respect of the support that would be given. It depends very much on the underlying reasons for that overspend.

Mr. C. Heal:

Okay.

Mr. R. Duncombe:

I suppose just continuing that for a bit, is it an issue then around about budget setting with some of the accountable officers in terms of not being savvy enough in terms of setting the budget right, or is it more of an issue of control during the course of the financial year, or is it a mixture of both?

Treasurer of the States:

I would not say that they are not savvy enough. There is a tension here on the overall affordability.

Mr. R. Duncombe:

I suppose there is an issue there about setting a budget that you are not going to achieve or signing up for a budget …

Treasurer of the States:

Yes, so there may be different levels of risk across different departments at different budget setting meetings. There may well be the position across different departments where we accept that living within that budget could well be a tougher ask for a particular department, depending upon what we see in respect of inflation in the coming year, compared to other departments. Indeed, in setting departmental budgets for Budget 2027, we are identifying certain workstreams that needed to happen ahead of Budget 2028 to see what can be done to put one or 2 budgets on a stronger footing for Budget 2028 onwards.

[14:30]

Mr. R. Duncombe:
Okay.

Deputy K.M. Wilson:
Would you say you tolerate more risk as a consequence of the different kind of budgetary management arrangements?

Treasurer of the States:
Do I tolerate more risk? I would say that we recognise, in partnership with certain departments, where there is greater risk to their budget. I would not say necessarily … I suppose you could say we tolerate that. We know that some departments might struggle to live within their budget within their departments, but also in respect of some of those departments, we can see that they have a longer-term plan that turns from where they are now to a balance on a more sustainable basis. Therefore, there is a sharing of risk as we go through that period. We will know that while they might have struggled in this particular year, that they have plans in place to repair that on a more sustainable basis going forward and therefore we may, if they have less contingency, shall we call it, within their budget, be able to respond to some of those pressures. In the meantime, though, there is often, if we go line by line by a department's budget, greater freedom on different lines of that budget to be able to respond with less risk.

Deputy K.M. Wilson:
If we could, we would like to look at that in more detail, and if you could indicate for us at some point which are the service lines, if you like, that give you concern about that on a recurring basis? We would like to look at that. Okay, I am going to move us on. I am going to hand over to Deputy Carpenter.

Deputy L.D. Carpenter:
The 2025 Annual Report and Accounts reported an overall surplus of £261 million supported by £380 million of investment returns. How concerned should Islanders be about the increasing dependence on investment returns to support financial sustainability?

Treasurer of the States:
Firstly, they should be delighted at the level of investment returns on a consistent basis over the medium and long term, a particularly good year for 2025, goodish year for 2026, but that can go up and down quite considerably from one month to the next. I would not say that there is a cause for overstated levels of concern but equally it was the right thing to do to think about day-to-day spend being funded, in particular, from taxation rather than investment returns. I would have probably said

- I know there is a lot of debate about the position of the Pension Fund - that most pension funds that I know of in the employee and private basis will have deliberately set out a strategy to create investment returns over the long run in order to help with paying for benefits that come out of them. However, national social security schemes are a different thing to private and personal pensions. The underlying number that you referred to being the £118 million, which is if I take the position minus the £380 of investment returns, gives you the more underlying position. However, there are 3 constituent elements to that. One is a consolidation adjustment of about £30 million, which relates to the office. The other is a particularly high year of spend in capital and projects that was rightly written off through the I. & E. (income and expenditure) account in year. That is quite a high number. The other of which, the majority of which is the difference between contributions in and expenditure out that comes from the pension. There has been a strategy in place since last century that relates to growing the Social Security Reserve Fund. That strategy, if I went back all the way back to when I first took the job as Social Security chief officer, said we would be, by now, drawing down upon that reserve. Indeed, for different reasons, which relate to the grant, we are now drawing down on that reserve. It is part of the strategy that at some point you draw down on the size of the reserve in the Social Security Reserve Fund, which is partly as a result of contributions, but significantly as a result of investment returns over a long period, that you would draw down on that, so that has to be taken into account. The Social Security Fund is a hypothecated fund, and that is one of the natures of how we fund our pensions. We are still in a much better place in respect of having a fund in place to fund pensions going forward than most places. Most places would fund national pensions from typically day-to-day tax.

Deputy L.D. Carpenter:

Thank you. Given the current reliance on investment returns, would you describe the situation as sustainable currently?

Treasurer of the States:

I am more focusing here on the £118 million number and explaining the £118 million number rather than looking at investment returns. Investment returns have served us well in terms of growing the size of the Strategic Reserve. For example, this is an illustration, we have taken more money out of the Strategic Reserve than we have put into the Strategic Reserve. The Strategic Reserve is as a result of investment returns over that period. It serves us well. It served us well in the sense of the Social Security Reserve Fund. It is the right time to think about the Social Security Reserve Fund strategy going forward, given that it has not really been reviewed since last century. I am not overly concerned. There was always intended to be a drawdown against the Social Security Reserve.

Deputy L.D. Carpenter:

Thank you. Have you done any modelling around whether returns were to fall to more long-term average or, say, markets were to drop dramatically next year, for example, do you do modelling around what impacts that would have?

Treasurer of the States:

We do not generally make it year specific but as a regular exercise - and indeed we are just concluding it now, may have even concluded it - the Treasury Advisory Panel that provides advice to myself and the Minister for Treasury and Resources in respect of both investment strategy of our funds, but also selections of managers, holding managers to account, all the monitoring and such like. We also work up scenarios in respect of different circumstances and how that might pan out for the size of those reserves. We do that on a regular basis. Indeed, we did it approximately 6 months before COVID hit with the conclusion that in the circumstances that were similar to COVID, at the point in time you might want to access the Strategic Reserve - this is not talking about the Pension Fund - they probably had a hit from global markets and what other strategy would you need to put in place? At which point we decided upon the use of the revolving credit facility. Back to your actual question, rather than my long ramble, we do look at under different scenarios, be they black skies, recessionary or otherwise, what might happen to the funds.

Deputy L.D. Carpenter:

Thank you. The Government reported £24.8 million of savings in 2025, but the C. and A.G. notes that these figures were not audited. How does Treasury independently validate reported savings and distinguish between permanent cash-releasing efficiencies and temporary measures or deferred expenditure?

Treasurer of the States:

It is a very good question to which I am not just plugging while I get my very long password in. It is a good question because in the past we would probably be more focused in Treasury or they say: "How do I know the saving has been delivered?" Well, I have taken the budget away, so you pass it over to the department to live within its budget, back to earlier questions in respect to responsibility to deliver within the approved budget. What we found is that it was not always the case that there was a sustainable plan to deliver those savings behind what you might see in any one particular year. Now what we have in place is tracking that allows us to be able to see what of those savings have been delivered, how they have been delivered, and whether that is on a recurring basis. We now have a greater - that would be at the end of 2025 we did - level of assurance that the savings have been delivered on a recurring basis rather than one-off opportunities.

Deputy L.D. Carpenter:

Okay.

Mr. C. Heal:

Just building on that. For example, something costs £100 now, and a true saving would be it is now £95, for example. That £95 could have been delivered because you negotiated better prices, could be because you changed the specification, you are not buying a Rolls Royce anymore, you are buying a Skoda. It could be that you managed the demand, you do not need to have 20, you have to find a way of getting away with 15 or something. You have changed the underlying cost, if you like, in terms of what you are doing. It is not £100, it is £95. Is that what you are talking about? It is a true saving year on year from what you previously were paying for whatever that service or those goods were? Is that what you are saying?

Treasurer of the States:

Yes, generally that is the case. It is often a saving or entirely a saving. It is not necessarily always an efficiency. Some of it may be that a department has looked at all the things it does and said: "I am going to stop doing this lower priority and that gives rise to the change in the saving." The other one in respect to 2025, for example, was something that we need to do more of and well, which is benefits realisation. In respect of the office project, there were hardwired in that project business case savings to be made from vacating premises. They were not all being delivered equally, so we took the budgets out and therefore we have been able to track and reinforce because the organisation, dare I say it, often has a new plan for those premises and often has a new plan to sustain on an ongoing basis the lease of property that we said we would exit. That is an example of other savings that were taken out of budgets that related …

Mr. C. Heal:

That was going to be my next question. As a principle, do you take the cost savings that are measured and delivered out of the Budget, so the budgets are reduced?

Treasurer of the States:

Yes, because they are generally ...

Mr. C. Heal:

Okay, so you …

Treasurer of the States:

We have in the past sometimes held them centrally, and that becomes a real problem to try and allocate them across departmental budgets. We really do rather insist that when we have savings presented in a plan that they are allocated across departments with the exception of that saving in 2030.

Mr. C. Heal:

Right. It is great that you are measuring savings. Do you also measure increases and track that as well in terms of where costs are going up every year? Because that is equally as important as tracking the savings, of course.

Treasurer of the States:

Yes, so an item of live debate currently that I think I am going to get a recommendation on soon. In respect of growth of spending, so growth … currently, the Public Finances Manual says that if a department has growth in a particular year, in that year, you cannot spend it on anything else without the agreement of the Minister for Treasury and Resources. Sometimes the Minister for Treasury and Resources will agree to that, but he will not agree to that on a recurring basis. Where we are in discussions at the moment is how long you might extend that exclusivity period to. Obviously, you cannot track this. If you started to track growth for 20 years and said: "You cannot spend it on anything else", that removes any layer of flexibility that department might have. Possibility for an improvement there but certainly growth in the year following in which a budget has been … given that money to the department, it cannot be spent on anything else, and we do our best to track that and usually decisions come through …

Deputy K.M. Wilson:

I am just going to … do you want to finish? Just, Richard, if I could ask if we could keep some of the responses because we have quite a few things to get through.

Treasurer of the States:

Okay. I will try and do … yes.

Deputy K.M. Wilson:

I understand you are trying to help explain, but it would be nice if we could just get to the question.

Deputy L.D. Carpenter:

Thank you, Chair. Yes, moving on. The Fiscal Policy Panel has consistently warned of the long-term fiscal risks associated with an ageing population and increasing healthcare costs. What analysis has been undertaken to demonstrate that the current reserve position is resilient to those pressures and what assumptions underpin that assessment?

Treasurer of the States:

By reserve, do you mean the Social Security Reserve?

Deputy L.D. Carpenter:
Yes.

Treasurer of the States:
In terms of the Social Security Reserve, is that every 3 years or every 5 years actuarial review?

[14:45]

Group Director, Strategic Finance, Treasury and Exchequer:
That is an excellent question. Let us go with …

Treasurer of the States:
Shall we call it on average 4?

Group Director, Strategic Finance, Treasury and Exchequer:
Yes.

Treasurer of the States:
There is a requirement for an actuarial review that would identify how well the fund is placed and indeed that will inform the decision for Budget 2028. It is a public book.

Deputy L.D. Carpenter:
Thank you. If the risks materialise as projected, at what point would reserves become insufficient and how do you reconcile the panel's warnings with your position on the adequacy of common service?

Treasurer of the States:
This will probably confuse matters by talking about the Social Security Reserve. The Social Security Reserve is not what the F.P.P. (Fiscal Policy Panel) in particular talks about, is it? The F.P.P. is talking about the Strategic Reserve and the adequacy of the Strategic Reserves. It is the Treasury position that we would like to see that reserve grown. It is very much on record with the current Minister for Treasury and Resources that that would be the position. There are recommendations within the Fiscal Policy Panel report that was issued today that says we should, in particular, knuckle down on making sure the allocations out of future windfalls arriving from Pillar Two revenues that might not be recurring should be, firstly, used to reduce the drawdowns on the Strategic Reserve for the hospital project and, secondly, used to reinstate the Stabilisation Fund, in particular the Strategic Reserve.

Deputy K.M. Wilson:

Did you follow the Fiscal Policy Panel's recommendations last time?

Treasurer of the States:

Did I?

Deputy K.M. Wilson:

The Government.

Treasurer of the States:

The Assembly. Being in Government, being in the Assembly is an incredibly difficult job in terms of comparing pressures for available resources. Those are …

Deputy K.M. Wilson:

In part.

Treasurer of the States:

Pardon?

Deputy K.M. Wilson:

In part is the response to that.

Treasurer of the States:

In part …

Group Director, Strategic Finance, Treasury and Exchequer:

They were positive about our shift towards capital spending and the ambitions around that.

Deputy K.M. Wilson:

I think the question that this is trying to get at is, how confident can we be that the reserve position will be addressed in line with F.P.P. recommendations?

Group Director, Strategic Finance, Treasury and Exchequer:

The Minister for Treasury and Resources is on record and he is ….

Treasurer of the States:

The Minister for Treasury and Resources is on record, yes.

Group Director, Strategic Finance, Treasury and Exchequer:

… raising an amendment to Deputy Andrews's proposition that he will be bringing forward a proposal that does exactly that for the next Budget.

Deputy K.M. Wilson:

Thank you.

Deputy L.D. Carpenter:

Thank you. How does Treasury determine where the reserves remain at an appropriate level to mitigate future financial shocks?

Treasurer of the States:

A piece of work that we would like to do ahead of Budget 2028, I will try not to give the very long answer in respect to what the Fiscal Policy Panel did. But I did comparisons with 3 other scenarios where there were very significant, almost catastrophic, shocks to the economy, how much money was needed to be in place. That guide says proportionate G.V.A. (gross value added) the size of the Strategic Reserve. As I understand it, their advice states that it should be 30 per cent to 60 per cent; we would dearly love to get to 30 per cent. In respect of other scenarios, and they would possibly be more likely scenarios rather than complete decimation of the economy, which would be looking at scenarios that said if we are to have a significant shock for a significant part of our income, what would the adequacy of the Strategic Reserve be in those scenarios? We have been asked to look at that. The outgoing chief executive suggested that is something we should be doing and we will do that ahead of Budget 2028. We are already working on it with the Economics team.

Deputy L.D. Carpenter:

Okay. This is not something that currently occurs frequently then, something that you …

Treasurer of the States:

We have previously done it. We have not done it for a few years. We have some experience obviously through COVID of how it worked during COVID. We feed that into the learning. We also take the work we have done in respect of the shocks you might see from different scenarios in the worldwide economy or locally and the effect they will have on the reserve and, therefore, their adequacy. This just builds on another layer that is a distant scenario that says, I do not know, what are we thinking? £200 billion shock, in particular would say to financial services, what sort of period would you need to have the reserve in place? What other measures would you also take of what period to adjust your spend also?

Deputy L.D. Carpenter:

Thank you.

Deputy K.M. Wilson:

Thank you very much. Just going to come to Deputy Li to ask a question about infrastructure on why the Government assess investments.

Deputy V. Li:

Thank you, Chair. The Annual Report highlights significant future expenditure commitments, including healthcare, infrastructure and a wider Government asset investment. To what extent are the future commitments already constraining the financial resilience today?

Treasurer of the States:

Just for a second I thought Phil might jump in. Go on.

Group Director, Strategic Finance, Treasury and Exchequer:

I am happy to give that a go. Obviously we have got a funding strategy for the hospital. We know there are other components, the new healthcare facilities project that we are going to have to work up a funding strategy for. Last year we published the Investing in Jersey strategy, which acknowledged the needs to invest in our infrastructure generally. But the work we have done that underpins that shows us that we are talking about amounts of money that are adjustments to day-to-day spending, which is where we would like to get the funding from. They are at a level that is achievable over the course of the remainder of this political term. We are hopeful that Budget 2028 will bring forward a long-term capital plan that addresses our health infrastructure needs but also addresses our wider infrastructure needs in the Island in general and is capable of being funded. I think we are on the cusp of making a wider infrastructure and one that is much more sustainable from that perspective and it does not put undue strain on the public finances.

Deputy V. Li:

Do I take it that a contingency has been allocated from the reserve to cover some potential overspend or you just in general are very confident about that?

Group Director, Strategic Finance, Treasury and Exchequer:

Sorry, I am not talking about necessarily covering off overspends. I might have misinterpreted the question, if that is the case. I was more meaning about our long-term requirements to invest in infrastructure, to expand our capital programme and the financial plausibility of those. They are fundable, they are something we are hoping we will be able to achieve in the next 3-year Budget; that is one part of the discussion. Is your question about something else?

Deputy V. Li:

Are you confident there is not going to be any overspend with the projects that we are talking about?

Group Director, Strategic Finance, Treasury and Exchequer:

In terms of the new healthcare facilities project?

Deputy V. Li:

Other assets.

Group Director, Strategic Finance, Treasury and Exchequer:

Yes. I think we, as an organisation, the Assembly included, the whole Island needs to turn its attention to getting that facility constructed on time and on budget. We have provided contingencies within the sums that are available for it. They are in a much better level of maturity than has previously been the case. Obviously those have been distilled down. In a big infrastructure project there is always risk. It is incumbent upon all of us who are working to make sure that they are able to successfully deliver within their budget.

Mr. C. Heal:

The Deputy is asking specifically, have you allocated reserves as a contingency in case the healthcare overruns?

Group Director, Strategic Finance, Treasury and Exchequer:

There is a contingency baked in within the funding for the programme itself.

Mr. C. Heal:

Ookay. Is there an amount dedicated to that you can define? How much …

Group Director, Strategic Finance, Treasury and Exchequer:

We can share the details of how much of that is available.

Mr. C. Heal:

Okay. There is an amount dedicated for a potential overrun, okay.

Deputy V. Li:

I understand we talked a lot about reserves just now and looking back, not looking forward, what assessment has been made when we are talking about affordability of potential borrowing or borrowed and the burden it could place on the future generations?

Treasurer of the States:

Are we talking about N.H.F.P. (New Healthcare Facilities Programme) 1?

Group Director, Strategic Finance, Treasury and Exchequer:

The level of borrowing generally I think.

Treasurer of the States:

The level of borrowing more generally. Yes, in particular when going through N.H.F.P. and nearly every single one of its previous situations up to the stage of getting towards delivery, we did work through how funding would be paid for. In respect of N.H.F.P., what we have done is in the last couple of years changed strategy away from funding the annual interest costs from the Strategic Reserve. In terms when we came through Pillar Two, allocated some of the core Pillar Two to funding that. We are in a better position than we were previously. But we do muddle through what the impacts are on the finances over the long term. The point I would probably say and will probably regret it, is that we talk about burdens for future generations of people who will use that asset in terms of the cost, picked up during those future budgets from the taxes and in this case Pillar Two taxes, that from Islanders who will be taking the services from that particular facility.

Deputy V. Li:

Okay.

Group Director, Strategic Finance, Treasury and Exchequer:

Distilling that down, we have funded the interest costs - it says here that we have - so we are particularly focused on the hospital; they are funded. They are at a level that they can be afforded in that context.

Deputy K.M. Wilson:

I think the accounts suggest that the expenditure on health in terms of not only from my delivery of services but also capital is going to take up a large proportion of the public finances. The question really is: how are you controlling for that exponential increase?

Treasurer of the States:

If we just set aside - sorry for confusing further - the cost in respect of the building and the borrowing for the building, which there are strategies in place as to how that would be paid for. The other item is day-to-day spend and how that will grow over the period. We have been involved in the various workstreams, including the future one, that looks at how those costs will grow over time. We will be very much involved in the resolution of how those would be funded.

Deputy K.M. Wilson:

The question then that follows is in terms of future proofing: what assessment have you made of the long-term projections in terms of the service transformation, service redesign, efficiency of health estate? Where is all of that being factored into your calculations?

Group Director, Strategic Finance, Treasury and Exchequer:

I sit on the Health Funding Reform Board, as part of the preparations for the next 3-year Budget. It is one of the 7 key workstreams that the new chief executive has commissioned. He commissioned it on the very day we lodged the current Budget, which is always good fun. Accompanied within that are our funding options, what can we do to find more money for the existing health system? But that is one of, I think, about 6 different levers that the team are looking at, being more innovative in the way the commission services, looking at the service model and its design, looking at how we can partner better with different providers in the U.K. to perhaps provide both better quality care at a cheaper cost as well. That work is absolutely completely woven through the work we are doing on health funding reform. We cannot just be looking at finding more money for the health system. We need to make that deliver better value for money at the same time.

Deputy K.M. Wilson:

What we can be confident about is that you will be testing the plans as to whether or not they are going to be relevant for a future delivery of healthcare in the Island, and that may well change the configuration and the strategic delivery and …

Group Director, Strategic Finance, Treasury and Exchequer:

That is absolutely right.

Deputy K.M. Wilson:

… with the intended outcome of becoming more efficient and not seeing an exponential rise as a result of lack of strategy. Because we do not have a strategic framework on which to hang all of this development. When can we see that?

Group Director, Strategic Finance, Treasury and Exchequer:

The very first thing will be a health strategy, which the other Health team are already working on, as you know.

Deputy K.M. Wilson:

Good, glad to hear it. When will we see that?

Group Director, Strategic Finance, Treasury and Exchequer:

The way in which we are working with this health-led initiative is intended to produce outputs for internal consumptions at chief executive and C.O.M. (Council of Ministers) level for March in 2027. Then, ultimately, we will be working up for that through to develop proposals for the new Budget.

Deputy K.M. Wilson:

Okay, thank you. Right, I am going to move on to my colleague around debt recovery and revenue collection.

Mr. M. Oliver:

Yes. Last year's accounts reported a fairly significant increase in provisions of bad debts. Was there any particular factor that was driving that? What can the Treasury do to get more debts recovered?

[15:00]

Treasurer of the States:

Debt recovery, if you were to see from our business plan, is a key area of focus for the department across with colleagues in Revenue Jersey. We have put more resources into debt collection. We have also put in place reviews of our policies and practices in terms of revenue collection and currently going through the data in terms of understanding some of the drivers in respect of, in particular, income tax, and the tax number is fairly high. The other aspect that we have done in terms of this, particularly last year, you talk about the increase in provisions, is provide more rigour to our assessment of the reasonableness of collection of those debts. Looking at type and looking at how old those debts are, and that is why you see rigour coming through in terms of what I would say is a more reasonable level of provision against those debts due across the piece. What I would say is while debt goes up, and this is an area I think we need probably to improve understanding in the accounts, there are some numbers in there that relate to receivables and those receivables combine a number of things. The receivable as opposed to due. From a debt management perspective, we are looking at the collection of amounts that are due, not necessarily just receivables, which talk more about this, but some taxes in respect of this current year are not due to be paid until partway through the following year. They are not actively under debt management as of yet. I would say that 2 principal areas across Treasury and Exchequer over the last year that have been under the most scrutiny, the most senior management scrutiny, have been debt collection. Customer service, the core stats that we come and look at month in, month out in terms of looking across Treasury, as opposed to just in Revenue Jersey, what has been happening and then trying to understand why numbers are not going in the direction we would like them to be going, the reasons for that. Also, looking at strategies and how we might go about collecting. There is also a Debt Committee that meets regularly to go through some of those large debts in particular and

decisions taken in respect of how to chase those debts up. There is a factor that relates to the different accounting treatments at different points in time. But the debt under management is as a percentage of taxation income, it is at or about the level it was at the end of COVID, notwithstanding the fact because income has gone up by so much it is a larger number.

Mr. M. Oliver:
On the income tax, is that personal taxpayers or is that corporates not handing over I.T.I.S. (Income Tax Instalment Scheme) in a timely manner?

Treasurer of the States:
There is a combination of both but the majority of the number is in respect of income tax balances due after I.T.I.S., but there are numbers in respect of I.T.I.S. as well.

Mr. M. Oliver:
Is there much provision in there for the P.Y.B. (prior year basis) debt?

Treasurer of the States:
No, that excludes P.Y.B. because when we talk about debt management those amounts are not due as yet, so, therefore, they are not in the debt collectors …

Mr. M. Oliver:
That does not sit in the balance sheet anywhere.

Treasurer of the States:
That does sit in the balance sheet. If you look at the receivables number …

Mr. M. Oliver:
But it does not long term …

Treasurer of the States:
… it is further down in the table due over more than one year. What we will have, as the deadline has just closed, is the elections of how P.Y.B. taxpayers would like to pay that. There are a number of options and elections to make as to how they would provide for that.

Group Director, Strategic Finance, Treasury and Exchequer:
Yes.

Treasurer of the States:

That will then guide us on the future valuation of that receivable. But also will give us better sight as to how we might expect those flows to come in.

Mr. M. Oliver:
Do you anticipate that is going to be a difficult thing to grab?

Treasurer of the States:
Yes.

Comptroller of Revenue and Competent Authority:
I think on P.Y.B. we have now, effectively, set up the team to collect the liability. A lot of the effort is frontloaded. Quite a lot of money has already been collected. I think originally there was around £350 million that was suspended, about £45 million has not been paid by people who either just wanted to get the amount paid or the debt crystallised in one way or another, by people dying or leaving the Island and so on. There is about £270 million to collect. As the Treasurer said, we are in the process at the moment of collecting everyone's elections. Most people we think will pay it off over the next 17 years by an annual sum. There are some other options, including payment on retirement for some people. But that is all just starting to gear up and the first invoices for the first 117 for the liabilities will go out in 2027.

Mr. M. Oliver:
Thank you.

Deputy K.M. Wilson:
Okay, thank you. Thank you very much. Deputy Li, you have questions on underspends.

Deputy V. Li:
The accounts recorded £104 million underspend against the approved project budgets. How does the Treasury determine whether this reflects prudent management or delivery failure?

Treasurer of the States:
I will start and it would probably finish off here. This largely reflects N.H.F.P. 1. We will, now that we have got to the point of contract signing, have a much more accurate forecast going forward of the cash flows and, therefore, Budget 2027, is that the right one, to more accurately reflect how and when spend takes place? It has been difficult up to this point for the team that is delivering it to give us better forecast of spend. That piece is in particular by far and away the biggest reason for that underspending year over time. I am stealing Phil's thunder here because he is responsible for it. We have worked with departments quite successfully over a period of time to get better forecasts of

spend. Indeed what happens halfway through the year - and, unfortunately, it is only halfway through the year because of the length of scrutiny of the Budget - we work with departments to see if they know how much they are going to underspend this year. We take it out, essentially, of the budget that year and we put it into the budget for the following year.

Mr. R. Duncombe:

I suppose just following on from that, our concern I guess is that an underspend in capital - and I guess many of that built on business cases that have benefit realisation built into them - is that every year the capital goes unspent is, potentially, a missed opportunity to save revenue.

Treasurer of the States:

Yes, and the …

Mr. R. Duncombe:

Is much analysis being done on that in terms of the opportunity costs that we are missing as a result of underspends and the reason for that?

Treasurer of the States:

Yes, we do work departments to understand why that might be happening. Also in a period over the elapsed time of a capital project there could be many reasons as to how that would be the case.

Deputy K.M. Wilson:

What have you found?

Treasurer of the States:

One of which might be planning, for example. Sorry?

Deputy K.M. Wilson:

What have you found through that analysis?

Treasurer of the States:

That there are a number of different factors. What we have also found is …

Deputy K.M. Wilson:

What are they like? What might they …

Treasurer of the States:

… we need greater control and indeed with thinking this through in terms of proposals for future control of capital in terms of release of funds. How might we release funds at different stage points during the year? What we moved from fundamentally from not too long ago is …

Deputy K.M. Wilson:
Sorry, Richard, if I could just stop you.

Treasurer of the States:
Yes.

Deputy K.M. Wilson:
Just we specifically need to understand the position around the £104 million underspend that is reported in the accounts.

Treasurer of the States:
Yes, the majority of that is hospital.

Deputy K.M. Wilson:
Okay, so that is the answer, it is around the …

Treasurer of the States:
The majority of it is.

Deputy K.M. Wilson:
The majority is around the hospital.

Group Director, Strategic Finance, Treasury and Exchequer:
Overwhelming majority, £97 million out of £104 million is for the hospital project; we have not touched on that, 7 per cent.

Mr. R. Duncombe:
I also understand that some of it relates to I.T. (information technology) and digital.

Group Director, Strategic Finance, Treasury and Exchequer:
It does, yes.

Mr. R. Duncombe:

Should we be concerned about that because obviously I would imagine that I.T. and digital initiatives in particular are those which can lead to revenue-saving initiatives in the future? We have already built business cases that have said if we make this digital investment now we are going to need less budget going forward.

Group Director, Strategic Finance, Treasury and Exchequer:

The answer to your question, we should all be mindful, a level of underspend is absolutely, as you say, an opportunity cost. We want that number to always be lower. I think it is a good story to tell in terms of the percentage underspend that we have seen on the core capital programme; that has been coming down and down over the past few years. But there is absolutely more we need to do. The new chief executive just established a new capital investment delivery group, one of the drivers, for precisely this reason. The thing I am most excited about is use that to ensure we are driving delivery. Ensuring in the first place you have got credible plans in place, budgets align with strong project plans that are robust, that are not unduly affected by optimism bias and can be delivered on time. But also that we are holding accountable officers to account for delivery against those project plans. Where we have invested in a project, there is an opportunity, of course we could have invested in something else. To the Treasurer's point though, if we can adopt a more staged release of funding approach, that opportunity cost can come down. We can use monies that we have available to us to invest in smaller projects that perhaps can be initiated in year; that is something we want to explore as well, so your point is better addressed.

Deputy K.M. Wilson:

What you are saying is that of the £104 million underspend, the fact is that that can put factors related to planning and …

Group Director, Strategic Finance, Treasury and Exchequer:

It is always planning, is it not? It is planning; were our plans credible or not ultimately?

Deputy K.M. Wilson:

But what else? You talked about factors. It is important for us to understand this. We are talking about £104 million underspend and an opportunity cost that is lost. Help us understand that.

Treasurer of the States:

In this case in respect of that, that is borrowing that was ongoing. There is only one reason we can borrow that money and that is for N.H.F.P. 1, so that is borrowing that has not taken place. The issues may well be around making sure that the project still delivers to the timescale that it originally intended to do so and, therefore, whether inflation or other aspects are sufficient.

Deputy K.M. Wilson:
Thank you.

Mr. R. Duncombe:
I suppose just closing, very quickly then. In going forward, would you be able to present back to us that scale of that opportunity cost missed through not spending capital? Are we able to say presume a business …

Group Director, Strategic Finance, Treasury and Exchequer:
It is counterfactual, is it not? It is hard to put prices on …

Mr. R. Duncombe:
I suppose a business case is built on a benefit realisation which says if we invest this amount of capital now, we are going to realise this revenue benefit going forward, otherwise if the business case itself does not stack up.

Group Director, Strategic Finance, Treasury and Exchequer:
Yes, sometimes there are investment cases that …

Mr. R. Duncombe:
We should, therefore, be able to present year on year what is that number that has been missed through, as you say, failure to implement the capital spend.

Group Director, Strategic Finance, Treasury and Exchequer:
I think overwhelmingly our capital projects are on income-generating, they are not cost-saving delivery, they are economic value, creating the social value, we build a new school is not necessarily to save us money.

Deputy K.M. Wilson:
But can you do what the member is asking? Yes or no.

Group Director, Strategic Finance, Treasury and Exchequer:
Where there is a benefit case clearly we can say that that is a year's worth of those benefits foregone, so that is the case.

Mr. R. Duncombe:
Yes. It think that is what I am asking. I fully appreciate there are other reasons why you may do a capital spend, apart from to realise a capital-raising benefit but …

Group Director, Strategic Finance, Treasury and Exchequer:
Yes, already putting a pound sign on that will be challenging. We can talk about the benefits foregone, but monetising them will not always be the case.

Mr. R. Duncombe:
But there must be within each business case the sum element of cash releasing. If we make this investment in a digital system, we are doing that because it is going to be cash releasing.

Group Director, Strategic Finance, Treasury and Exchequer:
Often very much the case for the digital system, but sometimes we are doing it for pure quality purposes. As an investment case we want to provide better quality services and it is just a cost centre; that is the case sometimes.

Treasurer of the States:
A good example of that would be in our own department and a digital transformation of the tax system. One of the reasons to do so was to deliver independent taxation. That is not done for a pound sign; that is done for other reasons.

Mr. C. Heal:
Do the capital investment business cases define the R.O.I. (return on investment) and benefits in every case?

Group Director, Strategic Finance, Treasury and Exchequer:
To the point I was trying to make before, R.O.I. is much more challenging. If we were in a place like the U.K., they do try to get to a point, an army of economists trying to monetise benefits, that we have tried it. It is part of my job for a few years, trying to get to it, just occasionally allowed us to do that. In practice, we are much more in the place and be able to define benefit in terms of outputs and outcomes, as opposed to being able to monetise those. R.O.I. in the purest sense is difficult in our context. What we absolutely can do is tell you that we are going to be 12 months, 18 months later in the delivery of some benefits and those would be generally from …

Mr. C. Heal:
While it might not be a financial R.O.I., there is a defined benefit.

Group Director, Strategic Finance, Treasury and Exchequer:
There is a defined benefit to those.

Mr. C. Heal:
Do you relentlessly afterwards go after tracking those to make sure they are delivered?

Group Director, Strategic Finance, Treasury and Exchequer:
I think you may be aware that that is one of the priorities, is that it was signalled in the C. and A.G. report that we are absolutely enthusiastically pursuing but there is much more work to do. I could talk for a long time about that if you wanted me to but …

[15:15]

Mr. C. Heal:
All right. You are enthusiastic, I am relentless but looking around this …

Group Director, Strategic Finance, Treasury and Exchequer:
Yes.

Mr. C. Heal:
Okay.

Group Director, Strategic Finance, Treasury and Exchequer:
I will enthusiastically and relentlessly go after them at some point but I do not think it is right for us to do it, is basically the point I am trying to emphasise in that sense.

Mr. C. Heal:
Okay, thank you, yes.

Group Director, Strategic Finance, Treasury and Exchequer:
Again, though that capital delivery group will be the way of a vehicle through which we get better performance and I think that is crucial. It is a really important step we are taking.

Mr. C. Heal:
Okay, thank you. Just move on to major Government procurement contracts. How do you assure yourself that those contracts are really delivering value for money? If you are not doing competitive tendering, and say it is below the £125,000 level or whatever that is, what are you doing to make sure that those contracts are delivering value for money? What metrics do you have? How do you track that? How do you report that?

Group Director, Strategic Finance, Treasury and Exchequer:

Typically you would be benchmarking. You have a template for what a given initiative should cost. If it is construction projects, I am trying to get the acronym now that R.I.C.S. (Royal Institute of Chartered Surveyors) provides. It is B.C.I.S. (Building Cost Information Service) I think it is, is the framework that allows us to have a template for what things should cost. We use professional advisers to help us with that as well where necessary and we expand on Q.S.s (Quantity Surveyors). Before you go out to tender you know what all of the detailed cost schedule should look like and then obviously you tend to see if you can find a supplier who will align to that. We have got a good understanding of what that would look like at the macro scale. But where things are below the tender threshold of £100,000 there is a more simplistic version of that. You do some market-testing, depends on the nature of the product that we are purchasing.

Mr. C. Heal:

Okay. What is the evidence of that, the procurements savings? If I wanted to look at that in terms of look back at what you are reporting that you have saved, how would I do that? Where do I get that data? What evidence is there to show that those savings were delivered?

Treasurer of the States:

In terms of procurements as they relate to the business case for capital, that will be through the benefits realisation of the actual project.

Mr. C. Heal:

That we talked about, yes.

Treasurer of the States:

With saying that, the key piece of work we are doing, working on at the moment, is a revised framework, a lighter touch framework because we fear that part of the framework is possibly too onerous, and that is why we do not get a lot of the reporting that we would like to see. We are trying to put in place a framework that will allow us to capture those on a lighter touch basis. We want to, as Phil says, come back through the delivery side of that planning and delivery of capital projects to come back and make sure that we are capturing those. In respect of individual procurements, there may well be where you are potentially going through a tender process. One in particular I have got within my own area relates to insurance contracts where we can show, having gone through a period, where we have just carried on using the same insurers, having taken a conscious decision to do so, to go on out to market for general insurance and seen savings on premiums made, balanced to a degree against additional risk being taken by us. But you can see, therefore, have an example over procurement that is not a capital project where the savings are made and that, therefore, the savings have been delivered through that procurement.

Mr. C. Heal:

Okay. What I am really looking for is, where is the evidence about what savings have been delivered and how is that being trialled? This is what I am trying to get to. The process behind that in terms of how you are doing that, where is it recorded? That is what I am trying to understand really.

Treasurer of the States:

We are doing that for the ones that we are responsible for.

Mr. C. Heal:

Okay.

Treasurer of the States:

Therefore, we will be able to track those. As I just said, when we are talking about capital we are talking about different.

Mr. C. Heal:

I am not just talking about capital, it is over …

Treasurer of the States:

We are talking here about costs. There will be some examples of billings in Health too, which is within the bounds of the Financial Recovery Programme in terms of consolidation of suppliers, where previously had umpteen suppliers providing the same goods and, therefore, not the rigour in process. Centralised purchasing team that has been put in place at Health and they are tracking those savings through in terms of the savings that are being delivered.

Mr. C. Heal:

They have a tracking mechanism for capturing all those savings, okay.

Treasurer of the States:

Yes, F.R.P. (Financial Recovery Programme) has a tracking measure in place to achieve that.

Mr. C. Heal:

Okay, it is about £450 million a year, is it not, the spend roughly, something like that? The third-party spend that you have with suppliers, I think it is about £454 million roughly, something like that.

Treasurer of the States:

I would have to come back to you on that number.

Mr. C. Heal:
Okay, let us move on.

Deputy K.M. Wilson:
Okay, thank you.

Mr. R. Duncombe:
I have got some questions about health, you will be glad to hear that. I think many of them you have already covered off, so I am not going to re-rehearse those but as you probably know, obviously healthcare is the greatest area of spend of taxpayers' revenue of money.

Treasurer of the States:
Yes.

Mr. R. Duncombe:
We have also got Mr. Walker coming to see us on Monday.

Treasurer of the States:
Yes.

Mr. R. Duncombe:
Just a couple of points then, one is, I suppose, in terms of growth in healthcare spend going forward, what are your assumptions or what assumptions are you working to on that? How do you expect healthcare spend to grow over the coming years?

Treasurer of the States:
This does overlap slightly with the previous question, or at least an answer if it was not to the right question, in respect of the healthcare funding, the long-term model. We do have an understanding from that model, which has been the subject to a C. and A.G. report recently and has had a number of iterations in review done by different economists.

Mr. R. Duncombe:
I guess you are aware that we have got some concerns over that and over the frequency with which that is done and the basis for that.

Treasurer of the States:
Yes. That is giving us, if you like, an annualised average increase that we may expect above the rate of R.P.I. in the Island that we are starting to build into.

Mr. R. Duncombe:
Do you know what that is or what the assumption is?

Treasurer of the States:
Overall 2.97 per cent but that is the whole of the health economy and a number of around 2.8 per cent of R.P.I., which we have provided for in Budget 2027.

Mr. R. Duncombe:
Okay. Then taking it to the other side, then obviously is, I suppose, the Financial Recovery Plan for Health and the savings target for Health. Have you set Health a savings target then going forward as well?

Treasurer of the States:
We have not at the present time. We would anticipate doing that as part of the funding solution Budget 2028 onwards. There is a savings target in the current year, which is the balance of the F.R.P., which is £9 million off the top of my head I think. That savings target is there, there is also, as part of the savings target in respect of rules, Health are not outside of that and they have an allocation of that decision Budget 2027. But that is not generally about overall productivity in Health. We will work through the productivity assumptions within the model and think about ongoing savings targets as well. The programme for F.R.P., which might be slightly behind target, is quite impressive and indeed could provide a model for us to roll out in the departments.

Mr. R. Duncombe:
I guess we may analyse that further on Monday.

Treasurer of the States:
Okay, all right, please do.

Mr. R. Duncombe:
I guess the challenge for me is always, I think, as you say, Health required an additional £14 million of funding in 2025 but then delivered a saving of £11 million. How do you balance those 2 together, that you are in one sense giving with one hand but taking with the other?

Treasurer of the States:
Probably 2 slightly different reasons underlying the allocation and the savings lost and then performance against the F.R.P., but also they found that the overspend that they were faced with required additional savings on top of that. That is not the underlying savings target that they would

have. In the past - and this is what we are looking to do in terms of moving forward with the new formula - once we get through all the States decision and look at the future funding model, will be as part and parcel, from my perspective, at the very least there will be what can be delivered on a sustainable basis to contribute to that additional funding.

Mr. R. Duncombe:
As you say, going forward we will continue to have, I suppose, an equation where there is above inflationary increases in the budget for Health, but aligned to that will be a savings target as well every year.

Treasurer of the States:
All of which has to be worked through, but that is the starting position I come from. But that has to be worked through once we agree on the long-term funding formula for Health and how it will be funded. I would expect there to be a productivity and …

Group Director, Strategic Finance, Treasury and Exchequer:
Yes, to the point I was making earlier, there is a range to that £2.8 million but it is a need. Some of it might be met through additional funding but some of it will absolutely be met through changes to the way that the service operates, and that needs to be a big part of the equation from our perspective.

Mr. R. Duncombe:
Okay, I am sure that is for further discussion.

Group Director, Strategic Finance, Treasury and Exchequer:
That is present code for savings, for the record.

Mr. R. Duncombe:
Okay, thank you.

Deputy K.M. Wilson:
All right, okay. We are in the last 5 minutes and unless my colleagues have any other questions they want to raise. Given what we have spoken about today, if Islanders take one message away from the Annual Report and Accounts, what do you think that should be, 2025 Annual Report and Accounts?

Treasurer of the States:

The 2025 Annual Accounts, but I do one on income and one on spend. The one on income would be that the income did not go really by much other than inflation and, therefore, we should exercise significant caution as to how we plan to move forward with the medium-term financial situation. On the expenditure side, even allowing for the cut in the States Grant, there are encouraging signs as to the levelling off of recent increases in growth expenditure can be done in terms of controlling the overall growth in expense. I would say that those are the 2 sides of the balance sheet, and we still have an incredibly strong balance sheet. With reserves, that while we have debates on how harsh they should be on a like-for-like basis, greater than they are in other places.

Deputy K.M. Wilson:

In terms of what risks can they expect to be foremost in this year's management of public finances?

Treasurer of the States:

Yes, I did some thinking earlier around biggest risks, I think now we say which has a number of threats to it, okay, is that we need to maintain our competitiveness in the Island. We are hugely dependent on the success of the financial services industry. It has productivity in a different sense in terms of contribution to G.V.A. and, therefore, tax take, though it is difficult to match with most other industries. Therefore, it is really important that we deliver on competitiveness. There are strands, however, that relate to that, that relate to cost of living. There are interrelationships between the cost of living and the cost of doing business and the cost to Government. It is not just about your sales pitch to get the business, it is fundamentally important to get the cost base to make those businesses competitive as well. That relates to the rest of the economy, which I also see as symbiotic with financial services.

Deputy K.M. Wilson:

Yes. Okay, thank you very much. We are coming to the end of our scheduled time. However, we still do have a number of questions which we did not manage to address today. But would your team be willing to certainly take those questions and feed back your response to us in a timely way? We just want to say thank you for attending the hearing today and for addressing the committee's questions and also to thank you, supporting officers, who have contributed to the proceedings today. We will look forward to the next quarterly hearing with you in the new year. Thank you.

Treasurer of the States:

Thank you.

Deputy K.M. Wilson:

Okay, thank you.

[15:28]