

Council of Ministers

(22nd Meeting)

24th September 2024**Part A (Non-Exempt)**

All members were present, with the exception of Deputy L.J. Farnham of St. Mary, St. Ouen and St. Peter, Chief Minister, Deputy S.G. Luce of Grouville and St. Martin, Minister for the Environment and Deputy I.J. Gorst of St. Mary, St. Ouen and St. Peter, Minister for External Relations, from whom apologies had been received.

Deputy T.J.A. Binet of St. Saviour, Deputy Chief Minister and Minister for Health and Social Services (Acting Chair)
 Connétable R. Vibert of St. Peter, Minister for Children and Families
 Connétable A.N. Jehan of St. John, Minister for Infrastructure
 Deputy C.F. Labey of Grouville and St. Martin, Minister for International Development
 Deputy K.F. Morel of St. John, St. Lawrence and Trinity, Minister for Sustainable Economic Development
 Deputy M.R. Le Hegarat of St. Helier North, Minister for Justice and Home Affairs (for item A1 and part of item A2 only)
 Deputy R.J. Ward of St. Helier Central, Minister for Education and Lifelong Learning (for part of item A2 and items A3 and B1-B3 only)
 Deputy S.Y. Mézec of St. Helier South, Minister for Housing
 Deputy L.V. Feltham of St. Helier Central, Minister for Social Security
 Deputy E.M. Millar of St. John, St. Lawrence and Trinity, Minister for Treasury and Resources

In attendance -

Connétable M.K. Jackson of St. Brelade, Representative of the Comité des Connétables
 Deputy M.R. Ferey of St. Saviour, Assistant Chief Minister
 Deputy C.S. Alves of St. Helier Central, Assistant Chief Minister
 Deputy M.R. Scott of St. Brelade, Assistant Minister for Sustainable Economic Development
 Deputy B. Ward of St. Clement, Assistant Minister for Health and Social Services
 Sir Jon Cunliffe, Chair, Fiscal Policy Panel (for item A2 only)
 Professor F. Breedon, Member of the Fiscal Policy Panel (for item A2 only)
 Professor R. Davies, Member of the Fiscal Policy Panel (for item A2 only)
 A. Rowlatt, Member of the Fiscal Policy Panel (for item A2 only)
 M.H. Temple, K.C., H.M. Attorney General
 L.-M. Hart, Greffier of the States
 Dr. A. McLaughlin, Interim Chief Executive and Head of the Public Service, Government of Jersey
 R. Bell, Treasurer of the States (for items A1-A2 only)
 T. Holvey, Chief Economic Adviser, Cabinet Office (for item A2 only)
 E. Lewis, Interim Executive Director, Jersey Overseas Aid (for item A3 only)
 R. Johnson, Director, Health Policy, Cabinet Office (for item B2 only)
 N. Fox, Head of Policy - Criminal Justice, Cabinet Office (for item B1 only)

P. Bradbury, Head of Ministerial Office
B. Markwell Sales, Business and Governance Officer to the Council of Ministers
K.L. Slack, Senior Secretariat Officer, States Greffe
C. Tucker, Trainee Assistant Secretariat Officer, States Greffe

Note: The Minutes of this meeting comprise Parts A and B.

Declarations of interest.

A1. No declarations of interest were received from Ministers in connexion with any items of business discussed at the current meeting.

Fiscal Policy Panel Annual Report 2024.

A2. The Council received and noted a PowerPoint presentation, providing an overview of the Fiscal Policy Panel's Annual Report for 2024 and welcomed Sir Jon Cunliffe, Chair and Professors F. Breedon and R. Davies and Ms. A. Rowlatt, Members, Fiscal Policy Panel (FPP), to the meeting.

It was recalled that the FPP had been placed on a statutory footing in 2014 and its role reiterated in the Public Finances (Jersey) Law 2019. It had a statutory duty to publish an annual report, which provided comments on the strength and indicative future of the local economy, the outlook for world economies and financial markets, the economic cycle in Jersey, the medium- and long-term sustainability of the States finances and the advisability of transfers to or from the Strategic Reserve and Stabilisation Funds.

Sir Jon informed the Council that he had recently succeeded Dame Kate Barker as Chair of the FPP and had been mindful of the 5 key principles that governed the Panel's work. These were that economic stability was at the heart of sustainable prosperity, that fiscal policy should be focused on the medium term, should aim to be predictable and have the flexibility to adapt to economic conditions, that supply was of equal importance as demand in the economy and that low inflation was key to competitiveness.

The FPP recognised that Jersey was a high-income jurisdiction and had experienced strong economic growth over the previous 30 months, primarily resulting from profits in the banking sector, as a consequence of a number of factors, including changing global interest rates, which were outside the Government's control. Jersey's economy and, by association, the quality of life enjoyed by Islanders, was significantly dependent on the financial services sector continuing to perform well. However, banking profits were anticipated to increase at a slower rate from 2024 onwards and economic growth would revert to lower, historical levels. The Island lacked the key policy levers employed by larger economies to address any volatility and shocks and, in order to address this *lacuna*, the Strategic Reserve and Stabilisation Funds had been established and their vital importance was emphasised, as they enhanced the Island's ability to borrow.

The FPP acknowledged the challenges faced by the Government in striving to balance increasing public expenditure with investment in the future and in the aforementioned reserve funds to enhance the Island's ability to withstand shocks, such as the Covid-19 pandemic. It was noted that the central tax revenue forecast had increased, but this had not been allocated to replenishing the funds. However, the decision to invest the proceeds from the Prior Year Balance taxation debts into the Strategic Reserve was welcomed by the FPP, whilst noting that this remained at far below the recommended level to provide economic resilience in the short and medium term. It was currently at approximately 17 per cent of Gross Value Added, rather than the desired 30 per cent.

The FPP observed that the recent strong growth in the economy should have resulted in a minimum of between £50 million and £80 million being placed into the Stabilisation Fund, which was currently exhausted. However, it commended the action taken by Ministers to increase the same by investing surpluses and a portion of the Organisation for Economic Co-operation and Development (OECD) Pillar 2 tax receipts (totalling £41.6 million) in the Stabilisation Fund. It also acknowledged that the future receipts had been prudently forecasted by focussing on the banking sector alone.

By 2028, it was envisaged that the Island's operating deficit would worsen as expenditure overtook income. It was noted that 76 per cent of the increase in daily outlay was on healthcare, which equated to 27 per cent of total Government expenditure and exceeded the OECD's standards. Sir Jon indicated that demand for spending on health was infinite, but the quantum of expenditure on that area locally was unsustainable and would require the Government to make difficult choices between healthcare and other areas of the economy.

The Council was informed that the FPP's annual report for 2024 was due to be published on 24th September 2024 and contained a number of recommendations, as follows –

- that greater emphasis should be placed on the medium-term, to protect Islanders from the impact of major crises and to ensure the Island's resilience;
- that urgent action should be taken to increase the Strategic Reserve;
- that surpluses and a proportion of the Pillar 2 receipts should be invested in the Stabilisation Fund;
- that the current and prudent approach to forecasting and ringfencing receipts from Pillar 2 should continue;
- that consideration should be given to how healthcare pressures could be managed in the future, noting that the current level of expenditure was untenable; and
- that the FPP was concerned that proposed expenditure growth, absent spare capacity, could generate additional inflation which would result in higher prices or demand going offshore.

It was noted that an uplift in productivity would be required in order to support an increasingly ageing demographic, whilst maintaining current standards. The rate of growth locally was estimated at between 0.25 per cent and 0.5 per cent and the Council was informed that any increases in productivity (whilst maintaining the population at current levels) were positive, albeit real growth of between 2 and 3 per cent *per annum* was the aim, whilst acknowledging that this could be challenging to attain and mindful that annual average growth globally had been 2.3 per cent.

The Council noted the contents of the 2014 annual report, indicated that it was fortunate to have individuals of the calibre of the Chair and members of the FPP providing advice and thanked them for the briefing.

Jersey
Overseas Aid.

A3. The Council, with reference to Minute No. B5 of 4th September 2019 of the Council, as previously constituted, received and noted a report, entitled 'Jersey Overseas Aid – information for Ministers' and an associated PowerPoint presentation, which had been prepared by Mr. E. Lewis, Interim Executive Director, Jersey Overseas Aid (JOA) and welcomed him to the meeting.

Deputy C.F. Labey of Grouville and St. Martin, Minister for International Development, informed the Council that JOA received a sizeable budget from the Government (£25 million for 2025) but there existed a certain lack of clarity around its function, with some Islanders erroneously referring to it as a charity, whereas it

was the official aid agency for the Island. As a consequence, it was important to enhance the understanding of what JOA achieved, both domestically and internationally.

The Council was reminded that JOA had been established in 1968, had been formally incorporated under the Jersey Overseas Aid Commission (Jersey) Law 2005, was defined as a Specified Organisation under Schedule 2 to the Public Finances (Jersey) Law 2019 and, as such, had its own Accountable Officer. In 2019, the decision had been taken to formally link the budget for JOA to Gross Value Added (GVA). In 2023, JOA had received 0.29 per cent of GVA, which aligned with Italy and Lithuania, whilst the United Nations' (UN) target was 0.7 per cent and the Organisation for Economic Co-operation and Development average was 0.37 per cent. This link to GVA enabled JOA to benchmark itself against other jurisdictions, had facilitated investment in staff and ensured that the programmes, which it supported, had a greater impact. It was noted that JOA currently comprised 6 full time staff members and an intern and had been rated 'world class' in the Be Heard survey 2023.

The Council was apprised of upcoming international engagements and new opportunities and partnerships for JOA and it was informed that JOA had 4 principal workstreams as follows -

International development grants

The focus was on areas where Jersey had expertise, primarily Dairy for Development, Conservation Livelihoods and Financial Inclusion. The funding was targeted at countries where there was a high level of need, combined with relatively low levels of corruption (4 countries in Africa and Nepal). The grants alleviated immediate poverty but also contributed to longer term change and included support for micro-businesses, primarily those run by women. The impact of the aid was continually monitored, and the Council was informed that, since 2018, JOA had employed a dedicated officer for this purpose.

Humanitarian Aid

It was noted that 25 per cent of JOA's budget funded humanitarian and emergency aid. JOA currently contributed to 4 pooled funds, which enabled the aid to rapidly reach local organisations which were well placed to respond to crises. It also provided cash assistance, which was the most effective form of relief and JOA was working in partnership with the Red Cross to ensure societies were cash ready. It supported underfunded and under-reported emergencies in countries which normally did not receive resources and provided flexible funding to organisations to enable them to deliver an effective response. Areas which had been provided with humanitarian support from JOA included Gaza, Haiti, Sudan and Rohingya. Ukraine had received almost £4 million from Jersey, comprising £1 million from Government, £1.4 million from public donations (Bailiff's Ukraine Appeal / Side by Side) and £1.557 from the JOA's emergencies budget.

Jersey Charities

The Council was informed that the local charities supported by JOA ranged from those of international renown, such as Durrell and the Royal Jersey Agricultural and Horticultural Society, to small 'kitchen table' charities. JOA provided funds to overseas aid projects, which had proven effectiveness and offered training and support to ensure that they had appropriate governance and the ability to measure their impact in line with international standards.

Opportunities for Islanders

It was noted that there was a range of opportunities for Islanders of varying ages,

from volunteering to bursaries for school leavers and graduates and internships. These provided valuable experience, and 2 former interns were currently working with the UN.

The Minister for International Development informed the Council that JOA was often asked about its role with respect to refugees, but that this was the responsibility of the wider Council of Ministers, as it impacted various remits, including those of the Ministers for Housing, Justice and Home Affairs, Education and Lifelong Learning and Health and Community Services. As such, she suggested that the matter should be discussed regularly by the whole Council. In her view, it was a misconception that refugees had a desire to travel to the United Kingdom or Jersey and the large majority wished to remain in the camps near to their home countries to enable an eventual return where practicable. JOA provided money at source and in the refugee camps, supporting agencies such as UNICEF and the Red Cross.

The Council noted the position and thanked the Minister and Mr. Lewis for the interesting update.