

STATES OF JERSEY



STRATEGIC RESERVE FUND – LONG- TERM FUNDING PLAN (P.68/2026) – COMMENTS

Presented to the States on 14th October 2026
by the Council of Ministers

STATES GREFFE

COMMENTS

The Council of Ministers supports the underlying objective of P.68/2026 and recognises the importance of strengthening Jersey's long term financial resilience.

The Strategic Reserve is a vital component of Jersey's financial security, providing protection against major economic, fiscal and other exceptional shocks.

The Council of Ministers also accepts the advice of the Fiscal Policy Panel that the Strategic Reserve should be increased over time, with a minimum long-term objective of at least 30% of Gross Value Added.

However, Ministers consider that any commitment to increase reserves must form part of a wider, coherent and financially sustainable strategy.

The ability to rebuild Jersey's reserves depends ultimately on the Government's capacity to live within its means, control expenditure, support economic growth and generate sustainable budget surpluses.

Restoring sustainable public finances

The Council of Ministers recognises that Jersey faces significant pressures on its public finances, including rising healthcare expenditure, demographic change, infrastructure requirements and the costs associated with existing and future borrowing.

These pressures reinforce the importance of restoring sustainable balanced budgets.

The Council is committed to improving value for money, eliminating unnecessary expenditure, strengthening productivity and supporting the economic growth necessary to sustain public services.

Budget 2027 represents the first stage in this process, with a more comprehensive programme of fiscal reform and expenditure control to be developed through the Budget 2028–2030.

Rebuilding reserves cannot be achieved sustainably through additional borrowing or by diverting resources from essential services while structural deficits remain unresolved.

Instead, the Government must establish the conditions in which recurring revenues exceed recurring expenditure, allowing sustainable surpluses to be generated.

Funding the new acute hospital and reducing debt

The new acute hospital facilities at Overdale represent one of Jersey's most significant long term capital commitments.

The Council of Ministers considers that the funding of this essential infrastructure must be managed in a way which protects the Island's financial stability and minimises the burden on future generations. Budget 2027 already proposes applying exceptional or 'windfall' Pillar Two revenues towards the New Healthcare Facilities Programme, thereby reducing the funding that would otherwise need to be drawn from the Strategic

Reserve. Ministers believe this approach should form part of a wider framework for the treatment of exceptional and non-recurring revenues.

Such revenues should not be used to finance permanent increases in day-to-day expenditure.

Instead, they should be considered for investment in essential capital infrastructure, reducing future borrowing requirements, repaying debt where financially advantageous and strengthening reserves.

The appropriate allocation between these objectives should be determined by reference to affordability, financial risk and the long-term interests of Islanders.

Rebuilding the Stabilisation Fund

The Council of Ministers recognises that the Stabilisation Fund is an essential part of Jersey's fiscal framework.

Its purpose is distinct from that of the Strategic Reserve.

Whereas the Strategic Reserve provides protection against major exceptional shocks, the Stabilisation Fund is intended to support the economy and public finances during cyclical economic downturns.

The substantial depletion of the Stabilisation Fund during the pandemic has weakened Jersey's ability to respond to future economic challenges.

The Fiscal Policy Panel has highlighted the importance of rebuilding the Fund.

The Council of Ministers therefore considers that replenishing the Stabilisation Fund should be the first priority when allocating resources specifically for the rebuilding of financial reserves.

An initial target of £100 million would provide a clear and measurable objective.

However, the Council of Ministers recognises that the appropriate long-term level should be informed by the Fiscal Policy Panel's assessment of the Island's economic risks and fiscal requirements.

The precise timetable for reaching that target must be consistent with the Government's wider financial obligations and its ability to generate sustainable surpluses.

Strengthening the Strategic Reserve

The Council of Ministers remains committed to increasing the value of the Strategic Reserve over the longer term.

The Fiscal Policy Panel's recommended minimum of 30% of GVA provides an appropriate initial benchmark.

Based on current estimates, achieving this minimum would require an increase in the value of the Reserve of more than £800 million.

Such an increase cannot realistically be achieved immediately without significant consequences for other public spending priorities, capital investment or borrowing.

It is therefore important that the Assembly distinguishes between agreeing a long-term objective and committing to a particular funding timetable before the necessary financial resources have been identified.

The Council of Ministers proposes that, once the Stabilisation Fund has been adequately replenished, further sustainable surpluses should be directed towards strengthening the Strategic Reserve, subject to the Government's other financial obligations.

A comprehensive funding plan in Budget 2028–2030

The Council of Ministers proposes that a comprehensive fiscal and reserves funding plan should be presented alongside the Budget 2028–2030.

The plan will set out:

1. The measures necessary to restore and maintain sustainable balanced budgets.
2. The framework for allocating future surpluses and exceptional revenues between capital investment, debt reduction and reserve replenishment.
3. The appropriate target and indicative timetable for rebuilding the Stabilisation Fund.
4. The longer-term arrangements for increasing the Strategic Reserve towards at least 30% of GVA.
5. The financial conditions and safeguards that will govern transfers into reserves.

This approach will allow the Assembly to consider reserve funding alongside the Government's wider spending commitments, capital programme, debt obligations and economic outlook.

It will also ensure that the funding arrangements are credible, affordable and consistent with the advice of the Fiscal Policy Panel.

Conclusion

The Council of Ministers supports the ambition behind P.68/2026. However, it considers that the most effective way to strengthen Jersey's long-term financial resilience is to establish a sustainable fiscal framework that first restores balanced budgets, controls expenditure and generates surpluses. Accordingly, Ministers ask that the proposition be rejected.

Ministers believe that exceptional revenues should be used prudently to support essential capital investment, minimise borrowing and strengthen the Island's financial position. Within that framework, the Stabilisation Fund should be replenished as the first priority for rebuilding reserves, followed by sustained contributions to the Strategic Reserve. Crucially, this must be part of a wider, coherent, and financially sustainable strategy.