STATES OF JERSEY

PROPOSED BUDGET (GOVERNMENT PLAN) 2026-2029 (P.70/2025): FOURTH AMENDMENT (P.70/2025 AMD.(4)) – COMMENTS

Presented to the States on 4th December 2025
by the Council of Ministers

STATES GREFFE

COMMENTS

Members are urged to reject this amendment. If adopted, it would undermine the sustainability and stability of Jersey's public finances. The amendment seeks to maintain taxpayer contributions into the well-funded Social Security Fund through drawing down on the Strategic Reserve. This reserve is a critical part of our financial stability, and the Fiscal Policy Panel have already warned that it should be larger. This is not prudent financial management.

Misguided Reallocation

The amendment proposes increasing the amount of the States Grant to the Social Security Fund, as proposed in the Budget, at the expense of the Strategic Reserve. This is unnecessary and achieves a less prudent position:

- The Social Security (Reserve) Fund is already in good health, forecast to reach £2.7 billion by end-2026, equivalent to 7–8 times annual expenditure, well above its original target of 5 times.
- By contrast, the Strategic Reserve does not meet the recommended minimum level advised by the Fiscal Policy Panel – 30% GDP (£2.2 billion). After this amendment the forecast balance of the Strategic Reserve in 2029 would fall from 18.4% GDP to 16.6%

Fiscal Policy Panel Advice

The Fiscal Policy Panel has been clear: the Strategic Reserve should be built to between 30–60% of GDP to safeguard Jersey against future shocks. The Budget last year agreed to transfer amounts due to Prior-Year basis taxation into the Reserve, and this Budget reiterates our commitment to using any excess Pillar 2 receipts to strengthening our reserves.

This amendment does the opposite. It would reduce the Strategic Reserve by £148 million, once the impact of direct drawdowns on investment returns is taken into account. This will weaken the Island's financial resilience.

The Strategic Reserve is already providing a back-stop solution to funding the New Healthcare Facilities (dependant on Pillar 2 receipts in excess of the base case), and Ministers cannot support planning to reduce the balance further

The amendment also disregards the fiscal guidelines published in the Fiscal Framework (summarised on page 13 of the Budget) and monitored by the Fiscal Policy Panel, which clearly set out that the States should "seek to increase the Strategic Reserve over the long term."

The FPP recognise that a strong balance sheet is vital to protect Jersey from fiscal and economic shocks that would damage public services and employment. The Strategic Reserve is a key component of that balance sheet. The strength of our balance sheet also drives the confidence of financial institutions, including those may lend to government to ensure that we can deliver the New Healthcare facilities programme.

Ignores Strategic Reserve Policy

The Assembly approved a restated Strategic Reserve Policy in paragraph (k) of P.51/2024 (Budget 2025–2028) last year. That policy sets criteria for when it is appropriate for the Fund to be used: to respond to economic shocks, natural disasters, or other exceptional circumstances.

This amendment meets none of those criteria. Using the Strategic Reserve to fund day-to-day spending is contrary to the purpose of the Fund, as agreed by the Assembly.

In contrast, under the temporary reductions to the States Grant proposed in the budget, money will still be paid into the Social Security Fund, and the fund balance will remain strong, in a good position to meet its objectives. Any amount drawn from the Social Security Reserve for cash-flow purposes, will all be spent on paying pensions and other contributory benefits, as anticipated by the fund forecasts.

No credible alternative Savings Plan

The proposer states that it is not his intention to deplete the Strategic Reserve, but offers no credible alternative other than to "encourage Government to review its spending plans". This is the budget, through which the Assembly approves spending plans and so the inclusion of transfers from the Strategic Reserve should not be included lightly.

In terms of spending plans - the Council of Ministers is already delivering a considered, deliberate and responsible approach to curb the growth in the public sector:

- £20 million of savings will be delivered in 2026.
- A further £29 million will be delivered in 2027, giving time for well-planned measures that can realistically be achieved.
- This is in addition to the £18 million of savings already made in 2024, and the £20 million that will be delivered in 2025.

Ministers cannot support adding another £25 million of unspecified savings to the existing targets for 2026. Savings of this magnitude could not be achieved in that time scale without cuts to essential services, In any event that will not be the outcome of this amendment; it would instead be to plunder the Strategic Reserve, taking it further below the minimum balance recommended by the FPP.

Grant to Social Security

The FPP are more emphatic about the need to increase the value of the Strategic Reserve than they are on the proposed reductions in the Grant to the Social Security Fund. On the former they are clear: "The Strategic Reserve is underfunded". On the latter they suggest that it would be more prudent to await the results of the actuarial review in 2026.

Ministers have had actuarial advice, shared with scrutiny, and it is clear that the fund is in good health and that the temporary reduction will not significantly impact the fund in the longer-term. The need for investment now justifies action before the next actuarial review: the benefit outweighs the risk.

Conclusion

Whilst this amendment is clearly well-intentioned, it simply does not make sense in the overall management of Public Finances. This is our budget, and we should not be planning to deplete the Strategic Reserve by formally approving withdrawals as an Assembly. The Government's proposal is temporary, provides targeted investment, and is based on the most recent actuarial report published in 2023, and subsequent actuarial advice.

The Council of Ministers cannot support and urges members to reject this amendment.