Minister for Treasury
and Resources

Government of JERSEY

Government of Jersey
Union Street | St Helier | Jersey | JE2 3DN

Deputy L. Feltham
Chair, Corporate Services Scrutiny Panel

VIA EMAIL

19 November 2026

Dear Chair,

Jersey Capital Investment Fund

1. The Jersey Capital Investment Fund is newly implemented for 2027. What indicators will be used to assess its success over the Budget period?

The success of the Jersey Capital Investment Fund (JCIF) will be assessed principally against the strategic objectives established and agreed by the States Assembly when approving the Fund through P.24/2026, these include:

- The extent to which capital funding is maintained and protected for investment in infrastructure and public assets over the medium term.
- Progress in addressing infrastructure maintenance backlogs.
- The effectiveness of the Fund in supporting long-term capital planning and reducing volatility in annual capital investment decisions.
- Transparent reporting on the allocation, utilisation and outcomes of capital investment funding.

2. What considerations are underway regarding any future funding of the JCIF, beyond the already agreed mechanisms?

There are no further considerations underway beyond the funding mechanisms that were set out in P.24/2026. These include:

- Existing capital budgets
- Capital receipts
- Reprioritisation of spending
- Efficiency savings
- General Revenue Surpluses
- Limited borrowing, where appropriate
- Investment by States funds (where an investment case exists)

The above funding options into the JCIF will be considered through the development of the next Budget.

3. When will further funding proposals for future funding of the JCIF be brought to the Assembly for its consideration?

Any further funding proposals will be brought to the Assembly for consideration in the next Budget. Any proposal for additional funding will need to be considered alongside competing demands on public finances.

4. What outstanding considerations remain regarding the governance and implementation of the JCIF?

The principal framework for the Fund has been established through the Budget proposals. As implementation progresses, work will continue to develop operational arrangements including:

- Implementation of the Fund structures within the Government's financial processes and systems.
- Transfer of maintenance budgets into the JCIF for the next Budget.
- Reporting and monitoring mechanisms including reporting on the Fund in the Annual Report and Accounts.
- Ongoing review of governance arrangements.

Reserves and Contingency Funding

5. The Common Strategic Policy refers to deferring a wider consideration of reserves until summer 2027 - how does this decision align with the Financial Principle 8 which states that Jersey's reserves should be strengthened to protect against economic shocks and for future generations and what further steps will be taken to replenish the Stabilisation Fund and Strategic Reserve?

The reference in the Common Strategic Policy to a wider consideration of reserves being undertaken in 2027 is principally in relation to the future role of the Social Security (Reserve) Fund and the long-term approach to the States Grant to the Social Security Fund. These matters will be informed by the strategic and actuarial reviews of the Social Security Funds, which are due to report in Spring 2027. The review is intended to provide an evidence-based basis for future policy decisions and does not represent a delay in implementing Financial Principle 8.

Budget 2027 is consistent with Financial Principle 8 and includes a number of measures that support the strengthening of Jersey's reserves and wider financial resilience. The Budget adopts a more prudent measure of financial sustainability by restoring an underlying balanced position after making provision for core funding transfers, including transfers that support capital investment and long-term fiscal resilience. This establishes a stronger platform for rebuilding fiscal headroom in

future Budgets, from which future allocations to the Stabilisation Fund and Strategic Reserve Fund will be considered alongside competing priorities.

The Budget also takes a significant step to protect the Strategic Reserve by applying windfall Pillar Two revenues towards the funding of the New Healthcare Facilities Programme. This reduces the level of withdrawals that would otherwise have been required from the Strategic Reserve and helps preserve the Fund for future generations while allowing it to continue benefiting from investment returns. The Strategic Reserve is forecast to increase from approximately £1.38 billion at the start of 2027 to around £1.61 billion by 2030.

Consistent with the fiscal strategy set out in the Budget, any future Pillar Two revenues above the approved base case forecast will not be used to fund recurring expenditure. Once the remaining funding requirement for Phase 1 of the New Healthcare Facilities Programme has been met, additional windfall revenues would be available to support long-term capital investment, replenish the Stabilisation Fund, strengthen the Strategic Reserve and, where appropriate, reduce borrowing requirements.

6. What are the key principles that govern decisions to draw on the reserves?

Decisions to draw on reserves are guided by key principles:

- the need must be evidenced;
- expenditure cannot reasonably be managed within existing budgets;
- the request must be consistent with the purpose of the reserve;
- the requirement should be exceptional or unforeseen;
- the allocation must be affordable and represent value for money; and
- the decision must be subject to appropriate governance and transparency arrangements.

These principles are reflected in the procedures for allocations from the Central Reserve set out in R.163/2025.

7. How does the proposed contingency provision for 2027 compare with historic levels of utilisation and forecast risks and is the level of contingency funding allocated in the Budget for 2027 sufficient (£10 million)?

The Budget proposes contingency provisions to be held in General Revenue Fund within the Central Reserve head of expenditure of £10 million for general reserve items, covering unforeseen financial pressures and £4 million for court and case cost provisions.

A further £10 million of capital contingency is provided for within the Capital Reserve within the JCIF for capital risk and inflation.

Together, these provisions represent a significantly strengthened contingency position compared to previous Budgets and reflect the increasing uncertainty in the economic, fiscal and geopolitical environment.

The Government considers the provision to be appropriate when considered alongside the wider fiscal framework. Contingency budgets are intended to provide flexibility to respond to foreseeable in-year pressures and emerging risks. They are not designed to provide for all potential financial risks that may arise.

Historic utilisation of contingency funding has varied considerably depending on economic conditions, operational pressures and unforeseen events. The below table shows the allocation from the General Reserve held for departmental expenditure contingency within the Central Reserve head of expenditure for 2025, including supplementation from 2024 budgeted underspends carried forward into the General Reserve pot.

While the full utilisation position for 2026 will not be known until year-end, the proposed 2027 provision reflects recent experience, known risk assessments and the need to strengthen resilience. The increase in both revenue and capital contingency funding is intended to ensure the Government is better positioned to manage emerging pressures while maintaining overall fiscal discipline.

General Reserve – Departmental Expenditure Contingency

£'000	**2025**
Budget allocation	5,000
2024 underspends carried forward	13,827
Pay Awards	(2,856)
Major Incidents	(2,583)
Court & Case Costs	(410)
Departmental Pressures	(12,978)
Remaining contingency	**0**

Debt Management

8. What is the Government's current debt management strategy and what measures are used to assess whether debt remains sustainable?

The Government's debt management strategy is to meet approved borrowing requirements at the lowest long-term cost consistent with a prudent level of risk, while maintaining flexibility over the timing and structure of borrowing.

Current borrowing supports social housing, refinancing of pension liabilities, the New Healthcare Facilities programme and the transformation of Fort Regent, with repayment supported through a combination of revenues, reserve contributions and long-term investment returns.

Debt sustainability is assessed using four key indicators and targets:

- Debt-to-GDP: target range of 30%-40%.
- Liquid assets-to-GDP: maintained at over 100%.
- Debt servicing costs-to-revenues: financing costs targeted to remain below 5% of total revenues.
- Credit rating: maintaining at least an investment-grade rating, with a target of BBB or above (currently AA-/Stable).

These measures are supported by regular stress testing and periodic review of the Government's balance sheet resilience under a range of economic scenarios.

9. Is the Debt Framework (last updated in 2023) outdated and, if so, what is the impact?

An updated version of the Debt Framework is expected to be published alongside the approved Budget. The current framework remains valid as there have been no material changes to the Government's core debt issuance strategy since publication. Debt strategies are inherently long-term documents and do not generally require frequent revision provided the underlying principles, governance arrangements and borrowing objectives remain appropriate. The updated version of the document will therefore not make material changes to the strategy but will refresh positions and narratives.

Currently, all borrowing undertaken by the Government continues to be in accordance with approvals provided by the States Assembly through the Budget.

10. When is a revised debt framework due to be published?

An updated version of the Debt Framework will be published alongside the approved budget in the New Year.

11. What steps have been taken by Treasury to reduce the levels of debt owed to the States to reduce overdraft requirements and any associated costs to the States?

Additional resources have been invested by the Treasury to support the recovery of outstanding debts, ensure amounts owed are dealt with as effectively and fairly as possible, and to write off irrecoverable amounts, already provided for. Debt levels have been reducing since 2023 as a result of increased debt management activity.

a) **What is the current overdraft amount?**

Currently the States operates a £50m operational overdraft facility and uses operational drawings from the Revolving Credit Facility (RCF) to minimise the cost of debt. The overdraft balance will vary day to day, and use reflects timing differences between tax receipts which are concentrated on certain dates, and operational expenditure which is more evenly spread over the course of the year.

As at 17 November 2026, the overdraft is not drawn and a total of £25m has been drawn from the RCF for overdraft purposes.

12. Can you update us on the current status of the Revolving Credit Facility and its use in 2027?

The RCF was renewed on the same terms as those in the currently published debt strategy. It continues to be a £300m facility with a £200m accordion. The facility matures in 2028 but can be extended until 2030.

Use in 2027 is dependent on resilience of cash flows from Pillar Two tax receipts and the pace of expenditure on the New Healthcare Facilities Programme. Cashflows from the RCF will be maintained within the approved debt envelope which will be approved within the Budget.

13. Under what circumstances could additional borrowing be required during the Budget period and what does the process entail?

The Budget adopts a prudent approach to borrowing, consistent with the Fiscal Framework, under which borrowing is generally restricted to long-term asset investment or the refinancing of existing liabilities. The only borrowing currently planned is that already approved by the States Assembly for the New Healthcare Facilities Programme and the Fort Regent Redevelopment.

Additional borrowing would only be considered in exceptional circumstances, such as a major infrastructure requirement, a significant economic shock or emergency, or to refinance liabilities.

Any proposal would be assessed against affordability, debt sustainability, the impact on Jersey's balance sheet and the availability of alternative funding sources. Where additional borrowing approval is required, proposals would be brought to the States Assembly through the Budget and undertaken in accordance with Jersey's debt framework and fiscal principles.

Further Information

As confirmed during the hearing, please can the list of stakeholders invited to make representation to the Proposed Budget 2027-2030 and any feedback received from stakeholders be shared with the Panel.

The organisations listed below were invited to submit representations or feedback relevant to Budget 2027.

A representation was received from Channel Islands Tobacco Importers and Manufacturers' Association; however, in accordance with Jersey's commitment under the World Health Organisation Framework on Tobacco Control, this representation was not considered in development of the Budget.

In inviting representation, Revenue Jersey has not specified that those may be shared or published. However, in future, Revenue Jersey can adjust its invitation to specify that representations may in future be shared or published on an aggregated and anonymised basis. To help ensure frank and meaningful feedback, those making submissions should continue to be given the opportunity to keep their representations confidential where that is reasonable.

Organisation
Citizens Advice Jersey
Jersey Consumer Council
Jersey Estate Agents' Association
Jersey Finance and financial services businesses
Jersey Funds Association
Jersey Hospitality Association and hospitality businesses
Jersey Landlord Association
Jersey Law Society and law firms
Jersey Motor Trade Federation
Jersey Child Care Trust
Age Concern
Jersey Business
Jersey Pension Association
Jersey Construction Council
Jersey Advisory and Conciliation Service
Chartered Institute of Taxation and tax advisers
Jersey Development Company
Jersey Chamber of Commerce
Association of Jersey Charities
Jersey Farmers' Union
Jersey Charity Commissioner
Digital Jersey
Jersey Society of Chartered and Certified Accountants

Yours sincerely,



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