

**STRATEGIC RESERVE: ALLOCATION
OF FUNDS**

**Lodged au Greffe on 19th May 1998
by the Finance and Economics Committee**



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PROPOSITION

THE STATES are asked to decide whether they are of opinion -

in accordance with paragraph (2) of Article 13A of the Public Finances (Administration) (Jersey) Law 1967, as amended, to authorise the use of monies from the strategic reserve as follows -

- (a) the sum of £5 million in each of the years 1998 and 1999 for the purposes of the Information Strategy/Information Technology Investment Fund;
- (b) the sum of £2.5 million in 1998 for the purposes of the Tourism Investment Fund.

FINANCE AND ECONOMICS COMMITTEE

Report

A report and proposition of the Policy and Resources Committee recommends the setting up of an IS/IT Investment Fund of £10 million initially and the appointment of an IS/IT Adviser on not less than a three year contract.

A request has been received from the Tourism Committee for an additional £10 million for the Tourism Investment Fund.

The current financial situation of the Tourism Investment Fund indicates a shortfall of £2.5 million in 1998, arising principally from the States decision to finance the Havre des Pas Swimming Pool project and the need to increase the grant for the Leisure Pool Complex. Additionally, the Tourism Investment Sub-Committee has considered a number of additional projects including the refurbishment of Mont Orgueil Castle and extension of cycling networks into urban areas.

The Finance and Economics Committee has considered the requests of both Committees and would comment as follows -

(i) Funding

There are only two sources of funding available; either the General Reserve or the Strategic Reserve. It is recognised that the General Reserve will be under extreme pressure for the next two years due to requests for additional capital expenditure. The Committee therefore concluded that this was not a possible option.

The balance of the Strategic Reserve as at 1st January 1998 was £272 million and annual income is estimated at £28 million for both 1998 and 1999. The Committee gave consideration to the use of this investment income within its policy of maintaining the real value of the reserve, the longer term aim to increase the value of the Reserve to the equivalent of one year's taxation

receipts and a commitment to allocate £10 million in 1998 and 1999 to meet the potential budget deficit.

(ii) Proposal

Having re-examined its policy regarding the use of the Strategic Reserve the Finance and Economics Committee believes it is possible substantially to meet the requests of the Policy and Resources and Tourism Committees by a phased approach to funding and therefore proposed an allocation of funds as follows -

| | £m | 1998 £m | £m | 1999 £m |
|--|------------|--------------------|-----------|--------------------|
| Estimated Income | | 28.0 | | 28.0 |
| Less amount required to maintain real value to Strategic Reserve | | <u>10.5</u> | | <u>12.0</u> |
| | | 17.5 | | 16.0 |
| <u>Allocated as follows -</u> | | | | |
| (a) Capital Fund | 10.0 | | 10.0 | |
| (b) IS/IT Fund | 5.0 | | 5.0 | |
| (c) Tourism Investment Fund | <u>2.5</u> | | <u>-</u> | |
| | | <u>17.5</u> | | <u>15.0</u> |
| Balance remaining | | <u>-</u> | | <u>1.0</u> |