

2025.06.24

3.7 Deputy M.B. Andrews of St. Helier North of the Minister for Treasury and Resources regarding the Strategic Reserve Fund growth plans in relation to Jersey's Gross Value Added (OQ.139/2025):

Further to the adoption of the Budget (Government Plan) 2025 to 2028, will the Minister advise what progress, if any, has been made in long-term planning to increase the Strategic Reserve Fund and whether consideration has been, or is to be, given to increasing the value of the fund as a percentage of the Island's Gross Value Added?

Deputy I.J. Gorst of St. Mary, St. Ouen and St. Peter (Assistant Minister for Treasury and Resources - rapporteur):

The Strategic Reserve is of course a vital part of our Fiscal Strategy supporting economic confidence and financial stability. The 2024 Annual Accounts show the value of the Strategic Reserve increased by 8.5 per cent, that is £93 million, during 2024. While the G.V.A. (gross value added) figures for 2024 are not available, the F.P.P. (Fiscal Policy Panel) has forecast G.V.A. increase 1.9 per cent, suggesting that growth in the Strategic Reserve is likely to have outpaced growth in G.V.A. However, of course, the F.P.P. recommend the target of 30 per cent of G.V.A. and investment growth alone will not be sufficient. The challenge was recognised, as the Deputy said, in the Budget which included a medium to long-term plan to grow the reserve. Under that plan, investment growth was to continue to be reinvested in the reserve prior-year basis taxation debtors, to be transferred in 2025 and Pillar Two receipts over the base forecast to be used to strengthen the reserves, as well as deal with the new healthcare facilities programme. That strategy remains in place and an updated position will be set out in the Budget 2026.

3.7.1 Deputy M.B. Andrews:

What considerations has the Minister for Treasury and Resources and the Assistant Minister given to the forthcoming Government Plan to ensure that we achieve a larger public sector surplus to allow transfers to be made to the Strategic Reserve to increase it as a percentage of Gross Value Added?

Deputy I.J. Gorst:

As the Deputy knows, the Government Plan is now a whole-of-government approach rather than being the remit of the Minister for Treasury and Resources and her humble Assistant. We have just heard a Minister answer a question wanting additional funding in their particular department. The Treasury team make the case for the importance of growing the Reserve, there is that strategy in place, and I think we will be doing jolly well if we manage to maintain that strategy rather than some other calls which may wish to have it used elsewhere.

3.7.2 Deputy P.F.C. Ozouf of St. Saviour:

I am not sure, I think that there is another question on this Strategic Reserve, but the issue of the G.V.A., we do not know what the G.V.A. is going to be. Does the Minister, as a previous Minister for Treasury and Resources and Chief Minister, not recognise that, while there can be a policy of increasing the Strategic Reserve, we also need to deal with the short-term issues of the market? The construction industry is in big trouble, would he consider looking at the long-term issue of G.V.A. and allocating money for important projects in the short term that are shovel-ready like schools and all the other issues? Because the construction industry has already failed a lot and we do not want it constraining any more, G.V.A. will fall.

Deputy I.J. Gorst:

I do not want to be flippant in answer because a growing G.V.A. is incredibly important and we should not seek to maintain our policy aims by having a declining G.V.A.; that would be nonsensical. The reality is that there is a programme of investment in infrastructure being brought forward. Treasury is trying to marry, I suppose, 3 things; sometimes they do not seem to be in harmony. One is presenting a balanced Budget to this Assembly that deals with the downturn in income because of all of the global situations that we are aware of, ensure that our reserves remain an underpinning strength of public finances and, at the same time, make sure that we are finding money to invest in infrastructure. They are 3 difficult priorities to hold intention; we are doing our best. Council of Ministers are right now - and I will say this in answer to another question - in the midst of holding those policy aims intention.

3.7.3 Deputy P.F.C. Ozouf:

Would the Assistant Minister agree that it is even more difficult to deal with the issue of G.V.A. and a Strategic Reserve when you have inflation increasing? Perhaps he would be better in discussions with the Treasury and Council of Ministers to use R.P.I.X. (excluding mortgage interest) as a measure of increasing the Strategic Reserve versus G.V.A. than R.P.I.? I know he is doing good work in financial services, and that is growing part of the economy, but there are headwinds which are looking dangerous, both domestically and internationally. Is the Budget going to bring forward, not populist but necessary projects to basically get the long-term increase in G.V.A. up but spending and not having industries collapse like construction?

Deputy I.J. Gorst:

It is as if the Deputy could listen to the conversations; that is exactly what we are aiming to do. As in any Budget settlement there are views which are not necessarily aligned and we need to work through those. It is absolutely clear - and we will come on to this in answering the next question - that the housing market is in dire straits of some form of Government intervention. The question is: what will that intervention be? We know also that our infrastructure needs to have an appropriate investment in it and yet at the same time we sit on over £1 billion in the Strategic Reserve and over £2-and-a-bit billion in our Social Security Reserve Fund. We have got to ask ourselves: are we investing those reserves in the right asset classes? We have historically always invested them in international off-Island asset classes. Is the time now for us to - and I have to be careful how I phrase this - think about domestic asset classes that will see investment in infrastructure but also see appropriate return into those funds, therefore, maintaining those reserves?

3.7.4 Deputy M.B. Andrews:

Has the Assistant Minister and the Minister for Treasury and Resources considered utilising the Strategic Reserve for any investment in the Island?

Deputy I.J. Gorst:

I think I just said that is what Council of Ministers are considering, not a reserve in isolation, but the whole of the reserve. You look across the board and you ask oneself: is it appropriate to now think about an investment strategy for our reserves which invest domestically as well as internationally? We have always had an investment strategy that sought to ensure that we manage the countercyclical nature of our economy. When we are in such turbulent international waters, the question that comes to my mind logically is we could offset some of that by investing some of our reserves in infrastructure. That does not mean spending our reserves, it means having a proper investment with a return into the funds so that the funds are

not diminished and they remain for their ultimate purpose, which is about dealing with the ageing demographic and dealing with any catastrophic economic issue that might occur.