

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY J.A.N. LE FONDRÉ OF ST. LAWRENCE
ANSWER TO BE TABLED ON TUESDAY 1ST NOVEMBER 2016**

Question

Is any part of the Strategic Reserve earmarked for any purpose (whether provisional or specific) and, if so, how much is each such allocation, and what is the total of all such allocations?

Answer

The Strategic Reserve Fund (“the Fund”) was established by the States in 1986 with an initial capital injection of £10 million to provide the Island with some level of insulation from external shocks.

The Fund was enshrined in law as a permanent reserve on the enactment of the Public Finances (Jersey) Law 2005. Article 4(3) of the Public Finances (Jersey) Law 2005, requires that the Strategic Reserve Fund cannot be used for any other purpose than specifically recommended by the Minister for Treasury and Resources and approved by the States (see section 2.2.2).

The policy for the use of the “capital” of the Strategic Reserve Fund was approved by the States in P.133/2006, which states that “...*the capital value is only to be used in exceptional circumstances to insulate the Island’s economy from severe structural decline such as the sudden collapse of a major industry or from major natural disaster*”. An example of severe structural decline would be the financial services industry becoming uncompetitive and leaving Jersey.

In the Budget 2015, the States agreed that the Fund balance of £651.2 million as at 31st December 2012 should be defined as the capital value and that the capital value would be maintained in real terms by increasing in line with Jersey RPI(Y).

The States subsequently approved P.84/2009, in which they agreed to vary the policy approved in 2006 “...*to enable the Strategic Reserve Fund to also be used, if necessary, for the purposes of providing funding for the Bank Depositors Compensation Scheme to be established under the Banking Business (Depositors Compensation) (Jersey) Regulations 200-; and to agree that monies from the Strategic Reserve Fund, up to a maximum combined total not exceeding £100 million, should be made available if required to meet the States contribution to the Bank Depositors Compensation Scheme and/or to meet any temporary cash flow funding requirements of the Scheme*”.

In P.122/2013 the States agreed that the Fund may be used for the planning and creation of new hospital services in the Island. For those purposes, to date, the States have approved £32.9 million.

During this Medium Term Financial Plan 2016-2019 (MTFP) transfers to and from the Strategic Reserve were approved by the States. In 2016 £56.7 million was transferred from the Strategic Reserve into the Consolidated Fund. A further £55.3 million is proposed to be transferred in 2017 and £16 million in 2018. In 2017 £5 million will be transferred back into the Strategic Reserve and in 2019 a further £20 million is planned to be returned.

In summary, a further £46.3 million is planned to be transferred from the Strategic Reserve to the Consolidated Fund between 2017 and 2019, as agreed by the States. Up to £100 million is available if required to meet the States contribution to the Bank Depositors Compensation Scheme and/or to meet any temporary cash flow funding requirements of the Scheme.