4.10 Deputy K.M. Wilson of St. Clement of the Chief Minister regarding the Chief Executive's comments of the "precarious" position of the Government finances (OQ.233/2025):

Further to the comments made by the chief executive in the Public Accounts Committee hearing on 8th October 2025 regarding the "precarious" position of Government finances, will the Chief Minister advise whether that is also his assessment and in what ways he considers that the Proposed Budget (Government Plan) 2026-2029 will improve the financial position of the Island?

Deputy L.J. Farnham of St. Mary, St. Ouen and St. Peter (The Chief Minister):

I think not by taking a step back and when we first came into Government it became apparent, although we had known for some time that the cost of running the public sector had grown exponentially. I would describe the situation as finely balanced. We have done a significant amount of work to understand that and to put the facts on the table and that is why we introduced policies to curb growth. I think the second thing that confronted us was the reality that we had used most, if not all, of our cyclical reserves to deal with the pandemic and its aftermath. There was very little left in the tank, as it were, to move forward with our cyclical reserves. The third thing we realised is that we had come to depend more and more on the financial centre, the financial services to support growth and public finances. We thought it was urgent that we take a deep look in how to underpin the growth and competitiveness of that sector and that work is going on now. Once we can see both sides of the P. and M, (preservation and maintenance), the money going in and money going out, we had to have and introduce effective policy responses to deal with that, and that is what we have attempted to do with the Budget, which is finally balanced. Because having rightly reused our reserves to get through the pandemic, we have found that we are not going to be able to rebuild them as quickly as we would have liked to have done. Of course we recognise that there is a need to act on this. We intend to streamline the Government further, trim current spending near as a public sector, re-divert money to front line services in areas where we think we need it most, such as Fire and Rescue, Children's Services, Health and Education. We intend taking a longer-term approach to investment to boost the economy. We intend to make sure with the work we do on competitiveness that our financial services sector can continue to grow into the future.

4.10.1 Deputy K.M. Wilson:

Thank you to the Chief Minister for his explanation. But could I also ask whether he would consider that over the last 2 years, having carried forward a number of rising public sector pay costs and persistent overspends, that this is also a product of some of the choices his Government has made over the last 2 years, which does continue to include a growing reliance on reserves to paper over the cracks? Can he explain how Islanders can have confidence that the Budget will restore stability when many of the pressures identified have yet to be resolved?

Deputy L.J. Farnham:

Yes, the Deputy is quite right. The last 2 Budgets have been of the construction of the current Government, of the choices of the current Government and, ultimately, we have been able to persuade the Assembly the right way and I hope we can do that with this forthcoming Budget. When we came into power we inherited a teachers' strike, which if it was not sorted could have cost a lot more in the long term than it did to put that right. That was relatively straightforward because I said before that the previous Government and the teachers' unions have come very close but not managed to resolve it. At the same time we took a deep look at the public sector and how public sector pay growth until that time nearly all sectors had been well below the cost of living. The 3-year pay deal that was agreed was cost of living plus 1 per cent, which brought them back into line with cost of living. I thought that was important. We needed a stable public sector to deliver the policies we are delivering now. Of course part of the policy we are delivering is to streamline that public sector. We have reduced headcount. We have curbed the growth in expenditure. The growth in 2024 was about 6.5 per cent and the growth in public expenditure that is proposed in the Budget is about 5.25 per cent. It is not a lot but we have curbed the growth and we are beginning to point that back in the right direction. But I would reiterate that there are going to be a lot of challenges ahead to continue to balance the books and provide the public with the services that we all want them to have. Moving forward, this Assembly and future Governments will have a large task to keep the books balanced. It is vitally important we balance the books. Of course the law does not allow us not to balance the books. But I would also point to other measures we have introduced, such as the Investing in Jersey programme, which is part of that, will ring-fence the capital spend. I mention that because by ring-fencing the capital …

The Deputy Bailiff:

Answer has now been almost 2 minutes, Chief Minister.

Deputy L.J. Farnham:

Okay, Sir. Thank you. Sorry, I do apologise.

Deputy K.M. Wilson:

Sir, could I raise a point of clarification, please?

The Deputy Bailiff:

Yes.

Deputy K.M. Wilson:

Sorry, I just wanted the Chief Minister to explain about confidence and I do not believe he has been able to address that particular issue.

Deputy L.J. Farnham:

Sorry, Sir, I did run out of time. I do apologise but if I could do it now, Sir.

The Deputy Bailiff:

Very briefly.

Deputy L.J. Farnham:

I hope we can maintain the public's confidence and build the confidence. It is challenging for the States Assembly to do that but we will do everything in our power to build public confidence. I think we can do that by providing safe and stable finances, and that is what this Budget intends to do.

4.10.2 Deputy K.L. Moore of St. Mary, St. Ouen and St. Peter:

Given his service as Deputy Chief Minister in the period from 2018 to 2022, which saw a notable increase in public expenditure, could the now Chief Minister outline why he was surprised by the position of the public finances when he assumed this office?

Deputy L.J. Farnham:

Very quickly. Not even quite halfway in to the last term we got hit by the pandemic. My role as Minister for Economic Development, I was completely involved in that and finding solutions to keep the economy running and protect people's jobs, which I think the Assembly and previous Government and this Assembly could all approve of that, did relatively well. We knew then that the cost to our reserves would be significant but they had to be taken. Prior to that, I think, going back we started to see restructuring of the public sector with something called OneGov. I think by the time we came out of the pandemic it was clear that the OneGov work, combined with the additional resources taken on to deal with the pandemic, had stuck in place. They stayed there, 2022 through 2023 and into 2024, and that is why we started to work to reverse some of that position. I take full responsibility. We are all in the Government, Deputy Moore and myself, from, I think, 2011 right up until the current time, and this Assembly and previous Governments up until about 2016-2017; then we have allowed the public sector to grow and I do not think we have realised it. But that is something we have pulled back on.

4.10.3 Deputy K.L. Moore:

I would like to correct the Deputy, I only served in a Government with him from 2014 to 2018; a time when he had considerably different views to those he holds now on some key matters. Does the Deputy regret his time as Deputy Chief Minister?

The Deputy Bailiff:

I am not sure that is really connected to the question, is it?

Deputy K.L. Moore:

Apologies, in terms of the impact that that had on public expenditure?

Deputy L.J. Farnham:

It is tempting to answer that with another question but I am not going to. I am going to say I did not regret my time as Chief Minister. I regret the circumstances that we had to deal with. I have always felt very proud and privileged to do this role to the very best of my ability in that.

[11:15]

And I believe every Member should always continue to do that. No, I do not regret it and I have always been proud to be a part of this Assembly.

4.10.4 Deputy J. Renouf:

Despite this Government's efforts to bear down on costs, the Government is having to retrospectively take another £50 million from the Social Security grant to bail out this year's Budget. How confident is the Chief Minister that next year's Budget will not also fall into deficit?

Deputy L.J. Farnham:

I am as confident as we all can be, given the very careful forecast that had been produced by Treasury and financial advisers for us. We look forward to receiving the Fiscal Policy Panel's report on the proposed Budget. But this Assembly will try and forecast things as closely and accurate as we can but must always be prepared to be versatile when we need to. We cannot guarantee economic growth at the levels we have had over previous years. We have to work hard for that. But I am confident that we will meet those targets.

4.10.5 Deputy J. Renouf:

Does the Chief Minister have even the tiniest hint of worry that he is relying on the grant of the Social Security Fund to bail out current expenditure for the previous for this current year?

Deputy L.J. Farnham:

In this role I think life is a constant worry and concern but that is balanced by confidence, and confidence in the way the Assembly and the Government manage the Island. I do not have any doubts about that because I strongly believe, as does this Government, it is the right thing to do. The argument I think here is going to be about, does this Assembly want to put £180 million of taxpayers' money into the reserve during the course of this Budget and financial planning or does it want to put more money in? We have heard from the forecast we have had that the fund is in very good health. We could continue it to grow. It has got 7 or 8 years' reserve, we could build it to 9 or 10 years' reserve if we wanted to. This Government is determined that it would be in the public's best interests to put in about £184 million and then increase expenditure in areas that we really need to do, such as Children's Services, Fire and Rescue Services, Health, among other things. Of course it will be up to the Assembly to decide. Members might decide to bring amendments to the Budget and we would welcome amendments, constructive amendments, and look forward to discussing with Members what they might like to do, but that is our position.

4.10.6 Deputy K.M. Wilson:

The Fiscal Policy Panel has raised some concerns about the structural deficit in relation to the public finances. Would the Chief Minister agree that using reserves and funds to balance the books may provide short-term relief but does not address the underlying structural deficit issues? Can he explain what the Government is doing to address the underlying structural deficit?

Deputy L.J. Farnham:

I would argue that we are not using reserves. It is being portrayed quite wrongly, in my opinion, that we are plundering funds and taking money out. We are not taking money out, we are putting less money in. Okay, we are still putting significant amounts of money in but we are putting less money in. We are also putting money, £240 million I think, as part of this plan into the Strategic Reserve; that has been conveniently forgotten. This is a Budget that puts over £400 million during the plan into the reserves, and we think that is appropriate. We would like to have more money to put into the reserves but, as I explained earlier in the answer, we are having to finally balance the books at the moment because we used all of our cyclical reserves up during the COVID period. It is going to take longer to rebuild the economy and to regrow those reserves, as was originally anticipated.