2025.11.11

2.10 Deputy J. Renouf of St. Brelade of the Chief Minister regarding the 2026 actuarial review of the Social Security Fund (OQ.250/2025):

Further to the Fiscal Policy Panel Annual Report's recommendation regarding reductions in the grant to the Social Security Fund, will the Chief Minister explain why his Government did not bring forward the 2026 actuarial review before committing to such reductions in the Proposed Budget (Government Plan) 2026-29; and will he also explain why he is confident that long-term spending increases in the Budget will be sufficiently funded?

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

As the Deputy will know, the previous full actuarial review was published in 2023 and it would not have been realistic or practical to bring forward the 4-year periodic full actuarial review as part of this annual Budget. The annual Budget is developed over roughly a 6-month period. It takes roughly a year, sometimes a little more than that to complete the full periodic actuarial review of the Social Security Fund. I am confident that the priority areas identified in the Budget to support vital services such as health and Children's Services can be funded in the long term. For example, I fully agree and I amt on the record, as this Government from taking office, that previous growth in the public sector is not sustainable. We not only need to work to continue to curb the growth, which we have done, we need to start working to reverse the growth in certain areas, while protecting the most important services. As the Deputy I am sure will agree, this work needs to be done thoughtfully and it must be done. It is not something that can done in a year in a single Budget. It is something, given the financial challenges we have faced and largely inherited on the back of COVID, it needs to be something carefully thought through and planned. As the Deputy also knows, this Government has been having a number of not only Ministerial workshops but States Members' workshops to start understanding our future challenges to guide that piece of work.

2.10.1 Deputy J. Renouf:

The F.P.P. had 5 recommendations in their report, including: "Not using Pillar Two income for day-to-day spending, rebuilding reserves and not cutting the Social Security grants without an actuarial valuation." Does the Chief Minister intend to follow any of the F.P.P. recommendations?

Deputy L.J. Farnham:

Yes, of course we do and we are considering the F.P.P. report very carefully and currently. The F.P.P. is of huge importance and we value their advice and guidance. We will certainly be using that, not just now but well into the future.

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

Would the Chief Minister agree with the remarks of the Minister for Treasury and Resources that one of the challenges that the Government has, and indeed the Minister for Treasury and Resources said, is that the powers of the Minister for Treasury and Resources in not having their Budget brought forward to the Assembly and requiring multiple-year allocations is at the heart of the problems that he is trying to deal with in a Budget, which is the Council of Ministers and not the Minister for Treasury and Resources. Would he agree with the Minister for Treasury and Resources' views on the importance to put back those powers so that we can get some deficit reduction and deal with our black hole?

Deputy L.J. Farnham:

In principle I would. In practice I feel the Government works collaboratively when we develop the Budget together. But as somebody famous once said: "I do not mind who runs a country, put me in charge of the money and I will control everything." There is an element of truth about that. What I am sure about is whatever we decide upon in Ministerial powers is this Assembly needs to work collectively in the future to start steering our finances in a more sustainable position.

2.10.3 Deputy P.F.C. Ozouf:

I am grateful for the Chief Minister's response. Would he undertake and would it be helpful for a Member to bring forward a proposition to do what I asked the Minister for Treasury and Resources, which is will the Government bring forward before the next election a comprehensive plan to deal with the structural deficit in terms of options? There are only 3 ways and would he agree it is either reducing spending, increasing the economic growth or increasing taxes? That is a choice that needs to be spelt out. There is no free money. Would he agree to bring forward what those difficult decisions are going to be required by the next Assembly on the back of his discussions with Members?

Deputy L.J. Farnham:

Yes, and I am wondering if Deputy Ozouf was not listening to the Scrutiny hearing last week where we discussed some of this issue in depth. I know the Minister for Treasury and Resources is currently considering this in discussions. As I said, on the back of my original answer to Deputy Renouf, we talked about workshops as we are having as an Assembly. I committed at the Scrutiny hearing, and I will do it again now, that we will be producing what I have referred to as an end-of-term report, and that will include some proposals, if you like a blueprint, for the next Government and future Governments on how we might start to change our financial fortunes, given the challenges we face. We intend to do that in collaboration with Members. We have another States Members' workshop planned for February where we hope we can come out with a document that we can be in broad agreement. This is not just a Government issue, this is an Assembly issue; we are all in it together and we have to find the right solutions.

2.10.4 Deputy I. Gardiner of St. Helier North:

The Chief Minister in his answer rightly stated that the review takes every 3 years when we have this standard approach. Also, the Chief Minister mentioned that it will take around a year to do a full review to understand the health of the fund. When we are taking into consideration that £20 million cut into the grant was agreed by the States Assembly a year ago, and for 2025 the Government is requesting an extra £50 million not paying into the grant, would the Minister agree that the Government had an opportunity to commence this review a year ago, that currently the Assembly would have all details to make an evidence-based decision?

Deputy L.J. Farnham:

I am not sure I would agree with that. Hindsight is of course a wonderful thing and perhaps if we could turn back the clock a year, knowing what we know now, I am sure the Minister for Social Security would have commissioned that review earlier. But I would remind Members that she has commissioned a review due by June next year to provide the next Government with comprehensive advice on the long-term future of the fund, including contribution levels, reserves, intergenerational equity or fairness among generations and of course a review of the formula. Because we know the current formula, I do not believe, is any longer fit for purpose, given the change in circumstances. That partly goes back to the original question by Deputy Renouf about how we make it sustainable in the future.

2.10.5 Deputy I. Gardiner:

Thank you to the Chief Minister. Taking into consideration that we have reduced income and we have a higher number of ageing population and most depending on the pension, did the Council of Ministers prepare a contingency plan if the review is coming back and stating it is a dangerous strategy?

Deputy L.J. Farnham:

Sorry, I just got distracted at the last bit. Can the Deputy just repeat the last part of that question?

Deputy I. Gardiner:

Taking into consideration that we have reduced income and we have the highest depend on pension due to the increase in the ageing population, what contingency plan, if any, the Council of Ministers prepared if the review is coming back with a status that it is a dangerous strategy and it is not that healthy as it looks now?

Deputy L.J. Farnham:

All the projections and all the advice we have received right back to 2020 through 2023 full actuarial review indicates that it will not be the case. But that is one of the reasons why the Minister for Social Security has commissioned this review for June of next year, that will provide comprehensive advice in relation to contribution levels, how we use the fund, its reserves, the formula we use for supplementation …

[10:45]

Deputy I. Gardiner:

My question was about a contingency plan, if any was prepared.

The Bailiff:

About a contingency plan, if one was prepared.

Deputy L.J. Farnham:

The contingency plan we have is the reserve itself, which is very strongly funded and there were no indications that that fund was not going to remain strong. In fact the current forecast now, which are conservative I believe, are forecasting that the fund continue to grow to £2.9 billion by the end of the Government Plan period. I hope that answers the question.

2.10.6 Deputy Sir P.M. Bailhache of St. Clement:

I did not hear from the Chief Minister a real explanation as to why he was confident that long-term spending increases in the Budget will be sufficiently funded. As Deputy Ozouf indicated, it can only be as a result of reducing spending, increasing growth or increasing taxes. Which of those is it going to be?

Deputy L.J. Farnham:

I did say - I apologise if I did not make it clear - in my original response to Deputy Renouf. I said I fully agreed with the F.P.P. I am on record as saying, as this Government is on record of acknowledging since taking office, that the levels of growth and the cost of the public sector is unsustainable and we need not only to continue working to curb the growth, we need to reverse some of the growth. Work is currently ongoing, as Members who have attended the workshops will note to review current Government structures to make them more productive to avoid a repetition. Yes, I do agree the way to make ourselves financially sustainable into the future is by increasing our income, growing the economy, examining revenue streams and reducing costs. I suggest the solution will be a blend of those but I have full confidence this Island can achieve that and continue to be financially secure into the future.

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

Would the Minister agree that holding a reserve fund does not equal a contingency plan? A contingency plan generally is a plan to deal with all eventualities or events that do not go to plan.

Deputy L.J. Farnham:

I somewhat disagree. The whole reason that we have reserves is to deal with unexpected crises and circumstances, just as we utilised our short-term cyclical reserves to deal with COVID. In relation to the Social Security Fund, a recent actuarial advice and the 2023 full actuarial review stated the fund is in an extremely strong position. It has grown since its inception way ahead of expectations. It was due to run out in 2035 and now it is projected to go through, as it is, until 2066. We do not run contingency plans for every Budget and every circumstance but I do suggest that the reserves are to deal with unexpected circumstances.

2.10.8 Deputy K.L. Moore:

If, as the Chief Minister just said, this is an unexpected crisis equal to that of COVID. Sorry to the Minister for Treasury and Resources, but that is just what he said. When will he be setting out to this Assembly and to the public the cause of that unexpected crisis and what his plan is to deal with it?

Deputy L.J. Farnham:

I did not suggest we had an unexpected crisis in any way, shape or form. We presented a Budget that balanced the books. Every Member knows, including the former Chief Minister, that we have challenges ahead, financial challenges, based on current circumstances. I was referring to the crisis which was COVID and how we dealt with it. We do not have a crisis now but we have to be mindful of the challenges coming our way and we need to work together as an Assembly to deal with them.

2.10.9 Deputy J. Renouf:

I was pleased to hear that the Chief Minister does intend to follow recommendations from the F.P.P. but I am intrigued exactly which of the 5 recommendations will the Government be following? There were 5 of them; identify which one?

Deputy L.J. Farnham:

I will do so with the greatest of pleasure when we have considered them all very carefully in the context of our Budget.