**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES BY DEPUTY J. RENOUF OF ST. BRELADE QUESTION SUBMITTED ON MONDAY 16th SEPTEMBER 2024 ANSWER TO BE TABLED ON MONDAY 23rd SEPTEMBER 2024**

**Question**

"In respect of the proposed Living Wage transitional support fund, will the Minister advise –

(a) why the Social Security fund was chosen as the source of the funds, rather than general tax revenues;
(b) what calculations support the statement in the draft Government Plan 2025-2028 that "This temporary adjustment is not considered to have any long-term impact on the health of the Social Security fund"; and
(c) at what threshold a reduction in the grant to the Social Security fund would have a long-term impact on the ability of the Social Security fund to provide the support it is set up to deliver?"

**Answer**

In developing the Budget 2025 to 2028, the Council of Ministers carefully considered the overall approach to delivering balanced public finances, including the funding of CSP priorities (including the transition to the Living wage), existing services and a deliverable capital programme.

It was identified that as Business support during the transition to a Living Wage required temporary and time bounded funding, the States Grant paid into the Social Security Fund out of general taxation could be considered.

The Budget is tightly balanced, with no capacity in the Consolidated Fund in the latter years of the plan. Reprioritising a small part of the States Grant to the Fund on a temporary basis was chosen, particularly given the impact on employers and employees of the move to a Living Wage. The States Grant formula is calculated with reference to actual supplementation with a two-year lag, and so does not take into account any reduction in supplementation as a result of the move to the living wage.

The value of the States Grant paid into the Social Security Fund will increase from £77m in 2024 to £80m in 2025, and then return to its full, formula value from 2027 (which will be extrapolated from 2025 actual supplementation).

The long-term position of the Social Security Fund is considered in the regular Actuarial Review. The latest review concluded that "*the Fund remains in good health and is expected to be able to pay benefits out for several decades under a range of scenarios considered*". The combined value of the Social Security Fund and Social Security (Reserve) Fund stands at £2.3 billion at the end of 2023, estimated to increase to £2.5 billion by 2025, the proposed reduction represents less than 1% of the funds value. No formal calculations were carried out, as £20 million is clearly immaterial to the fund on the actuarial timescales used.

The Long-term projections for the fund are heavily reliant on actuarial assumptions, and therefore it is difficult to determine a single threshold – the impact would need to be considered in balance. However, it is important to note that temporary reductions such as the one proposed have a much smaller impact than permanent changes to the Grant formula.