

STATES OF JERSEY



Jersey

DRAFT SOCIAL SECURITY (AMENDMENT OF LAW No. 16) (JERSEY) REGULATIONS 202-

**Lodged au Greffe on 2nd November 2021
by the Minister for Social Security
Earliest date for debate: 14th December 2021**

STATES GREFFE

REPORT

Summary

This proposition is a consequence of the acceptance of the proposed Government Plan 2022-2025.

Subject to approval of the Government plan, the Minister for Social Security is proposing to stop the States grant from the Consolidated Fund to the Social Security Fund for 2022, in line with the proposed Government Plan 2022-2025.

These Regulations will implement this proposal.

Background

The Social Security Fund receives contributions from employers and employees, and a contribution from the Consolidated Fund via a States Grant.

The States grant is a contribution by the general taxpayer towards the cost of old age pensions for lower earners. It makes the funding of the scheme more progressive and it also helps to create a regular level of total income into the Fund each year.

At the end of 2019, as part of the Government Plan 2020-23 ([P.71/2019](#)) debate, States Members agreed to restrict the value of the States Grant to £65.3 million in 2020 and 2021, £76.14 million in 2022 and the value returning to its underlying formula-led value in 2023.

However, in April 2020, the States agreed to stop the States grant in 2020 to help with the costs of Covid-19 ([P.31/2020](#)).

In the Government Plan 2021-24 ([P.130/2020](#)) approved in December 2020, the States agreed to stop the States grant in 2021, and proposed to do the same in 2022 and 2023 due to the exceptional circumstances being faced by the Government as a consequence of Covid-19.

Proposal

The Proposed Government Plan 2022-2025 ([P.90/2021](#)) proposes to stop the States grant for 2022 and 2023, before returning the grant to its full underlying formula-led value, currently estimated at £82.5 million in 2024.

This action enables an additional estimated £160 million to be allocated to urgent financial pressures. This is a critical element in enabling the Government to cope with the lost income and additional costs associated with Covid-19 and fund its capital and revenue expenditure programmes. If we do not do this, borrowing will need to increase further over the period to fund expenditure plans.

These Regulations deal with the grant for 2022. Separate Regulations will be lodged in 2022 in respect of the 2023 grant.

Change for 2023

As needed, the Minister will amend the law again to stop the States grant for 2023, provided that it does not affect the long-term sustainability of the Social Security Fund.

Social Security Fund sustainability

The Social Security Fund will be able to pay out benefits for the foreseeable future.

The forecast for the Social Security Funds shows that there is expected to be a Fund balance of over £2,300 million by 2024. To put this in context, in 2020, the Fund paid out £257 million in contributory benefits (mostly the old age pension)¹.

In the Government Plan 2021-2024 last year, Ministers made a commitment to review the Social Security Fund to make sure that it continues to serve future generations. Since then, the long-term forecast for the Social Security Reserve Fund has improved, and under this Government Plan the value of the States Grant is restored to its full value from 2024 onwards. The cost of providing old age pensions will increase with the ageing demographic but the Fund is still forecast to hold four times annual spend by the 2070s.

The next actuarial review will be carried out during 2022 and published in early 2023. This will support the next government in its long term planning for the Social Security Fund.

Table 2: Estimate of Social Security Fund balances (including planning assumptions in Government Plan)

	2022 Estimate (£000)	2023 Estimate (£000)	2024 Estimate (£000)	2025 Estimate (£000)
Opening balance	85,002	87,761	86,362	79,487
Existing Contributions income	205,463	209,816	215,267	221,678
Transfer from Social Security Reserve	81,255	87,175	0	0
Grant to Social Security Fund	0	0	82,530	84,760
Existing benefits and other expenditure	(278,959)	(288,390)	(297,922)	(308,084)
Capital Investment in New Benefits System	(5,000)	(10,000)	(6,750)	0
Closing balance	87,761	86,362	79,487	77,841

Table 44: Social security fund

Table 3: Estimate of Social Security (Reserve) Fund balances ((including planning assumptions in Government Plan)

	2022 Estimate (£000)	2023 Estimate (£000)	2024 Estimate (£000)	2025 Estimate (£000)
Opening balance	2,105,009	2,141,635	2,172,249	2,291,723
Return on investments	117,881	117,790	119,474	128,336
Transfers	(81,255)	(87,175)	0	0
Closing balance	2,141,635	2,172,249	2,291,723	2,420,060

Table 45: Social security (reserve) fund

Source: Proposed Government Plan 2022-2025, p.170 and 171

Explanation of the Regulations

Regulation 1 – No States grant will be paid for 2022.

Regulation 2 – Changes come into force on 1 January 2022.

¹ [States of Jersey 2020 Annual Report and Accounts](#), page 125

Financial and manpower implications

£76.14 million will not be transferred from the Consolidated Fund to the Social Security Fund in 2022.

The Social Security Fund will use reserves from the Social Security (Reserve) Fund to help pay for the scheme's working age contributory benefits and the old age pension during 2022.

There are no manpower implications.

EXPLANATORY NOTE

These Regulations, if made, would amend the Social Security (Jersey) Law 1974 (the “Law”) to remove the requirement for the States to contribute to the Social Security Fund in 2022.

Regulation 1 amends Article 9A of the Law. The effect of the amendment is that the States are not required to contribute an annual amount to the Social Security Fund in 2022.

Regulation 2 gives the title of these Regulations and provides that they come into force on 1st January 2022.



Jersey

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Made [date to be inserted]

Coming into force [date to be inserted]

THE STATES make these Regulations under Article 50 of the [Social Security \(Jersey\) Law 1974](#) –

1 Article 9A (contributions by States to supplementation) of the [Social Security \(Jersey\) Law 1974](#) amended

In Article 9A of the [Social Security \(Jersey\) Law 1974](#), for paragraph (4) there is substituted –

“(4) Despite paragraphs (2) and (3) no annual amount is to be paid for the year 2022.”.

2 Citation and commencement

These Regulations may be cited as the Social Security (Amendment of Law No. 16) (Jersey) Regulations 202- and come into force on 1st January 2022.