

STATES OF JERSEY



PROPOSED GOVERNMENT PLAN 2024- 2027 (P.72/2023): AMENDMENT

SOCIAL SECURITY GRANT FUNDING

Lodged au Greffe on 18th October 2023
by Deputy P.M. Bailhache of St. Clement

STATES GREFFE

PROPOSED GOVERNMENT PLAN 2024-2027 (P.72/2023): AMENDMENT

1 PAGE 2, PARAGRAPH (e) –

After the words “Article 9(2)(b) of the Law” insert the words –

“, except that in Summary Table 3, the transfers in the last two rows of the table shall be replaced as follows –

		2024	2025	2026	2027
£'000		Proposed	Proposed	Proposed	Proposed
Transfer from	Transfer to				
Strategic Reserve	Consolidated Fund	20,000	20,000	-	-
Consolidated Fund	Strategic Reserve	-	-	-	40,000

2 PAGE 2, PARAGRAPH (h) –

After the words “Appendix 2 – Summary Tables 5(i) and (ii) of the Report” insert the words –

“, except that in Summary Table 5(i) the figures in the columns Expenditure and Head of Expenditure for Treasury and Exchequer shall each be increased by £20 million in 2024, so as to reinstate the States grant to the Social Security Fund in full.”

DEPUTY P.M. BAILHACHE OF ST. CLEMENT

Note: After this amendment, the proposition would read as follows –

THE STATES are asked to decide whether they are of opinion –

to receive the Government Plan 2024 – 2027 specified in Article 9(1) of the Public Finances (Jersey) Law 2019 (“the Law”) and specifically –

- (a) to approve the estimate of total States income to be paid into the Consolidated Fund in 2024 as set out in Appendix 2 – Summary Table 1 to the Report, which is inclusive of the proposed taxation and impôts duties changes outlined in the Government Plan, in line with Article 9(2)(a) of the Law;
- (b) to refer to their Act dated 30th September 2016 and to approve the application of existing resources for work on the development of ‘user pays’ charges in relation to all aspects of waste, including commercial and domestic liquid and solid waste;
- (c) to approve the proposed Changes to Approval for financing/borrowing for 2024, as shown in Appendix 2 – Summary Table 2 to the Report, which may be

obtained by the Minister for Treasury and Resources, as and when required, in line with Article 9 (2)(c) of the Law, of up to those revised approvals;

- (d) to approve the extension of the use of the existing Revolving Credit Facility to include the provision of funds that would otherwise be implemented through bank overdraft or bank overdraft facilities under Article 26 (1)(a) of the Law, should they be needed, subject to the limits outlined in that article;
- (e) to approve the transfers from one States fund to another for 2024 of up to and including the amounts set in Appendix 2 – Summary Table 3 in line with Article 9(2)(b) of the Law, except that in Summary Table 3, the transfers in the last two rows of the table shall be replaced as follows –

		2024	2025	2026	2027
£'000		Proposed	Proposed	Proposed	Proposed
Transfer from	Transfer to				
Strategic Reserve	Consolidated Fund	20,000	20,000	-	-
Consolidated Fund	Strategic Reserve	-	-	-	40,000

- (f) to approve a transfer from the Consolidated Fund to the Stabilisation Fund in 2024 of up to £25 million, subject to a decision of the Minister for Treasury and Resources based on the availability of funds in the Consolidated Fund as at 31 December 2023 in excess of the estimates provided in this plan, or from budgeted underspends identified before 31 December 2024;
- (g) to approve each major project that is to be started or continued in 2024 and the total cost of each such project and any amendments to the proposed total cost of a major project under a previously approved Government Plan, in line with Article 9(2)(d), (e) and (f) of the Law and as set out in Appendix 2 - Summary Table 4 to the Report;
- (h) to approve the proposed amount to be appropriated from the Consolidated Fund for 2024, for each Head of Expenditure, being gross expenditure less estimated income (if any), in line with Articles 9(2)(g), 10(1) and 10(2) of the Law, and set out in Appendix 2 – Summary Tables 5(i) and (ii) of the Report, except that in Summary Table 5(i) the figures in the columns Expenditure and Head of Expenditure for Treasury and Exchequer shall each be increased by £20 million in 2024, so as to reinstate the States grant to the Social Security Fund in full;
- (i) to approve the estimated income, being estimated gross income less expenditure, that each States trading operation will pay into its trading fund in 2024 in line with Article 9(2)(h) of the Law and set out in Appendix 2 – Summary Table 6 to the Report;
- (j) to approve the proposed amount to be appropriated from each States trading operation’s trading fund for 2024 for each head of expenditure in line with Article 9(2)(i) of the Law and set out in Appendix 2 – Summary Table 7 to the Report;

- (k) to approve the estimated income and expenditure proposals for the Climate Emergency Fund for 2024 as set out in Appendix 2 – Summary Table 8 to the Report; and
- (l) to approve, in accordance with Article 9(1) of the Law, the Government Plan 2024-2027, as set out at Appendix 3 to the Report.

REPORT

1. This amendment is brought to defend an important principle. The principle is that the monies in the Social Security Fund and the Social Security (Reserve) Fund belong to the Island's pensioners and prospective pensioners, or to the people of Jersey. They do not belong to the States or to the Government. They should not be used as a convenient pot into which the Government can dip to borrow with a view to balancing the Government's books. The Funds, which secure Islanders' pensions, have been built up over many years from contributions made by employers and employees, supplemented by the States so that employees whose earnings-related contributions were insufficient to meet the actuarial cost of their pensions could nonetheless receive a full pension in retirement.
2. That States supplementation is not an arbitrary figure to be debated each year. It is specified in a formula set out in the [Social Security \(Jersey\) Law 1974](#). The Law requires the States to make this contribution. Article 4 provides –

“There **shall be** paid into the Social Security Fund out of monies provided by the States such amounts as are determined in accordance with Article 9A for the purpose of contributing to the cost of supplementing contributions.” [My emphasis].

Article 9A sets out the formula for assessing the amount to be paid.

3. The [Government Plan](#) proposes that the amount to be paid from the Consolidated Fund into the Social Security Fund (the States supplementation) should be reduced by £20 million in 2024 and 2025. That reduction would be made up by transfers of £20 million from the Social Security (Reserve) Fund in each of those years so that pensions could continue to be paid. The proposal is in effect to borrow from the Social Security (Reserve) Fund to benefit the Consolidated Fund. It is true that it is also proposed to repay that borrowing in 2027 but who can tell what the Island's financial position will be in 2027? It may be that other financial pressures, currently unknown, will make it difficult or impossible to repay the money to the Social Security (Reserve) Fund. Reserves belonging to pensioners should not be used in this way.
4. The amendment would substitute the Strategic Reserve as the pot of money from which the Government proposes to borrow. That is the proper fund from which the Government, if it cannot sufficiently control its expenditure, should draw to balance the books.
5. It is disappointing that this amendment should be necessary. The previous Government Plan also made provision for a reduction in the amount to be paid into the Social Security Fund. When the [Social Security \(Amendment of Law No 17\) \(Jersey\) Regulations 2023](#) (which enabled that reduction to be made) were (vigorously) debated in the States on [7 February 2023](#), clear assurances were given by members of the Government that in 2024 the full supplementation would be paid into the Social Security Fund.

6. Deputy E Millar, Minister of Social Security, stated –

“The Government Plan also sets out that the States grant will be returned to its full value of some £82 million in 2024. This is an important source of funding to the fund to ensure its long-term financial sustainability.” (10.1, [Hansard \(gov.je\)](#))

7. Deputy I Gorst, Minister of Treasury and Resources, stated –

“I want to pick up on a point that Deputy Bailhache made because I think he made it carefully and it struck a chord with me. He said this legislative amendment shows that Ministers had not quite weaned themselves off this sort of process and he is right of course; that is absolutely right. In that Government Plan for 2024 Ministers have said, no, the transfer from taxpayers to the Minister for Social Security and to those benefits payments will take place and that is just over £80 million.” (10.1.6, [Hansard \(gov.je\)](#))

8. The Ministers did not at that time have access to the precise figure which is due in 2024 in accordance with the statutory formula. It is in fact £77,596,000. The Government Plan shows a grant to the Social Security Fund in 2024 of £57,596,000, a deficit of £20 million. That deficit would be covered by borrowing that amount from the Social Security (Reserve) Fund.

9. What a shame that Ministers, so soon after the solemn assurances quoted above were given to get the draft Regulations through the States in February 2023, should have discovered that they are not yet weaned off the plundering of Social Security Funds after all. It is time that the Government finally acknowledged that Social Security Funds are not a convenient piggy bank upon which it can draw at will.

Financial and staffing implications

There are no financial or staffing implications in adopting the amendment.