

STATES OF JERSEY



PROPOSED GOVERNMENT PLAN 2024 - 2027 (P.72/2023) – AMENDMENT (P.72/2023 AMD.) – COMMENTS

**Presented to the States on 7th December 2023
by the Council of Ministers**

STATES GREFFE

COMMENTS

Members are urged to oppose this amendment.

The Government Plan does not propose taking any monies out of the Social Security Fund, instead the plan proposes to reinstate the States grant to the Social Security Fund, but at a level which is affordable, throughout each year of the plan.

The amendment seeks to reinstate the States grant in full, and to borrow from the Strategic Reserve to afford to do so. This goes against the advice of the Fiscal Policy Panel to build the Strategic Reserve and contravenes the purpose and intended use of the Strategic Reserve previously agreed by the Assembly. The Strategic Reserve should not be a fund from which the Government proposes to borrow to balance Government finances.

Borrowing from the Strategic Reserve, even if temporary, is by far a worse option than deferring payments into the Social Security Fund which has been recently subject to an actuarial review¹. The review confirmed that the fund is in good health and expected to be able to pay benefits for several decades to come, under a range of migration scenarios.

Whilst the amendment seeks to balance the Consolidated Fund through transfers, increasing the States grant by £20m in 2024 and 2025, remains unaffordable and would lead to operating deficits of £28m in 2024 and £13m in 2025.

Further Background

The States grant to the Social Security Fund has been linked to the current formula since 2012. However, in 2016 to 2019, the grant was fixed in cash terms at £65m. The grant was suspended in 2020 to 2023 and funds were redirected to pay for the Covid-19 response.

This Government Plan reinstates the States grant, with a reduction in the formula value of the States grant in 2024 and 2025, and a corresponding increase to the States grant in 2027. Over the four-year period the total amount paid into the Social Security Fund through the States grant will match the full formula amount.

£'000	2024	2025	2026	2027	Total
States Grant – per formula	77,596	88,805	88,981	89,686	345,068
Adjustment	-20,000	-20,000	-	+40,000	-
Government Plan 24 - proposed	57,596	68,805	88,981	129,686	345,068

To ensure that there are no issues with operational cashflows in the Social Security Fund, the Government Plan proposes transfers into the Social Security Fund from the Social Security (Reserve) fund in 2024 and 2025, to be repaid in 2027. The approval for these transfers is sought as an amount of up to £20m, with transfers only being made if there is a cashflow need in the Social Security Fund.

¹ [r.96-2023.pdf \(gov.je\)](#)

Purpose of the Strategic Reserve

The policy for the Strategic Reserve was initially agreed by the States in 2006, subsequent Propositions further amended the use of the Strategic Reserve, with the fund to be used as follows;

- a) in exceptional circumstances to insulate the Island's economy from severe structural decline such as the sudden collapse of a major Island industry or from major natural disaster. ([P.133/2006](#))
- b) if necessary, for the purposes of providing funding (up to £100 million) for the Bank Depositors Compensation Scheme established under the Banking Business (Depositors Compensation) (Jersey) Regulations 2009, including to meet the States contribution to the Scheme and/or to meet any temporary cash flow funding requirements of the Scheme. ([P.84/2009](#))
- c) as a holding Fund for any or all monies related to the repayment of debt raised through external financing, with the monies used to offset the repayment of debt, as and when required. ([P.80/2021](#))

Fiscal Policy Panel Recommendation

The Fiscal Policy Panel, in their latest annual report² published in November 2023 restate their recommendation to grow the Strategic Reserve, stating that this should be between 30% and 60% of Gross Value Added (GVA). Currently the Strategic Reserve is short of this target at 17% of GVA, and any action to borrow from the Strategic Reserve will worsen this position and not be in support of the objective to grow the fund.

² [Microsoft Word - Annual report FINAL \(gov.je\)](#)