

STATES OF JERSEY



Jersey

DRAFT SOCIAL SECURITY (AMENDMENT OF LAW No. 15) (JERSEY) REGULATIONS 202-

Lodged au Greffe on 2nd November 2020
by the Minister for Social Security

STATES GREFFE

REPORT

Summary

The Minister for Social Security is proposing to stop the States grant from the Consolidated Fund to the Social Security Fund for 2021, in line with the proposed [Government Plan 2021-24 \(P.130/2020\)](#).

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.

As part of the Government Plan 2020-23 ([P.71/2019](#)) debate last year, 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 of £93.1 million.

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](#)).

Proposal

The proposed Government Plan 2021-2024 ([P.130/2020](#)) proposes to temporarily stop the States grant for 2021.

There are also proposals described in the Government plan to stop the Grant for 2022 and 2023, due to the exceptional circumstances being faced by the Government as a consequence of the pandemic and then to pay a grant of £65.3 million in 2024. This will make an estimated £235 million available to be allocated to urgent financial pressures.

Table 1: £235 million to be made available by 2024

	2021	2022	2023	2024	Total
	£m	£m	£m	£m	£m
Previous plan	65.3	65.3	76.1	93.1	300
Proposed	0	0	0	65.3	65
Retained in the Consolidated Fund	65.3	65.3	76.1	27.8	235

However, no decision will be taken on these proposals until the full review of the Social Security Fund has been completed and actions agreed to maintain the Fund at a fully sustainable level.

Changes for 2022 and 2023

As needed, the Minister will amend the law again to stop the States grant for 2022 and 2023, following agreement as to the actions to be taken following the review of the Social Security Fund for the future.

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 over £1,800 million by 2024. In 2019, the Fund paid out £249 million in benefits (mostly the old age pension).

The next actuarial review will be carried out during 2022 and published in early 2023.

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

	2021 (£000)	2022 (£000)	2023 (£000)	2024 (£000)
Opening balance	92,722	91,746	86,020	75,294
Existing Contributions income	199,054	205,507	211,627	217,929
Changes to Contribution rates	(15,894)	0	0	0
Sustainability Measures	0	0	0	29,319
Transfer from Social Security Reserve	94,932	81,255	87,175	0
Grant to Social Security Fund	0	0	0	65,300
Existing benefits and other expenditure	(275,879)	(284,475)	(296,398)	(310,018)
New Benefits proposed	(2,939)	(3,013)	(3,130)	(3,256)
Capital Investment in New Benefits System	(250)	(5,000)	(10,000)	(7,750)
Closing balance	91,746	86,020	75,294	66,818

Table 36 – Social Security Fund

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

	2021 (£000)	2022 (£000)	2023 (£000)	2024 (£000)
Opening balance	1,736,400	1,667,068	1,609,813	1,634,638
Return on investments	25,600	24,000	112,000	116,700
Transfers	(94,932)	(81,255)	(87,175)	0
Closing balance	1,667,068	1,609,813	1,634,638	1,751,338

Table 37 – Social Security (Reserve) Fund

Source: Proposed Government Plan 2021-2024, p164 and 165

Review of Social Security sustainability

The Council of Ministers are determined to make sure the Social Security Fund remains in a fully sustainable position for future generations. The Council of Ministers will review the Social Security scheme and propose a plan on how to deliver this, for States debate during 2021.

Explanation of the Regulations

Regulation 1 – Identifies the underlying legislation.

Regulation 2 – no States grant will be paid for 2021.

Regulation 3 – Changes come into force 7 days after they are made.

Financial and manpower implications

£65.3 million will not be transferred from the Consolidated Fund to the Social Security Fund in 2021.

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 2021.

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 2021.

Regulation 1 provides that these Regulations amend the Law.

Regulation 2 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 2021.

Regulation 3 gives the title of these Regulations and provides that they come into force 7 days after they are made.



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 1974¹ –

1 Amendment of the Social Security (Jersey) Law 1974

These Regulations amend the Social Security (Jersey) Law 1974².

2 Article 9A (contributions by States to supplementation) amended

For Article 9A(4)(a) there is substituted –

“(a) no annual amount is to be paid for the year 2021; and”.

3 Citation and commencement

These Regulations may be cited as the Social Security (Amendment of Law No. 15) (Jersey) Regulations 202- and come into force 7 days after they are made.

ENDNOTES

Table of Endnote References

1	<i>chapter 26.900</i>
2	<i>chapter 26.900</i>