

**WRITTEN QUESTION TO THE MINISTER FOR SOCIAL SECURITY
BY THE DEPUTY OF ST. JOHN
ANSWER TO BE TABLED ON TUESDAY 2nd FEBRUARY 2016**

Question

Further to Ministerial Decision MD-S-2016-0001 made on the 6th January 2016, could the Minister provide a full breakdown of the costs that make up the withdrawal of £8,140,000 from the Social Security Fund, Health Insurance Fund and Long Term Care Fund for 2016?

Should there be an overpayment to the Social Security Department from these funds, will the excess funding be returned to the particular fund at the end of year? If not, why not?

How can the sums of £5,180,000 (Social Security Fund), £1,540,000 (Health Insurance Fund) and £1,420,000 (Long Term Care Fund) reflect the operational and management costs of running the department when it is based on predictions?

Answer

The detailed report supporting MD-S-2016-0001 is available on www.gov.je at http://www.gov.je/Government/PlanningPerformance/Pages/MinisterialDecisions.aspx?showreport=yes&docid=0cb245488fda47a489270dcbced41a05_MDs2013#report

As set out in that report, the level of management charge has been calculated based on the total administrative costs expected to be required to run both the tax funded areas and the funds. The management charge has been calculated by operational managers predicting the split of their staff's work during the period of the MTFP and using these splits to apportion the budgeted costs of each operational and administrative area between each of the funds and the tax funded areas

2016 Management fee	Staff £'000	Non-Staff £'000	Total £'000
Social Security Fund	2,910	2,270	5,180
Health Insurance Fund	590	950	1,540
Long Term Care Fund	750	670	1,420
Total	4,250	3,890	8,140

The funds will continue to pay for benefits directly and certain costs where they are incurred under the legislation relating to the fund in question or are specific expenditure of the funds rather than administration. These costs include audit, actuarial and investment management fees, the contribution from the HIF cost of the Primary Care Governance Team and JQIF payments, which are not included in the figures above.

The move to a management charge ensures that the funds pay a suitable amount for the administrative work in running these funds, whilst greatly simplifying the administrative burden on the department. Using expected costs is a key way in which this is achieved as it prevents the need to spend time continuously re-evaluating the levels of actual expenditure and split, and which is only likely to result in small changes in the overall charge. However, if there are substantial changes to the operations of the department in the future, the charge will be reviewed to ensure it remains an accurate reflect of the costs incurred in running each area of the department.

The department is committed to improving efficiencies across all its operations, and so has agreed to reduce the management charge by 2% for each year of the MTFP. As the management charge has been fixed,

failure to deliver efficiencies would result in overspends in the tax funded areas that would need to be absorbed, greatly enhancing the accountability for administrative expenditure in the funds.

The key benefits of this change in methodology are:

- Simplified reporting, supporting strong financial decision making and strengthening financial management and budgeting processes.
- Increased transparency of expenditure, with the majority of expenditure approved through the tax funded department in the MTFP
- Simplified accounting, reducing administration, reducing the risk of error and facilitating the move to a modern Procure to Pay system
- A consistent approach for both Staff and Non-staff expenditure by the department;