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Sent by e-mail 4 November 2020

Deputy Mary Le Hegarat Chair of the Health & Social Security Scrutiny Panel

Dear Mary,

Further to the recent letter following the Public Hearing on 22nd October I have provided answers below as requested in response to the questions received from the Panel regarding the new projects and capital projects within my ministerial portfolio in the Government Plan 2021-2024.

Health Insurance Fund

1. The Panel was advised in April 2020 that the most recent valuation found the fund to be valued at £83m. It also notes the recent transfer of £5.3m from the fund to support emergency Covid-19 work. What are the funds current valuation?

The current value of the financial assets held by the fund is £88.9m.

a. What is the disparity between the current valuation and its opening balance (of £97,679) in 2021?

This has increased in comparison with the previous valuation as a result of the recovery in financial asset values since April. April 2020 was the low point in the values of the assets held by the Health Insurance Fund (HIF). The £5.3m transfer to Health & Community Services has been deducted from the £88.9m figure. The values quoted above relate to the financial assets held for investment. The opening balance in 2021 is Taxpayers Equity which includes other assets and liabilities of the fund. The Taxpayers Equity balance in the HIF per the 2019 audited accounts was £107.6m. Of this £95m was held in financial assets. The opening value in 2021 is anticipated to be £10m less as a result of the transfer referred to above and the forecast deficit in 2020. The forecast deficit is due to shortfalls in contributions and investment income and some increased costs in 2020.

b. Noting that the Fund is expected to decline to £35 million by 2024, can we expect new mechanisms to be proposed over the next few years to revive the funding of the Health Insurance Fund?

Government Plan page 161: "Given that the ageing demographic will also increase the underlying annual costs to be met by the fund during the 2020s, changes will be needed to maintain a sustainable funding model for primary care costs. Therefore, a further commitment in the 2021-2024 Government Plan is to design and implement this

sustainable funding model in 2021 for approval by the 2022-2025 Government Plan. It is envisaged this new model will be implemented alongside the Jersey Care Model. Gov plan”.

Long-Term Care Fund

2. The Government Plan notes that the introduction of the Jersey Care Model and Care Needs at Home Benefit can be “expected to reduce the extent of future increases in Long-term Care expenditure” (p.162). What policy work has been initiated to identify future uses of the Fund and its funding model?

The use of the Long-Term Care (LTC) Fund is set out in legislation and is not expected to change.

The development of additional support in the community and an emphasis on preventative activities should reduce the anticipated increase in LTC benefit costs. The need to increase LTC contribution rates in future years will be kept under review.

Social Security Fund

3. How will the decision not to pay future grants into the Social Security Fund until 2023 affect Family-Friendly legislation going forward, given that the 2020 Plan funded these changes through the fund?

To help fund the additional cost of introducing Parental Benefits, the following changes to Social Security contributions were made effective from 1 January 2020:

The liability of employers and class two contributors, paying contributions above the Standard Earnings Limit (SEL) of £53,304 were increased as follows:

- **The Upper Earnings Limit - the maximum level of earnings that is taken into account for contribution purposes - increased from £176,232 to £250,000**
- **The percentage rate levied on earnings above the Standard Earnings Limit (£53,304-£250,000) was increased by 0.5% from 2% to 2.5%**

The overall impact of these two changes was estimated to be additional income of £3.35 million a year being received into the Social Security Fund during 2020.

There has, of course, been an impact on the income received into the Social Security Fund as a result of the covid-19 pandemic. The Assembly has approved a 2% cut to standard level contribution rates until June 2021 and there have been deferrals made to some contributions. In addition (as the Panel note), the States Grant is expected to be deferred until 2023.

The income for parental benefits is not affected by the 2% cut, as all the funding comes from income above the SEL. Even with the temporary downturn, the Social Security Fund will have enough money to meet the costs of the new benefit. Estimated costs were based on all parents claiming their full 32 weeks as soon as the benefit launches, whilst possible, it is unlikely to happen - the situation will be regularly reviewed.

The anticipated costs associated with the new Parental Benefit are included in the Social Security Fund forecasts throughout the Government Plan period.

a. With a plan to return to balanced budgets by 2024, how will the Social Security Fund's role change to adapt to this plan? Can we expect the current arrangements for the Fund to change dramatically, regardless of the outcome of the proposed review?

Government Plan Page 172:

Review of Social Security sustainability

“We are determined to place the Social Security Fund in a fully sustainable position for future generations and will undertake a full review of the various components of the Social Security scheme over the coming months. These components include the contributions levied, other income coming into the Fund, the range and level of benefits and pensions provided and the size and investment strategy of the Reserve Fund. In particular, the balance of contributions and States Grant will be reviewed in the context of the burden of overall government levies (taxes and contributions) on individuals, workers, businesses and employers. The review will build on the public consultations, previously conducted in 2016 and 2017, and will lead to proposals to be incorporated into the Government Plan 2022.”

It is too soon to provide an opinion on the outcome of the review.

b. Can we expect a funding plan for this review to be presented in future Government Plans?

See (a) above

New projects-Covid-19- Income Support Costs (CSP-4-C-02)

| | | | | |
|----------------------------|--------------------|--------------------|--------------------|--------------------|
| Funding identified in 2020 | 2021 £7,498,000 | 2022 £5,249,000 | 2023 £3,692,000 | 2024 £4,549,000 |
|----------------------------|--------------------|--------------------|--------------------|--------------------|

4. Have alternate costs been prepared should there be a delay in the preparation and delivery of a vaccine?

The figures quoted are based upon the forecasts published by the FPP in August 2020. The forecast benefit spend figures are believed to be reasonable and prudent estimates.

In the event that economic performance and consequently the number of individuals / households out of work and claiming benefits is materially worse than forecast, spend on benefits will be higher. This situation may arise as a result of a delay to a Coronavirus vaccine or any other cause. Treasury are holding a contingency budget specifically for benefit related overspending.

Benefit spend will be monitored monthly and re-forecast quarterly as normal throughout 2021 and any adverse variances highlighted in line with financial reporting processes. Any such variances will require to be managed as part of the overall government approach to the management of its fiscal position.

5. What flexibility has been supplied to this project in order to allow it to respond to unexpected economic and public health impacts from COVID, such as sudden rises in unemployment?

As stated above, Treasury hold a contingency budget for this purpose and actual spend and forecasts will be reviewed on a regular basis.

New Capital Projects - Benefits and Payments System – NESSIE

| | | | | |
|-----------------------------|------------------|--------------------|---------------------|--------------------|
| Funding identified in Annex | 2021 £250,000 | 2022 £5,000,000 | 2023 £10,000,000 | 2024 £7,750,000 |
|-----------------------------|------------------|--------------------|---------------------|--------------------|

6. What work have you undertaken on the possibility that the findings and recommendations of the review into the Social Security Fund may lead to additional infrastructure being required alongside NESSIE?

The new IT system is likely to be very different than the existing system. The existing system is bespoke, it is quite hard-wired in and the new system will be very flexible, more modular and more in tune with the current technology of today. Therefore, it will be able to accommodate any changes that come out of the review proposed in the Government Plan.

7. We note that only £27,000 of the allocated £150,000 for 2020 was spent. Where was the remaining funds “released” to?

The £123k not spent will be returned to the Treasury.

Projects reviewed in 2019 - Financial Independence

| | | | | | |
|----------------------------|------------------|------------------|------------------|------------------|------------------|
| Funding identified in 2019 | 2020 £150,000 | 2021 £200,000 | 2022 £200,000 | 2023 £200,000 | |
| Funding identified in 2020 | | 2021 £50,000 | 2022 £0 | 2023 £100,000 | 2024 £100,000 |

8. R.89/2020 stated that “The project budget has been released in 2020 due to the deferral and a new time frame will be considered as part of the next Government Plan submission.” Has a new time frame been agreed?

Not yet.

9. Please advise what the funds of £50,000 in 2021 will be spent on?

There is no budget in 2021 for this project - the £50,000 has been identified as a saving within the Government Plan.

See page181.

Single-parent Component

| | | | | | |
|----------------------------|----------------|----------------|----------------|----------------|----------------|
| Funding identified in 2019 | 2020 £2,531 | 2021 £2,539 | 2022 £2,530 | 2023 £2,524 | |
| Funding identified in 2020 | | 2021 £2,539 | 2022 £2,530 | 2023 £2,524 | 2024 £2,524 |

10. How much of the £2,531, 000 that was approved in 2019 for 2020 has been spent to date?

£1.9m was spent as at end of September 2020.

11. How many single parents did the funds assist?

The budget supports approximately 1200 single parents at any one time and 1400 in total to date.

Support for Homes Care and Carers (listed as 'Care Needs at Home' in Annex) (CSP4-3-01)

| | | | | | |
|----------------------------|------------------|------------------|------------------|------------------|------------------|
| Funding identified in 2019 | 2020 £150,000 | 2021 £620,000 | 2022 £620,000 | 2023 £620,000 | |
| Funding identified in 2020 | | 2021 £620,000 | 2022 £620,000 | 2023 £620,000 | 2024 £620,000 |

12. Why was the decision made to delay this project (above other projects that were agreed last year)?

The care needs at home project was originally planned to start detailed research through home visits to individuals living in their own home with a serious disability and/or long-term health condition. The family would be visited by a health professional and a policy officer to discuss details of their domestic living conditions and their additional domestic costs associated with their health condition (for example, the need to buy particular items of food, use more energy for washing or heating et cetera).

This project was deferred for two reasons:

- **It was inappropriate to continue with home visits as the covid emergency impacted upon Jersey. It was not considered appropriate to attempt to gather this detailed information using video or telephone calls.**
- **The staff undertaking the project were redeployed to support urgent covid activities.**

The intention is to maintain the full scope of the original project but to restart the home visits at the beginning of 2021. The saving in the project relates solely to the delay in implementation. The full budget is restored for 2022 and beyond.

Our overriding commitment to well-being was to protect the health of the individuals and families being interviewed. Alternative financial and practical support continues to be available to these families whilst the new scheme is being designed and approved.

The aims of the scheme are fully aligned with the Jersey Care Model and officers across departments will continue to work together closely during 2021 on the design and implementation of this scheme.

13. What consultation did you undertake with the Jersey Carers Association in respect of this decision?

The nature of this project means that it was not necessary to consult with the Jersey Carers Association. The work scheduled to be carried out in 2020 involved working initially with families caring for young people, all of whom have a direct relationship with services through their allocated care coordinator and had been told that officers would contact directly. Families would have been in touch with the care coordinator throughout the lockdown period and would have understood the delay arranging in home visits. A priority was given to maintaining continuity of care as far as possible, including any bespoke funding or arrangements from Health.

14. The Annex to the GP states that this project has been deferred until 2021 “to save £150,000 in 2020 with a further one-off saving of £400,000 in 2021.” Please can you explain how the one-off saving of £400,000 will be made?

The full annual Customer and Local Services (CLS) budget for this project is £550,000. The budget for the first preparatory year is £150,000.

A deferral for one year creates a saving of £400,000 in 2021 as this now becomes the preparatory year rather than the first year of the full scheme. In 2022 the CLS budget will be £550,000.

Disability Strategy and Community Support (listed as ‘Disability Social Inclusion’ in Annex) (CSP-4-3-2)

| | | | | | |
|----------------------------|------------------|------------------|------------------|------------------|------------------|
| Funding identified in 2019 | 2020 £351,000 | 2021 £571,000 | 2022 £576,000 | 2023 £431,000 | |
| Funding identified in 2020 | | 2021 £351,000 | 2022 £571,000 | 2023 £576,000 | 2024 £431,000 |

15. The status of this project in the 6-month report was “On Track”, yet due to the pandemic, implementation of the strategy was delayed. Please explain.

As the island dealt with the Covid19 pandemic implementation of the strategy was delayed. However, many of the partners from the implementation group worked together to support disabled islanders with support and advice.

16. Why has the amount allocated for 2021 in the previous Government Plan reduced from £571,000 to £351,000 in this government plan?

We do not recognise the numbers provided by the panel for 2021-2024 in this question.

Please see the following corrected table

| | 2020-23 GP Table 57 / pg. 200 £'000 | 2021-24 Appendix 4 / pg. 196 £'000 | Difference £'000 |
|-------------|--|---|----------------------------------|
| 2020 | 351 | | |
| 2021 | 571 | 481 | -90 |
| 2022 | 576 | 426 | -150 |
| 2023 | 431 | 491 | 60 |
| 2024 | | 491 | 491 |

Overall, the 2021-2024 Government Plan invests a further £311k into this workstream.

17. How much of the £351,000 that was allocated to this project for 2020 has been spent to date?

Recruitment was delayed due to Covid, however, we have now recruited two individuals for Q4 and further interviews taking place in November. Actuals £1k in CLS to date. Current forecast in 2020 £88k.

a. (If money has been spent) Why will you, therefore, require the full £351,000 to be supplied again in 2021?

This funding will be for the Disability Inclusion Officer Post and the Project Managers post as well as funding identified to deliver the strategy.

b. What targets have you achieved within the implementation of this strategy?

As Jersey moved through the Safe Exit Framework implementation could recommence and during September and October the following progress has been made;

- **2 Disability Inclusion Officers have been appointed**
- **The implementation group has met in person and virtually and agreed to form 5 working groups around the key priority areas and meet as a whole 2 or 3 times a year**
- **The meeting enabled disabled islanders and providers an opportunity to reflect on the impact of C19**
- **CLS are in the process of recruiting a project manager to oversee the delivery of the disability strategy**
- **The Learning Disability Cluster has now joined the disability implementation group**

- **The disability implementation group are linking with Liberate to form an access panel to advise and train organisations around accessibility**
- **The disability implementation group are working with Volunteer.je and The Bodest Foundation to develop a community volunteer driver scheme for both individuals and organisations**
- **The disability implementation group have agreed next steps and actions Funding has been obtained by organisations from the Jersey Community Foundation to support employment projects for disabled islanders.**

18. In a recent letter you advised the Panel that officers would be interviewing for two additional staff members in late August 2020, what was the outcome of this recruitment process?

As above, 2 Disability Inclusion Officers have been appointed.

19. During its review of the Government Plan 2020-2023 and in respect of this project, the Panel found that identification of projects that intended to be rolled out from 2020 onwards was still under decision. The list was due to be considered by the Disability Strategy Delivery Group at its meeting in October. Was this list agreed and, if so, please can you provide the Panel with a copy?

The projects were agreed as well as a new way forward in terms of implementation. Report to follow.

Efficiencies

20. We note that one of the efficiency targets consists of consistently reviewing and improving CLS. How confident are you that a £61,000 efficiency can be generated year-on-year from this?

The £61k efficiency from making improvements to service is recurring. By reviewing our services and making it easier for customers we can improve processes and remove unnecessary steps, releasing financial savings.

a. What is the expected cost of the reviews that will be undertaken to locate these efficiencies?

Within CLS we have developed expertise who lead this continuous improvement work. It is expected that there will be incremental improvements to service. There are no additional costs.

b. Can we expect any public-facing changes to be delivered over 2021 as a result of this target?

The OneGov model set out that there would be a benefit to customers in having all customer facing activity under a single department e.g. Library Services and the Office of the Superintendent Registrar. Both have moved to become part of CLS.

There are additional customer facing parts of government which will be joining CLS (none of these are the responsibility of the Minister for Social Security). As we work with these incoming teams, we expect that there will be improvements in the service the public receives.

CLS is also leading the Customer Strategy for government and this includes the OneGov Customer Feedback Policy.

c. How do you intend to track these efficiencies?

Rebalancing will be monitored centrally. Budget will be removed from the CLS head of expenditure.

21. You also intend to defer the implementation of the Care Needs at Home project by one year. Will this have any impact on the implementation of the Jersey Care Model?

No

22. What will the 'restructuring advisor posts' consist of? Will it include moving advisors to CLS?

The Social Security Minister has £442,000 of rebalancing measures for 2021.

This is made up of £400k deferral of Care Needs at Home. £61k of Customer Service improvements in CLS.

Plus, an additional spend in the Health and Safety Inspectorate of £19k towards Inspectorate resources. This nets off to £442k. This does not involve moving advisors from CLS.

Extra questions received in a separate e-mail

23. Covid-19 – Income Support Costs

- Please provide a breakdown of the requested funding of £7.5m for 2021

The request is based upon our forecast benefits spend for 2021 which utilises data provided by the Fiscal Policy Panel and projected numbers of individuals actively seeking work. The business case for this funding also recognises that there is a requirement to support the increased numbers of individuals actively seeking work into employment, education or training, this requires the employment of additional staff. The request for additional budget can be analysed:

Additional Benefits Budget £6.7m

Additional Staffing Budget £0.8m

24. Benefits and Payments System – NESSIE

- Please provide a breakdown of the requested funding for each year of the GP (2021-2024).

2021 - £250k

It is intended that this funding will facilitate the development of detailed benefits and customer service system replacement requirements. A phased delivery plan will be agreed, and procurement will be completed. This spend will be a mixture of staff costs and potentially some specialist external consultancy to ensure the systems specification meets future demand and CLS's customer service strategy.

2022 - £5m

2023 - £10m

2024 - £7.75m

These costs relate to developing, building and testing the new benefits and customer service system. It is envisaged that the majority of this spend will provide resource to the partner / supplier of the new system to fund its development and acquisition. There will also be substantial staff costs allocated to this project to assist with its design, testing, communications and implementation. It is not possible to provide a detailed breakdown of the total costs at this stage although it is intended that the current systems will be migrated to a new modular, customer-centric architecture. Delivery phasing will be aligned so as to deliver new political priorities and changes via the new system and avoiding further investment in legacy technologies. This approach also avoids the risks and resourcing demand attached to a 'big bang' cut over. This substantial investment in a new, modern benefits system underpins a critical service to many residents. The above budget represents the best estimate of the replacement cost available at this time.

Yours sincerely,



Deputy Judith Martin
Minister for Social Security