

# STATES OF JERSEY



## DRAFT SOCIAL SECURITY (AMENDMENT OF LAW No. 9) (JERSEY) REGULATIONS 201-

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Lodged au Greffe on 25th August 2015  
by the Minister for Social Security

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STATES GREFFE





Jersey

## **DRAFT SOCIAL SECURITY (AMENDMENT OF LAW No. 9) (JERSEY) REGULATIONS 201-**

### **REPORT**

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#### **1. Summary**

As part of the overall package of measures included in the Medium Term Financial Plan 2016 – 2019 (MTFP), a number of short-term funding options have been included to ensure that the much-needed public investment in capital, restructuring costs and investment to drive productivity and economic growth can be provided (see section 13 of the MTFP (pages 86–94).

One of these measures is a reduction in the level of funding provided to the Social Security Fund. To implement this change, the Minister for Social Security is proposing to amend the formula used to set the States Grant to the Social Security Fund and to fix the Grant at £65.3 million (the 2015 level) for 2016, 2017, 2018 and 2019 – the period of this MTFP.

Over these 4 years, the States will contribute £261.2 million into the Social Security Fund instead of £282.0 million. This £20.8 million reduction represents less than 2% of the total value of the Social Security Reserve Fund.

From 2020 onwards, the States Grant will revert to the original formula so that the impact of this measure is limited to this MTFP period.

#### **2. Detail**

The Social Security Fund (SSF) receives contributions from employers and employees and a contribution from the Consolidated Fund via a States Grant in the Social Security cash limit. The value of the States Grant is based on the shortfall in the social security contributions of lower-paid workers and makes up (i.e. supplements) these contributions to the standard rate.

A certainty formula determining the value of the Grant for each year of an MTFP period was established in 2012, replacing the annual supplementation formula from previous years. The Grant provides a contribution based on the level of actual supplementation, which is reset for each MTFP.

The Council of Ministers is proposing that the Grant to the SSF be fixed at its 2015 levels (£65.3 million), which would reduce the increase otherwise required in the Social Security revenue expenditure by £2.5 million in 2016 rising to £7.9 million by 2019.

The overall reduction is £20.8 million over the MTFP period, which represents less than 2% of the SSF Reserve Fund balance. Over the period of the MTFP 2016 – 2019, total Grant payments of over £260 million will still be paid to the Social Security Fund from taxpayers' funding.

The proposal recognises the substantial value of the Social Security (Reserve) Fund at £1.25 billion, equivalent to about 5 years' expenditure in the Social Security Fund which, in turn, had a balance of £88.6 million at the end of 2014. The proposal also recognises that this level of Fund was built up over many years to manage the financial pressures of an ageing population and to smooth the inevitable changes that will be needed to provide a sustainable fund for future pensions.

The Minister for Social Security will be bringing forward plans during this MTFP period for the States to consider the options to ensure the long-term sustainability of the Social Security Fund. Section 18, page 128 of the Draft Medium Term Financial Plan 2016 – 2019 identifies the current position and the options that are being considered.

The amendment to Article 9A of the Social Security Law replaces the current formula for the Grant for each year of the 2016 – 2019 MTFP. In 2020, the current formula is reinstated, and the value of the Grant for the next MTFP will be calculated using the actual figures for supplementation reported in the annual accounts for 2018.

### **3. Financial and manpower implications**

Under this proposal, the Grant to the SSF will be fixed at 2015 levels (£65.3 million) throughout the MTFP. This will reduce the increase otherwise required in the Social Security Department's cash limit by £2.5 million in 2016 (already reflected in the MTFP).

The Grant to the SSF will be £261.2 million over the MTFP period, rather than £282.0 million. The overall reduction is £20.8 million, which represents less than 2% of the SSF Reserve Fund balance.

There are no manpower implications arising from this proposal.

## Explanatory Note

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These Regulations fix the States' annual contribution to the Social Security Fund, for each of the years 2016, 2017, 2018 and 2019, at £65.3 million.





Jersey

## **DRAFT SOCIAL SECURITY (AMENDMENT OF LAW No. 9) (JERSEY) REGULATIONS 201-**

*Made* [date to be inserted]  
*Coming into force* [date to be inserted]

**THE STATES**, in pursuance of Article 50 of the Social Security (Jersey) Law 1974<sup>1</sup>, have made the following Regulations –

### **1 Article 9A of the Social Security (Jersey) Law 1974 amended**

After Article 9A(4) of the Social Security (Jersey) Law 1974<sup>2</sup> there shall be inserted the following paragraph –

“(4A) Notwithstanding paragraphs (2) to (4), the annual amount to be paid for each of the years 2016, 2017, 2018 and 2019 is £65,300,000.”.

### **2 Citation and commencement**

These Regulations may be cited as the Social Security (Amendment of Law No. 9) (Jersey) Regulations 201- and shall come into force 7 days after they are made.

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- <sup>1</sup> *chapter 26.900*  
<sup>2</sup> *chapter 26.900*