STATES OF JERSEY

REINSTATE THE STATES GRANT TO THE SOCIAL SECURITY FUND (P.63/2026): COMMENTS

Presented to the States on 3rd September 2026
by the Council of Ministers

STATES GREFFE

COMMENTS

The Council of Ministers recognises the importance of maintaining the long-term sustainability of the Social Security Fund and acknowledges the concerns raised by Deputy Andrews regarding the temporary reduction in the States Grant.

The Council also recognises that the reductions agreed as part of the 2026 Budget were presented as temporary measures. The Council is not suggesting that the current reduced level of the States Grant should become permanent.

However, P.63/2026 asks the Assembly now to commit to restoring the States Grant to its full formula value from 2028, before the completion of two important reviews which will directly inform the appropriate future funding arrangements for Social Security.

The Council considers that such a commitment would be premature. The reviews are expected to report in early 2027, providing sufficient time for their conclusions to be properly considered before decisions are taken as part of the 2028 Budget process.

The Council therefore recommends that Members reject P.63/2026.

Social Security reviews

The need to maintain a sustainable Social Security system for current and future generations is fully recognised.

In the 2026–2029 Budget, Ministers committed to a comprehensive review of the history and current position of the Social Security Fund and Reserve Fund, together with the options for future contribution levels and the role and nature of the annual States Grant.

The four-yearly actuarial review is also under way. This will provide updated projections of contribution income, benefit expenditure, demographic pressures and the adequacy of the reserves.

Importantly, the reviews will consider not simply the financial position of the Funds, but the appropriate long-term balance between:

- funding from general taxation through the States Grant;
- investment returns from the Reserve Fund; and
- the level of reserves considered prudent to meet future demographic pressures.

The reviews will also consider the funding policy established in the late 1990s and whether the existing arrangements remain appropriate.

P.63/2026 would require the Assembly to commit to restoring the Grant according to the existing formula before the work examining that formula and the wider funding model has been completed.

The Council does not consider that to be the most prudent approach.

Current position of the Reserve Fund

The Social Security Reserve Fund is currently in a strong financial position.

The 2026 Budget forecasts the Reserve Fund increasing from approximately £2.62 billion at the end of 2026 to approximately £2.96 billion at the end of 2029 under the existing Budget assumptions.

Over the same period, the Reserve is forecast to remain broadly stable in terms of benefit coverage, increasing from approximately 7.4 times annual benefit expenditure in 2026 to approximately 7.5 times in 2029.

The strength of the Fund has been supported by significant investment returns. The 2026 Budget noted average annual investment returns of 9.3% over the preceding five years and 7.3% over ten years.

The Council welcomes this strong position. It provides an important degree of resilience and means that there is no immediate requirement to determine the funding arrangements for 2028 before detailed evidence becomes available.

At the same time, recent strong investment performance should not in itself determine a funding policy intended to remain sustainable over several decades. Investment returns fluctuate and the Social Security system will face increasing demographic and pension pressures over the longer term.

The purpose of the current reviews is therefore to establish the appropriate long-term funding model on the basis of evidence rather than short-term movements in the value or investment performance of the Reserve.

Impact on the public finances

Restoring the States Grant to its full formula value would represent a significant additional recurring call on general revenues from 2028, with a £46m funding gap to restore the full formula value, to be funded each year from 2028 onwards.

£m	**2028**
States Grant – current Budget assumption	£54m
States Grant – full formula/P.63	£100m
Additional annual expenditure	£46m

In the absence of corresponding additional revenues, restoring the Grant would reduce the resources available for other public services and priorities and/or require compensating expenditure reductions elsewhere.

That does not mean that the States Grant should not ultimately be restored, whether in full, on a phased basis or through a revised funding arrangement. Rather, the Council considers that a significant recurring commitment of this nature should be considered alongside other spending priorities and the overall fiscal position when the 2028 Budget is prepared.

The reviews currently underway will allow that decision to be made with considerably better information than is available to the Assembly today.

Timing

There is no practical requirement for the Assembly to determine the 2028 level of the States Grant in September 2026.

The two reviews are expected to report in the first quarter of 2027. Their conclusions can therefore be considered by Ministers and Members well in advance of the preparation and debate of the 2028 Budget.

Waiting for those conclusions does not prevent the restoration of the Grant from 2028.

It simply ensures that, before committing substantial recurring public expenditure, the Assembly understands:

- the long-term actuarial position of the Social Security system;
- the appropriate level of reserves;
- the future contribution requirements;
- the appropriate balance between contributions, taxation and investment returns; and
- whether the existing States Grant formula remains the appropriate mechanism.

Conclusion

The Council shares Deputy Andrews' objective of ensuring that Jersey's Social Security system remains properly and sustainably funded for future generations.

It also recognises that the reductions to the States Grant agreed in the 2026 Budget were presented as temporary and does not seek through these comments to make those reductions permanent.

The issue before the Assembly, however, is not simply whether the States Grant should ultimately increase. It is whether the Assembly should commit now to restoring the full Grant under the existing formula from 2028, before receiving independent actuarial and policy work specifically commissioned to determine the appropriate future funding arrangements.

The Council considers that it should not make that commitment.
The Council recognises that the Social Security Fund is currently able to accommodate this temporary reduction in funding without immediate detriment. The appropriate course is to await the outcome of the current reviews, consider their recommendations, and then determine whether, and on what basis, the Grant should be reinstated when financial circumstances permit.

The reviews are due to report in early 2027 and there will be sufficient time following their publication to determine the appropriate level and basis of the States Grant from 2028 as part of the 2028 Budget.

The Council therefore recommends that the Assembly reject P.63/2026 and defer any decision on the future level of the States Grant until the findings of the two reviews have been received and considered.