

SOCIAL WELFARE BENEFITS INVESTIGATION COMMITTEE

COMPREHENSIVE SOCIAL WELFARE BENEFITS MODEL

The Chief Minister
Policy Council
Sir Charles Frossard House
La Charroterie
St Peter Port

30th November 2015

Dear Sir

EXECUTIVE SUMMARY

1. The Social Welfare Benefits Investigation Committee was constituted as a Special Committee of the States on 6th December 2013. The Committee's given mandate, in summary, was to examine in detail the workings of the supplementary benefit system administered by the Social Security Department and the rent rebate system administered by the Housing Department and to bring forward proposals to the States of Deliberation for a unified, adequate and sustainable system of social welfare benefits.
2. The work of the Committee has not been examining entirely new ground, as in recent years the States have received from the Social Security Department two previous reports with the same general aims. One of those reports was considered by the States at the March 2012 States' meeting and the other at the November 2013 meeting, debate on the latter having given rise to the creation of the Committee.
3. The Committee noted that advances had already been made from the two previous reports, particularly in work incentivisation and work obligations as conditions of continued receipt of benefit,

together with increased opportunities and assistance for jobseekers. This has allowed the Committee to focus its attention on understanding the extent of welfare assistance that currently exists within the parallel systems of the Social Security Department and the Housing Department, and formulating a set of benefit rates which the Committee considers adequate to avoid poverty in Guernsey. In this regard the Committee's definition of poverty refers to the income of an individual below which Guernsey as a society (represented by the States) considers it to be intolerable for that individual to be expected to live.

4. The Committee has also examined and made recommendations concerning the treatment of savings and capital and the expected contribution from non-dependants who live in the same household as the principal claimant.
5. In common with the two reports that have preceded its own, and in accordance with its mandate, the Committee is convinced that the States do need to merge supplementary benefit and rent rebate into a single system.
6. As was the case in the two previous reports, and as should be expected, some people will gain by the proposed new rule and others will lose. The Committee recognises the need for a transition period so that people who will be worse off than at present have that reduction phased in. The Committee proposes a three year transition.
7. Overall, the Committee's proposals are estimated to add £3.4m per year to general revenue expenditure in 2015 terms in the first year of the transition, reducing to £2.9m from year 3 onwards when the transition is complete.
8. Throughout the development of its proposals, the Committee has been mindful of the current economic realities, the need to be fiscally responsible and, in particular, the obligation to ensure that its proposals comply with the fiscal framework. The Committee

considers that it has exercised this responsibility to the extent that could reasonably be expected of it, given the specific mandate for which the Committee was constituted.

9. From its discussions with the Treasury and Resources Department, the Committee understands the necessity of prioritisation of service developments that are competing for resources. The Committee is quite clear, however, that it is not for the Committee to suggest the order of priority. The Committee expects that matter to be one of the major challenges facing the new Assembly.
10. The Committee recommends that, subject to funding being available, its proposals should take effect from January 2017 or as soon as possible thereafter.
11. The Committee recommends that its membership should not be re-constituted following the April 2016 General Election of Deputies and that any further work that would have been required of the Committee should be progressed by the Committee *for* Employment and Social Security.

INTRODUCTION

SWBIC membership and mandate

12. The Social Welfare Benefits Investigation Committee is a Special Committee of the States, constituted in accordance with Rule 18 of the Rules relating to the Constitution and Operation of States Departments and Committees.
13. Resolutions of the States on 14th November 2013 and 6th December 2013 (Resolution XI, Billet d'État XX and Resolution I, Billet d'État XXVI of 2013) set the membership and mandate of the Committee.
14. The membership of the Committee is:
Deputy Andrew Le Lièvre, Chairman, appointed by States
Deputy Peter Gillson, appointed by States
Deputy John Gollop, Social Security Department representative

Deputy Michelle Le Clerc, Social Security Department representative
Deputy Mike Hadley, Housing Department representative
Deputy Paul Le Pelley, Housing Department representative
Deputy Roger Perrot, Treasury and Resources Department representative

15. The mandate of the Committee is:

- To examine all aspects of The Supplementary Benefit (Guernsey) Law, 1971, as amended, and relevant aspects of The States Housing (Tenancies, Rent and Rebate Scheme) (Guernsey) Law, 2004, in order to assess the appropriateness or otherwise of the legislation and associated policies in view of the economic and social changes since its inception;
- To develop a single, comprehensive social welfare benefits model to replace The Supplementary Benefit (Guernsey) Law, 1971, as amended, and relevant aspects of The States Housing (Tenancies, Rent and Rebate Scheme) (Guernsey) Law, 2004, which single comprehensive model shall be capable of fulfilling and balancing the social and fiscal objectives of the States;
- To ensure that during the formulation of a single, comprehensive social welfare benefits model, and in order to develop an objective rationale for the determination of assistance that is both socially just and financially sustainable, detailed consideration is afforded to the circumstances of, inter alia, the aged, the sick, the disabled, families on low incomes, families with three or more dependent children and persons with no further reasonable expectation of employment due to age or ill health;
- To ensure that during the formulation of a single, comprehensive social welfare benefits model consideration is afforded to the Policy Letters of the Social Security Department laid before the States in Billet d'État V of 2012 and Billet d'État XX of 2013 and the letters of comment attached to those Policy Letters by other committees of the States.

16. There are further obligations on the Committee (paras. 31 to 33 of Resolution XI, Billet d'État XX of 2013):

- That during the course of its deliberations, the Social Welfare Benefits Investigation Committee shall consult with the full membership of the Housing Department, Social Security Department and Treasury and Resources Department;
- That the Social Welfare Benefits Investigation Committee shall have regard to the findings and emerging recommendations of the Personal Tax, Pension and Benefit Review;
- That by March, 2015 the Social Welfare Benefits Investigation Committee shall lay before the States a Policy Letter proposing the introduction as expeditiously as possible of a single, comprehensive social welfare benefits model to replace The Supplementary Benefit (Guernsey) Law, 1971, as amended, and relevant aspects of The States Housing (Tenancies, Rent and Rebate Scheme) (Guernsey) Law, 2004 together with, after full consultation with the Treasury and Resources Department, recommendations which identify possible sources of funding for any additional expenditure likely to be incurred by the new, single comprehensive social welfare benefits model.

17. With regard to the reporting deadline referred to in the immediately preceding sub-paragraph, the Chairman of the Committee made a statement at the February 2015 States meeting, informing the Assembly that, unfortunately, the March deadline could not be met. The Chairman explained that the reasons for the delay included an initial lack of staff resources, a situation which had subsequently been addressed to some extent. The Chairman also explained that the Committee, in undertaking its work, was returning to the fundamentals and examining areas that had not been reviewed for many years.

18. On 8th April 2015, following debate on the report from the Treasury and Resources Department and the Social Security Department titled

'Planning a Sustainable Future – The personal Tax, Pensions and Benefits Review' (Billet d'État IV of 2015), the States resolved, among other things:

'...6. To amend the Fiscal Framework to place an upper limit on aggregate government income, incorporating General Revenue, Social Security contributions and fees and charges, such that government income should not exceed 28% of Gross Domestic Product.

...

25. To direct that the Social Welfare Benefit Investigation Committee ensures that the outputs of its review of social welfare benefits complies with the Fiscal Framework and any extension of these limitations agreed by the States of Deliberation's approval of Proposition 6.'

19. The Committee considers that it has been fiscally responsible in the development of its proposals, which it considers should not cause a significant threat to the requirements of the Fiscal Framework.
20. The Committee is satisfied that its work is sufficiently complete to present to the States a set of proposals that will allow a comprehensive social welfare model to be achieved over a three year transition period between January 2017 and December 2019. The proposals, among other things, will unify the existing supplementary benefit and rent rebate schemes.
21. The Committee acknowledges that its work is not fully complete. Some aspects of the comprehensive welfare model will still need research and development; others will inevitably need refinement in the light of further thinking before the transition starts, or in the light of experience when the transition is underway.
22. The Committee recommends that it should not be reconstituted following the April 2016 General Election of Deputies and that any further work that would have been required of the Committee should be progressed by the Committee *for* Employment and Social Security.

Recent history of welfare reform proposals

23. The proposals in this report represent the third approach to the States in a period of 4 years concerning welfare benefit reform. All three approaches have been with the same principal aims:
- To rationalise the supplementary benefit scheme administered by the Social Security Department, and the rent rebate scheme administered by the Housing Department, into a unified scheme with the same set of rules;
 - To take the opportunity, through the unification, to modernise the welfare system, in particular in its application as an 'in-work benefit' as well as its historic and customary application as an 'out of work benefit';
 - To ensure the general adequacy of benefit rates.

The 2012 Report

24. The first approach was in March 2012, when the Social Security Department presented a report entitled 'Modernisation of the Supplementary Benefit Scheme - Phase 1' (Billet d'État V of 2012) ("the 2012 report"). That was a far-reaching report, proposing fundamental changes to the supplementary benefit legislation in order to make the benefit more suitable as an 'in-work' benefit in addition to its historic function as an 'out-of-work' benefit. Those changes were necessary, among other reasons, for the intended integration of the Housing Department's rent rebate scheme, under which many working families, as well as non-working families, are receiving assistance with their housing costs by way of a rebated (reduced) rent.
25. The 2012 Report recommended new rates of supplementary benefit, informed by a Minimum Income Standards study conducted in Guernsey in 2011 by the Centre for Research in Social Policy at Loughborough University.

26. The estimated additional cost to General Revenue of the proposals in the 2012 report was given in the range £8.34m to £19.89m per year, being the best and worst cases based on a number of assumptions. The Department reported that it was very difficult to predict the costs that would arise from the modernisation of supplementary benefit, as much would depend on the behaviour of people who would become entitled to claim benefit, and those who began to face more substantial work-related requirements.
27. Largely because of the uncertainty surrounding additional costs, the States rejected the propositions in the 2012 Report concerning increased benefit rates. The States did, however, approve the propositions concerning work incentivisation and obligations for people claiming supplementary benefit. Those legislative changes have been made and much progress has been made over the last 3 years in ensuring that people of working age who are claiming supplementary benefit are aware of their obligations to maximise their work capacity and are provided with practical assistance so to do. These obligations cover all adults in a family unit, including the spouse or partner of the principal claimant.

The 2013 Report

28. The second approach to the States was in October 2013, when the Social Security Department included revised proposals for the Modernisation of the Supplementary Benefit Scheme with the Department's annual report on contributions and benefit rates for the following year (Billet d'État XX of 2013) ("the 2013 report").
29. The 2013 proposals included benefit rates referenced to 60% of median income. This produced recommended benefit rates which were lower than those of the 2012 report linked to Minimum Income Standards. Consequently, the estimated additional cost of the 2013 proposals was much reduced, being a total of £4.25m per year. This included estimated additional benefit costs of £3.75m, plus approximately £0.5m in additional staffing and administration costs. It was noted that staffing costs would reduce in the second and third years following implementation.

30. The 2013 proposals were not approved by the States, being set aside by an amendment proposed by Deputy A R Le Lievre and seconded by Deputy R W Sillars. The amendment deleted the Social Security Department's propositions relating to the modernisation of the supplementary benefit scheme and substituted them with propositions relating to the development of a single, comprehensive social welfare benefits model. The new propositions included the establishment of a Special States' Committee, to be named the Social Welfare Benefits Investigation Committee. The proposition also included the mandate of the Committee, as reproduced at paragraph 15 above.
31. In this report, numerous references are made to 'the 2012 report' or the '2013 report'. The Committee acknowledges the extensive research and policy consideration behind those two reports, by current and previous members of the Social Security Department, the Housing Department and others. The Committee's proposals, contained in this report, in many cases repeat, or develop, the proposals put forward in the two previous reports. In some areas, such as the expectation that people of working age will maximise their work and earnings potential, there has been no need for the Committee to disturb the measures that have already been put in place by the Social Security Department and which are continuing to deliver such good results.

STRATEGIC CONTEXT

32. The Committee has had regard to the strategic context within which its mandate is undertaken. The context includes aiming to meet objectives contained in the Social Policy Plan while recognising the need to maintain the spending constraints being applied to restore the States' budget to fiscal balance.
33. The General Objectives of the Social Policy Plan appear within the States Strategic Plan (Billet d'État VI of 2013) and are:

- A social environment and culture where there is active and engaged citizenship
- Equality of opportunity, social inclusion and social justice
- Individuals taking personal responsibility and adopting healthy lifestyles.

34. The themes around these general objectives are:

- Ensuring sustainability of provision in relation to funding, workforce and the social environment
- Working with the third sector
- Focussing on prevention rather than reactive crisis management.

35. The Disability and Inclusion Strategy (Billet d'État XXII of 2013) requires States' Departments, among other things 'to take account of the Strategy when *developing strategies, policies, plans, procedures and when making changes to services or capital works.*'

36. The Committee considers that the proposals contained in this report strike an appropriate balance between adequacy of benefit rates for social inclusion and social justice and sustainability of the welfare programmes within the necessary overall sustainability of Guernsey's economy.

37. The Committee's proposals, if accepted, will over a 3 year transitional period bring to a close the rent rebate scheme and move approximately 930 social housing tenants into the ambit of the supplementary benefit system, adding to the 868 social housing tenants already covered by the system. The work requirement provisions of the amended legislation, which is now an established feature of the supplementary benefit scheme, and of which the Social Security Department has increasing experience in implementation, will apply, where appropriate, to those 930 social housing tenants and their spouses or partners if they are of working

age. The Committee is confident, from the evidence of the Social Security Department's recent success rate in this area, that the initial assistance in helping people to take personal responsibility will make an effective contribution towards the social policy objectives of the States.

Alderney

38. The Committee notes that all of Guernsey's social security legislation applies to Alderney, with the same rates of tax, contributions and benefits. Any changes to supplementary benefit legislation that result from the Committee's recommendations will, therefore, apply to Alderney as well as Guernsey.
39. The Committee is aware of representations that have been made from Alderney concerning the higher prices for some services in that Island compared with Guernsey. The Committee has not examined that issue.
40. The Housing Department does not provide social housing in Alderney, although there is some provision by the States of Alderney. There is no rent rebate scheme in the Alderney system, with all claims for financial assistance being made solely through the supplementary benefit system. The parts of this report that concern the merger of the rent rebate scheme with the supplementary benefit scheme, therefore, have no direct relevance to Alderney.

THE SWBIC REPORT AND PROPOSALS

41. The Committee's proposals contained in this report have an estimated cost of £2.9m above the current expenditure on the supplementary benefit and rent rebate schemes. These are the ongoing costs after a transition period during which costs are initially higher, being £3.4m in year 1 and £3.2m in year 2. The Committee is acutely aware, given the current budget deficit in the general revenue budget of the States, that additional costs will not be welcomed from a fiscal perspective. However, the Committee believes that the costs are necessary from the social welfare perspective and are lower than might have been envisaged in the

establishment of the Committee and in its early work. The reasons why the additional costs are reasonably constrained, and indeed lower than those of the two predecessor reports, include the following:

- rates of benefit for all categories have been examined. While some significant internal adjustments are proposed (broadly a reduction in current short-term rates and an increase in long-term rates), at aggregate level the proposed new rates have moderated the increase in overall expenditure;
- the Committee is recommending continuation of the benefit limitation of £600 per week (2015 rate) which currently applies to the supplementary benefit scheme. This limits the number of people, beyond those being currently assisted through supplementary benefit or rent rebate, who might newly become eligible for benefit. Such new beneficiaries will be those who become eligible for assistance through an increase in the benefit requirement rates in their own case, and have the headroom to receive that benefit within the unchanged benefit limitation. Apart from these limited cases, the new system will only encompass a broader scope of lower income families if and when the benefit limitation is increased by the States at some time in the future. An explanation of how the benefit limitation works is found at paragraphs 48 to 72.

42. The Committee's proposals, therefore, by and large, distribute the estimated additional cost of £2.9m among low income individuals and families already currently within the scope of supplementary benefit or rent rebate assistance. But in addition to the proposed new money going in, there will also be significant redistribution of the £35m already in payment to these individuals and families. Some people's benefits will increase, others will decrease. This is inevitable in order to achieve the objective of a unified welfare system in which a single set of rules applies. In cases where benefits are to decrease substantially, a transition will be necessary and it is proposed that this should be over a 3 year period.

43. The distribution of net additional social welfare benefit expenditure within housing sector and categories of recipient are shown in Table 1 overleaf.

Table 1. Distribution of additional annual benefit expenditure

	Year 1	Year 2	Year 3
Social Housing tenants not currently receiving supplementary benefits			
Working tenants	£611,000	£489,000	£367,000
Working pensioners	£60,000	£44,000	£28,000
Pensioners	£126,000	£61,000	(£4,000)
Introduction of £75 pw non-dependants' allowance or assumed payment **	£2,000	(£77,000)	(£156,000)
Medical expenses	£511,000	£511,000	£511,000
Winter fuel allowance	£565,000	£565,000	£565,000
Legal Aid Claims	<u>£50,000</u>	<u>£50,000</u>	<u>£50,000</u>
Sub-total	£1,925,000	£1,643,000	£1,361,000
Supplementary beneficiaries in private sector and social housing	£1,254,000	£1,135,000	£1,070,000
Other Impacts			
New claims in community	£55,000	£166,000	£221,000
Extra Needs Allowances *	£27,000	£82,000	£109,000
Introduction of £75 pw non-dependants' allowance or assumed payment **	<u>£105,000</u>	<u>£176,000</u>	<u>£176,000</u>
Total Claimant Costs	£3,366,000	£3,202,000	£2,937,000
Staffing costs	<u>£178,000</u>	<u>£199,000</u>	<u>£199,000</u>
Sub-total	£3,544,000	£3,401,000	£3,136,000
Savings	(£47,000)	(£141,000)	(£188,000)
Overall Cost Impact	£3,497,000	£3,260,000	£2,948,000

* Extra Needs Allowance is a proposed new addition to the system and is explained at paragraphs 142 to 152

** The assumed minimum contribution of £75 per week from non-dependant members of the household is explained at paragraphs 128 to 141

44. In undertaking its work, the Committee has been conscious of a widely held view that low income families in social housing are much better off than families with similar levels of income in the private

sector. The Committee's detailed investigations and modelling have shown this perception to be correct only as the broadest of statements.

Rationale for unifying rent rebate and supplementary benefit

45. There is general acceptance that the rent rebate scheme, administered by the Housing Department, is in effect a financial social welfare benefit that currently runs in parallel with supplementary benefit, but less visibly. If the standard rate for a particular social housing property is, say, £250 per week, but the tenant is being charged £100, it clearly follows that the value of the rent rebate is a financial benefit of £150 per week. Although the Housing Department, in its correspondence with tenants, draws attention to the full standard rent and the amount of the rent rebate, if one applies, there may be a tendency for a tenant to forget the level of subsidy. In the example above, the tenant may come to think that his rent is £100 and that he is paying it.
46. Of the 1,922 tenants of Social Housing, 125 are being charged the full standard rent, 1,797 are being charged a rebated rent, of which 868 are also being assisted by supplementary benefit.
47. For people receiving both a rent rebate and supplementary benefit, and given that both systems are financed from General Revenue, theoretically the cost should be the same if there were no rebate and their supplementary benefit were increased by the same amount as the rent rebate foregone. But that theory does not hold because of the benefit limitation.
48. The benefit limitation, which is £600 per week (2015 rate), caps the income that an individual or family can receive through the combination of earnings and various benefits. There are some complications to that general statement, as family allowances and some disregard of earned income is allowed to escape the benefit cap. These complications are discussed later (see paras.56 to 58).
49. Given that the calculation of supplementary benefit entitlement is computed from adding personal benefit rates for adults and children, depending on the family composition, then the rent allowance, the lower the rent the better the chance of the family receiving the full

supplementary benefit due without the £600 benefit limitation having effect.

50. While there is substantial headroom for a single person's personal benefit allowance of £170.24 per week, plus rent allowance (which in any event would be a maximum of £207.00 per week) within the £600 benefit limitation, there is far less headroom for an adult couple with two children, whose personal benefit allowances would be around £500 per week, depending on the age of the children. For a family with 3 or more children, there may be no headroom whatsoever between their personal benefit allowances and the benefit limitation, even before rent is taken into consideration.
51. The point being made here is to illustrate that low income families in rented social housing, and having a rebated rent, are currently less affected by the benefit limitation than families renting in the private sector, where no rent rebate applies. This is currently a considerable advantage, particularly for larger families needing the support of supplementary benefit.
52. The Committee, in common with the findings of the 2012 and 2013 reports, considers that, in unifying the rent rebate and supplementary benefit systems, the removal of the rent rebate is essential, albeit through a transition period. It needs to be recognised, however, that this will remove what has been a 'hidden benefit limitation'. The effect of that change needs special consideration.

The hidden benefit limitation

53. It will be clear from the foregoing that, whereas a benefit limitation of £600 (2015 rate) per week has its place in policy and legislation, it is not an absolute cap for people in social housing: first because of the rules concerning family allowances and the disregard of the first £30 per week of earnings (these rules apply to private sector housing as well), and second because of the amount of the rent rebate which is not currently accounted for within the supplementary benefit calculation. If such accounting is undertaken, it is revealed that the effective benefit limitation for people in social housing, depending on

the family composition, can be as much as £900 per week. This is the hidden benefit limitation within the current arrangements.

54. To understand the term 'hidden benefit limitation' it is considered helpful to describe, very broadly, how the current supplementary benefit limitation of £600 per week works.
55. The purposes of the benefit limitation, which was known in the past as the 'wage-stop', are two-fold. First, it helps to ensure that a person cannot arrange his circumstances such that he receives in benefit an income that is beyond his earning capacity. Second, the benefit limitation finds a balance between restricting the cost to the taxpayer and ensuring that the value of benefit granted is sufficient to meet the basic needs of most islanders.
56. To ensure that the benefit limitation is sufficiently flexible to recognise the needs of larger families and to encourage claimants to maximise their incomes through employment, two further adjustments are applied. These are as follows:
 - a. In cases where the £600 limit is activated by the number of dependants, any family allowance payable in respect of those dependants can be paid over and above the benefit limitation;
 - b. Where the claimant or the claimant's partner is employed, any earnings disregarded as part of the normal benefit computation are further disregarded when the family's aggregate needs exceed the benefit limitation.
57. The above rules give rise to a flexible limitation that reacts to the circumstances that exist within a claimant's household. In practice, and when applied in the circumstances outlined below, the basic benefit limitation is enhanced as below. No one-child families are included in the figures below because their normal aggregate requirements would be most unlikely to reach the overall benefit limitation.

Benefit
Limitation

- Family with 2 children – no parent employed
£631.80¹
- Family with 3 children – no parent employed
£647.70²
- Family with 2 children + 1 parent employed
£661.80³
- Family with 3 children + 1 parent employed
£677.70⁴
- Family with 2 children + 2 parents employed
£691.80⁵
- Family with 3 children + 2 parents employed
£707.70⁶

¹ £600 plus 2 x £15.90 family allowances

² £600 plus 3 x £15.90 family allowances

³ £600 plus 2 x £15.90 family allowances plus £30 earnings disregard

⁴ £600 plus 3 x £15.90 family allowances plus £30 earnings disregard

⁵ £600 plus 2 x £15.90 family allowances plus 2 x £30 earnings disregards

⁶ £600 plus 3 x £15.90 family allowances plus 2 x £30 earnings disregards

58. It should be noted that the benefit limitations as set out above do not apply in all cases. In many instances, the aggregate requirements of a family unit do not trigger the benefit limitation. Among other things, this may be due to the age of the dependent children or the existence of other non-dependent persons residing in the claimant's household.

59. While the basic benefit limitation applies to all forms of accommodation, tenants who are in receipt of supplementary benefit and who also reside in social rented accommodation enjoy an enhanced form of benefit limitation because of the existence of the Housing Department's rent rebate scheme.
60. When a person resident in social rented accommodation completes an application for supplementary benefit, he is required by Social Security to make an application for a rent rebate to ensure equity of treatment with other social housing tenants on similar low levels of income.
61. The Housing Department assesses the tenant's contribution towards his rent based on the tenant's basic requirement rate as determined by the Supplementary Law (ignoring any allowance for rent).

62. The process is best explained by a simple example:

Tenant details:

- Husband and wife – joint tenants;
- Both work - the Husband in a low paid form of employment (£350 per week) and his partner in part-time employment (£175 per week);
- The couple have four dependent children age 18, 16, 14 and 12 (all the children are in full time education);
- The Standard Rent of their States' accommodation is £309.05 per week.

Calculation of Supplementary Benefit (all rates used are long-term):

Couple Requirement Rate	£246.06
Child 18	£132.15
Child 16	£111.93
Child 14	£69.25
Child 12	<u>£69.25</u>
Total basic Requirements	£628.64

Rent calculated by Housing Department	<u>£138.84</u>
Total Requirements	£767.48

Maximum income from all sources **£723.60**
(see para.63)

Application of Benefit Limitation calculation -£43.88

63. The benefit limitation fixes the income of the family from all sources at £723.60 made up as follows:

£600.00 Standard benefit limitation

£63.60 Family Allowance (4 x £15.90)

£60.00 Two earnings disregards at £30 each

64. However, application of the rent rebate calculation means that this tenant is also in receipt of a rebate worth £184.89 (i.e. £723.60 plus £184.89). This subsidy is ignored for the purposes of the supplementary benefit calculation.
65. The aggregate value of benefits, wages, family allowances and rebate received by this family is therefore £908.49. That figure is some £300 higher than the standard benefit limitation and more than £180 higher than the enhanced benefit limitation which allowed family allowances and earnings disregards on top of the standard rate.
66. The above, enhanced figure can be considered a hidden benefit limitation and represents a more accurate indication of the true value of the benefit system available to tenants of social housing.
67. Given that no rent rebate scheme exists for the private rented or owner-occupied sectors, the hidden benefit limitation represents a significant inequality of treatment, particularly so for two-parent families with children, where both partners are employed.
68. An abrupt removal of this hidden benefit limitation, however, will not be recommended by the Committee. It is the main area where a

transition is necessary and it is proposed that a transition period of 3 years should apply.

69. It should be noted that, even with the rent rebate scheme removed, the hidden benefit limitation will remain, albeit much reduced, through the proposed continuation of the provisions that allow for family allowances and earnings disregards to exceed the advertised benefit limitation. As explained above, it means that if a claimant's calculated supplementary benefit need, on top of any income or allowances that he already has, exceeds the benefit limitation, the value of family allowances and any earnings disregards can be paid in addition to the benefit limitation. Notwithstanding the complexity and the apparent conflict with a benefit limitation concept, the Committee considers that continuation of these rules is acceptable and indeed necessary. The Committee did give consideration to recommending a benefit limitation that would be an absolute figure which could not be exceeded. This would have the advantage of being more easily explained and understood. If such an approach were to be preferred, the benefit limitation would need to be a minimum of £725 per week. Expressing this in another way, if there were to be a hard and fast benefit limitation, the Committee considers that low income families should not be wholly outside the scope of means-tested weekly financial assistance until their total income, net of deductions for income tax and social security is more than £37,700 per year (52 x £725).
70. While an income of £37,700 might appear to be well above what is needed to avoid poverty, it should be understood that this upper limit on combined income and benefits payments would only be being paid to families with more than two children and living in rented accommodation. It should be noted that, under the current system, the combined requirement rates (personal benefit rates) for a couple with two teenage children, plus the full un-rebated rent for a three bedroom terraced unit of social housing would amount to £685.96, as shown in Table 2 overleaf:

Table 2. Current (2015) weekly supplementary benefit rates for example family

Current system benefit requirement rates (long-term)	
Couple	£246.06
Child aged 16	£111.93
Child age 13	<u>£69.25</u>
	£427.24
Full (un-rebated rent for 3 bedroom social housing)	<u>£248.72</u>
Total requirement rate before deducting earnings, other income etc.	£675.96

71. It will be seen from the example above, which uses an un-rebated rent, that the financial needs of this family, which is not large, is already above the current benefit limitation in place of £600 per week. The family's needs are approaching, but not up to, the £725 per week referred to in paragraph 69 above, which the Committee believes would be the necessary level of a hard and fast benefit limitation. If the example family were to include a third child, their financial needs would exceed £725 per week. As this is by no means an extreme example, it demonstrates why the current benefit limitation of £600 per week does need to continue to allow additions for family allowances and earnings disregards. That is what the Committee recommends in this report.
72. Having explained at some length the features of the explicit benefit limitation of £600 per week and the hidden benefit limitation of around £900 per week that can currently exist in social housing tenancies, it is important to note that the proposals in this report will close that gap. If the Committee's proposals are approved, the

hidden benefit limitation will reduce from around £900 per week to around £725 per week.

BENEFIT RATES

SWBIC approach

73. The Committee's approach to recommending benefit rates has been to put aside textbook or think-tank definitions of absolute poverty and relative poverty. The Committee's definition of poverty refers to the income of an individual below which Guernsey as a society (represented by the States) considers it to be intolerable for that individual to be expected to live.
74. To undertake this work, the Committee has returned to the material produced for the 2011 Minimum Income Standards ("MIS") work of the Centre for Research in Social Policy ("CRSP") at Loughborough University. It is noted that both the 2012 and 2013 reports also used variations of the MIS work in formulating proposals which ultimately were not approved by the States.
75. In using the Minimum Income Standards work for the current report, the Committee examined in detail the constituent parts of each standard - for example, food, clothing, household goods and services, transport etc. and, again by consensus, included or excluded various items and the attached current financial values. The Committee has taken a pragmatic approach in this area, while maintaining sight of its key importance. The Committee's approach has in some places required judgement to resolve what would otherwise be conflicting results from the computations.
76. The adjusted MIS tables, giving the detailed breakdown of the constituent parts of the recommended rates appear at Appendix 1. The Committee is aware that some of the values of the constituent parts may appear counter-intuitive, but it should be remembered that the origins of the table are in surveys and focus groups which take into account behavioural differences in needs and spending profiles of different age groups and family compositions.

Averaging the rates for Pensioners and People of Working Age

77. In the current supplementary benefit system, the only relevance of age in regard to benefit rates is in respect of children, where different requirement rates apply to different age-groups. For adults, the same rates of benefit apply whether the adult is a 20 year-old or an eighty year-old.
78. The MIS work did make the distinction between the needs of pensioners and adults of working age. The Committee undertook the same exercise with the MIS data sets for pensioners as it did for other categories and, with reference to the constituent parts of the 'basket of goods', reduced the MIS rates to levels which the Committee considers the reasonable minimum level for low income pensioners.
79. As can be seen in Appendix 1, that exercise resulted in rates which in some cases would have seen higher rates for pensioners and in other cases seen lower rates. For short-term rates, the rates for single pensioners and pensioner couples would have been higher than for people of working age. For long-term rates, the rate for single pensioners was so close to the rate for single people of working age as to be treated the same. For couples, the long-term rate for pensioners was lower than for couples of working age. That particular result caused the Committee to reflect on the merits of having different rates for adults of working age and pension age. The Committee decided that the recommended benefit rates for adults should be the same rate, irrespective of age.

Short-term rates and long-term rates

80. The Committee recommends a continuation of two sets of benefit rates, one for short-term claims and the other for long-term claims. This is the arrangement in the current supplementary benefit scheme, with the change-over occurring at 26 weeks. The Committee recommends, however, that people of pension age and people with a disability such as there to be no work requirements placed on that person as a condition of benefit, should be assessed for benefit at the long-term

rates from the start of their claims. It is considered right to do so on the grounds that claims from pensioners and people with severe disabilities are likely to be of long-term duration. Furthermore, such claims are unlikely to come to an end on grounds of increased income, other than by receipt of a capital sum (for example by way of an inheritance). This proposal will be wholly to the advantage of pensioners and people with disabilities.

81. The recommendations in the previous paragraph mean that benefit claims assessed and paid at the short-term rates will apply only to people of working age for whom there will be work requirements, either immediately (in the case of job seekers and single parents) or in the longer term (for single parents with children under 7 year of age).
82. The rationale for having two sets of rates is that, for short-term claims, people's financial needs will be lower than those of longer-term claimants. In short-term claims, there should be less need to replace clothing and household goods. It is also reasonable to expect less expenditure on social participation.
83. Both the 2012 and 2013 reports proposed increasing the term of a short-term claim from 26 weeks to 52 weeks. In both reports, the case for the proposed extension was that there needs to be adequate time for new claimants on short-term benefit rates, who have the capacity to work, to have made every effort to resume employment or improve their circumstances. In many cases this required effort will be with the assistance of the increasing range of services that are provided by the Social Security Department's Job Centre, which are being applied to great effect.
84. The concern over the 26 week changeover to higher, long-term benefit rates is that that could encourage avoidance of return to work initiatives in the early life of a claim, with a view to receipt of higher benefits if the claim continues. The Committee shares such concern.
85. The Committee's proposals contained in this report are for short-term rates which are lower than the current short-term

supplementary benefit rates and long-term rates that are higher than current long-term supplementary benefit rates. The proposals, therefore, substantially increase the gap between the short and long-term rates. That will increase the risk of the avoidance behaviours described above. On the other hand, the Committee is mindful of the magnitude of the proposed reduction in short-term rates and, on balance, would not at present wish this minimum level of financial support to apply to people in need for longer than six months.

86. The Committee notes that, if the proposals in this report are approved, much will change during the transition period of the next two or three years. As the new arrangements settle in, together with the customary annual consideration and adjustment of benefit rates, it will be advisable to reconsider the extension of short-term rates to 52 weeks for those claimants with a work requirement, to address the concern outlined in paragraph 84.

87. The Committees' proposed benefit rates, in 2015 terms, are shown in Table 3 below.

Table 3 SWBIC proposed rates compared with Supplementary Benefit (SPB) rates

Short term (up to 26 weeks) weekly rates in 2015 terms			
	SWBIC proposed	SPB Current	SWBIC increase (decrease)
Couple householders	£171.66	£199.43	(£27.77)
Single householders	£98.09	£138.50	(£40.41)
Single non-householder:			
18 and over	£75.11	£105.44	(£30.33)
Non householder rent allowance	£75.00 (max)		
Member of household			
18 and over		£105.44	
16 and 17		£89.53	
12 to 15		£55.46	
11 and over	£70.11		
5 to 11		£40.28	
5 to 10	£52.58		
Under 5	£35.06	£29.33	£5.73

Long-term (over 26 weeks) weekly rates in 2015 terms			
	SWBIC proposed	SPB Current	SWBIC increase (decrease)
Couple householders	£282.79	£246.06	£36.73
Single householders	£170.69	£170.24	£0.45
Single non-householder:			
18 and over	£105.16	£132.15	(£26.99)
Non householder rent	£75.00		

allowance	(max)		
Member of household			
18 and over		£132.15	
16 and 17		£111.93	
12 to 15		£69.25	
11 and over	£100.16		
5 to 11		£50.20	
5 to 10	£75.12		
Under 5	£50.08	£37.00	£13.08

Transport Allowances

88. The 2011 MIS work drew attention to differences between the findings of Guernsey and United Kingdom focus groups in respect of transport costs. Whereas in the United Kingdom, the expectation was that low income groups would use public transport, the Guernsey focus groups concluded that it was essential to own a car, albeit a second-hand car of low value. That conclusion resulted in the transport part of the Minimum Income Standards being in the range of £39 per week for a pensioner couple to £64 per week for a working family with two children.
89. The Committee does not support transport allowances of anything approaching these amounts. In its exercise of re-examining the MIS baskets of goods, the Committee removed all of the transport allowances. In their place, the Committee has added into the basic requirement rates a £5 per week allowance for all adults. This is based on 5 bus journeys at the standard fare of £1 per journey.
90. The Committee has also added £5 to the current earnings disregard of £30 per week (see paras. 118 to 121) in recognition of additional transport costs. This means that for working people there is a £10 per week transport allowance, allowing 5 return journeys per week.
91. The Committee is mindful that the allowances could be criticised on a number of grounds, perhaps with reference to the MIS findings and perhaps with reference to bus routes or frequency. However, while

the allowances have been priced on bus fares, the Committee notes that low-income people will continue to move around the island in a number of ways of their choice or necessity. While some will run a car, others may be near enough to their work to walk or cycle. Others still may use the bus or share a lift.

92. It should be noted that the proposed earnings disregard of £35 per week applies to each earner, so a couple would have £70 of their aggregate weekly earnings disregarded, giving some choice of spending on transport costs among other necessary items.
93. The Committee also notes that the Health and Social Services Department's voluntary car service, supported where necessary by taxi journeys paid under the supplementary benefit system, will ensure that people are able to attend necessary medical and para-medical appointments.

PROVISIONS FOR IN-WORK BENEFIT

Changing balance of out-of-work and in-work benefit

94. For the majority of its 40 year existence, the supplementary benefit Scheme has provided financial assistance, principally to people who have not been in work. This has included pensioners, people who are incapable of work through sickness or disability, single parents and others.
95. From 2005, the scope of supplementary benefit was extended to include unemployed people who until that date had been assisted through Public Assistance, administered by the Parish Procureurs and overseers of the Poor. In addition to people who were wholly unemployed, the extended claimant group included people who were partly unemployed, having only limited work, and also a smaller group of people who were fully employed, but whose low earnings rendered them eligible for a top-up from supplementary benefit. The Committee understands that, while wishing to assist low earners in the latter category on an individual basis, the Social Security Department is on guard against the benefit system being wrongly used to subsidise employers who pay low wages. The Committee

understands that this is not considered a significant issue at present, but ongoing caution is required as the benefit continues its progression into in-work assistance.

96. Those parts of the 2012 report which were approved by the States included a fundamental change to the previously discrete eligibility criteria for supplementary benefit. The legislative change, which came into effect at the start of 2015, makes the benefit potentially accessible to all applicants, subject to their means, but requires the immediate assessment as to the work capacity of the applicant. The amended legislation is structured on the basis that people receiving supplementary benefit, and the spouses or partners of the principal claimant, are obliged to maximise their work and earnings capacity. The Administrator of Social Security is empowered to issue directions to claimants including that they engage in work or work-focussed activities, attend work-focussed meetings, and attend mandatory work or training placements.
97. There are necessary group and individual exemptions to the general presumption of work as a condition of receipt of supplementary benefit. These include the customary groups of people who need the support of supplementary benefit, namely people over pensionable age, and people who are incapable of work through illness or disability and their carers. Single parents of children under 7 years of age are also excused the obligation to undertake work, but are required to engage in work-focused meetings and training in preparation for work.

An in-work benefit for many social housing tenants

98. Many tenants of social housing are working families with at least one adult in full time employment and also frequently with a second adult in full or part-time employment. Under the rent rebate arrangements, those families have quite rightly been able to enjoy some normal rewards for their work in the form of recreational activities and purchases for the adults and children. The Committee recognises that, to a reasonable degree, the new system must allow that to continue. Working families should be allowed to make savings from their work in order to finance some spending of choice.

Capital Cut-off, Capital Allowances and Assumed Income on Capital

99. The current supplementary benefit scheme has a cut-off limit for capital or savings. A person is ineligible for supplementary benefit if he has savings or capital assets of £20,000. Importantly, this does not take into account the capital value of the property in which the person is living. The policy behind having a capital cut-off is that it provides a simple test for the would-be claimant as to whether or not it is worth pursuing a claim. Among the many complex rules of entitlement conditions, the capital cut-off is easily understood and applied.
100. It should be noted that the capital cut-offs and capital allowances being discussed in this part of the report concern eligibility for weekly benefit payments. They are different limits from the substantially lower limits that may apply to additional benefits associated with supplementary benefit, in particular free medical or dental treatment. Those important areas are considered later in this report (paras. 153 to 166).
101. The current supplementary benefit scheme has a £5,000 allowance for capital or savings, which is ignored in the assessment of weekly benefit entitlement.
102. For capital between £5,000 and £20,000, a 'notional income' is assumed, namely 15 pence per week for each £25 of capital. The notional income equates to 31.2%. Clearly, even in periods where interest rates were very much higher than they are today, the notional income on capital was never intended to reflect actual returns on savings. The application of the notional income formula was intended to force a drawdown on the claimant's savings until the savings reached the allowance of £5,000, at which point the savings would be ignored.

103. For illustration, a claimant with savings of £6,000 has the notional income formula applied to £1,000 of capital (£6,000 - £5,000), which assumes a notional income of £6.00 per week. A claimant with savings of £19,000 has the notional income formula applied to £14,000 of capital (£19,000 - £5,000), which assumes a notional income of £84.00 per week. A claimant with savings of £21,000 is told that he is ineligible to claim benefit because his capital exceeds the capital cut-off of £20,000.

Changing the treatment of capital allowances and assumed income on capital

104. The Committee notes that the treatment of capital was not examined in the 2012 or 2013 reports. Review through this report is therefore timely. Furthermore, there has been a significant development in the last year in the approach that the Housing Department has taken to the savings or windfall capital sums of people living in social housing.

Revised rules on savings for Social Housing Tenants

105. In 2015, the Housing Department revised substantially its rules for the treatment of savings and capital. The Department's Capital Sums Policy allows tenants, depending on whether they are single persons or couples, and whether they are with or without children, to hold savings of varying amounts, depending on family make-up, without those sums affecting the right to a social housing tenancy, or the amount of rent rebate being received.

106. For example, in the case of a tenant who is a single person, the capital limit is £10,920 (in 2015 rates). The capital limit for a family with two children is £21,580. The maximum capital limit, for a family with three or more children, is £23,400.

107. The capital limits detailed above are calculated on the basis of the inferred amount which it would cost the tenant and his or her dependants to live on for 6 months. The amount is calculated using the supplementary benefit rates and a rent allowance equivalent to the average private market rent for a property large enough to accommodate the household. In other words, the capital limit is the

minimum amount required for the household to be self-supporting for 6 months with no assistance from the States.

108. While the 6 month living allowance and rent allowance is the basis on which the capital limits are calculated, there is no obligation for the tenant to retain the money for that purpose or contingency. The capital limit, varying between £10,920 and £23,400 depending on family make-up, is entirely at the disposal of the individual or family who have accumulated it.
109. The Committee sees merit in the Housing Department approach. The Committee notes that for many low-income people, the thought of having £10,000 of capital at their disposal will only remain a distant dream. Indeed, among the current 2,400 supplementary benefit claims, there are only 316 claimants who have capital above £3,000. This illustrates the day-to-day existence of people who are reliant on social welfare benefits. However, a small number of claimants may be able to accumulate some savings through very frugal living, or possibly through gifts, inheritances or lottery wins. The Committee considers it only fair that in such circumstances, claimants should be able to have the enjoyment of their thrift or good fortune, within the sort of limits now being operated by the Housing Department.
110. The Committee recommends that, in the consolidated social welfare scheme, the treatment of capital should be in line with the current Housing Department Rules. The Committee considers that claimants of all types, householders and non-householders, whether in social housing or private sector housing, should be afforded a higher level of savings which would be untouched by any benefit calculation.

Revised rules on capital allowances for unified scheme

111. The Committee considers that a substantial uplift to the current £5,000 supplementary benefit capital allowance is justified, partly because it has remained the same for many years, and also because a

higher allowance is needed as the new scheme encompasses more working families.

112. The Committee supports the rational construction of the Housing Department's Capital Sums Policy, being a buffer of up to 6 months living allowances and rent costs in the event of there being no support available from the States. The Committee recommends a variation to the formula which will reference the six month rental costs to the maximum social housing rent, appropriate to the family size. This will replace the need to sample private sector rents for this purpose.
113. The Committee recommends capital allowances under the unified scheme as set out in Table 4 below. It will be noted that the proposed allowances rely heavily on the allowances produced by the Housing Department's formula. The expression 'family' includes single parents.

Table 4. Proposed and Current Capital Allowances

Proposed and Current Capital Allowances			
	Proposed Allowance	Current Supplementary Benefit	Current Housing and Rent Rebate
Single person	£9,810	£5,000	£10,920
Couple	£11,780	£5,000	£13,000
Family with one child	£14,650	£5,000	£16,900
Family with two children	£18,220	£5,000	£21,580
Family with three or more children	£21,870	£5,000	£23,400

Revised rules on Capital Cut-off and discontinuation of Notional Income on capital

114. The proposed substantial increases in capital allowances, for people at present or in the future entitled to supplementary benefit requires examination of both the capital cut-off figure and the notional income applied to capital above the allowance. These factors were explained in paras. 99 to 103 above.

115. Under the proposed new arrangement, the capital allowances are also effectively the capital cut-off. If, say, a single person with capital of £15,000 applied for benefit under the new system, he would be informed that his capital was over the limit for assistance and informed that he could claim when his capital was below that limit, but not before a certain date. The earliest that he could claim would, in the example given, be 17 weeks hence. That waiting period would be calculated by dividing the amount by which his capital exceeded a single person's capital allowance, divided by the weekly benefit allowance for a single person plus the maximum social housing rent for a one bedroom house. The calculation is shown in Table 5 below:

Table 5. Example of Capital Cut-off for single person

Applicant's capital		£15,000
Capital Allowance		<u>£9,810</u>
Surplus over capital allowance		£5,190
Single person (householder) benefit rate (para.87)	£98.09	
Maximum Rent Social Housing 1 bedroom house	<u>£207.00</u>	
Total weekly requirement rate	£305.09	
Divide surplus over capital allowance by total weekly requirement rate		17
Number of weeks before claim can be made		17

116. A further example is shown in Table 6 below. This example is for where a family with 2 adults and 3 children, aged 12, 9 and 4 have capital of £30,000.

Table 6. Example of Capital Cut-off for couple with 3 children

Family's capital		£30,000
Capital Allowance		<u>£21,870</u>
Surplus over capital allowance		£8,130
Couple (householders) benefit rate (para.87)	£171.66	
Child 11 to 18 rate	£70.11	
Child 5 to 10 rate	£52.58	
Child under 5 rate	<u>£35.06</u>	
	£329.41	
Maximum Rent Social Housing 3 bedroom House	<u>£247.29</u>	
Total weekly requirement rate	£576.70	
Divide surplus over capital allowance by total weekly requirement rate		14
Number of weeks before claim can be made		14

117. Application of the proposed new rules on capital allowances and capital cut-offs, as described in paras 111 to 115 above, will allow repeal of the current provisions in legislation concerning the notional income on capital, which the Committee recommends.

Earnings disregarded to make work pay

118. The current supplementary benefit scheme disregards the first £30 per week of the earnings of a claimant. So if a claimant has actual earnings of £330 per week, the supplementary benefit assessment assumes that earnings are £300 per week. In practice, this simple disregard means that for every £1 earned above the £30 disregard, the supplementary benefit that would otherwise be payable is

reduced by £1. There is no obvious incentive in this system for a claimant to increase his earnings.

119. The Committee has looked closely at the earnings disregards, as did the Social Security Department in the formulation of the 2012 and 2013 reports. The Committee has investigated whether there could be some form of shared benefit from extra earnings, for example for every £1 earned, benefit is reduced by 50 pence and the claimant is advantaged by 50 pence. While such an arrangement instinctively sounds reasonable and likely to incentivise work, it falls down in the financial modelling. A 50:50 share of earnings would bring very large numbers of working families into the scope of supplementary benefit, adding greatly to the costs and paying benefits to families who are apparently managing adequately without assistance at present. Such a system would greatly increase what was described in paragraphs 53 to 72 as 'the hidden benefit limitation' and could see families with incomes of around £50,000 per annum receiving a means-tested benefit. A similar situation, albeit reduced in effect, applies to different splits of the share of earnings deducted from benefit or maintained by the claimant. The Committee was unable to find a satisfactory solution in the area of shared gain from additional earnings that it would recommend to the States.

120. In investigating this particular area, the Committee noted the fact that earnings after deductions for social security, tax and pensions are currently used in assessment of entitlement to supplementary benefit. The Committee considers this appropriate in a welfare benefit assessment, because the deductions from gross earnings are not immediately available to the claimant. However, it should be recognised that, for working people eligible for a top-up from supplementary benefit, the social security and tax deductions are in effect met by the benefit system, whereas those deductions would be fully borne in the case of people on a similar level of earnings but not entitled, or not claiming, benefit.

121. The outcome of the Committee's investigations into earning disregards, therefore, are largely a confirmation that the existing supplementary benefit rules should continue. That means the

continued netting off from earnings of the deductions made for social security, tax and pension contributions, together with a further £35 per week of net earnings being disregarded. The additional £5 per week above the current earnings disregard of £30 per week is in respect of a transport allowance (see paras. 88 to 93).

MAXIMUM RENT ALLOWANCES

122. In the computation of entitlement to supplementary benefit, an allowance for rent is made on top of the personal allowances for the constituents of the claim, whether it be an individual or a family.
123. With some exceptions, the amount of the rent allowance is usually the rent being charged. Occasionally, the rent allowance is below the rent charged, where the Social Security Administrator considers that a reduced allowance is appropriate, having regard to the circumstances of the claimant and the nature and standard of the accommodation concerned.
124. It should be remembered that once the personal allowances and rent allowance have been totalled, the benefit limitation of £600 per week (2015 rate) pulls back any benefit that would otherwise be paid above that limit.
125. Both the 2012 and 2013 reports proposed a system of maximum rent allowances, based on the maximum social housing rent for a property of similar capacity. The Committee also supports that approach and recommends similarly in this report. The proposed maximum rent allowances appear in Table 7 below.
126. The Committee notes that this system is already largely in place. A maximum rent allowance for single people and couples without children has been given effect by Ordinance since January 2013, as has a maximum rent allowance for people living in shared accommodation. Furthermore, although maximum rent allowances for families with children have not yet been embodied in the benefits

legislation, the working practice has been to use the comparable maximum social housing rents for the size of family concerned.

Table 7. Proposed maximum rent allowances

Tenancy Group	Adults	Number of children	Proposed maximum weekly rent allowance (2015 terms)
Group 1 [*]	Single or couple	0	£207.00
Group 2	Single or couple	1	£247.29
Group 3	Single or couple	2	£316.10
Group 4	Single or couple	3 or more	£387.26
Group 5 [*]	Shared accommodation		£167.87

^{*} Maximum rent allowances for Tenancy Groups 1 and 5 have been in place since January 2013.

127. The Committee acknowledges the need, in exceptional cases, for a rent allowance above the normal maximum to be awarded at the discretion of the Administrator. An example might be where a person needs additional space in respect of a disability, including perhaps a room for a live-in carer.

CHANGED RULES FOR NON-DEPENDANTS AND NON-HOUSEHOLDERS

128. The term 'non-dependant' covers an adult who lives in the household of the person claiming supplementary benefit or the social housing tenant receiving a rent rebate. There are approximately 450 adult non-dependants living in social housing accommodation where the tenant is receiving a rent rebate. There are approximately 160 adult non-dependants living in private sector accommodation who are themselves claimants of supplementary benefit. There will be a further number of adult non-dependants who are living in household

of supplementary beneficiaries in private sector accommodation but are not, themselves, supported by benefit.

129. In the majority of cases, especially in social housing, the non-dependant will be a relative of the householder. The non-dependant may be self-supporting or may be a beneficiary himself. If the non-dependant is reliant on benefits, he will have his own claim and will not be a part of the claim of the householder. For benefit entitlements, the non-dependant is termed a 'non-householder'.
130. In the context of rent allowances, and therefore in the paragraphs that follow, a non-dependant is different from a joint tenant. In cases where there is a joint tenancy, a rent allowance for a joint tenant will normally be assessed against the total rent divided by the number of tenants.

Current rules for non-dependants in social housing

131. The Housing Department currently treats the presence of a non-dependant in a unit of social housing by adding an amount to the rent payable by the householder. This 'non-dependant charge' ranges from £27.00 to £108.00 depending on a variety of factors, including whether the non-dependant is working or claiming supplementary benefit. The amount is adjusted so that the tenant is never charged in excess of the standard rent. For example, consider a family in social housing comprising a tenant of working age, his partner and two adult offspring, where the standard rent is, say, £300 per week and the two non-dependants each attract a charge of £27. If the tenant is paying the full £300, then no account is taken of the presence of the two non-dependants. But if a rent rebate were being claimed and the reduced rent was, say, £200 per week, then that rent would be increased by £54 per week (£27 x 2) in respect of the non-dependants in the household. The rent payable would therefore be £254 per week.

Current rules for non-dependants in supplementary benefit system

132. The current rules in the supplementary benefit system are fundamentally different. The supplementary benefit system

calculates the rent allowance pro-rata the proportion of the household number attached to the benefit claim. Taking the example of the same 4 person household above, but moving to a rented property in the private sector, the supplementary benefit calculation would say that the rent allowance paid to the householder and his partner would be £150 ($2/4 \times £300$) as 50% of the adults in the household are attached to the householder's benefit claim.

133. If there are dependent children in the household, the supplementary benefit system takes each child to be a 50% constituent. So in the example above, if one of the two offspring was a child dependant and the other an adult, the rent allowance would be £214 per week ($2.5/3.5 \times £300$).
134. While the supplementary benefit system has worked without apparent problems for private sector tenancies, the Committee has concerns as to the fit for social housing tenancies and consequently for the unified system.
135. In the context of deciding an appropriate rent allowance, the Committee notes that the 2012 report proposed handling the presence of one or more non-dependants in the household by ignoring both the income and expenditure sides of the non-dependant. The proposal was that a rent allowance would be awarded for the size of the family covered by the claim and would take no account of the need to accommodate the non-dependants. The idea was that if the claimant family continued to rent a property that was larger than needed for the beneficiary family alone, then it would be reasonable to expect the non-dependant to contribute to the additional rent costs, over and above the maximum rent allowance that would be awarded.
136. The 2013 report, while carrying forward the recommendations for maximum rent allowances, was silent on the issue of how the presence of a non-dependant would impact on the rent allowance.

137. The Committee has found this to be a complicated issue and has given considerable attention to finding a suitable and workable solution.
138. The Committee notes that the presence of non-dependants in the household has social and economic advantages. Particularly in the case of relatives, an adult dependant is likely to be providing company, care and assistance to older family members. It is also an efficient use of housing stock.
139. It is important, however, that the benefit system does not, in effect, provide free accommodation to non-dependent members of the household who are not themselves dependant on benefit and who may have good earnings. The Committee takes the view that a non-dependent should be expected to pay £75 per week to the main tenant for being accommodated. This is intended to be a reasonable contribution toward the rent, separate to any additional contribution which may be made for food and other domestic provision and use of services.

Treatment of income from non-dependant member of household in rent assessment

140. The expected contribution of £75 per week towards the rent from a non-dependant will be deducted from the full rate charged before then applying the maximum rent allowance. Examples of this application are shown in Tables 8 and 9 below:

Table 8. Example of calculation of rent allowance for household comprising a couple plus one adult non-dependant

	Per week
Full rent charged	£300
Assumed contribution from 1 non-dependant	(£75)
Assumed net rent	£225
Rent allowance (Maximum rent allowance for couple no children (see para.126))	£207

Table 9. Example of calculation of rent allowance for household comprising a single person plus two adult non-dependants

	Per week
Full rent charged	£300
Assumed contribution from 2 non-dependants	(£150)
Assumed net rent	£150
Rent allowance (lower than maximum rent allowance for couple no children) (see para.126)	£150

141. These arrangements will replace and unify the separate and very different arrangements currently being applied in the supplementary benefit and rent rebate systems.

EXTRA NEEDS ALLOWANCES

142. The Committee has given thought as to whether, in addition to the recommended benefit requirement rates, there should be additional payments for particular groups. The Committee considered pensioners and people with disabilities. In respect of the latter, the Committee received representations from the Guernsey Disability Alliance.
143. The Committee has concluded that additional benefit payments made solely by reason of being in a particular category would be ill-advised, and that it is preferable for any addition to the standard rates to be based on the needs of the individual.
144. The Social Security Department provides a Severe Disability Benefit, at £98.98 per week (2015 rate). As at 31st October 2015, 640 people were receiving Severe Disability Benefit at an annual cost of approximately £3.3m. A further £1.8m is being paid to 437 carers receiving a Carer's Allowance of £80.08 per week.

145. The bar is set high by the qualifying criteria for Severe Disability Benefit, and there are no weekly cash benefits for lower levels of disability. This gap in benefit provision has long been recognised, and periodically reviewed by the Social Security Department. The Committee notes that the Department has not supported the development of lower level disability benefits that would apply without a test of means. The Committee understands that this is because, with the benefits for 640 severely disabled people costing £3.3m per year, the very much higher number of people with lower levels of disability would inevitably mean additional expenditure of many millions of pounds if a new, non-means-tested disability benefit, were to be pursued.

146. While acknowledging and agreeing with the foregoing, the Committee considers that some form of a weekly financial assistance, in addition to the basic requirement rates, should be included in the unified social welfare system.

147. The Committee has sought a simple scheme of extra needs allowances that is easy to understand and access by the individual and easy to administer. At the same time, there needs to be sufficient control and governance to ensure that this additional benefit is not paid unnecessarily. This additional assistance would not be available if a claimant were already receiving Severe Disability Benefit.

148. The Committee has been assisted in this initiative by the medical adviser to the Social Security Department. Having produced a longlist of items where any claimant, but particularly claimants with disabilities, may have extra needs, the Committee has condensed the list into three general categories, namely:

- i. Energy
- ii. Laundry and clothing
- iii. Food and diet

149. The Committee proposes that people claiming benefit shall be able to submit, on-line, on paper or with the assistance of a claims officer, a

form which details any conditions that they may have and the consequential need to incur extra expenditure under any of the foregoing three categories.

150. Although the detailed matters concerning claims and assessments are for further design and refinement, the Committee at this stage envisages points being award to the 3 extra needs categories as follows:

Additional costs	Points
Energy	2
Laundry and clothing	1
Food and diet	1

151. Having awarded the points, the Committee envisages an extra needs payment being made as follows:

Points	Benefit p.w.
1	£10
2	£15
3+	£20

152. In putting forward this proposal, the Committee sees it as a system to be developed in the light of experience. The Committee is hopeful that the third sector groups who have a special interest in this area will similarly see this as a step in the right direction, but not the end of the journey.

COVERAGE OF MEDICAL COSTS

153. Under the current system, entitlement to a weekly supplementary benefit, however small, in most cases brings with it cover for medical, dental, ophthalmic, physiotherapy and chiropody fees, and also exemption from the need to pay prescription charges. This so-called

‘medical and para-medical cover’ extends to the beneficiary’s partner and children.

154. In addition to people receiving a weekly benefit, medical and para-medical cover is also available to people just outside the limits for weekly assistance. Claimants whose income exceeds their requirements, according to the supplementary benefit calculation, by less than £50 per week are entitled to medical and para-medical cover. Claimants whose income exceeds their requirements, by between £50 and £100 per week may receive the medical and para-medical at the discretion of the Administrator having regard to the particular circumstances of the case.
155. Medical cover can be continued for up to 6 months after a claim to supplementary benefit has ended. This is an important provision for people meeting the work requirements of supplementary benefit and coming off benefit through increased employment and earnings.
156. Cover for medical and para-medical fees is not provided if the claimant has savings above certain limits. The limits are set by the Social Security Department as a policy decision. These limits are different, and substantially lower, than the capital allowances that were described in paragraph 113 concerning general entitlement to weekly supplementary benefits.
157. The current capital limits for eligibility to free medical and para-medical cost are shown in Table 10 overleaf.

Table 10. Capital Limits for Medical and Para-medical Cover

Single person under 65	£3,000
Single pensioner	£5,000

Couple under 65	£5,000
Pensioner couple	£7,000
Families	£5,000

158. The Committee considers that these capital limits concerning eligibility for free medical and para-medical cover are reasonable and will not recommend any changes through this report.

159. Approximately 870 social housing households are currently entitled to free medical services because they are already receiving supplementary benefit.

160. The cost of coverage in respect of supplementary benefit claims in 2014 amounted to £1.8m, made up as follows:

Table 11. Supplementary Benefit Medical and Para-medical Payments in 2014

Medical	£1,252,000
Dental	£255,000
Optician	£78,000
Chiropody	£56,000
Physiotherapy	£44,000
Hearing Aids	£40,000
Other	<u>£111,000</u>
	£1,836,000

161. The proposed unification of the system will potentially bring an additional 930 households comprising 2,275 individuals into the scope of free medical and para-medical cover. Not all will qualify for the cover. Those tenants whose income is sufficient to enable them to pay the full social housing rent without supplementary benefit assistance will not be covered for medical expenses, nor will the relatively small number of tenants with savings above the limits.

162. As those social housing tenants who are not currently claiming supplementary benefit, do become beneficiaries as their rent rebate is withdrawn, they will become entitled to the medical and para-medical benefits that are attached to supplementary benefit. The value of these services will partially, or fully, or more than compensate for the withdrawal of the benefit of rent rebate. This is especially so when combined with the value of winter fuel allowance (see paras. 167 to 170 below) that is paid to householders receiving supplementary benefit.
163. It should be noted that the weekly benefit rates which the Committee is recommending (para. 87) based on the 'basket of goods' methodology, include no allowance for medical costs. The exclusion of such costs from the weekly benefit rates was on the understanding that medical and para-medical provision would remain available to all people covered by the supplementary benefit legislation.
164. It should also be noted that the cost additional to the current £1.84m medical and para-medical account (para. 160) can be expected to be a lower percentage increase than the percentage increase of additional claimants. This is because nearly all of the new claimants will be people living in social housing who are currently receiving a rent rebate, but who are not currently claiming supplementary benefit. In the main, these will be younger, working age families, whose need for medical services is likely to be less than the people in social housing who are already receiving supplementary benefit. The latter group will include pensioners and other people not working by reason of ill health or disability, whose need for medical services will on average be higher.
165. Once all of the rent rebate tenants have transferred across to the supplementary benefit scheme, it is estimated that an additional 666 households will qualify for free medical and para-medical services. This will add an estimated £511,000 per annum to the medical and para-medical cost met by supplementary benefit.

166. The Committee notes that the provision of free medical and para-medical services may change in future, depending on the response by the Committee *for* Employment and Social Security, and subsequently the States, to the successful amendments to the Social Security Department's benefit uprating proposals at the October 2015 States meeting (Billet d'État XVIII). The first of two amendments, placed by Deputy Mark Dorey, requires the Committee *for* Employment and Social Security to report to the States by October 2017 with the opinion of that Committee as to whether the universal payment of family allowances should be redirected to allow a range of children's services including medical and para-medical services provided by States-employed clinicians or contracted private practitioners. The second amendment requires the Committee *for* Employment and Social Security to report to the States by October 2017 with an opinion as to the feasibility of medical and para-medical services being provided for adult supplementary benefit claimants either by States-employed clinicians or contracted private practitioners.

WINTER FUEL ALLOWANCE

167. By annual Resolution of the States, a winter fuel allowance is paid to householders receiving supplementary benefit. The allowance is paid for 26 weeks between the end of October and end of April. The allowance for the winter of 2015/ 2016 is £27.66 per week. The value of the benefit to the household over the 26 week term is therefore £720.

168. The cost of winter fuel allowance is 2015/2016 is expected to be paid to approximately 1,360 households, at a total cost of approximately £980,000.

169. Once all of the rent rebate tenants have transferred across to the supplementary benefit scheme, it is estimated that an additional 784 households will qualify for a winter fuel allowance. This will add an estimated £565,000 per annum to the cost of winter fuel allowances.

170. The Committee has been informed that the Social Security Department, while being in no doubt as to the necessity of additional

help with heating costs in the winter months in the majority of cases where it is paid, does have concerns over the allowance being paid in respect of the most modern and fuel efficient units of accommodation. The Committee notes that the Department or its successor Committee will consider whether it would be feasible, and cost effective, to refine the current universal payment to supplementary benefit households. The Committee is of the view that this is an important piece of work that would benefit from having the endorsement of the States and a reporting timetable. The Committee recommends, therefore, that the Committee *for* Employment and Social Security should report back to the States on this matter no later than October 2017.

ACCESS TO LEGAL AID

171. Entitlement to supplementary benefit is used by the Legal Aid Service as a 'passport' to legal aid financed from General Revenue. However, supplementary benefit households currently account for only 30% of legal aid expenditure. The other 70% of the expenditure relates to people on low income who are not covered by supplementary benefit. These people qualify for legal aid if they meet the criteria of a means-test administered by the Legal Aid Service.
172. The question arises as to whether the transfer of approximately 900 recipients of rent rebate to supplementary benefit will impact materially on the expenditure of the Legal Aid Service.
173. It is reasonable to assume that a proportion of people living in social housing and receiving a rent rebate will already be covered for legal aid. Their expenditure will be recorded in the 70% outside current supplementary benefit cover.
174. The Committee believes that the additional cost to the Legal Aid Service will be relatively small. The Committee has estimated this to be £50,000 per year.

FINANCIAL MODELLING

Methodology

175. In order to undertake the financial modelling for the 2012 report, the Social Security Department, with the assistance of the Policy and Research Unit, constructed a model on a combination of 2009 income data provided by the Income Tax Office, and benefits' data which the Department already held. Combining the data into a model of family income data, which was anonymised, required assumptions to be made as to what were and were not family units. Notwithstanding some room for error in those assumptions, the Department considered that its model was fit for purpose and a substantial improvement on any modelling tools that had previously been used for benefit reform.
176. Perhaps ironically, the Department's improved financial modelling was also in part the undoing of the 2012 proposals because it indicated that there were large numbers of individuals and families who were not at that time claiming benefit, but who could, on the face of it, claim under the proposed new scheme. The range of uncertainty as to the number and aggregate cost of potential new claims proved unacceptable to the States, who rejected the benefits' parts of the 2012 proposals.
177. The financial modelling for the 2013 report was based on the same model and source data as the 2012 report. However, with the availability of more time the model underwent further development. The model continued to rely on 2009 income tax data, but was uprated for the movement in the Retail Price Index excluding mortgage interest payments ("RPIX").
178. For the current report, the Committee has decided that the 2009 source data, albeit uprated by RPIX, has become too distant to use the financial model, with confidence, for a third time.
179. For the financial modelling for this report, the Committee has used a test version of the current supplementary benefit system, so using real claims, with real family profiles, real rents, incomes and other benefits. Adding to this, the Committee has created a spreadsheet model of the 929 tenants of social housing who are receiving a rent rebate but not currently being supported by supplementary benefit

(and therefore not already counted in the supplementary benefit model). The spreadsheet model has built in all relevant supplementary benefit rules and enables reliable calculation of the financial impacts of replacing the rent rebate scheme with a revised supplementary benefit scheme.

180. As with the 2012 and 2013 reports, the Committee therefore, can make estimates of the financial impacts of new, unified, scheme rules on those people currently receiving supplementary benefit, and the people currently receiving a rent rebate. The remaining cost estimate is that of people who are currently neither on supplementary benefit, nor receiving a rent rebate, but who might qualify for benefit under the revised rules.

Few entirely new claims expected

181. As was explained in paragraphs 41 to 52, the Committee is recommending no immediate increase to the benefit limitation of £600 per week (2015 rate). With the benefit limitation unchanged, the potential for significant numbers of entirely new claims must be very limited. Such new claims as may come forward in the unified scheme could come from individuals or families who are currently eligible for supplementary benefit but are either unaware of the help that is available or are choosing not to claim. New claims could also come from people whose resources exceed the current long-term requirement rates, but are below the increased rates recommended in this report. Such claims would still need to fit within the unchanged benefit limitation. Such claims, falling within those boundaries, would be for small amounts of benefit, topping up the claimants' resources.

Rent rebate claims become supplementary benefit claims

182. The preceding paragraph explained why very few entirely new claims are to be expected in the unified system. But there will be a substantial increase in the number of supplementary benefit claims as most of the 929 social housing tenancies currently not claiming supplementary benefit, but receiving a rent rebate, do claim supplementary benefit in future as rent rebate is withdrawn.

FINANCIAL IMPACT ON INDIVIDUALS

183. There are approximately 3,300 individuals or families either receiving supplementary benefit, or receiving a rent allowance, or both. In addition to that number of main claimants, there are also adult and child dependants associated with the claims.
184. The Committee's proposals, when fully implemented, will impact on all of these people, in many cases to their advantage but also in many cases to their disadvantage.
185. Approximately 1,200 individuals or families are expected to be advantaged by the new proposals. The majority are in social housing. Approximately 750 individuals are expected to be worse off from the new proposals in terms of cash received. Again, the majority are in social housing. However, in some cases the availability of medical cover and winter fuel allowance will be of more value to the individual than the reduction in cash benefit.
186. New claimants to benefit under the unified scheme, who are of working age, will be worse off than they would be if they were claiming now because of the proposed reduction in short term rates.
187. Table 12 overleaf shows the expected distribution of individuals affected by the proposals and the extent to which they would be advantaged or disadvantaged according to the financial modelling.

Table 12. Better off or worse off under proposed unified scheme

	Supplementary benefit in	Social housing tenants	Total
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	private sector		
Better off:			
£101+ pw	2	93	95
£51 to £100 pw	18	243	261
£21 to £50 pw	94	357	451
£1 to £20 pw	<u>142</u>	<u>292</u>	<u>434</u>
	256	985	1,241
Worse off:			
£101+ pw	0	17	17
£51 to £100 pw	0	93	93
£21 to £50 pw	211	189	400
£1 to £20 pw	<u>57</u>	<u>172</u>	<u>229</u>
	268	471	739
No change	610	568	1,178

ESTIMATE OF ADDITIONAL COSTS

Additional benefit costs

188. The estimated 2015 cost of supplementary benefit, is £20.97m. The estimated 2015 cost of the rent rebate scheme, by way or rental income foregone, in 2015 is £13.60m. The combined cost is therefore £34.57m. This sum excludes the administrative costs of the two systems.
189. If there was no need for a transition period, and there could be an instant changeover from the existing arrangements to the proposed, unified system, the Committee estimates that the additional costs to General Revenue would be £2.90m per year in 2015 terms, bringing the total to £37.47m.

Additional staffing costs and savings

190. In addition to the increased cost of formula-led supplementary benefit, there will be additional staffing implications relating to the implementation of these proposals. The expenditure on additional staff resources takes into account new rôles, an increase of existing rôles, temporary contract and transitional staff which would be needed to resource the supplementary benefit section adequately in the short and medium term.
191. Some of the additional staffing posts required will be permanent in order to manage the nearly 900 new claims expected from social housing tenants, as the rent rebate scheme is withdrawn, and the ongoing maintenance and churn of the larger claim base.
192. Moving those 900 claims from a relatively light touch oversight, as provided for in the rent rebate scheme, to the more closely controlled administration of supplementary benefit will have an administrative overhead. It is estimated that a net additional 4.5 whole-time-equivalent members of staff will be required. This is after netting off 3 whole-time equivalent members of the Housing Department who will be freed-up once the rent rebate scheme is fully discontinued.
193. The cost of the net additional 4.5 staff will cost an estimated £200,000 per year, including salaries and on-costs.
194. It is expected that the closer scrutiny of claims inherent in the supplementary benefit scheme, and the recently introduced work obligations of the partners of the main claimant to benefit will result in benefit savings. A conservative savings figure of £190,000 per annum by the end of the transition period has been assumed.

Need for a 3-year transition period

195. While the new rules of the unified system can be immediately applied to new cases, the Committee considers that a transition period of 3 years is necessary in order to treat reasonably those people who are already in the system and those of whom are most negatively affected by the changes. There will be no negative effects for existing beneficiaries living in the private sector, as their benefit will either increase or remain unchanged. The negative effects will be

felt by some, but by no means all, of the people living in social housing. Table 13, which appears at paragraph 183 above, provides the breakdown of the numbers of people who will receive less, or more, assistance under the unified system. It will be noted that some current tenants of social housing will have their financial assistance reduced by more than £100 per week.

196. The Committee notes that the 2012 report proposed a 3 year transition. The 2013 report proposed a 5 year transition. Although the proposed term has varied, all reports have recognised the need for a period of transition, recognising also that this causes additional costs during that period. Table 13 overleaf summarises the cost of the Committee's proposals during the transition period, to reach the required position in Year 3.

Table 13 – Cost Schedule for implementation of SWBIC recommendations

Category	Year 1			Year 2			Year 3		
	Gainers £'000	Losers £'000	Net £'000	Gainers £'000	Losers £'000	Net £'000	Gainers £'000	Losers £'000	Net £'000
Social Housing - Cash Benefit									
Working Tenants	733	(122)	611	733	(244)	489	733	(365)	367
Working Pensioners	76	(16)	60	76	(32)	44	76	(48)	28
Pensioners	192	(65)	126	192	(131)	61	192	(196)	(4)
Intro of £75 non-dep	81	(79)	2	81	(158)	(77)	81	(237)	(156)
Total Tenants	1,082	(282)	799	1,082	(564)	517	1,082	(847)	235
Social Housing - Fringe Benefits									
Medical Cover	511		511	511		511	511		511
Winter Fuel	565		565	565		565	565		565
Legal Aid	50		50	50		50	50		50
Total Social Housing Impact	2,207	(282)	1,925	2,207	(564)	1,643	2,207	(847)	1,361
Existing Supplementary Benefit Claimants									
Current claimants	1,480	(226)	1,254	1,480	(345)	1,135	1,480	(410)	1,070
Other Impacts									
New Community claims	55		55	166		166	221		221
Extra Needs Allow	27		27	82		82	109		109
Intro of £75 non-dep	105		105	176		176	176		176
	188		188	423		423	506	0	506
Total Claimant Costs	3,876	(509)	3,366	4,111	(910)	3,202	4,193	(1,257)	2,937
Staffing Costs			178			199			199
Total Cost Impact			3,544			3,401			3,136
<u>Return on Staff Investment</u>									
Social Housing Tenant reductions									
Cash Benefit			(45)			(135)			(180)
Medical Cover			(1)			(3)			(4)
Winter Fuel			(1)			(3)			(4)
			(47)			(141)	0	0	(188)
Overall Cost Impact			3,497			3,260			2,948

CONSULTATION

197. The Committee has undertaken limited consultation in the development of its proposals. In part, this reflects the background from which the Committee was established as a Special Committee of the States, and the constitution of the Committee. The Committee's formation followed the rejection by the States of the 2012 and 2013 reports presented by the Social Security Department. The constitution of the Committee ensured that the two Members

from the Social Security Department, the two Members from the Housing Department and the single Member from the Treasury and Resources Department were representatives of those Departments. This duty was well recognised by the Members as being different to being a Member of the Committee who happened also to be a Member of those other Departments.

198. The Committee considers that its constitution served its purpose well. It ensured continuous consultation with the main Boards of the Social Security Department, the Housing Department and the Treasury and Resources Department.

199. The Committee did not undertake any open external consultation in the development of its proposals. The Committee engaged, albeit on a limited basis, with representatives of the Guernsey Community Foundation and the Guernsey Disability Alliance, both of whom were very willing to offer assistance.

200. The Law Officers of the Crown have been consulted in connection with this Policy Letter and have raised no legal issues in relation to the proposals. They have however noted that several of the proposals will require implementation by way of legislation including amendments to The Supplementary Benefit (Implementation) Ordinance, 1971 and amendment and revocation of regulations made under The States Housing (Tenancies, Rent and Rebate Scheme) (Guernsey) Law, 2004. It is likely that perhaps 2 or 3 weeks of drafting time will be required in total to prepare all necessary legislation over the course of the suggested implementation period for the recommendations made by the Committee.

CONCLUSIONS

201. In common with the two reports that have preceded its own, the Committee is convinced that the States needs to merge into one the two parallel social welfare benefit systems that currently exist in the form of supplementary benefit administered by the Social Security Department and rent rebate administered by the Housing Department.

202. Bringing the two systems together will further, and substantially, shift the balance of the supplementary benefit scheme from an 'out-of-work' benefit to an 'in-work' benefit. This will occur as many working families who live in social housing and currently claim a rent rebate, but not supplementary benefit, will need to do so (i.e. claim supplementary benefit) in future as the rent rebate is withdrawn. This puts particular focus on the need both for benefit rates that are adequate to avoid poverty and for effective incentives and controls to ensure that the wage-earning opportunities are maximised by claimants and their partners.
203. The Committee, through detailed work involving a return to the 'basket of goods' methodology used by the Centre for Research in Social Policy at Loughborough University in connection with the 2012 report (although substantially adapted to a Guernsey model), has arrived at a set of short-term and long-term benefit rates which it recommends to the States. The Committee has also examined and made recommendations concerning the treatment of savings and capital and the expected contribution from non-dependants who live in the same household as the principal claimant.
204. As was the case in the two previous reports, and as should be expected, some people will gain by the proposed new rules and others will lose. The Committee recognises the need for a transition period so that people who will be worse off than at present have that reduction phased in. The Committee proposes a three year transition.
205. Overall, the Committee's proposals are estimated to add £3.4m per year to general revenue expenditure in 2015 terms in the first year of the transition, reducing to £2.9m from year 3 onwards when the transition is complete.
206. The Committee appreciates the great difficulty which faces the States, and particularly the Members of the Treasury and Resources Department, as a number of major social policy initiatives are in the process of being presented for funding, at a time when funds are

simply not available. Such initiatives, some of which are due to be considered at the February 2016 States meeting, include the Children and Young People's Plan and the Supported Living and Ageing Well Strategy. The Committee has been grateful for the advice and support received from the Treasury and Resources Department as the cost implications of its proposals have emerged, and have been considered and refined.

207. Throughout the development of its proposals, the Committee has been mindful of the current economic realities, the need to be fiscally responsible and, in particular, the obligation to ensure that its proposals comply with the fiscal framework. The Committee considers that it has exercised this responsibility to the extent that could reasonably be expected of it, given the specific mandate for which the Committee was constituted.

208. From its discussions with the Treasury and Resources Department, the Committee understands the necessity of prioritisation of service developments that are competing for resources. The Committee is quite clear, however, that it is not for the Committee to suggest the order of priority. The Committee expects that matter to be one of the major challenges facing the new Assembly.

RECOMMENDATIONS

209. The Committee recommends:

- i. That, subject to funding being available, from January 2017 or as soon as possible thereafter, and subject to indexation as will in due course be proposed by the Committee *for* Employment & Social Security:
 - a. the rent rebate scheme be closed over a transitional period of 3 years;

- b. the short-term rates and long-term requirement rates for supplementary benefit be as set out in paragraph 87;
 - c. the capital cut off limits for eligibility for supplementary benefit shall be as set out in paragraph 113 of this report;
 - d. the provisions in the supplementary benefit legislation concerning assumed income on capital shall be repealed;
 - e. the system of maximum rent allowances within the supplementary benefit system be extended to include maximum rent allowances for families with 1, 2, and 3 or more children at the rates set out in paragraph 126;
 - f. the assumed contribution from a non-dependent adult living in the household of a person receiving supplementary benefit shall be £75 per week;
 - g. a non-householder rent allowance of a maximum £75 per week shall be introduced for non-dependent adults receiving supplementary benefit who are living in the household of another person;
 - h. an extra needs allowance be introduced to the assessment of supplementary benefit, as set out in paragraphs 142 to 152 of this report;
- ii. That the Committee *for* Employment & Social Security shall report to the States of Deliberation, no later than October 2017, with recommendations for reform of the arrangements for winter fuel allowances to householders receiving supplementary benefit;
- iii. That such legislation as may be necessary to give effect to the foregoing shall be prepared;
- iv. That, following dissolution of the Social Welfare Benefits Investigation Committee with effect from 1st May 2016, the

Committee *for* Employment & Social Security shall have responsibility for implementation, or arranging for implementation, of such of the above recommendations as are approved by the States.

Yours faithfully

A R Le Lievre, Chairman
P L Gillson
J A B Gollop
M K Le Clerc

M P J Hadley
P R Le Pelley
R A Perrot

Appendix 1

SWBIC adjusted Minimum Income Standards baskets of goods

Short-term Rates

	Food and Non Alcoholic Beverages	Alcohol and Tobacco	Clothing and Footwear	Housing Costs	Household Goods and Services	Personal Goods and Services including Health	Transport	Social and Cultural Participation	Total	RPI uplift from June 2011 - Sept 2015
Single Male no Children	40.77	0	4	23.89	5.44	4.42	0	7.8	86.32	93.48
Single Female no Children	31.98	0	4	23.89	5.44	12.49	0	7.8	85.6	92.70
Couple no Children	69.21	0	8	30.16	7.81	16.84	0	15.6	147.62	159.87
Single Male Pensioner	44.81	0	4	25.29	5.9	11.69	0	6.75	98.44	106.61
Single Female Pensioner	41.83	0	4	25.29	5.94	16.42	0	6.75	100.23	108.55
Couple Pensioner	73.41	0	8	28.9	7.44	26.42	0	6.75	150.92	163.45
Couple plus 1 child	97.23	0	12	33.79	7.42	28.33	0	10.14	188.91	204.59
Couple plus 2 child	124.14	0	16	38.52	7.33	32.04	0	28.71	246.74	267.22
Couple plus 3 child	142.38	0	20	38.83	10.08	39.06	0	49.17	299.52	324.38
Couple plus 4 child	165.47	0	24	39.96	11.06	48.14	0	63.03	351.66	380.85

Lone Parent plus 1 child	57.93	0	8	32.32	5.47	21.87	0	37.65	163.24	176.79
Lone Parent plus 2 child	84.09	0	12	36.46	5.23	26.46	0	34.82	199.06	215.58
Lone Parent plus 3 child	109.11	0	16	37.64	8.04	32.24	0	57.89	260.92	282.58

Long-term Rates

	Food and Non Alcoholic Beverages	Alcohol and Tobacco	Clothing and Footwear	Housing Costs	Household Goods and Services	Personal Goods and Services including Health	Transport	Social and Cultural Participation	Total	RPI X uplift from June 2011 - Sept 2015
Single Male no Children	56.96	7.84	6.64	26.26	17.48	4.69	0	27.89	147.76	160.02
Single Female no Children	55.00	8.43	7.67	26.26	15.33	13.29	0	30.6	156.58	169.58
Couple no Children	112.64	18.23	14.06	34.19	20.66	17.46	0	46.8	264.04	285.96
Single Male Pensioner	56.53	4.52	4.55	27.5	11.72	11.86	0	33.42	150.1	162.56
Single Female Pensioner	51.77	4.35	4.8	27.5	17.43	16.6	0	33.42	155.87	168.81
Couple Pensioner	89.06	10.46	9.35	34.12	20.71	27.45	0	48.57	239.72	259.62
Couple plus 1 child	105.89	8.48	21.3	35.75	26.94	31.04	0	61.95	291.35	315.53
Couple plus 2 child	139.44	8.48	31.23	47.54	30.51	33.77	0	74.44	365.41	395.74
Couple plus 3 child	157.98	8.48	51.24	47.86	38.48	41.4	0	100.41	445.85	482.86
Couple plus 4 child	183.23	8.48	61.07	48.99	41.16	52.39	0	113.38	508.7	550.92
Lone Parent plus 1 child	68.38	4.72	17.34	34.13	22.40	24.58	0	41.77	213.32	231.03

Lone Parent plus 2 child	99.43	4.72	29.68	38.41	27.17	28.00	0	60.37	287.78	311.67
Lone Parent plus 3 child	129.20	4.72	48.23	45.51	34.44	34.12	0	77.84	374.06	405.11

