

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *for* EMPLOYMENT & SOCIAL SECURITY

BENEFIT AND CONTRIBUTION RATES FOR 2017

Letter of Comment from the Policy & Resources Committee on the item lodged by the Committee *for* Employment & Social Security entitled "Benefit and Contribution Rates for 2017" (attached)

HM Greffier
Royal Court House
St Peter Port

11 October 2016

Dear Sir

Letter of Comment - Proposition No. P2016/45 - Committee for Employment & Social Security – Benefit and Contribution Rates for 2017

The Committee for Employment & Social Security is recommending increases to contributions totalling 0.7% in accordance with previous States Resolutions. The Policy & Resources Committee is fully supportive of the need to address the shortfalls in the long-term care scheme and fund the introduction of parental benefits. Such increases may slightly depress consumption and growth in the short term. However, in the long term, they are likely to deliver economic benefits by, for instance, supporting people to work longer.

The Committee for Employment & Social Security warns in its report that *“unless there is funding from other sources, they are of the opinion that it is inevitable that further increases in contribution rates will be recommended during this political term in order to improve the sustainability of the Guernsey Insurance Fund.”* The Policy & Resources Committee notes that the main reason for the worsening in the outlook for the Guernsey Insurance Fund is a change in the core assumptions used for the actuarial valuation of the Fund, particularly in relation to migration and investment return. Different levels of immigration, productivity growth and/or investment return than those assumed in the central forecast could either improve or worsen the position materially. The Policy & Resources Committee considers that significantly more work on the sensitivities and their impact and further consideration of alternative options is required before any recommendations are made to increase contributions.

The Policy & Resources Committee notes the disappointment of the Committee for Employment & Social Security that funding is not yet available to implement the proposals approved following consideration of the report from the Social Welfare Benefits Investigation Committee (SWBIC). The States of Guernsey Annual Budget for 2017 sets out a four-year projection of General Revenue income and expenditure which indicates that funding is not likely to be available to implement these changes until 2019 at the earliest.

The States will, as part of future phases of the Policy & Resource Plan, need to prioritise in order to ensure that resources are directed wherever they will deliver the greatest benefits to achieve the desired outcomes. Inevitably, it will not be possible to deliver everything put forward by the Principal Committees. There is only so much time, money and people to deliver the services government is obliged to provide. The important reforms developed by the SWBIC will need to be considered and prioritised by the States alongside other schemes and initiatives before funding can be allocated.

When the SWBIC laid out its proposals for the reform of the rent rebate and supplementary benefit schemes, it estimated the cost of bringing the reform into effect would be £2.9m per annum. The Policy & Resources Committee notes that this estimate was calculated on the basis of a benefit limitation of £600 per week. The Committee *for* Employment & Social Security is now proposing to increase the benefit limitation from £609 to £650 as a step towards amalgamating the supplementary benefits and rent rebate schemes. Although this will not have a significant impact on General Revenue now, there could be a material impact when the SWBIC reforms are introduced and those families receiving rent rebate move onto the supplementary benefit system. Therefore, it will be necessary to re-cost the impact of the SWBIC reforms, which may increase significantly, before any further prioritisation is undertaken.

The Committee *for* Employment & Social Security has a number of outstanding resolutions in respect of the Personal Tax, Pensions and Benefits Review which have yet to be progressed and the Policy & Resources Committee supports the intention to report back to the States thereon within appropriate timeframes.

The Committee *for* Employment & Social Security and the Policy & Resources Committee have agreed that they will work together closely over this term. Given all of the above matters, and the review of funding for health and social care services agreed by both Committees and set out in the Annual Budget for 2017, it is vital that they do so in order to develop a coherent strategy on fiscal matters of common interest and ensure that any decisions regarding changing the structure of taxes, contributions or benefits are considered in the context of other important factors such as population policy.

Yours faithfully



Deputy Gavin St Pier
President

Cc: President, Committee *for* Employment & Social Security