

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE FOR EMPLOYMENT & SOCIAL SECURITY

BENEFIT AND CONTRIBUTION RATES FOR 2018

The States are asked to decide:

Whether, after consideration of the Policy Letter entitled 'Benefit and Contribution Rates for 2018', dated 2nd October 2017, they are of the opinion:

1. To set the contributions limits and rates as set out in Table 4 of that Policy Letter, from 1st January 2018.
2. To set the standard rates of contributory social insurance benefits as set out in Table 7 of that Policy Letter, from 1st January 2018.
3. To set the prescription charge per item of pharmaceutical benefit at £3.90, from 1st January 2018.
4. To set the contribution (co-payment) required to be made by the claimant of care benefit, under the Long-term Care Insurance Scheme, at £200.62 per week, from 1st January 2018.
5. To set the maximum weekly long-term care benefit at the rates set out below, from 1st January 2018:
 - a) £444.57 per week residential care benefit for persons resident in a residential home;
 - b) £585.76 per week elderly mentally infirm (EMI) benefit for qualifying persons in a residential home; and
 - c) £829.99 per week nursing care benefit for persons resident in a nursing home or the Guernsey Cheshire Home.
6. To set the maximum weekly respite care benefit at the rates set out below, from 1st January 2018:
 - a) £645.19 per week for persons receiving respite care in a residential home;
 - b) £786.38 per week for the elderly mentally infirm (EMI) rate for persons receiving respite care in a residential home; and

- c) £1,030.61 per week for persons receiving respite care in a nursing home or the Guernsey Cheshire Home.
- 7. To set the supplementary benefit requirement rates at the rates set out in Table 13 of that Policy Letter, from 5th January 2018.
- 8. To set the weekly benefit limitations for supplementary benefit at the rates set out below, from 5th January 2018:
 - a) £670 for a person living in the community;
 - b) £549 for a person who is residing in a residential home; and
 - c) £787 for a person who is residing as a patient in a hospital, nursing home, the Guernsey Cheshire Home, or as an elderly mentally infirm resident of a residential home.
- 9. To set the amount of the personal allowance payable to persons in Guernsey and Alderney residential or nursing homes who are in receipt of supplementary benefit at £31.41 per week, from 5th January 2018.
- 10. To set the amount of the personal allowance payable to persons in United Kingdom hospitals or care homes who are in receipt of supplementary benefit at £52.91 per week, from 5th January 2018.
- 11. To set the supplementary fuel allowance paid to supplementary benefit householders at £27.20 per week, from 27th October 2017 to 27th April 2018.
- 12. To set the rate of family allowance at £13.90 per week, from 1st January 2018.
- 13. To set the rates and annual income limit for severe disability benefit and carer's allowance at the rates and limit set out in Table 17 of that Policy Letter, from 1st January 2018.
- 14. To rename "supplementary benefit" as "income support" and to make all necessary amendments to legislation to allow and reflect the name change.
- 15. To direct the preparation of such legislation as may be necessary to give effect to the above decisions.

The above Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR* EMPLOYMENT & SOCIAL SECURITY

BENEFIT AND CONTRIBUTION RATES FOR 2018

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

2nd October 2017

Dear Sir

1. Executive Summary

- 1.1.1. The Committee *for* Employment & Social Security has undertaken its annual review of the social security, health, and long-term care benefits paid under the various schemes for which it is responsible. The Committee is recommending that the rates of both the contributory and non-contributory benefits be increased in 2018 by 2.8%, being the annual rate of 'core' inflation (RPIX) for the year to June 2017.
- 1.1.2. In recent years, contributory benefit and contribution rates have been uprated according to the States-approved policy of applying a rate at approximately one third of the difference between the Quarter 2 RPIX figure and the most recent annual median earnings index figure, which relates to the previous December. However, the June 2017 RPIX inflation rate is actually higher than the December 2016 median earnings figure. As such, the uprating policy cannot be applied. The Committee has therefore taken the decision to propose an uprating of all rates by RPIX. This effectively creates a 'double-lock', so that rates will be increased by a minimum of RPIX, in a year when the median earnings figure is lower than inflation. The reason for this proposal is that the application of the uprating policy when inflation is higher than median earnings would effectively mean that the uprating applied to benefit and contribution rates would be lower than the increase in the cost of living, which the Committee is not comfortable with.
- 1.1.3. In 2016, the States changed the methodology used to calculate median earnings in the island. Under the revised methodology, the median earnings figure, as at 31 December 2015, was recalculated as 1.8%, rather than 1.3%

(the figure that had been used by the Committee in the last Up-rating Policy Letter). The Committee seeks to maintain a link between the incomes of the working population and those of pensioners, by up-rating contributory benefits by RPIX plus a proportion of the increase in earnings, so that pensions grow if earnings grow. In order to ensure that this link is not eroded, the Committee has decided to restate last year's benefit rates using the revised median earnings figure, before applying this year's RPIX and earnings figures, in order to calculate the rates for 2018. A more detailed explanation of this is available in Appendix 1.

- 1.1.4. In addition to the contribution and benefit rates for 2018, the Policy Letter also provides progress updates on Employment & Social Security policy work streams, as set out in Part V of this Policy Letter.

2. Introduction

2.1. Up-rating policy

- 2.1.1. The up-rating policy for social insurance benefits was addressed in the Policy Letter on benefit and contribution rates for 2016 (Billet d'État XVIII of 2015, Article 8), and the States debate thereon. The States resolved:

‘1. That a guideline for the annual up-rating of statutory old-age pensions be established, set initially at one third of the real increase in median earnings, with the intention to reduce this to RPIX subject to suitable policies to enhance personal provision being in place.

2. That the Social Security Department be directed to take the above guideline into account in its recommendations for the annual up-rating of statutory old-age pensions, and to provide the States of Deliberation with detailed reasoning for any recommendation to deviate from it in its annual up-rating Policy Letter.

3. That the Social Security Department be directed to review the guideline for the annual up-rating of statutory old-age pensions no later than 2020, having regard to progress made in establishing supporting policies to enhance personal pension provision and the actuarial projections for the Guernsey Insurance Fund at that time.’

- 2.1.2. The second Resolution above requires the Committee to explain in detail any recommendation to deviate from the policy. The Committee is proposing to amend the policy for 2018 because it cannot be applied when inflation

(RPIX) is higher than median earnings. Instead, the Committee is recommending that rates are uprated by RPIX only for 2018. This effectively creates a 'double-lock', so that pensions, and other contributory benefits, are not uprated by less than inflation. This would be the case if one third of the difference between inflation and a median earnings figure that was lower than RPIX was applied.

- 2.1.3. Aside from the use of a double-lock in the event that inflation exceeds the change in median earnings, the Committee remains of the opinion that the uprating policy should not change between now and 2020. As explained in the Committee's Policy Plan (Billet d'État XII of 2017, Article 1), the Committee will review the uprating policy and report back to the States on this by no later than 2020.

PART I: INCOME

3. Contributions

3.1. Proposed contribution rates for 2018

- 3.1.1. Following the two changes to Contribution rates for 2017, which were 0.5% on all contribution classes, except employers, to improve the sustainability of the Long-term Care Insurance Fund, and 0.1% on both the employer and employee rate, to fund the new package of parental benefits, the Committee is recommending no change for 2018. Contribution rates are therefore proposed to remain as follows in Tables 1-3 below.

Table 1 – Proposed contribution rates for 2018, and the proportions of income split between the funds for employed persons (Class 1)

Employed persons (Class 1)	2018
Employer	6.6%
Guernsey Insurance Fund	5.0%
Guernsey Health Service Fund	1.6%
Long-term Care Insurance Fund	-
Employee	6.6%
Guernsey Insurance Fund	3.5%
Guernsey Health Service Fund	1.3%
Long-term Care Insurance Fund	1.8%
Combined	13.2%
Guernsey Insurance Fund	8.5%
Guernsey Health Service Fund	2.9%
Long-term Care Insurance Fund	1.8%

Table 2 – Proposed contribution rates for 2018, and the proportions of income split between the funds for self-employed persons (Class 2).

Self-employed persons (Class 2)	2018
Totals	11.0%
Guernsey Insurance Fund	6.5%
Guernsey Health Service Fund	2.7%
Long-term Care Insurance Fund	1.8%

Table 3 – Proposed contribution rates for 2018, and the proportions of income split between the funds for non-employed persons (Class 3).

Non-employed persons (Class 3)	2018
Under pension age	10.4%
Guernsey Insurance Fund	5.7%
Guernsey Health Service Fund	2.8%
Long-term Care Insurance Fund	1.9%
Over pension age	3.4%
Guernsey Insurance Fund	-
Guernsey Health Service Fund	1.3%
Long-term Care Insurance Fund	2.1%

- 3.1.2. The Committee is mindful that there are likely to be structural changes to the long-term care insurance scheme in both the scope of benefits and the financing structure as the various strands of the Supported Living and Ageing Well Strategy are developed. The actuarial review of the Long-term Care Insurance Fund indicated that if no mitigating action is taken, the Fund will be exhausted by 2031. The 0.5% increase in contributions to the Fund, which took place from 1st January 2017, is projected to extend the life of the Fund by 16 years to 2047. This was based on the principal assumptions of net immigration of +100 a year, real earnings growth of 1.5% per year (net of RPIX price inflation), and real investment return of 2.5% per year (net of RPIX price inflation). If immigration, earnings growth, or investment return are lower than projected, then the contribution rate required to achieve a break even rate will need to be higher, and as such, the Fund will be exhausted more quickly.
- 3.1.3. The Committee recognises that, based on the latest actuarial assumptions, without further increases in contribution rates to improve the sustainability of the Guernsey Insurance Fund, the minimum buffer of two times annual expenditure will be breached by 2035 and the reserves of the Guernsey Insurance Fund will be entirely depleted by 2046. The reasons that the contribution rate is no longer adequate are that, over the next 20 to 30 years, more people are expected to live longer and the dependency ratio (i.e. the ratio of dependants to persons of working age) is projected to increase. In addition, the work to introduce Secondary Pensions will not take effect quickly enough for many of the current adult population, especially those who are nearer to retirement age. This will be addressed in a Policy Letter on the future provision and sustainability of first and second pillar pensions for Guernsey and Alderney, which will be brought to the States during 2018.

3.2. Proposed contribution limits and rates for 2018

- 3.2.1. The Committee is recommending that all contribution rates and limits are increased by the June 2017 RPIX figure of 2.8%. The Committee also recommends that the 2018 uprating is applied to restated 2017 rates, as described in the Appendix to this Policy Letter.
- 3.2.2. Table 4 below shows the effects of the restated figure for 2017 and the 2.8% rate for 2018 uprating on the limits for all contributor classes. This includes the upper and lower earnings limits for employers, employees, and self-employed people, and the upper and lower income limits for non-employed people. It also shows the minimum and maximum weekly contribution rates payable for each class of contributor, including voluntary, overseas, and special rate contributions. These proposed rates are shown alongside the actual rates which applied in 2017, instead of the restated figures described.

Table 4 – Contribution limits and rates for 2018

		2018	2017
Class 1 – Employer/Employee		6.6% / 6.6%	6.6% / 6.6%
Upper Earnings Limit:	Weekly	£2,748.00	£2,667.00
	Monthly	£11,908.00	£11,557.00
Lower Earnings Limit:	Weekly	£138.00	£134.00
	Monthly	£598.00	£580.67
Weekly full rate:	Maximum	£181.37	£176.02
	Minimum	£9.11	£8.84
Class 2 – Self-employed people		11%	11%
Annual Earnings Limit:	Maximum	£142,896.00	£138,684.00
	Minimum	£7,176.00	£6,968.00
Weekly full rate:	Maximum	£302.28	£293.37
	Minimum	£15.18	£14.74
Voluntary overseas contribution		£103.82	£100.79
Class 3 – Non-employed people:			
Under pension age		10.4%	10.4%
Over pension age		3.4%	3.4%
Annual Income Limit:	Maximum	£142,896.00	£138,684.00
	Minimum	£17,940.00	£17,420.00
Allowance (both under & over pension age)		£8,110.00	£7,875.00
Weekly full rate: (under pension age)	Maximum	£269.57	£261.62
	Minimum	£19.66	£19.09
Weekly full rate: (over pension age)	Maximum	£88.13	£85.53
	Minimum	£6.43	£6.24
Overseas contributor		£93.91	£91.17
Voluntary contribution		£19.66	£19.09
Special rate non-employed		£19.66	£19.09

- 3.2.3. Employers, employees, and self-employed persons whose earnings are at or above the lower earnings limit, will be liable to pay contributions on all of their earnings up to the relevant upper earnings limit, at the percentage rates set out in Tables 1 and 2.
- 3.2.4. As with self-employed persons, non-employed contributors are liable to pay non-employed, Class 3, contributions at the maximum rate, unless an application is made to the Committee, and authorisation given, for the release of the relevant information by the Director of Income Tax. This allows an income-related contribution to be calculated. People with income at some point between the upper and lower income limits will pay pro-rata.
- 3.2.5. There are two categories of non-employed contributions:
- Full percentage rate contributions to cover social insurance, health service and long-term care insurance liabilities are the rate of contribution that non-employed adults under pension age are liable to pay, based on their personal income.
 - Specialist health insurance and long-term care insurance contributions, which are payable by people over pension age, go towards funding the specialist health insurance scheme and the long-term care insurance scheme.
- 3.2.6. Where a non-employed person's annual income is below the lower income limit, that person will be exempted from the payment of contributions. However, this could affect old age pension entitlement. A voluntary contribution, which counts towards old age pension, can be paid by, or on behalf of, non-employed people resident in Guernsey and under pension age with personal income below the lower income limit. The rate is calculated by applying the social insurance element of the non-employed contribution rate, being 5.7% of the total 10.4%, to the lower income limit.
- 3.2.7. Self-employed and non-employed people living outside of the Island are able to pay overseas voluntary contributions in order to maintain their entitlement to old age pension.
- 3.2.8. A special rate non-employed contribution is payable by insured people who would normally rely upon their employee contribution record for their entitlements to benefit, but have a small gap in their record where they were neither employed nor receiving an unemployment contribution credit. The rate of this contribution is aligned with the voluntary contribution rate.

3.3. Number of contributors paying at the upper limits

- 3.3.1. The four quarter average, from Q2 2016 to Q1 2017 inclusive, of the number and corresponding percentages of contributors paying at the upper limits are shown in Table 5 below.

Table 5 – Average number of contributors paying at the upper limits – Q2 2016 to Q1 2017

	No. contributors paying at upper limits¹	Proportion of total for each classification
Employee/employer	575	1.99%
Self-employed	321	11.88%
Non-employed	346	6.18%

4. States Grants to Contributory Funds

- 4.1.1. The Guernsey Insurance Fund currently receives a grant from General Revenue equal to 14.7% of the total amount collected in contributions.
- 4.1.2. Until 2017, the Guernsey Health Service Fund received a grant from General Revenue, which was equal to 12% of contributions collected for that Fund. The States grant to the Guernsey Health Service Fund was suspended for 2017, in accordance with a Resolution in the 2017 Budget (Billet d'État XXVI of 2016, Article 1). This was intended to be for one year only, and indeed the States Medium Term Financial Plan showed the restoration of the States grant from and including 2018 (Billet d'État XII of 2017, Article 1). However, following recent discussions with the Policy & Resources Committee, the Committee *for* Employment & Social Security has agreed with the Policy & Resources Committee that the grant should be suspended for a further year.
- 4.1.3. The estimated costs to General Revenue of the States grant to the Guernsey Insurance Fund and Guernsey Health Service Fund in 2017 and 2018 are shown in Table 6 overleaf. The estimated costs to the Health Service Fund of the States grant that was removed in 2017 is £4.8m, and for 2018 is £4.9m.

¹ Figures rounded to the nearest whole number

Table 6 – Estimated costs to General Revenue of the States grants in 2017 and 2018

Fund	Estimated cost of States grant for 2018	Estimated cost of States grant for 2017	Percentage of contribution income
Guernsey Insurance Fund	£16.2m	£15.7m	14.7%
Guernsey Health Service Fund	£0	£0	12.0%
Total	£16.2m	£15.7m	

PART II: EXPENDITURE – CONTRIBUTORY BENEFITS

5. Social Insurance Benefits

5.1. Proposed benefit rates for 2018

- 5.1.1. The Committee is recommending that an adjustment is made to the 2017 rates to account for the change in the methodology used to calculate the median earnings index during 2016, which was published as being 0.2% higher than the figure used for 2017 uprating. In addition, the Committee is proposing for 2018, that the standard rates of pension and other contributory social insurance benefits be increased by 2.8%.
- 5.1.2. The proposed new weekly rates of benefit, effective from 1st January 2018, are set out in Table 7 below. These rates of weekly benefit and grants apply to persons who have fully satisfied the contribution conditions. Reduced rates of benefit are payable on incomplete contribution records, down to threshold levels, after which, no benefit is payable.

Table 7 – Proposed rates of contributory social insurance benefits for 2018

Weekly paid benefits	2018	2017 (actual)
<u>Old Age Pension</u>		
Insured person	£212.27	£206.09
Increase for dependant wife ²	£106.33	£103.23
Total	£318.60	£309.32
<u>Widow's/Survivor's Benefits</u>		
Widowed Parent's Allowance	£223.22	£216.71
Bereavement Allowance/Widow's Pension	£191.94	£186.34
Maternal Health Allowance, Newborn Care Allowance, and Parental Allowance	£212.66	£206.43
Unemployment Benefit, Sickness Benefit, and Industrial Injury Benefit	£156.17	£151.62
Incapacity Benefit ³	£187.74	£182.28
<u>Industrial Disablement Benefit (100%)⁴</u>	£171.06	£166.07
One off grants:		
Maternity Grant and Adoption Grant	£391.00	£379.00
Death Grant	£610.00	£592.00
Bereavement Payment	£1,928.00	£1,871.00

² For men/women, as appropriate, whose marriages took place before 1st January 2004, and who reached pension age before 1st January 2014.

³ Incapacity benefit was formerly known as 'Invalidity Benefit'. The new name was implemented on 20th September 2017.

⁴ Lower rates are payable based on degree of disability.

5.2. Summary of social insurance expenditure financed by the Guernsey Insurance Fund

- 5.2.1. If the above proposals for benefit rates are approved, the 2018 Budget estimates that social insurance benefit expenditure will increase by 4.0% to £142.6m (2017 Forecast: +1.8% to £137.1m), as shown in Table 8 below. This includes the proposed 2.8% increase in the general rate of benefit (2017: +0.8%), and a further 1.2% increase due to changes in the number of people claiming benefit, particularly old age pensions. In addition, administration costs in 2018 are estimated to be £4.9m (2017 Revised: £4.7m).
- 5.2.2. Social insurance benefits are almost wholly statutory entitlements based on contributions paid. Pension expenditure accounts for over 85% of the total benefit expenditure of the Fund. Expenditure is estimated to increase by 4.2% to £122.0m in 2018 (2017 Forecast: +1.4% to £117.1m). As at 1 July 2017, there were 17,872 people in receipt of a pension from Guernsey.

Table 8 – Summary of expenditure for the Guernsey Insurance Fund

	2018 Budget £m	2017 Forecast £m	2016 Actual £m	2015 Actual £m	2014 Actual £m
Pension	122.0	117.1	115.4	110.7	106.2
Incapacity ⁵	8.2	8.0	8.1	8.1	7.9
Sickness	4.0	3.9	3.8	3.6	3.6
Parental	2.2	2.0	1.2	1.2	1.2
Travelling Allowance Grant	2.3	2.1	2.1	2.1	1.9
Bereavement	2.0	2.0	1.9	1.8	1.9
Unemployment	1.2	1.2	1.4	1.4	1.4
Industrial Injuries	0.7	0.8	0.8	0.9	0.9
Total benefit expenditure	142.6	137.1	134.7	129.8	125.1
Administration	4.9	4.7	4.8	4.7	4.4
Total expenditure	147.5	141.8	139.5	134.5	129.5

6. Health Service Benefits

6.1. Medical Benefit Grants

- 6.1.1. The total benefit expenditure on consultation grants in 2016 was £3.4m. This represented a decrease of around 0.9% on the 2015 cost. The consultation grants remained unchanged at £12 towards a consultation with a doctor and £6 towards a consultation with a nurse.

⁵ Invalidity Benefit was re-named 'Incapacity Benefit' from 20th September 2017.

- 6.1.2. The Committee is not recommending any change in the level of the consultation grants for 2018. However, the Committee is mindful of Resolution 24 from the March 2015 debate on the Personal Tax, Pensions and Benefits Review (Billet d'État IV of March 2015, Article 1), which was:

‘To note that in the opinion of the Treasury & Resources Department and the Social Security Department, the Health Benefit grant for primary care appointments should be phased out by 2025.’

- 6.1.3. The Committee is aware that the consultation grants were introduced in 1991, when the policy intention was to develop a comprehensive scheme of health insurance to cover primary care and secondary care. At that time, the grants were seen as a stepping stone towards that objective. Almost three decades on, the policy objective of the grants is now unclear. However, the Committee remains concerned about the affordability of accessing primary care for individuals and families, and recognises its responsibility to ensure that people can access primary care services when they need to.
- 6.1.4. The Committee recognises that the future of the consultation grants needs to be considered, in consultation with the Committee *for* Health & Social Care (HSC) and the medical profession, in the context of the primary care environment of today. This will be reviewed as part of the Committee *for* Health & Social care's work to develop a target operating model for the delivery of the Island's future health and social care services.

6.2. Pharmaceutical Service

- 6.2.1. Drugs and medicines, and appliances, cost a total of £18.1m in 2016, before netting off the prescription charges of £2.2m paid by patients. This was an increase of 1.8% on 2015. The number of items prescribed under the pharmaceutical service decreased by 0.3% in 2016 to 1.5 million items.
- 6.2.2. The year saw a fall in the number of items dispensed, but an increase in the ingredient cost, driven by specialist prescribing. There were further reductions in the prescribing of antibiotics and hypnotics, and large savings achieved from a reduction in the prescribing of high cost and low value products. In addition, significant costs were avoided by the controlled entry of new drugs onto the prescribing list.

6.3. Prescription charge

- 6.3.1. The prescription charge has traditionally been uprated by ten pence each year. The current standard prescription charge for persons who are not exempt is set at £3.80. The Committee is proposing for 2018 that the

prescription charge be increased to £3.90. This is an increase of 2.6% on the 2017 charge, which is lower than RPIX for June 2017.

- 6.3.2. Resolutions, resulting from the States Debate on the Personal Tax, Pensions and Benefits Review (Billet d'État IV of 2015), noted the opinions of the former Social Security Department and Treasury and Resources Department that a nominal charge of £1 per item for people who were currently exempt from paying the charge should be introduced. In addition, the States noted those Departments' opinions that the standard prescription charge should be increased to £4.40 per item from 2016. The Social Security Department was also directed to reflect on the views expressed on these matters in the States debate.
- 6.3.3. The Committee considered the views of the former Social Security and Treasury and Resources Departments, and reported on this in last year's Policy Letter on contributions and benefit rates (Billet d'État XXVII of 2016, Article 4). The Committee said that it shared the opinion of the two former Departments on the phasing out of the universal exemption from prescription charges for those over pension age by 2020, but not on the introduction of a nominal charge for those who were currently exempt. However, as outlined in the Committee's Policy Plan (Billet d'État XII of 2017, Article 1), resources are not available to pursue the phasing out of the universal exemption as a priority during this political term. In addition, the Committee is still of the view that, while the States' finances require increased income and controls on expenditure, this should not be sought through the prescription charge.
- 6.3.4. The Committee notes that the total cost of prescriptions in 2016, including the drug costs and dispensing fees, was £18.1m. £2.2m was recovered through the payment of prescription charges, set at £3.70 per item in 2016. Although only 12% of the total cost is recovered in prescription charges, the fundamental importance of the pharmaceutical service is that patients can obtain drugs, some of which cost hundreds or thousands of pounds, for the standard prescription charge, or are exempt from paying altogether. In fact, nearly two-thirds of all items dispensed are to people who are exempt from paying the prescription charge.

6.4. Specialist Medical Benefit

- 6.4.1. Under the Health Service (Benefit) (Guernsey) Law, 1990, and the Health Service (Specialist Medical Benefit) Ordinance, 1995, Specialist Medical Benefit is predominantly the secondary healthcare services provided through the contract with the Medical Specialist Group. The benefit also includes treatment by visiting medical specialists. The current contract

between the States and the Medical Specialist Group reaches the end of its 15 year term on 31st December 2017.

- 6.4.2. Negotiations between the States and the Medical Specialist Group took place during 2016 and early 2017. A new contract was signed in March 2017, and will take effect from 1st January 2018. Whereas, in the current contract, the States act through the Committee *for* Employment & Social Security and the Committee *for* Health & Social Care, in the new contract, the States will act through the Committee *for* Health & Social Care only. The involvement of the Committee *for* Employment & Social Security will be limited to the provision of funding for the contract.
- 6.4.3. The new contract will involve greater collaboration between the two parties, allowing the current high standard of secondary healthcare to continue, while also delivering value for money and increased efficiencies. The inclusion of Key Performance Indicators in the new contract should enable the States to closely monitor the service across a broad range of measures.
- 6.4.4. The Medical Specialist Group contract amounted to £17.7m in 2016. The forecast for 2017 expenditure is £18.0m. The expected cost of the contract in 2018 is £18.3m.

6.5. Physiotherapy benefit

- 6.5.1. Under the Health Service (Benefit) (Guernsey) Law, 1990, physiotherapy services are provided through a contract with the Guernsey Therapy Group. The contract expires on the 31st December 2017. The Committee *for* Health & Social Care is leading on the development of a new model for the provision of these services.
- 6.5.2. The contract with the Guernsey Therapy Group cost £2.2m in 2016, and expenditure for 2017 is forecast to be £2.2m.

6.6. Summary of expenditure financed by the Guernsey Health Service Fund

- 6.6.1. Table 9 overleaf summarises the impact of the proposed benefit rates on projected expenditure from the Guernsey Health Service Fund for 2018, and the 2017 revised forecast at the time of writing. This is compared with the actual expenditure figures for 2014-2016.

Table 9 – Summary of expenditure for the Guernsey Health Service Fund

	2018 Budget £m	2017 Forecast £m	2016 Actual £m	2015 Actual £m	2014 Actual £m
Specialist Health Insurance	20.7	20.5	20.1	19.3	17.7
Pharmaceutical	15.9	15.9	16.3	16.0	14.9
Consultation grants	3.4	3.3	3.4	3.4	3.5
Visiting Medical Consultants	0.8	0.8	0.7	0.7	0.7
Primary Care Psychological Therapies	0.4	0.4	0.3	0.3	0.3
TOTAL BENEFIT EXPENDITURE	41.2	40.9	40.8	39.7	37.1
Administration	1.5	1.6	1.6	1.6	1.2
Total expenditure	42.7	42.5	42.4	41.3	38.3

7. Long-term Care Benefits

7.1.1. The Long-term Care Insurance Scheme pays benefits to assist with fees in private residential and nursing homes. The Committee is recommending increases of 2.8% in the benefit rates, which was the June 2017 RPIX figure.

7.2. Co-payment by person in care

7.2.1. Under the Long-term Care Insurance Scheme, it is a condition of entitlement to benefit that the person in care should make a co-payment. The 2017 co-payment is £195.16 per week. The Committee recommends a co-payment of £200.62 per week from 1st January 2018.

7.2.2. It should be noted that the co-payment to the Long-term Care Insurance Scheme also sets the level of fees to be charged for accommodation in States-run homes and long-stay wards. This includes the Duchess of Kent, the Corbinerie (or Lighthouse) Wards, and the long-stay beds at the Mignot Memorial Hospital in Alderney.

7.2.3. Approximately two thirds of those in care are required by the care homes to pay additional amounts over and above the co-payment, known as ‘top-up fees’. The cost of Long-term Care is being investigated as part of the work to progress the Resolutions from the Supported Living and Ageing Well (SLAWS) Policy Letter (Billet d’État III of 2016, Volume II, Article 14), which will be reported back to the States in 2018.

7.3. Long-term care benefit rates

- 7.3.1. The Committee recommends that the rates of long-term care benefit be increased by 2.8%, with effect from 1st January 2018, as set out in Table 10 below.

Table 10 – Weekly rates of long-term care benefit

	2018	2017
Residential care benefit	£444.57	£432.46
Elderly Mentally Infirm (EMI) benefit	£585.76	£569.80
Nursing care benefit	£829.99	£807.38

7.4. Respite care benefit

- 7.4.1. People needing respite care in private sector residential or nursing homes are not required to pay a co-payment. The Long-term Care Insurance Fund pays instead. This is to acknowledge the value of occasional investment in respite care, in order to allow the person concerned to remain in their own home as long as practicable. It also acknowledges that people having respite care continue to bear the majority of their own household expenditure. The respite care benefits, therefore, are the sum of the co-payment and the residential care benefit, with or without EMI care, or nursing care benefit, as appropriate.
- 7.4.2. Some work is being undertaken on respite care, as part of the project to progress SLAWS. An update on this will be reported to the States during 2018.
- 7.4.3. The Committee recommends that the rates of respite care benefit are set as shown in Table 11 below, with effect from 1st January 2018.

Table 11 – Weekly rates of respite care benefit

	2018	2017
Residential care respite benefit	£645.19	£627.62
EMI respite benefit	£786.38	£764.96
Nursing care respite benefit	£1,030.61	£1,002.54

7.5. Summary of expenditure financed by the Long-term Care Insurance Fund

- 7.5.1. Table 12 overleaf summarises the impact of the proposed benefit rates on projected expenditure from the Long-term Care Insurance Fund for 2018, along with the 2017 revised forecast at the time of writing, compared with the actual expenditure figures for 2014-2016.

Table 12 – Summary of expenditure for the Long-term Care Insurance Fund

	2018 Budget £m	2017 Forecast £m	2016 Actual £m	2015 Actual £m	2014 Actual £m
Residential care	10.5	9.9	8.6	8.6	9.0
Nursing care	10.2	9.8	9.8	9.3	9.0
	20.7	19.7	18.4	17.9	18.0
Administration	0.3	0.3	0.3	0.3	0.3
	21.0	20.0	18.7	18.2	18.3

PART III: EXPENDITURE – NON-CONTRIBUTORY BENEFITS

8. Summary of non-contributory benefits

- 8.1.1. Non-contributory benefits are those funded entirely through General Revenue, which comes from tax income, and not from social security contributions. These benefits include supplementary benefit, family allowance, and severe disability benefit and carer's allowance. In addition, the Community and Environmental Projects Scheme and the free TV licence scheme are administered by the Committee, and funded through General Revenue.
- 8.1.2. The Committee recommends general increases in the rates of supplementary benefit, severe disability benefit and carer's allowance of 2.8%, in line with the published RPIX figure for June 2017.

9. Supplementary benefit

9.1. Supplementary benefit requirement rates

- 9.1.1. The Committee recommends that supplementary benefit requirement rates be increased by 2.8%, in line with RPIX for June 2017, as set out in Table 13 overleaf. These rates are expected to apply until 5th July 2018, as the new scheme of Income Support, which amalgamates supplementary benefit and the social housing rent rebate scheme, is proposed to be implemented from 6th July 2018.
- 9.1.2. Long-term rates are payable when a claim reaches six months in duration. However, a person of working age who qualifies for supplementary benefit, on the basis of acting in compliance with the work requirement relating to them, will continue to be paid short-term rates until they have maximised their work requirement. A person's work requirement will depend on their individual circumstances. A rent allowance, on top of the short-term or long-term rates, applies to householders living in rented accommodation.
- 9.1.3. Under Income Support, the short-term rates, which will apply from July 2018, will be lower than the current short-term supplementary benefit rates, and the long-term rates will be higher than at present. As such, the Committee is proposing that only the long-term rates are uprated by RPIX of 2.8%, and that the short-term rates are frozen at the current 2017 rates. The reason for this is to assist in the transition, as the future short-term rates will be lower. Further, the Committee will be proposing in its Policy Letter in early 2018, that any claimant on short-term rates at the time of implementation, will remain on the current short-term rates until their claim reaches long-term status.

Table 13 – Proposed short-term and long-term supplementary benefit requirement rates for 2018 (2017 in brackets)

Supplementary benefit requirement rates for 2018	Short-term rates (Up to 6 months)	Long-term rates (Over 6 months)
Householders:		
Cohabiting/married couple	£203.63 (£203.63)	£258.28 (£251.25)
Single householder	£141.42 (£141.42)	£178.69 (£173.83)
Non-householder:		
18 or over	£107.66 (£107.66)	£138.71 (£134.93)
16 – 17 ⁶	£73.26 (£73.26)	£75.31 (£73.26)
Member of a household:		
18 or over	£107.66 (£107.66)	£138.71 (£134.93)
16 – 17	£91.42 (£91.42)	£117.49 (£114.29)
12 – 15	£56.63 (£56.63)	£72.69 (£70.71)
5 – 11	£41.13 (£41.13)	£52.70 (£51.27)
Under 5	£29.95 (£29.95)	£38.84 (£37.79)

- 9.1.4. As explained in the Committee’s Policy Plan, considered by the States in June 2017 (Billet d’État XII of 2017, Article 1), Income Support will introduce benefit rates which the Committee considers to be a move towards alleviating poverty in Guernsey.

9.2. Benefit limitations

- 9.2.1. The amount of benefit paid, in the majority of cases, is equal to a household’s total personal and family requirements. In a very limited number of cases, the amount of benefit that an individual or family can receive, through a combination of earnings and various benefits, is capped by the benefit limitation. The current benefit limitation is £650 per week.
- 9.2.2. In addition, two adjustments can be made to make the benefit limitation more flexible for those who reach the cap. The first adjustment is to

⁶

16 and 17 year olds are eligible for supplementary benefit only by exception.

disregard family allowance, so that it can be paid over and above the cap. The other adjustment is to further disregard any earnings that would be excluded in the normal calculations for supplementary benefit entitlement.

9.2.3. Traditionally, the benefit limitation has been increased by inflation only, often rounded to the nearest £10. The exceptions to this were in 2003, 2008, 2012, and 2015, when the cap was increased by significant amounts to prevent poverty being created as a result of the benefit limitation. For 2017, the benefit limitation was also increased by more than inflation. In part, this was in order to ensure that families affected by the cap would be no worse off when the reduction in the rate of family allowance was applied from 1st January 2017.

9.2.4. The Committee discussed increasing the benefit limitation above inflation for 2018, but agreed that it would be more appropriate to propose to uprate it by inflation pending the introduction of Income Support. However, as explained in its Policy Plan, debated by the States in June 2017 (Billet d'État XII of 2017, Article 1), the Committee recommends that between now and 2020, the benefit limitation should increase by a greater rate than inflation. This is in order to address the fact that some individuals are not able to enjoy a standard of living, or level of participation in society, that would be deemed acceptable against independent measures of wellbeing. The Committee will continue to monitor the benefit limitation, and would like to remove it altogether, having reviewed the impact of implementing Income Support.

9.2.5. The 2017 benefit limitation was set at £650. After applying the inflation figure for 2018, it is then rounded to be a whole number, as shown below:

$£650 + 2.8\% = £668.20$, which is rounded to £670.00

9.2.6. Table 14 overleaf shows the weekly benefit limitations which currently apply, and the proposed limitations from 5th January 2018.

Table 14 – Weekly supplementary benefit limitations

Benefit limitation	2018	2017
Community	£670.00	£650.00
Residential homes ⁷	£549.00	£534.00
Nursing homes, EMI residents and Guernsey Cheshire Home ⁸	£787.00	£766.00

9.3. Long-term rate eligible claims

- 9.3.1. Short-term rates were introduced in 1988 (Billet d'État XIX of 1988, Article 14) and the March 2016 Policy Letter from the Social Welfare Benefits Investigation Committee (Billet d'État VII, Article 9) recommended that two sets of benefit rates should remain, one for short-term claims and the other for long-term claims. This is to recognise that, in the long-term, people may have additional requirements to replace clothing, furniture and household goods. This was approved by the States, and followed the approach of the current supplementary benefit system, where the majority of claimants move onto long-term rates after 26 weeks of claiming benefit at the short-term rates.
- 9.3.2. In general, the new Income Support short-term rates proposed by SWBIC are lower than the current short-term supplementary benefit rates, and the proposed long-term rates are generally higher than the current long-term rates. The new short-term rates will only apply to people of working age who have an immediate work requirement, which includes single parents with children over the age of seven. The Committee recommends that this continues, and that people of pension age and people with a disability, where no work requirement is placed on them, should be assessed for benefit at the long-term rates from the beginning of their claims.
- 9.3.3. It was decided to retain two sets of benefit rates because people's short-term financial needs are assessed to be lower than those of longer-term claimants. It has also been deemed reasonable to assume that a claimant could reduce non-essential expenses and delay expenditure on essential items in the short-term.

⁷ This limitation applies to a person residing in a residential home who does not satisfy the residence requirements for long-term care benefit and may, therefore, need to rely on financial support from supplementary benefit.

⁸ This limitation applies to a person residing in a nursing home or a residential home with EMI care needs, or the Guernsey Cheshire Home, who does not satisfy the residence requirements for long-term care benefit and may, therefore, need to rely on financial support from supplementary benefit.

- 9.3.4. Due to their level of income, some people who are not entitled to benefit when assessed at the short-term rates, would be entitled when assessed at the long-term rates. However, as there is no entitlement at the short-term rates, no claim is currently taken. This means that these people are never assessed at the long-term rates, which for other short-term claims happens automatically after 26 weeks. The gap between the short-term rates and the long-term rates will be more pronounced when Income Support is introduced from early July 2018, and therefore the number of customers affected will increase. There is a need to open non-paying claims for these people, so that their entitlement is reassessed at long-term rates after 26 weeks.
- 9.3.5. The Committee will propose, in the forthcoming Policy Letter on the implementation of Income Support, that people who fall between the short-term and long-term rates should be able to open a 'Long-term Rate Eligible' (LTRE) claim. These claimants would not receive a cash benefit until six months have passed, when a normal claim would become eligible to move onto the long-term rates.

9.4. Personal allowances

- 9.4.1. The Committee pays a personal allowance to residents of residential or nursing homes who qualify for supplementary benefit. The personal allowance is intended to allow modest purchases of, say, newspapers, confectionery, toiletries, small family presents and so on.
- 9.4.2. The Committee *for* Health & Social Care (HSC) pays for Guernsey and Alderney residents to be placed in UK hospitals and specialised institutions if their mental or physical health needs cannot be met on-Island. While HSC meets the cost of accommodation and care, residents are expected to pay for items of personal expenditure from their own resources. Residents who cannot afford these things can apply to Social Security for a personal allowance.
- 9.4.3. There is a need for this particular personal allowance to be higher than the rate which applies in Guernsey residential and nursing homes, because the people living temporarily off-Island tend to be a much younger age group, more active, and with more opportunities for using a personal allowance in the course of their supervised activities and outings.
- 9.4.4. Table 15 overleaf sets out the weekly personal allowances which currently apply and the proposed allowances to apply from 5th January 2018. The proposed allowances are in line with the general uprating policy for non-contributory benefits for 2018, which is set at 2.8%. Ahead of uprating for

2019, the Committee intends to review whether the allowances continue to be set at an appropriate level.

Table 15 – Weekly personal allowances

Personal allowance	2018	2017
Residents of local residential and nursing homes	£31.41	£30.55
Guernsey people in UK hospitals and care homes	£52.91	£51.47

9.5. Maximum rent allowances⁹

- 9.5.1. In January 2013, maximum rent allowances were introduced for new claims from single people and couples with no children (tenancy group 1) and for people living in shared accommodation (tenancy group 5). Maximum rent allowances are upper limits of rental support, rather than fixed amounts, given to all people within the two groups. The actual rent allowance paid never exceeds the rent of the property occupied and indeed, in accordance with legislation, the Administrator sometimes awards a lower rent allowance if it is considered that this is reasonable, having regard to the circumstances of the claimant and the nature and standard of the accommodation.
- 9.5.2. While maximum rent allowances for families have been applied in practice since 2013, they have not been expressly introduced in legislation. A Resolution following the debate on the SWBIC Policy Letter (Billet d'État VII of 2016, Volume II, Article 9) approved that maximum rent allowances be extended to families at the rates set out in paragraph 126 of that Policy Letter.
- 9.5.3. In the Policy Letter on benefit and contribution rates for 2017 (Billet d'État XXVII of 2016, Article 4), the Committee also stated that it was of the view that it was the right time to introduce maximum rent allowances for families, following the conclusion of SWBIC's work. It is proposed that the necessary amending provisions to extend the system to families will be included in the legislation introducing the SWBIC amendments.
- 9.5.4. The proposed maximum rent allowances in respect of tenancy groups 2, 3 and 4 match the highest rent charged by the Committee and GHA in respect of social housing properties with the necessary number of bedrooms.
- 9.5.5. The maximum rent allowances for 2017 and the proposed allowances for 2018 are set out in Table 16 overleaf. It should be noted that, at the time of

⁹ The increases to a person's requirements to allow for rental payments are known as a rent allowance in paragraph 6 of the First Schedule to the Supplementary Benefit (Implementation) Ordinance, 1971.

writing, the rates were still subject to approval by the GHA Board and the Committee, and therefore should be treated as provisional.

Table 16 – Maximum rent allowances for 2018

Tenancy Group	Description	2018	2017
Group 1	Single or couple with no children	£222.50	£217.50
Group 5	Living in shared accommodation	£175.41	£174.97

9.6. Supplementary fuel allowance

- 9.6.1. A supplementary fuel allowance is paid from General Revenue, to all householders in receipt of supplementary benefit, for 26 weeks from the last week in October until the last week in April of the year following. The fuel allowance was £26.03 per week for the winter of October 2016 to April 2017. The rate of the fuel allowance for the period was decreased by 5.9% on the previous year and reflected the inflation adjusted cost of fuel, light and power in the year to June 2016¹⁰.
- 9.6.2. The Committee is recommending an increase of 4.5% in the fuel allowance, taking it to £27.20 per week for the period from 27th October 2017 to 27th April 2018. This is in line with the change in the cost of fuel, light, and power in the year to June 2017¹¹.
- 9.6.3. The fuel allowance will cost in the region of £0.96m over the 26 week payment period for October 2017 to April 2018.
- 9.6.4. The Committee notes that work is in progress to convert existing social housing to be more energy efficient. As social housing now falls under the Committee's mandate, the Committee has every intention to continue to investigate these options for improving energy efficiency in social housing. In the future, the Committee intends to review whether those properties which are considered to be energy efficient should continue to receive the full fuel allowance. The Committee is minded to review how the winter fuel allowance is calculated, and what the eligibility criteria are, once the new Income Support Scheme has been implemented.

9.7. Community and Environmental Projects Scheme

- 9.7.1. The Committee administers the Community and Environmental Projects Scheme (CEPS), which offers short-term employment and training

¹⁰ Source: Guernsey Quarterly Inflation Bulletin – 22nd July 2016.

¹¹ Source: Guernsey Quarterly Inflation Bulletin – 26th July 2017.

opportunities for unemployed people. The Committee contracts with States Works for the necessary supervision of the work teams, and also for the provision of transport, equipment, and tools.

- 9.7.2. The hourly wage rates for the CEPS employees are set by the Committee and do not require a Resolution of the States. From 1st October 2010, the rates payable were brought into line with minimum wage rates. From 1st January 2018, the rates payable will continue to mirror the minimum wage rates agreed by the States.

10. Family Allowance

- 10.1.1. Family allowance is a universal benefit that is paid to all families with qualifying children, irrespective of the level of their household income. The weekly rate of family allowance was £13.50 per child for 2017.
- 10.1.2. Expenditure on family allowance amounted to £9.6m in 2016. It is estimated that expenditure on family allowance in 2017 will be £8.2m.
- 10.1.3. In line with the November 2015 Resolution of the States (Billet d'État XX of 2015, Article 9), the rate of family allowance was reduced by £2.40 per week, from £15.90 to £13.50 per week, with effect from 2nd January 2017. This equated to a reduction of 15.1% in the weekly payment, and was anticipated to have reduced the Committee's General Revenue expenditure by approximately £1.4m for 2017.
- 10.1.4. The saving was used for two purposes. Firstly, to increase the cash limit of the Committee *for* Education, Sport & Culture by approximately £1.27m to cover part of the funding requirement for the implementation of universal pre-school education. Secondly, approximately £0.15m was redirected to supplementary benefit. This was to ensure that the amount of benefit received by families affected by the benefit limitation was not reduced as a result of the decrease in family allowance.
- 10.1.5. A successful amendment from Deputy Dorey, to the former Social Security Department's report on benefit and contribution rates (Billet d'État XVIII of 2015, Article 8) resolved:

“To agree that, after consultation with other relevant committees of the States, the Committee for Employment & Social Security shall report to the States by no later than October, 2017 setting out their opinion on whether the universal payment of family allowances should be altered, reduced or ceased and the costs thereof redirected to allow the States to provide additional financial support for some or all of the following children's services: medical and paramedical, including

but not limited to primary care, dental, optical and physiotherapy provided either by States-employed clinicians or contracted private practitioners; and breakfast clubs, after school homework clubs, school meals and holiday clubs at States' schools.

- 10.1.6. The Committee still intends to review the future use of family allowance to support children's services, and is mindful of the obligation to report back to the States, but regrets that it has not been able to progress this review yet.
- 10.1.7. From 2013 to 2016 inclusive, the rate of Family Allowance was frozen at £15.90. The previous Social Security Department was of the view that the universal benefits should be phased out, however the current Committee is of the opinion that if the allowance is to remain valid, that it should increase in line with inflation.
- 10.1.8. As such, the Committee are proposing that family allowance should be uprated by RPIX for June 2017 (2.8%), in line with all other benefits from 1st January 2018. This takes the weekly rate of family allowance from £13.50 per child to £13.88. Normally, the rate of family allowance is rounded to the nearest ten pence, so the Committee is proposing that the rate for 2018 is £13.90.

11. Severe Disability Benefit and Carer's Allowance

11.1. Rates and annual income limit

- 11.1.1. The Committee recommends that the rates of severe disability benefit and carer's allowance be increased by 2.8%, with effect from 1st January 2018, as shown in Table 17 below.

Table 17 – Current and proposed annual income limit and weekly rates of severe disability benefit and carer's allowance

	2018	2017
Severe disability benefit - weekly rate	£103.88	£101.08
Carer's allowance - weekly rate	£84.06	£81.77
Annual income limit for both allowances	£97,000	£94,000

- 11.1.2. The annual income limit is the upper limit of income that a family may have, while still being entitled to receive either severe disability benefit or carer's allowance. The annual income limit has traditionally been rounded to the nearest thousand pounds.

- 11.1.3. Actual benefit expenditure on severe disability benefit and carer's allowance for 2014-2016 is shown in Table 18 below. The expected outturn for these benefits for 2017 and the budget figure for 2018 is also shown in Table 18. The increase in expenditure is in part due to the continuation of an increasing number of claims following legislative changes, promotion of the benefit, and an ageing population.

12. Table 18 – Expenditure on severe disability benefit and carer's allowance

Severe Disability Benefit and Carer's Allowance	2018 Budget £m	2017 Forecast £m	2016 Actual £m	2015 Actual £m	2014 Actual £m
Expenditure	5.8	5.5	5.4	5.1	4.5

- 12.1.1. One of the work streams of SLAWS is to develop a Carer's Strategy, as a matter of priority. This would include a review of the range, provision, and funding of short break services, and an investigation into the establishment of a pro-active care coordination service. Work is commencing on this in October, to develop a public consultation, and it is likely that a Policy Letter with policy proposals will be brought to the States before the end of 2018.
- 12.1.2. The Extra Needs Allowance, approved as part of the Resolutions to implement Income Support (Billet d'État VII of 2016, Volume II, Article 9), will be paid to particular groups, such as pensioners and people with disabilities, based on their needs for additional payments. The allowance will not be available to people who are already in receipt of severe disability benefit, however, it will assist those on supplementary benefit who have lower levels of disability. The intention of the allowance is that it is simple and easy to understand and access, and as such, the Committee envisages that the payment will be made for the three identified categories: energy; laundry and clothing; and food and diet.

13. Free TV licences

- 13.1.1. In 2015, the States made the decision to end the free TV licence scheme in Guernsey, by not issuing any new licences to people who reach the age of 75 on or after 1st September 2016. Anyone who reached 75 before that date would continue to receive a free TV licence each year.
- 13.1.2. In 2016, the BBC agreed to take over the policy responsibility for the TV licence concession for people over the age of 75 in the UK from June 2020. This means that the BBC will take on the policy responsibility for Guernsey residents at the same time as the UK. In addition, the BBC will contribute to

the cost of the Island's current age concession scheme in a phased approach over the periods of 2018 and 2019.

- 13.1.3. At present, the BBC has not announced any decision on the future of this policy when it gains control of it in 2020, although officers are continuing to monitor the situation and engage regularly with the BBC on this matter.

PART IV: FINANCIAL POSITION

14. Financial position of the Contributory Funds

- 14.1.1. This section of the Policy Letter explains the financial position of the four funds, including reference to the actuarial reviews undertaken for the 2010-2014 period, undertaken by the UK Government Actuary's Department.

14.2. Guernsey Insurance Fund: Summary of the financial position

- 14.2.1. The financial performance of the Guernsey Insurance Fund is shown in Table 19 below. The 2018 budget estimates that the operating deficit will increase to £21.4m (2017 forecast: £19.4m deficit). The Fund has now been in deficit, before investment returns are taken into account, since 2009.
- 14.2.2. The operating deficit arises when benefit and administration expenditure exceeds contribution income and States grants. This shortfall is met by drawing down the Fund's reserves, and although planned, this causes the number of years expenditure cover to reduce.

Table 19 – Financial performance of the Guernsey Insurance Fund

	2018 Budget £m	2017 Forecast £m	2016 Actual £m	2015 Actual £m	2014 Actual £m
Income	126.1	122.3	117.3	115.1	113.9
Expenditure	(147.5)	(141.7)	(139.4)	(134.5)	(129.5)
Operating deficit	(21.4)	(19.4)	(22.1)	(19.4)	(15.6)
Investment returns	30.2	24.5	76.5	(5.9)	25.4
Net surplus/(deficit) for the year	8.8	5.1	54.4	(25.3)	9.8
Net assets at 1 January	735.8	731.2	676.8	702.1	692.3
Net assets at 31 December	744.6	736.3	731.2	676.8	702.1
Expenditure cover in number of years	5.0	5.2	5.2	5.0	5.4

- 14.2.3. The 2010-2014 actuarial review indicated that, if the assumptions were correct for the Guernsey Insurance Fund, and there are no further increases in contribution rates beyond those that were implemented in 2017, then the reserves will run out completely by 2046. The review suggests that sustainability could be achieved through some combination of higher contribution rates, increased inward migration, and better-than-expected long-term investment returns. However, while the States has very little control over the macro-economic factors which drive both migration and

investment returns, it does have control over benefit and contribution rates, and must therefore look to these as the principal tools for securing the future of the Fund.

- 14.2.4. The projections of sustainability of the Guernsey Insurance Fund have been positively impacted by the increase in pension age and the pulling back of the annual uprating of benefits to bare RPIX from 2025 onwards. Without these measures, future annual deficits would be significantly higher, adversely affecting reserves.

14.3. Guernsey Health Service Fund: Summary of the financial position

- 14.3.1. The financial performance of the Guernsey Health Service Fund is shown in Table 20. The 2018 budget estimates that the operating deficit will be £1.7m (2017 forecast: £2.6m deficit), with the States grant not being reinstated.

Table 20 – Financial performance of the Guernsey Health Service Fund

	2018 Budget £m	2017 Forecast £m	2016 Actual £m	2015 Actual £m	2014 Actual £m
Income	41.1	39.9	43.6	42.7	42.2
Expenditure	(42.7)	(42.5)	(42.3)	(41.3)	(38.4)
Operating deficit	1.6	(2.6)	1.3	1.4	3.8
Investment returns	4.9	3.9	12.0	(0.9)	3.6
Net surplus/(deficit) for the year	3.3	1.3	13.3	0.5	7.4
Net assets at 1 January	118.4	116.4	103.1	102.6	95.2
Net assets at 31 December	121.7	117.7	116.4	103.1	102.6
Expenditure cover in number of years	2.9	2.8	2.8	2.5	2.7

- 14.3.2. The actuarial review for the 2010-2014 period showed the Fund to be in a favourable position over the 15 year projection period, out to 2030. It is expected that the Fund balance will increase through re-invested returns, from 2.7 to 3.3 times annual expenditure. However, future health costs are notoriously hard to predict, and the sustainability of the Fund is affected mostly by movements in the price of prescription drugs. The assumption for the 15 year projection is that unit costs will increase by RPIX.
- 14.3.3. In addition, there are uncertainties around the future of the Fund until the the Committee *for* Health & Social Care has concluded its work on the Target Operating Model for the future of healthcare in Guernsey.

14.4. Long-term Care Insurance Fund: Summary of the financial position

- 14.4.1. The financial performance of the Long-term Care Insurance Fund is shown in Table 21 below. The 2018 budget estimates that the operating surplus will decrease to £7.2m (2017 forecast: £7.4m surplus). The significant increase in income between 2016 and 2017 was a result of the 0.5% increase in contribution rates to the Fund, which applied from 1st January 2017.

Table 21 – Financial performance of the Long-term Care Insurance Fund

	2018 Budget £m	2017 Forecast £m	2016 Actual £m	2015 Actual £m	2014 Actual £m
Income	28.2	27.4	19.4	18.5	18.5
Expenditure	(21.0)	(20.0)	(18.7)	(18.2)	(18.2)
Operating surplus	7.2	7.4	0.7	0.7	0.3
Investing activities	3.1	2.3	6.4	(0.5)	2.0
Net surplus/(deficit) for the year	10.3	9.7	7.1	0.2	2.3
Net assets at 1 January	72.6	62.9	55.8	55.6	53.3
Net assets at 31 December	82.9	72.6	62.9	55.8	55.6
Expenditure cover in number of years	3.9	3.6	3.4	3.1	3.1

- 14.4.2. The actuarial review for the 2010-2014 period showed that the increase in contribution rates of 0.5% to the Fund, which took place from January 2017, will extend the life of the Fund by 16 years to 2047. However, further measures will be required in the coming years to ensure the sustainability of the Fund thereafter, and to mitigate against the impact of an ageing population.
- 14.4.3. One of the key work streams within SLAWS is to address the strategic funding issues of long-term care. A progress update will be reported to the States during 2018.

15. Non-Contributory Services funded from General Revenue

15.1. Summary of the financial position

- 15.1.1. As this Policy Letter is about the benefit and contribution rates for 2017, it only considers those Non-Contributory Services and benefits funded from General Revenue, delivered by Social Security, and not the additional services that come under the Committee's mandate, which are also funded from General Revenue.

15.2. Summary of non-contributory Social Security expenditure financed by General Revenue

- 15.2.1. Table 22 summarises the impact of the proposed benefit rates on expenditure for 2018. This also includes the 2017 revised forecast at the time of writing, and the actual expenditure figures for 2014-2016.

Table 22 – Summary of non-contributory Social Security expenditure financed by General Revenue

	2018 Budget £m	2017 Forecast £m	2016 Actual £m	2015 Actual £m	2014 Actual £m
Supplementary benefit	22.7 ¹²	22.0	20.9	20.9	20.3
Family allowance	8.4	8.2	9.6	9.8	9.7
Severe disability benefit & carer's allowance	5.8	5.5	5.4	5.1	4.5
Concessionary TV licence	0.5	0.6	0.6	0.6	0.6
Contributory Fund States grants	21.1	15.7	19.7	19.6	19.4
Formula led expenditure	58.5	52.0	56.2	56.1	54.5
Administration	2.1	2.0	2.4	2.4	2.3
Others ¹³	0.3	0.3	0.3	0.3	0.4
Non-formula led expenditure	2.4	2.3	2.7	2.7	2.7
Total expenditure	60.9	54.3	58.9	58.8	57.2

15.3. Supplementary benefit expenditure and claim data

- 15.3.1. Supplementary benefit expenditure amounted to £20.9m in 2016. The expected outturn for 2017 is £22.0m.
- 15.3.2. As at 2nd September 2017, there were 2,342 active supplementary benefit claims, as set out in Table 23 overleaf. These claims also support 1,398 dependants, thereby giving a total supplementary benefit population of 3,740.

¹² The above table does not include the additional costs relating to the implementation of Income Support (SWBIC) during 2018. The supplementary benefit budget will increase by a further £9.2m in 2018. However, offsetting this additional cost is the removal of rent rebates of £6.7m. The net additional expense is therefore budgeted to be £2.5m.

¹³ Others include Community & Environmental Projects Scheme (CEPS), Charitable Grants, and miscellaneous expenditure.

- 15.3.3. Supplementary benefit claimants have been, in recent years, split into ten classifications by which they can be identified and managed in practice. An amendment to supplementary benefit legislation in 2014 removed these classifications, however, in practice, claims are still split into those categories for the purposes of claims management and financial analysis. The classifications are referred to in the analysis of claims and expenditure shown in Table 23.

Table 23 – Supplementary benefit claims and expenditure

Classification	Claims at 2nd September 2017	Claims at 3rd September 2016	2018 Budget (£m)	2017 Forecast (£m)	2016 Actual (£m)
Pensioner	715	720	£3.0m	£2.9m	£2.9m
Incapacitated	497	506	£4.5m	£4.4m	£4.3m
Jobseeker or low earner	535	537	£5.7m	£5.3m	£4.9m
Single parent	286	282	£3.7m	£3.6m	£3.5m
Disabled	205	207	£2.3m	£2.2m	2.0m
Incapable of self-support	73	57	£0.8m	£0.8m	£0.7m
Other ¹⁴	31	31	£0.3m	0.3m	0.3m
Total (excluding dependants)	2,342	2,340	£20.3m	£19.5m	£18.7
Special Grants ¹⁵			£2.4m	£2.5m	£2.3m
Total			£22.7m	£22.0m	£21.0m

¹⁴ Includes the following classifications: Carer, Pregnant, Prisoner's spouse, and Partner in hospital, and a small number of claimants whose classification is unknown

¹⁵ Includes special grants in respect of medical expenses, disability, funeral expenses and other miscellaneous expenses

PART V: COMMITTEE UPDATES

16. Progress with Extant Resolutions

16.1. Progress with the Reciprocal Agreement on Social Security with Latvia

- 16.1.1. In October 2015 (Billet d'État XVIII of 2015, Article 8), the States approved, in principle, the development of a Reciprocal Agreement on Social Security with Latvia. The Social Security Department, and subsequently the Committee for Employment & Social Security, is in discussion with the Policy & Resources Committee to progress this.
- 16.1.2. The proposed agreement will require an entrustment from the UK's Ministry of Justice, in order for Guernsey to conduct negotiations with the Latvian authorities. The UK decision to leave the EU has had an impact on this in relation to citizens' rights, and the future of any UK-EU social security arrangement. Discussions with the UK government on this matter are ongoing.

16.2. Scheme of medical insurance for travel to the UK

- 16.2.1. In October 2015, the former Social Security Department was directed, through a successful amendment by Deputy Fallaize to the Department's Uprating Report (Billet d'État XVIII, Article 8) to investigate the options for the implementation of a scheme of medical insurance that would replace the Reciprocal Health Agreement between the UK and Guernsey, which ended in April 2009.
- 16.2.2. The Social Security Department commissioned an independent consultant to investigate the insurance options available. This report was considered by the new Committee in June 2016. Since that date, a tender process has been completed. This involved a soft market test and full tender exercise, to identify an insurance company to provide a scheme of insurance for off-island medical treatment. At present, the Committee is considering the outcome of the tender process, and whether an insurance option is the most suitable. The Resolution requested that the Committee report back to the States by October 2017. Details of the proposed scheme will now be reported to the States in 2018 instead.

17. Policies, Projects and Updates

17.1. Longer Working Lives

- 17.1.1. In light of a decision following the Personal Tax, Pensions and Benefits Review (Billet d'État IV of 2015) to increase the State Pension Age to 70, a Resolution was also made:

‘To direct the Social Security Department, in consultation with all other relevant departments, to investigate measures aimed at supporting longer working lives and assisting older people who wish to work to remain in the workforce, and to report to the States of Deliberation with its findings no later than December 2017.’

- 17.1.2. Longer Working Lives is important, not only because of the increasing pension age, but also to ensure that we make the most of our on-island workforce, to ensure that people who wish to work (whether for social or financial reasons) are able to do so, and so that people have more options about how and when to retire.
- 17.1.3. Work began on the project in 2016. The project team met a wide range of people to discuss with them the challenges they might face in working for longer and to identify key barriers to continuing in work. It was found that people's ability and choice to continue to work could be affected by health, disability, care and family responsibilities, retirement ages specified in contracts, attitudes towards older people, out of date skills, difficulties changing career in later life, and lack of information and advice about retirement.
- 17.1.4. Building on the outcome of these discussions, a subcommittee was formed to further research and review what opportunities there were to address these barriers and to support people to work up to, or past, State Pension Age.
- 17.1.5. Whilst there was significant scope for action, the subcommittee focused on a few priority actions which it felt would have the biggest impact in addressing barriers and enabling people to stay in work. These priorities were formulated into a 'Draft Proposals' document which was published in June 2017, and is available at www.gov.gg/longerworkinglives. This document has been used as the basis for consultation with key interested parties and the general public. The consultation closed in July 2017 and 248 submissions were received. The Draft Proposals incorporated actions to:
- Continue to develop the Island's Occupational Health and Wellbeing to support people at work with health conditions and disabilities and to

prevent people from developing work related illness or injury in the first place.

- Promote flexible working and part time work options.
- Consult on the possibility of introducing age discrimination legislation.
- Provide information and advice to support people to undertake 'mid-career reviews' to think through where they are with their career, health and finances.
- Work with businesses to help them to take action, by providing information on why adapting to an ageing workforce is important, and by helping businesses to share good practice around supporting older workers.

- 17.1.6. The responses to this consultation have been analysed and considered and the Committee is in the process of drafting a Policy Letter including a set of final proposals to return to the States in December 2017, as directed in the above States Resolution.

17.2. Equality and Inclusion

- 17.2.1. The Committee was directed to report back to the States in November 2017 on the implementation of the Disability and Inclusion Strategy, as part of the States debate on the topic in 2015 (Billet d'État XX, Article 7). While work streams continue to progress, including the work to introduce disability discrimination legislation, the President will seek the approval of the Presiding Officer to provide a verbal update to the States on the equality and inclusion aspects of the Committee's mandate at the States Meeting in October 2017.

17.3. SLAWS: Update on strategic funding of Long-term Care

- 17.3.1. In February 2016, the States endorsed the recommendations to progress the Supported Living and Ageing Well Strategy (SLAWS) (Billet d'État III of 2016, Volume II, Article 14). The Committee was directed to address the strategic funding issues for Long-term Care.
- 17.3.2. The first action in respect of this was implemented when contribution rates were increased by 0.5% for all contribution classes, except employers, which took effect from 1st January 2017.
- 17.3.3. The States agreed that the costs associated with the provision of long-term care services should be separated into three areas: accommodation, day-to-day living expenses, and care and support. A policy officer has been appointed to undertake an investigation of those costs, and will report back

to the States as part of the Policy Letter on SLAWS, which is expected to be considered by the States in 2018.

17.4. Update on the number of jobseekers and unemployed persons

- 17.4.1. The total number of jobseekers is comprised of people who are unemployed, those temporarily employed on a government training scheme, and those in in part-time or casual employment. Some people who are fully employed but who are eligible for supplementary benefit on top of their low earnings are also considered to be jobseekers.
- 17.4.2. During 2016, the Job Centre placed a total of 972 jobseekers into employment. At the end of June 2017, the total number of jobseekers was 615, split across the three groups, as shown in Table 24 below.

Table 24 – Number of jobseekers as at the end of June 2017

Type of claimant	Number
In part-time or casual employment	262
Temporarily employed on the Community and Environmental Projects Scheme or another government training scheme	32
Unemployed - not in employment or training	321
Total	615

- 17.4.3. Unemployed people are those who are not engaged in any form of employment or training scheme. These figures are calculated using the International Labour Organisation's definition of 'unemployment'¹⁶. The contributory and non-contributory benefit entitlements of the 321 unemployed people for June 2017 are shown in Table 25.

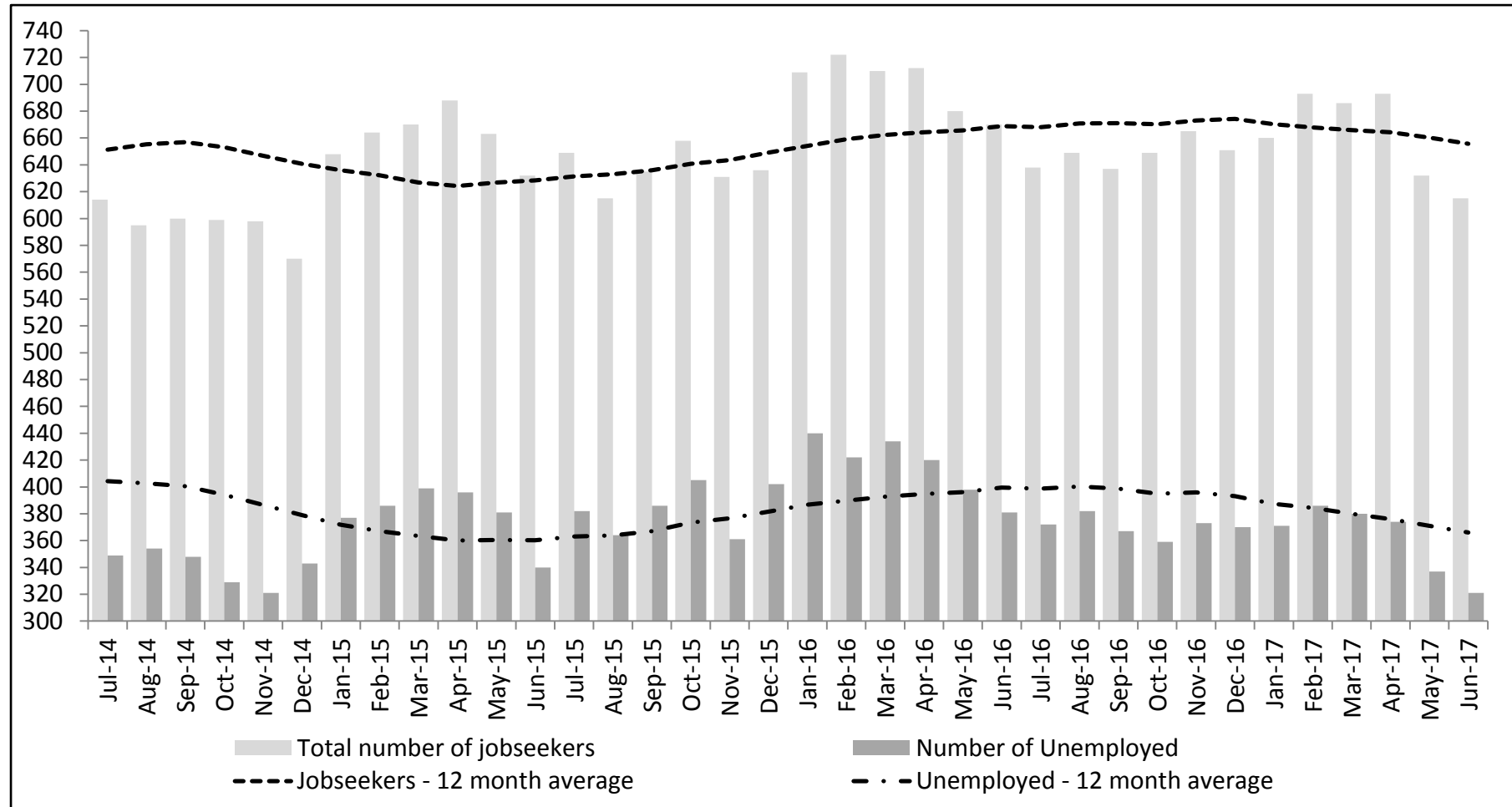
Table 25 – Number of unemployed persons as at the end of June 2017

Type of claimant	Number
Contributory unemployment benefit only	101
Contributory unemployment benefit and a supplementary benefit top-up	67
No contributory entitlement. In receipt of supplementary benefit only	153
Total	321

¹⁶

<https://stats.oecd.org/glossary/detail.asp?ID=2791>

Figure 1 – Total number of jobseekers and unemployed persons – July 2014 to June 2017



- 17.4.4. Figure 1 on the previous page shows the trend and seasonal fluctuations of the total number of jobseekers each month over the three years from July 2014 to June 2017 (inclusive). This graph also includes the number of those jobseekers who are unemployed for comparison purposes. The 12 month rolling average trend line is also shown, which smooths out the seasonal variations and, therefore, shows whether unemployment is stable, rising, or falling.
- 17.4.5. The Committee continues to develop and expand the range of initiatives that it offers to assist and support jobseekers to secure employment or improve their employment prospects, as set out in Table 26.

Table 26 – Employment initiatives run or supported by the Job Centre

Initiative	Description	Benefit paid?
Work trial	Chance to demonstrate capability to an employer where a real job is on offer.	Yes
Work experience	Extended work experience with learning goals.	Yes
Gradual return to work	Phased return to work following long-term sickness.	Partial payments
Kick start	On the job training with employers aimed at people at risk of long-term unemployment.	Minimum wage
Basic skills training and flexible IT	Help with IT, literacy & numeracy skills, including a flexible IT course to fit with commitments and 1 year IT courses leading to recognised qualifications.	Yes
Short-term training	Retraining following illness, or for parents re-entering work after long-term benefit claims.	Yes
Prepare and Passport To Work	Courses designed to develop useful skills such as communication, problem solving, organisation, and preparing for interviews.	Yes
Passport to Safety	A pre-requisite for construction industry jobs.	N/A
First Aid and Health & Safety	Short certified courses to enhance employment opportunities.	N/A
Ministry of Entrepreneurship (MOE)	The MOE Foundation actively supports young people, by providing them with a supportive network, as well as training, development, coaching, mentoring, and leadership and entrepreneurial initiatives	N/A

Prince's Trust Team Programme	A 12-week personal development programme, which offers young people the chance to gain new skills, qualifications and work experience	Yes
Back to work bonus	One-off lump sum payable following a return to work and closure of long-term claims.	N/A
Job start expenses	Help with some of the costs associated with starting work (e.g. tools, boots, and clothing).	N/A
Community & Environmental Projects Scheme	Paid work and training opportunities for people who are not working due to unemployment or long-term illness.	Minimum wage
Recruitment grant	Staged payments to an employer to recognise the extra support required for someone who has been long-term unemployed or sick.	N/A
'Prepare to...' courses	Short courses aimed at unemployed people to help identify their skills and aptitude within a specific industry.	Yes
Job Fairs	A targeted means of bringing employers and jobseekers together to fill vacancies.	N/A
Work2Benefit	A mandatory work scheme for unemployed persons in receipt of supplementary benefit.	Yes

17.5. Update on the proposals for the implementation of a second pillar pension scheme for Guernsey and Alderney

- 17.5.1. In order to address the current low levels of private pension savings, coupled with the demographic trends projected for the Island, the Social Security Department reported to the States in February 2016 (Billet d'État III of 2016, Article 15) on proposals for the implementation of a new system of automatic enrolment into private pension saving for working age residents of Guernsey and Alderney.
- 17.5.2. This Policy Letter received strong support within the States and among private sector employers who were consulted during its development. The States approved the principles for the introduction of a Secondary Pension scheme, subject to further research being carried out on any distinctions that should be made between employers of varying sizes and whether any temporary exemptions should apply to business start-ups.
- 17.5.3. The Committee was expected to report back to the States by no later than 31st December 2017 with detailed proposals for implementation, including an economic impact assessment.
- 17.5.4. The Committee formed a project team to progress the work, which found that to finalise the detailed proposals, a pension provider to deliver the

scheme needed to be selected through a competitive tender exercise. A soft market test was completed in July and a pre-qualification exercise was undertaken in August and September 2017.

- 17.5.5. Further, a local provider was appointed to develop actuarial projections for the scheme and the economic impact assessment. The initial findings are expected in the autumn and will form part of the invitation to tender for the scheme provision which will subsequently be issued before the end of the year.
- 17.5.6. Due to the time and resources needed to complete the procurement exercise for the scheme provider and finalise the detailed proposals, the Committee now aims to report back to the States by September 2018.

17.6. Supporting Occupational Health and Wellbeing

- 17.6.1. The Committee is aware of the very important relationship between work and health. Understanding this link is not only good for the health of staff, but also the health of any organisation. Through the Committee's Supporting Occupational Health and Wellbeing project (SOHWELL) and the FitTogether initiative, it has committed to working closely with healthcare professionals, employers and employees. Through this project, the Committee is keen to maximise the Island's workforce and ensure that people who have an illness, injury, or disability are supported early, to help them stay in work or get back to work more quickly.
- 17.6.2. All certifying practitioners have an important role in helping to manage sickness related absence. Therefore, the Committee has worked closely with GPs and other healthcare professionals to roll-out a new style medical certificate, and provide occupational health training. Both of these ensure that all practitioners, who can issue medical certificates, have had the same opportunities to assess capacity for work in a similar way. Medical practitioners are encouraged to give advice on an employee's present work capability, and provide basic recommendations about reasonable adjustments which may make an earlier return to work more likely.
- 17.6.3. A key factor in the success of the project will be a greater awareness of occupational health amongst employers and their willingness to consider reasonable workplace adjustments. Importantly, line managers also play a crucial role in implementing excellent working practices and creating the right culture and environment within the workplace.
- 17.6.4. The Committee recognises that some employers may not have access to occupational health advice and may be unsure of how to deal with sickness related absence. Therefore, over the last twelve months, officers from Social

Security have been working with employers to promote the SOHWELL and FitTogether initiatives, and gather information on access to Occupational Health services. In addition to the work the Committee has done with employers on an individual basis, it has also delivered two public events.

- 17.6.5. In March 2017, the Committee teamed up with the Guernsey Employment Trust and Guernsey MIND to host an event on the subject of health and wellbeing in the workplace. Over 150 employers attended this event to learn more about specific work and health related topics and support for people returning to work after an illness or injury.
- 17.6.6. In July 2017, the Committee invited Professor Sir Cary L Cooper, CBE, to deliver a presentation and workshop on 'A Good Day at Work'. Professor Cooper is one of the world's leading authorities on health and wellbeing in the workplace, and is the Professor of Organisational Psychology and Health at Manchester Business School, University of Manchester. The 'Good Day at Work' event was aimed at employers across the Bailiwick, and other interested parties. It also included a specific session for States of Guernsey line managers. The event was attended by over 200 people, and the feedback has been extremely positive.
- 17.6.7. Throughout its engagement with employers, the Committee is aware that fundamental changes and reduction to sickness absence and behaviour will take time. However, it is committed to working with all stakeholders to ensure better advice and guidance for employers, with particular focus on the important role of line managers. The Committee is grateful for the ongoing support and positive engagement from both employers and the medical profession.

17.7. Social Welfare Benefits Investigation Committee (SWBIC) – Income Support

- 17.7.1. The Committee intends to implement the 2016 SWBIC Resolutions (Billet d'État VII of 2016, Volume II, Article 9) in July 2018. In addition to inflation-based increases on the original benefit rates, the Committee also intends to make several amendments and policy proposals, in order to refine the system that will be implemented. This will be done through a separate Policy Letter early in 2018.
- 17.7.2. In March 2012, the Social Security Department brought a Policy Letter to the States proposing a number of reforms to the supplementary benefit system (Billet d'État V of 2012, Volume II, Article 6). One of the Resolutions was:

“To note the Department’s intention to re-name supplementary benefit to ‘Income Support’”

- 17.7.3. As this Resolution is 'to note an intention', rather than directing the Department to change the name of the benefit, a more specific instruction is preferable to give clear authority to implement this change. The Committee is therefore proposing that the name of supplementary benefit is changed to income support, that the Supplementary Benefit (Guernsey) Law, 1971, is renamed to be the 'Income Support (Guernsey) Law, 1971, and all other titles of legislation and legislative references to 'supplementary benefit' be replaced with 'income support'.
- 17.7.4. As stated in the 2012 Policy Letter, the reason for the name change is because supplementary benefit will be so extensively restructured that it would be misleading and confusing to continue to refer to it in the same way. The current Committee shares this view. Although it is unusual to change the title of legislation, it is desirable in this situation in order to ensure a more appropriate name for the restructured benefit. This was previously done when Attendance Allowance and Invalid Care Allowance were renamed Severe Disability Benefit and Carer's Allowance, respectively.
- 17.7.5. It is intended that the name change will take effect at the same time as the implementation of the SWBIC proposals. Due to the additional time it takes for a Law to receive Royal Assent, the Committee must bring this matter to the States through this Policy Letter, rather than with the other proposals in early 2018.

PART VI: CONCLUSIONS

18. Resource and Implementation Plan

- 18.1.1. Table 27 shows how the Committee has considered the resources required to implement the propositions set out in this Policy Letter.

Table 27 – Resource and Implementation Plan

Details considered	Committee comment
Cost	This Policy Letter recommends that benefit and contribution rates are uprated by the June 2017 RPIX figure of 2.8% for 2018. The Policy Letter also proposes that contributory rates should be uprated by a further 0.2% on the 2016 base rate to account for an adjustment in the methodology for calculating the median earnings index, which took place in mid-2016. The adjustment will take place before the 2018 uprating figure is applied to the rates.
Timescale	The timescales for the implementation of the proposals set out in this Policy Letter are commented on within the text, but will mostly take effect from January 2018. SWBIC proposals will be implemented in July 2018.
Resource requirements	Consideration of the financial position has been given throughout this Policy Letter, as well as the results of the 2010-2014 actuarial reviews, and staff availability to undertake project work. Consultation with the Law Officers' has identified the impacts of the proposals on their workload, with regard to legislative drafting.
Funding	Funding will come from contribution income, the States grants, the planned draw-down of the Funds, and General Revenue.
Staffing implications	The Committee does not envisage that the proposals contained within this Policy Letter would result in a request for additional staffing resources at this stage, and as such, expects that the work streams associated with the propositions will be carried out as business as usual, where staff provisions are not already in place.
Transitional arrangements	Some of the projects commented on in this Policy Letter require transitional arrangements to be put in place, which has been planned, however, the majority of the proposals relate to business as usual.
Communications plan	The Law Officers and the Policy & Resources Committee have been consulted with.

19. Compliance with Rule 4 of the Rules of Procedure

- 19.1.1. Through the drafting of this Policy Letter, the Committee has consulted with the Policy & Resources Committee at joint meetings.
- 19.1.2. The Committee has consulted with the Law Officers regarding the legal implications and legislative drafting requirements resulting from the propositions set out in this Policy Letter.
- 19.1.3. The Committee has set out its proposals for the benefit and contribution rates for 2018 throughout this Policy Letter, and seeks the States support for the propositions, which are based on the Committee's purpose:
- "To foster a compassionate, cohesive and aspirational society in which responsibility is encouraged and individuals and families are supported through schemes of social protection relating to pensions, other contributory and non-contributory benefits, social housing, employment, re-employment and labour market legislation."
- 19.1.4. In particular, the propositions are aligned with the priorities and policies set out in the Committee's Policy Plan, which was approved by the States in June 2017 (Billet d'État XII, Article 1). The Committee's Policy Plan is aligned with the States objectives and policy plans.
- 19.1.5. In accordance with Rule 4(4) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the propositions have the unanimous support of the Committee.

Yours faithfully

M K Le Clerc
President

S L Langlois
Vice-President

M J Fallaize
J A B Gollop
E A Yerby

M J Brown
Non-States Member

A R Le Lièvre
Non-States Member

PART VII: APPENDIX

20. Appendix 1

20.1. Adjustment for 2017 rates to reflect the change in the methodology used to calculate median earnings

20.1.1. The Committee is proposing an adjustment to the contribution and benefit rates for 2017 to reflect the change in the methodology used to calculate the median earnings figure, which now excludes Alderney data.

20.1.2. The Committee does not want to back-date the increase. Instead, the additional amount will be added before the 2018 uprating is applied. In order to do this, it is necessary to uprate the 2016 rates by what it should have been, to create a restated 2017 figure, and then add the uprating for 2018. This is to prevent overstating the increase, which would happen if it was applied to the current 2017 rates. This calculation will only apply to the contribution rates and the contributory benefits that were uprated by the uprating policy for 2017, which excludes long-term care benefits.

20.1.3. The adjustment is reflected throughout the Policy Letter within the figure that is shown in the 2018 column of any tables. The figures shown in the 2017 columns of tables are the actual contribution and benefit rates that applied during 2017, rather than the restated figures. This is so that it is easier for comparisons to be made between the rates paid during 2017 and the rates that will be payable in 2018.

20.1.4. The uprating policy used for 2017 was to add one third of the difference between the RPIX inflation rate for Quarter 2 2016 and the annual median earnings figure for Quarter 4 2015 to the inflation rate. For those periods, RPIX was 0.6%, and the median earnings figure was 1.3%, respectively. As such, the uprating for contributions and contributory benefits for 2017 was:

$$(1.3\% - 0.6\%) \div 3 + 0.6\% = 0.8\%$$

20.1.5. The restated index, where median earnings was 1.8%, would have been:

$$(1.8\% - 0.6\%) \div 3 + 0.6\% = 1.0\%$$

20.1.6. An example of the adjustment is shown below, and continuing overleaf, for the full rate personal allowance for the Old Age Pension:

Rate for 2016: £204.45

Actual rate for 2017: £204.45 + 0.8% = £206.09

Proposed restated rate for 2017: £204.45 + 1.0% = £206.49

Proposed rate for 2018: = £206.49 + 2.8% = £212.27

- 20.1.7. To avoid overstating the 2018 rate by adding an additional 0.2% to the June 2017 RPIX figure of 2.8%, the 2017 rates have been restated by adding a further 0.2% to the base 2016 rates. These restated rates for 2017 have then been increased by 2.8% to generate the rates for 2018.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR* EMPLOYMENT & SOCIAL SECURITY

BENEFIT AND CONTRIBUTION RATES FOR 2018

The President
Policy & Resources Committee
Sir Charles Frossard House
La Charroterie
St Peter Port
GY1 1FH

2nd October 2017

Dear Sir

Preferred date for consideration by the States of Deliberation

In accordance with Rule 4(2) of the Rules of Procedure of the States of Deliberation and their Committees, the Committee *for* Employment & Social Security requests that 'Benefit and Contribution Rates for 2018' be considered at the States' meeting to be held on 7th November 2017.

It would be helpful for the Policy Letter to be considered at the earliest opportunity following the debate on the 2018 States Budget for two reasons. Firstly, the timing of processes within Social Security's systems requires administrative actions on the Resolutions from the debate of the Policy Letter to take place as early as possible following their approval. Secondly, there are a number of legislation requirements which will follow the debate, and these need to be completed before the end of the year, to ensure that the benefit and contribution rates for 2018 can be applied from 1st January 2018.

Yours faithfully



Michelle Le Clerc
President

Shane Langlois
Vice President
Matthew Fallaize, John Gollop, Emilie Yerby

Mike Brown, Andrew Le Lievre
Non-States Members