P.2018/85

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR* EMPLOYMENT & SOCIAL SECURITY

NON-CONTRIBUTORY BENEFIT RATES FOR 2019

The States are asked to decide:

Whether, after consideration of the Policy Letter entitled 'Non-contributory Benefit Rates for 2019', dated 10 September 2018, they are of the opinion:

1. To set the income support requirement rates at the rates set out in Table 1 of that Policy Letter, from 4th January 2019.

2. To set the benefit limitation for a person living in the community at £750 per week and the other benefit limitation rates at the rates set out in Table 2 of that Policy Letter, from 4th January 2019.

3. To note that the Committee for Employment & Social Security will return to the States with a Policy Letter addressing the future of the benefit limitation, earnings disregard and personal allowances by March 2019.

4. To set the maximum rent allowances at the amounts set out in Table 4 of that Policy Letter, from 4th January, 2019.

5. To set the amount of the personal allowance payable to persons in Guernsey and Alderney residential or nursing homes who are in receipt of income support at £32.16 per week, from 4th January 2019.

6. To set the amount of the personal allowance payable to persons in United Kingdom hospitals or care homes who are in receipt of income support at £54.18 per week, from 4th January 2019.

7. To set the supplementary fuel allowance paid to income support householders at £29.54 per week, from 26th October 2018 to 26th April 2019.

8. To set the rate of family allowance at £14.20 per week, from 1st January 2019.

9. 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 6 of that Policy Letter, from 1st January 2019.

10. That the Severe Disability Benefit and Carer's Allowance (Guernsey) Law, 1984, as amended, shall be further amended to allow a carer's allowance to be received under that Law at the same time as any benefit under the Social Insurance Law.

11. 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

NON-CONTRIBUTORY BENEFIT RATES FOR 2019

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

10 September 2018

Dear Sir

1. Executive Summary

1.1. This year the Committee *for* Employment & Social Security has decided to present its annual benefit and contributions Policy Letter in a new form. In the past contributory matters were considered in a single Policy Letter alongside non-contributory matters. This year they will be presented in separate Policy Letters, intended to be debated at the same meeting but as different items. It is hoped that this will provide greater transparency over the source of funds. This is a response to the Resolution to investigate integration of the budget proposals and non-contributory benefit uprating proposals[1]. It is intended that there will be further incremental steps in the years to come.

1.2. The Committee *for* Employment & Social Security has undertaken its annual review of the non-contributory benefits it is responsible for. The Committee is recommending that non-contributory benefits be increased in 2019 by 2.4%, being the annual rate of 'core' inflation (RPIX) for the year to June 2018. This is in line with the usual uprating policy.

[1] Resolution 22 on Billet d'État no XX of 2017.

PART I: EXPENDITURE – NON-CONTRIBUTORY BENEFITS

2. Summary of non-contributory benefits

2.1. Non-contributory benefits are those funded entirely through General Revenue, which comes from tax income and not from social security contributions. These benefits include income support, family allowance, severe disability benefit and carer's allowance. In addition, the Community and Environmental Projects Scheme, school uniform allowance, education grant and the free TV licence scheme for over 75's[2] are administered by the Committee and funded through General Revenue.

2.2. For 2019, the Committee recommends general increases in the rates of family allowance, severe disability benefit and carer's allowance by 2.4% in line with the published RPIX figure for June 2018. The Committee will be recommending an above inflation increase to the income support rates in order to take account of the forthcoming household waste charges.

3. Income Support

3.1. Income support was introduced in July 2018 as the replacement for supplementary benefit and rent rebate. At section 7 this Policy Letter includes a brief summary of the experience to date, both with regard to claim numbers and the actual expenditure compared to the projected expenditure.

<u>Income support requirement rates</u>

3.2. Income Support is payable at either long-term rates or short-term rates. Both of these rates were calculated by the Social Welfare Benefits Investigation Committee (SWBIC) based on a basket of goods. The short term rates are significantly lower than the long-term rates because they are based on a reduced basket of goods. Expenses which could reasonably be deferred for a short period of time were not included, this included things such as the replacement of clothing.

3.3. Most claims will begin at short-term rates. Long-term rates are payable when a claim reaches six months in duration, or from the outset for pensioners and those with severe disabilities. Individuals, who have income that falls between their short term and long term requirement rate, are also eligible to receive payment at long term rates after the expiration of 6 months. A rent allowance, on top of the short-term or long-term rates, applies to householders living in rented accommodation.

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[2] The scheme is now closed to new entrants and free TV licences for over 75's are expected to be offered by the BBC from 2021.

3.4. The Committee recommends that income support requirement rates be increased by 2.4%, in line with RPIX for June 2018 and include an additional uplift for the introduction of new household waste charges. Depending on the personal requirement rate onto which the charge is added the respective rates increase by a percentage between 2.9% and 4.1%.

3.5. In April 2018, the States approved a model of household waste disposal charges (Billet d'État XI of 2018, Article V) which will see a charge of £2.50 per black bag used and an additional £85 per annum standing charge. The Policy Letter examined the affordability of waste charges and built on the previous proposal, in the December, 2017 waste charging Policy Letter[3], that the income support system would absorb the cost of fixed charges applied by the parishes and the WDA for households claiming benefits. The April, 2018 Policy Letter also gave estimates of additional costs to income support if the cost of one waste bag per week were covered. An indicative policy of providing an allowance of one black bag per household per week and funding the cost of any annual charge for income support recipients, was then used by the Committee *for* Employment & Social Security to produce a rough estimate of costs. Through a table circulated to States Members prior to the debate, the Committee stated that the estimated cost to deliver the indicative policy based on the option agreed by the States would be approximately £540k per annum.

3.6. Having had time to develop the policy further and create more detailed models, the Committee is proposing to incorporate the bag allowance into the requirement rates and the standing charge should be met through an addition to the rent allowance (see paragraph 3.38). The advantages of this approach are that the bag allowance will scale to the size of the household and that due to the high number of 1 or 2 person households receiving income support, there is potential to reduce the cost compared to the previous indicative policy. At the rates proposed by the Committee it is estimated that the costs will be roughly £100k lower than the indicative policy, at a cost of £445k per annum. The Committee believes that it is appropriate to account for the waste charges by a cash benefit, rather than by directly supplying bag stickers because there should be a financial incentive to reduce waste, just as there will be for other members of the public.

3.7. The Committee has determined that the correct allowance of bags should be half a bag per week for the householder and an additional quarter of a bag per week for every additional member of the household. These allowances are in effect added to the basket of goods used to calculate income support. In addition to inflation, the single person's rate is increased by a further £1.25 per week, the co-habiting rate by £1.88 per week, and all other rates by £0.63

3 Article XIII of Billet d'État XXIV of 2017.

per week. There are no relevant local statistics on waste production with reference to household size and it may be that these allowances will need to be revisited once there is more experience of the scheme.

3.8. In May 2018, the Committee wrote to the Presidents of the Policy & Resources Committee, the States Trading Supervisory Board and the Committee *for the* Environment & Infrastructure, outlining this policy and inviting comments or questions. No concerns have been raised.

Table 1 – Proposed short-term and long-term Income Support requirement rates for 2019 (2018 in brackets)

Income support requirement rates for 2019	Short-term rates (Up to 6 months)	Long-term rates (Over 6 months)
Householders:		
Cohabiting/married couple	**£186.39** (£180.19)	**£305.84** (£296.84)
Single householder	**£106.68** (£102.96)	**£184.72** (£179.17)
Non-householder:		
18 or over	**£81.36** (£78.84)	**£138.89** (£135.02)
Rent Allowance	**£75.00** (£75.00)	**£75.00** (£75.00)
Member of a household:		
11 and over	**£75.99** (£73.59)	**£108.29** (£105.14)
5 – 10	**£57.14** (£55.19)	**£81.37** (£78.85)
Under 5	**£38.31** (£36.80)	**£54.46** (£53.57)

Basket of goods

3.9. Income support rates were originally calculated based on the cost of a defined basket of goods, the contents of which were the necessities of day to day living to avoid intolerable levels of poverty. This basket of goods has been uprated by RPIX for a number of years but, there has been no analysis of how the cost of the individual items has changed over that period or whether those items are still appropriate.

3.10. The Committee considers that it is important that it sets in motion a repricing exercise before the end of this term of government, to ensure that income support prevents people from living in intolerable levels of poverty. As income support has only just been introduced, the Committee is of the opinion that this work should take place in 2020. The Committee will be seeking appropriate resources to carry out this work through next year's uprating report and budget.

Parents returning to work

3.11. Work requirements are part of the eligibility criteria for Income Support. A work requirement is a measure to enable a person to be engaged in full time work, i.e. those persons are required to be working, actively seeking full time work, or carrying out work-related activities. Claimants of working age, and anyone who lives with them of working age, will have a work requirement unless exempted or deemed to have met the requirements. Some people are in effect exempted from a work requirement, for instance if they have a severe disability or if they have substantial care responsibilities. In some cases people will in effect be given a reduced work requirement if they are deemed able to undertake some work but not full time work, such as a parent of a young child who needs to be cared for outside of school hours.

3.12. In 2009 the Committee's predecessor established that a single parent could only claim benefit if their youngest child was under the age of 12. In 2013 this was further revised down to the age of 7. With the introduction of work requirements in 2014, it has effectively become a requirement for a single parent (or both parents of a couple) to seek work as a condition of benefit once their child is 7 years old. This work is not full time and begins at 20 hours per week and scales up relative to the age of that child, until the child is 14 and the parent is expected to seek full time work. Provisions are flexible so that the requirement can be waived in appropriate circumstances.

3.13. In the UK a similar provision applies but the age limit is 3-4 for universal credit recipients. In Jersey a parent must seek work when their child is old enough to attend the free nursery place offered to children the year before beginning primary school, i.e. 3-4 years old.

3.14. Having regard for changing social norms, the Committee is persuaded that it is usually reasonable to expect a single parent or both parents of a couple to seek appropriate work by the time their youngest child begins school. As such the Committee intends to amend this policy. There will be a transitional period and the Committee does not intend for the policy change to take full effect until at least January 2020, during which time the job centre will engage with those affected.

3.15. At present there are approximately 80 claims which are likely to be affected by this policy change. It is difficult to accurately predict any savings that this policy change may bring, but the Committee is satisfied that it is justified on social policy grounds rather than any financial benefit.

3.16. The power to make adjustments to the work requirement is a power devolved to the Committee and the Administrator. The intended policy change is mentioned in this Policy Letter to inform the States.

Benefit limitations

3.17. The amount of benefit paid, together with any earnings, in the majority of cases is equal to a household’s total personal and family requirements including rent. However, in some cases a household's income, the combination of earnings and benefits, is capped by the benefit limitation. The current benefit limitation is £670 per week.

3.18. The benefit limitation was originally created in 1971 and was linked to the greenhouse workers wage. Its purpose was to prevent a person receiving more in benefit than they would if they were in employment. Since then there have been many significant changes to benefit rules, not least of which being that Income Support is an in-work benefit.

3.19. Only two adjustments can be made to make the benefit limitation more flexible for those who reach the cap. The first adjustment is to disregard family allowance, so that it can be paid over and above the cap. The other adjustment is to apply the normal disregard of £35 of earnings per week on top of the cap. This allows the cap to be exceeded by £35 in the case of one wage earner, or £70 per week if there are two earners. While of value, these two adjustments are not the proper solution for families significantly affected by the benefit limitation.

3.20. There is sometimes a misconception that a family can receive up to £670 in benefit above their earnings. This is certainly not the case. Ignoring the effect of the adjustments described above, a household with an income of £670 per week will not receive any financial assistance through income support, irrespective of how much their income falls short of their identified requirements. The term benefit limitation is perhaps misleading; in reality it is an income cap, an amount at which the States have determined that there should be no further means tested financial support, no matter whether that amount is reached via personal income, benefit received, or a mixture of the two.

3.21. In 2003, 2008, 2012, 2015 and 2017 the cap was increased by significant amounts to mitigate the levels of poverty being created as a result of the benefit limitation. In other years, the benefit limitation has been increased by RPIX, often rounded to the nearest £5. Significant progress has been made over the past 15 years, but the removal of rent rebate means that much of this work will be undone unless the benefit limitation is substantially increased. Modestly sized households are now impacted by the benefit limitation.

3.22. The States has committed to address the truth that some families are not able to enjoy an acceptable standard of living. Last year the Committee stated in its Policy plan that "… the Committee will need to follow its predecessors and recommend that between now and 2020 the supplementary benefit 'benefit limitation' rises at a faster rate than inflation".

3.23. The introduction of Income Support resulted in a more equitable system and improved the finances of 75% of those affected. The disadvantaged are predominantly medium to large sized families. This is due to the impact of the benefit limitation. As the transitional stage of rent rebate closes over the coming two and a half years, such families will be increasingly disadvantaged unless the benefit limitation is raised substantially.

3.24. Under the rent rebate scheme a 2 parent family with 5 children, in social housing, would have had an income, supplemented by benefits, which was not artificially reduced from their identified need by the benefit limitation. Some families that were larger than this would have also received an unreduced benefit, depending on the age of the children. They escaped the effects of the benefit limitation because of the heavily discounted rent.

3.25. With the ending of the rent rebate system it is now possible that a couple with 1 teenage child, living in social housing and of course being required to pay full rent, could have a weekly total requirement of £662.12. This means that they are only just inside the current benefit limitation. Couples with 2 children will often be affected by the benefit limitation and couples with 3 or more children almost always will be. The requirement rates, which together with rent make up the total requirement, were based on a basket of goods which was calculated to meet the minimum needs of that family to avoid intolerable levels of poverty. The bar was by that definition set very low indeed. The result is that, after paying their rent, families with 3 or more children who are reliant on the States for financial assistance are bound to be constrained to an income that holds them in an intolerable level of poverty by the States' own basket of goods measure.

3.26. A consequence of there being so many families impacted by the benefit limitation is that social housing rents cannot reasonably be increased without a real terms increase to the benefit limitation. Families are already paying their rent from money which should be allocated on food, clothing and the day to day essentials.

3.27. At the time of writing 224 families and 721 children are impacted by the benefit limitation. Many of these are working families with 2 or 3 children, which is in no way out of the ordinary as far as demographics are concerned.

This is a large increase from the 12 families and 56 children that were affected by the benefit limitation under the supplementary benefit scheme, prior to income support being introduced. The increase is completely explicable, resulting from the withdrawal of the rent rebate scheme and the charging of social housing rents at the full rates. But although the reasons are understood, and although some of the effects are being temporarily moderated through transitional arrangement for social housing tenants, knowingly having over 200 families and 700 children living in intolerable levels of poverty is not a situation that the Committee will accept. The Committee trusts that the States, likewise, will find this situation unacceptable.

3.28. The Committee believes that a long term solution needs to be found, and found quickly. The Committee intends to bring to the States, by March 2019, a separate Policy Letter on the future of the benefit limitation, with propositions. In the same report, the Committee will take the opportunity to address a small number of additional issues warranting attention once the Income support Scheme has fully bedded-in. These include the earnings disregard and the personal allowances for people living in residential and nursing home on-island and in the UK.

3.29. Pending the further Policy Letter referred to above, the Committee is proposing a significant real terms increase to the benefit limitation for 2019, as an interim measure to mitigate the effect on families. Increasing the benefit limitation to £750 would mean that families with 2 children would no longer be affected by the benefit limitation and the number of affected families would decrease from 224 to 109 and the number of affected children would reduce from 721 to 428. This would be a significant step in what the Committee believes can only be the right direction.

3.30. Increasing the benefit limitation to £750 is expected to increase income support expenditure by £670,000 per annum. However, some of those affected by the benefit limitation are receiving a transitional rent rebate. An increase in the benefit limitation would reduce or remove their need for a transitional entitlement, which amounts to £140,000. The net expected expenditure increase for 2019 as a result of the proposed increase in the benefit limitation is £530,000. The cost of maintaining the benefit limitation at the same real terms value and accounting for the waste charge increase would be in the region of £200,000. Therefore the Committee's proposal represents a real terms increase of £330,000 per annum.

3.31. Information about families currently outside of income support or social housing is not available to the Committee, so the Committee cannot say definitively how many people may be entitled to begin a new claim as a result of the proposed increase. However, it is believed that the vast majority of those who would be impacted have been factored into the estimated costs.

This is because relatively few families with sufficiently low income are likely to be supporting themselves without the assistance of social housing and the rent rebate scheme. Those receiving a transitional rent rebate were factored into the calculation.

3.32. Table 2 below shows the weekly benefit limitations which currently apply and the proposed limitations from 4th January 2019.

Table 2 – Weekly income support limitations

Benefit limitation	**2019**	**2018**
Community	**£750.00**	£670.00
Residential homes[4]	**£562.00**	£549.00
Nursing homes, EMI residents and Guernsey Cheshire Home[5]	**£806.00**	£787.00

<u>Personal allowances</u>

3.33. The Committee pays a personal allowance to residents of residential or nursing homes who qualify for income support. The personal allowance is intended to allow modest purchases of, say, newspapers, confectionery, toiletries, small family presents and so on.

3.34. 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.

3.35. It is believed that there is a need for this particular personal allowance to be higher than the rate which applies to Guernsey residential and nursing homes. This is because the people living temporarily off-Island tend to be more active, part of a much younger age group, and have more opportunities for using a personal allowance in the course of their supervised activities and outings. At the time of writing there are 13 people claiming this allowance.

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4 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.

5 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.

3.36. The Committee is concerned that these allowances have not been subject to the same review as the standard rates of Income Support and that they have not been evaluated based on the real needs of the recipients. The Committee wishes to note its intention to review these figures in a Policy Letter that it will bring to the States by March 2019.

3.37. Table 3 below sets out the weekly personal allowances which currently apply and the proposed allowances to apply from 4th January 2019. The proposed allowances are in line with the general uprating policy for non-contributory benefits for 2019, which is set at 2.4%.

Table 3 – Weekly personal allowances

Personal allowance	2019	2018
Residents of local residential and nursing homes	**£32.16**	£31.41
Guernsey people in UK hospitals and care homes	**£54.18**	£52.91

Maximum rent allowances[6]

3.38. The maximum rent allowances for 2018 and the proposed allowances for 2019 are set out in Table 4 overleaf. The rates correspond with the highest rent charged for a social housing unit of appropriate size. This year, social housing rent increases took account of the Waste Disposal Authority standing charge element of the household waste charges. This will be paid directly and recovered through the rent increase. It was determined that this was preferable for all parties and reduced administration.

3.39. The calculation of rent also takes into account taxes and charges associated with occupying the property. This means that those in the private rented sector will be able to claim a small weekly uplift (£1.63) to offset the WDA standing charge, provided that their landlord does pay the charge and recover it either through the rent or directly.

6 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 Income Support (Implementation) Ordinance, 1971.

Table 4 – Maximum rent allowances for 2018

Tenancy Group	Description	2019	2018
Group 1	Single with no children	**227.00**	£217.50
Group 2	Couple with no children	**227.00**	£217.50
Group 2	Single or couple with 1 child	**264.63**	£260.14
Group 3	Single or couple with 2 children	**337.48**	£332.40
Group 4	Single or couple with 3+ children	**413.00**	£407.17
Group 5	Living in shared accommodation	**176.71**	£174.97

Supplementary fuel allowance

3.40. A supplementary fuel allowance is paid from General Revenue, to all householders in receipt of income support, for 26 weeks from the last week in October until the last week in April of the year following. The fuel allowance was £27.20 per week for the winter of October 2017 to April 2018. The rate of the fuel allowance for the period was increased by 4.5% on the previous year and reflected the inflation adjusted cost of fuel, light and power in the year to June 2017[7].

3.41. The Committee is recommending an increase of 8.6% in the fuel allowance, taking it to £29.54 per week for the period from 26th October 2018 to 26th April 2019. This is in line with the change in the cost of fuel, light, and power in the year to June 2018[8].

3.42. The fuel allowance will cost in the region of £1.59m over the 26 week payment period for October 2018 to April 2019. This reflects inflation plus an increase of £530k generated by the expected increase in claimant numbers due to the introduction of Income Support in July 2018.

3.43. The Committee notes that work is in progress to convert existing social housing to be more energy efficient. In the past the Committee has noted that it intended to review fuel allowance and the possibility of making payments proportionate to the energy efficiency of a property. While the Committee maintains that this would be beneficial, the resource to undertake this work is not available. The Committee will be considering what alternative funds might be available, such as the change and transformation fund.

[7] Source: Guernsey Quarterly Inflation Bulletin – 20th July 2017.

[8] Source: Guernsey Quarterly Inflation Bulletin – 20th July 2017.

Medical Support

3.44. In 2014 the Committee's predecessor established a legal framework to provide financial support for the medical expenses of those who receive what is now called income support. This support had previously been provided through liberal application of a discretionary power. The vast majority of households receiving income support are entitled to have the costs of their medical care funded through income support. This can include GP appointments, prescriptions, dental care, accident and emergency charges and other costs. Income Support recipients may only be paid medical expenses if their capital resources are below the relevant threshold.

3.45. As a matter of policy, a capital restriction has been imposed for many years. These capital limits are lower than the capital limits for general income support[9], meaning that a person who is eligible to receive Income Support may not be entitled to medical support. The Committee is aware that this matter has not been brought to the States before and therefore the States have not had an opportunity to consider these limits.

3.46. As of April 2018, there were 164 households receiving Income Support but not entitled to medical care. There were 185 people in these households, indicating that it is predominantly single people who exceed the capital threshold. Current medical expenditure averages at around £500 per claimant per year, therefore it can be estimated that the cost of removing the medical support capital limits would be in the region of £100k per annum.

Table 5 – Capital Limits for Medical Support

Description	Capital Limit
Single person who has not attained pensionable age	£3,000
Couple, neither of whom have attained pensionable age	£5,000
Single person or couple with one or more children	£5,000
Single person who has attained pensionable age	£5,000
Couple, one or both of whom has attained pensionable age	£7,000

Extra Needs Allowance

3.47. The extra needs allowances are a small payment of between £10-£20 per week for claimants who could demonstrate an additional expense which arises from a medical condition or disability, such as a need for a special diet. These payments were established as part of the Income Support changes in July 2018. As this is an entirely new element of benefit, the Committee has

9 Income Support capital limits range from £13k - £23k depending on household composition.

not had time to review the appropriateness or effectiveness of the payment, and so the Committee does not intend to propose an increase to the rates this year.

Community and Environmental Projects Scheme

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

3.49. 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 2019, the rates payable will continue to mirror the minimum wage rates agreed by the States.

4. School Uniform Allowance & Educational Maintenance Grant

4.1. Since 2016 the Committee *for* Employment & Social Security has operated the school uniform allowance. This was previously managed by the Committee *for* Education Sport & Culture and its predecessors.

4.2. The threshold for eligibility is linked to the income support requirement rates. Approximately 800 pupils are expected to receive the allowance this year. The amount received is dependent on household income. The maximum available is £308 for a secondary school pupil and £204 for a primary school pupil.

4.3. Educational maintenance grants are provided to low income families to encourage young people to remain in education. It is paid in respect of students who are 16 or 17 at the start of the academic year. The grant is made on a termly basis subject to a good attendance. Financial eligibility is determined on the same basis as the uniform allowance. The full grant is £1,347 per annum but the grant is also payable at reduced rates. There were 11 applications for the 2017/18 academic year, of which 10 were approved.

4.4. The combined budget for providing these services is £152k for 2019, which is the same as the 2018 budget.

5. Family Allowance

5.1. 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 £13.90 per child for 2018.

5.2. Expenditure on family allowance amounted to £8.19m in 2017. It is estimated that expenditure on family allowance in 2018 will be £8.54m.

5.3. A resolution following 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 VIII) 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."

5.4. The Committee still intends to consider options for the reallocation of family allowance funds toward the funding of universal services for children. This will have to be done in consultation with the Committee *for* Health & Social Care and the Committee *for* Education, Sport & Culture. It is hoped that this work can be progressed quickly and that proposals can be brought to the States via a joint Policy Letter during 2019.

5.5. Last year the Committee re-established the policy of applying an annual increase to family allowance. As such the Committee are proposing that family allowance should be uprated by RPIX for June 2018 (2.4%), in line with all other benefits from 1st January 2019. This takes the weekly rate of family allowance from £13.90 per child to £14.23. Normally, the rate of family allowance is rounded to the nearest ten pence, so the Committee is proposing that the rate for 2019 is £14.20.

6. Severe Disability Benefit and Carer's Allowance

<u>Overlapping claims to carer's allowance and sickness benefit etc.</u>

6.1. Carer's allowance is a benefit available to a person who is caring for a person in receipt of severe disability benefit. The Severe Disability Benefit and Carer's Allowance Law, 1984 provides that a person is not entitled to receive a carer's allowance for any period in respect of which they receive any periodic payment under the Social Insurance Law. The exceptions to this rule are old age pension, widowed parent's allowance, bereavement allowance or industrial disablement benefit, alongside which carer's allowance may be received.

6.2. This 'overlapping benefit' rule applies mainly in cases where a person receiving carer's allowance makes a claim for sickness benefit under the Social Insurance Law.

6.3. Until 2014, it was very rare for a person to be potentially entitled to a carer's allowance and sickness benefit. This is because, prior to 2014, carer's allowance was not payable to a person who was gainfully employed. In practice, this meant that carer's allowance was only paid to carers with no earnings, or earnings below the lower earnings limit for social security contributions. It followed that, as people receiving carer's allowance could not be earning and paying employed persons' social security contributions, they could not be entitled to sickness benefit, which relies on contribution conditions.

6.4. From 2014, and in recognition that there were carers who were combining employment, albeit perhaps part-time, with caring for someone for at least the minimum required 35 hours per week, the law was changed. A carer may now receive a carer's allowance even if they are gainfully employed. There is no limit on the amount that they can earn, apart from the general limitation for both severe disability benefit and carer's allowance that the benefits are not payable if family income exceeds an income limit.

6.5. The change in the Law in 2014 has led to a significantly higher take-up of carer's allowance. There were 341 claims in payment at the end of 2013. There were 493 claims at the end of 2017. Although some of the growth in numbers will be a general trend in the underlying severe disability cases, the majority of the 150 or so extra claims will be from carers in gainful employment.

6.6. An unforeseen effect of the positive change in the Law has been that the once rare event of a carer being potentially entitled to both carer's allowance and sickness benefit is now quite common. As the two benefits cannot be paid together, the individual has to choose which benefit to receive and which to reject. Sickness benefit, at £156.17 per week, is higher than carer's allowance at £84.06 per week. However, in cases where the employer pays sick pay, any sickness benefit is usually required to be paid across to the employer as partial compensation. Clearly, this is not the case with carer's allowance, so it could be to a carer's financial advantage to reject the higher sickness benefit and to retain the carer's allowance. This gives rise to confusing and unhelpful decisions.

6.7. The Committee has been reminded by carers that, although they may be unfit for their paid employment, unless they are very unwell indeed they will still be required to provide the care for the person they are looking after. The Committee accepts that point. The Committee also considers that if it is acceptable for a person to receive earnings from employment at the same time as carer's allowance, which is now the case, it should be equally acceptable to receive sickness benefit at the same time as carer's allowance. The Committee believes that the same argument applies to incapacity benefit, unemployment benefit and parental benefits.

6.8. Presuming that currently people opt mainly for sickness benefit instead of carer's allowance, there will be a cost to General Revenue from allowing both benefits to be claimed. If each of the approximate 150 people in employment and receiving care's allowance were sick for, say, one week per year, the additional cost to General Revenue from allowing both benefits to be claimed would be just £12,600 (150 x £84.06). However, in time there will be people who are on long-term sickness benefit and also claiming carer's allowance. This would be more costly. If, say, 5 of the 150 claims involved long-term sickness and the remaining 145 had, say, one week of sickness per year, the additional cost to General revenue would be approximately £34,000 per annum ((5 x 52 x £84.06) + 145 x £84.06). This would represent an increase of 0.5% on the £5.8m overall 2018 budget for severe disability benefit and carer's allowances.

6.9. The propositions associated with this Policy Letter include a proposition to amend the Severe Disability Benefit and Carer's Allowance Law to allow carer's allowance to be received at the same time as sickness, incapacity, unemployment and parental benefits under the Social Insurance Law. Unlike most proposals in this policy letter this will not take effect from January 2019 due to the legislative changes required.

Rates and annual income limit

6.10. The Committee recommends that the rates of severe disability benefit and carer's allowance be increased by 2.4%, with effect from 1st January 2019, as shown in Table 6 overleaf.

Table 6 – Current and proposed annual income limit and weekly rates of severe disability benefit and carer's allowance

	2019	**2018**
Severe disability benefit - weekly rate	**£106.40**	£103.88
Carer's allowance - weekly rate	**£86.08**	£84.06
Annual income limit for both allowances	**£99,300**	£97,000

6.11. Actual benefit expenditure on severe disability benefit and carer's allowance for 2015-2017 is shown in Table 7 overleaf. The expected outturn for these benefits for 2018 and the budget figure for 2019 is also shown in Table 7. 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.

Table 7 – Expenditure on severe disability benefit and carer's allowance

Severe Disability Benefit and Carer's Allowance	2019 Budget £m	2018 Forecast £m	2017 Actual £m	2016 Actual £m	2015 Actual £m
Expenditure	6.6	6.2	5.6	5.4	5.1

PART IV: FINANCIAL POSITION

7. Non-Contributory Services funded from General Revenue

Summary of the financial position

7.1. As this Policy Letter is about the benefit and contribution rates for 2019, 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.

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

7.2. Table 8 summarises the impact of the proposed benefit rates on expenditure for 2019. This also includes the 2018 revised forecast at the time of writing, and the actual expenditure figures for 2015-2017.

Table 8 – Summary of non-contributory Social Security expenditure financed by General Revenue

	2019 Budget £m	2018 Forecast £m	2017 Actual £m	2016 Actual £m	2015 Actual £m
Income Support/ Supplementary Benefit	41.0	31.1[10]	21.7	20.9	20.9
Family allowance	8.5	8.4	8.2	9.6	9.8
Severe disability benefit & carer's allowance	6.6	6.2	5.6	5.4	5.1
Concessionary TV licence	0.3	0.5	0.6	0.6	0.6
Contributory Fund States grants (GIF & GHSF)	16.6	16.1	15.7	19.7	19.6
Sub-total formula led expenditure	**73.0**	**62.3**	**51.8**	**56.2**	**56.0**
School Uniform Allowance & Educational Maintenance Grant	0.2	0.2	0.1	0.1	N/A
Administration	2.6	2.4	2.4	2.4	2.4
Others[11]	0.3	0.3	0.3	0.3	0.3
Sub-total non-formula led expenditure	**3.1**	**2.9**	**2.8**	**2.8**	**2.7**
Total expenditure	**76.1**	**65.2**	**54.6**	**59.0**	**58.7**

The increase in income support expenditure between 2017 and 2019, shown in the table above, does not account for the increased revenue to the States through the ending of the rent rebate scheme and all social housing rents being charged at the full rate. Income from rents will appear in the budget report for 2019 and is expected to total around £18m.

Income support and Supplementary Benefit expenditure and claim data

7.3. Supplementary benefit expenditure amounted to £21.7m in 2017. The expected outturn for 2018 is £31.1m. As income support replaced supplementary benefit on 6th July 2018, this year's expenditure will include 6

10 The above table includes the 2018 forecast costs of 6 months of Supplementary Benefit and 6 months of Income Support, because Income Support launched on July 6th 2018. The budget for 2019 reflects the cost of Income Support for the full year.

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

months of supplementary benefit and 6 months of income support expenditure, 2019 expenditure will represent a full year of Income Support.

7.4. As at 4th August 2018, there were 3,001 active income support claims, as set out in Table 9 overleaf. These claims also support 2,260 dependants, thereby giving a total income support population of 5,261. The reason for the significant increase over the previous year's statistics is due to the introduction of income support.

7.5. Income support claimants have been, in recent years, split into ten classifications by which they can be identified and managed in practice. An amendment to income support 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 9.

Table 9 – Income support claims and expenditure

Classification	Claims at 4th August 2018	Claims at 2nd September 2017	2019 Budget (£m)	2018 Forecast (£m)	2017 Actual (£m)
Pensioner	894	715	6.0	4.5	2.9
Incapacitated	508	497	7.8	5.8	4.4
Jobseeker or low earner	692	535	9.6	7.2	5.0
Single parent	323	286	7.3	5.5	3.6
Disabled	204	205	3.8	2.8	2.2
Work requirement met	353[12]	73	2.4	1.8	0.8
Other[13]	27	31	0.4	0.3	0.3
Total (number of claims excludes dependants)	**3,001**	**2,342**	**37.3**	**27.9**	**19.2**
Special Grants[14]			3.1	2.7	2.5
Rent Rebate Transition			0.6	0.5	-
Grant Total			**41.0**	**31.1**	**21.7**

7.6. There are individuals in all of these categories who undertake work, some of whom may have no requirement to work as a condition of benefit. For instance around 40% of those categorised as single parents are in work. It should be remembered that income support is a benefit designed to ensure a minimum acceptable standard of living, many of its recipients are in full or part time work. However this work on its own does not produce sufficient income for their household to enjoy a reasonable standard of living, which is why they receive a 'top-up' from income support.

12 This figure is artificially high as the category has been used as a placeholder for new Income Support claimants who are yet to be categorised. Most of these will be re-categorised in the coming months.

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

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

Income Support Launch

7.7. In the two months since income support launched there has been a review of the expenditure in comparison to the original projected costs. If current trends continue, it is expected that expenditure will be in the region of £570,000 less than originally forecast for the half year to the end of 2018 and would be in the region of £1.2m in 2019, but this is offset by the introduction of household waste charges, which is estimated to cost £445,000. Therefore the latest forecast for 2019 is approximately £700,000 less than the original forecast.

7.8. The projected savings are primarily due to a lower than expected number of claims. There were approximately 300 fewer claims than were expected. In some cases people chose not to claim, many of whom were entitled to relatively small amounts. In other cases it transpired that people thought to be eligible turned out not to be once updated information had been provided.

7.9. This projection comes with the caveat that if a significant number of those who opted not to claim were to change their minds, then the projected expenditure would increase and the gap between the original and revised projections would close. If a very large number of these were to claim, then the cost could exceed the original projected cost.

PART VI: CONCLUSIONS

8. Resource and Implementation Plan

8.1. Table 10 shows how the Committee has considered the resources required to implement the propositions set out in this Policy Letter.

Table 10 – Resource and Implementation Plan

Details considered	Committee comment
Cost	This Policy Letter recommends that most non-contributory benefit rates are uprated by the June 2018 RPIX figure of 2.4% for 2019. The Policy Letter also proposes that Income Support rates receive an appropriate uplift for the forthcoming household waste charges and that the benefit limitation receives a significant increase.
Timescale	Most of the proposals set out in this Policy Letter will take effect from January 2019.
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. The drafting of the necessary legislation has limited resource impact for the Law Officers.
Funding	Funding will come from 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.
Transitional arrangements	There are no transitional arrangements required for the proposals to take effect from January, 2019.
Communications plan	The Law Officers and the Policy & Resources Committee have been consulted with.

9. Compliance with Rule 4 of the Rules of Procedure

9.1. Throughout the drafting of this Policy Letter, the Committee has consulted with the Policy & Resources Committee at joint meetings.

9.2. 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.

9.3. The Committee has set out its proposals for the benefit and contribution rates for 2019 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."

9.4. 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 I). The Committee's Policy Plan is aligned with the States objectives and policy plans.

9.5. 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

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR* EMPLOYMENT & SOCIAL SECURITY

CONTRIBUTORY BENEFIT AND CONTRIBUTION RATES FOR 2019
AND
NON-CONTRIBUTORY BENEFIT RATES FOR 2019

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

10th September 2018

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 'Contributory Benefit and Contribution Rates for 2019' and 'Non-Contributory Benefit Rates for 2019' be considered at the States' meeting to be held on 24th October 2018.

It would be helpful for the Policy Letter to be considered at the earliest opportunity 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 2019 can be applied from 1st January 2019.

Yours faithfully

Michelle Le Clerc
President

Shane Langlois
Vice President

Matthew Fallaize, John Gollop, Emilie Yerby

Mike Brown, Andrew Le Lievre
Non-States Members