P.2019/106

<u>THE STATES OF DELIBERATION</u>
<u>of the</u>
<u>ISLAND OF GUERNSEY</u>

COMMITTEE *FOR* EMPLOYMENT & SOCIAL SECURITY

NON-CONTRIBUTORY BENEFIT RATES FOR 2020

The States are asked to decide:

Whether, after consideration of the policy letter entitled 'Non-contributory benefit rates for 2020', dated 7th October 2019, 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 10th January 2020.

2. To direct the Committee *for* Employment & Social Security to commission an independent analysis of the baskets of goods in order to update the minimum income standard for Guernsey and to submit the findings to the States no later than the date of submission of the policy letter on non-contributory benefit rates for 2021.

3. To set the benefit limitation for a person living in the community at £850 per week, from 10th January 2020.

4. To set the benefit limitation rates in relation to people not living in the Community at the rates set out in rows 3 and 4 of Table 4 of that policy letter, from 10th January 2020.

5. To note that the Committee *for* Employment & Social Security will return to the States with a policy letter addressing the future of the earnings disregard before the end of the political term.

6. To set the maximum rent allowances at the amounts set out in Table 6 of that policy letter, from 10th January, 2020.

7. To set the amount of the personal allowance payable to people in Guernsey and Alderney residential or nursing homes who are in receipt of income support at £36.00 per week, from 10th January 2020.

8. To set the amount of the personal allowance payable to people in United Kingdom hospitals or care homes who are in receipt of income support at £55.21 per week, from 10th January 2020.

9. To set the supplementary fuel allowance paid to income support householders at £29.66 per week, from 25th October 2019 to 24th April 2020.

10. 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 7 of that policy letter, from 6th January 2020.

11. To amend the scheme for free television licences so that it is free of charge to all households in Guernsey and Alderney in receipt of income support where one resident has reached pension age, in line with the increasing pension age.

12. 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 2020

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

7th October 2019

Dear Sir

1. Executive summary

1.1. The Committee *for* Employment & Social Security has undertaken its annual review of the non-contributory benefits that it is responsible for. These include income support, family allowance, severe disability benefit and carer's allowance. The Committee is recommending that non-contributory benefits be increased in 2020 by 1.9%, being the annual rate of 'core' inflation (RPIX) for the year to June 2019. This is in line with the usual uprating policy for non-contributory benefits.

1.2. For the second year, the Committee *for* Employment & Social Security will be presenting its proposals for the uprating of benefit and contribution rates in two separate policy letters. During the debate of the 2019 budget (Billet d'État XXIV of 2018, Article 1), the States resolved that, from the 2020 budget debate, the policy letter on non-contributory benefits would be debated at the same meeting as the budget. It is hoped that this will provide greater transparency over States expenditure.

1.3. This policy letter also responds to the following October 2018 resolution of the States (Billet d'État XXIII of 2018, Article 10):

> '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.'

1.4. The Committee is aware that the resolution noted that the Committee will return to the States by March 2019, however, with the resources available at the time and other work streams prioritised ahead of this work, it was not possible to report back to the States until now. Further work is still required before the Committee can return to the States in relation to the future of the earnings disregard, however, this policy letter does provide recommendations on the future of the benefit limitation and personal allowances. It also responds to Deputy Roffey's successful amendment to the policy letter on the non-contributory benefits for 2019, which was:

> '11. To agree in principle that all of those in receipt of Income Support should qualify for Medical Support and to request the Committee *for* Employment & Social Security to report back to the States on the financial implications of such a reform, together with proposals for its implementation, no later than its uprating report on non-contributory benefits for 2020.'

PART I: EXPENDITURE

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, educational maintenance grant and the free TV licence scheme for people over 75 and pensioners receiving income support, are administered by the Committee and funded through General Revenue.

2.2. For 2020, the Committee recommends general increases in non-contributory benefits of 1.9% in line with the published RPIX figure for Quarter 2, June 2019.

3. Income support

3.1. Income support was introduced on 6th July 2018 as the replacement for the supplementary benefit and rent rebate systems. The two systems were successfully amalgamated, and actual expenditure over the first year was £895,000 less than budgeted expenditure. For the first six months of 2019, expenditure was on budget. The number of claims has been fairly stable since income support was implemented, with an average number of 3,015 claims across the first year. An outcome that was very close to budget is satisfactory, considering that it could not be guessed how many extra claimants there would be from those receiving rebate. This was because this information was outside of the scope of data that the Committee holds.

<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, will not receive a cash benefit for the first six months of their claim, but will be eligible to receive payment at long-term rates from six months onwards. A rent allowance, on top of the short-term or long-term rates, applies to householders living in rented accommodation.

3.4. Last year, the Committee uprated the income support rates with an additional uplift to incorporate the cost of the new waste charges, which are a fixed standing charge of £85 per year per household, and a charge of £2.50 per 90 litre black bin bag. As the additional black bag charges were incorporated into the income support rates last year, they do not need to be considered additionally this year.

3.5. The Committee recommends that income support requirement rates are increased by 1.9%, in line with RPIX for June 2019.

Table 1 – Proposed short-term and long-term income support requirement rates for 2020 (2019 in brackets)

Income support requirement rates for 2020	**Short-term rates (Up to 6 months)**	**Long-term rates (Over 6 months)**
Householders:		
Cohabiting/married couple	**£189.93** (£186.39)	**£311.65** (£305.84)
Single householder	**£108.71** (£106.68)	**£188.23** (£184.72)
Non-householder:		
18 or over	**£82.91** (£81.36)	**£141.53** (£138.89)
Rent Allowance	**£76.50** (£75.00)	**£76.50** (£75.00)
Member of a household:		
11 and over	**£77.43** (£75.99)	**£110.35** (£108.29)
5 – 10	**£58.23** (£57.14)	**£82.92** (£81.37)
Under 5	**£39.04** (£38.31)	**£55.49** (£54.46)

Baskets of goods

3.6. 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. An independent report, published in 2011, set out the minimum income standard for Guernsey at that time, by setting those baskets for different household types. While income support rates, and formerly supplementary benefit rates, have been based on those

2011 baskets of goods, and simply uprated by RPIX each year, there has been no analysis of how the cost of the individual items has changed over that period or whether the contents of the baskets are still appropriate. If items are included that are no longer essential, or new essential items are not included in the basket calculation, then the income support rates will not accurately reflect the minimum income standard for Guernsey in today's terms. The Committee is of the view that the baskets of goods need to be updated to reflect 2020 standards of living in Guernsey. The Committee will be seeking appropriate resources to carry out this work through the 2020 budget.

3.7. The review will be conducted by external consultants and reflect the internationally-regarded minimum income standard analysis, to provide a comparison with the 2011 report. The methodology consists of focus groups to ascertain what items are essential, and then a pricing exercise to set the costs of the baskets. The consultants will then recommend a minimum income standard for Guernsey, presented to the Committee in a report, which can then be used to inform various policy decisions in the future, including income support rates and the in-work poverty work stream.

<u>Benefit limitation</u>

3.8. The amount of benefit paid, together with any net 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 £750 per week.

3.9. 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 changes to benefit rules and rates, and income support is now characterised as an in-work benefit, rather than just for those who are out of work.

3.10. There is sometimes a misconception that a family can receive up to £750 in benefit above their earnings. This is certainly not the case. Ignoring the effect of adjustments such as for family allowance and the earnings disregard, a household with an income of £750 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, and an amount at which the States has determined that there should be no further means-tested financial support, regardless of whether that amount is reached via personal income, benefit received, or a mixture of the two.

3.11. For example, a couple with three children, one aged 11+ and two aged 5-10, live in a three bedroom house and have a total calculated income requirement of £859. Both parents work, one is self-employed and the other works part-time. Their total resources from earnings, minus the earnings disregard and family allowance, is £704 per week. As the benefit limitation is £750, income support currently pays a top-up rate of £46 per week to the family, leaving a shortfall of £109 in their weekly required income.

3.12. The requirement rates, which together with rent comprise the total requirement, were based on a basket of goods which was calculated to meet the minimum needs of that family. The bar was, by that definition, set very low indeed. The result is that, after paying their rent, families with three or more children, and in several cases two children, who are reliant on the States for financial assistance, are likely to be constrained to an income that the States' considers to be an intolerable level of poverty.

3.13. The legislation provides for no specific discretion in relation to the benefit limitation, however, certain sources of income are disregarded when calculating the benefit limitation. This has the effect of enhancing the benefit payable to those whose requirements exceed the cap. In particular, family allowance is disregarded when claims hit the cap so that it can be paid over and above the cap. As with all income support claims, the normal disregard of £35 of earnings per week is also applied. 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 in the household. While of value, these two adjustments are not the proper solution for families significantly affected by the benefit limitation.

3.14. Several times over the years, the cap was increased significantly above inflation, in order to reduce the number of households forced to live in poverty. The most recent adjustment was following the implementation of income support, when the cap was increased from £670 to £750 per week from 4th January 2019. While this is a positive step, the Committee considers that it does not go far enough, as there are still 130 families affected by the cap, including 18 families with only two children – the cap does not only affect the largest families. A consequence of so many families still being impacted by the benefit limitation, is that social housing rents cannot reasonably be increased without a real terms increase in the benefit limitation. This is because, since the rent rebate scheme was removed, families in social housing are now required to pay the full standard weekly rent.

3.15. Table 2 overleaf illustrates the number of families affected by the benefit limitation, when it is set at different levels, based on claim data from May 2019. This includes more than 470 children.

Table 2 – Number of families affected by the benefit limitation

Benefit limitation	Families with 2 children	Families with 3 children	Families with 4 children	Families with 5+ children	Total no. families restricted by the benefit limitation
£750	21	42	34	33	130
£800	2	6	13	25	46
£850	0	0	6	19	25
£900	0	0	1	14	15

3.16. As income support is an in-work benefit, the majority of families being restricted by the benefit limitation are working, but their wages are not enough to meet their needs, so they require a top-up from income support. Table 3 below shows how many working families, and the number of children, are affected by the benefit limitation.

Table 3 – Number of working families affected by the benefit limitation

Benefit limitation	Claims with at least one working parent	Total children in working families restricted by the benefit limitation
£750	93	334
£800	31	144
£850	17	92
£900	10	61

3.17. In relation to the October 2018 resolution (Billet d'État XXIII of 2018, Article 10) regarding a review of the future of the benefit limitation, the Committee is proposing that the benefit limitation in the community is increased from £750 per week to £850 per week from 1st January 2020. This will ensure that no families with two or three children should be impacted by the benefit limitation, as these families are no way out of the ordinary as far as demographics are concerned.

3.18. There will still be six families with four children and 19 families with five or more children who will be affected by the benefit limitation. The Committee notes that, as the benefit limitation is closely linked to the basket of goods, earnings disregard and in-work poverty, it may need to be reviewed again after those work streams have taken place. The Committee expects that its successor will report back to the States on this no later than its policy letter on non-contributory benefit rates for 2021.

3.19. The anticipated additional cost of the Committee's proposal is approximately £275,000 more than would be a routine RPIX uprating. 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, previous experience of above inflation increases in the benefit limitation has shown that it is not likely that significant numbers of new claims will come forward. This is because relatively few families with sufficiently low income are likely to be supporting themselves without already having the assistance of social housing or income support. Those receiving a transitional rent rebate were factored into the calculation.

3.20. Further, in relation to the October 2018 resolution, the Committee is informing the States that significant increases in the benefit limitation are part of the Committee's ongoing measures to combat the poverty that the benefit limitation causes. This is in line with the objectives of the resolutions from the States' debate of the Scrutiny Management Committee's January 2019 policy letter on the In-work Poverty Review (Billet d'État I of 2019, Article 3), as well as the Policy & Resource Plan objective for an inclusive society, where no one gets left behind.

3.21. Table 4 below shows the weekly benefit limitations which currently apply and the proposed limitations from 10th January 2020. This includes the rarely used benefit limitations for people residing in residential homes, nursing homes, EMI accommodation, and the Guernsey Cheshire home, who do not satisfy the five year residence requirements for long-term care benefit, and may therefore need to rely on income support.

Table 4 – Weekly income support limitations

Benefit limitation	**2020**	**2019**
Community	**£850.00**	£750.00
Residential homes	**£573.00**	£562.00
Nursing homes, EMI residents and Guernsey Cheshire Home	**£821.00**	£806.00

<u>Earnings disregard</u>

3.22. A review of the earnings disregard was also part of the resolution set out in paragraph 1.3 of this policy letter. However, the Committee has not been able to progress the resolution to date. While some work has been done, insufficient resources have meant that other work streams have been prioritised above this one. Further work will be undertaken before the end of this political term.

Work requirements for parents of young children

3.23. Work requirements are part of the eligibility criteria for income support, and were introduced in 2014. A work requirement is a measure to enable a person to be engaged in full time work, i.e. those people who are required to be working, actively seeking full time work, or carrying out work-related activities, such as training courses. 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 set out for them. Some exemptions include those with a severe disability, those with substantial care responsibilities, and single parents with young children.

3.24. In 2009, the former Social Security Department established that a single parent would be classified as a jobseeker once their youngest child reached age 12. In 2014, this was revised down to the age of 7 as a single parent of a child up to that age is currently deemed to meet their work requirements. The work requirement set will be in line with the reasonable expectation for the individual's circumstances, and usually starts at 20 hours per week. This is then scaled up relative to the age of that child, with the expectation that once the child has reached age 14, the parent would be able to seek full time work. Provisions are flexible so that the requirement can be waived in appropriate circumstances.

3.25. In the UK, a similar provision applies, but the age limit is 3-4 years old 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, which is at 3-4 years old.

3.26. Having regard to 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. The Committee intends to amend the policy so that parents would have a work requirement once their youngest child reaches age 5, to ensure that they are in full time education.

3.27. At present there are approximately 110 claims which are likely to be affected by this policy change. Quite a few of these people will already be working, so the effect of the policy change would be minimal. The Job Centre already works closely with parents and conducts annual work-focused meetings in the years leading up to the work requirement, so that parents would be supported through this 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 alone, irrespective of any financial saving derived.

3.28. The Committee intends to implement the change starting from January 2020. In the meantime, the Job Centre will engage with claimants who will be affected. The power to make adjustments to the work requirement is a power devolved to the Committee. The intended policy change is mentioned only to inform the States.

Personal allowances

3.29. 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, for example newspapers, confectionery, toiletries, and small family presents.

3.30. 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 a personal nature from their own resources. Residents who cannot afford these items can apply to Social Security for a personal allowance.

3.31. It is believed that there is a need for this particular personal allowance to be higher than the rate which applies to those in Guernsey residential and nursing homes. The Committee's view was that continuing to mirror the personal allowance rate paid to UK residents was fair, because the UK had set the rate at a level that was appropriate for the expenses that a resident would be expected to pay. Additionally, paying Guernsey residents in those institutions a lower rate than other service users would socially disadvantage them, as they would not financially be able to fully participate in activities. As of August 2019, there were 10 people claiming this allowance.

3.32. In relation to the October 2018 resolution of the States, the Committee has reconsidered the personal allowances to ensure that the rates reflect the real needs of the recipients. The Committee concluded that there should be no change to the rate payable to Guernsey residents in UK institutions, but that an increase in the personal allowance was required for those in Guernsey residential or nursing homes. It is proposed that £40.00 per week would be a more appropriate sum.

3.33. The reason for this is because the current rate is insufficient for those residents who are more active and may require transport, or would like to participate in activities that can help them to feel emotionally and psychologically fulfilled. As at August 2019, there were 156 people in receipt of the personal allowance in Guernsey and Alderney. The estimated additional cost of this change, above the standard RPIX increase is £58,700.

3.34. Unfortunately while the Committee believes that the personal allowance should be increased, the budget for 2020 is not expected to allow for this increase. Therefore the Committee proposes to phase in the increase in the personal allowance, by proposing that for 2020 it is increased to £36.00 per week, which is halfway between the 2019 rate and the £40.00 target rate. The cost of this increase, above the standard RPIX inflation, is anticipated to be approximately £26,200 in 2020. The Committee's intention is that the personal allowance rate will be raised to £40.00 from 2021.

3.35. Table 5 below sets out the weekly personal allowances which currently apply and the proposed allowances to apply from 10th January 2020.

Table 5 – Weekly personal allowances

Personal allowance	2020	2019
Residents of local residential and nursing homes	**£36.00**	£32.16
Guernsey people in UK hospitals and care homes	**£55.21**	£54.18

Maximum rent allowances

3.36. The increases in 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.

3.37. The maximum rent allowances for 2019 and the proposed allowances for 2020 are set out in Table 6 below. The rates correspond with the highest rent charged for a social housing unit of appropriate size. Last year, social housing rent increases took account of the Waste Disposal Authority (WDA) standing charge element of the household waste charges. This continues to be paid directly and recovered through the rent increase. It was determined that this was preferable for all parties and reduced administration.

3.38. 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 recovers it, either through the rent, or directly.

Table 6 – Maximum rent allowances for 2020

Tenancy Group	Description	2020	2019
Group 1	Single with no children	**£227.00**	£227.00
Group 2	Couple with no children	**£227.00**	£227.00
Group 3	Single or couple with 1 child	**£271.82**	£264.63
Group 4	Single or couple with 2 children	**£346.05**	£337.48
Group 5	Single or couple with 3+ children	**£423.02**	£413.00
Group 6	Living in shared accommodation	**£181.16**	£176.71

3.39. There is a connection between the maximum rent allowance and its effect on the benefit limitation, for people in social housing. This is because the higher the weekly rent charged, the more income families will be required to spend on their rent rather than other essentials, if the household is being restricted by the benefit limitation. This problem was already experienced in the private sector before the implementation of income support, but has been exacerbated and increased in frequency with those in social housing now being charged the full standard weekly rent. The Committee will continue to monitor these two policies to prevent unintended consequences, such as pushing families into intolerable levels of poverty.

3.40. Schedule 1 of the States Housing (Rent and Rebate Scheme) (Guernsey) Regulations, 2005, sets out the rent formula, under which the Committee has an obligation to set the rents. The formula takes into account the costs associated with managing and maintaining properties, and ultimately, the reinstatement costs (i.e. the cost of rebuilding the property).

3.41. The appropriate level of rent is calculated as follows:

Standard weekly rent (SWR) = ((A+B+C+D) x V) / 52

A = 2% of the reinstatement valuation
B = A share of the annual administration costs
C = A share of annual minor property costs
D = A further 1.2% of the reinstatement valuation to account for major repairs
V = Voids element applicable at any one time

3.42. The Committee has noted the need to adjust some of the rents as the use of this formula over the years has now created some anomalies. For example, bedsits had a high SWR of £162.91, but a one bedroom semi-detached house with a garden had a much lower SWR of £131.43 (based on 2018 rents).

3.43. The Committee has therefore resolved that the Regulations should be repealed. The purpose of doing this would be to provide the Committee with the freedom to set the rents at the level that it sees fit on an annual basis, without the requirement to stick to a formula, or report back to the States. Scrutiny and oversight of the rent setting decisions made by the Committee would be provided to the States through the Committee's annual policy letter on non-contributory benefit rates, which contains the maximum rent allowances, therefore showing that all standard weekly rents are set at or below that level.

Social housing rental income

3.44. The closure of the rent rebate scheme and the implementation of income support means that social housing tenants are now required to pay the full standard weekly rent for the property they occupy (subject to some transitional arrangements that are still ongoing). Some of the additional expenditure on income support, compared with the supplementary benefit system, has been offset by additional income from social housing rents, as they are now charged at the standard weekly rent. This is different to the previous rent rebate scheme, where rent rebates were netted off against rental income, which resulted in a lower rate charged to tenants.

Supplementary fuel allowance

3.45. 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 £29.54 per week for the winter of October 2018 to April 2019. The rate of the fuel allowance for the period was increased by 8.6% on the previous year and reflected the inflation adjusted cost of fuel, light and power in the year to June 2018.

3.46. The Committee is recommending an increase of 0.4% in the fuel allowance, taking it to £29.66 per week for the period from 25th October 2019 to 24th April 2020. This is in line with the change in the cost of fuel, light, and power in the year to June 2019[1].

3.47. The fuel allowance will cost in the region of £1.7m over the 26 week payment period from October 2019 to April 2020. This reflects an increase of approximately £110k, as a result of the small increase of 0.4% to the fuel and light element of the inflation figure for Q2 2019. The Committee noted that there are two expected increases in electricity costs over the next year, which will be reflected in the inflationary figures for the next period. As the uprating policy is reliant on RPIX figures from June of the previous year, the Committee

1 Source: Guernsey Quarterly Inflation Bulletin – 25th July 2019.

is unable to increase the supplementary fuel allowance in anticipation of the expected electricity cost increase, until this is reflected in the inflation figures.

3.48. The Committee notes that work is in progress to convert existing social housing properties to be more energy efficient, and that Guernsey Housing Association properties are built to a high standard in terms of energy efficiency. As stated in the Committee's policy plan in the June 2019 policy letter on the Policy & Resource Plan (Billet d'État IX of 2019, Article 1), the Committee still intends to progress the extant resolution regarding the review of the winter fuel allowance (Billet d'État No. VII of 2016, Article 9). The Committee has identified a resource that will be available to progress this work stream in 2020. The Committee also notes that the review will need to be in line with the Committee *for the* Environment & Infrastructure's forthcoming policy letter on the Energy Policy for 2019-2050.

Medical capital limits

3.49. Currently, the savings capital limit for an individual to receive medical support is lower than eligibility for income support. This means that some income support claimants do not qualify for medical support, and have to pay for medical expenses themselves. The current capital limits vary depending on the composition of the household, for example a single person has a medical capital limit of £3,000 and an income support capital limit of £13,000, which means that a single person with savings between those limits must pay for their own medical expenses. As at a snapshot taken in May 2019, there were 777 individuals, across 559 claims, who had savings between the medical support limits and income support limits, who therefore receive income support, but have to pay for their own medical expenses.

3.50. Further to Deputy Roffey's successful amendment to the Committee's policy letter on non-contributory benefit rates for 2019 (Billet d'État XXIII of 2018, Article 10), the Committee has considered alternative options to the current capital limits. If the Committee removed the lower medical capital limits to allow all of those eligible for income support to also be eligible for medical support, it would approximately cost an additional £427,350. This is because medical support costs approximately £550 per individual per year, and there are 777 people who would become entitled to it. The Committee considers this to be too expensive an option, especially as those who would become eligible for medical support already have savings. The Committee has also considered creating a co-payment system where individuals contribute a small amount to each medical visit, however this would still be costly and would be administratively difficult to operate.

3.51. The Committee has agreed that the best option would be to remove the current medical capital limits, and lower the capital limits for eligibility to income support to offset some of the costs of removing the medical capital limits. This would have the effect that, everyone who is eligible to receive income support, would also be eligible for medical cover. If the income support capital limits were reduced by £1,000, from a snapshot of claims taken in May 2019, 36 claims would become ineligible for income support. However by also removing medical capital limits, 412 people would become eligible for medical support.

3.52. This option still adds additional cost to income support of approximately £183,600 (calculated from the additional cost of medical support, minus capital savings above the reduced income support thresholds). While the Committee has agreed the option in principle, due to the cost, it is not being proposed for implementation in 2020. While the Committee recognises its role in supporting the welfare of islanders, there are other policies that need to be prioritised in order to help the people receiving income support who do not have any savings, for example those restricted by the benefit limitation.

3.53. Therefore the Committee will consider implementing an alternative option to the current medical support capital limits no later than 2021, subject to funding. This is unless it is resolved earlier through the Committee *for* Health & Social Care's work on the partnership of purpose.

Extra Needs Allowance

3.54. 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 intends to review the appropriateness and effectiveness of the payment. However, the Committee feels that it would be useful to have more than one year's experience of how the extra needs allowance has worked, before undertaking the review, so the Committee does not propose a change to the allowance for 2020.

Community and Environmental Projects Scheme

3.55. 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.

3.56. 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. The rates payable continue to mirror the minimum wage rates, which were agreed by the States on 26th September 2019 as being £8.50 for adults and £8.05 for 16-17 year olds from 1st January 2020.

4. School uniform allowance & educational maintenance grant

4.1. Since 2016, the Committee *for* Employment & Social Security has operated the school uniform allowance, which 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 950 pupils are expected to receive the allowance in the 2019/20 academic year. The amount received is dependent on household income. The maximum available is £315 for a secondary school pupil and £207 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 good attendance. Financial eligibility is determined on the same basis as the uniform allowance. The full grant is £1,374 per annum, but the grant is also payable at reduced rates. There were 10 applications for the 2018/19 academic year, of which 9 were approved.

4.4. The combined budget for providing these services is £222k for 2019, which is an increase compared with the 2018 budget. This is as a result of the additional claims related to the introduction of income support.

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 £14.20 per child for 2019.

5.2. Expenditure on family allowance amounted to £8.33m in 2018. It is estimated that expenditure on family allowance in 2019 will be £8.54m.

5.3. A resolution following a successful amendment from Deputy Dorey to the former Social Security Department's 2015 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. Deputy Dorey's amendment sought to ring-fence the funding on family allowance, so that if the allowances were to end as a cash benefit, the funds would still be spent to the benefit of children. The Committee has been investigating some options for how this could work, with the help of the Committee for Health & Social Care, the Committee for Education, Sport & Culture, and the Policy & Resources Committee. Options being considered include subsidised GP appointments and dental care for children, as well as increasing the provision of free pre-school education, and providing enrichment activities and homework clubs in secondary schools. These were suggestions made in Deputy Dorey's amendment as services that should be considered in place of family allowances, if family allowances were to be reduced or removed. The Committee will be bringing a policy letter to the States before the end of the political term, setting out the background to this piece of work, the merits of the possible options, and the method of implementation.

5.5. The Committee usually uprates family allowance by RPIX for June 2019. However, due to the ongoing review of the reallocation of family allowance, the Committee is proposing to freeze the weekly rate of family allowance at £14.20 for 2020.

6. Severe disability benefit and carer's allowance

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

6.1. During the debate of the policy letter on non-contributory benefit rates for 2019, the States resolved:

> "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."

6.2. This was to reflect the change in rules that allowed people to be in receipt of carer's allowance, as well as being employed, and the fact that many of the benefits under the Social Insurance (Guernsey) Law, 1978, are intended to be for income replacement.

6.3. The Committee is pleased to say that the Law to bring this resolution into effect has been drafted and approved by the States, and at the time of writing is awaiting Royal Assent. On receiving Royal Assent, the Law will be brought into force so that the benefits may start to be paid simultaneously.

Rates and annual income limit

6.4. The Committee recommends that the rates of severe disability benefit and carer's allowance be increased by 1.9%, with effect from 1st January 2020, as shown in Table 7 below.

Table 7 – Current and proposed annual income limit and weekly rates of severe disability benefit and carer's allowance

	2020	2019
Severe disability benefit - weekly rate	**£108.43**	£106.40
Carer's allowance - weekly rate	**£87.72**	£86.08
Annual income limit for both allowances	**£101,200**	£99,300

6.5. Actual benefit expenditure on severe disability benefit and carer's allowance for 2016-2018 is shown in Table 8. The expected outturn for these benefits for 2019 and the budget figure for 2020 is also shown in Table 8. 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 8 – Expenditure on severe disability benefit and carer's allowance

Severe Disability Benefit and Carer's Allowance	2020 Budget £m	2019 Forecast £m	2018 Actual £m	2017 Actual £m	2016 Actual £m
Expenditure	6.7	6.4	6.3	5.6	5.4

7. Free TV licences

7.1. From 1st September 2016, the free TV licence scheme for over 75s was closed to new entrants. The only free TV licences remaining in Guernsey are for those people who reached the age of 75 before 1st September 2016, or those people over pension age who are in receipt of income support.

7.2. The Committee for Employment & Social Security is aware of the announcement in the UK, of the BBC's intention that free TV licences will only be available to people over 75 in receipt of a pension credit from 1st June 2020. Through the Policy & Resources Committee's External Relations team, discussions are ongoing with the BBC to determine the future position for Guernsey and Alderney residents.

7.3. The Committee will need to decide whether to apply the same policy in Guernsey, or to fund the TV licences on the current basis for those who were 75 years old before 1st September 2016, as well as pensioners in receipt of income support who are under age 75.

7.4. In the meantime, the Committee is proposing that the free TV licences granted to pensioners in receipt of income support will increase from age 65 in line with the pension age increases, which start from 2020, until pension age reaches age 70 in 2049.

8. Secondary pensions

8.1. Following the States approval of the policy letter on the 'proposed development of a secondary pensions system for Guernsey and Alderney' in February 2016 (Billet d'État III of 2016, Article 15), the Committee has been working on the introduction of a secondary pension scheme. A policy letter with detailed implementation proposals will be submitted by the end of 2019.

9. Asbestos compensation scheme

9.1. The Committee will report to the States as soon as it can with proposals for a compensation scheme for people with mesothelioma, which is caused by exposure to asbestos. The Committee notes that Jersey launched a compensation scheme of this nature on 1st October 2019. The Jersey arrangements will be of considerable assistance in producing proposals for Guernsey. The Committee acknowledges the importance of this work to people currently suffering from mesothelioma and their families. The Committee also anticipates strong political support. While the proposals for the scheme still need to be developed, based on the model that Jersey has implemented, the Committee would anticipate the annual cost to be approximately £100,000 in Guernsey.

PART IV: FINANCIAL POSITION

10. Non-Contributory Services funded from General Revenue

10.1. This policy letter is about the non-contributory benefit rates for 2020, so the financial position reported in this section relates only to 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 Social Security expenditure financed by General Revenue

10.2. Table 9 summarises the impact of the proposed benefit rates on expenditure for 2020. This also includes the 2019 revised forecast at the time of writing, and the actual expenditure figures for 2016-2018.

Table 9 – Summary of non-contributory Social Security expenditure financed by General Revenue

	2020 Budget £m	2019 Forecast £m	2018 Actual £m	2017 Actual £m	2016 Actual £m
Income support/ supplementary benefit	42.8	41.0	31.1	21.7	20.9
Family allowance	8.5	8.5	8.4	8.2	9.6
Severe disability benefit & carer's allowance	6.7	6.6	6.2	5.6	5.4
Concessionary TV licence	0.3	0.3	0.5	0.6	0.6
General Revenue grant to GIF	17.2	16.6	16.1	15.7	19.7
Sub-total formula led expenditure	**75.5**	**73.0**	**62.3**	**51.8**	**56.2**
School uniform allowance & educational maintenance grant	0.2	0.2	0.2	0.1	0.1
Administration	2.8	2.9	2.4	2.4	2.4
Others[2]	0.3	0.3	0.3	0.3	0.3
Sub-total non-formula led expenditure	**3.4**	**3.4**	**2.9**	**2.8**	**2.8**
Total expenditure	**78.8**	**76.4**	**65.2**	**54.6**	**59.0**

10.3. The above table includes the actual costs in 2018 of 6 months of supplementary benefit and 6 months of income support, because income

[2] Others include Community & Environmental Projects Scheme (CEPS), charitable grants, and miscellaneous expenditure.

support launched on 6th July 2018. The forecast for 2019 and budget for 2020 reflects the cost of income support for the full year.

10.4. 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

10.5. As income support replaced supplementary benefit on 6th July 2018, expenditure included 6 months of each, while 2019 expenditure will represent a full year of income support. 2018 expenditure amounted to £31.9m, and the forecast for 2019 is £42.8m, which is on budget.

10.6. As at 3rd August 2019, there were 3,023 active income support claims, as set out in Table 10 overleaf. These claims also support 2,254 dependants, thereby giving a total income support population of 5,277.

10.7. 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 10.

Table 10 – Income support claims and expenditure

Classification	Claims at 3rd August 2019	Claims at 4th August 2018	2020 Budget (£m)	2019 Forecast (£m)	2018 Actual (£m)
Pensioner	910	894	6.8	6.7	4.6
Incapacitated	543	508	7.0	6.8	5.4
Jobseeker or low earner	750	692	11.1	10.3	7.0
Single parent	322	323	7.9	7.5	5.5
Disabled	200	204	2.5	2.5	2.4
Work requirement met	267	353	3.7	3.5	2.2
Other[3]	31	27	0.5	0.4	0.3
Total (no. claims excl. dependants)	**3,023**	**3,001**	**39.5**	**37.7**	**27.4**
Special Grants[4]			3.1	3.1	2.9
Rent Rebate Transition			0.2	0.5	**0.5**
Total			**42.8**	**41.3**	**30.8**

10.8. There are individuals in all of the above 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, and that 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.

10.9. Expenditure in 2018 had been approximately £1m below what had been forecast, as the number of claims did not increase as expected. This was factored in to the 2019 budget and expenditure for 2019 has remained on budget to 30 June 2019. The forecast outturn for 2020 is £42.8m, which takes into account the proposals in this policy letter, and an allowance for the trend of a slow but upward increase in claim numbers. It is expected that this figure will be £275,000 above the income support figure which will appear in the States' Budget for 2020. This is in the expectation that the budget will make allowance for a benefit limitation increase in line with RPIX of 1.9%, rather than the higher increase proposed by the Committee in this policy letter.

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3 Includes Carer, Pregnant, Prisoner's spouse, and Partner in hospital, and a small number of claimants whose classification is unknown

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

PART VI: CONCLUSIONS

11. Resource and implementation plan

11.1. Table 11 shows how the Committee has considered the resources required to implement the propositions set out in this policy letter.

Table 11 – Resource and implementation plan

Details considered	**Committee comment**
Cost	This policy letter recommends that most non-contributory benefit rates are uprated by the June 2019 RPIX figure of 1.9% for 2020.
Timescale	Most of the proposals set out in this policy letter will take effect from January 2020.
Resource requirements	Consideration of the financial position has been given throughout this policy letter, and staff availability to undertake project work. The drafting of the necessary legislation has limited 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 2020.
Communications plan	The Law Officers and the Policy & Resources Committee have been consulted with.

12. Compliance with Rule 4 of the Rules of Procedure

12.1. Throughout the drafting of this policy letter, the Committee has consulted with the Policy & Resources Committee at joint meetings and through the budget setting process.

12.2. 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.

12.3. 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."

12.4. 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.

12.5. In accordance with Rule 4(4) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that propositions 1, 2 and 4-12 have the unanimous support of the Committee. In respect of proposition 3, Deputy McSwiggan remains of the view that the benefit limitation should be removed altogether.

Yours faithfully

M K Le Clerc
President

S L Langlois
Vice-President

J A B Gollop
E A McSwiggan
P J Roffey

M J Brown
Non-States Member

A R Le Lièvre
Non-States Member