



OFFICIAL REPORT

OF THE

STATES OF DELIBERATION

OF THE

ISLAND OF GUERNSEY

HANSARD

Royal Court House, Guernsey, Friday, 1st November 2013

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Present:

Richard J. Collas, Esq., Bailiff and Presiding Officer

Law Officers

M.M.E. Pullum, Q.C. (H.M. Comptroller)

People's Deputies

St. Peter Port South

Deputies P. A. Harwood, J. Kuttelwascher, B. L. Brehaut,
R. Domaille, A. H. Langlois, R. A. Jones

St. Peter Port North

Deputies M. K. Le Clerc, J. A. B. Gollop, P. A. Sherbourne,
R. Conder, E. G. Bebb, L. C. Queripel

St. Sampson

Deputies G. A. St Pier, K. A. Stewart; P. L. Gillson,
P. R. Le Pelley, S. J. Ogier; L. S. Trott

The Vale

Deputies D. B. Jones, L. B. Queripel, M. M. Lowe,
A. R. Le Lièvre, A. Spruce, G. M. Collins

The Castel

Deputies D. J. Duquemin, C. J. Green, M. H. Dorey,
B. J. E. Paint, S. A. James, M.B.E., A. H. Adam

The West

Deputies R. A. Perrot, A. H. Brouard, A. M. Wilkie,
D. de G. De Lisle, Y. Burford, D. A. Inglis

The South-East

Deputies H. J. R. Soulsby, R. W. Sillars, P. A. Luxon,
M. G. O'Hara, F. W. Quin, M. P. J. Hadley

Representatives of the Island of Alderney

Alderney Representatives L. E. Jean, E. P. Arditti

The Clerk to the States of Deliberation

S. M. D. Ross, Esq. (H.M. Senior Deputy Greffier)

Absent at the Evocation

H. E. Roberts, Q.C. (H.M. Procureur);
Deputies M. J. Storey (*indisposé*); M. J. Fallaize (*relevé à 10 h 42*), J. P. Le Tocq (*indisposé*)

Business transacted

Evocation 1697

Billet d'État XX

XI. Benefit and Contribution Rates for 2014 and Modernisation of the
Supplementary Benefit Scheme – Debate commenced..... 1697

*The House adjourned at 12.28 p.m.
and resumed its sitting at 2.00 p.m.*

XI. Benefit and Contribution Rates for 2014 and Modernisation of the
Supplementary Benefit Scheme – Debate continued 1731

Procedural – Re continuation of debate 1768

*The Assembly adjourned at 5.33 p.m.
and resumed its sitting at 5.39 p.m.*

Procedural – Debate to continue on 13th November 2013..... 1769

The Assembly adjourned at 5.40 p.m.

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States of Deliberation

*The States met at 9.30 am in the presence of
His Excellency Air Marshal Peter Walker C.B., C.B.E.
Lieutenant-Governor and Commander-in-Chief of the Bailiwick of Guernsey*

[THE BAILIFF *in the Chair*]

PRAYERS

The Senior Deputy Greffier

EVOCATION

Billet d'État XX

SOCIAL SECURITY DEPARTMENT

Benefit and Contribution Rates for 2014 and Modernisation of the Supplementary Benefit Scheme Debate commenced

Article XI.

- 5 *The States are asked to decide:
Whether, after consideration of the Report dated 12th August, 2013, of the Social Security
Department, they are of the opinion:-*
1. *That, from 1 January 2014, the percentage contribution rate for employers be increased by
0.5%, from 6.5% to 7%.*
 - 10 2. *That, subject to Proposition 1. being approved, from 1 January 2014, the grant from
General Revenue to the Guernsey Insurance Fund, be decreased from 15% to 14% of
contribution income.*
 - 15 3. *That, for employed persons and employers, the upper weekly earnings limit, the upper
monthly earnings limit and the annual upper earnings limit, from 1 January 2014, shall be
£2,547, £11,037 and £132,444 respectively.*
 4. *That, for employed persons and employers, the lower weekly earnings limit and the lower
monthly earnings limit, from 1 January 2014, shall be £128.00 and £554.67 respectively.*
 5. *That, for self-employed persons, the upper earnings limit and lower earnings limit, from 1
January 2014, shall be £132,444 and £6,656 per year respectively.*
 - 20 6. *That, for non-employed persons, the upper and lower annual income limits, from 1 January
2014, shall be £132,444 per year and £16,640 per year, respectively.*
 7. *That the allowance on income for non-employed people from 1 January 2014, shall be
£7,059 per year.*
 - 25 8. *That the voluntary contribution from 1 January 2014, shall be £18.24 per week for non-
employed people.*
 9. *That the overseas voluntary contribution from 1 January 2014, shall be £87.11 per week for
non-employed people and £96.30 for self-employed people.*
 10. *That the Department be directed to report to the States of Deliberation after the conclusion
of the Personal Tax, Pensions and Benefits Review with proposals to achieve long-term
sustainability of the Guernsey Insurance Fund.*
 - 30 11. *That, from 6 January 2014, the standard rates of pension and contributory social
insurance benefits shall be increased to the rates set out in table 10 in that Report.*

12. That, from 1 January 2014, the prescription charge per item of pharmaceutical benefit shall be £3.30.
- 35 13. That, from 6 January 2014, the contribution (co-payment) required to be made by the claimant of care benefit, under the long-term care insurance scheme, shall be £186.83 per week.
14. That, from 6 January 2014, nursing care benefit shall be a maximum of £772.87 per week for persons resident in a nursing home or the Guernsey Cheshire Home and residential care benefit shall be a maximum of £413.98 per week for persons resident in a residential home.
- 40 15. That, from 6 January 2014, elderly mentally infirm (EMI) care benefit shall be a maximum of £545.44 per week for qualifying persons resident in a residential home.
- 45 16. That, from 6 January 2014, respite care benefit shall be a maximum of £959.70 per week for persons receiving respite care in a nursing home or the Guernsey Cheshire Home, an elderly mental infirm rate of £732.27 for persons receiving respite care in a residential home and a maximum of £600.81 per week for persons receiving respite care in a residential home.
17. That, from 10 January 2014, the Supplementary Benefit requirement rates shall be as set out in tables 17 and 18 of that Report.
- 50 18. That, from 10 January 2014, the weekly benefit limitations for Supplementary Benefit shall be:
- (a) £500.00 for a person living in the community;
- (b) £512.00 for a person who is residing in a residential home; and
- 55 (c) £735.00 for a person who is residing as a patient in a hospital, nursing home, the Guernsey Cheshire Home or as an elderly mental infirm resident of a residential home.
19. That, from 10 January 2014, the amount of the personal allowance payable to persons in Guernsey and Alderney residential or nursing homes who are in receipt of Supplementary Benefit shall be £29.30 per week.
- 60 20. That, from 10 January 2014, the amount of the personal allowance payable to persons in UK hospitals or care homes who are in receipt of Supplementary Benefit shall be £49.36 per week.
21. That a supplementary fuel allowance of £30.00 per week be paid to supplementary beneficiaries who are householders from 25 October 2013 to 24 April 2014.
- 65 22. That the Department be authorised to make the first payment of the supplementary fuel allowance at the proposed new rate in 2013 and in future years, on the last Friday in October, noting that this may be prior to approval of the new rate of the allowance by the States.
23. That, from 6 January 2014, the rates of attendance allowance and invalid care allowance and the annual income limits shall be as set out in table 25 of that Report.
- 70 24. That an Ordinance is made under the Health Service (Benefit) (Guernsey) Law, 1990 to amend the conditions under which entitlement to specialist medical benefit arises, in order to allow the Department to fund the costs associated with visiting medical specialists from the Guernsey Health Service Fund.
- 75 25. That the Supplementary Benefit (Implementation) Ordinance, 1971 be amended to allow compensation payments from the Skipton Fund and the back to work bonus to be wholly disregarded for the purposes of a claim to Supplementary Benefit.
26. That the Supplementary Benefit (Implementation) Ordinance, 1971 be amended so that a deprivation of resources that has the effect of securing a Supplementary Benefit or increasing the amount thereof may be taken into account when assessing a person's entitlement to Supplementary Benefit.
- 80 27. That the Supplementary Benefit (Implementation) Ordinance, 1971 be amended to make persons residing in a dwelling listed on Part A of the Open Market Housing Register ineligible for a rent allowance.
- 85 28. That, subject to funding being made available, and not prior to January 2015:
- (a) the Rent Rebate Scheme be closed;
- (b) maximum rent allowances for families be introduced within the Supplementary Benefit Scheme;
- (c) Supplementary Benefit requirement rates be increased as set out in table 28 of that Report (subject to a suitable indexation as will be proposed in the Department's Uprating Report for 2014);
- 90 (d) the weekly Supplementary Benefit limitation for a person living in the community be increased from £500 to £600.

- 95 29. *That, subject to funding being made available and not prior to January 2016, the weekly Supplementary Benefit limitation for a person living in the community be increased from £600 to £650.*
- 100 30. *That the Social Security Department be directed, in consultation with the Housing Department and the Treasury and Resources Department, to establish the additional staffing resources that will be necessary, not exceeding the level set out in paragraph 548 of that Report.*
- 105 31. *That the Treasury and Resources Department and the Social Security Department be directed to examine the options for funding propositions (28) to (30) in that Report as part of the Personal Tax, Pensions and Benefits Review and report back to the States by no later than October 2014.*
- 110 32. *That the Housing Department and the Treasury and Resources Department be directed to determine a mechanism and the source of funding by which, over a maximum transitional period of five years, those social housing tenants whose financial circumstances are affected adversely by the discontinuation of the Rent Rebate Scheme, may have those effects mitigated.*
- 115 33. *To note that the estimated cost of putting in place those transitional arrangements is £800,000.*
34. *That the Treasury and Resources Department takes account of propositions (28) to (33) in that Report in formulating proposals for inclusion in the 2015 and 2016 Budget Reports;*
35. *To direct the preparation of such legislation as may be necessary to give effect to the above decisions.*

The Senior Deputy Greffier: Billet d'État XX, Volume II, Article XI, Social Security Department – Benefit and Contribution Rates for 2014 and Modernisation of the Supplementary Benefit Scheme.

120

The Bailiff: The Minister of the Department, Deputy Langlois, will open the debate.

Deputy Langlois: Thank you very much, sir.

125 Sir, I am very pleased to present my Board's recommendations for benefit and contribution rates to apply from January next year, together with our proposals for the next step in the modernisation of Guernsey's Supplementary Benefits system.

Now, I say 'next step' because it is important for Members to recognise today that this modernisation must be an incremental process.

130 The first part of the Report deals with the benefit and contribution rates to apply from January, so let us deal with those first. Members will be relieved to know I am not intending to repeat every single detail and figure in the Report.

135 I am going to focus on the headlines, and the first of those is that, with the exception of family allowance and the upper earnings limit, we are recommending general increases in contribution and benefit rates in line with the June RPIX figure of 2.1%. As I explained at this time last year, with regard to general upratings, we have eased our foot off the accelerator pedal, which is partly to reflect the slightly more advantageous rises for pensioners and Supplementary Benefit beneficiaries when averaged out over the last seven years. But far more important, it is a signal that increases in benefit levels, especially increases greater than inflation, should be neither the norm nor the expectation.

140 We are not willing to recommend any dramatic changes. We feel that for next year increases in line with RPIX are reasonable, taking into account current fiscal demands and general wage restraints.

145 Put simply, this is my Board's interpretation of what is right for Guernsey as a whole in 2014. However, we do acknowledge the rather special pressure on fuel and energy prices, and we are recommending a rise of 7.4% in the supplementary fuel allowance, in line with the fuel, light and power items in the RPIX calculations. The allowance is, of course, available only to those claiming Supplementary Benefit.

150 Now to return to family allowance, for 2014 we are recommending a freeze on family allowance, so that it would stay at £15.90 per week per child. Even with this freeze, the expenditure on family allowance in 2014 will be nearly £10 million.

We are recommending the freeze because, together with T&R, everybody knows we are currently reviewing the appropriateness of all benefits, and particularly of universal benefits – universal benefits being those which are paid regardless of personal financial circumstances. That includes family allowance and free TV licences.

155 Pending the outcome of that review, my Board's belief was that it would be prudent to freeze family allowance in 2014 at the 2013 rates. This will result in a saving in 2014 of just over £200,000 for general revenue.

Another important recommendation of the Report is half a per cent increase in the employers' contribution rate. This will increase contribution income by £5.3 million. We are well aware that
160 the proposal has been met with reservations both from Commerce and Employment and from Treasury.

Now, sir, Commerce and Employment say it is not the right time. Well, I do not know about anybody else, but I find it quite hard to believe that any Commerce and Employment Department or Minister worthy of their mandate would be welcoming us with open arms and saying, 'This is
165 *exactly* the right time to raise employer contributions.' I have had that confirmed by the Minister.

The Policy Council too were not unanimously supportive of the merits and timing of the recommendation, but they agreed that it was important that it should be debated, because of the effect it has on our other funds.

At Social Security, we are the Department mandated to look after the pension pot for the community. It is our job to safeguard that pot, to make sure that there are sufficient funds to pay
170 pensions now and in the future. The last Board tried to get this half per cent, back in 2009, some four years ago. But, at the time they were told to wait for the outcome of the second phase of Zero-10 reforms. We are still waiting, and while we have been, we have missed out on about £6 million of income every year. Yes sir, you heard correctly: £6 million *every year*. The annual uprating deficit for 2012 was about £10 million.
175

Members will know that the long-term plan has always been to draw down on the fund to manage our way through the demographic bulge of those born shortly after the war, as they draw their pensions. But, because of the contribution freeze, the deficit in the fund is deeper, and it is happening earlier than anticipated. This is the very same issue that Deputies Fallaize and Gillson
180 highlighted, through their 2012 amendment to my Department's Report. At that time, Deputy Fallaize emphasised that, if the States continued to prevaricate, then the problem of course would only get worse.

In light of the speech I made yesterday, I am suddenly aware that is the second time I have agreed with him this week!

185 We know that the average Islander relies on the state pension to supplement their income in retirement, and in our view the move is well overdue. We all know it is not a complete solution, because returning to 2009, the Government Actuary's Department told us that we actually need 1.7% – not half a per cent, but 1.7% to secure the long-term financial sustainability of the pension fund.

190 At the moment, we are only looking for half a per cent. This is simply a short-term cash management measure, which we believe is modest enough not to damage the economy at this difficult time, but that further action will be needed as part of the PTR deliberations.

Tied to the half per cent increase in employers' contribution rate is a recommendation to reduce the States' grant to the pension fund by 1%. This will take the annual grant down to 14% of
195 contribution income, and we are proposing this simply to help the current drive to restrain General Revenue expenditure. If the States approved the half per cent increase, but did not approve the 1% reduction in the grant, this will cost General Revenue an extra £800,000 in 2014. As I said before, we know that the half per cent increase in the employers' contribution rate is opposed by T&R and commerce.

200 Commerce and Employment also oppose the move, but we believe that the need to start addressing the Department's operating deficit outweighs the concerns about the decision being taken ahead of the PTR.

When we mention that review, we must not make the mistake of believing that the PTR is going to solve all of our problems. Neither should we be tempted to use the review as an excuse
205 for putting off making difficult decisions – something that I believe some people may be doing later in this debate.

I make no apology for repeating that it is four years since the increase in employers' contribution rate was first proposed. It is my belief that the ordinary man and woman in the street just want the States to get on with the process of safeguarding the future sustainability of their –
210 *their* – old age pension fund. This move is one important step in the right direction.

So sir, returning to the Report, funnily enough, I am going to make another reference to 2009. We are recommending an 11% increase in the upper earnings limit, or income limit for employed, self-employed and non-employed people. This proposal sees through, and is in accordance with, the 2009 States Resolution to establish parity between the employers' and employees' upper
215 earnings limits, over a five-year period, and this is the final step. My Board is not intending to

bring proposals for any further extension of this limit, now that the equalisation process is complete.

Sir, before I move on to the modernisation section of the Report, I think it is only right and proper to say a few words on the savings opportunities being pursued by the Department.

220 One of our business transformation projects to improve management of incapacity claims was completed earlier this year, and resulted in the savings of over £½ million from the General Revenue budget. This is a recurring saving.

The Department also accepted in mid-2013 a revised General Revenue FTP savings target set by Policy Council and the figure of £1.5 million appeared in the Budget Report.

225 I want to emphasise right here this is regarded as what is called by the FTP team and their advisers as a 'stretch target'. It is new terminology to me, but it is a stretch target, so that, in other words, it is possible, but very challenging, given the FTP timetable. My Board is fully resolved to trace this stretch target through other transformation projects, but not through benefit cuts.

230 Now sir, let us turn to Part V of the Report which deals with the further modernisation of the Supplementary Benefits system.

Just to recap on a bit of history, in July 2011 the States considered a joint Green Paper from the Social Security and Housing which set out the principles behind aligning the two benefits schemes. Supplementary benefit and the rent rebates for social housing tenants. In March 2012, the States debated a detailed report on the modernisation of the Supplementary Benefit Scheme, including proposals for improved work incentivisation and closure of the Rent Rebate Scheme.

235 The States approved all the work incentivisation proposals, and I am pleased to report today that the Department is now well under way with their implementation. Over the next 12 months, this will enable SSD to further extend and improve the excellent work already being achieved in that area of welfare reform.

240 But looking back, I think it is now clear that it was largely uncertainty surrounding the overall estimated cost of the March 2012 proposals, combined with their presentation at a time of severe financial restraint, and probably, let us be honest, a looming election a month later, which resulted in key elements of that reform being lost.

245 Now, we have all been part of the switchover in Department and Committee membership since March 2012, but my Board was fortunate enough to pick up and progress the substantial amount of work undertaken by the previous Board to come to the States in March 2012.

Those of us that debated the 2011 and 2012 modernisation reports will already be well aware of the complex nature of Supplementary Benefit and rent rebate and the interaction between them. For others, discussion about these two benefit systems may be new, but hopefully those of you who took advantage of the recent drop-in sessions for States Members will be informed entering into the debate. For example, those who attended will now know that there is already provision within the Supplementary Benefit Law for the political Board to vary the rate payable on a case by case basis, even above the benefit limitation, if hardship and need can be clearly shown. You can see already that this provision will be useful during a transition phase.

255 One of the key drivers of this modernisation is a desire to reduce the potential for inequality of treatment between low income households living in social housing and those living in private rental sector.

260 It cannot be fair that, by having two benefit systems, the level of financial assistance given is dependent on which type of house you live in. For example, a person living in social housing is currently expected to pay no more than 25% of their household income in rent. There is no similar guarantee for people on low incomes living in the private rental sector. Indeed, it is not difficult to find examples where people have to commit well over 50% of their limited income for rent.

265 I believe the equality principle is now well accepted, but the Board recognise that there is widespread concern about the cost of welfare escalating in the reformed system. For this reason, the previous Board recommended the introduction of a series of maximum rent allowances based on social housing rental charges. Two of these maximum rental allowances for single people and for people living in shared accommodation were introduced through last year's benefit uprating report. I am very pleased to report that we have seen no change in landlord behaviour in respect of these two groups.

270 We are proposing the introduction of the remaining maximum rent allowances for various sized family groups.

The question that remains is where to draw the financial line in order to achieve a single benefit system that is fair to all and administered by one Department.

275 Now, sir, and I hope they do not mind me saying so, but my Board is an eclectic bunch of people. Let us just take a look at them to check out that statement. (*Laughter*) We have got a banker: she is not a multi-millionaire, but she is a Cub Scout leader. We have got a criminal,

criminal – (*Laughter*) We have got a criminal defence lawyer (*Laughter*) – apologies, sir, you have to be very careful on the timing of the delivery of that one.

280 **Deputy Bebb:** I am sorry, would Deputy Langlois like to clarify what the difference is between a criminal and a criminal lawyer? (*Laughter and interjections*)

Deputy Langlois: We have got a professional politician, with a random access memory that makes a datapath store look limited. (*Laughter*) Our Deputy Minister is a nurse, who earned a gong for union leadership. So I am sorry, Deputy Jones, for becoming president of a professional association. And in the Chair is a *Guernsey Press* editorial accredited management guru. Now, if that bunch can agree on something, surely pragmatic compromise by this Assembly is also possible today.

285 We are strong minded individuals with firm views, so I can assure you that in the lead up to this, there has been plenty of debate in arriving at the proposals in front of you today, and I make no apology for these proposals which, put simply, represent an unashamed compromise.

I have no doubt in the coming hours that we will hear some very impassioned pleas. However, political passion is often the enemy of real progress and pragmatism. Also sir, political passion does not make pound notes grow on trees, so let us stay grounded as we discuss the realities today.

290 We have now had sight of Professor Wood’s annual Independent Fiscal Policy Review for Guernsey and, in particular, his statement about the increase in social security expenditure effectively offsetting the progress made in restraining revenue expenditure. I quote his comment from the conclusion of his Report:

300 ‘Although this may be driven principally by the aging population, the States should nevertheless be aware that the cost of providing income support type benefits can rise significantly beyond expectations, as it has in many developed economies.’

Further, Professor Wood goes on to say that many of these countries:

305 ‘are facing substantial current or future budgetary problems as a [direct] result of the growth in such expenditures.’

In the light of this, my Board is even more resolute in its thinking that, at this time of fiscal restraint, the compromise approach is the right one.

310 Sir, this would seem a good point at which to focus attention on the costs of both benefit systems.

In 2012, the Supplementary Benefit Scheme cost £19.77 million. The Rent Rebate Scheme cost £11.78 million. So in total, £31.55 million. The proposals in this Report, which I am constantly referring to as the compromise approach, if accepted, will increase the annual cost by about £3.75 million. But be absolutely clear about this, the £3.75 million cannot be new money. It can be financed only from redistributing other benefits – universal benefits – from those who do not need the benefit to those who do. But two things should be noted about that redistribution. Only a certain amount of money is available to redistribute, and secondly, there is no point in redistributing if we simply transfer need from one group to another.

315 Sir, before I move on, I must make reference to ‘measures of poverty’ and explain that we have undertaken detailed work in researching various different measures and indicators, but we are not proposing a formula which links and indexes benefit rates to any particular measure, as my Board believes that it would be wrong to tie the States to, for example, an MIS benchmark or any single measure of poverty. Neither would it be right to exclude all other measures which might helpfully inform the Department’s annual benefit and rate contribution uprating proposals each year. We are not confident that one measure is superior to another, as each has its own merits and each has its own limitations.

320 Taking all things into account on this occasion, we are proposing rates which reflect and relate to 60% of the OECD measure for relative poverty, and that is the Guernsey median household income.

330 Sir, this bit brings me on to the financial projections in the Report. At this point, I must congratulate the Policy Council’s Policy and Research Unit for the extensive modelling and analysis it has undertaken on a huge set of data, compiled in the run up to the 2012 debate and added to since then. Thanks also go to the Housing staff team and the Social Security staff team for establishing the data base. It was very unfortunate that the March 2012 debate could not benefit from the refined modelling and analysis, but I am pleased to say, this time we can.

Analysis of the type undertaken is extremely complex, and requires an in-depth understanding of the principles involved and, more particularly of the behavioural assumptions that underlie it.

340 You will be relieved and delighted to know I have got no intention of attempting a lecture on behavioural economics at this stage.

345 However, what I think is worth sharing is some research from the International Social Security Association, of which we are a member. This showed that the take up, for example, of Luxembourg's income support benefit was by only 65% of those who appeared to be eligible. Why 65%? Who knows? That is what happens, that is the proof of the pudding. The point I am making is that although the assumptions used in the modelling will be well informed, there are limits to what predictions can be made about people's behaviour when benefits rules change.

350 The Policy and Research Unit are confident that their final estimate will work within a tolerance of plus or minus 10%. The tolerance takes into account the fact that despite the level of forensic and detailed methodology the approach can only ever provide estimates. Given the complexity of the task, I think a margin of plus or minus 10% is acceptable.

355 But, sir, we are entered into a debate today on a complex issue and I will not be surprised at all if this modelling is questioned or doubt is cast on it. We have to place trust in the work that has been done. I feel obliged therefore to stress now that my Board and I believe Deputy Jones' Board are confident in the detailed underlying analysis that has been undertaken, and therefore the cost estimates produced. I would be extremely surprised if others were to cast too much doubt on the work produced by the Policy and Research Unit.

360 Sir, this brings us to the question of how the proposals for the modernised scheme will be funded, which I have touched on but not gone into detail. We are proposing that T&R and SSD will be directed to examine the options for funding the new costs as part of the Personal Tax, Pensions and Benefits Review, the PTR. What we have said in the Report is that we expect the funding to come from the re-distribution of some universal benefits.

365 Now, going into one more level of detail, this means that we will be fishing in a pool of £10.5 million – which is one very important reason why we are restricting our proposals to an annual cost of less than £4 million. I repeat, what this means is that both T&R and SSD would look to fund the additional welfare cost from the envelope of existing universal benefits. Finding £3.75 million out of a pool of £10.5 million without simply transferring hardship will be quite a hard task, but we are confident that at that level, it can be achieved.

370 In the lead up to today's debate much has been made of the lack of detail in the Report about the transition arrangements for social housing tenants and the rationale for the proposed benefits rates, not least from the Housing Department itself. I would draw your attention to the letter of support from Housing – yes, the letter of *support*. This very detailed letter sets out all of the Housing Department's reservations exactly, but despite those reservations, it also explains why it is reluctantly providing its support.

375 I do not propose to address every comment in the letter, but I would like to draw your attention to the penultimate paragraph on page 1947, which points out that the proposals do transfer social housing tenants to Supplementary Benefit, 'a valuable initiative in itself'. So despite the Housing Department's reservations, it still acknowledges the value of transferring social housing tenants to Supplementary Benefit and ending the Rent Rebate Scheme.

380 Has a major opportunity to truly modernise the Supplementary Benefit Scheme been lost? Well, if that means a full blown income support scheme, based on rates set by reference to Minimum Income Standards alone, and introduced on a big bang basis, rather than an incremental move, then perhaps some will think so.

385 My Board has taken the view that the proposals in front of you today are just the vital next step in furthering the modernisation process, and yes, of course I agree that we need more detail in the transitional arrangements, but only once the decision in principle has been made.

390 We support the Housing Department's plans to put into place transitional protection for up to five years, for those social housing tenants most adversely affected by the bringing together of the two benefit systems, but it is my belief that there will be adequate time for the Housing Department and T&R to work out the specific detail of these transitional arrangements, because, as this Report makes it very clear, nothing changes until 2015, and only after the source of the funding has been identified.

395 This is a good point at which to explain that there is already provision within the Supplementary Benefit Scheme which allows the rate payable in a particular case to be varied upwards or downwards even beyond the benefit limitation. This can be done on a discretionary basis if the political board believes that it is the right thing to do, taking all individuals circumstances into account. It is extremely rare for this provision to be used, but Members should take some comfort from the fact that the Department can have regard to this built-in protection, while we make the transition to just one benefit system.

400 As I said a few minutes ago, put simply, these proposals represent an unashamed compromise – a compromise between the needs of low income families and households, and all the needs of all taxpayers.

405 So you will be pleased to know I am nearing the end of the introduction, but I know that the Assembly will want me to explain why the further modernisation of the Supplementary Benefit Scheme requires additional staffing resource, which is estimated to be about just under £300,000 per annum, from year 2 onwards.

410 The closure of the Rent Rebate Scheme and lifting of the benefit limitation will bring in about 1,000 new customers to SSD. These customers will be expected to comply with the rigorous checks and balances of our means testing system. In addition, these new customers will also be obliged to comply with our work incentivisation workstreams – for example, through attending regular work-focused meetings for the primary claimant, and for any partner who is considered fit enough and able to work.

Please do not underestimate the level of detailed assessment which is carried out to determine and monitor entitlements. In Social Security, it is equally important to ensure that public money is not mis-spent and to ensure that those entitled to benefits and in real need receive that entitlement.

415 Those of you who took advantage of the recent drop-in sessions will already have a feel for how busy the Supplementary Benefit team is. But we are not being complacent, and we appointed a business analyst last year to look at all the existing business processes connected with the scheme. It is a three-year project which highlights the complexity involved, but has already identified a number of efficiency opportunities which are now being progressed.

420 It would be logical to assume that a more simplified form of means test – what is often referred to as a light touch – would reduce the staff resource required. This is true, but I have to urge caution on this. A light touch approach sounds very attractive, but it would surely lead to increased formula-led expenditure, as Professor Wood has flagged. Put at its most basic level, we would end up always providing top-ups when people's income goes down, but not always adjusting downwards when people's incomes go up. I would also urge caution around modifying downwards the staffing requirements. If the Supplementary Benefit team is not appropriately resourced, we know from past experience, that too much time is spent solely on taking claims and paying benefits, and too little time is spent on working with individuals to get them back to work. These new staffing costs should therefore be seen as an invest-to-save initiative.

430 So sir, these are our proposals. As I have said a number of times, in terms of cost, an unashamed compromise. It represents the best of pragmatic politics, but remember, if the Assembly approves these proposals today, nothing is going to happen until the source of funding has been identified. This will be done working in conjunction with the PTR. The Social Security Department will then return to the States with detailed funding proposals.

435 I ask Members to approve these proposals today, so that we can get on with that large and essential piece of work.

The Bailiff: Well, Members, you will be aware that seven amendments have been circulated. I have had some discussion as to what order they should be taken in. I understand that the amendment proposed by Deputy Le Lièvre and seconded by Deputy Sillars would not be laid if the Deputy Jones amendments are successful. That is not to say Deputy Le Lièvre supports the Deputy Jones amendments but, as I understand it, (*Laughter*) he would not lay his amendment if those amendments are successful.

445 Is that correct Deputy Le Lièvre?

Deputy Le Lièvre: That is correct, sir, and thank you for pointing out that I am not necessarily going to support Housing's amendment.

The Bailiff: We will wait and see what you say on that.

450 In the light of that, I suggest that we take the amendments proposed by Deputy Jones, seconded by Deputy Hadley, first; and the first three of those amendments be debated together, because amendment number 4 would only be laid if 1, 2 and 3 are successful.

Deputy Jones.

455 So, what we are now debating are the amendments – numbers 1, 2 and 3 – proposed by Deputy Jones, seconded by Deputy Hadley.

Deputy Jones.

Amendment No. 1

460 To delete Proposition 29 and to substitute the amount of “£650” for “£600” in Proposition 28 (d).

Amendment No. 2

To delete Proposition 28 (c) and substitute therefor:

465 “(i) Supplementary Benefit rates be increased as proposed in the two tables annexed to this Proposition under the columns headed “Housing’s proposed rates” (with rates for future years being inflated annually by RPI); and

(ii) to note that the estimated additional expenditure of these increases is £6.58 million.

Tables annexed to Proposition 28(c)

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Short term rates (to apply for the first 12 months of a claim)

	<i>Current rates*</i>	<i>SSD’s proposed rates</i>	<i>Housing’s proposed rates (61% of MIS)</i>	<i>Difference between Housing’s rates and... Current rates SSDD’s proposed rates</i>	
<i>Single adult</i>	132.86	136.36	149.51	16.65	13.15
<i>Couple</i>	191.31	196.34	242.21	50.90	45.87
<i>Non-householder couple</i>	N/A	137.55	186.50	N/A	48.95
<i>Non-householder (18+)</i>	101.15	101.82	115.12	13.97	13.30
<i>Non-householder (16 – 17)</i>	68.81	101.82	115.12	46.31	13.30
<i>Child (18+)</i>	101.15	101.82	115.12	13.97	13.30
<i>Child (16 – 17)</i>	85.89	61.24	70.64	(15.25)	9.40

Long term rates (after 12 months of a claim)

	<i>Current rates*</i>	<i>SSD’s proposed rates</i>	<i>Housing’s proposed rates (70% of MIS)</i>	<i>Difference between Housing’s rates and... Current rates SSDD’s proposed rates</i>	
<i>Single adult</i>	163.31	167.61	171.57	8.26	3.96
<i>Couple</i>	236.04	242.25	277.95	41.91	35.70
<i>Non-householder couple</i>	N/A	169.71	214.02	N/A	44.31
<i>Non-householder (18+)</i>	126.77	127.60	132.11	5.34	4.51
<i>Non-householder (16 – 17)</i>	68.81	127.60	132.11	63.30	4.51
<i>Child (18+)</i>	126.77	127.60	132.11	5.34	4.51
<i>Child (16 – 17)</i>	107.38	76.56	70.64	(36.74)	5.92
<i>Child (12 – 15)</i>	66.43	50.55	70.64	4.21	20.09
<i>Child (5 -11)</i>	48.16	50.55	52.72	4.56	2.17
<i>Child (0 – 4)</i>	35.49	50.55	52.72	17.23	2.17

475 *NB: For reasons not explained in the States Report, SSD has chosen to use the same dependant rate for 0-4, 5-11 and 12-15 year olds; this is contrary to the benefit tables that were prepared, on SSD’s behalf, by the Policy and Research Unit, which have a different, higher rate for 12-15 year olds. The benefit rates proposed by the Housing Department use this higher rate.”.*

480 *Amendment No. 3*

To insert two new propositions 33A and 33B:

485 ‘33A. That the Social Security Department be directed to undertake a periodic Minimum Income Study along the lines of that described in paragraphs 428-431 of this report, each Study to be undertaken at intervals of no longer than 5 years apart.’

'33B. That the findings of each future Minimum Income Study be used by the Social Security Department to recommend to the States the appropriate benchmark(s) for setting Supplementary Benefit requirement/income support rates for the 5 years thereafter.'

490 **Deputy David Jones:** Thank you, Mr Bailiff, Members of the States.

Just to take a point that the Minister of SSD made, 'A valuable initiative in itself', says the last paragraph of our letter. We would add to that, of course, 'Yes, if it is done properly'.

I rise to speak to the three amendments from myself, and Deputy Hadley, regarding the so-called modernisation of the Supplementary Benefit. Each of which have been previously
495 circulated, but I, of course, reserve my right to speak, in general debate, on the rest of this Report.

Now, Social Security would have you believe that this debate, this vote, is all about closing down the Rent Rebate Scheme, so that families in social housing and families in private rental accommodation are treated equally. Well, I am afraid to say that is absolute rubbish. This is about much more than that.

500 What is this debate really about? Well, this debate is about how Guernsey looks after its people or, in truth, the poorest in its community. It is about what we, as a Government, are prepared to do for the men, women and children on this Island who, through no fault of their own, are struggling to make ends meet on a weekly, and sometimes daily, basis.

This debate is about the rising cost of food and fuel, rent and healthcare, and what happens
505 when more and more households have to go without. It is about the thousands of pensioners who have paid into the system all of their lives but are still left with too little to keep themselves warm, and pay their doctor's bills or look after their homes.

It is about parents who work two jobs and get paid the minimum wage, and still struggle to provide for their children. This debate is about your son or your daughter being the only one not
510 going on a school trip because you simply cannot afford it. It is about having to send your child to school with a half empty lunchbox because there is no food left in the cupboard by Wednesday, when the money ran out. It is about squeezing your child's feet into shoes that are too small because after paying the rent and eating there is simply nothing left.

It is about getting into debt, not because you live extravagantly, because your wages simply do
515 not stretch to the end of the month; and it is about having to make half a bucket of coal last the rest of the week and, for the elderly in particular, being afraid to heat their homes. Well, nobody in the Island should be afraid to live, in my view.

This debate is also about being told by the general public to get off your backside and go to work when by far the majority of people on benefits are either pensioners or working families
520 earning a pittance, having to rely on top-up on their incomes.

It is about being marginalised and ignored; it is about taking on extra jobs and making sacrifices and doing without, and still being made to feel ashamed because you cannot afford to put the heating on or get someone in to repair the washing machine or even take your kids on a
525 day out. In fact, many of the things which the rest of us in this Chamber simply take for granted on a daily basis.

It is about the feeling of isolation that kills your confidence and keeps you confined to the margins; and this debate is about being poor in an affluent Island. It is about being almost
530 invisible, which suits some of the people just fine because it means that their consciences are not troubled when sweeping and incorrect generalisations are made about people on benefits and the poor.

Most of all, this debate is about the Social Security Department treating all of the above – the pensioners, the struggling parents, the hard-working families – with disdain, in my view, by offering up these half-baked, ill thought out proposals.

535 When you reach the end of Social Security's Report on the modernisation of the welfare system, you could be forgiven for thinking that the only problem that needs fixing is one of equality, or inequality rather; or the fact that some people in social housing get too big a rebate and some people in the private rental sector do not get enough Supplementary Benefit.

You would be forgiven for thinking that all Social Security wanted to do was somehow fix some of the inequalities within the system. But I ask you to think back to 2012, when the States
540 last discussed the Island's welfare system. Back then Social Security was arguing for a complete overhaul of the way the benefit rates were set. They were arguing for a Minimum Income Standard and for an income guarantee that would apply to all households. They were brave enough to make bold, progressive, compassionate proposals because they felt strongly that we could not go on ignoring the needs of the poorest in our community. But, of course, that was at a different time and
545 with a much braver Board, now 18 months later, Social Security have rewritten history so that the

modernisation of Guernsey's welfare system was only ever about shutting down the rebate scheme.

550 The lack of ambition, in my view, is shocking; it is not what I, or the Housing Board, signed up to. The lack of consideration for the Island's poorest families is even worse; and for them and their children it is always 'jam tomorrow'.

It is important to say that the Deputies who make up the Social Security Board are all decent hard-working Deputies, but on this issue they are just plain wrong.

555 I say again, this Report is Social Security's attempt, ahead of a debate on tax and benefit, to hoodwink you into believing that welfare reform is about nothing more than social housing tenants versus private sector rental tenants. It is almost as if they want to distract you and the rest of us from the bigger picture. They want to avoid having to answer difficult questions like: how should we set the benefit rate; and how much does it cost to fund the socially inclusive standard of living in Guernsey? They know the benefit system is complicated and technical, and shamefully, in my view, they hide behind that complexity. They also know that most of you do not understand it

560 either and the SSD are relying on that to railroad these proposals through today. Their Report is heavy on words but awfully light on detail; and to make their arguments work for them, they rely on you not asking too many difficult questions. If you subject half the arguments to close scrutiny in this Report, they will simply fall apart. I know that because when people like Deputy Le Lièvre – who does understand the system, given that he designed most of it

565 – rings me at home, causing me to hold the phone several feet from my head... (*Laughter*) Well, I will not say too much about that conversation, but it was basically a call that went along the lines of a plague on both your houses you incompetent bunch, but (**A Member:** Hear, hear.) I will say no more about that conversation. All I can say is that you will probably be hearing from Deputy Le Lièvre a little later on in this debate. He does not agree that Housing should support this Report at

570 all but, as I will explain later, we believe that, of course, Deputy Le Lièvre's amendment is really akin to a *sursis*.

So although my Board are unhappy about the level of benefits, put forward by SSD, it will help no-one if neither ours nor SSD's proposals go forward, as at least they will help those who need the help now.

575 You could argue that, if all of this is thrown out, then the rebate scheme will continue to help our tenants, so what is the problem? Well, as I tried to get across several times, this is not just about helping people in the social rental housing; this is about helping those in the private rental sector as well; and if some version of the proposals does not go ahead, they will continue to get no help at all, which I think is the point that the Social Security Minister made, and one of which we

580 agree with.

You know what, the low income families on this Island deserve better. That is why the Housing Department is placing a set of amendments which, if approved, would truly modernise the Island's welfare system, and crucially improve the lives of thousands of Islanders.

585 I know what you are thinking, 'Well, didn't Housing originally support SSD's proposals? So what has changed?' Well, it is true that we did support SSD's proposals, but with great reluctance; and after much soul searching we made our support conditional upon SSD appending to the Report our letter of comment, hoping that the criticisms we made in that letter would alert others to the Report's flaws, and to make SSD think again. Not a chance! SSD just ploughed on regardless, attempting unsuccessfully to counter some of our arguments by making last minute changes to the

590 Report before it was finally submitted.

So, when the Policy Council indicated that SSD's Report could serve as a trigger to a wider debate about the role of the benefit system and of the level of benefit rates, in particular, we felt we both had a duty and a green light to put forward an alternative set of proposals. After all, we cannot have a debate without an opposing view; although I am sure SSD would prefer it to be

595 otherwise.

With our amendments, we are seeking to introduce Supplementary Benefits rates that are linked to the Minimum Income Study, not just from 2015 but as a matter of policy in the future. Something, you will find precious little of in this Report. We are also seeking to increase the benefit limitation to £650 in January 2015, which will be a year earlier than SSD's proposal.

600 My Deputy Minister, Deputy Hadley, will talk in more detail about the Minimum Income Study, and Deputy Le Pelley will explain why the £650 benefit limitation should be brought forward. I suspect that Deputy Langlois will express complete surprise that I am objecting to Social Security's proposals when, according to the calculations, they will see a majority of social housing tenants better off than they are now. But this is about the low income population as a

605 whole, not just people living in social housing and we have to keep coming back to that. This is

about people in the private rental sector as well, who get very little help and who, as we agree with Deputy Langlois, pay in excess, some of them, of 50% of their incomes in rent.

I will not be pigeonholed as someone who cares only about how low income families survive if they happen to live in a States house. Of course, I want to ensure that our tenants are not unfairly treated and, yes, of course, I would rather they be better off than worse off; but, as I have said time and time again, this whole debate is about much more than social housing tenants.

This debate is about how all low income families across the Island... and I do not want anybody to kid you otherwise. In any case, if this debate truly is about helping the poorest in our community and not just paying more lip service to the poverty issue, then Housing's amendments would see more social housing tenants and more private sector tenants get the help they need.

Our amendments would also do what Social Security appears unwilling, or unable, or even afraid to do, and that is link benefit rates to a Minimum Income Standard. Social Security have essentially said it is too difficult to come up with a way of setting benefit rates, so we will just chuck that in the 'too hard' tray and go back to the old method of sticking our finger in the air and just choosing some figures. Just look at these figures: a reduction in the amount of benefit paid to secondary school age children, with other benefit rates being tweaked by a few quid either way.

How can Social Security possibly justify any of this? Well, the simple answer is they cannot. Okay, so they appear to suggest that they might use 60% of median household income as a benchmark; but they are very careful elsewhere in the Report to point out that none of their rates guarantee that households will reach that level; and when it comes to setting rates for future years, who knows, my guess is it will probably be just another finger in the air job.

What is worse, I can tell the Assembly that, right from the start of this most recent review, Social Security decided on the amount of extra money that it was prepared to spend on changing the system and then worked backwards from that figure; and reverse engineering benefit rates is even worse, in my view, than plucking figures out of the air. So much for evidence-based policy making.

By contrast, as Deputy Hadley will explain in more detail, Housing's amendment calls for benefit rates to be linked to the Minimum Income Study where focus groups, made up of local families, decided what they needed to be able to afford... if they were to attain a modest socially inclusive standard of living. In 2012, the former Social Security Board – including, in those days, Deputy Le Lièvre – endorsed the use of the Minimum Income Study to set benefit rates. The new Social Security Board have dismissed the Minimum Income Study, but they have not explained precisely why it is so unsuitable. We will have that to look forward to, I hope, in the summing up, because all our efforts, so far, to draw out their objections have been unsuccessful.

So, in the absence of any reasoned explanation why the Minimum Income Study is flawed, Housing remains convinced that it represents a transparent, credible, repeatable method of setting benefit rates. Yes, by doing so, our proposals cost more than SSD's but sometimes, people, it costs money to do the right thing to those who deserve it most.

Using the Minimum Income Study leads to higher rates and therefore does more to help low income families make ends meet, which I thought was the whole point of having the study in the first place. In particular, our rates would do more to assist working families than Social Security's and that is not empty rhetoric, it is objectively true. Our rates would enable more working families, who are trapped outside the Supplementary Benefit system, to get a top-up on their earnings and so, in summary, people are struggling and the cost of living is only going up.

The welfare system has not been properly looked at in 40 years and, despite what Social Security would have you believe, this Report does not change that. As I keep pointing out, the Supplementary Benefit rates are simply a finger in the air job and SSD's new ones would be no better; and keep in mind, when you consider our amendments, that this is not just about social housing tenants; I will repeat it again, it is about *all* low income families right across the Island, regardless of what roof they live under.

This Government needs to be assured that the Supplementary Benefit rates are high enough to help people attain a standard of living where at least they can pay their rent, eat properly and heat their homes. Social Security cannot and will not give you that assurance. We can and we will, and we owe it to Islanders to do so.

I urge you to support all three amendments. Thank you, sir.

The Bailiff: Deputy Hadley, do you formally second the three amendments?

Deputy Hadley: Yes, sir... [*Inaudible*]

The Bailiff: Deputy Gollop.

Deputy Gollop: Sir, specifically on the first amendment, there are some technical points. Members are aware that I am, in fact, a Member of the Social Security Department and this amendment is not about the amount of the proposed increase in the Supplementary Benefit limitation, but how and when we get there.

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I will, if I may, take a few minutes to explain what we mean by ‘benefit limitation’ and to show how it works in practice.

The benefit limitation is the maximum amount of income that a household can have from all sources, including earnings and benefit. In that respect, it is a bit misleadingly named. Broadly, the Supplementary Benefit calculation is made up of two parts: a requirement rate – what you require to live in your daily life to cover day-to-day living costs for each dependent person in the household – that might include food, transport, whatever; and a rent allowance payable to both private and social sector tenants, which is intended to cover housing costs.

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I presume the difference was made a few years ago, because landlords could raise rates according to a market well above the normal RPIX... The value of requirement rates, plus any rent allowance, adds up to the total weekly need of the household. Any income from earnings or other sources – gifts, extra part-time jobs, whatever – is then taken into account in order to reduce the amount of benefit payable; in other words we are safeguarding, in a way, taxpayers from funding people who do not necessarily need it.

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Once all the income has been accounted for, any remaining difference between a household’s resources and its total weekly need should be made up by Supplementary Benefit; to be renamed income support. But no Supplementary Benefit household can have total household income greater than the benefit limitation; so, for families whose total weekly need exceeds the benefit limitation, the amount of benefit they can receive is capped by that limitation.

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So, we can see that to call this a benefit limitation is somewhat of a misnomer, as it actually applies to a person’s *total* household income, not just benefits. In other words, not just the maximum amount payable in Supplementary Benefit. It would be more accurate to call the benefit limitation an *income* limitation. It means that the total amount of household *income* the person can have is capped in order to keep it within the limit which we, the States collectively, set each and every year.

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In this Report, me and my fellow Members of the Social Security Department are asking you, the States, to increase this limit incrementally over two years – *over two years* – to £650, with effect from 1st January 2016. Currently, the benefit limitation affects approximately 23 Supplementary Benefit households, forcing them to absorb a shortfall in their weekly income, ranging from anything between £3 and £168 per week.

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Secondly, and most importantly, there is an insidious myth on this Island that hundreds of people are receiving £500 per week in benefits and that is simply not true. Only five of the 2,410 households currently claiming Supplementary Benefit receive a payment equal to the benefit limitation, and this is due to their *exceptional* need.

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Both Social Security and Housing agree that the system is far from perfect. If we close the Rent Rebate Scheme – and I hope we will today – and do nothing at all with the benefit limitation then, under existing benefit rates, approximately 331 benefit claimants will be impacted by the current £500 benefit limitation. But these families, no matter how great their real need, their total household income would be capped, and the amount of Supplementary Benefit, which would otherwise be payable, would be reduced. A further 92 households – 65 of which are living in social housing – would be prevented under the rules – and it is difficult to show discretion with these rules – would be prevented from claiming Supplementary Benefit due to the impact of the benefit limitation. These households are excluded from claiming benefit because their income exceeds the benefit limitation, even though it may still be insufficient to meet their minimum needs, based on the requirement rate set by the States.

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Closing down the Rent Rebate Scheme, without raising the benefit limitation and increasing benefit rates and introducing maximum rent allowances, would leave the majority of social housing tenants worse off – some by as much as over £150 per week. In that sense, I think we have got common ground with the Housing Department, and other progressive Members. But all this begs the question, why have a benefit limitation at all? We, on Social Security, believe that an uncapped benefit system, even with maximum allowances for rent, is politically and publicly unacceptable, especially, perhaps, at this time. By having a cap on benefits, we believe that it gives the States and the public some assurance that we have some control on benefit expenditure.

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Both the Social Security and Housing Departments agree that the new benefit limitation should be £650. That is clear from the letter of comment and, at the end of the day, it has been a political judgement, on our part, that this should increase incrementally over two years and, on Housing’s part, that it should increase in one year. Increasing the benefit limitation is just one part of the

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730 package of modernisation measures that we are proposing, including raising benefit rates and introducing maximum rent allowances. These proposals are designed to mitigate the effects of closing the Rent Rebate Schemes for social housing tenants.

If the benefit limitation is increased to £650, which is Social Security's aspiration, then approximately 20 households, living in both the private and the social public sector, will be affected by the benefit limitation; with less than 10 households actually being prevented from claiming benefit, due to the benefit limitation. Although the benefit limitation will remain in place, 735 and inevitably some lower income households would continue to be paid less than they need, the financial modelling has shown that moving the limitation to £650 will almost eradicate the impact of the benefit limitation on most Supplementary Benefit households.

Under *our* proposals, if the benefit limitation is increased to £600 it would have an impact on a total of 85 households, living in both social housing and the private sector – a difference of 740 approximately 62; whereas, if the benefit limitation was raised quickly to £650, it will impact on just 23 households.

Under Social Security's proposals, the cost of increasing the benefit limitation to £600 in 2015 is £3.75 million, and from £600 to £650 in 2016 is £3.85 million. So, if we were to jump straight to increasing it to £650 in 2015, we are talking about a difference in cost of about £100,000.

745 Under Housing's proposed benefit rates, the cost of increasing the benefit limitation to £600 in 2015 is £6.26 million, that is if Deputy Jones' amendment is passed; and increasing it to £650 in 2016 will be £6.58 million, getting close, in other words, to perhaps £6.75 million – a significant increase. So, if we were to adopt Housing's proposed rates and jumped to a benefit limitation of £650 in one go from the year after next, 2015, we would be talking about a difference in cost of 750 £320,000, as distinct from £100,000, under the core proposals.

Social Security is recommending a two-year incremental increase, as we believe it is prudent to take a more cautious approach than making a substantial increase in one move, especially since there will be an opportunity to compensate tenants through other transitional arrangements.

755 Sir, given that we are only talking about a difference in cost of £100,000 between increasing the benefit limitation to £600 and £650, we can work with either of the two options presented before the House today, to increase the benefit limitation to £650 incrementally over two years, as proposed in our modernisation Report, or to increase it to £650 in one year, as proposed by Deputy Jones.

Well, that is really our official position. (*Laughter*)

760 I am, personally, undecided as to whether to support the amendment about raising from £600 to £650 in one go, or to abstain. I do actually support the Board's philosophy, in that I think we will be sending out a difficult message to the States, to the wider public, who are both benefit claimant and taxpayers – net contributors; because, rightly or wrongly, we are influenced by the UK political scene, by the rhetoric that we hear on television... through the media, through the 765 newspapers, despite some of them getting more expensive.

All of those factors lead to the public in Guernsey believing that there is a massive benefits culture. I do not believe that culture exists. Generally speaking, the Social Security targets real need and statistics show that we have about the lowest unemployment and most effective way of dealing with it in the world; and we should not play to media stereotypes. (**A Member:** Hear, 770 hear.)

That said, it would seem a curious thing, at a time of the FTP, at a time of austerity, like the decisions that were made yesterday, to go for broke and to significantly rise... which would send, perhaps a curious message. So I actually can see the wisdom of an incremental approach, perhaps, as the Disabled People's Champion, for people to benefit might be a goal.

775 I would actually, though, question significantly some of the points Deputy Jones has made. We know that they were probably fundamentally more supportive of the Dorey report, I will say, that was brought at the end of the last States. It did not make the grade, in terms of complete victory. There was an election and significant changes to the membership of this House and the Boards, and out of this maelstrom has come a new working relationship.

780 Deputy Jones implied Deputy Langlois does not respect alternative views, or Social Security does not want the alternative views; well, actually, as the Minister has implied, we get eclectic views every Board meeting; and where we are today is a hard-won compromise between different political traditions and objectives; and we understood – and Deputy Hadley attended many of our meetings – that Housing were broadly on track with the thrust of these proposals and, therefore, 785 that is the context in which we shaped the Report, in a rapid approach.

There is, of course, another aspect to this. That if we blindly adopted the more generous housing provisions – which I can easily support; I mean philosophically I have already said many times this year that we need, to some degree, a larger public sector; we need, in some way, to

790 increase our revenue as a State, in one form of taxation or charge and/or growing the economy in such a way that that facilitates progress. But what I do not think we can do is to go overnight from £4 million to perhaps nearly £7 million without *any* clear pathway as to finding this money. We already committed ourselves to maximising the PEH hospital, and all sorts of other things, in a capital debate that, in some ways, lacked reality.

795 Where are we going to find this additional £3 million from? Deputy Langlois gave a complicated explanation of the small pool we are looking from. I do not know if I am on message or off message here but the only areas I can think of, apart from the TV licences, would be: restricting, means testing, or even eliminating family allowance for some or all people; raising prescription levels – is a good comment from the disability champion – from the current £3.20/£3.30 to England and Wales levels, which would take us to the £6/£7 mark. Another
800 intriguing option, apart from tackling the medical expenses, is to start saying will we have a £12 medical grant for GPs or the nurses grant?

Those are questions that will affect working families; affect people in dire need; affect people who are in that transitional category between, at the moment, requiring welfare and those who are struggling and making do; the very people who most of us came here to support from the last
805 election.

I think we do need a thorough review of pensions, tax reviews, and the nature of our tax base and charges; and I am working within that framework but we cannot today go even further. We are effectively saying to the poorer people of the Island, we are prepared to give you 10% more – £3 million to £4 million more than what you are getting. Can we really say that we just on a moment
810 today, take that up to £7 million, when we have so many other medical, social, infrastructural and other responsibilities?

So, as much as I would like to, I cannot support *all* of the progressive views that we will hear today and some of the views Deputy Jones and his Board have expressed and will continue to express.

815 **The Bailiff:** Deputy Brehaut.

Deputy Brehaut: Thank you, sir.

820 **Deputy Fallaize:** May I be *relevé*, please, sir?

The Bailiff: Yes, Deputy Fallaize may be *relevé*. He has been in the Chamber for a while. Deputy Brehaut.

825 **Deputy Brehaut:** Thank you, sir.

I just wanted to give, perhaps, the historical context with regard to historic housing policy that is relevant to the amendment and its discussion today.

I was a Member of the Housing Department for some time, some years ago, along with Deputy Gollop, Deputy Dorey, Deputy Jones and others. What used to happen in States houses was that
830 there was a system called a principal wage earner; and that principal wage earner would pay the rent. They would pay, in market terms, a relatively high rent. They would pay a standard rent. Then, when they left States accommodation, they would get the rent back; and, as we were instructed, I think, by the Deputy Bailiff at the time, Richard McMahon, they were also to get the interest on the rent that the Housing Department had had from them.

835 So, it was a sort of involuntary savings policy. If you wanted to stay in a States house you could. We take your rent but at any time you want to go then we kick start you into the private sector.

That was felt that that may not be the best model, so the model was moved to – and I am making an observation, but I am responsible because I was involved in the decisions around the
840 table... We decided to, effectively, arrive at a figure of approximately £40,000 and you would remain eligible for States housing. If you are a States manual worker, if you are a nurse or nursing assistant, then at the time I think it was the joint income of about £40,000, give or take. Of course that seems generous but it is not actually and people further were already indebted.

845 However, what the Housing Department decided to do was to implement this policy, whereby if you earned over a certain threshold then you would no longer be eligible; and at that time there were rent appeals panels. So, people were saying, 'Look, please do not evict us. Do not give us notice to quit. We are trying to pay my son's debt. We are trying to pay our own debts. We are struggling. We cannot make ends meet. Although our rent is low and we are high earners, we cannot survive in the private sector.' But we put them there. We put them there.

850 So, when Deputy Jones presents, respectfully, the demon Social Security Department and we
 have the guardian of the poor, in the form of the Housing Department, it is important to take an
 historic perspective. There is still this mechanism whereby, if people do earn over a certain
 amount, they fear, sometimes wrongly, that they will have to move out of their States
 accommodation. That does directly impact – and I have made this point several times – on HSSD
 855 and the States Works Department and other places, because people will not do overtime when it is
 there because they are worried that they may lose their accommodation. I only make that point,
 and I believe it to be true and fair and accurate, just to show that just in one aspect – just rent –
 how convoluted and how complex a rent payment can become.

860 So, that is why I will not be supporting this amendment and it is why – I am sorry to disappoint
 Deputy Langlois – why I want to get on to the Deputy Le Lièvre amendment and support that, sir.
 Thank you.

The Bailiff: Does anyone else wish to speak on these amendments? No?
 Oh wait, Deputy Hadley and then Deputy Green.

865 **Deputy Hadley:** [*Inaudible*] (*Laughter*) Oh.

I can see why some Members of this Assembly might be scratching their heads at all, at this
 time. Some Members may be thinking that, for all Housing's talk about the need to modernise the
 welfare system, all our amendment does say is pay Supplementary Benefit payments more than
 870 social housing... is surprising; how does that modernise the welfare system?

Indeed, Deputy Gollop has made the point that I did attend some of the meetings of the Board,
 and went along with them. Well, I would not say that that was particularly the case, Deputy
 Gollop. On a number of occasions, I did argue in favour of a different view but we could not
 persuade the Board to go along with us.

875 Anyway, I will explain that every benefits system has four key characteristics. The first relates
 to eligibility: who is allowed to claim; who do you keep out; who do you let in? The second relates
 to sanctions and penalties: when do you refuse or reduce benefit? The third relates to work
 incentivisation: training; back to work support; how do you help claimants to be more self
 sufficient and less dependent on benefits? I think that is an issue that Deputy Le Lièvre took up
 880 with me the very first time we met. The fourth relates to the benefit rates themselves: at what level
 should they be set?

On three of these four issues, Housing and Social Security are in agreement – total agreement.
 We agree with the Supplementary Benefit eligibility criteria, we agree with the circumstances
 when sanctions will be applied, and we are confident that SSD is committed to helping people
 885 back to work. In all these cases, we think that 18 months' work has paid off and Social Security
 have got it right.

Where we *fundamentally* disagree is on the benefit rates themselves and how they should be
 set. This is important for two reasons: one, it costs money; and, two, it affects people's lives.

890 The States is paying out tens of millions of pounds in rent rebates and Supplementary Benefits
 each year – £30 million-odd; that is a lot of money. The States and the general public must have
 confidence that the system has been properly thought out and that benefit rates have been set in a
 logical and rational way, and they have been properly researched and been subject to proper
 scrutiny; and, as Housing said in its letter of comment, the methodology used to set benefit rates
 must be robust, credible, transparent and repeatable, and I do not think anyone could argue with
 895 that.

The trouble is Social Security cannot decide on how to set rates, so they have made a best
 guess. Let's repeat that: they cannot decide, so they have guessed; or, as Deputy Langlois says,
 used their political judgement; or, as Deputy Jones has said five times now, a finger in the air job.

900 The Housing Department, on the other hand, is convinced there is a way to set benefit rates,
 and it involves using the results of the Minimum Income Study. The Minimum Income Study, or
 MIS – ticks all the right boxes: it is robust; it is credible; it has been transparent; it could be
 repeated as and when necessary; and it was discussed at great length by the Social Policy Group,
 when I sat on that Group.

905 What is the Minimum Income survey? Basically, it is a set of household budgets put together
 by local Guernsey men and women. It is not theoretical; it is the result of real Guernsey families
 drawing on life experience and deciding what they would need to get by, if times were hard. It is
 not meant to be extravagant. It is not extravagant or excessive; it is not about two cars and
 holidays abroad and eating out every night.

910 The methodology of the Minimum Income survey was developed by the Centre for Research in
 Social Policy at Loughborough University. In 2011, a team from Loughborough visited Guernsey,

at the invitation of the Social Security Department, and spoke to a number of carefully selected focus groups, made up of local men and women. The Housing Department paid for the research; a wonderful example of cross departmental co-operation.

915 The purpose of the exercise was to identify a minimum socially-acceptable standard of living on the Island, as defined by the people who live here. The focus groups decided that a minimum socially-accepted standard of living in Guernsey should include all the basics – food, clothing, shelter, but should also encourage social inclusion and, as Social Security say in their latest report, opportunities for exercising personal choice, responsible decision-making and participation in social and cultural life.

920 I think we should pause for a moment and celebrate that. Representatives of the people of Guernsey – not civil servants, not politicians, not self-appointed experts – put their heads together and worked out what their fellow Islanders need to get by. Rather than settle on the bare essentials – clothes, food, a roof over your head – they decided that in the 21st century, in the 10th richest country in the world, what local people needed was the means to live with dignity and self-respect.

925 They did not want the least well-off to feel excluded, isolated, marginalised; and I think that says a lot about the Island we live in.

I would stress again that the Minimum Income survey is designed to facilitate social inclusion, not pay for luxuries that the rest of us cannot afford. In that context, funding social inclusion means paying a few extra pence a week so that, in the longer term, you have enough to pay for your child to go on a school trip or take them swimming. Is that really so objectionable?

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Last year, Social Security, in its previous incarnation, proposed Supplementary Benefit rates which, on long-term rates, would have helped households secure funds equivalent to 75% of the Minimum Income survey household budget. Social Security justified giving less than 100% by saying some of the things on the household budget list were paid for outside of the benefit rates, such as medical cover, and by saying that *not* all the costs relating to social inclusion should be covered. This was something heavily debated on the Social Policy Group.

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With our amendment, the Housing Department is proposing long-term Supplementary Benefit rates that would give low income households the equivalent of 70% of the Minimum Income survey; that is 5% less than the 2012 rate. We must remember that in a previous Assembly the proposals of the then Social Security Department failed by a whisker; and I received a lot of criticism for missing the vote myself. (*Interjection and laughter*)

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The 5% taken off further reduces the amount of money intended to meet the cost of social inclusion, but the rates would still enable claimants to partly meet the cost of participating in society. We do not think the rate should be reduced any further because they would no longer cover any aspect of social inclusion.

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Our amendment would also ensure that the link between the Minimum Income Study and Supplementary Benefit rates is preserved for at least five years, and that future policy in relation to setting benefit rates is informed by an updated Minimum Income Study.

If the States votes to set benefit rates with reference to the Minimum Income Study, the methodology is flexible enough to allow for adjustments each year. If the economy improves, the States may decide to increase benefit payments as a percentage of the MIS, taking it closer to 75% or 80%. If the economy worsens and the benefits system is considered unaffordable, the States may decide to decrease benefit payments as a percentage of MIS. In other words, bring it down from 70%.

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In practise, what is the effect of using MIS rates, as opposed to the back of an envelope job that Social Security want to do? How does it impact on people claiming Supplementary Benefit? Well, the main points and differences are:

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All of our benefit rates are higher than the ones proposed by Social Security, except in one instance, in relation to children aged 16 or 17, and that is because the MIS methodology recommends that children aged 12 to 17 are paid the same. Social Security's proposed rates are very similar to the ones paid at the moment. The majority are between 67 pence and £5 a week higher. The Housing Department's rates would see couples receive approximately £46 more a week than Social Security and parents would get an extra £30 in respect of children aged 12 to 15. Parents of children aged five to 11 would get an extra £14.08 a week under the Housing Department's MIS rates, compared to just £1.92 you would get with the Social Security rates.

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Our proposals would cost more – £2.83 million more than Social Services Department proposals; but it is still £1.5 million less than the lowest possible estimate in 2012 (**A Member:** Hear, hear.) and you have got to remember the 2012 proposals were defeated because people were worried that they might be at the upper end of the range of estimates given.

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Social Security may try to paint the Housing Department as financially imprudent or reckless but we too have tried to balance affordability with the need to support the lowest paid, by

suggesting a rate less than that proposed. But still we preserve the all-important link to the Minimum Income Study and, like Social Security, we are saying that movements to these rates depend on the outcome of the Review of Personal Tax and Benefits.

975 The difference between Housing and Social Security, is that we have used the MIS to define precisely what local households need to live in Guernsey and then worked from that objective starting point, reducing costs until we have reached the point where further reductions would be damaging to the families involved and to society in general.

980 So, why is Social Security so quick to dismiss the Minimum Income Study? Do they think that the views of the people of Guernsey are not credible and are they implying that a socially inclusive standard of living is frivolous? I do not know and, as Deputy Gollop knows, I did ask this question frequently at our joint meetings.

985 I am forced to speculate because nowhere in the Report do SSD tell us precisely why the MIS is wrong. It was a different Board last time, but 18 months ago Social Security were perfectly happy to sing the praises of MIS; in fact, they were urging the States to accept it as a means of setting rates. The new Board clearly thinks the old Board got it entirely wrong, but I cannot quite see why.

990 Whatever the reason, today's Social Security Board is confident enough to dismiss MIS with a wave of the hand. If there is a good reason... If Social Security think that Loughborough University's research should be discredited, why didn't they say so? I will tell you one thing, it cannot be about money; they cannot have rejected the MIS methodology because it costs too much, because it would have been entirely within their gift now, as in 2012, to work backward from the MIS standard until they reached a set of rates that would have generated an affordable benefit Bill. In other words, they could have embraced the methodology, and still set rates at a level they considered affordable, but they have just dismissed it without putting anything in its place.

1000 You might say Social Security are using 60% of median household income to set their rates, but they are not necessarily doing that either. At first glance, they appear to say in their Report, their rates will be set at 60% of median household income but, read more closely, you will see that they do not guarantee that low income families will have their income topped up to this amount.

1005 So, we ask ourselves, what role precisely does median household income have to play? The Housing Department thinks the answer is none and Social Security are not pinning their colours to the mast and saying this is our chosen method of setting rents. They have mentioned 60% of median income in passing, in the hope that it will give some weight to the argument, which otherwise is lighter than air. They are name dropping another methodology in a desperate attempt to give some semblance of credibility to the proposal.

1010 For the record, if Social Security were committing 60% of median income as a method for setting rates, the Housing Department would have to say why 60%? Why not 50%, 70%, 80%? There is absolutely no correlation between a percentage of median household income, whatever the percentage is, and the socially acceptable standard of living. There is no way that Social Security can connect median household income to a Minimum Income Standard or to social inclusion. It follows that every single argument they make, which stems from that assertion, is fatally flawed. The information that SSD used to calculate 60% of Guernsey's median household income is also flawed because, unlike in the UK and other jurisdictions, it is not net of housing costs.

1015 Finally, let me give some more quotes from Social Security's Report to prove that when it comes to setting benefit rates their thinking is confused.

1020 They say that their Report is an opportunity to establish a set of benefit rates which, when applied to all low income families, ensure a reasonable standard of living. Well, I ask you how can Social Security be confident that the proposed rates ensure a reasonable standard of living, if they have not defined what a reasonable standard of living looks like or what it costs? By contrast, the Minimum Income survey, as the name suggests, defines a Minimum Income Standard and the cost of social inclusion.

1025 Back to Social Security's Report, paragraph 241:

'The propositions in this Report seek to ensure that all low income households have the same access to financial support... and that it aligns with the expectations of other households across Guernsey and Alderney.'

1030 Again, how does Social Security know that their benefit rates will meet the expectations of other households? They do not know, they absolutely do not. When was it established that other households expect people on benefit to be paid an amount which is somewhere near 60% of median household income?

By contrast, the Minimum Income Study is based entirely on the views of local men and women. The Minimum Income survey is about finding out what local households expect from a benefit system which supports a reasonable standard of living.

Paragraph 260 of Social Security's Report talks about how the new Supplementary Benefit rates provide appropriate means-tested support. How have they defined 'appropriate means-tested'? They have not.

Paragraph 285 talks about how the new system will pay benefit rates which support the needs of lower income households. How do they determine the needs? They have not. So how can Social Security say the new system will meet those needs? They cannot.

All these earnest references to need, adequacy, appropriate support, are just meaningless phrases; and, at the end of the day, that is all Social Security's Report is – words designed to paper over the lack of detail and trick you into thinking this is a structured, objective, rational approach to the way they have set benefit rates. Well, it is not.

Housing Department's would fix all the problems. As I said at the beginning, all the other aspects of Social Security's proposals – the closure of the Rent Rebate Scheme; the creation of a single benefit system; the introduction of maximum rent allowances; and so on – all of that Housing agree with. It is just a question of getting the benefit rates right and that means using an established, reliable, robust methodology that can be used again and again.

I want to conclude by saying that the Policy Council *wanted* a debate on welfare in Guernsey. It is not surprising. There are always arguments over benefit levels. Some people will always say they are too high; others will always say they are too low. Because poverty is relative, benefit rates are subjective; but that is precisely why the Minimum Income Study is so attractive. It embraces that subjectivity and trusts the people of the Island, the taxpayers, the voters and the people who may one day rely on the benefit welfare system for support, to decide for themselves what is reasonable and what is not.

Better that, surely, than leaving it to seven people sitting around a board table behind closed doors, taking it upon themselves to decide how much people need to live on and to what extent the benefit system will provide that. That is what Social Security have done and they did not need to. The Minimum Income survey, which they commissioned... work was already carried out, already paid for, but the new Board decided they knew best.

Social Security have also decided they know best when it comes to what the Island can afford. They have made that judgement themselves by deciding, in advance, what the benefit Bill should be and working backwards. The net result is that when everyday expenses are skyrocketing and more families are struggling to make ends meet, Social Security have cooked up a set of benefit rates that have the effect of keeping pensioners on the margins and preventing working families getting a top-up.

Local families have decided what the Minimum Income Standard should be; not politicians or civil servants. As for affordability, this debate should be about informing the Review of Personal Tax and Benefits, and determining how much money, as a matter of policy, Guernsey should target to obtain from that Report, to spend on the benefit system. It should not be about plucking a figure from the air.

So, for all of those reasons, I would urge you to truly modernise the Island's welfare system by embracing the use of the Minimum Income Study and supporting the Housing Department's proposals.

The Bailiff: Deputy Green next and then Deputy Le Clerc.

Deputy Green: Mr Bailiff, Members.

First of all, I just want to say very briefly a few comments about amendment number 1, which my colleague on Social Security, Deputy Gollop, talked about this morning and opposed.

I will actually be supporting number 1. I think that is a measure which, in my view, is a reasonable step to be taking in January 2015, rather than January 2016. So I will be, in fact, supporting Deputy Jones's *first* amendment.

The majority of the speech I am going to make this morning, Mr Bailiff, is in relation to amendment number 2, which I am *not* going to be supporting and I want to cut to the chase in terms of why I am going to be opposing that.

I will be opposing that for two principal reasons. Firstly, the Minimum Income Standard because we would say that the Minimum Income Standard was never primarily expected to be used to set benefit rates or, indeed, to determine the minimum base line for benefit provision. It has never been applied in this way in any other jurisdiction, to my knowledge, and MIS is, of course, not a measure of poverty in itself; but I will come back to that in more detail in due course.

1095 Secondly, the idea that a big percentage of the money spent on universal benefits within SSD's remit can be redirected to fund this amendment is, in my view, somewhat impractical, overly optimistic; and I would suggest that is a key reason for not supporting this amendment. It is going to be difficult enough for Social Security to source expenditure of £3.75 million to fund our proposals from the universal benefits pot of £10.5 million within our remit, let alone having to source £6.58 million to fund the proposals put forward in this amendment.

1100 Mr Bailiff, in 2011, the Centre for Research in Social Policy carried out a study aimed at identifying a minimum socially-acceptable standard of living on the Island, as defined by people who actually live in Guernsey. As Deputy Hadley accurately said, this was known as the Minimum Income Standard for Guernsey. In March of 2012, the Social Security Department, at that time proposed benefit rates be based on 66% of the short-term rates and 75% for long-term rates of the household budgets created by the MIS process.

1105 As we know, that proposal was not successful in the Assembly last year. Since then the MIS data itself has aged by nearly two years. It is fair to say that, in that debate last year, a number of questions were raised about the MIS methodology itself and, in particular, there were concerns about how robustly it had been applied in Guernsey.

1110 This amendment is proposing rates of, as I understand it, 61% and 70% of MIS, respectively; that is to say 5% less than the previous SSD's March 2012 proposals, for both short term and long term rates.

1115 I do not really understand fully what the justification for pegging requirement rates to 61% and 70% of the Minimum Income Standard is. It all, to me, seems somewhat arbitrary. The point I am really driving at here is that I do not think Members should exaggerate the supposed science behind the MIS methodology, as it applies in this amendment. There are, after all, a number of different ways of measuring or referencing benefit levels. It just so happens that Social Security chose, on this occasion, to reference the new proposed requirement rates to median household income, which is associated with the OECD's chosen approach to measuring relative poverty. I would remind Members of the first line of paragraph 446, on page 1912 of the Report, where it says and I quote,

1120 'However, it is clear that neither median household income nor Minimum Income Standard were devised as a method for setting benefit rates.'

1125 So, Mr Bailiff, the reality is that there are a number of different approaches here for referencing benefit levels, but to suppose that MIS is the one true measure, in my view, is not necessarily borne out by international experience.

1130 Indeed, for countries bound by the so-called European Social Charter, a minimum standard for the provision of social welfare benefit applies, and this minimum standard is 50% of median net equivalised household income. Our proposed new requirement rates have been set with reference, in a broad way, to 60% of median net equivalised household income. So the Department's proposals *exceed* the minimum standard of 50%, by 10% or an estimated £3,780 net per annum, for a couple without children.

1135 I would suggest all of this suggests, in my view, that our approach is, as a matter of principle, at least as valid as the approach utilised in this amendment number 2. Given that MIS is not really a mechanism to determine benefit rates at all, there are therefore, I would suggest, some issues of principle with this second amendment; and to rely on percentages of MIS to inform benefit rates in the way that this amendment does, is on its own logic, subjective and arbitrary.

1140 Actually I want to place a lot more weight on the second argument, which I am going to come to now because, secondly, there is an even more potent argument as to why this amendment should not be supported this morning: you really have to question whether this amendment is actually affordable at this time.

1145 Social Security have been trying to strike a balance between, on the one hand, providing much needed financial assistance to low income households and, on the other hand, the issue of affordability, which can never be disregarded in debates of this sort. We believe that it is simply not an option to propose a package of measures that are unaffordable right now.

1150 This time last year, I said in a debate that Social Security was committed to carefully balancing what we pay out in benefits with the long-term funding of that level of benefits; and this was as true, in connection with benefits funded from the Guernsey Insurance Fund, as it is regarding general revenue expenditure. I said that financial affordability and long-term sustainability had to go hand-in-hand with social and economic justice. The trouble with this amendment number 2 is that it is beginning to stretch that prudent careful philosophy to a breaking point, in the current financial circumstances that we are presented with. The reality is: there is no new money from

1155 general revenue for this. It is not exactly forthcoming for the requirement rates envisaged by Social Security, let alone the rates considered in this amendment.

Based on the Policy and Research Unit's model, if the Assembly agrees with this amendment number 2, it is estimated that the Supplementary Benefit Scheme will cost an extra £6.58 million per annum, compared with current spending, and that is £2.83 million more than Social Security's proposals. Deputy Jones and Deputy Hadley are proposing that this additional expenditure will come from the Personal Tax and Benefits Review and, superficially, that might seem quite attractive to some people; but actually what is behind their amendment on the funding of this is rather vague, I would suggest – *rather vague* – when you take into account the considerably high cost of this amendment.

1165 Is it envisaged that this extra £2.83 million can all be funded from savings to, or reallocation of, existing budget, or would this actually necessitate increases in general taxation?

Deputy Hadley: On a point of correction, Mr Bailiff, at the Policy Council meeting, which I attended, a delay to this Report was opposed by the Policy Council on the basis that the rate should be decided ahead of the review, so that the review could, presumably, fund any decision the States made today.

Deputy Green: Well, I do not dispute what Deputy Hadley says on that and I am grateful for his intervention. I do not have the privilege of attending Policy Council meetings, so... (*Laughter*)
1175 A dubious privilege, possibly. (*Laughter and interjections*) I jest. (*Laughter*)

A Member: You may be right. (*Laughter*)

Deputy Green: But the key fact here, Mr Bailiff, is that Social Security intends to fund the estimated additional costs for *its* proposals – that is to say the sum of £3.75 million – from changes to universal benefits funded from general revenue. These benefits, of course, include family allowance and free TV licences for over 75's, which have a combined total budget of *circa* £10.5 million in 2013.

The key point is this: it will be very challenging indeed to save £3.75 million – over a third of the universal benefits budget, within our control – let alone £6.58 million, which is almost two-thirds of that budget.

If the Assembly accepts this amendment, there would surely be the need either for substantial cuts in family allowance provision, which will undoubtedly affect people who simply cannot afford to lose that benefit, or potentially there is an implication that taxes would have to go up, in my view. The cost of this amendment really is not actually proportionate to the likely funds that may well be forthcoming from the review of personal taxes and benefits. In any event, the outcomes of that review are, as of yet, unsettled and thus the real figures that will be available at this time are still, to some extent, shrouded in mystery.

So, in the absence of any particular clarity or certainty on what approximate sums may be available for possible redistribution or redirection into Supplementary Benefit, this amendment really, I would suggest respectfully, is a bit on a wing and a prayer when you look at the overall cost of it.

It is, of course, important to remember that the whole package of support, available through Supplementary Benefit, is more than just the requirement rates themselves. Rent and housing costs are, in fact, considered separately; a winter fuel allowance is payable to householders; childcare can be offset against earning; and medical costs are paid directly to the service suppliers. These benefits effectively increase the disposable income of beneficiaries.

Deputy Langlois mentioned Professor Wood's annual independent review and I will very briefly remind Members of one section of that report for 2013 – his Annual Independent Fiscal Policy Review for 2013 – when he said and I quote:

'The problem of how to provide a system that adequately provides for low income households but does not unduly encourage long term dependency is a very difficult one.'

1210 and that must be manifestly true and, of course, is a key issue in this debate.

Indeed, one of the objectives in the Social Policy Plan is and I quote, to provide:

'Adequate assistance to meet welfare needs, incentivise working and to reduce duplication of administration.'

1215 It is essential, therefore, that benefit rates are adequate; but we must be careful to avoid creating a situation where people can become trapped on benefit because they cannot earn more,

through work, than the amount they receive in benefit. Most would agree that benefit rates must not encourage long-term dependency by dis-incentivising paid employment.

1220 I just want to move on to a point of housekeeping because it has been suggested in debate, and certainly before this debate, that Social Security has chosen to use the same dependent rate for 0 to four-year-olds, five to 11-year-olds and 12 to 15-year-olds, contrary to the benefit tables that were prepared by the Policy and Research Unit, which have a higher rate for 12 to 15-years-olds.

1225 We do not believe that this suggestion is right – that the Policy and Research Unit allocated the same rates for all children under the age of 16, as this is how they are treated in the so-called equivalisation of income calculations. SSD has proposed exactly the same rates for dependent children as those prepared by the Policy and Research Unit.

1230 In conclusion, I urge all Members to reject amendment number 2. Social Security's more modest proposals do not pose the same degree of challenge or difficulty to affordability or sustainability, as this second amendment undoubtedly does; and 'affordability' and 'sustainability' must be our watchwords here.

1235 In closing, I should point out that, even with amendment 2 being successful, a total of 318 social housing households will still be worse off; and that is 229 households worse off by £10 or more per week, plus 89 further households worse off by less than £10 per week. So there is not a massive difference between the number of social housing tenants adversely affected by Social Security's proposals and the effect of amendment number 2, despite the large extra financial cost.

Of course, in any event, properly-funded and carefully-crafted transitional arrangements are planned to soften and mitigate the impact on all of the social housing tenants affected detrimentally and I do not think we can disregard that.

1240 I therefore urge all Members to consider voting against amendment number 2 because of the reasons I have set out and also the somewhat curious message this amendment number 2 potentially could send out, bearing in mind affordability issues.

The Bailiff: Deputy Le Clerc and then Deputy Kuttelwascher.

1245 **Deputy Le Clerc:** Thank you, sir. I think we are losing people fast here.

Sir, I am going to speak on the proposed third amendment from Deputy Jones and I am going to attempt to explain why I believe that MIS has some flaws and why 60% of median household income is a much better measure.

1250 We have been reminded by Deputy Hadley where the Minimum Income Standard for Guernsey started back in 2011; so I will not go over that again, but I just want to say that the series of focus groups were undertaken and I just would question how representative of our community were those focus groups?

1255 Groups considered variations, in terms of both the types of items that needed to be included and the local retailers where these could be purchased, and on first reading of the Loughborough –

The Bailiff: Deputy Dorey is asking you to give way.

1260 **Deputy Dorey:** The Minimum Income Study was done under the Loughborough University so, if she is questioning the Minimum Income Study, she is suggesting the social group at Loughborough University, who have done many years of research into it... and I think that, if you are going to do that, you have to base it on some greater arguments than just saying it is not right. It was done, as I said, under a very controlled model.

1265 **Deputy Le Clerc:** Sir, I was just questioning the make-up of the focus of the people on the focus groups themselves, rather than the merits of the Loughborough University.

1270 **Deputy Dorey:** The make-up of the group was specifically under the instruction of Loughborough University and they participated in the choosing of those people. So, again, you are questioning their basis of how they do their research.

Deputy Le Clerc: Sir, I will let the Assembly make up their own minds on that one.

1275 On first reading of the Loughborough report, I was quite surprised at what was included as necessities. For example, calculations for heating costs were based on social housing based in Guernsey and I am not sure that this is truly reflective of the general housing in Guernsey. They also based fuel costs on electric storage heaters and, again, I am not sure that this is actually the most common form of heating in Guernsey.

1280 I think one of the most interesting items included in the calculations was the need for a tumble dryer, as UK groups said washing could be dried on washing lines or airers near radiators, and Guernsey people needed a tumble dryer as they had no access to washing lines or could not air their clothes near storage heaters. Deputy Dorey is shaking his head, but that is in the Loughborough report. Furthermore, specific drying areas are actually featured in the Guernsey Housing Association current annual report – sir, I am not going to give way this time – obviated the need for tumble dryers in some social housing.

1285 For me, the flaw in the Guernsey MIS is some of the items included in the social participation calculation, such as the need to include the cost of a one-week off-Island holiday. I have worked for many years in the finance industry and I know people who only have their holidays on-Island or manage a week camping in Herm.

1290 Some of you may think I have no compassion and I am cold hearted; I am just trying to emphasise, with these examples, that MIS is very subjective, based on surveys of opinion and an element of wishful thinking and nice-to-have. I *can* see, however, that on one hand the MIS can be a useful piece of social policy research which could be used as a reference point, a signpost for informing all manner of policy decisions, but this is only if its methodology and delivery is robust.

1295 There may be merit in conducting the MIS, or a similar piece of research, every five years, alongside other social policy research in Guernsey to benchmark social needs against household income; but let us remember that the Minimum Income Standard is not designed as a poverty measure or as a tool to be used to inform the setting of benefit rates. It has not, to our knowledge, ever been used to set benefit rates in this way and the research team confirm this. Therefore, if that is what the Housing Department proposes that we use it for, by repeating it on a five-yearly cycle, then let us be realistic about what that would involve.

1300 By tying the States to a five-yearly cycle and using the findings of the study as a benchmark for setting Supplementary Benefit rates for the five years thereafter, we would be tied to using the MIS, to the exclusion of all other measures and indicators, which could be used to inform the setting of benefit rates. This would result in benefit levels being indexed *strictly* to a single occasional measure regardless of other social, economical and political variables and changing necessities. The most commonly used and internationally accepted amongst OECD countries as the threshold of low income, is a household income that is 60% or less of the average median income. The OECD measurement – and I emphasise this point – is an internationally accepted standard set to actual income levels.

1310 We discussed at length the various measures and methods that exist which could be used as a benchmark for setting benefit rates and we concluded that median income is currently a more robust and reasonable comparator than the MIS.

1315 We are not being critical of the principles put forward by the previous Members of this Department – Social Security – in March 2012, but when we took into account the methodology of the MIS, the increase in predicted expenditure and the outcome of the State debate in March 2012, we concluded that our proposals should be based principally on a proportion of median household income.

1320 The MIS methodology is designed to ensure that changing social expectations are captured, as well as changes in cost, in order to produce the MIS household budgets. That is one of the main reasons why the MIS needs to be repeated on a cycle such as the one proposed by Deputy Jones – that is every five years – or in my view, to be truly reflective of the changing requirements of the Guernsey people, more regularly than five-year cycles.

1325 In the UK, following the original MIS research in 2008, annual updates show the effect of inflation; and the content of the budgets is reviewed every two years. In addition, the full research is being repeated every two years from 2012. I seriously question the sense of tying ourselves into such a cycle to the exclusion of all other comparators and measures, which we have explored in researching this modernisation Report.

As Deputy Hadley has stated, MIS was funded through the corporate housing programme, but at a cost of £40,000. However, this does not take into account the significant number of man hours required of officers of both the Social Security and Housing Department.

1330 There is an argument to say that we have done it before so the work involved should be less demanding the next time around; but I would be very wary of tying the States into such a cycle when resources are already stretched. The Island simply cannot afford to indulge in expensive statistical tools of this type, when we lack the economies of scale enjoyed by countries, such as the UK. We simply do not have the time, resources or, indeed, the expert in-house, to build up the MIS budgets from scratch, as would be the case in the UK. So, if we followed the same processes we did in 2011 and we took MIS methodology and applied it in Guernsey, we would always need to base our Guernsey budgets on the UK budgets, with Guernsey variants.

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I would draw your attention, sir, to the fact that Deputy Jones, in his amendment, has given *no* indication of the source of funding for the undertaking of this work.

1340 Sir, throughout this process, Social Security has taken a cautious and pragmatic approach to its proposals for the modernisation of Supplementary Benefit. It is evident that, if the Assembly votes in favour of this amendment, then we are tying ourselves to additional expenditure simply for conducting the work, never mind what it would mean for setting Supplementary Benefit rates. Social Security simply does not see this as an affordable long-term cycle that we should be tying ourselves to today.

1345 The OECD measure, using a median income figure and equivalisation ratios which are already in force, is a far more efficient and effective way of benchmarking. It was the chosen method used in the recent Personal Tax and Benefit Review consultation process and, therefore, is starting to be understood by the people of Guernsey. I draw your attention to paragraph 447 of the Report, which also outlines why we should choose the OECD calculation.

1350 I would therefore urge Members *not* to vote for amendment 3.
Thank you.

The Bailiff: Deputy Gollop.

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Deputy Gollop: I hate to disagree with my colleague but she has implied that the people selected by Loughborough University were not representative of the community. I think they only interviewed 60 people and I was one of those chosen and I am extremely representative of the average person. (*Laughter*)

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The Bailiff: Deputy Kuttelwascher.

Deputy Kuttelwascher: Thank you sir, Members.

I oppose all three amendments, for a number of reasons.

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I share Deputy Le Clerc's concern about the Minimum Income survey. In fact, one of the other things that was included was the running of a car and I wonder how, if Deputy Gollop was ever to be a beneficiary of such a benefit, he would spend the money given to him to run a car when he does not drive. But the point of this is that, at the end of the day, I am of the opinion – and I think Professor Wood is the same – that the level of welfare should never be so generous as to make it a career option, which it has become in *many* other jurisdictions. So, it is a balance and I support, in that sense, the Social Security Department's balanced view.

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Regarding the funding of the first amendment, I have done some quick sums. Social Security want to increase employer's contributions by half a per cent; which raises £5.3 million, I think is the right figure. If we increase it by another quarter per cent, that would raise £2.65 million – not quite what Deputies Jones and Hadley want; in fact, if you increase the rate to 5.8%, you could then say you have allowed for the funding; but it just gives you an idea of what sort of funding is required to do that. I think to just say, 'Ah, we will just give it to the personal taxation review to fund,' is really unacceptable; because that is not really why it is there. We are not there to start funding all sorts of new expenditure which people may want. It is not quite the purpose of it. The purpose of it is to look at the sustainability, the fairness and other things on the existing system that we have. It will fund some new things and, in fact – you want me to give way?

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Deputy Fallaize: That was the idea. (*Laughter*)

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Deputy Kuttelwascher: I have refused so far but I do not mind, I am happy to give way –

The Bailiff: Deputy Fallaize.

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Deputy Fallaize: Would Deputy Kuttelwascher accept that, despite what he has just said, it would be quite improper and probably illegal for the Social Security Department to take money out of the Guernsey insurance fund, to fund the proposals contained in this Report; and actually they really have absolutely no choice but to insert Proposition 34 into this policy letter?

The Bailiff: Deputy Kuttelwascher.

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Deputy Kuttelwascher: Sir, I will have to look at Proposition 34. I was talking about the amendment. I am not talking against Social Security's proposals, I am not quite sure if there has been a misunderstanding.

1400 **Deputy Fallaize:** I think Deputy Kuttelwascher was raising a concern about simply directing T&R to come forward with proposals to fund any of the income associated with any of the proposals we are debating today; and suggesting, or implying, I thought, that contribution income could be raised in order to fund it. But clearly there is complete separation in law between the Guernsey insurance fund and general revenue, and it is wrong for him to suggest that contribution income can be increased in order to fund any of these proposals, surely.

1405 **Deputy Kuttelwascher:** Sir, I did not actually say that is what would be done; I said that is the sort of figure that you would be talking about, if you want to fund it. It is just an example. I did not suggest that they should have suggested to increase it by 0.3% to fund it. I am just saying that is the sort of figure you are talking about.

1410 There will be a lot of fuss about this 0.5% increase and there would have been a lot more fuss if it had been 0.8%. But I actually agree with Deputy Fallaize. I was just trying to give some perspective to exactly the amount or the cost of what is being proposed by this first amendment.

1415 I am not suggesting it should be funded by a 0.3% increase in the contribution rate, but that is what it would take, purely as a global sum of money, to fund these proposals; and, as such, I am sort of wondering whether, in fact, this amendment does not fall foul of Rule 15(2), because there is no suggestion of how it should be funded really, other than somebody else should worry about it.

So, I oppose all three amendments, sir, and I hope the rest of the Assembly do the same.

1420 **The Bailiff:** Deputy Le Pelley.

Deputy Le Pelley: Thank you, sir.

Firstly, I would like to reiterate Deputy Jones's points about the way Social Security has handled the issue of welfare reform.

1425 While the Housing Department agrees that the Rent Rebate Scheme needs to close, it should not be done on a wing and a prayer. The reason we want to create a single income support system is not because we think social housing tenants get too much help and need to be brought in line with Supplementary Benefit claimants in the private sector, but because we see this as a golden opportunity for the Island to create a modern welfare system, based on an appreciation of what people need, if they are to afford a socially inclusive standard of living.

1430 At the heart of the redesigned system are the benefit rates themselves. Social Security has consistently been critical – self-critical, in fact – about the current rates, which are rooted in assumptions about social welfare made nearly half a century ago.

1435 In making the case for a brand new set of rates, Social Security has said the current rates have no basis in fact, that they are not objective and that there is no way of providing their adequacy. But it should be clear to everybody here today that the new rates proposed by Social Security are no better than the old. They are just as arbitrary; just as vague in terms of the way in which they have been set; and they absolutely do not provide any sort of guarantee that low income families will get the help they need. In short, in highlighting the failings of the existing benefit rates, Social Security has undermined its proposed rates too.

1440 I want to focus on a specific aspect of Social Security's proposals – the benefit limitation. The benefit limitation is the *maximum* amount of money that someone on Supplementary Benefit can get from *all* sources. At the moment, the benefit limitation is set at £500 per week. You only get topped up to the benefit limitation if your need is that high, or higher. Most people do not get anywhere near the benefit limitation.

1445 So, if a working family of five – mother, father and three children, aged four, nine and 13 – lived in private rented accommodation, they might need £560 a week to meet all their expenses. If the parents both work part-time and earn £400 a week between them, and the family received a further £46 a week in family allowance, their total household income would be £446. Set that against the need of £560 and it is clear that they are short by £114 a week.

1450 In a world without benefit limitation, Supplementary Benefit would pay them that £114 but, because of the benefit limitation, the Supplementary Benefit top-up is limited to £54, because paying them even £1 more would take them over the benefit limitation of £500.

1455 To look at it from another angle, the family in this example get £60 less than they need to make ends meet, despite the fact that it is the States themselves who decide how much they need to get by.

Every low income household that is affected by the limitation is being forced to survive on less than the States say is the minimum requirement. Larger families and people paying a high rent tend to suffer the most; and by 'larger families' I do not mean parents with six or seven children,

1460 of which there are very few on the Island; I mean families with three children or even two older children.

Thankfully, Social Security has recognised that the benefit limitation is too low and, while it affects only 23 households at the moment, a considerably larger number would be affected if the rebate scheme closed down and social housing tenants had to claim Supplementary Benefit to help
1465 to pay their rent and to meet their day-to-day needs.

I will not go into the detail of why this is so, but suffice to say the effect on the rebate system is to reduce a household's need in the eyes of the Supplementary Benefit system, which in turn makes it less likely that they will be affected by the benefit limitation. Take the rebate scheme away and that situation changes for the worse.

1470 So, what is being proposed to address this? Well, in paragraphs 404 to 408, Social Security say that, if supported by the States, they intend to increase the post-rebate benefit limitation in two phases. They want to move it to £600 in 2015 and then £650 in 2016.

In a world without rent rebates, a £600 benefit limitation would mean that 103 households would be left with less money than the benefit rate suggests they need; or, if they were working,
1475 they would be prevented from getting any top-up on their earnings. If the limitation moved to £650 in 2015, rather than wait a year, only 31 houses would be affected.

So the question is: why wait? If Social Security accept that the benefit limitation needs to be increased to £650-a-week, why put it off for a year? Perhaps it has to do with money. Perhaps Social Security are delaying the jump to £650 because they want to postpone the higher costs. But,
1480 no, that is not the case. In paragraph 500 of their own Report, they say that the move from £600 to £650 would lead to no material change in the cost of implementing their proposals. So, they have gone on record as saying that increasing the benefit limitation to £650 generates only a modest additional cost – so modest that it is not even worthy of a separate figure in the Report.

With that in mind, I would assert that there is absolutely no reason why the move to a benefit
1485 limitation of £650 should not come in 2015 and I would urge you all to support Housing's amendment to that effect.

Thank you, sir.

The Bailiff: Does anyone else wish to speak?
1490 Chief Minister Deputy Harwood.

The Chief Minister (Deputy Harwood): Thank you, sir.

I stand to oppose the amendments put forward by Deputy Jones and Deputy Hadley; in particular, amendments 2 and 3 because, like others, I question the appropriateness of determining
1495 Supplementary Benefits rates by reference to a fixed index.

I do so because the index that is proposed – and like others I have concerns as to the methodology, but that is not the principal point of my argument here – is determined by focus groups and the suggestion is, that should be reset every five years. Surely, if we are going to rely upon the index, you need to reset it more frequently and therein lies a problem because of the costs
1500 associated with revising.

I would also question the fundamental concept that you can use such an index, which is created largely by focus groups, where one focus group... as Deputy Gollop said, he participated when the original study was undertaken. He may not be participating in the next one, unless there is to be consistency, and therefore the next focus groups in five years' time or three years' time,
1505 whatever it will be, will come up with a completely different standard of aspirations. I would argue, therefore, that you cannot use such a study as the basis for an index because it will lack consistency.

It is also, sir, my submission a flaw in the argument has been put forward, particularly in the speech by Deputy Hadley because, if you are going to use an index, you need consistency. Deputy
1510 Hadley, himself, then said, well, of course, you can be flexible; we can choose whether it is to be 70%, 75%, 65% depending upon the will of the States. Therefore, Deputy Hadley criticises the Social Services Department for being arbitrary in the manner in which they fix the benefit levels but, by the same definition, Deputy Hadley is also suggesting that you can use the index in such an arbitrary fashion by fixing the percentages. Again, if you are to use an index it has to be consistent
1515 and, therefore, I question the basis upon which the argument is being put forward by Deputy Jones and Deputy Hadley.

I would also pick up the point made by Deputy Le Clerc that there is a cost associated with the preparation of the work; and I am conscious of the calls on the time of colleagues in the Policy Research Unit within the Policy Council and that, if we were seriously to contemplate using such

1520 an index as the MSI, I believe there will be additional costs associated with this, providing the necessary research and the necessary analytical support.

I would therefore urge *all* States Members to vote against the amendments.

Thank you, sir.

1525 **The Bailiff:** Deputy Bebb.

Deputy Bebb: Thank you, Monsieur Le Bailli.

I rise just to briefly note that the first amendment laid by the Minister for Housing, Deputy Jones – which is to delete Proposition 29 and substitute the amount of £650 for £600 in Proposition 28... I find that this is a very attractive amendment because, realistically, Proposition 29 – which would be deleted... there is nothing to prevent the Department from continuing with this work without this Proposition that is subject to funding being made available and not prior to January 2016.

1530 Well, that is not next year, that is the following year. Therefore, if we delete this proposition, I see no measure of preventing the Department from doing it and, actually, I think it goes towards the idea of good governance; because I am not sure that I can support Proposition 29 *not* knowing if the funding is going to be available, and *not* knowing what the costs are.

I feel that Proposition 29 can quite happily be deleted and will have *no* ill effect on the Department. Proposition 28 then being amended to £650 – well, the only thing that that would do is to set a higher limit that, of course, the Department could deem to be inappropriate and, therefore, in 2015 to raise it to £650 in their *actual* research for 2016. There is nothing within this first Proposition that would make a substantive change to the propositions from Social Security.

1540 I would agree with those speakers who have said they do not support the rest of the amendments. I am sorry, Deputy Jones, but I am in the same place. I cannot support the rest of the amendments because I do not feel that they are the right move. But I think that this first Proposition is eminently sensible.

Thank you.

1550 **The Bailiff:** Deputy Lester Queripel.

Deputy Lester Queripel: Thank you, sir.

Sir, I do not want to upset Deputy Jones – Members may have noticed he is bigger than me – (*Laughter*) but I want to emphasise I appreciate these are, in a sense, well-intended amendments; but I am going to reject them on the grounds that they are not the *panacea* we need; because, even if these amendments are successful, many Islanders who are struggling now will still be struggling.

1555 Sir, if these amendments are successful, they will only resolve half the problem. I considered laying an amendment myself but I could not find the answer. I could not find the magic ingredient I needed to resolve the whole problem. That is going to take a major piece of work, which is why, like Deputy Brehaut, I am going to reject these amendments.

I want to move on to the Deputy Le Lièvre/Deputy Sillars amendment, which proposes we set up a social welfare benefits investigation committee to examine *all* the aspects of Supplementary Benefit law, and also the States housing rent and rebate scheme; because, if that amendment is successful, we will then have a real chance of resolving the *whole* problem – and it is the whole problem we desperately need to resolve.

1560 On that basis, sir, I will be rejecting all three of the Jones/Hadley amendments, and I urge my colleagues to do the same.

Thank you, sir.

1570 **The Bailiff:** Does anyone else wish to speak? No?

Well, Deputy Langlois, do you wish then to speak immediately before Deputy Jones replies?

Deputy Langlois: Briefly sir, yes.

1575 **The Bailiff:** Deputy Langlois.

Deputy Langlois: Sir, I think all the key points have been covered in various ways. I predicted, quite correctly, that there would be disagreements today, there would be arguments on both sides. I go back to my original reason for the shape of the Report, of being that the

1580 compromise is the right way to go and these three amendments do not represent an affordable compromise, as pointed out by various people.

If we take them in turn, we have recommended an incremental approach to the £600 and £650. To us that seems absolutely logical, especially since 2015... I cannot remember who said it, but it might have been Deputy Le Pelley who said, 'well, of course, in 2015 there will not be any rent rebates and so on.'

1585 There is a transition period which has been acknowledged, and so on. Therefore what you actually call the benefits in 2015 is not the argument, not the debate. What the label is does not matter what it says on the tin, it is how many pound notes are inside it; and that will be a period of transition. So, in this one, there is going to be... The £600 and £650 will be a way of making the accounting moves and so on. On the other hand, I am perfectly happy to accept that if the States wants to go with the £650 immediately, that will simply change the design of the transition process and so on. So, in that sense, if Members are minded to agree this one, then it makes limited difference.

1590 However, can I just bring this fact in here, that if you do make that move – and we have had very little time to make this calculation, within the same sort of boundaries – you are talking, in 2015, of a difference of round about £320,000. So that will give people a chance to have some view of it; and, therefore, that might be what tilts you towards saying, 'No, stick with the graduated version.'

1600 In terms of the second amendment then... Deputy Jones has, in his usual way, using very direct phrases of 'fingers in the air', and 'guess work', and so on and so forth. It is the sort of language we get used to. It is nice and clear. We apparently all understand it but, of course, the whole attraction of it is that it is so vague that you do not really have to understand it, because it does not say anything.

1605 The problem is (*Laughter*) that what we are dealing with here is, ultimately, whatever evidence you use is ultimately one of the most subjective financial decisions that the States will ever make. You can attach various forms of science to it; you can make international comparisons, which are indisputable because they are international comparisons. The measure of relative poverty is an internationally-recognised term. What it means? Well, who knows because what is relative poverty? It is defined internationally as 60% of median income. I know that at least one Member of the Assembly believes that it should be called 'relative wealth' in the case of Guernsey because we are a wealthy society. Therefore, to pretend that there is huge hidden science and a secret way of finding the right level for benefits, is always going to be a pretence. So, if you want to call it 'finger in the air', you can call it 'finger in the air'. I can assure you it was not. There is a lot of discussion gone into it, in order to reach a reasoned response.

1615 Deputy Harwood very, very precisely pre-empted one of the comments I was going to make: that having had a long lecture from Deputy Hadley about the science involved in MIS, he then said, 'oh and by the way, we decided to take 5% off the last one'. Sorry, I am not quite sure how you reached 5% but there you are – it is as good a number as any. You cannot have it both ways.

1620 The second amendment, to me, is just a non-starter. It does not take us anywhere. It does not take us anywhere different; it just sets a different Bill, a different cost.

The third one, I would certainly urge you to reject at this stage. It is not the right time to commission this sort of work every five years. There are all sorts of reasons why the MIS, as applied in Guernsey, should be regarded as having been a valuable exercise on one occasion to get a figure; and that is what it was used for last time. It was disputed in the last debate – the last time this was debated; it is being disputed very actively here today.

1625 Somebody else has pointed out the apparent flaws of the methodology. I would share my concern about those flaws. I am quite sure that the previous Board felt that they had put enough scrutiny on it to feel that they had a valuable piece of work. Our judgement is better than yours? Who knows.

1630 So, I am simply saying let us not get attached to it and most of all – *most of all* – reject amendment 3; because indexation to a single measure of that sort *will* lead to the consequences that Professor Wood is so concerned about. It will. That is without any doubt. So let's not have that one.

I think that is about all I have to say, sir.

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The Bailiff: Deputy Jones then will reply to the debate.

Deputy David Jones: Thank you, Mr Bailiff.

1640 I thank Members for becoming involved in this debate. It is a shame more Members did not feel that they could. However, we will go through those who did speak.

Starting with Deputy John Gollop; I am not sure actually what Deputy Gollop was trying to say about the benefit limitation at all. I do not think he knew, actually, what he was saying either, (*Laughter*) but I am pleased that Deputy Green and, I think, Deputy Gollop are quite prepared to support the immediate move to £650, rather than getting some of the poorest people in our community to wait a year. I did have some others about Deputy Gollop, but we will not go on.

1645 Deputy Brehaut talks about the high earner policy that was once in place many years ago, when people who were high earners, by social rental standards, were allowed to stay in States housing. Really they bought the ability to buy social housing; and their money was taken at the highest rents and then given back to them at the end.

1650 He is quite right. He sat on the Board when we decided to end that policy and to have a complete review of the earnings of people living in social rental and remove some of the high earners out of social rental, allowing those who could not afford to buy the right to it, on our waiting list, access to those properties. I think that was a very sensible move on our part; and it has freed up over 150 houses over the lifetime of that policy.

1655 There are people, of course... The beauty of that system was that – as in Housing with the Rent Rebate Scheme – as your earnings went down you received a bigger rebate, and as your earnings went up, you declared it and you paid more rent. That is the fairest way of doing it. So we believe we got that right.

1660 Moving on to Deputy Green, MIS is a survey based on people's needs; and we do believe that your idea of just plucking a figure out of the air and then reverse engineering it back... and this is the worst part of this Report, in my view, because what Social Security have effectively done, is they have found a figure that they think will be acceptable to you, regardless of whether it is going to help the people who need it... and do not forget – Deputy Kuttelwascher, I will pick him up on his points and others – we are talking about pensioners and people in work, families in work; not 1665 the people that you believe are lying in bed looking for work; these are working *families* and pensioners; and I am surprised at Deputy Queripel, who is supposed to be one of the pensions champions, who wants to defer all this to a report brought forward, however long it will take. These people need help now, not in some spurious time in the future. (*Interjection and laughter*)

1670 Well, it is the double standards that are showing in the States, on several occasions, from people who stand in elections and say, 'Yes, we pay lip service to the poorest people in our community for years, but by the way if you elect me we will do something about that, we will change that.' Of course, it costs money to help these people, but we are trying to help. It is not all about States house tenants; I keep coming back to that. These are about people who are struggling in the private rental sector, who cannot make ends meet. These are families, these are working 1675 people and pensioners, and all the people who really need this help now; and what we say is, 'Well, yes, of course, these amendments are okay, but they are going to cost a bit more money and do we really want to do that at this time?' For the poorest people in our community, it is always the wrong time.

1680 Sorry, I give way to Deputy Le Lièvre.

Deputy Le Lièvre: I am sorry to interrupt, Deputy Jones, but you must not mislead the Assembly. Pensioners in social housing are already *heavily* protected by a combination of the Rent Rebate Scheme and Supplementary Benefit; and the same applies to pensioners living in the private rented sector. It is not pensioners that are left out of Supplementary Benefit. It can cope 1685 with them.

Deputy David Jones: I accept that. What I am saying is that the majority of our tenants are pensioners and people in work. That is the point I am trying to make. They are not some feckless bunch that we always hear the public talk about. That is the point I am trying to make. There are 1690 ways of helping them, I accept that, but we believe that our proposals will help more people and, what is more, that they will do it now.

Moving on, Deputy Le Clerc made the same mistake, talking about the MIS. This was a survey carried out by a reputable company, as Deputy Dorey has already said, and I cannot believe that the people in here do not care that much about the numbers of people who are going to be worse 1695 off by this. You talked about... who was it? Somebody talked about, I think, a £10 a week – Deputy Green said – that we will do it over a longer period to soften the blow. Well, brilliant. Thanks a lot. They are already the poorest people in our community and you say, 'Well, they are only going to lose out by about £10 a week.' £10 a week may not be anything to many of us in here, but I can tell you when you are living on a tight budget, it is a lot of money. It is £40 a 1700 month. It is quite a lot to the poorest people in our community; and I am astonished that people on Social Security could make those kinds of comments.

I am getting wound up now, must not do that, promised the wife. Right, (*Laughter*) Deputy Kuttelwascher... (*Laughter*) I give way.

1705 **The Bailiff:** Deputy Dorey.

Deputy Dorey: Just to inform the House, this is from the Report, it says:

‘... in order to better understand the accuracy of requirement rates’,

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the Social Security Department and Housing Department, with the support of the Policy Council’s Social Policy Group, commissioned a Minimum Income Standard study for Guernsey, in 2011 – ‘in order to better understand the adequacy of requirement rate’. I remind you that in the previous Assembly, the Social Policy Group included political and very senior staff representatives from T&R, Social Security, HSSD, Home, Education, Commerce and Employment and Health.

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Thank you.

The Bailiff: Thank you, Deputy Dorey.

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Deputy Kuttelwascher: Sir, point of correction.

The Bailiff: Deputy Kuttelwascher.

Deputy Kuttelwascher: Sir, I did about two years into the last Assembly get everybody pronouncing my name correctly, (*Laughter*) and Deputy Jones was part of that Assembly.

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Could I just remind him that it is ‘*Kuttelwascher*’ – I do not wash anything. (*Laughter*)

Deputy Brehaut: Well, then, can I move seats, sir? (*Laughter*)

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Deputy David Jones: Thank you.

We will move on from the Deputy with the unpronounceable name, (*Laughter*) and again, a Member of Treasury, I am surprised, again that they do not understand that we are dealing with the poorest sections of our community. As I say to them it is always –

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Deputy Perrot: Point of order, sir.

The Bailiff: Deputy Perrot.

Deputy Perrot: The Minister has, on several occasions, equated some objection to his proposals with the fact that we do not care. People are able to object to what he is saying, whilst at the same time caring (**Several Members:** Hear, hear.) for the poorest in our society. It is offensive to me, and, I am sure, to other people, certainly those on Treasury and Resources, that we do not care, when all we are trying to do is to be good stewards of public money.

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1745

Several Members: Hear, hear. (*Applause*)

The Bailiff: Deputy Jones.

Deputy David Jones: Thank you, and it is offensive, Deputy Perrot, to many of those people in our community who are going to see themselves significantly worse off because of these proposals. That is what I find *offensive*.

1750

I understand why people in here, who live our comfortable lives, feel uncomfortable at times when we talk about these people, because it makes us concentrate on the lives of those people who do not get very much out of this wonderful ‘trickle down’ economy that we talk about. So I accept what you say –

1755

The Bailiff: Through the Chair.

Deputy David Jones: Sorry, sir. I accept what Deputy Perrot says, but I am trying to defend those out there, who... many families, as a result of these proposals, will be, in my view, significantly worse off.

1760

Okay. We got then to the Chief Minister, who surprised me again, because he was very much a champion of the low paid, and the poor in our community, at the time of the election, but he made a quite ridiculous argument, in my view, about the sample of people that were selected to... The sample of people in this survey were representatives of people in our community for this survey, no opinion poll or market research –

The Chief Minister: Point of correction.

I was not challenging the selection; I was questioning the consistency when you do the next MIS study. (*Interjection*)

Deputy David Jones: No opinion poll or market research would ever be valid, if you did not do market research within the community. If we do not set benefit rates with reference to a professionally determined index, what on earth do you set them by? So, I really do not understand that part of the argument.

Deputy Bebb, I think I thank him for his support, I am not sure. He sort of supported me on the first bit, and then went completely off track (*Laughter*) and lost his way as his speech went on, and said that he could not support me because he did not believe that it was the right move. Well, however offensive it is to some people, I think that helping the poorest in our community is exactly the right move, and we should be backing these amendments, to *improve* a report that I believe is poor in the extreme, and will actually make many of our tenants and many people in the private rental sector worse off.

Deputy Queripel, I covered pretty much what you said in that. I think I have picked up most of the people who have spoken, if not all of them.

But a quick word, for those of you who are surprised that my Board is proposing a scheme that would even see some social housing tenants lose out. We do not like to see anybody lose out. But the fact of the matter is that a scheme that protected everyone's rent rebate, regardless, would be phenomenally expensive, and we *accept* that. We are trying to be pragmatic, which was the word the Minister used, on several occasions, in his opening speech.

We would, of course, be talking in the many tens of millions pounds, in addition, to what has been talked about today, if we went down that route, and the reality is that I do not think a single person sitting here would support it.

So in summing up, I would like to ask one more question, and it is aimed at those of you who are thinking about voting against these amendments, which you have indicated you are – or some may be in this Chamber who simply have not made up their minds on how you are going to vote. Well, my question to you in this: what have you got to really lose to support the middle road? If you are worried about the extra cost, well we are not asking you to get the cheque book out, right at this moment. When it comes to finding the money, we are advocating exactly the same approach as Social Security. We wait and we see whether sufficient savings can be found through the Review of Personal Tax and Benefits, and like Social Security, like everyone else, we would prefer for this to be a cost neutral exercise, and we keep hearing that this review will throw up, about looking at universal benefits, and that to me is long overdue. Why on earth am I entitled to a £12 grant, when I go and see the doctors? The States of Guernsey pay me £45,000 a year to stand up here and make a fool of myself! (*Laughter*) Why am I – ?

Deputy Fallaize: They get good value for their money! (*Laughter and applause*)

Deputy David Jones: On a more serious note, why on earth would I be entitled to that, on that kind of... ? I mean, it is barking. I do not know what the universal benefits are – I think the good Deputy mentioned something round about £12 million or something; I have heard that figure before. Had we tackled that in the past, we could do a lot more to help the people that I am referring to today.

So, again I ask you what you have got to lose by voting for our amendments, or to turn it on its head, what precisely would you be voting against? What part of the income support scheme, for instance, that our amendments would create do you think is wrong? Is it the part about doing more to help working families? Is that what you think is wrong? Because I can guarantee you that our amendments would do more to help working parents than Social Security's proposal. Is it doing more to help pensioners? Is that the part of our amendment that you object to? Because time after time, survey after survey, has found that pensioners are at the greatest risk of poverty.

People who have worked all their lives and paid into the system, and brought up their families, these people are struggling. They are hurting right now, in an economy where they cannot earn more, and at the same time, the cost of power, food and clothing, clothing their children, climbs

higher every year. Social Security's proposals could only help some of them to an extent, but ours would help many more.

1825 So, I am going to presume that no one here has a problem with helping working families or pensioners. In fact, I am also going to presume, that we are all happy for Supplementary Benefit to help the people who are too sick to work; the people who are chronically or terminally ill; the people who have given up work to help care for a sick child, or a disabled relative; the people who provide for their children, when the child's parent is nowhere to be seen; the people who have lost
1830 their jobs, and who are trying to do their best to find other work.

Let me hazard a guess, you are okay with helping all of those people, you just do not want to help anyone who chooses benefits over working. Well, guess what, neither do we, and here is the thing, we have got every confidence that Social Security has got what it takes to weed out the minority of people, and I stress the word 'minority', who might try to milk the system, and this is a
1835 issue that has been raised round the board table of housing by Deputy Barry Brehaut on numerous occasions, and he is very solid on making sure that these people are weeded out.

So you know the people we are referring to, the ones lying in bed looking for work, the ones I have just mentioned, and there are penalties and sanctions and checks and balances in place, you name it, to prevent systematic abuse of the system. If you think that the benefit system cannot cope
1840 with a handful of people who might try to claim fraudulently, then you are wrong. These people, I am told by SSD staff, show up very quickly and if you are still not convinced, then I would argue that it is an entirely different debate and one for another day.

Today is about how much the poorest people in this Island need, to live a reasonable existence, otherwise what message are you sending to the majority of families out there, including the ones
1845 who are working full time, and getting paid a minimum wage? We know you need more help, and we know that you are doing your best, and we know it is not your fault that you are struggling, but there are a few people out there who might make a fraudulent claim, so everyone will get the bare minimum. We cannot let that tail wag that dog.

So, to return to my original question, why vote against our amendments, I genuinely cannot think of a reason that does not amount to a slap in the face for the thousands of people on the Island that need more support. That is what Housing Department is advocating in a nutshell, a benefits scheme that is inclusive, that is supportive, and that does more to help low income families – a scheme built upon a set of benefit rates that are calculated by a well researched formula, the Minimum Income survey. The scheme that encourages social inclusion, not
1850 exclusion, for the good of everyone in this Island.

Now, this journey began 20 years ago, when politicians started talking about the need to tackle poverty in Guernsey. Since then, we have had the Townsend report on poverty, we have had household income surveys, we have had the Minimum Income surveys, we have had one States report after another, and still that journey continues, still the job goes unfinished, and in my view,
1860 we cannot put this off any longer.

Find the courage to finish the job today by supporting our amendments, and thank you for listening to me.

1865 **Deputy Brehaut:** Can we have a recorded vote, please, sir?

The Bailiff: Yes, and I think we need to vote on the three amendments separately.

So the first recorded vote will be on amendment 1, which is to delete Proposition 29 and to substitute the amount of £650 for £600 in Proposition 28(d).

Greffier.

1870 *There was a recorded vote.*

Amendment 1

1875 *Not carried – Pour 11, Contre 33, Abstained 1, Not Present 2*

POUR

Deputy Gollop
Deputy Sherbourne
Deputy Bebb
Deputy Le Pelley
Deputy Fallaize
Deputy David Jones
Deputy Green
Deputy Dorey
Deputy Burford

CONTRE

Deputy Le Clerc
Deputy Conder
Deputy Lester Queripel
Deputy St Pier
Deputy Stewart
Deputy Gillson
Deputy Ogier
Deputy Trott
Deputy Laurie Queripel

ABSTAINED

Deputy Paint

NOT PRESENT

Deputy Storey
Deputy Le Tocq

Deputy O'Hara	Deputy Lowe
Deputy Hadley	Deputy Le Lièvre
	Deputy Spruce
	Deputy Collins
	Deputy Duquemin
	Deputy James
	Deputy Adam
	Deputy Perrot
	Deputy Brouard
	Deputy Wilkie
	Deputy De Lisle
	Deputy Inglis
	Deputy Soulsby
	Deputy Sillars
	Deputy Luxon
	Deputy Quin
	Alderney Rep. Jean
	Alderney Rep. Arditti
	Deputy Harwood
	Deputy Kuttelwascher
	Deputy Brehaut
	Deputy Domaille
	Deputy Langlois
	Deputy Robert Jones

The Bailiff: On Proposition 1, there are 11 votes in favour, 33 against with one abstention, on amendment 1... Sorry, 11 in favour, 33 against, with one abstention, I declare the amendment lost.

1880 We move on then to amendment 2, which is... well I am not going to read out amendment 2, it is to substitute a new table annexed to Proposition 28(c).

There was a recorded vote.

1885 *Amendment 2*
Not carried – Pour 9, Contre 35, Abstained 1, Not Present 2

POUR	CONTRE	ABSTAINED	NOT PRESENT
Deputy Sherbourne	Deputy Le Clerc	Deputy Paint	Deputy Storey
Deputy Bebb	Deputy Gollop		Deputy Le Tocq
Deputy Le Pelley	Deputy Conder		
Deputy Trott	Deputy Lester Queripel		
Deputy Fallaize	Deputy St Pier		
Deputy David Jones	Deputy Stewart		
Deputy Dorey	Deputy Gillson		
Deputy O'Hara	Deputy Ogier		
Deputy Hadley	Deputy Laurie Queripel		
	Deputy Lowe		
	Deputy Le Lièvre		
	Deputy Spruce		
	Deputy Collins		
	Deputy Duquemin		
	Deputy Green		
	Deputy James		
	Deputy Adam		
	Deputy Perrot		
	Deputy Brouard		
	Deputy Wilkie		
	Deputy De Lisle		
	Deputy Burford		
	Deputy Inglis		
	Deputy Soulsby		
	Deputy Sillars		
	Deputy Luxon		
	Deputy Quin		
	Alderney Rep. Jean		
	Alderney Rep. Arditti		
	Deputy Harwood		
	Deputy Kuttelwascher		
	Deputy Brehaut		
	Deputy Domaille		
	Deputy Langlois		
	Deputy Robert Jones		

The Bailiff: On amendment 2, Members, there are 9 votes in favour, 35 against, with one abstention – amendment 2 is also lost.

1890 And so we move on to amendment 3, concerning the Minimum Income Study.
Greffier.

There was a recorded vote.

1895 *Amendment 3*
Not carried – Pour 4, Contre 39, Abstained 2, Not Present 2

POUR

Deputy Le Pelley
Deputy David Jones
Deputy Dorey
Deputy Hadley

CONTRE

Deputy Le Clerc
Deputy Sherbourne
Deputy Conder
Deputy Bebb
Deputy Lester Queripel
Deputy St Pier
Deputy Stewart
Deputy Gillson
Deputy Ogier
Deputy Trott
Deputy Fallaize
Deputy Laurie Queripel
Deputy Lowe
Deputy Le Lièvre
Deputy Spruce
Deputy Collins
Deputy Duquemin
Deputy Green
Deputy James
Deputy Adam
Deputy Perrot
Deputy Brouard
Deputy Wilkie
Deputy De Lisle
Deputy Burford
Deputy Inglis
Deputy Soulsby
Deputy Sillars
Deputy Luxon
Deputy O'Hara
Deputy Quin
Alderney Rep. Jean
Alderney Rep. Arditti
Deputy Harwood
Deputy Kuttelwascher
Deputy Brehaut
Deputy Domaille
Deputy Langlois
Deputy Robert Jones

ABSTAINED

Deputy Gollop
Deputy Paint

NOT PRESENT

Deputy Storey
Deputy Le Tocq

1900 **The Bailiff:** And on amendment 3, Members, there were 4 votes in favour, 39 against, with 2 abstentions – amendment 3 is lost.

Amendment 4 falls away, so the next amendment we will be taking is the one proposed by Deputy Le Lièvre and seconded by Deputy Sillars.

1905 We are very close to 12.30. What I am going to propose is that... It is very important that we finish this debate today, it seems to me. I am going to propose that we come back at two o'clock. I will put that to you: the Proposition is that we resume at two o'clock. Those in favour; those against.

Members voted Pour.

1910 **The Bailiff:** We will resume at 2.00. Thank you.

*The House adjourned at 12.28 p.m.
and resumed its sitting at 2.00 p.m.*

**Benefit and Contribution Rates for 2014 and
Modernisation of the Supplementary Benefit Scheme
Debate continued**

1915

The Bailiff: We move on now to Deputy Le Lièvre's amendment to the Social Security Department Report. Deputy Le Lièvre.

Amendment:

1920

To delete Propositions 28 to 34 inclusive and substitute therefor:

'28. To direct that at their February, 2014 meeting and in accordance with Rule 18 of the Rules relating to the Constitution and Operation of States Departments and Committees the States shall form the Social Welfare Benefits Investigation Committee as a Special States Committee.

1925

29. To agree that the membership of the Social Welfare Benefits Investigation Committee shall comprise seven members of the States as follows:

a) A Chairman elected by the States who shall not be a member of the Housing, Social Security or Treasury and Resources Departments;

b) A member of the Social Security Department determined by that Department;

1930

c) A member of the Housing Department determined by that Department;

d) A member of the Treasury and Resources Department determined by that Department;

e) Three other members elected by the States who shall not be members of the Housing, Social Security or Treasury and Resources Departments.

30. To agree that the mandate of the Social Welfare Benefits Investigation Committee shall be:

1935

a) To examine all aspects of the Supplementary Benefit (Guernsey) Law, 1971, as amended, and the States Housing (Tenancies, Rent and Rebate Scheme) (Guernsey) Law, 2004 in order to assess the appropriateness or otherwise of the legislation and associated policies in view of the economic and social changes since their inception;

1940

b) To develop a single, comprehensive social welfare benefits model to replace the Supplementary Benefit (Guernsey) Law, 1971, as amended, and the States Housing (Tenancies, Rent and Rebate Scheme) (Guernsey) Law, 2004, which single, comprehensive model shall be capable of fulfilling the social and economic objectives of the States;

c) To ensure that during the formulation of a single, comprehensive social welfare benefits models, and in order to develop an objective rationale for the determination of assistance that is both socially just and financially sustainable, detailed consideration is afforded to the long-term circumstances of, inter alia, the aged, the sick, the disabled, families on low incomes, families with three or more dependent children and persons with no further reasonable expectation of employment due to age or ill health;

1945

d) To ensure that during the formulation of a single, comprehensive social welfare benefits model consideration is afforded to the proposals of the Social Security Department laid before the States in Billet d'État V of 2012 and Billet d'État XX of 2013 and the letters of comment attached to those proposals by other committees of the States.

1950

31. To direct that during the course of its deliberations the Social Welfare Benefits Investigation Committee shall consult with the full membership of the Housing Department, Social Security Department and Treasury and Resources Department.

1955

32. To direct that the Social Welfare Benefits Investigation Committee shall have regard to the findings and emerging recommendations of the Personal Tax, Pension and Benefit Review.

33. To direct that by no later than June, 2015 the Social Welfare Benefits Investigation Committee shall lay before the States a policy letter proposing a single, comprehensive social welfare benefits model to replace the Supplementary Benefit (Guernsey) Law, 1971, as amended, and the States Housing (Tenancies, Rent and Rebate Scheme) (Guernsey) Law, 2004 together with recommendations which identify sources of funding for any additional expenditure likely to be incurred by the new single, comprehensive social welfare benefits model.

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1965

34. To direct that when reporting to the States in February, 2014, and pursuant to the obligations to comply with Rule 15(2) of the Rules of Procedure, the Policy Council shall give consideration to the Social Welfare Benefits Investigation Committee being funded by the Corporate Housing Programme Fund.'

1970

Deputy Le Lièvre: Thank you, sir.

Members of the Assembly, the Social Security Department refers to pages 1873 to 1936 of its 2013 general uprating policy letter as the Modernisation of the Supplementary Benefit Scheme. I wish it were, but unfortunately that is not the case.

1975 What is before us today is the same scheme; the same rules of classification; the same structural form; the same form of assessment; and the same rules of assessment that we have had around since 1971, and in truth, since 1955. Modernisation, it is not.

1980 The Report actually represents a couple of relatively minor and routine adjustments, and the two minor adjustments are not changes to the law; they are not changes that will fundamentally alter the structure of the Scheme; they are not changes that will require a whole new approach to social welfare support, for different sectors of our community. The changes represent only cash values to the benefit limitation, and some very minor value changes to existing requirement rates. This is hardly ground-breaking stuff.

1985 In fact, the benefit limitation modernisation changes, proposed this year, have been exceeded, percentage-wise, on two previous occasions in the last decade. Changes to cash values do not make for modernisation, just more of the same. No-one claimed that the scheme was modernised in 2003 and 2008, and in both those years, increases to the benefit limitation exceeded what is proposed today in percentage terms. Should SSD's proposals succeed today, do not leave this Chamber in the belief that you have helped create a new benefit structure. Nothing could be further from the truth.

1990 However, whilst the term 'modernisation' is misleading, it is not that which concerns me unduly. What is of serious concern to me is that, if approved, SSD's proposals will seriously undermine the social welfare structure, for a specific and well defined sector of our community. The consequential ramifications of approval will reverberate around this community for decades.

1995 Please be under no illusion that such serious errors of social policy development cannot occur. It is only a matter of decades since the Housing Authority was in the practice of developing large, unrepresentative housing estates, some of which are still with us, and for these estates, the current proposals will represent the icing on the cake.

2000 Before I share with you my views on why this might be so, I would first like to place on record my deep disappointment at what appears to be the complete lack of input the Housing Department seems to have had in the development of these proposals.

2005 For some seven years of my career I worked for Housing, during which time the Rent Rebate Scheme was rejuvenated to ensure that it was fit for purpose. During the whole of that time I can say that the Chief Officer of Housing, its current Chief Officer, the Minister of the Department, its current Minister, and the Board as it was in my day, always had the health, safety, care, wellbeing and social inclusivity of its 2,100 tenants at heart. The Housing Department I knew, the Minister I know, and the Chief Officer I know, would never have willingly sanctioned SSD's current proposals. Obviously they have sanctioned them, but I still find it very hard to believe – but, of course, we saw this morning that there is complete disagreement between Social Security and Housing as to the best way forward, and given that they are the two key players in this project, that is extremely worrying.

2010 One only has to read the first two paragraphs of its 70-page Report on its proposals for a new States Rent and Rebate Scheme, published in November 2004, to know that Housing's first aim, and its last aim, was the care of its tenants, and I will remind Deputy Jones what he signed up to in November 2004, by reading the first two paragraphs of the executive summary.

2015 Paragraph 1:

2020 'This States Report is the conclusion of a 3 year project that has involved careful examination of every aspect of social housing provision: from the need to charge rents at a level that is right for the proper management of a housing stock of approximately 2,100 properties, to the needs of the individual tenant whose financial and social circumstances dictate that without help with their rental charges they will be likely to suffer hardship'.

Paragraph 2:

2025 'The need to balance rents at an appropriate level and ensure that every tenant is charged a rent appropriate to their circumstances has been a problem that has beset successive Housing committees almost from the date social housing was first provided in Guernsey',

and that is in the 1920's.

2030 'Although intermittent reviews have taken place over the decades, this current report represents the most fundamental and comprehensive review of the issues ever to be undertaken.'

That was in 2004, and it gave rise to the Rent and Rebate Scheme which commenced in 2005.

2035 Now, given yesterday's discussion on consultation, I thought it might prove helpful to underscore the exceptional efforts made by Housing in 2003 to communicate with its tenants, and indeed this body. This is a brief description of those efforts.

In 2003 Housing issued a Green Paper to obtain the opinion of the States. At the same time, the Authority sent out an explanatory leaflet, addressed individually, to every States' tenant informing them of the Authority's proposals, including what their new rental change and rebate would be, if the proposals were implemented.

2040 A letter encouraging them to submit their views in relation to the proposals was included with the leaflet. A simple questionnaire was also included, the results of which were subsequently published.

2045 For those tenants for whom insufficient information was held to estimate their rebate and rent, because they already paid the standard charge, instructions were given on how to calculate their likely rent using a specially designed self-assessment form. I can tell you here and now that it worked incredibly. Tenants were phoning up and asking if their rent was going to be £113.26 and they were right, or whatever it was, and they were right within the penny. So there was a clear understanding amongst tenants what was going to happen to them.

2050 A series of public meetings were held for the purpose of explaining the proposals in more details, and to seek further opinion. Dedicated telephone advice lines were established to ask questions of Authority staff and a presentation was also made to States Members.

2055 The Authority's efforts would have earned them a gold star, even by the standards of the Welsh Audit Office. (*Interjection*) By way of contrast, I would like to hear from the Minister of Housing, a brief description of the level of consultation afforded to the Board's 1,700 or so tenants on this occasion.

2060 Now, given today that we are talking about the modernisation of Supplementary Benefit, which includes just two cash amendments, if you like, exactly what did the Housing Department do to modernise its scheme? It introduced a sustainable approach to rent setting, via a reinstatement valuation formula. It changed the period over which rents were charged. It developed various areas of the scheme in conjunction with Social Security, taking into account the position of persons in receipt of social security benefits. It structured a scheme, by a system of tariff adjustments, to give appropriate protection for single parents and pensioners. It increased the child allowances. It introduced child care allowances. It removed the maximum income limit for claims, in effect, to benefit limitation, because it recognised that even social housing rents, when combined with a scheme of relief for rental charges, meant that a benefit limitation was a non-starter. It introduced a new assessment charge for non-dependants. It introduced new rules for the treatment of capital. It did away with the surcharge system, that has been referred to this morning; and it reaffirmed the protection of elderly tenants on limited incomes, those tenants in receipt of social security payments, tenants employed in the lower paid industries, those tenants with large families, and especially those tenants on low income with large families; and finally, it introduced a completely new Law. Now *that* is modernisation. But it did take three years.

2065 Well, that was Housing *circa* 2004, so what does Housing 2013 look like, by way of comparison?

2075 A dubious letter of support to a policy letter which Housing has zero confidence in. Just four pieces of paper, or amendments, that seek to change the only two areas of modernisation contained in SSD's report; no financial details associated with the amendments; no details to tell its tenants; no justification; no predicted outcomes for its tenants; no consultation with its tenants; no policy for protecting its tenants; and a very weakened rent setting process; and no overall control over the protection of its tenants. That is modernisation, courtesy of 2013.

2080 I find it incomprehensible that a Department so previously closely aligned with the care of its tenants could, in just eight short years, simply shed every vestige of that care and respect and, in effect, cast them adrift. I do not believe it of their Minister, I do not believe it of their Board, and I do not believe it of their Chief Officer. Something has gone horribly wrong, indescribably wrong.

2085 I can only conclude that there has been very little, to no, serious engagement between these two major Committees in relation to a scheme, the cost of which is about 10% of the States annual budget, which we heard this morning from Deputy Langlois.

2090 As a consequence of all the foregoing, I am forced to conclude that because there has been no shared working, no shared vision, and no shared engagement, that it will prove impossible to predict what the actual outcomes for many tenants will be. After all if Housing does not know, how can we in this Assembly know?

Quite clearly the States cannot have any confidence that what is proposed will result in long-term beneficial outcomes for any tenant of the Housing Department, because the issues raised by Housing, in its letter of comment, are simply too significant to ignore.

2095 Although the muddling might well indicate that a significant number of current tenants will end up better off, these claims will not be put to the test until every tenant is advised of the change in their assessment, as was the case in 2004.

2100 At that stage, weaknesses in the system will start to bubble to the surface. I would predict that the range and level of disenchantment will be both prolonged and severe, due to the total lack of any form of consultation.

2105 It must be remembered that what is proposed has never before happened in the various benefits systems operated by the States. Smaller amalgamations have taken place, but nothing on this scale. Even the evolution and creation of the Non-Contributory Pensions Law 1955 would prove small by comparison, whereas nobody would have even noticed the introduction of the Supplementary Benefit Law, due to it simply being a change of name.

2110 Putting all of these issues to one side, it would appear that Housing is keen to support SSD and forge ahead, even if my amendment fails. This is based on the grounds that moving forward with some change, any change, is better than standing still. Well, that might be true in some instances, but it is not, if you are in the middle of a minefield, and that is exactly where Housing is.

2115 This is not a repeat of March 2012. We are talking subsistence rates of assistance, the reappearance of a benefit limitation, the failure of its rent setting process, and as a result, the complete breakdown in its powers as a responsible landlord. It might as well hand over all its stock and all its tenants to Social Security immediately.

2120 Now, I prepared a number of papers, which I sent to Members, and I am not going to read them all out, because we would be here until four o'clock discussing this. But what I am going to look at is a number of the very important aspects, and I think I will start with the... Well, why we had this morning's debate, what is wrong with our system, is that it was designed in 1955, and before that, there had existed no real schemes of support, there had been some very small *bijou* schemes to deal with very specific, very disabled members of the community, and the very elderly, but there was nothing really overall for the Island. A number of working parties, and indeed the States Insurance Authority – twice, in fact, I think there were three or four reports, before they finally got it right – decided that the best way forward was to create two systems; one which was the 1955 Non-Contributory Pensions Law, which ultimately, supported those people who were never going to work again, because they were either very elderly, very sick or disabled, and it left the remnants of the people in need to the care of the Public Assistance Authority which dealt with everybody else. So you had an out of work benefit, if you like, for people who would never work again, and you had an in work benefit for people whose employment was lacking.

2125 Now, we have strayed from that, because over the years we have stayed with our one system. Public Assistance has disappeared, and has been subsumed into Supplementary Benefit, which now means that Supplementary Benefit is dealing with the elderly. It is dealing with single parents. It is dealing with the unemployed. It is dealing with people in low paid employment; and every other category you can think of, and it is dealing with them through one system. And the only way it can adjust its way out of that is to have long-term rates and short-term rates, but of course, everybody goes to a long term rate, or at least after 26 weeks, although I notice, I think, it is going to be a year at some stage in the future. But certainly there is a transfer from short-term to long-term and, because of that, we end up with the desire to ensure that the overall expenditure is capped, and that we do not end up with a benefit culture by keeping rates low, so that the elderly are impinged, by the same set of criteria as the sick and the unemployed, and the short-term claims.

2140 Now, designing a system for the future, the key to success is to design a system that does not require processes to be the same for all. A scheme that recognises that different groups of people have different needs, and very different drivers, respects responsibility and rewards self-reliance, does not encourage at any level the creation of a benefit culture. A system that supports, nurtures and encourages good practice, a system that respects old age, and needs of the disabled and the chronically ill, and a scheme that largely removes the stigma that has pervaded Guernsey's welfare system for decades. Now some of those are in the so-called modernisation process, that we are going through with Social Security, but they are not all there, and they are certainly all dealt with in one system and not two. Now the States should be under no illusion that the above will not be easy.

2150 Social Security's one-size-fits-all model mixes all groups into one, and then largely treats them all the same, by the application of long-term and short-term requirements. This makes for a system that is never going to meet the needs of different groups: some will benefit, whilst others will suffer.

2155 And to counter the above, a model system should recognise the key differences between the various groups of Islanders. The Income Support System, to give it its proper name, will be required to deal with three key differences. These are related to age, health and employment.

In the first instance, the Income Support Scheme should therefore recognise that all Islanders will fall into one of two camps, those Islanders who have no realistic likelihood, or expectation, of improving their circumstances through employment, and those Islanders for whom employment is a way out of poverty, and a realistic and profitable alternative to claiming benefit.

2160 Now I appreciate that much of that is already in this Report, but it is not all there, and it is all wrapped up in one system, and that is the problem.

2165 Secondly, the Income Support Scheme should differentiate between those persons in full time employment or best part full time employment, and those persons who are unemployed or working a minimal number of hours.

Finally, an Income Support system needs to recognise and differentiate between chronic ill health, disability, and shorter periods of illness and severity of illness.

2170 I will put that paper to one side, because I go on to talk about long-term, medium-term and short-term, and if you do that, what you find is that you can actually introduce different rules for each sector. You can have a no benefit limitation for the first group, because you can accurately predict the numbers, you can accurately predict their needs, to within a quite fine measures, and therefore you are not overly bothered about a benefit culture, so for them the idea of a benefit limitation is largely removed.

2175 For the lower group, or the middle group, the same sort of thing applies, but they would have medium rates of income, and it would only be the lowest group, the group where there was a direct and immediate expectation of work, like the unemployed or the short-term sick, who would be subject to much lower rates of benefits, so as to not encourage a benefit culture.

2180 And, of course, all three would have an allowance for rent, at the proper rate, because you cannot say to a person, 'I know you are only short term, but we are not going to pay your rent in full', because that would be disastrous.

2185 But in that way, if we had a system like that, then you could easily control it, and much of the benefit culture that we all talk about, and the benefit limitation, which featured greatly in this morning's debate – and by the way, some of the descriptions of how it works were completely wrong, but I was not going to interrupt the speakers – but nevertheless, we would not need to become overly concerned with it.

2190 So, there is a model for the future. It can be done. It should have been done. I believe probably it should have been done by the previous Authority, when I was a Member, but we were not, I suppose, bold enough to go down that route, but we should have done and we are now paying the price.

2195 So, if I put that to one side for a minute, I would like to go on to another, and probably my most serious concern, which is about the effect of applying rates set at subsistence levels through the whole of the Rent Rebate Scheme, and I will explain why, and I will read this paper in full.

2195 Up until relatively recently there has been significant weekly income variation between tenant groups accommodated in States social housing. On the same social housing estate it was possible to have tenants whose income varied from very little indeed, to levels where significant surcharges would have been put aside on the tenant's behalf for the tenants to utilise when moving into the private rental sector, as an owner occupier, or a private sector tenant. Tenant income fell into one of eight groupings.

2200 At the very bottom of the financial tree, if you like, the overall income derived from Public Assistance, or topped up by that Authority, on a short term basis. Due to unemployment or sickness, income was at less than subsistence levels, in most instances, because the Public Assistance Authority set its rates at very, very minimal levels.

2205 Group 2: overall income derived from Supplementary Benefit, or topped up by Supplementary Benefit, income at subsistence levels, but those people would also receive, of course, all the fringe benefits like medical, fuel and paramedical expenses as well. So they were well looked after – and they still are today, Deputy Jones. It is not perfect, but the current Rebate Scheme does work.

2210 This is a third group: overall income derived from pensions and/or employment, but insufficient to pay the standard rent and no involvement with Social Security, but still nevertheless subject to a rebate.

2210 The fourth group: overall income derived from employment and sufficient to pay the standard rent – these are people who could live without any help from anybody and pay the rent as charged per Housing. It was not subject to a rebate.

Then over that, you had overall income significantly above levels to pay a standard rent, but not so high as to be included in the surcharge system, so there was a fifth level of income.

2215 And then finally the sixth level where you paid a surcharge, because your income was determined that you should not really be in a States house, and even amongst that sixth group there were three levels: level 1 assessed at a sixth; level 2 at a fifth; and level 3 at a quarter of income. So there were three levels of surcharge as well.

2220 Given that in the year 2000, the level 3 surcharge assessment rate commenced at £636, and the most common rental charge was just shy of £70 a week, the ratio of income to rental could have been as high as 9:1 and that is why whole rent structure had to change, which is why the 2005 Rent Rebate Scheme came into being.

2225 However, States rents have increased hugely over the last 13 years, and whereas an income rental ratio of 9:1 was a possibility in 2000, it would be unheard of today. Social housing rents of £270 a week are commonplace, and the maximum social housing standard rent stands at £369.11. If you could pay that, you would be earning so much that Housing, I think, would allow you to look elsewhere for your accommodation.

2230 Furthermore, housing policy has been to encourage tenants to move into shared ownership and similar schemes, to free up social housing accommodation for poorer and needier families, and that is exactly right, that is how it should be.

2235 But even allowing for the fact that the number of social housing units administered by Housing is shrinking, the fact that rental income has not risen significantly, over the last 10 years, is indicative that the average tenant is not as well off as they once were. In all probability tenants have become significantly poorer over the last decade or so. In one sense, this is how things should be. It is Housing's responsibility to ensure that it accommodates those least able to provide good quality accommodation for themselves and their families in the private sector. The downside is that it concentrates large numbers of low and very low income families into a small area of the Island and therefore creates small, and not so small communities, the average income of which in no way reflects the average income of the Island.

2240 The variation in housing tenant income is now much reduced, from the eight category range that existed 10 years ago. The range has just shrunk to three financial classes of tenant: overall income derived from Supplementary Benefit or topped up by Social Security, which is income, if you like, the lowest level for States tenants – there are around 700 of those tenants. They are likely to be the winners in any new scheme, I would predict – not necessarily, but they are likely to be. 2245 Overall income derived from employment, but insufficient to pay the standard rent, no involvement from Social Security subject to a rebate – around 900 or so tenants. And overall income sufficient to pay the standard rent: just 150 tenants out of the 1,700 left – it is less than 1 in 10.

2250 In 2003, when Housing first submitted its Green Paper relating to the existing Rent and Rebate Scheme, it was estimated that 300 tenants would be paying the new standard rents, if the scheme was approved.

2255 The above figure was confirmed when Housing reported to the States with firm proposals, based on exhaustive research, for the new scheme in November 2004 when 15% of its tenants, or 294, had been identified as being able to pay the new standard rent. In the last eight years that figure has halved, and this is partially due to the reduction in the number of social housing units, a very significant increase in standard rents – around 70% since 2004 – and the provision of alternative accommodation such as partial ownership.

2260 The Social Security Department's proposals will result in a further reduction in the income variation found across all forms of social housing. In essence, income variation will be limited to just two forms, those who can afford to meet their standard rent, and those that cannot afford to pay their standard rent. And should the States accept Social Security's proposals, then every tenant, other than those who are financially capable of affording the standard rent, will be required to make a claim to Supplementary Benefit.

2265 Now, I know that, from what Deputy Langlois said this morning about other European countries, only a proportion will actually apply, that will not be true in relation to social housing, because, largely, these are poor people in any event, or people at the bottom of the financial income ladder. Most of them – in fact the vast majority of them – will claim benefit, because they will have to; otherwise they will not pay their rent, in which case they will be evicted, or they will not feed themselves. It is a choice. They will be forced down the road of claiming benefit – take it from me. 2270

2275 Obviously, each tenant will be assessed according to their personal circumstances, but the end result will be that 91% of social housing tenants will end up with disposable incomes assessed according to a fixed set of criteria. This would have been the likely effect of the previous SSD proposals in March 2012. However, the previous Board's recommendations in relation to the level of benefits were very different to the proposals represented by, or presented by, Social Security

this month. The basic requirement rates recommended in March 2012 were around 17% higher for couples, than those quoted by SSD for 2015, excepting that SSD does refer to an update. Children's rates were also higher via the 16 to 17-year-old age group.

2280 A further significant difference in the 2012 policy letter was that the recommendation of benefit limitation be abandoned so as to assure, or ensure rather, that every tenant would receive the benefit prescribed by law. In the main this was aimed at families with three or four children and a high rent.

2285 But SSD's policy letter retains the benefit limitation, and as a result some tenants with very high rents will not receive all that the law says they are entitled to. And the Social Security Department is fully aware of this.

2290 Now, we heard Deputy Langlois say this morning that there is provision within the Supplementary Benefit Law for a tenant, or a claimant, to make a separate claim under exceptional circumstances, which will be considered by the political Board. Now, that makes my hair stand on end, if I had enough, and the reason it does that is that is a return to the days of the Public Assistance Authority, where a Procureur for the Poor was allowed to make a claim, I think for a week, or two, but he had to report it to his Parochial Board by the end of the month and the Parochial Board had to report it to the Central Outdoor Assistance Board, where it was considered by a body of up to 25 people to find out if that person had an exceptional need. That is how it worked, except, in most instances it went downwards, the review of the person's requirement for assistance was in fact reduced. Very rarely was it uplifted. I would implore this Assembly, never to go down that route again – never. Because if people are put off by claiming Supplementary Benefit or Income Support in the first instance, what encouragement will there be to go and seek a special case, for it to be considered by politicians, etc? Is that what the Social Security Department is about – considering special cases at a monthly meeting, just like the old Central Outdoor Assistance Board, which dated from 18... whenever it was? We do not want to go down that route. Please do not.

In any event, any statutory system which includes an allowance to deal with exceptional cases to be considered by a Board is deficient. The scheme should in itself deal with those cases.

2305 When all of these elements are considered as one, the effect on income variation in social housing will be as follows: 91% of social housing tenants will become supplementary beneficiaries; Supplementary Benefit will be set at levels not dissimilar to those previously considered to be subsistence levels; the benefit limitation will be retained, so that those tenants with the highest requirements and need, are unlikely to receive the benefits, unless they apply for exceptional need, etc; only 9% of tenants will pay the standard rent for their accommodation, and
2310 about only half of these will be families with dependent children.

As a consequence of the above an overwhelming majority of families, both one and two parent will end up on benefit. Some estates are likely to become, wholly, or partially, supported by Income Support. It is a daunting prospect with little upside.

2315 Every States Member will be familiar with the jibes and taunts aimed at social housing tenants and claimants of Supplementary Benefit, scroungers, wasters, lazy, satellite dishes, mobile phones, big cars – I could go on but I am not going to. The list, unfortunately, is endless. Social Security's proposals will increase such jibes and taunts, even though the Department claims that the level of stigma will be reduced by the new scheme. It will never be reduced whilst you have a system which requires you to ask, but to grovel, in fact, with an exceptional payment to go to a Board for
2320 consideration, as they would have done during the days of the Public Assistance Authority and its Procureurs of the Poor.

2325 Furthermore, given the ration of 9:1, there will not be any attempt to differentiate, because virtually every tenant will be in the same boat. The concept of running to your neighbour for a cup of sugar will disappear, because you are likely to meet them coming round to you, cup in hand – they will be in the same boat.

Deputy Gollop: Would Deputy Le Lièvre give way on one point?

2330 **Deputy Le Lièvre:** Certainly.

Deputy Gollop: It might help the Assembly if we had some clarification here, but I am given to understand from the Minister of Social Security that, to a degree, in certain instances, it is the Administrator, or his deputy, who has an appropriate statutory discretion and will act, as he has done in the past, but even more so following this legal advice, in a diligent, professional and
2335 compassionate manner. So I suspect the number of cases before the Board will be extremely limited, unless there is a generic policy implication.

2340 **Deputy Le Lièvre:** Thank you for that, Deputy Gollop, but in my 13 years or so as Assistant Administrator of Supplementary Benefit, I cannot remember one case ever going to the Administrator or indeed the Authority seeking an increase in the level of benefit. Now it might have been that the Law has changed since 1995 when I left, but that is the situation – I shall give way Deputy Langlois, but only once more.

Deputy Langlois: Absolutely, sir.
2345 I just wanted to point out that I will respond to these assumptions that are being made, in my speech.

The Bailiff: That is not a proper point to give way. (*Interjections*) That does not advance the debate.

2350 **Deputy Le Lièvre:** I can only tell you that it was not assumption. From my memory, although I admit it is bad, but I do not remember ever going up to the Administrator seeking an increase, because the statutory limits were always utilised. That is why we had a discussion, this morning, about benefit limitation. Never mind.

2355 Tenant income variation will have virtually disappeared, and yet such variation is vital, because it reflects what exists in the wider world, maybe at a somewhat high level, but a reflection of sorts, nevertheless. With the levels of income variation that existed in 2000, tenants could quite reasonably aspire to being upwardly mobile, and remain within the social housing sector, obviously there had to be limits to such expectations, but at the start of this millennium a tenant might choose to expect to lead a lifestyle akin to many other persons in the Island, if they so chose.

2360 Social variations in income across the community are not only desirable, they are essential. They are what drives each of us to improve our circumstances, if we so desire. Income might not be the only driver for some, but it plays an essential role in the relentless drive for self-improvement. Encouragement to go further, to push personal boundaries, might be inspired by family and friends, by an employer, by self-motivated desire, and by the environment in which we live.

2365 However, if the factors that enable people to better themselves are artificially restricted by factors over which they have little or no control, then the enthusiasm to self improve is dampened to a greater or lesser extent by what is happening to them and what is going on around them.

2370 The Social Security proposals are likely to prove a significant damper on self-improvement, even though it is reported in the policy letter that 800 or so tenants will be better off.

However, the real issue is not about winners and losers, it is about the removal of variation, that is going to be the most damaging factor within the States.

2375 As I have stated already, Social Security's policy letter makes it clear that 91% of tenants will end up on Income Support. The remaining 9% have sufficient resources to pay the standard rent of their accommodation. But on an estate like Les Genats – and I got these figures from Housing – the outcomes will be predictably depressing. From 133 homes examined, only 9 will pay the standard rent, and of those only 5 will be families. It follows that just 5 families from 126 family units will be paying the standard rent, and 121 families will be on Income Support. The four other standard rent payers are occupying single-bedded units. On Les Genats, the ratio of family tenants on Income Support, or paying the standard rent, will be 25:1. And it is seriously questionable whether or not such a ratio is sustainable socially.

2380 For the first time in the history of Guernsey social housing, the responsibility for a tenant's financial well-being will not be in the hands of the Housing Department, and it will have no control over the level of disposable income the tenant retains from their benefit, for the small luxuries of life.

2385 Similarly, the level of rents charged will not, in essence, remain in the hands of the Housing Department, because if Social Security decides not to increase the benefit limitation, or does so only to a small degree, Housing will not be able to increase its rents, without fear of jeopardising a tenant's general allowance for living expenses. I think Deputy Jones could confirm that is correct.

2390 **Deputy David Jones:** I will agree with that.

Deputy Le Lièvre: Thank you.
2395 Given the fact that Housing is seeking to amend both levels of benefit, and the level of benefit limitation, to be applied by the Social Security Department, before the scheme even gets off the ground, it is not an auspicious start to what is going to have to be a long term relationship, based on trust and understanding.

Equally, importantly it will be the States via the Home Department, the Social Security Department, Education and HSSD, that pick will pick up the social tab, if the fundamental change
2400 in social policy brings about unintended consequences, as it most likely will.

Most worryingly of all, there is no reference to discussions that have taken place around these issues, or acknowledgement that these issues even exist. It would appear that they have not even been addressed.

Now, that was one of four papers, but I think it highlights my level of concern with regard to
2405 some of the consequences, because some of the things that were said this morning really shook me to the ground. Do States Members appreciate that there are very, very many tenants in housing accommodation who are in reasonably well paid jobs? I say reasonably well, at about £500 or £600 per week, they will become beneficiaries. They will not hit the benefit limitation. They will pay the standard rent, and their disposable income will be left at Supplementary Benefit levels.

Now, Deputy Le Clerc questioned whether they should have tumble dryers and cars, but that is
2410 the sort of decisions that are going to reverberate round this Assembly. When you set benefit levels in the future, you have got to remember you are going to be talking about sewage cart drivers, or anybody else employed by the States in that sort of middle income group, who tend to live, it is not tends to live, but who is accommodated in social housing. They will have their disposable income reduced to the same as a single person who is not in employment, or a single parent, somebody who is sick, somebody who is unemployed, etc. Is that right? Quite clearly it is not. It harks back to the issue I raised, right at the start, that we have got one size fits all, and that is not what we need. We need a new model and there is nothing, nothing, in Social Security's paper which even tends towards a new model for Supplementary Benefit, or Income Support.

Now before I move on, and I have just one last paper and I am not going to refer to the
2420 earnings disregard, because it confuses Members – and I am not talking down to you, it is a horribly confusing process, which I was assisted in the understanding of, by who is now Jurat Barbara Bartie, who used to be head of Supplementary Benefit, and performed magic, as far as I was concerned, because she actually designed for me, on my behalf, a form in the 1980's to be used by Procureurs of the Poor, which was still being used by Supplementary Benefit back, leastways, in the middle of the 1990's, and it worked, and it was a system that had a check list on it, so that you ended up paying the right thing. But it is that complicated. I certainly do not want to trouble you with it at the moment.

Suffice to say that it will have an enormous impact on how Housing sets its rents. Housing has
2430 struggled for 30 years on finding a process to set its rents. It has got it right, and what is proposed today will destroy it. It will, in effect, destroy it, so we will be back to square one. Now that is not right either.

But I want to talk to you just a little bit more about work incentivisation, because we have got
2435 to remember that many of the people that are being assessed will be in full-time employment, their partners might be in part-time employment, so for them work incentivisation could be a difficult subject for them, because they might be working flat out already as it is. Yet their income will be reduced to Supplementary Benefit rates.

Now, and the reason for that is a combination of a number of aspects. It is a combination of the
2440 rates of benefit, the requirement rates in use, it is a combination of the benefit limitation, it is a combination of the earnings disregard and various other issues, so I am not going to try and explain it mathematically but just, I am afraid you are going to have to take my word for it.

What will happen is that the £30 disregard, unless Social Security comes up with another
2445 system, the £30 disregard wrapped up with the benefit limitation, and the requirement rates will cause what I have called in my papers at home 'flat-lining'. Once you have reached the limit of your requirement rate, it does not matter how much you earn, you will receive the same amount of disposable income, you will flat-line. So a person, and I used it in the paper, if some of you have seen it, say is on £400 or £500 a week, they will have to work and earn another £280, in some circumstances to take home an extra £2.69. They will have to work for a score of hours to earn £2.69, in the case I have used now.

Nobody has been on to me to say I have got it wrong. I believe that calculation is right, and in
2450 any event it fits in with a paragraph within Social Security's Report which talks about flat-lining, although it does not use that term.

There will be no work incentivisation for people who are in employment: quite the opposite.
2455 And one of the big things, and Deputy Jones can confirm this, one of the big problems for Rent Rebate, is that many, and this was a problem right from the start, and I suspect it is a problem today, and I think it might have been referred to this morning is that somebody who is earning, I do not know, £500 a week and they get their rebate, they do not like working extra hours, because some of that money will be taken off them, and it will not be necessarily at the 25p in the £1,

2460 which is the maximum rate, because the tariff will be applied to the whole of their income, they will have substantially more, in some circumstances, taken out of their extra pay that they have earned.

2465 And that has caused real problems, for people who work for the States, for people in private industry, etc. They were always on the phone saying, and employers were on the phone saying, 'My employees do not want to work any more, because they are going to actually get... their rebate is going to reduce and they will not actually earn the money that they want to.' And yet if you apply Social Security's rules at the moment, it will not be 25p or 30p in the £1 by the time the disregard is applied; it will be £1 for £1. Yes it will, I am afraid it will be, Deputy Gollop – it will be £1 for £1, because that is how the system works.

2470 Once you have received your £30 disregard, you cannot earn more than the disregard plus your requirement rate. It is a factual impossibility. And that is the outcome, and it is surprising that a Member of Social Security does not know that. (*Interjection*) Well, it is wrong. I am sorry you are wrong. Never mind, through the Chair – Deputy Gollop is wrong. (*Laughter*)

2475 This is a real issue because although there is a lot spoken about it in Social Security's Report, there is no work incentivisation for those people who are already in employment, unless they change jobs to a higher job, but that is not always possible. Somebody who has been working a job as a painter and decorator suddenly cannot change job to become a plasterer: they are what they are, and they like what they do, so there is no point in saying, 'Well, change your job and earn more', because it is not possible. And the work might not be there in any event.

2480 I am not going to go on much longer. I am going to sum up very rapidly, because if you have not got the drift of what I am getting at now, then you are not going to get it by me talking for very much longer.

2485 But, one of the things I will point out, and these are figures I obtained from the Policy Unit, I believe them to be correct: the total number of persons impacted negatively by the proposals will be 250 pensioners, 99 non-pensioners, 121 single parents, 140 married couples and cohabiting parents, 370 dependent children, a total of 980 adults and children, adversely affected by these proposals. Now that could never, ever, be a good thing, when that is combined with a form of assessment which means that 121 out of 126 people on an estate are all reduced to Supplementary Benefit. The social impact, and the social consequences, of that are very severe, indeed, and we know they are, we might not like to talk about it, but we know what will happen.

2490 Sir, it is my belief that what we have before us today are Propositions that will ultimately damage our social welfare benefit infrastructure, and make more difficult for every tenant, the already hard task of digging oneself out of dependence on the State, especially if you have two or three or more children.

2495 I hope that I have demonstrated these proposals do not represent modernisation of the Supplementary Benefit scheme, or even the creation of a system that would allow for the Rent Rebate Scheme to be subsumed into Supplementary Benefit.

2500 Social Security have not provided an alternative, modern, flexible, inclusive uplifting scheme, they have simply rammed the Rent Rebate Scheme into Supplementary Benefit, ignoring all the bits that have fallen and snapped off in the process.

2505 The time has now come for this Assembly to recognise that it does not have a fit for purpose welfare benefit structure, and, at the moment, it does not have two Departments that can work constructively together to produce such a structure.

2505 This Assembly cannot allow this unfortunate and unacceptable set of circumstances to continue. It has to interfere, so as to avoid the possibility of the creation of a socially imperfect structure that this Island has not experienced for over 70 years.

2510 I would therefore recommend that the Assembly supports my amendment, which will ensure the development of a single comprehensive social welfare benefits model which is capable of fulfilling the social and economic objectives of the States, and the development of an objective rationale for the determination of assistance, that is both socially just, and financially sustainable, having given detailed consideration to the long-term circumstances of the sick, the disabled, the elderly and families on low incomes, families with three or more dependent children, and those persons with no further expectation of employment, due to age or ill health; that the key parties involved, namely Housing, Social Security and Treasury and Resources, work together to produce the aforementioned model; and that by no later than June 2015, the Social Welfare Benefits Investigation Committee shall report back to the States, proposing a single comprehensive social welfare benefits model that replaces the current Supplementary Benefit and Rent Rebate systems; and finally, that the Policy Council should give consideration to the investigation being funded by the Corporate Housing Programme.

2520 Now, just before I sit down, there are two issues. I do not know why it suddenly came to me, but the Corporate Housing Programme is indeed the ideal organ to fund this working party, because much of the money in it is from people who have paid social housing rents, and it is for the benefit of those people, and therefore it seems logical to me that that fund should actually allow this investigation to carry on.

2525 And finally, just one subject and I know it is going to be used against me, about kicking the can down the road – I know it, I know it is coming, (*Laughter and interjections*) and I thought I will tackle it before it hits me.

In 2011, or during the previous improvements to be made to Social Security, it was, I believe, one of the recommendations that Social Security up their game with regard to the levels of Supplementary Benefit, or at least raise the benefit limitation, and Housing bring their game down, so that the two systems would be easier to mould into one, but that has not happened. That has not happened, and so we have this gulf that has to be filled in, and it is going to be filled in with severe transitional arrangements, after the two systems have been hammered together.

2530 But that is for the future. It is not beyond Social Security's ability and, indeed, the Housing Department's ability to start this process now. I note with interest that Social Security has had to be prodded to actually increase the current benefit limitation of £500. It has uprated the benefits, but it has not actually uprated the benefit limitation for next year. Now, I find that worrying in itself, but nevertheless, it has been prodded and there is an amendment, in my name, that we will discuss later on, hopefully.

2540 But, that could be done. If Social Security wanted, this afternoon, they could say, 'Well, let us put it to £525, let us go part of the way already, to start bringing in those people who are in the private rented sector actually into the fold.' When it did that last time, it went from £450 to £500. I asked Malcolm Nutley, I said to Malcolm 'How many claims have you had?' And he said, 'Well, I don't really like to tell you, Andrew, I think it might be one.'

2545 That is the problem we have got, you see, we do not know, but we could so easily test the water, by simply upping the benefit limitation and bringing some of those people that both Deputy Langlois, and Deputy Jones want to assist. We could bring them into the fold certainly on the Social Security side, and on Housing's side we could simply uplift the higher levels of tariff chargeable to people with higher income, and one could be offset against the other. They are both general revenue funded. It is not beyond the wit of the very excellent staff employed by both Housing and Social Security, to start this welding-together process here and now. You do not have to kick the can down the road. You can start the process very early on, so that by the time we next consider this, possibly even if this amendment does not get thorough, we can start on it straight away.

2555 So I do not want to hear about kicking the can down the road. It is already within Social Security's ability and Housing's ability to start this process working. And in Housing's case, they do not even need to come back to the States. Social Security might need to, with the benefit limitation, but one side of the equation could start tomorrow.

2560 So I would implore you to support this amendment. It does not kick the can down the road. It offers the best opportunity this Assembly can take to introduce a system, to replace the one that has been in operation since 1955, and it took four goes to get that. It had the States Insurance Authority proposals, they were kicked out. It had the proposals of the Indigents Investigation Committee, those were kicked out; and then it was introduced as the Non-Contributory Indigents Relief Investigation Committee, and they finally came back and the States directed that States Insurance could come back and the States told the States Insurance Authority what it needed to see in its benefit system. That is how it worked, and it was from 1950 to 1955. I would not anticipate that it will take that long this time, because we are so much further forward, but we have been here before, we have been here before, and if you do not approve my amendment, we will be here again. We will be here again, as soon as these States tenants realise what is on the agenda, because at the moment they have not got a clue.

2570 Thank you, sir. (*Applause*)

The Bailiff: Deputy Sillars, do you formally second the amendment?

2575 **Deputy Sillars:** I do sir, and I would like to speak now, if I may?

The Bailiff: Well as seconder, I will let you speak now, then I will call Deputy Jones and then Deputy Fallaize.

2580 **Deputy Sillars:** Mr Bailiff, Members of the Assembly, another great speech, Andy – Deputy Le Lièvre.

Several people have asked me, in a rather surprised fashion, why I have been chosen to second Deputy Le Lièvre’s amendment. Well, the answer is very simple. Firstly, he asked me – I was also surprised. But, secondly, and far more importantly, I happen to believe that this Assembly must exercise great care and caution, when we propose to make changes to benefits that will affect and, almost undoubtedly, have an aspect of the living standards of families at the lower end of the income scale.

2585 I do not pretend to understand Deputy Le Lièvre when he starts talking about the more complicated aspects of benefit calculations. He obviously does understand the subject, and he ought to. He has spent most of his adult life writing and studying this topic. But like, I suspect, many Members, I cannot say that I do.

2590 What I do understand, however, is what we frequently see in our schools, and what our schools have to do, to support some of this community’s children and it makes me very sad – actually very angry. Sad, because I feel children do not have a good start in life and the opportunities that many of our children did, and do, and angry because sometimes I believe we should do things so much better than we do now.

2595 Today’s debate might look like a straight debate between Social Security and Housing, but it is very much more than that. It is about Health, it is about Social Services, and it is about Education, to name but three other Departments with close links to the development of our children. Education’s Vision puts the child at the centre of all we do, and it is of significant concern to me, when the welfare of the Island’s children is exposed to an increased level of risk, no matter how small, that increased risk might be. But we need to know, and understand that risk.

2600 I am not suggesting, for one moment, that Social Security would, without considerable thought, reduce the levels of help available to our poorer families, but the fact remains that some families are going to end up worse. And when you do not have a great deal to start with, that is not a great direction to travel.

2605 I must say that my fears are not helped by the fact that Housing is not really supportive of these proposals. Its letter of support talks about reluctantly supporting Social Security’s modernisation proposals, after listing at least seven reasons why the report is inadequate.

2610 Subsequent to this strange letter of support, it then somewhat surprisingly seeks to amend two of Social Security’s main proposals. Such actions on behalf of one of the key players in this fundamental benefit change cannot give this Assembly a great deal of faith, or confidence, that either Department is entirely sure of its exact position.

2615 This appears to be especially true given Housing’s clear direction that it believes that the rates of assistance proposed by SSD are inadequate. In the event, I find more comfort in Deputy Le Lièvre’s amendment, which seeks to promote the creation of a special investigation committee to review, what is admittedly, a complex and vitally important issue. For a relatively small, but very important due to its financial vulnerability, part of our community.

2620 I would ask the Assembly to support Deputy Le Lièvre’s amendment and in doing so provide many of our poorer families with the assurance that this Government will only make changes to our benefits system, after an exacting and thorough examination. At the moment, it does feel a bit like a wing and a prayer.

Thank you, sir.

2625 **The Bailiff:** Next, Deputy Jones, to be followed by Deputy Fallaize.

Deputy David Jones: Thank you, Mr Bailiff, Members of the States.

I just want to address some of the points that Deputy Le Lièvre made at the beginning of his speech.

2630 And just to make it clear, we did want to postpone this debate. The date today that it has come before the States is totally an arbitrary, fictitious date. Really, there was no need at all to have this debate today. The Social Security insisted on having it.

2635 Now, I protested at the Policy Council strongly, that we would rather postpone this debate, we would rather not go half cocked, as they used to say, before we had all our ducks lined up in a row. And Deputy Le Lièvre is quite right, we have not managed to contact the 1,700 tenants, and write individual letters – because that is what it is going to take, because each individual tenant has a different set of circumstances – simply because we did not know what the outcome of this debate is going to be, and whether our amendments were going to be successful.

But I do take exception with Deputy Le Lièvre’s view that Housing has abandoned its tenants. What on earth did you think this morning was all about? We tried to make this particularly poor

2640 Report significantly better by the amendments that we put forward, but the idea that we have somehow abandoned our tenants...

So let us be clear, we did not want this Report – I give way.

Deputy Le Lièvre: Thank you, Deputy Jones.

2645 I did not say you had abandoned them, and I do not believe you have abandoned them. I said, ‘In just eight short years, simply shed every vestige of care, and in effect, passed them... I do not believe it of their Minister, I do not believe it of their Board, and I do not believe it of their Chief Officer. Something has gone horribly wrong.’ I know you have not abandoned your tenants. Okay?

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Deputy David Jones: Thank you.

I am trying to explain what has gone horribly wrong. What has gone horribly wrong is the fact that we thought we were in talks with SSD, in order to make this policy report something that we could both support wholeheartedly, but early on in the negotiation stage, SSD decided to take its ball away altogether, and it did not want to play any more. They made it very clear to us that they were going to take this Report to the States regardless.

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Now, you may then ask, ‘Well, why on earth are you supporting SSD’s report? Why does your letter of comment criticise what has been going on, but at the end you have come down...?’ and the simple reason for that is because – I keep repeating this – this is not all about States tenants. This is about people in the private rental sector and, if we do not at least do something today, then nobody will get any help at all. So that is the reason why the Board decided to take the route that is has gone.

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And if I misunderstood Deputy Le Lièvre, then I apologise for that, but it did sound to me as if that was what was being said.

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Sir and Members of the States, Deputy Le Lièvre’s amendment is 600 words long: 600 words to describe the creation of a social welfare benefit investigation committee, and 600 words to describe the committee’s constitution, its mandate, its objective, and how it is going to operate.

But just let me summarise Deputy Le Lièvre’s 600 word amendment in five words: ‘I can do it better.’ Now I know that the amendment does not name Deputy Le Lièvre as being the chairman, or even a member of this committee, and I suspect that all of us in this Chamber know, that when it comes to the Supplementary Benefit Scheme, and the Rent Rebate Scheme, he is an acknowledged expert, and you cannot take that away from the Deputy. After all, he managed one and he designed the other. He knows his way around the minefield – after all he laid most of them. *(Laughter)*

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Deputy Le Lièvre: To the benefit of the old age pensioners, and the single parents, etc.

Deputy David Jones: I am not asking... I just used that as a metaphor, illustration of what a minefield it is. And he is the only one, really, who has a map of where they are – outside of SSD, I hasten to add, because there are some good staff there too.

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And if this committee was created, it would be, in my mind, utter madness for him not to chair it. I accept that. I am not saying that this is a vanity project, far from it. Deputy Le Lièvre does not do vanity. He is a friend, and a man of considerable integrity, somebody who cares passionately about social welfare, and wants to help the least well off with every fibre of his being. He has placed this amendment, because he sincerely believes that it is the right thing to do, so I do not doubt his motives, his expertise, or his passion.

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So why then is my Board and I so strongly opposed to this amendment? Well, firstly, the people out there are suffering right now, and they will suffer tomorrow, and the day after that. We need to make a difference to their lives as soon as possible, and not kick this into the long grass – *(Laughter)* I had to change that bit *(Laughter)* – which this amendment would undoubtedly do.

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Social Security’s proposal would take effect in January 2015 about 14 months from now, and you have clearly shown this morning, by chucking out our amendments, by the scruff of their neck, that you support SSD’s view on this issue. *(Interjections)* Well, I am sorry, but I thought ours was an improvement over the SSD proposal; maybe I got that wrong.

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I wish I did not have to wait as long as that, but we need to wait for the outcome of the Review of Personal Tax and Benefits, plus there is work to do in preparation for closing the Rent Rebate Scheme.

Deputy Le Lièvre’s amendment calls for the creation of a single, comprehensive, social welfare benefit model. Moving to such a model would invariably involve the same amount of preparatory work as has been factored in to Social Security proposals, in other words, about a year.

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So if, as per this amendment, the States convene a special investigative committee to report back by June 2015, you would be looking at June 2016, at the earliest, I suggest, before low income families get any help at all – *June 2016*, and for that reason my Board and I simply cannot live with that. That is five years, actually, since this urgent matter was first brought to the States attention.

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Anyone who has heard me criticise Social Security for rushing to bring their proposals to the States will think, what on earth is going on? Well, let me make it clear. My Board and I were annoyed at SSD because they thought that if they spent more time talking their proposals through with Housing, the two Departments could have come to an agreement, and avoided the situation we found ourselves in today. We also wanted SSD to hold their horses for a few months, so that Housing could work out, in detail, the transitional arrangements needed to protect our tenants.

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But I go back to the Policy Council once again. I took these points to the Policy Council, they chose to ignore it. They wanted us to have this discussion today. They wanted to argue out the benefit rates in this Chamber, rather than doing it the proper way, in which case, I suggested the Policy Council would take longer and that SSD should withdraw their report, until Housing and SSD had got further down the road. And we could have then come to the States with a report supported fully by Housing and SSD.

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So as I say, we wanted SSD to hold their horses for a few months, so that we could work out the detail that a transitional arrangement, needed to protect our tenants, Deputy Le Lièvre. My point is that SSD could have postponed their report by three months, and it would not have affected the January 2015 start date, and in that time we could have addressed many of the points Deputy Le Lièvre wants answers to today.

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So, Deputy Le Lièvre's amendment will push things back to 2016, which is surprising, given his passion for more action on this subject, and so that is the first reason why my Board and I are opposed to this amendment. It would hurt the very people that Deputy Le Lièvre wants to help, by ensuring that they are denied any meaningful uplift in their living standards by a further 18 months, at the very minimum.

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When you are on the breadline you cannot afford to wait another one and a half years while the States rakes over the same old ground, yet again, and that is the second reason why I am against this amendment.

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It is yet another case of going back to the drawing board, I am afraid, and if we end up debating the modernisation of the social welfare system in June 2015, it will be the third time we have done so – fourth if you count the 2011 Green Paper. And that is what really scares me.

With this amendment, Deputy Le Lièvre has given Members a very tempting get out clause, because is that not what we like doing as a States? We find ways to put things off, maybe when voting we should have a third option – *Pour*, *Contre*, and 'Ask me later', or 'Phone a friend'.

2735

I am asking you now: how much longer can we postpone this life-changing vote? I say 'life-changing' because it is, for those who are on these incomes. How long is it going to take to find the political courage, not to mention the moral courage, to say, we have got to grasp the nettle on this one? We owe it to all the families on the Island, who are at risk of poverty. For that reason, even though Social Security proposals are 'crap'... no, are second best, in my view, they are better than sitting seven people around a table for another 18 months to try and find a miracle cure.

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What Deputy Le Lièvre is asking for in his amendment has already happened. It is in this and all the reports that have preceded it. I do not like Social Security's conclusions in this Report any more than anybody else. Nor does Deputy Le Lièvre, he thinks that he can do it better, but spending more political and Civil Service time on a grand design really is like playing the harp while Rome burns.

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Deputy Le Lièvre was a member of Social Security, when it brought the last set of welfare proposals to the States in March 2012. Housing's amendments would have created a welfare system that was fundamentally the same as Deputy Le Lièvre backed then, *100%*. But the States has said no to this, and thus it is time to move on.

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And that brings me to my third and final reason why I think this amendment, as well-intentioned as it is, is also wrong-headed. I am intensely sceptical that a welfare system designed by Deputy Le Lièvre's special committee would look any different from what is on offer today, and that is because there are only so many ways that you can put lipstick on a pig.

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Over the last two years, Social Security, with Housing alongside them, have researched definitions of poverty and minimum income levels. They have carried out minimum income studies, and paid for academics to visit the Island. They have enlisted the help of the Policy and Research Unit who have worked up endless financial models, and crunched their way through a massive data base of information, and throughout that process, the politicians have been ably

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assisted by civil servants who are experts in running means-tested schemes – civil servants who are more than capable of doing the job which Deputy Le Lièvre did in his time in that Department.

2765 So, yes I think that if Deputy Le Lièvre's amendment is carried, we will be back here in 18 months' time or so, he is right about that, debating an Income Support system that looks remarkably similar to the one you have before you today.

2770 The big difference, I think, will be cost. Deputy Le Lièvre has said that neither Social Security's nor Housing's proposals would do enough to protect social housing tenants, but I can tell you this for certain, if you wanted an Income Support scheme to protect every social housing tenant in full, so that when rebates disappear, no one was worse off, you would need to put the Supplementary Benefit rates up so high that you would be adding many millions of pounds to the Island's benefit bill, millions more than the cost attached to the proposals in front of you today, even with our amendments.

2775 I cannot believe a special committee would find it easy, even to agree among themselves, to recommend such a massively expensive scheme, let alone give the States the opportunity to debate it. So what is to be gained by setting it up? More delay when we need to get moving on this now.

2780 Accept Deputy Le Lièvre's amendment, and at best it is a *sursis* – well, it is not a *sursis* any more because this was... our proposals went first, but it is a vote of no confidence in Social Security in a way. But what does that do for the people who are in need that I, and Deputy Le Lièvre, desperately want to help? Why is Deputy Le Lièvre proposing establishing a committee rather than putting forward his own set of benefit rates to help people sooner rather than later?

2785 One small point in closing, I had to smile when I saw that the amendment was suggesting that the Corporate Housing Programme Fund be used to pay for the special investigation committee – of course, without any consultation with Housing, you might add – but here we have one of our biggest critics, looking to use the CHP Fund to pay for something that might not be able to be funded in any other way. I think that is irony, in a way.

However, this is of course now all academic because, as explained in the Budget Report by the Minister of Treasury and Resources, the CHP Fund will be reconfigured to be used to pay for capital projects, making it totally inappropriate to use the fund for Deputy Le Lièvre's purposes.

2790 Before I sit down, my admiration for Deputy Le Lièvre knows no bounds, and I do agree with a lot of the things he has to say, but I am afraid that this shadow committee will be, in fact, an almost vote of no confidence in Social Security. If you are going to set up a shadow committee to run parallel to the work that Social Security is supposed to be doing, I do not know what else you would call it, and I think that that would make the position of people on Social Security almost untenable.

2795 Thank you.

The Bailiff: Several people are waiting to speak. I will call next Deputy Fallaize, then Deputy Soulsby, Deputy Le Clerc, and Deputy Laurie Queripel.

2800 **Deputy Fallaize:** Thank you, sir.

I commend Deputy Le Lièvre, not only for his speech, but also for the four papers which he circulated to Members in advance of this debate. He is, as Deputy Jones has said, and as Deputy Sillars alluded to, this Assembly's foremost expert in this area of policy, undoubtedly.

2805 Now, I am speaking relatively early in this debate, because I am ideally placed to offer an antidote to Deputy Le Lièvre's expertise and experience. (*Laughter*) Despite the many hours that Deputy Le Lièvre has spent in my kitchen trying to describe to me the relationship between income disregards and rent allowances, and rent rebates and benefit limitations, I have to confess – and maybe I am the only one stupid enough to say this publicly – that the whole structure of our social welfare benefits system remains something of an enigma to me.

2810 I will be supporting Deputy Le Lièvre's amendment, not because I have in mind any particular social welfare model that I want to see put in place, but because of the advice which has been made available to this Assembly, by people who have far more expertise and experience in this area of policy than I do, and I am not referring only to Deputy Le Lièvre.

2815 I would rather be standing here encouraging Members to support a set of proposals to reform Supplementary Benefit.

2820 In March 2012, the then Social Security Committee came to the States and advised that the Supplementary Benefit Scheme is constructed on an outdated model, which has failed to keep pace with social change. And today the present Committee is laying before the States a policy letter, which says of Supplementary Benefit that it is far from perfect, it is outdated, and it perpetuates inequality within the community.

I do not think that there is very much at all on which the previous Committee and the present Committee would agree, but they clearly agree that the case for reform is made, and I suspect that that is the view of most Members of the States that there is a clear, compelling case for reform of what is an outdated Supplementary Benefit scheme. But, as I say, I feel the advice of others who
2825 are much closer to this area of policy than I am, and I talking about Social Security, Housing, Deputy Le Lièvre and T&R, is so much in conflict, that it would be unwise for the Assembly to do anything today other than support Deputy Le Lièvre's amendment.

The Supplementary Benefit Scheme in law falls to be administered by the Social Security Department, and the Rent Rebate Scheme in law falls to be administered by the Housing
2830 Department. So it seems to me quite logical that, if there is a proposal before the States to reform the Supplementary Benefit Scheme and reform the Rent Rebate Scheme, that it might have been presented jointly by the two Departments who in law are responsible for those two schemes. (**A Member:** Hear, hear.) And indeed in March 2012, although the proposals stood in the Social Security Department's name, they were indeed, supported by all five members of Social Security
2835 and all five members of Housing. It was in effect a joint policy letter. But plainly, that has not happened on this occasion. At paragraph 259 of the policy letter, Social Security states:

'The Department is pleased to have the support of the Housing Department in relation to these proposals...'

Well sir, in fact, this morning, these two Committees across this Chamber have spent three
2840 hours knocking six shades out of each other. (**Several Members:** Hear, hear.) Now if that – Deputy Gollop says no – (*Laughter*) but actually, at one stage, I wondered whether it was a joint meeting between Housing and Social Security, but just held in the States, because the rest of us were not taking part. It was just a member of Social Security, then a member of Housing would
2845 come and bash them up, and then a member of Social Security would come and bash up the previous speaker. That is what happened this morning –

Deputy Gollop: Just, if Matt would give way for a minute, I would say that, bearing in mind
2850 some of the more fruity exchanges of the last few months, what we had today was an extremely civilised seminar, in which we were all singing from the same hymn sheet.

Deputy Fallaize: Sir, that is certainly one way to describe it. (*Laughter*) I thought Deputy
2855 Jones' description, which cannot be repeated, was slightly closer to the truth. (*Laughter*) This morning Deputy Jones said Social Security's proposals have disdain for pensioners and lower income householders. He said of their proposals the lack of ambition is shocking. He said of their proposals, when put under close scrutiny, Social Security's arguments fall apart. And now he has used a particularly juicy four letter word to describe them, but he is arguing the States should vote in favour of them. How can it be that?

Deputy David Jones: On a point of correction, I thought I had made it clear that Housing's
2860 position is as opposed to doing nothing.

Deputy Fallaize: Sir, Deputy Jones did say that Social Security's proposals have disdain for
2865 pensioners, and low income householders, and that when they were put under close scrutiny their arguments fell apart.

Now, sir, Social Security promote their policy letter as, quote, 'a balanced set of proposals, providing an appropriate framework of support, which will serve generations to come, and which promotes economic independence, opportunity and choice, and seeks to alleviate poverty,
2870 unemployment and social exclusion', but their partners in this process of merging Supplementary Benefit and Rent Rebate, Housing, could not have been more critical in their letter of comment.

Now, I have to say, I could criticise the Social Security Department's proposals, but actually I
2875 am not going to. I do not agree with their proposals, but I do understand them. I do have respect that these are the conclusions that this Committee has reached, and they believe in them, and they are putting them to the States. I do not agree with them but their proposals are coherent in that sense.

The position of the Housing Department today is manifestly absurd. The Housing Department
2880 says that it has been attending joint meetings with the Social Security Department during the period of policy formulation, and a policy letter is submitted by Social Security, which states that they are pleased to have the support of the Housing Department. Now, to start with, let us remember that this policy letter from Social Security relates to the Rent Rebate Scheme, which falls in law to the Housing Department. I know Deputy Jones well enough, and I would have thought that Deputy Jones, in his usual abrasive form, would have told Deputy Langlois weeks ago

2885 to get his tanks off Housing's lawn. Instead, Social Security come to the States with a report which says that Housing support them. And Housing write a letter of comment, which says that they offer their support, albeit reluctantly, they offer their support to the Social Security Department.

2890 Deputy Jones then says that they listed six reasons in their letter of comment against Social Security's report, in the hope that other Members of the States might pick up on their concerns. That is weak, (*Interjection*) and then – I am supporting this amendment – then Deputy Jones and his Department lay amendments against the Social Security Department's report. Now, why were their amendments not tagged on to their letter of comment? What kind of position have they left the States in today, where we have what purports to be a joint report, or that at least carries the Housing Department's support and we are advised by the Housing Department that they reluctantly support, and then they start laying amendments? I find that extraordinary.

2895 Housing's letter of comment says of this Report that it has been unnecessarily rushed and is incomplete; that an opportunity has been missed to review the adequacy of benefit rates; that no work has been done on the transitional arrangements which will be necessary when the schemes are merged; that in setting new benefit rates there has been no attempt to provide an objective rationale for the sums payable.

2900 Sir, we are debating here, in part, the future of the Rent Rebate Scheme, or at least, the future of households who are currently inside the Rent Rebate Scheme, and those words, that I have just read out, is the advice to this House of the very Committee which has administered the Rent Rebate Scheme very successfully over the past eight or nine years. Now, in my view, that is not a sound basis upon which to support these proposals.

2905 What of the new scheme, which is to emerge from the ashes of the old schemes. Well, this is the area where we can benefit most from Deputy Le Lièvre's expertise. In one of the papers he circulated to Members, he wrote:

2910 'The current Supplementary Benefit Scheme was designed in the 1950's to assist those Islanders for whom work was unlikely ever to be an option, the very old, the disabled, the chronically ill, and widows with dependent children...'

He goes on:

2915 'Today Social Security proposes to use the same largely unaltered scheme as a tool for dealing with people who are likely to be in full time and possibly reasonably well paid employment, a purpose for which it was never designed.'

2920 He says reducing the wage of a full time employee to subsistence levels is contrary and diametrically opposed to existing States policy that promotes responsibility, independence and self-reliance. And we have to remember – although frequently this Assembly has a record of not putting to good use the professional expertise of Members when they arrive in this Assembly – that Deputy Le Lièvre designed the Rent Rebate Scheme, and ran the Supplementary Benefit Scheme, I do not know, for 10 years, 12 years, however long it was – 12 years – and today he warns the States that the new scheme is, quote, 'doomed to failure, both at an individual and community level'.

2925 Another of Deputy Le Lièvre's papers tells us that 980 people will be adversely affected by the proposals, including 250 pensioners and 370 children. He tells us that approximately 125 pensioners will see their incomes drop, by between £20 and £50 a week, or between £1,000 and £2,600 per year. Families with children will also lose out under the new proposals, with 120 families experiencing a drop in income of between £20 and £50 a week.

2930 Now, these are already some of the... poorest people is going slightly too far because there are lots of people in social housing who do not fall into the poorest category, but they are certainly, probably these people are well away from median earnings levels. We are not talking here about the middle class; we are talking about what traditionally would have been, I suppose, called working-class people – probably in the lowest 15%, 20% of... or the poorest 15% or 20% of people in this Island.

2935 And Deputy Le Lièvre says the Supplementary Benefit assessment process will also 'severely impact the ability of these families to improve their circumstances, something that is wholly contradictory to Social Security's policy of encouraging independence through responsibility and financial reward.'

2940 I expect there are many Members of the States who opposed Housing's amendment today, believing that perhaps they were overly generous, or un-costed, who might be considering supporting Social Security's amendments, proposals. Because they think this is type of social welfare system that genuinely would encourage hard work, and personal responsibility. But Deputy Le Lièvre's papers demonstrate, in figures, that that is not the case, that actually what he calls flat lining will occur, and the very opposite of incentivising personal responsibility will arise.

2945 He has produced an illustration of this impact, using a couple with two dependent children, living in social housing, his paper advises us there will be no financial advantage in this couple increasing their income above £400, unless they can increase it to £660. With earnings of £680 they will have improved their circumstances by £2.97 a week, when compared with what they would have taken home, at an earnings level of £400. So this is supposed to be a scheme which encourages hard work and personal responsibility, and which, when a couple increases their income from £400 to £680, their disposal income increases by £2.97 a week. Sir, that is obviously contrary to the States Social Policy Objectives of encouraging personal responsibility.

2950 Now, sir, we have to remember that what Social Security is laying before the States today is a set of unfunded proposals with a total additional cost, of several million pounds, and I have to refer here to Proposition 34, because Social Security have implied there, might be, ways of funding their proposals, but actually Proposition 34 is to direct the Treasury and Resources Department, to take account of Propositions 28 to 33 when formulating proposals for inclusion in the 2015 and 2016 Budget reports.

2955 Well that is not a firm commitment from Social Security to fund any of this through the redistribution of universal benefits. Not that I necessarily support or oppose funding it that way. But that is the proposal, now this is a completely unfunded proposal that is before the States, completely unfunded.

2960 And sir, of course, it interests the Treasury and Resources Department – the Department we have asked or handed the custodianship of public finances. And what is Treasury and Resources advice to the States? Their letter of comment reads:

2965 [T&R] is firmly of the view that proposals for the modernisation of the Supplementary Benefit Scheme should not be presented to the States prior to consideration of the Personal Tax, Pension and Benefit Review. This is because Members feel that any significant changes to benefit structure and levels should [...] form an integral part of the wider review, together with associated funding implications.'

2970 And it goes on to say, that Members of T&R:

2975 '... consider that the States Report should include further detail and justification in some areas, in particular in respect of the transitional arrangement for closure of the Housing Department's rent rebate scheme which has not been fully formulated and costed or a funding source agreed.'

2980 So sir, these are the views, this is the advice, which I think the States must reflect upon very carefully: first of Deputy Jones and his Committee, which has run the Rent Rebate Scheme since its inception; second, the man who designed the Rent Rebate Scheme and ran the Supplementary Benefit scheme for a decade or more; and third, for the Committee of the States responsible for public finances.

2985 Now, I ask Members of the States, does the combined advice of the Housing Department, Deputy Le Lièvre and the Treasury and Resources Department provide the States with the confidence necessary to support the far reaching, and expensive but as yet unfunded, proposals set out in this policy letter? In my view, the contrary must be true, and in these circumstances it would be almost irresponsible for the States to support Propositions 28 to 34 of Social Security's policy letter.

2990 But I do not want to reject these proposals and substitute nothing in their place. As I have already said, the case for reform of social welfare has been established by successive Social Security Committees. I also do not want to reject these proposals and substitute nothing in their place because it would no doubt provoke a third attempt at dealing with this problem, using exactly the same approach, that failed between 2009 and 2012, and which, in my view, if we follow the advice of Deputy Le Lièvre and Housing's letter of comment and T&R's letter of comment, should properly fail this time.

2995 Sir, the proposals in this amendment now represent easily the best prospect now available to the States of developing and implementing, before the end of this term, a truly modernised, sustainable, single social welfare benefits model.

3000 This is not undermining the mandate of any existing Committee, any more than the existence of the States Review Committee undermines the mandate of the Policy Council, or the existence of the Committee to investigate our constitutional relationships undermines the mandate of the Policy Council. The Policy Council could have carried out one, or both, of those reviews within the terms of their mandate, but the States decided that it was more appropriate for them to be investigated, rightly in my view, by specialist committees, that has not undermined the mandate of the Policy Council, and I think the same is true here.

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I think the proposed membership of the investigation committee would be ideally placed to obtain consensus in this area, which has so obviously been and clearly today, from this morning's exchanges, remains elusive.

3010 The three Departments with a direct interest would be represented on the committee, but it would also benefit from the involvement of other Members of the States, unconnected with those three Departments, who would be able to bring to the table at least a degree of neutrality, and potentially fresh thinking.

3015 The mandate of the committee obliges it to lay before the States not only a single comprehensive social welfare benefits model, but crucially a model which identifies, in full, sources of funding for any reforms which the committee considers necessary.

Deputy Jones this morning said the social welfare system has not been re-examined properly in decades. Exactly, that is why this committee is necessary. That is why Deputy Le Lièvre's amendment is necessary.

3020 Now, I do not want to see before the House again social welfare reforms which are unfunded. I do not want to see before the House again proposals upon which none of the most interested and expert protagonists, Social Security, Housing, Deputy Le Lièvre and T&R are completely in disagreement.

You could not get four more different positions if you tried. I do not think that is particularly helpful, I think it leaves the States in an almost impossible position.

3025 I also do not particularly want to sit here and listen any more to Deputy Le Lièvre (*Laughter*) telling the States, from outside the committee's responsible, how to design the social welfare benefits model. So, although I want to support his amendment, my support is contingent on him in his closing speech giving the States an undertaking that he will be a candidate for this committee if the States set it up.

3030 There was a bit of a *contretemps* going on this morning, between my two friends in the Vale, about whether Deputy Le Lièvre should chair the committee. I am not sure Deputy Le Lièvre should chair the committee, perhaps not, actually, but I do think he should be a member of the committee. As Deputy Jones has said, it would be illogical for him not to be a member of the committee.

3035 But if he is inside the tent... no, I cannot say that. (*Laughter*) If he is brought into the fold and forced to sit alongside representatives of Housing and SSD and T&R, he will not be able to come here, when this committee reports back, and present some sort of completely different model – or technically he would, but of course he would look completely absurd if he did that and we would all round on him, so he would not do it, because he would have set the committee up, and anyone
3040 who sets up committees really is almost obliged to go along with their proposals, I think, and, I think, if he – (*Interjection*) Well maybe not, actually, (*Laughter*) that might be a hostage to fortune. (*Laughter*)

3045 But, I think, if he and T&R's representatives and Housing's representatives and Social Security's representatives are sat around one table, I think the chance of consensus breaking out is much stronger and in fact the experience of the States Review Committee I think demonstrates that, because you could not get people who were more opposed to each other at the start of that process. Deputy Dorey and Deputy Harwood were completely at other ends of the spectrum and now, I do not want to tempt fate, but I think consensus has almost broken out.

3050 Now, I just want to make one point about this kicking the can down the road business. I do not want Deputy Le Lièvre to be accused of that. I am not going to have him being accused of that. He has given his working life to social welfare policy and almost every waking hour that he has spent as a politician since 2008, pushing for modernisation of social welfare. He is completely committed to that. The idea that Deputy Le Lièvre just wants to turn up here and kick this can
3055 down the road, and does not really have any commitment to assisting low income households, could not be further from the truth. That is plainly nonsense. You will not find a Member of this Assembly who is more committed to low income households than Deputy Le Lièvre. No Member would go out of their way more than him to try to direct to those households the kind of support and assistance they need.

3060 So whatever we think of Deputy Le Lièvre's amendment, let us please not accuse him of being motivated by kicking the can down the road, because clearly he is motivated by the very opposite. (**A Member:** Hear, hear.)

3065 But I do agree with him, that his amendment now represents the most likely way to effect reform, in order to address the present iniquitous arrangements, in social welfare, before the end of this term of the States. If this States wants to make meaningful substantial reform, properly funded reform, of social welfare before the end of this term, please support Deputy Le Lièvre's amendment.

Thank you, sir.

3070 **The Bailiff:** Before I call the next speaker, I would prefer not to have to say this, but I think, and it almost should not need to be said, but can I remind Members not to use unparliamentary language, and where such expressions have been used, I would prefer that other Members do not make even indirect reference to it, either in tweets, or in this Assembly, or anywhere. (**A Member:** Hear, hear.)

3075 I call Deputy Soulsby next.

Deputy Soulsby: Sir, I will keep it short, I had not prepared a speech before today, but I do want to speak in support of Deputy Le Lièvre's amendment. Although, as Deputy Jones has made clear, in his own words, based on all the work he has done, and the knowledge he has on this matter, I think, he is a committee all by himself.

3080 There are four basic reasons why I believe such an investigation is needed, and why I cannot support Propositions 28 to 34. It is clear reading the 574 paragraphs, plus supporting documentation, in this Report that the system which has evolved, is overly complicated, and a complicated system usually means it is relatively more expensive to run, than a simple one, and I would go further than Deputy Fallaize when he talks about it being an enigma. I would say it is more than an enigma: it is a riddle wrapped in a mystery, inside an enigma. (*Laughter*) We have a benefit limitation system that only affects 23 households, according to the Report, but then it has lots of rules to deal with those 23. Can these households not be dealt with on a case-by-case basis? Is the limitation level appropriate?

3090 Second, the new proposals will cost millions of pounds more, but will make some households worse off. That really confused me. I could not get my head around that at all.

Third, it will cost £500,000 a year, plus transitional costs, to administer. I would have thought a reason for bringing two systems together would be to make efficiency savings, but here we seem to have one plus one is 3.

3095 Fourth, there is no funding in place, and it does seem to me that there is one rule for all the other Departments and another for SSD. Given what we have been debating over the last two days, I really do not find these proposals acceptable.

Sir, a review is overdue and I therefore support Deputy Le Lièvre's amendment.

3100 **The Bailiff:** Deputy Le Clerc, then Deputy Laurie Queripel and Deputy Jones.

Deputy Le Clerc: Thank you, sir.

3105 Sir, I can assure the Assembly that there was interaction with the Housing and Social Security Department Boards, meetings were minuted, and it was our belief that the Deputy Minister of Housing, and his officers, were reporting back to their Board. I believed that our proposals were as a result of compromise made by both Boards, to reach our final decisions, and we were as surprised as Deputy Fallaize was when they have not fully supported our proposals.

3110 I think it was Deputy Jones that queried whether this should be part of the Personal Tax Review, but my understanding of the Personal Tax Review is that we are looking how we raise taxes and the long-term sustainability of the insurance fund, and that is not about setting benefit rates.

We have never claimed that social housing tenants would not be subject to Supplementary Benefit process, but at least they would be measured by the same criteria as those in the private rented accommodation on low income, and those people will therefore be eligible for some assistance.

3115 Deputy Le Lièvre talks, in the main, about those in social housing having less disposable income from their benefit for the small luxuries. But the reason that I support Social Security Department proposals is because there are currently those on low income in the private rented sector that do not have disposable income for small luxuries, as the larger percentage of their income is spent on their rent. Deputy Jones has already admitted that it can be as high as 40% or 3120 50%, and those are the people that have contacted me, since I have become a Deputy, over the last 18 months, and those are the people that I have not been able to help. I feel that these proposals will go some way to helping some of those people on low incomes in the private rented sector.

3125 Sir, I do not support Deputy Le Lièvre's proposals, I think we should do something now, and I would ask you to support Social Security Department's proposals.

The Bailiff: Deputy Laurie Queripel.

Deputy Laurie Queripel: Thank you, sir.

3130 Sir, I rise because I want my colleague, and good neighbour, Deputy Dave Jones to know, to be assured, that I am supporting this amendment, precisely because I want to help the people he listed this morning, sir.

3135 Sir, as well-intended as Deputy Dave Jones's amendments were this morning, they were in effect a Band-Aid and what is required is a cure. If Deputy Le Lièvre's amendment is successful, it should result in a restructured model that is informed and tailored to meet the needs of all the people that require help and support within our society.

Sir, this is a report, Social Security's Report, that if successful will have an effect upon the lives of many of the most vulnerable people within our community. This is an issue, sir, that needs extensive research, proper engagement with stakeholders, so that an appropriate and suitable model can be arrived at.

3140 Now sir, there is a thought that if this committee is formed, it will somehow undermine the two Departments. This is not the case, sir. I do not believe that for a minute. Both Departments will be represented, but it does need wide political engagement, sir.

3145 At the moment, there are any number of cross-departmental sub-groups orbiting Departments and developing would-be policy, but despite that, sir, the work of the Departments continues unabated. There are working groups and there are review groups. I think I sit on four, and I do not think that will affect the work of the two Departments at all, sir. It can only be a good thing, because the most important thing is to arrive at the right conclusion, whatever that takes.

So, sir, I wholeheartedly support this amendment. If it is successful, it will set in motion a vital and overdue piece of work, and I implore my colleagues to do the same, sir.

3150 Thank you.

The Bailiff: Deputy James.

Deputy James: Thank you, sir.

3155 The Social Security Department asks the States to reject this amendment, quite firmly. We believe it will do little, other than take a year or more, to travel full circle, returning us to where we are today. The proposed social welfare committee has a strange constitution. If the States were to approve it, we would have a Social Security Department with seven members elected or appointed by the Assembly, five States Members and two non-States members. These are the people chosen by the States for the time being, to be responsible for the social security mandate. I ask, would it be a shadow security board, this new committee? Would the current Board be required to step aside? I do not know.

3165 Just ignore for a moment the procedural constraints. What team would we pick, from amongst us, if you wanted to give our best shot at reforming a social welfare model? I can assure Deputy Le Lièvre that I have not colluded with Deputy Dave Jones for some of his comments. So who would be part of this new social welfare model? Deputy Le Lièvre, most probably; Deputy Gollop, quite possibly; Deputy Green, maybe; Deputy Dorey, maybe; and Deputy Ogier, maybe. I think you can see where I am going.

3170 My point is that for the last five years a combination of all those people, very ably assisted by others, have been giving their full attention and commitment to welfare reform.

3175 I have looked back at the minutes, from June 2008 – here they are, when Deputy Dorey's Social Security Department had a blue skies workshop at Les Côtils, and Deputy Dorey, Deputy Brouard, Deputy Le Lièvre, Deputy Ogier and former Deputy Mike Collins were talking about, guess what, measuring poverty, pensioner poverty, work incentivisation, youth unemployment, alternative welfare systems and so on.

Undoubtedly, they worked hard in those areas, over the four-year term, and their work culminated in the infamous March 2012 States debate. Their proposals fell by just one vote. Their ideas may have been right, but it fell due to the uncertainty of the costings, if I recall correctly, ranging from between £8 and £20 million.

3180 Since May 2012 the current SSD has picked up that mantle. We got a bit closer to the water's edge and, with our own blue sky workshop in November 2012, I ask you, guess, what did we discuss? Measuring poverty, work incentivisation, alternative welfare systems.

3185 But we built on the foundation of knowledge and experience assembled by the previous Board. Like the previous membership, we have also worked very hard, not for four years, but certainly for more than a year. We have not reinvented all of the good work undertaken by the previous Board, which included a thorough comb through of all the Supplementary Benefit legislation, identifying the sections that needed amendment or were redundant. But, by and large, we have come up with the same finding, as our predecessors.

3190 The only real difference is that we have hugely reduced the range of uncertainty around the extra expenditure, and we have substantially pulled back the proposals on increases to benefits. We have also identified the source from which we believe the additional expenditure can be drawn.

3195 What would we be expecting this special committee to be coming up with? It would be the third go at the same problem. I very much doubt that the findings, in a year or so, would be very much different. The committee will almost certainly bump up against the familiar conundrum of welfare aspiration versus fiscal reality. Can anyone in this Assembly today point me to a country, worldwide, which has a perfect welfare system? Aspiration is indeed the key word here.

3200 I am sorry to say that it would be an indulgence for the States to set up this special committee. It will be an indulgence, because it will commit the time of Members of this Assembly and staff. It will also cost time and money, largely redoing a job that has been done twice already in the last five years. As I said at the start, we are likely to just go round in a circle. Please let us be smarter than that.

3205 Yesterday, Members will know that I was not here, I was at home, rather unwell, but I did listen to the debate, and during the final speeches of that debate yesterday, sir, I was heartened to hear both Deputy Le Lièvre and Deputy Lowe talk about trust, having trust in committees that have been elected by this Assembly. So, please Members, I ask you to reject this amendment. Those members of our community in need, need us to make a decision. Let us cease this prevarication, make a decision and throw out this amendment.

3210 **The Bailiff:** Deputy Gollop.

Deputy Gollop: Sir, I do find myself in agreement with, really everything, Deputy James has said.

3215 I would like to muse that I believe in Jersey – this will interest Deputy Fallaize, especially – I believe there is a Proposition to create shadow ministries and shadow committees. But we have not time to talk about that, because we have got about two and a half hours left to get through this, and two amendments and many other very important things. But the issue really is I cannot support the Deputy Le Lièvre amendment for a number of reasons.

3220 As Deputy James has pointed out, this can has been kicked down the road now for nearly six years. Because there was the Social Security Department in the last term, that scored a duck, effectively, at the end of it, and we have been working on this for close to two years.

3225 If the States are minded to adopt the Le Lièvre amendment, what they are actually doing is they are doing a *sursis*, as it ends the Propositions in relation to the reform of the anomalies of the housing rebate system, and it does not help the private sector tenants Deputy Le Clerc has referred to, and all the other anomalies and problems.

3230 The scheme we have in place is unbalanced for more winners than losers. I am minded to give some examples. Although there were people from the business community who wanted us to adopt the incinerator when it was around as an idea, because they said a decision is better than no decision, frankly spending millions on capital does require thought, but when you have a system that you can continuously improve, there is a much greater need to get on with something and implement it. Take, for example, air routes or bus routes: you change them, they do not always work, you change them again. The worst possible thing is to continuously prevaricate.

3235 Over the years I have sat in the Assembly and been involved in too many of these exercises, like States review committees, corporate governances, corporate anti-poverty programmes, when you create a team that goes on for years and years.

3240 People were talking about Deputy Le Lièvre as a chairman, and, of course, he would bring in an enormous quality to the role, but I was just musing if they make me chairman, I would bring the speed and dynamism you have seen with the PERRC committee over the past nine years. *(Laughter and interjections)* **(A Member:** Hear, hear.) Well, I think that makes a point, does it not, that...? *(Laughter and interjections)* Why I object to this is, for a start, we are not electing the committee today, or in November or even at Christmas. We are to elect at the end of February, four months away.

3245 The constitution of the committee makes the Olympic selection committee look simple, because you have got a chairman, who must not be a member of three of the Departments, a nominated member – I was pleased Deputy James nominated me, but I doubt if I would win the Board nomination, because there are actually many worthy candidates – and then three other members who shall not be members of the Departments. That means to say that if you are a member of one of the existing Boards, you are at a disadvantage, because you have only got one chance of being a member; whereas you have got at least three chances, if you are not a member of

3250 the Board. It would be an incentive for me to resign, or anyone to resign, from a committee, so you could stand from the floor. The constitution of this is a nonsense. It is an absurd mixture of people.

And the timescale is absurd as well. Many years... well, at least 18 months of work and then a year to put it into place – think of the consequences of the legislation.

3255 I know that the Report that Social Security have put before us, that we have worked on, is not entirely perfect. It is what it is, precisely because it has been compiled at relative speed, in social policy terms. It reflects the aspirations and ambitions of a new Board, who have bonded together, and it also reflects economic reality, and the reality of developing change, managing systems, and transforming the lives of people, within a straitjacket that the FTP and the Treasury and Resources Department and the whole framework have put upon the States at the moment.

3260 My goal is to get this passed today and work on it for the future. There can be improvements, there can be adjustments made, to cover the incentivisations that Deputy Le Lièvre has made. By its very nature, the work done jointly by Treasury and Social Security, on the Tax, Benefits and Pensions Review, will bring further reform into this package. The changes that Housing are likely to undergo over the next few years will also bring further reform.

3265 At times, Deputy Le Lièvre has still harked back to the golden era, when maybe Housing had the potential to be a paternalistic manager of people's finances in the public sector. That is no longer going to be the case, and it already is not the case for people in the private sector and the more mobile migrant population that we have.

3270 This is not perfect, what we are going to have today. It does not reflect my personal interests, for example, of enhanced disability packages and so on, but we will get there, several years down the road. If we stop at the moment, that is wrong. I have no objection, in the future, at the close of the Pensions, Tax and Benefits Review, to creating an interdepartmental implementation party that will fulfil some of Deputy Le Lièvre's aspirations.

3275 In fact, not only does it imply that Social Security should go. I am not really sure this is a vote of confidence in the Policy Council or the Social Policy Group, because is not the Social Policy Group supposed to be doing this work. It does not work... You have to rely on the workstreams that we have created, get something done today, do not build up people's expectations. We have had five and a half years at this already, and we move forward gradually.

3280 Deputy Le Lièvre's *sursis*, because that is what it is, will lead to delay, argument, and confusion, and none of us today can second guess the outcomes, the cost of the process, the opportunity cost of the lost income to the people in the two or three years, and even the makeup of this body, because, it might not necessarily be the membership you would like who would end up sitting round this table.

3285 This is a red herring. Support Social Security.

Deputy Fallaize: Sir, on a point of order, may I just –

The Bailiff: Deputy Fallaize.

3290 **Deputy Fallaize:** – clarify, actually it will be the people who Members of the States want sitting on the committee, because it will be elected by the States.

The Bailiff: Deputy Bebb.

3295 **Deputy Bebb:** Thank you, *Monsieur le Bailli*.

I came to this Assembly today thinking that I would not support this amendment. But quite frankly, having seen the display that I have, I do not think there is any other option but to support it. What I have witnessed are two Departments who are responsible for some fairly important business. Yesterday and the day before we spent a day and a half debating the closure of a school, that was about an expenditure of around... that was a saving of about £800,000 per annum, and it was going to affect around 400 people. I do not take away from the Members here the time that we spent on that, but today we have seen the most unsightly display from two Departments concerning an expenditure, an annual expenditure, of £11 million, and something that affects 1,500 people, the very people that Deputy Dave Jones quite rightly identified as being in need of our assistance.

3305 I am glad that I am speaking after Deputy Gollop, because I have to say that, as a result of certain committees, and I do not want to hear about the current committee that everybody knows I am referring to, these special committees have been brought into disrepute. (**A Member:** Hear, hear.) But what I see, and what I have seen from historic States, is that when we see two

3310 Departments unable to agree, these forms of committees have been set up, successfully, to overcome those disagreements.

I would ask Members to support the reintroduction of such a measure and realise that one particular example, which has shown not to work, on a subject matter which was foolish in my opinion to enter upon, should not cloud your opinion as to the general makeup of special committees.

3315 Deputy Soulsby made an excellent speech, because I do not pretend to have the greatest mind when it comes to numbers. Indeed, little makes me feel so inadequate in relation to my knowledge of Social Security as when I heard Deputy Le Lièvre speak, and we all recognise that the points have been made. But I do recognise that Deputy Soulsby's ability in relation to numbers is far greater than mine, and even Deputy Soulsby says that this merits an independent committee.

3320 All that I am hearing, every time a Member of Social Security has stood up today, is, 'Sorry we did not play nice, please give us another go.' It honestly sounds like little children who have tried to play nice, have tried to come to an agreement, failed, and then having come here and had a spat, said, 'But please give us another go to resolve it.' Well, quite frankly, that is just not acceptable.

3325 The constitution of a committee, if you cannot agree between the two of you, then I think that it is quite right that we have one from each, and you decide between yourselves, you have the argument, within closed doors, as to which one of you it is. If Deputy Gollop feels that he wants to be a member, but he will not be nominated as Social Security, of course, it is his option to resign from Social Security, bizarre as that may be.

3330 When Deputy Le Clerc said that there has been co-operation from Housing and when I went to Social Security in order to discuss this matter, I was assured that there had been long standing conversations between the two Departments and yet today it shows that, despite those conversations, they have failed to agree.

3335 But, I would like to address one other question that some people have said. It is that if we support this amendment, we are somehow laying a vote of no confidence. Nothing could be further from the truth. It is perfectly possible for us to believe you to be competent committees, it is just that on this particular question you have a disagreement. Actually, that is an honourable position to have. There is no shame in saying that two committees of this States have been unable to agree. I believe that the setting up of this committee is the appropriate means of arbitration between those.

3340 And in all honesty, the basis of the financing of the whole system, as is currently laid, is very questionable, and I would suggest that it is good governance to set up this committee.

I have said it at the beginning, I will say it again: I came here thinking I do not want another bureaucracy but, quite frankly, I am astonished as to anybody who thinks that they cannot set up this committee and I believe that the only honourable vote from the Members of Social Security and Housing would be *Je ne vote pas* on this particular amendment, because it is not for you to decide, you have failed to agree. Leave it to another committee who will jointly agree it.

3345 Thank you.

The Bailiff: Deputy Sherbourne.

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Deputy Sherbourne: Thank you, sir, fellow Members.

The Social Security Department are between a rock and a hard place. They inherited proposals which had been rejected by a previous States, and have done their best, I am sure, to bring it back, as soon as possible, and to take steps which would protect the interests of some of the lower paid in the Island.

3355 However, as my colleague in St Peter Port North, Deputy Lester Queripel obviously, often mentions, I have got a problem, because I want to support this amendment. I think it is right and proper that this amendment is passed, and that we actually move towards what everyone in this room wants, which is joined-up Government. We have had an example, this morning and now, of the complete opposite.

3360 Deputy Le Lièvre in his early opening comments, in his speech, suggested that something seriously had gone wrong. I have not had an answer to that yet – what has gone wrong? Simple disagreements are to be resolved. Is it T&R?

3365 Sorry, pointed at – is someone standing? No.

Is it T&R that have restricted debate on this, by insisting that this is brought forward? (*Interjection*)

Thank you. I will give way, sir.

The Bailiff: Deputy Adam.

3370

Deputy Adam: Thank you, sir.

I think, one member of T&R should say quite definitely, it is not T&R that has had any problems concerning this, as it was not discussed with us until what some Members may consider slightly late in the day.

3375

Deputy Sherbourne: Thank you.

The bottom line is, I do not suppose it really matters who is to blame. But this is a mess – a total mess, and an embarrassment to this States.

3380

I want to support the amendment, but I am very conscious that, in doing so, I might disadvantage some of my fellow Islanders, with regard to their immediate situation. That is what worries me. I want some assurance from somebody – Deputy Le Lièvre may be you can give this – how we can overcome that problem.

3385

I think, personally, that it is essential that this special review body is set up. I cannot understand, for example, in a body of 47 people, that we could not recognise the need... for people with expertise, like Deputy Le Lièvre, should not have been consulted with regard to this – it does not make sense to me. (*Interjection*)

But then I am a new boy, I am learning. Maybe there are protocols that are undertaken that actually deny Boards access to other members of committees, who may have a dimension, a perspective, on various issues that should be consulted, should be engaged with.

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So, I will not call on people to support Deputy Le Lièvre, I want to hear from him, in his summing up, and to give me some assurance that if I do support him, which I want to do, that I will not be disadvantaging the people that every single Member of this Assembly here wishes to support.

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The Bailiff: Deputy Le Pelley.

Deputy Le Pelley: Thank you, sir. I am another new boy, who is also learning. I am also a member of the Housing Board.

3400

If I could just make a very quick analogy, and I am just speaking for myself, I am perhaps looking round to see if any other members of my Board will agree. I use an analogy sir. This is really a war against the ravages of poverty (*Interjections and laughter*) and really what happened – what really happened – is that Social Security put down a line of defence; Housing Department felt that that line of defence should be further forward, sir. We have put our further forward line under your view. You decided that we were too far advanced and I think, sir, that Housing is quite happy to retreat back to the lines of defence that were set up by Social Security. We are happy to support them.

3405

Having had our proposals rejected, we are happy to fall in line with SSD. We want action now. I do not want to see my people, my fellow Islanders that are the wrong end of the poverty chain, being held back any longer than they absolutely have to. I would ask you, please, do not go ahead with this amendment. Direct the SSD to get on with the job and Housing will support them.

3410

Thank you, sir.

The Bailiff: I see no one else rising. I invite – as soon as I say that... Deputy St Pier, then Deputy Lester Queripel and Deputy Duquemin.

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Deputy St Pier: Sir, just following on from Deputy Le Pelley seemed an appropriate point for me to rise. I shall be brief.

3420

Deputy Le Lièvre approached me, during the last States meeting, to ask whether I would consider seconding this particular amendment, and we talked about it in outline and I indicated that, given T&R's position, it would need to be something which T&R would need to consider as a group, and the second thing I indicated was that it was likely that T&R's position would be that we would need to understand the envelope of funding that we were talking about, and given the current position, the fiscal position, we would be likely to indicate that we would need to work within existing funding.

3425

T&R's role has been referred to by Deputy Sherbourne and Deputy Adam intervened, and I think it is useful just to make a few comments about it. Social Security did discuss their broad thinking with us in the summer, in outline, in terms of the overall costs, and how it could possibly be funded, and then they brought their detailed policy letter to us in the normal process. And it was as a result of that process, that we provided the comment which you have before you, and actually Housing were part of that meeting, and Housing's position was quite clear, at that point, that they were concerned, (*Interjection*) that despite their qualified letter of support, they were concerned.

3430

And at that point, we did have concerns that effectively what has unfolded today would unfold today.

3435 Sir, we do feel in a slightly invidious position here. I suppose, and actually listening to Deputy Dave Jones, effectively saying, having had his amendments or Housing's amendments rejected, that we should now swing behind Social Security – in other words, effectively, what he is saying is that doing something is better than doing nothing, rather than, to quote to use his phraseology, going back to the drawing board with this, accepting this amendment from Deputy Le Lièvre.

3440 Sir, my question really for Deputy Le Lièvre to perhaps address in his summing up, is that if his amendment is defeated, what will his advice be to the Assembly? Will it be to swing behind Social Security and do something, rather than nothing, which is what the Housing Minister is advising?

3445 Because T&R's position – and again, it is appropriate that Members should perhaps be aware of this, before they vote on this particular amendment – T&R's position is set out that we remain of the view that these proposals should not have been brought at this stage, and we should have been considering them in the context of the Personal Tax, Pensions and Benefits Review, and that position remains unchanged.

3450 So our advice would be, unlike the Minister for Housing, if you reject this amendment, you should still move on to reject the Propositions. So I think it would be useful for Deputy Le Lièvre to advise the Assembly on his position, in relation to that eventuality.

Thank you, sir.

The Bailiff: Deputy Lester Queripel.

3455 **Deputy Lester Queripel:** Thank you, sir.

My campaign slogan from the 2008 election was 'Give the people what they need'. Unfortunately, it was misinterpreted as 'Give the people what they want'. But the word I used was 'need', and just to prove that, sir, I have got the manifesto here (*Interjections*) with the word need at the end of the slogan. Perhaps I might have been elected if I had used the slogan 'Give the people what they want', instead of having to campaign for another four years.

3460 But I do not actually believe in giving people what they want, because some people would want everything. What I do believe in, and will always believe in, is providing people with what they need. Now, as we all know sir, there is a major difference between a want and a need. A need is that which you need in order to survive. A want is a desire, something you would like to have, but you do not need it to survive.

A need is a basic requirement, food, shelter, warmth in the winter, clothes to wear, and enough money to pay for those basic requirements.

3470 The fact of the matter is that some of our fellow Islanders still do not even have enough money to pay for basic requirements. Every week for them is a struggle, and Deputy Sherbourne told us he had concerns that, by supporting this amendment, we may disadvantage some of our fellow Islanders, and I share his concerns, sir, because I have not been elected to disadvantage any of my fellow Islanders, even temporarily. But like Deputy Laurie Queripel, I want to be part of long-term solutions that offer a cure, and not sticking plasters.

3475 The way I see it, sir, is that this committee will build a bridge between the two Departments – and I will repeat that, because I think it is a crucial point. This committee that Deputy Le Lièvre is proposing will build a bridge between the two Departments. That, of course, is all part of the joined-up Government that we need so desperately.

3480 I am always conscious of the fact that we have signed up to a States Strategic Plan, which has the number one statement of aims, to improve the quality of life of Islanders. And the number one objective of our Social Policy Group is social inclusion for all, especially our most vulnerable.

It is because some of our fellow Islanders do not have enough money for their basic needs that they are actually excluded, in a very real sense. And why are they excluded? Well, they are excluded, because as Deputy Le Lièvre has already told us, we rely on a system that is antiquated, and not fit for purpose. So it is up to us to address and rectify that.

3485 And how do we do that? Well, we undertake a review, to identify where the problems are, and recommend solutions, and of course, to be able to do that, we need to set up a committee – which is precisely what Deputy Le Lièvre is proposing. That committee will deliver a new social welfare benefits model that will be fit for purpose. We desperately need that new model, and we desperately need that committee. And I wholeheartedly, support this amendment, on the basis that
3490 the current model is not fit for purpose.

I will finish by repeating the point that I would like Members to bear in mind when they come to vote. This committee will build a bridge between the two Departments. I urge my colleagues to support this amendment.

Thank you, sir.

3495

The Bailiff: Deputy Duquemin.

Deputy Duquemin: Mr Bailiff, my iPad has run out of battery, (**A Member:** Good.) (*Laughter*) so I am going to have to read this speech from my iPhone – ‘do a Gollop’ as they say in the trade. (*Laughter*)

3500

Sir, we have been here before – a year ago. Deputy Le Lièvre delivered to me a big brown envelope. (**Several Members:** Ooh!) In this document, his massive briefing document, and in his speech last year, Deputy Le Lièvre proved to me, through both his passion, and his meticulous rationale, that there was a problem with our welfare system. The welfare system, the social security system, was far from perfect. And it did not, to use Deputy Langlois’ phrase, serve its customers, or the Island as a whole, as well as we would like.

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But last year I could not believe that the amendments that Deputy Le Lièvre laid were the solution. He told me that there was a problem, but Deputy Le Lièvre in 2012 did not provide me with the solutions I believed in, and I could not support them.

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A year later Deputy Le Lièvre has, once again, this time by sending not a brown envelope but an e-mail, has once again, with his excellent briefing notes and yes, passion too, convinced me that there is a problem, and that SSD’s solution is not the right one. The letters from T&R and Housing and the Deputy Jones’ amendment have also cast too much doubt on SSD’s policy letter.

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The difference with Deputy Le Lièvre, a year later, is that he has not only proven that there is a problem, but he has, this time, provided in his amendment a roadmap to a real solution, which might be a case of ‘more haste less speed’, but is, I believe, in the best interests of Guernsey for the long term, and in the best interest of the poorest, most vulnerable, members of our society.

The structure, the mandate and the timetable of the social welfare benefits investigation committee or SWBIC, as I am sure it will become known, makes a lot of sense, as being the best solution, the most pragmatic solution that is on offer to States Members and the Island as a whole.

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Sir, I will be supporting Deputy Le Lièvre’s amendment.

The Bailiff: Deputy Adam.

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Deputy Adam: Thank you, sir.

We all have to admit sometimes that we make mistakes and misjudgements, and I remember a joint States report that came to this Assembly, some time ago now, that was between Housing and HSSD. It was an excellent report, very sensible, very logical, because it was about extra care housing.

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Now, in actual fact, I as Minister then of HSSD was the only person to support Housing, because in that report, there should have been an old persons’ strategy, and someone brought a *sursis* against that report. That old persons’ strategy is *still not here*.

What I am saying to you is that we need an overall strategy, concerning ‘Supp. Ben.’ reform or Income Support. We do not see it at the present time. Do not, I ask you, make the same mistake as I made at that time. You have to support this amendment. (**A Member:** Hear, hear.) Yes, it is going back to square one to a certain extent, but as you see on page 1954, nothing will take place until there is adequate discussion between T&R and Social Security Department to direct examining options for funding of the Propositions. So you have got until October 2014 anyway, and I suggest it would be a more sensible way forward.

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Deputy Matt Fallaize was quite right: T&R comment, we felt as a Department, it was not appropriate to add this part on. That, sir, does not mean I do not think that these two schemes are incongruous. We must have the two aspects brought together, for the benefit of the people who are renting privately, compared with those as tenants.

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The other thing is, when this review was first discussed, about September, October, November of last year, the senior officers of HSSD, SSD, Housing and T&R were looking at it. There were two big reviews: one was Supp. Ben. Review, to go ahead with the co-operation across... departmental cooperation and one was the Health Care Review. The end point of that discussion was that – and I do not know if I have got the name right – one way of funding such important strategies was to go to the Strategic Development Fund, which you know T&R set up and put £3 million aside.

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So that has all been thought through in the past, and I suggest the most sensible way forward, as far as the one member of the T&R Board thinks, is to support this amendment. But, if you do not then I still feel it is not sensible to accept that part of this Report. Principle, yes; what is written there, no.

3555 Thank you, sir.

The Bailiff: Deputy Brehaut.

Deputy Brehaut: Thank you very much, sir.

3560 Can I thank, first of all, Deputy Hunter Adam for a very candid statement? I think it shows great (**Deputy Green:** Courage.) perhaps, courage, Deputy Green, thank you. But to acknowledge a mistake, I think does take political courage, and I thank him for that. Thanks.

3565 With benefits and rents, the problem we have in this Assembly, is that Deputy Le Lièvre gives us the information on the digital frequency but most of here still have an analogue capability. He is the ultimate specialist in that area, and I acknowledge that specialism and, as I said earlier, that is why I still intend to support the amendment.

3570 But what has evolved, what has happened over the past hour or so has concerned me greatly. I spend a huge amount of time explaining to the public that we no longer work in silos and those days are long gone, and it concerns me, the type of brinkmanship here, where there should really be two reports in front of us – there should be the uprating report, and then deal with the modernisation separately. But there seems to have been, not a defensive wall, but chips have been pushed down to one end of the table, in the hope that there be pressure for a different outcome, and I think that is something of a misjudgement.

Thank you.

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The Bailiff: Anyone else, before I invite the Minister?
Deputy Dorey.

Deputy Dorey: Thank you, Mr Bailiff.

3580 We have two systems: Supp. Ben. / Rent Rebate. It is not acceptable to continue with those two systems to help the most needy in our society. How you judge a society is how it treats the most needy, (**A Member:** Hear, hear.) and it is not good, the way it is now. We need to reform it, that has been recognised.

3585 That will not be done without new money coming in. There is no point people going away from this debate today to think that you can do it with the existing resources. And I do not believe... you cannot do it from universal benefits, you will strip them out of all their money, and you will create other problems.

3590 There is work been done in 2007 on making family allowance means-tested. The result of that was that people needed family allowance and the cut off point would be too high, against the cost of means testing, and it was found the most cost effective way to do that. So, from where I sit here, and having spent a number of years on Social Security, I do not believe that you can solve this without new money, and that is why I think this committee is right, because T&R have got to realise that. I think the only way you do that is create a committee which involved Social Security, Housing and T&R, and unless you do that you are not going to solve this.

3595 In 2012, Social Security and Housing worked very closely together, and it was meant to be a two-stage progress. We came back with a report, and the Proposition said, 'with proposals for the sources of funding' –sorry, the last one said:

3600 '... direct Social Security in consultation with T&R to report back to the States no later than September 2013, with proposals for the sources of funding necessary to give effect to those proposals contained in this report.'

So those proposals were not going to be acted upon until the source of funding was found. That is always going to be the problem.

3605 So I urge the House, and I do not like delaying these changes, I would much rather they happen now, but I think we have to get it right, we have to accept there is new money and T&R have to accept that, and the best way for that to happen is for T&R to be on the committee.

So please support these proposals.

The Bailiff: Chief Minister, Deputy Harwood.

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The Chief Minister (Deputy Harwood): Thank you, sir.

I will ask the Members of this Assembly to reject this amendment. I do so on the basis that the constitution of such a committee, as well meaning as it is, will not necessarily actually make life any easier, when this matter comes back before this Assembly, because what you have to understand is that, yes, we will have a representative of each of the principal Departments – Social Security, Housing, Treasury and Resources – on that committee, but they are not delegated. They will not be delegated to be able to bind their individual Departments.

So you will still have a situation where, notwithstanding the good work of such a committee in bringing back a report to this Assembly, do not believe, do not think, that necessarily that in itself will bind each of those Departments into the outcome of that report, because the very nature of the system of government that we have... I think the criticism today, about the fact that there is a spat between two Departments, inevitably, with the system of government we have, we will have that situation, where two Departments genuinely have a disagreement. A number of people in connection with the States Review Committee have come to the Review Committee and said, it is very good – we should have tension in the Assembly, we should not have a situation where all Departments are automatically agreeing with each other. We should actually see tension. Well, Members of this Assembly, you have seen tension today. It is inevitable, and I do not apologise for it. It is a consequence of the system of government that we have.

So, sir, I would urge States Members to vote against this amendment, also for the reason that others have said: that if you vote in favour of this amendment, there will be a delay in delivering some improvement. We can argue it is not sufficient improvement, but at least there is *some* improvement to the members of our society. So I would urge States Members to vote against the amendment.

Deputy Perrot: Could I help my friend, sir, and just direct his attention to Deputy Fallaize?

The Bailiff: Deputy Fallaize is asking you to give way.

Deputy Fallaize: I thank the Chief Minister for giving way. *(Laughter)*

Would he accept, despite what he has just said, would he accept, that the problem which he identifies about these Departments not being bound to the proposals of the new committee is greatly assisted by the fact that, under Deputy Le Lièvre's amendment the members of those Departments who would sit on the committee are actually nominated by the Department? It is not that they are chosen by the States. It is that Housing will choose their member, T&R will choose their member, SSD will choose their member, and I would suggest that if the member nominated by the Department went complete *off-piste*, as it were, and was not representing, genuinely, the view of the Department, there would be problems and, ultimately, it would be possible for the States to replace the member.

But does the Chief Minister not accept that the problem that he drew to the attention of the States would certainly be not anywhere near as great, because the Department would be nominating those members; they would not be elected by the States?

The Chief Minister: I agree with Deputy Fallaize that there could be problems. It would be very difficult for a member of a Department to represent on that committee views that are not endorsed by that Department. But there could be a situation, and what is not clear from here is, having selected somebody to be determined by that Department, as a member of that committee whether the Department reserves the right to remove that person, if there is a difference of opinion between that person and the Department.

The Bailiff: Deputy Dorey, I think you were asking Deputy Harwood to give way.

Deputy Dorey: Yes, 31 covers that, doesn't it? Where it says:

'To direct that during the course of its deliberations the Social Welfare Benefits Investigation Committee shall consult with the full membership of the Housing Department, Social Security Department and Treasury and Resources Department.'

The Chief Minister: Sir, I acknowledge, as pointed out by Deputy Dorey, that there is a process for consultation. I would still make the point that consultation does not necessarily therefore automatically bind each Department into the outcome of the committee.

The Bailiff: Deputy Lowe.

3675 **Deputy Lowe:** Sir, just following up from that, would the Chief Minister not accept that it would be down to those Departments to ensure that it was a regular item on their agenda, to ensure there was feedback from that member, at every meeting that they attended?

3680 **The Chief Minister:** I am sure that would be the process and the proper process that should be followed.

The Bailiff: I see no-one else rising, I will invite the Minister to speak, immediately before Deputy Le Lièvre replies to the debate.
Deputy Langlois.

3685 **Deputy Langlois:** Thank you, sir.

That is a nice simple little summary to give. I see Deputy Le Lièvre has been scribbling away, and I will try and do this within reasonable time, and I am sure he will as well.

3690 Sir, can I just clear up one or two things up front here? That is that first of all, I think, enough has been said anyway to this effect, but I first and foremost do not see this as a vote of no confidence (**Several Members:** Hear, hear.) and I have no intention of treating it that way, so can we get that straight from the start?

3695 I think the States has been presented now, through the amendment mechanism with a choice, and we can all gauge at the moment, where the balance of that choice lies, and I am going to just make a reasoned appeal to you, to think just very, very, carefully one step further before you finally make up your mind.

3700 I think it was Deputy... I hesitate to say his name, it is almost as bad as Alderney Representative 'Ardytti', (*Laughter*) Deputy Kuttelwascher (*Interjection*) okay, yesterday, talked about seeds of confusion, and I think we have had another seeds of confusion session. That is a very unkind implication about Deputy Le Lièvre's opening speech. And the reason I will say that it was seeds of confusion is the sheer complexity of it. I return to what I said in my opening speech this morning – this is a highly technical, highly complex field, and literally the level of detail which we were asked to take in makes this – in terms of various aspects of it... and if you replayed this whole debate, I think you would see a sort of progress from the very detailed input at the start, through people fighting and flying on the detail, and then latterly, moving altogether onto process.

3705 I think process is a lot more comfortable area for politicians, because process means that we can actually – and I apologise for this, I am not accusing the Proposer of this, in any way; I am accusing us collectively of this – we can then kick the can down the road, and we can happily go home and think, 'We ain't going to achieve anything this term, soon be the election, some of us will be here, some of us will not', and that is what I honestly see as the potential outcome of the formation of this monster of a committee.

3710 I think there are two points which I do not want to make in a confrontational way, but apologies if it seems that way. I have got here a list of the... If anybody in here or out there, believes that we have worked totally in silos on this, I have got here a list of all the joint meetings we had. The Deputy Housing Minister, by and large, and the number two civil servant in the Department, by and large, were attendees of every single one of our meetings which discussed this topic. They carried information back to their Board, they brought information back to our meetings, and I know that the senior staff teams were in contact the whole time. So please, can we just be a little bit more gentle in the accusations of silo work and so on.

3720 Just because you do not reach a point of agreement at the end of what is, effectively, a negotiation, because that is what it became, does not mean to say you have not worked at pulling it together. And certainly, my Board will confirm that we made several concessions to Housing ideas, both early on and later on in the process.

3725 I think the other interesting aspect of this – there is one interesting aspect relating to Deputy Le Lièvre, which I think is right to reveal at this stage, and that is that he was part of the team that brought the last proposals forward. I am not quite sure whether he was saying today, that a lot of the stuff he was giving us as good ideas for the next stage should have been included then, or were floated then, or were not floated then, or whatever. I would be interested to know that.

3730 He was also, actually, invited by me to join the Board when I was nominating my Board membership at the start of the term, and he made a different choice. It is I think possibly relevant because I do take issue with whether we, as committees, should be involving other politicians solely on perceived technical expertise. We have got teams of people for that. We have got people called civil servants, and we have got other public servants, who provide that expertise. They provide *up to date* expertise. They are running the systems day by day, and I think there is grave danger in this place of going to people because they have a particular qualification, because they

3735 have a particular history – good heavens, we will be asking retired advocates for legal advice soon, and what good would that do?

Deputy Perrot: Not from me, you won't! (*Laughter*)

3740 **Deputy Langlois:** Mainly because we could not afford it, sir! (*Laughter*)

No, I think there is danger in that. I think it is absolutely right and proper that from time to time we flash our credentials of our past and so on, but we are not here to be technical experts, so that is a comment on the process.

3745 We have heard the impassioned plea from Deputy Le Lièvre about the establishment of this committee. We have had a measured argument from the Deputy Minister of Social Security as to why it simply is not a good idea. Do we really want another States committee working on a complex issue, with a confined timescale, with no guarantee of any progress?

3750 Secondly, why do we actually believe that that type of committee would achieve anything more than has been achieved already? You will have the same teams of technical support, you will have the same civil servants involved, you will have the same technical advisers involved.

3755 Thirdly, the timescale which Deputy Jones laid out, the amendment does suggest to report no later than June 2015. Now, I apologise immediately for being patronising to about half of the Assembly, and that is because they have not experienced the last year before an election. It is a funny old time. If you think this is odd at the moment, '*you ain't seen nothing yet!*' So I do not think that is a good time to be reporting on this.

3760 So can I ask you please, to consider before you go for this amendment, which I think may well succeed, but before you do it, just consider two important things. One is, is the timing right? Is it possible that this new committee – this fairly monstrous being, as set out in terms of the liaison it is going to have with the individual Boards and so on and so-forth – is it possible that anything can be achieved in that timescale? And secondly, are you absolutely prepared today to turn your back on the people in need who we are offering improvements to through our proposals?

When you have considered those two, the choice is yours.

3765 **The Bailiff:** Deputy Le Lièvre will reply to the debate.

Deputy Le Lièvre: Thank you, sir.

3770 I missed the first of the questions that we have to ask ourselves from Deputy Langlois, but he will no doubt remind me when I do not answer or comment on it. But his last remark, 'Are we absolutely ready to turn our backs on the people most in need?' – and in a way it ties in with the question from the Minister of T&R with regard to what my advice would be, if this amendment fails, what should we do with Social Security's proposals 28 to 32, whatever they are? My answer is this: we can make an immediate difference this afternoon, if we wanted to. It is not rocket science. In fact it goes no further – well, it goes a little bit further – but it does not change any of the modernisation that Social Security has referred to in its policy letter.

3775 The benefit limitation was, I think, three years ago, £405. It was out of step with reality. This Assembly increased it to £450. In 2012, it took a similar view and it increased it to £500 – £50 increments, this was unheard of. It had never been done before. I have got an amendment in that says 'Increase it from £500 to £515', because Social Security has not increased the benefit limitation this year, for what reason, I do not know, but they have not.

3780 Now, if the Assembly really, really, wants to do something before 2015 or 2016, if it really wants to –

Sorry.

3785 **The Bailiff:** Deputy Langlois.

Deputy Langlois: Thank you for giving way, sir.

I think it just might be useful, if I understand where Deputy Le Lièvre is going with this comment, to say that the Social Security Department certainly was intending to offer support to the other amendment later this afternoon.

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Deputy Le Lièvre: Well, that is a step forward anyhow. (*Laughter*)

But if we wanted to go a little further than that, sir, all we would have to do is edge it up a little bit, because you would start ... The £500 benefit limitation has virtually no impact on social housing tenants. There might be just a few at the top of the tree which are impacted by it, but it has

3795 a much larger impact for the private sector tenants, and you can split them into two: one hardly ever affected by the benefit limitation, the other one substantially affected by it.

If we want to make a difference, here and now, then increase the £500 to £525. That will make a difference instantly. (*Interjection*) Well, it is £515 in the amendment, Deputy Gollop, but I am saying let us take steps, let us be bold, let us edge it up to £525 – maybe £540 – and the reason I say that is because when we lifted it... (*Laughter and interjections*) Any further bids? Because when we lifted it from £450 to £500, the Administrator of Social Security told me that there was just a handful. I accept it might not have been just one, although he told me it was just one, but we accept that people go in and out, but it was literally just a handful of people.

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3805 If we want to make a difference, let us make it this afternoon. Somebody propose a further amendment, which pushes it from £500 to £525. That would go some way to alleviating the problem, and that would stop my amendment being looked at as a mechanism for kicking the can down the road. Nothing could be so absurd as that expression in relation to my proposals – 35 years of my life focused on the poor. And I did not start off with that, I wanted to work in a drawing office, but never mind, life takes you down different roads!

3810 This is what it is about. We can do it, it is not a problem. If we have got the will, we could do it this afternoon. So if my amendment is rejected, I would recommend you reject all of Social Security's, but I do not want to be that negative. Sorry, all the Propositions in regard to the modernisation of Supplementary Benefit, but I do not want to be that negative. I would rather see my amendment go through, and I would rather a commitment from Social Security to do something about it in the here and the now, for those people in the private rented sector who are losing out by a few quid a week, maybe, at the moment.

3815 Because although we talk about the benefit limitation being £525, what we have got to remember is that if you have got a large number of children, then the Family Allowance is disregarded above that. If you are employed, then the disregard is added to that as well. So it is not 3820 £525. It would become £555 plus increments of £15.90 per child on top of that. That is how the benefit limitation works, so it is not quite as simple as saying it would be £525, or indeed £500. The numbers would be small, but we would make an impact this afternoon – not kicking the can down the road to 2016 or 2015; this afternoon, 1st November 2013.

3825 I shall now move over to... My notes are almost unreadable. I shall do my best to answer some of the things.

On one of them I had a query, which says, 'I understand how the worse off will be protected during this interim before your report is enacted', but the support that could be given answers that question. We could do it here and now. We do not have to wait until 2015. It is not a problem and, as Deputy Langlois has already agreed, they are not going to oppose my amendment, if he shoves 3830 it from £500 to £515, but I would be delighted if somebody sought to amend that to £525, because that would take us further straight away.

Now, I must try and make some sense of the things that I have written.

Let me start off with Deputy Langlois, because I think I will probably cover most of them there and then. I am glad Deputy Langlois said this is not a vote of no confidence. I never, *ever* thought 3835 of it as such. It is not a vote of no confidence in anybody. And I tried not to sow the seeds of confusion and that is why I did not bother to include all the mathematical work, because that would have truly sown the seeds of confusion, (*Laughter*) and it does not take much nowadays to confuse me, let alone anything else!

We have dealt with the process of kicking the can down the road. 'It is a monster of a committee.' Poor Deputy Storey is not here. I wish him well, (**Several Members:** Hear, hear.) but he is not here at the moment, but he accused me once of being obsessed with process, and I have never let him forget it. Process and it disappoints me that the Chief Minister, in particular, would seek to not vote for my amendment because of the constitution of the working party. Now, I accept 3840 it might have flaws. It might have flaws, yes I accept that, Deputy Gollop, but are we going to let the constitution of a working party get in the way of actually creating a new benefits system that is worthy of the name for the whole Island? Are we going to allow that to happen? The answer has to be no. We have to think how we can get over these hurdles.

3845 When I fabricated the amendment, I did not see that as a problem, but I accept some of the comments that have been passed and it would make life slightly difficult for some people on some occasions. But if you really, really have the will to make it work, you *can* make it work. It is just a case of having the will to do so and this is a very, very important debate we are having this afternoon. It is 10% of our overall expenditure for 4,000 or more people in this Island. It is worth going that bit further to try and get things right.

3850 It is a monster of a committee: that is what Deputy Langlois said. Yes it is, maybe, but we can work our way round that.

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Now, Deputy Langlois did invite me to become a member of Social Security and I told him that he was a Deputy with a tax hat on or words to that effect. I also remember that I told him quite clearly that I would have a shelf life lasting in minutes if I sat on his committee, because we would be diametrically opposed. He knows that; I know that. I sometimes regret the decision I made, but my character is such that I tend to get up and walk off, if I do not like what is happening. I accept it is not a good way to act, but it is truthful. It is what I do. I am probably digging a hole for myself, but at least I am being honest, Deputy Trott. (**Several Members:** Ohh!) (*Laughter and interjections*) Sorry, that was not... I am not casting aspersions, I can assure you, but I am being honest. Sometimes I do let my passion get in place of what little brain power I have got left.

But it is what happened. I took it upon myself that I really would not last very long and it would not be long before I resigned from the Committee, and likewise, I have been part of that previous board. We had not entirely succeeded, because a lot of the recommendations that we brought to the States were adopted. In fact, Social Security's Policy Letter makes reference to those good parts of our report which were accepted and which will do a lot to provide the assurances for the future that we actually encourage people into work. So those are the reasons I did not join the new Social Security – possibly I should have, but I do not think it would have worked.

Do we really want another States Committee? Why do we believe that it will come up with new things when others have failed? I honestly do not think – and this is true when I sat on the previous Board – I do not think that we thought broadly enough. I think we accepted that this had to be done in a fairly tight timescale, we wanted to come back to the States, and I do not think we thought broadly enough.

When I joined Housing, there was a meeting between me and the senior member of Housing and the States Treasury of the day. They asked me to redesign the rebate scheme. I said, 'It is not what you want, you need a benefits system that combines Social Security's Supplementary Benefit and Housing's Rent Rebate Scheme, an all-singing, all-dancing affair.' They told me that is not what I wanted, that was not what the States wanted, it would be too complicated, too costly, 'go away and titivate the rebate scheme'.

And we went much further than that, we did a better job than that, but it has always been a passion of mine to actually weld the two systems together. So I was deeply disappointed when it became obvious to me that Housing and Social Security had not reached a successful satisfactory meeting of the ways, and we have seen that today. But I would like to put that behind us. I think we can march forward together, but using different models. It is the model of benefit that is wrong and it is wrong because we have tried to force together too many different systems into a model that was never built for it in the first place.

I could go on but I do not intend to. I think there might have been one or two questions, if I have forgotten to ask anybody or answer any questions. I think the question I have answered is the one from Deputy Conder and Deputy Sherbourne and that is the one of how we could actually make sure that people do not fall into a hole straight away? We could do that, we can do that if we want, it is not a problem.

At the same time, what I would recommend is that Housing adjust their tariffs for the top end of the scale – although the top end of Housing at the moment does not mean much, because there are very, very few people earning a great deal in States houses. That is a fact, they have all gone. It is part of Housing's policy, not to get rid of them, but to encourage them and provide them with the accommodation that they can move into and move up the owner-occupational ladder so to speak, which is a good thing.

But as I said, I believe we can produce the working party, could produce a model, in the right timescale –possibly not even... it does not have to be complete. It could be a model which could be built on in the future, rather like Deputy Gollop was suggesting, it is an incremental improvement and is exactly the same as Deputy Langlois has said, an incremental improvement on Supplementary Benefit. We have not done that. We have had the opportunity ever since 2011 to work together to move forward, so that we would not have this chasm to fill in all in one go, but we have not done it.

We could start today, and we could start with regard to Housing's tariff adjustments, they could start that very soon. One of the problems is that those tariffs never come back to the States. That is correct, is it? So the States never knows. It never knows what the rental levels are, it never knows what the tariffs are, it does not know how people's rent assessments are charged, whereas on the other side of the equation, everybody knows how Supplementary Benefit works and that has been part of the problem. Housing have done a good job, and Social Security have done a good job, but unfortunately we have not filled that gap in between and we should have done so.

I am not going to say any more, other than to plead with people to support the amendment. I will, I do not want to be a chair necessarily; I would rather sit at home playing with my motorcycles – but that is not the case, this is not a vanity project. This is not a vanity project of any sort. I just want what is best for the community. If the States decided that they would keep Andrew Le Lièvre well away from the committee, that is fine by me. The fact of the matter is it should be set up and it should work and it should be forced to report, and it should keep this Assembly reliably informed on a regular basis on what progress is being made, and what issues it is coming up with.

I think it can work, I hope it can work, I would like it to work and I would ask you all to support the amendment. Thank you, sir.

The Bailiff: Deputy Fallaize.

Deputy Fallaize: I did ask Deputy Le Lièvre a question and I would be grateful if he would answer it. I am not going to vote for this amendment, unless he gives the States an assurance that if the committee is set up, he will be a candidate for one of the seats on the committee, because I am not going to go through all of this again. *(Laughter)*

Deputy Le Lièvre: I look to my wife in the audience, she tells me what to do! No, I will give an assurance that I will stand to be a candidate, but I would not be offended if the States decided I was too close and opted not to include me, and I honestly mean that.
Thank you.

The Bailiff: Well, Members, we will have a recorded vote then on the amendment proposed by Deputy Le Lièvre seconded by Deputy Sillars.

There was a recorded vote.

Not carried – Pour 21, Contre 21, Abstained 0, Not Present 5

POUR	CONTRE	ABSTAINED	NOT PRESENT
Deputy Sherbourne	Deputy Le Clerc	None	Deputy Storey
Deputy Conder	Deputy Gollop		Deputy Paint
Deputy Bebb	Deputy St Pier		Deputy Le Tocq
Deputy Lester Queripel	Deputy Stewart		Deputy Hadley
Deputy Ogier	Deputy Gillson		Alderney Rep. Jean
Deputy Trott	Deputy Le Pelley		
Deputy Fallaize	Deputy David Jones		
Deputy Laurie Queripel	Deputy Spruce		
Deputy Lowe	Deputy Collins		
Deputy Le Lièvre	Deputy Green		
Deputy Duquemin	Deputy James		
Deputy Dorey	Deputy Perrot		
Deputy Adam	Deputy Wilkie		
Deputy Brouard	Deputy De Lisle		
Deputy Burford	Deputy Inglis		
Deputy Soulsby	Deputy Luxon		
Deputy Sillars	Alderney Rep. Arditti		
Deputy O'Hara	Deputy Harwood		
Deputy Quin	Deputy Kuttelwascher		
Deputy Brehaut	Deputy Domaille		
Deputy Robert Jones	Deputy Langlois		

The Bailiff: Well, Members, on the amendment proposed by Deputy Le Lièvre, seconded by Deputy Sillars, there were 21 votes in favour, 21 against, and in the event of a tie, it is... Actually, I thought the votes were slightly different. In the event of a tie, the *status quo* remains, I believe is the position under the current Rules. The Comptroller is not in the House, but that means the amendment has not been carried.

Well, we move on then to the next amendment, which is proposed by Deputy Laurie Queripel, seconded by Deputy Soulsby.

Deputy Queripel.

Amendment:

To delete Proposition 1 and substitute therefor:

'1. That from 1 January 2014, the percentage contribution rate for employees be increased by 0.5%, from 6% to 6.5%.'

3960

Deputy Laurie Queripel: Thank you, sir.

My amendment is to replace Social Security's proposals to raise employers' contributions by 0.5% and replace it with raising employees' contributions by 0.5% sir, Social Security contributions.

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Sir, whenever I consider placing an amendment I try to carry out my own, albeit small consultation process, and indeed I have done so on this occasion, sir, I have spoken to a number of business proprietors, typically these businesses might be classed as small to medium sized, the largest employed 32 staff, the smallest 6 and the one in the middle was 16 staff.

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Sir, I also got the opportunity to talk to some employees, and although they were not terribly keen on the idea that I was putting forward, I did emerge unscathed, because most understood the reasoning behind it, sir. So Members will be pleased, I am sure, to hear that they will now be subject to that same reasoning.

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Sir, the message I got from these employers and some Members may say well they would say that, but the message I got sir was that this really is not a good time for business to incur any extra costs.

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Sir, this increase in itself for employers would not be that significant the employer that had 32 staff, it would add approximately £3,400 per annum to his costs, the medium sized business where the employees were admittedly quite well paid it would add approximately £2,600 to his costs. Now sir I appreciate that Social Security's proposal would capture the corporate finance sector, and given zero ten sir I was not too anxious about that, but the problem is the Department's proposal would also capture the other businesses, typically ones that I have just described, construction, traditional industries, retail, horticulture etc. Sir, what has to be considered is the accumulation of extra costs. For businesses that bring materials and goods into the Island there is likely to be an increase in freights costs, businesses that use vehicles to carry around materials, supplies, tools, plant, carry out deliveries and so on and, sir, I cannot remember the last time I saw horse and cart being used for these tasks, so I presume that is all of them. They will have to factor in the fuel increase to their costs. Then there are increasing energy and service costs, TRP and now and in the future sir as a consequence of employment laws there will be increased costs as well.

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Then there is the high cost of premises for many businesses. Although they provide an important service and create employment typically passing much needed skills on in the process, they are often low to mid value businesses, and not enough is done about the provision of affordable premises for these types of businesses and I intend to keep banging that drum.

3995

Sir, one proprietor is now paying an extra £2,000 per year for his premises. Sir, all this extra cost at a crucial juncture, at a time when the market is fairly flat, but there is a tone of cautious optimism, a slow return of confidence, that should not be stifled sir. The timing of Social Security's proposal is wrong. The message is that traders and businesses are trying to be competitive in a tough market, continuing to increase costs could mean price rises for customers and consumers at precisely the wrong time. Perhaps giving an even greater advantage to off-Island traders.

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I sir, and I am sure we, we all want to see that confidence grow, for employers to consider investment, expansion to retain staff and perhaps offer new employment opportunities. It is clear to me that adding extra costs one upon another, of which Social Security's proposal would be one, may result in staff numbers being looked at again. Some businesses who are just ticking over at the moment but have been willing to maintain staff numbers may think again.

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Two employers, sir, were considering offering two new part-time positions. They are now thinking again because of all the extra costs, sir. One business that has always, or traditionally, employed apprentices has none at the moment, that position was being reconsidered, they are now thinking again, adding to the risk of essential skills not being passed on.

4010

Sufficient margins particularly for these types of traders are really important, what might seem like a comparatively small amount can have an impact on their viability and their future plans. I am asking Members to think again, sir, of the accumulative effect of cost rises.

4015

Sir, this amendment is about protecting jobs and not discouraging new employment and training opportunities that may be offered.

Now, sir, I have conferred with Social Security at some length with the Department at some length and while their reasons for opposing this amendment and putting forward the increase in employers contributions is the personal tax and benefits review, in other words employees contributions will be looked at as part of that review. As such I have noted that the Treasury and Resources Department and the Policy Council are not convinced that this is the right time for

4020 Social Security to bring forward this proposal, being of the opinion that it would be better to wait for the conclusions of that review.

Now, sir, Social Security has made it clear, on a number of occasions, that there will need to be a significant increase in contributions in order to sustain social services and the pension pot. Now sir, I can quite reasonably see that needing to be 2½ %, 3%, 4% or more. One of my concerns, sir, is the big hit that employees will have to endure as a result. Their contributions may rise by 1% or perhaps 1½% all in one go. Sir, for employees on low or moderate wages that will be a substantial increase to attempt to absorb. To my mind far better, because they are going to go up sir, far better because they are going to go up sir, and significant sums will be required. That is the reality, so it is far better to increase employees' contributions in stages, by small amounts to allow them to adjust for small increases in a manageable way.

4030 Sir, it is also clear that contributions will have to be increased from all sources eventually, from the self employed, from employers and employees, but the economy, the business environment, may well look better in a year or two's time making it easier for employers to absorb their share of the increase.

4035 Sir, the other argument being put forward by Social Security is that the cap is being raised in regard to high earners and they are already being subject to an increase in their contributions. Sir, I understand that argument but I have always believed that the percentage rate should be the same for everybody, all employees. By definition, sir, it will be easier for higher earners to absorb the increase, it is relative. A good example of that would be an increase say sir in the cost of living of say 3%. Now for a pensioner, for a low earner a 3% increase in the cost of essentials, bread for example, would be much more keenly felt. On the other hand sir it may be something hardly noticed by those in the high earnings bracket.

When I make that point sir, it is not about envy, it is great to have high earners and a successful economy needs them. It is actually about taking one and a modest one for the team.

4045 It is a rather sad factor that some of the people who provide the most essential services to our community are amongst the lowest paid. Our Island, our community would simply not look, function or operate in the same way without their vital efforts and labours. So sir, it is about everybody in our society acknowledging that fact. It is about a collective willingness, a willingness to provide a helping hand.

4050 Sir, I cannot sell this as a good news story but I believe it to be a realistic and reasonable narrative. I want the group of people who I have just described, those who labour to make a real difference to our everyday lives, those that carry out the physical, and sometimes unpleasant and dirty, jobs, I want that group of people to be able to retire at a civilised age with a reasonable pension.

4055 Sir, their extra contributions will help to further secure a pension pot they will directly benefit from. Sir, the high earners will directly benefit from it too, but in addition surely it will be comforting for them to know that their extra contributions will help to ensure that people who labour, build, maintain, clean, dig, tend to the land, carry, cater, provide care, in other words attend to the well being of our physical environment and the people of our Island community to help to ensure that they have a pension to look forward to.

4060 Sir, this is a group of workers that some people feel should make extra provision for themselves, put money aside, take out a private pension. In many cases sir this is simply not realistic, these are individuals that often can only pay their way and no more. Sir, can we imagine the premium that say a 50 year old unskilled worker would have to pay in order to get something worthwhile back. We, as a States, need to facilitate these people sir.

4065 Sir, this amendment constitutes a far more affordable way for employees, who have undertaken physical and manual work for their working lives, who need to retire at a civilised age, with a reasonable pension, this is a far more affordable way for them to invest in their future social security and help further secure the pension pot.

4070 Whilst at this time sir, not at least for the moment adding more to the cost of doing business and the knock-on effects that may very well result.

The figures are, sir, if you earn £300 a week you would pay an extra £1.50 in contributions; if you earn £400 a week you would pay an extra £2 per week in contribution; if you earn £500 a week you will pay an extra £2.50 in contributions and then going up the scale, sir, if you earn £2,000 per week it is only an extra £10 per week. So I hope Members can see where I am going with this. I think it is manageable, affordable, proportionate and will help to avoid, at this time, possible undesirable consequences. And a final figure, sir, it will bring in an extra £5 million per year. Sir, I commend this amendment to the Assembly. Thank you, sir.

The Bailiff: Deputy Soulsby, do you formally second the amendment?

4080 **Deputy Soulsby:** Yes I do and reserve my right to speak.

Deputy Ogier: May I invoke Rule 13(4), please?

4085 **The Bailiff:** Rule 13(4), which is to ask whether seven people support the amendment. So I invite those who support debate on the amendment to stand in their places. Those who support debate stand in your places.

Several Members rose.

4090 **The Bailiff:** There are more than seven, so debate proceeds.
I call first Deputy Green, to be followed by Deputy Duquemin and then Deputy Fallaize.

Deputy Green: Mr Bailiff, Members I rise to oppose this amendment.

4095 I want to take us back to July 2009. In July 2009 the previous Social Security Committee reported to the Assembly on the financial sustainability of a social insurance fund. That report explained that in arriving at its proposed package of policies that the Department had been mindful of the financial pressures then being felt by individuals, in particular those on low incomes, but also mindful of the pressures on employers and on States revenues.

4100 The Department at that time proposed what it considered to be the minimum measures needed for sustainability of that social insurance fund. The package of measures then proposed by the Department was intended to share the burden of balancing the books of the Guernsey insurance fund.

4105 But of course the only measure, the only measure, which would have impacted upon employers that is to say the proposed increase in employers' contributions by 0.5% was actually rejected by the Assembly. At the same time the Assembly approved all of the other proposals which would impact on individuals, for example the increasing of the upper earnings limits for the employed, the self-employed and the non-employed.

The Departments proposal today to increase the percentage contribution rates for employers by 0.5% is essentially seeking to address this imbalance in my view.

4110 Now, I am not surprised that Commerce and Employment are against an increase in employer's contributions; they have concerns about the timing of this; they fear there may be an adverse affect on Guernsey's competitive position in the global economy. I am sure the stance of C&E on this issue surprises very, very few people.

4115 However, Social Security does believe that the proposed small increase in employers' contributions rate will – Social Security does not believe that the proposed small increase in the employers' contributions rate will have an unduly negative impact on Guernsey's competitive position.

4120 The reality is that this amendment will increase the percentage contribution rate for employees by 0.5%, and that quite simply will reduce the take home pay of all employees in Guernsey. This will be felt most by low paid workers who may already be struggling to make ends meet, given that it is probably unlikely that employees in this Island will receive a compensatory increase in their wages and the fact that median earnings are barely keeping pace with inflation.

4125 I cannot imagine for a moment, that Deputy Laurie Queripel would want to make it even more difficult for low paid employees and workers in this Island, knowing him as I do and his politics. For low paid workers in receipt of Supplementary Benefit this increase in social insurance contributions will be offset pound for pound by an increase in their Supplementary Benefit payment, so you could argue that the burden of this change in respect of low paid workers in receipt of Supplementary Benefit will in reality fall on general revenue rather than on the employees themselves.

4130 Now, with regard to higher earning employees the Department is on this occasion recommending an 11% increase in the upper earnings limit for employed, self-employed and non-employed people, this is of course in line with the 2009 States Resolution to establish parity between the employers and employees upper earnings limit, over a five year period and this is the final step this year. But of course increasing the employees' contribution rate by 0.5% at the same time as increasing the upper earnings limit to £132,444 per annum would actually increase the maximum payable by an employee from £137.70 per week in 2013 to £165.56 per week in 2014. That represents an increase of 20% or £27.87 per week. That may well reduce the attractiveness of this Island to high earning professionals. Does Commerce and Employment really want to do that?

4140 Just two other points, firstly Social Security's proposal to increase the employers' continuation rate by 0.5 will generate an additional contribution income of around £5.3 million. However if the

0.5% increase is instead applied to employees it will bring in around £5 million, which is obviously £300,000 less per annum and that is not exactly insignificant.

4145 Secondly, we cannot disregard the centrality of the personal tax pensions and benefits review, which to be fair Deputy Laurie Queripel did mention, employers are in effect excluded from the remit of that review. Increasing the employees' contribution rate ahead of the outcome of the PTR would be premature in my view, a prejudgement. I suggest it would be preferable to explore this option along with any other options to boost revenue or to reduce spending as part of the holistic review of taxation, pensions and benefits that is ready made for looking at these issues. So let us not prejudge the PTR nor constrain its options for future reform by voting for this amendment and
4150 I ask in all the circumstances for Members to reject this amendment.

**Procedural
Re continuation of debate**

4155 **The Bailiff:** Members, we are now very close to 5.30. I think we need a decision as to whether we are going to sit tonight or come back some other time.

Can I have an indication of how many people are intending to speak on this amendment? Ten. And how many intend to speak in general debate, when we move to general debate? Seven. I will be proposing the other amendment be taken as part of the general debate, as I have heard that the
4160 Social Security Department are not opposing it.

It seems to me, with that many people still wishing to speak, we are not going to finish by 6.30 this evening, and I can only propose an extension if I believe that the business can be finished by that time, except in exceptional circumstances.

4165 The question then is, when we resume, I know the Department need a decision on rates, because they need to be notifying people as to what contributions they need to be paying from 1st January and starting to calculate what benefits they will be paying people from 1st January. So they need a decision sooner rather than later. They are already a month later with these proposals than they would normally be, and I think the request to the Department would be that we sit tomorrow morning, in order to come to a decision.

4170 Deputy Le Pelley, I was not inviting debate, but –

Deputy Le Pelley: Sir, I just wondered if we might go to 6.30 because some of the comments that are to be made might actually be made by people ahead of second and third speakers, which may then fall away.

4175 **The Bailiff:** Well, that has not been the experience of the last four days. *(Laughter)*

Deputy Le Pelley: I did say, sir, that I was a new boy on the block.

4180 **The Bailiff:** Deputy Dorey.

Deputy Dorey: I am out of the Island tomorrow, so I cannot participate in debate. We have a set procedures of when a debate, if it is not finished, when it runs to. I am sorry, this debate should never have been a mixture of a modernisation and not uprating –

4185 **The Bailiff:** We cannot have a debate. If Members do not want to come back tomorrow, then under the Rules, we come back on the second Wednesday, which is – **(Several Members: Pour.)**

So I am going to put to you, first of all, the Proposition that we come back tomorrow morning, bearing in mind what I have said about the Department and the difficulties they will have, and the difficulties that every Islander will have in not knowing what rates they... what contributions they
4190 will be paying and what benefits they will be paying. So I will put to you, first of all, the Proposition that we come back tomorrow morning. If that does not favour a majority, then the Rules provide for us to come back on the second Wednesday – and I cannot remember what that date is. It is about 13th November.

4195 **Deputy Laurie Queripel:** Sorry, sir, it is just to say that we have got a Scrutiny Electricity hearing in the court on that day.

4200 **The Bailiff:** Well, we are certainly not going to finish those items today, and some of those items perhaps are not urgent and could wait until the end of the month. But the Social Security Department proposals do have a degree of urgency about them that does not attach to some of the other Articles.

Madam Comptroller.

4205 **The Comptroller:** Sir, yes, the only alternative is that it is possible to put urgent Propositions before you and you could debate... the Department could decide, if it is possible to do so, which Propositions might be urgent that could immediately be decided without debate and be put to the States now. But, of course, I am conscious that at least one amendment, I think, does touch on one of those Propositions. That might be possible. I do not know whether the Department want to think
4210 about that. Under Rule 10, I think it is, sir.

The Bailiff: Do the Department need a brief adjournment then, to decide whether there are urgent – ? (*Interjections*)

4215 **Deputy Dorey:** Do these not involve legislation and the legislation has to come back? So this is The First Reading. It has to come back and even if we did it in the middle of November, it would have to come back at the end of November.

The Comptroller: The legislation is already drafted for the November debate, so in that sense,
4220 there is nothing that needs to be prepared. It is just –

The Bailiff: But it would have to be amended –

The Comptroller: If there are potential amendments on, but depending on those Propositions.
4225

The Bailiff: Deputy Langlois, are you asking for a five-minute adjournment? (*Interjections*)

The Comptroller: It very much depends on which of those Propositions might be urgent. If they are all related to the legislation, but none of them are subject to debate, you could put those
4230 Propositions before the Chamber now, for immediate debate under Rule 10 as an urgent Proposition, and that could be to ask Members whether they would be prepared to put those particular Propositions now.

I think at least one of those Propositions may relate to an amendment that we have not yet heard, but only one. It is very much a matter for the Department, how crucial that is.

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The Bailiff: Unless the Department are requesting that, I am not going to put that. Do you want to have five minutes, Deputy Langlois? We will rise for five minutes, so that the Department can consider its position.

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*The Assembly adjourned at 5.33 p.m.
and resumed its sitting at 5.39 p.m.*

Procedural Debate to continue on 13th November 2013

The Bailiff: I understand that the Department's preference is to come back on the second Wednesday rather than tomorrow, but having said I would put to you the option of coming back
4245 tomorrow, I will put it to you. Those in favour; those against.

Members voted Contre.

The Bailiff: Fine, so in that case, we will resume as the Rules provide at 9.30 on the second
4250 Wednesday, which is 13th November.
Deputy Fallaize.

Deputy Fallaize: Can we not just finish the debate on Deputy Queripel's amendment?? We are half way through a debate on an amendment.

4255 **The Bailiff:** Well, there are another 10 people wanting to speak on the amendment. I can only recommend it continue if I am satisfied that we can finish that bit of business. It is now 20 to six, the length of speeches that we have had over the past four days do not suggest to me (*Laughter*) that we are going to be able to finish by 6.30, even if we continue. As we have got to come back anyway, I would have thought that it was preferable that we do not hurry a decision. The States often in the past have regretted (**Several Members:** Hear, hear.) decisions taken late on the final day and this has been a long meeting.

4260 So we will rise.

The Assembly adjourned at 5.40 p.m.