

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE FOR EMPLOYMENT & SOCIAL SECURITY

CONTRIBUTORY BENEFIT AND CONTRIBUTION RATES FOR 2025

The States are asked to decide:

Whether, after consideration of the Policy Letter entitled 'Contributory Benefit and Contribution Rates for 2025', dated 9th September 2024, they are of the opinion:

1. To set the contributions limits and rates as set out in Tables 4, 5 and 6 of the Policy Letter, from 1st January 2025.
2. To set the standard rates of contributory social insurance benefits as set out in Table 7 of the Policy Letter, from 6th January 2025.
3. To set the contribution (co-payment) required to be made by the claimant of care benefit, under the Long-term Care Insurance Scheme, at the rate set out in Table 9 of the Policy Letter, from 6th January 2025.
4. To set the weekly long-term care benefit at the rates set out in Table 10 of the Policy Letter, from 6th January 2025.
5. To set the weekly respite care benefit at the rates set out in Table 11 of the Policy Letter, from 6th January 2025.
6. To direct the preparation of such legislation as may be necessary to give effect to the above decisions.

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

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE FOR EMPLOYMENT & SOCIAL SECURITY

CONTRIBUTORY BENEFIT AND CONTRIBUTION RATES FOR 2025

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

9th September 2024

Dear Sir

1. Executive summary

- 1.1. The Committee *for* Employment & Social Security ('the Committee') has undertaken its annual review of the contributions to, and benefits funded from, the Guernsey Insurance Fund and the Long-term Care Insurance Fund for which it is responsible.
- 1.2. The Committee recommends that the States pension and all other contributory benefits funded from the Guernsey Insurance Fund be increased in 2025 by 4.9%, this being in line with the guideline 'double lock and look back' uprating policy.
- 1.3. The Committee recommends that the benefits funded from the Long-term Care Insurance Fund be increased by 4.5%, being the annual rate of 'core' inflation (RPIX) for the year ending 30th June 2024.
- 1.4. This Policy Letter also provides an update on recent policy changes implemented by the Committee, the Supported Living and Ageing Well Strategy ('SLAWS') and the Supporting Occupational Health and Wellbeing ('SOHWELL') programme.

PART I: INTRODUCTION

2. Uprating policy for benefits funded from the Guernsey Insurance Fund

2.1. The guideline policy for uprating the States pension and all other contributory benefits, except long-term care benefit, is to apply either RPIX as at the end of Q2 plus one third of the difference between RPIX as at the end of Q2 and the annual change in nominal median earnings as at the end of Q4 of the previous year (known as ‘the one-third uprating policy’), or to apply the annual rate of RPIX as at the end of Q2, whichever is the higher. This means that the rate of the States pension is always increased by at least the rate of core inflation – this is known as the ‘double lock policy’.

2.2. In October 2023, the States agreed that the double lock policy should be refined to include a retrospective ‘look back’ element to account for the amount by which an inflation-only increase(s) applied in the year(s) immediately prior exceeded the amount that would have been applied had the one-third uprating policy been followed. This ‘double lock and look back policy’ was fully described in section 2 of the Policy Letter entitled ‘Contributory Benefit and Contribution Rates for 2024’¹.

2.3. The annual rate of inflation (RPIX), as at 30 June 2024, was 4.5%. The annual change in nominal median earnings, as at 31 December 2023, was 7.0%. Therefore, the double lock policy results in an above inflation increase (prior to application of the look back element of the uprating policy) of 5.3%, as set out below:

$$\text{Double lock policy} \quad (7.0\% - 4.5\%) \div 3 + 4.5\% = 5.3\%$$

2.4. Because the annual rate of inflation (RPIX) for the year ending 30 June 2023 exceeded wage growth for the year ending 31 December 2022, contributory benefits funded from the Guernsey Insurance Fund were increased in 2024 by RPIX (i.e. 6.8%), which was 0.4% higher than would have been applied had the one-third uprating policy been followed. Therefore, it is necessary when calculating the percentage increase to apply to the rates of contributory benefits funded from the Guernsey Insurance Fund in 2025, to employ the look back element of the policy by deducting 0.4% from the output of the above calculation, as set out below:

$$\text{Look back policy} \quad 5.3\% - 0.4\% = 4.9\%$$

2.5. Therefore, in line with the double lock and look back policy, the Committee recommends that the rates of the States pension and other contributory

¹ Contributory Benefit and Contribution Rates for 2024 ([Billet d’État XVII of 2023, Article III](#)).

benefits funded from the Guernsey Insurance Fund be increased in 2025 by 4.9%.

- 2.6. The Policy & Resources Committee has confirmed that it has no objections to the next step being taken in the phased increase in contribution rates.

PART II: INCOME

3. Contributions

Restructure of social security contributions system

- 3.1. As directed by the States following consideration of a Policy Letter entitled 'Contributory Benefits and Contribution Rates for 2024'², the Committee is developing detailed proposals to restructure the social security contributions system. The aim of the proposed restructure is to address some of the inequalities in the existing system and to make it more progressive by moving some of the contributions liability away from lower- and middle-income households. It is intended that the proposed model will be entirely self-funding, with total contribution income equal to that projected to be collected in year ten of the phased increase in contribution rates agreed by the States in October 2021³.
- 3.2. The Committee intends to report back to the Assembly with its proposals before the end of the political term. Given the significant nature of the proposed changes, it is anticipated that a lead-in period will be required to amend the relevant legislation and make all necessary operational changes. Therefore, the proposed restructure does not affect the contribution rates and limits for 2025.

Proposed contribution rates for 2025

- 3.3. In October 2021, following consideration of a Policy Letter entitled 'Contributory Benefits and Contribution Rates for 2022'⁴, the States approved a ten-year plan to increase the percentage contribution rates to the Guernsey Insurance Fund, and a four-year plan to increase the percentage contribution rates to the Long-term Care Insurance Fund. The first increase was applied in 2022, this being the first increase to contribution rates since 2017.
- 3.4. The Committee recommends the implementation of the fourth step of the ten- and four-year plans. The effect, from 1st January 2025, will be to increase the current contribution rates from 6.9% to 7.0% for employers, 7.2% to 7.4%

² Contributory Benefits and Contribution Rates for 2024 ([Billet d'État XVII of 2023, Article III](#)).

³ Contributory Benefits and Contribution Rates for 2022 ([Billet d'État XX of 2021, Article XI](#)).

⁴ Contributory Benefits and Contribution Rates for 2022 ([Billet d'État XX of 2021, Article XI](#)).

for employees (i.e. a combined Class 1 contribution rate of 14.4%), from 11.9% to 12.2% for self-employed persons, from 11.3% to 11.6% for non-employed persons under pension age, and from 3.7% to 3.8% for non-employed persons over pension age. Appendix 1 sets out current and future changes to contribution rates under the ten- and four-year plans.

- 3.5. It is noted that this will be the fourth and final step in the current plan in respect of the Long-term Care Insurance Fund. The Committee intends to present more substantive proposals regarding the Long-term Care Insurance Scheme to the Assembly before the end of the year. Further information in this respect is set out in section 8 of this Policy Letter.
- 3.6. The percentage contribution rates proposed for 2025 are set out in Tables 1, 2 and 3 below and overleaf, compared to the rates for 2024. These tables also show how the contribution income from each class will be split between the Guernsey Insurance Fund, the Long-term Care Insurance Fund and the Guernsey Health Service Allocation.
- 3.7. The estimated cost to General Revenue of increasing the employers' contribution rate by 0.1% in 2025 is £280,000 to £290,000 in respect of public sector employees. However, it is noted that the proposed increases in contribution rates will raise additional revenues of approximately £5.4m per annum.

Table 1 – Current contribution rates, proposed contribution rates for 2025, and the proportions of income split between the funds for employed persons (Class 1)

Employed persons (Class 1)	2024 (current)	2025 (proposed)
Employer	6.90%	7.00%
Guernsey Insurance Fund	6.90%	7.00%
Guernsey Health Service Allocation	-	-
Long-term Care Insurance Fund	-	-
Employee	7.20%	7.40%
Guernsey Insurance Fund	3.25%	3.35%
Guernsey Health Service Allocation	1.85%	1.85%
Long-term Care Insurance Fund	2.10%	2.20%
Combined	14.10%	14.40%
Guernsey Insurance Fund	10.15%	10.35%
Guernsey Health Service Allocation	1.85%	1.85%
Long-term Care Insurance Fund	2.10%	2.20%

Table 2 – Current contribution rates, proposed contribution rates for 2025, and the proportions of income split between the funds for self-employed persons (Class 2)

Self-employed persons (Class 2)	2024 (current)	2025 (proposed)
Totals	11.9%	12.2%
Guernsey Insurance Fund	7.95%	8.15%
Guernsey Health Service Allocation	1.85%	1.85%
Long-term Care Insurance Fund	2.10%	2.20%

Table 3 – Current contribution rates, proposed contribution rates for 2025, and the proportions of income split between the funds for non-employed persons (Class 3)

Non-employed persons (Class 3)	2024 (current)	2025 (proposed)
Under pension age	11.30%	11.60%
Guernsey Insurance Fund	7.20%	7.40%
Guernsey Health Service Allocation	1.90%	1.90%
Long-term Care Insurance Fund	2.20%	2.30%
Over pension age	3.70%	3.80%
Guernsey Insurance Fund	-	-
Guernsey Health Service Allocation	1.30%	1.30%
Long-term Care Insurance Fund	2.40%	2.50%

Proposed contribution earnings and income limits, non-employed income allowance and voluntary contribution rates for 2025

- 3.8. The Committee is recommending that all contribution earnings and income limits, the non-employed income allowance, and the overseas voluntary contribution rates for self-employed and non-employed persons are increased by approximately 4.9%, in line with the double lock and look back policy. Tables 4, 5 and 6 overleaf show the effects of this increase for all contributor classes, compared with current (2024) limits and rates.

Table 4 – Proposed Class 1 contribution limits and rates for 2025 compared to 2024

Class 1 – Employed persons	2024 (current)	2025 (proposed)
Employer	6.9%	7.0%
Employee	7.2%	7.4%
Upper Earnings Limit:		
Weekly	£3,459.00	£3,627.00
Monthly	£14,989.00	£15,717.00
Lower Earnings Limit:		
Weekly	£175.00	£184.00
Monthly	£758.33	£797.33
Weekly rate (employee):		
Maximum	£249.05	£268.40
Minimum	£12.60	£13.62
Weekly rate (employer):		
Maximum	£238.67	£253.89
Minimum	£12.08	£12.88

Table 5 – Proposed Class 2 contribution limits and rates for 2025 compared to 2024

Class 2 – Self-employed persons	2024 (current)	2025 (proposed)
	11.9%	12.2%
Annual Earnings Limit:		
Upper	£179,868.00	£188,640.00
Lower	£9,100.00	£9,568.00
Weekly rate:		
Maximum	£411.62	£442.49
Minimum	£20.83	£22.45
Overseas contribution (weekly)	£130.70	£137.10

Table 6 – Proposed Class 3 contribution limits and rates for 2025 compared to 2024

Class 3 – Non-employed persons	2024 (current)	2025 (proposed)
Under pension age	11.3%	11.6%
Over pension age	3.7%	3.8%
Annual Income Limit (under and over pension age):		
Upper	£179,868.00	£188,604.00
Lower	£22,750.00	£23,920.00

Class 3 – Non-employed persons	2024 (current)	2025 (proposed)
Allowance ⁵ (under and over pension age)	£10,175.00	£10,674.00
Weekly rate (under pension age):		
Maximum	£368.76	£396.92
Minimum	£27.33	£29.55
Weekly rate (over pension age):		
Maximum	£120.74	£130.03
Minimum	£8.95	£9.68
Overseas voluntary contribution ⁶ (weekly)	£118.22	£124.01
Voluntary contribution ⁷ (weekly)	£27.33	£29.55
Special rate non-employed (weekly)	£27.33	£29.55

PART III: EXPENDITURE – CONTRIBUTORY BENEFITS

4. Expenditure financed by the Guernsey Insurance Fund

- 4.1. As set out in paragraph 2.5, the Committee is recommending that the rates of the States pension and other social insurance benefits are increased by 4.9%, in line with the double lock and look back policy.
- 4.2. The proposed new weekly rates of benefits and grants, to be effective from 6th January 2025, are set out in Table 7 overleaf. These rates of benefits and grants apply to persons who have fully satisfied the relevant contribution conditions. Reduced rates of benefit are payable on incomplete contribution records, down to threshold levels, after which, no benefit is payable.

⁵ The allowance is subtracted from annual income with liability being calculated on the balance. A non-employed person whose income, before the deduction of the allowance, falls below the lower income limit, is exempt from paying contributions.

⁶ Overseas voluntary contributions are payable by people who are no longer living in Guernsey or Alderney but wish to maintain their record for pension purposes.

⁷ Voluntary contributions are payable by non-employed people who have income below the lower income limit but wish to maintain their record for pension purposes.

Table 7 – Proposed rates of contributory social insurance benefits for 2025 compared to 2024 rates

Weekly paid benefits	2024 (current)	2025 (proposed)
<u>States Pension</u>		
Insured person	£267.23	£280.32
Increase for dependant wife ⁸	£133.86	£140.42
Total	£401.09	£420.74
<u>Survivor's Benefits</u>		
Widowed Parent's Allowance	£281.02	£294.79
Bereavement Allowance ⁹	£241.65	£253.49
Maternal Health Allowance, Newborn Care Allowance, and Parental Allowance	£267.75	£280.84
Unemployment Benefit, Sickness Benefit, and Industrial Injury Benefit	£196.70	£206.36
Incapacity Benefit	£236.32	£247.87
Industrial Disablement Benefit (100%) ¹⁰	£215.35	£225.90
One off grants:		
Maternity Grant and Adoption Grant	£492.00	£516.00
Death Grant	£769.00	£807.00
Bereavement Payment	£2,428.00	£2,547.00

- 4.3. If the proposals for benefit rates are approved, the 2025 estimated expenditure from the Guernsey Insurance Fund will be £207.8m (2024 forecast: £198.7m), as shown in Table 8 overleaf.
- 4.4. This estimate includes:
- the proposed 4.9% increase in the general rate of benefit (2024: +6.8%),
 - an anticipated increase in the number of pension claims as a result of the aging demographic,
 - other policy decisions previously approved by the States, such as increasing pension age,
 - estimated administration costs for 2025 of £5.6m (2024 forecast: £5.1m).
- 4.5. Benefits paid from the Guernsey Insurance Fund are statutory entitlements based, almost wholly, on the number of contributions paid. States pension expenditure accounts for over 87% of the total benefit expenditure from the

⁸ For people whose marriages took place before 1st January 2004, and who reached pension age before 1st January 2014.

⁹ Widow's pension is also payable at this rate. New applications cannot be made but there are still historic cases continuing.

¹⁰ Lower rates are payable based on degree of disability.

Fund. As of 1st July 2024, there were 19,116 people in receipt of a pension from Guernsey (1st July 2023: 18,807).

- 4.6. Table 8 below shows annual benefit and administration expenditure for the Guernsey Insurance Fund for the years 2021 to 2023, the budget forecast for 2024 and projected expenditure for 2025. The figures for 2021 and 2022 have been restated following the adoption of IPSAS accounting standards for social benefits.

Table 8 – Summary of expenditure from the Guernsey Insurance Fund

	2021 Actual £m	2022 Actual £m	2023 Actual £m	2024 Forecast £m	2025 Budget £m
Pension	138.4	142.8	154.2	169.1	176.6
Incapacity	10.3	10.4	11.3	11.9	12.3
Sickness	4.7	5.0	5.2	5.7	5.9
Parental	2.5	2.7	2.6	2.5	2.8
Travelling allowance grant ¹¹	3.3	-	-	-	-
Bereavement	1.9	1.9	1.9	1.9	1.9
Unemployment	1.0	0.5	1.1	1.4	1.6
Industrial	0.9	0.9	1.0	1.1	1.1
Total benefit expenditure	163.0	164.2	177.3	193.6	202.2
Administration	4.1	4.7	5.1	5.1	5.6
Total expenditure	167.1	168.9	182.4	198.7	207.8

5. Update on recent policy changes

- 5.1. On 17th October 2023, following consideration of the Committee’s Policy Letter entitled ‘Contributory Benefit and Contribution Rates for 2024’¹², the States resolved:

- “8. To note that the Committee intends to set the age of an individual’s child, in respect of whom family allowance contribution credits are awarded, at 12 years old with effect from 1st January 2025.
9. To note that the Committee *for* Employment & Social Security intends to implement a scheme to protect the contribution records of parents who

¹¹ The travelling allowance grant has transferred to the Committee *for* Health & Social Care.
¹² Contributory Benefit and Contribution Rates for 2024 ([Billet d’État XVII of 2023, Article III](#)).

would be affected by the proposal in Proposition 8, including parents who provide home education for their children or whose children have additional care needs, and such other parents who can demonstrate, to the satisfaction of the Administrator to the Committee, that it would be fair and equitable in all the circumstances for them to be eligible for the protection scheme.

10. To amend the Social Insurance (Guernsey) Law, 1978 by Ordinance to give the Committee a power, by Regulations, to adjust the aggregate period for which unemployment benefit is payable, from time to time, subject to a minimum aggregate period of 10 weeks and a maximum aggregate period of 30 weeks, as further detailed in paragraphs 7.2 to 7.4 of the Policy Letter.
11. To amend the Social Insurance (Guernsey) Law, 1978 by Ordinance to enable unmarried parents to be eligible to receive widowed parent's allowance in the event that their cohabiting partner dies, and providing that they meet all other relevant eligibility criteria, as further detailed in paragraphs 6.5 to 6.6 of the Policy Letter."

- 5.2. The Committee is pleased to provide updates in respect of the above policy changes.

Resolutions 8 and 9 - Class 3 contribution credits for persons in receipt of family allowance

- 5.3. On 2nd September 2024, the Committee made Regulations¹³ to reduce the age of an individual's child up to which family allowance credits are awarded from age 16 to age 12, except in certain limited circumstances, with effect from 1st January 2025. Parents of primary school age children will continue to be eligible to receive family allowance credits, provided that they are eligible for the family allowance cash benefit and are not liable to pay social security contributions on employed, self-employed or unearned income.
- 5.4. A contribution record protection scheme will be available for persons in receipt of family allowance who, from 1st January 2025, will otherwise be ineligible to receive family allowance credits due to their youngest child being aged 12 to 15 (inclusive) who provide home education for their children, whose children have additional care needs, or whose circumstances are otherwise such as to prevent, or to substantially limit, their ability to engage in employment as an employed or self-employed person or to pay a voluntary Class 3 contribution.

¹³

[The Social Insurance \(Contributions\) \(Amendment\) Regulations, 2024.](#)

Resolutions 10 and 11 - Entitlement to widowed parent's allowance and power to amend by regulation the aggregate period for which unemployment benefit is payable

- 5.5. On 19th June 2024, the States approved the Social Insurance (Guernsey) Law (Amendment) Ordinance, 2024¹⁴. The Ordinance amends the Social Insurance (Guernsey) Law, 1978¹⁵ ('the Social Insurance Law') to confer on the Committee power to amend by regulation references to the aggregate period of 30 weeks for which unemployment benefit is payable, subject to a minimum of 10 weeks and a maximum of 30 weeks. It also requires the Committee to publish guidance on the States of Guernsey website regarding the exercise of that power.
- 5.6. The Ordinance also amends the Social Insurance Law to make cohabiting partners eligible to receive widowed parent's allowance (in addition to spouses).
- 5.7. On 14th August 2024, the Committee made the Social Insurance (Guernsey) Law (Amendment) Ordinance, 2024 (Commencement) Regulations, 2024¹⁶ which brought the Social Insurance (Guernsey) Law (Amendment) Ordinance, 2024 into force on 2nd September 2024.
- 5.8. The Committee has also agreed guidance notes regarding its exercise of the power to adjust the relevant aggregate period of unemployment benefit which have been published on the States of Guernsey's website¹⁷. For the avoidance of doubt, the Committee has not yet made any changes to the aggregate period for which unemployment benefit is payable.

6. Maximum duration of sickness benefit

- 6.1. An employed person or self-employed person may be eligible to receive sickness benefit in respect of any day they are incapable of work due to illness or injury, provided that the period of incapacity lasts for at least four days¹⁸. A person who has claimed sickness benefit for an aggregate period of 26 weeks and is still unable to work might be eligible for incapacity benefit, which is paid instead of sickness benefit.

¹⁴ [The Social Insurance \(Guernsey\) Law \(Amendment\) Ordinance, 2024.](#)

¹⁵ [The Social Insurance \(Guernsey\) Law, 1978.](#)

¹⁶ [The Social Insurance \(Guernsey\) Law \(Amendment\) Ordinance, 2024 \(Commencement\) Regulations, 2024.](#)

¹⁷ [Guidance in respect of the Committee for Employment & Social Security's exercise of the power conferred under section 24\(5\) of the Social Insurance \(Guernsey\) Law, 1978.](#)

¹⁸ To claim sickness benefit, a person must also be below pension age and supply a medical certificate from a doctor, dentist, physiotherapist, osteopath, or chiropractor confirming that the claimant is unable to work.

6.2. The Social Insurance (Guernsey) Law, 1978¹⁹ provides that:

'22. (1) Subject to the provisions of this Law, where [...] a person has been entitled to sickness benefit [...] for an aggregate period of 26 weeks [...], then, if he is under pensionable age and satisfied the relevant contribution conditions, he shall be entitled to incapacity benefit for any subsequent day of incapacity for work which forms part of that period of interruption of employment.'

6.3. Once a person receiving sickness benefit becomes eligible for incapacity benefit, the latter can be claimed until the recipient returns to work, reaches State pension age, or until it is determined that they are no longer incapable of all work. The current rates of sickness and incapacity benefit are set out in Table 7.

6.4. The Committee is exploring the possibility of extending the duration of sickness benefit before incapacity benefit becomes payable from 26 weeks to 12 months to maximise opportunities for sickness benefit claimants to engage in work rehabilitation measures. Returning to work can, in many cases, be beneficial for a person's health and recovery along with improving their economic and social outcomes. Early intervention when a person experiences illness or injury that affects their ability to work is central to vocational rehabilitation. Indeed, there is considerable evidence that the longer a person is off work, the more difficult work rehabilitation becomes.

6.5. The Committee is aware that work rehabilitation efforts often become more challenging when engaging with some sickness benefit claimants who are close to being transferred to incapacity benefit. While the Committee acknowledges that some people may not ever be in a position to return to work due to their illness or injury, for many others work rehabilitation is a reasonable and achievable goal. However, as 26 weeks is a relatively short period of time, in many cases the change in language and terminology when transitioning to incapacity benefit has been found to inhibit efforts to assist individuals back into work.

6.6. The Committee intends to further examine the implications of this potential policy change to ensure that its objectives would be achieved without producing inequitable or unintended consequences. This policy work will include consultation with key stakeholders, including the Guernsey Disability Alliance and the Committee's Medical Advisor.

¹⁹ [The Social Insurance \(Guernsey\) Law, 1978.](#)

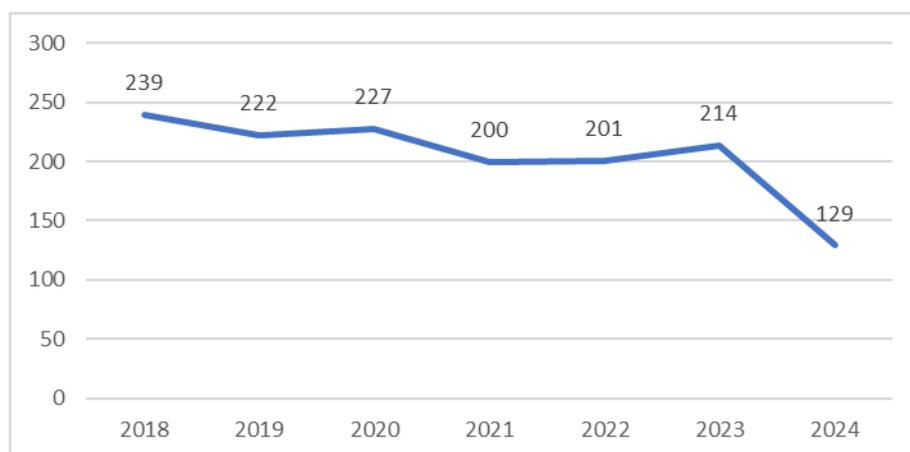
7. Supporting Occupational Health and Wellbeing Programme update

- 7.1. The SOHWELL programme is a key area of cross Committee work. The programme aims to make it possible for people to stay in work, or return to work, and in doing so create opportunities to maximise workforce participation.
- 7.2. The programme has a clear focus on occupational health due to the important relationship between work and health. Key objectives for the programme include:
- introduce preventative and proactive support for people in work to reduce sickness absence,
 - introduce measures to reduce the duration and number of sickness benefit claims becoming long-term,
 - develop an Occupational Health Strategy for Guernsey and Alderney,
 - update Social Security legislation to improve access to return-to-work support.
- 7.3. Working collaboratively, the Committee has benefited from the support of colleagues across Health & Social Care, Policy & Resources and Economic Development; as well as continued support from primary care and other allied health professionals. Primary care has been actively engaged in the programme and have been instrumental in helping revise independent methods of assessing capacity for work, awareness sessions and improved communication.
- 7.4. During December 2023 and January 2024, a public survey was undertaken with Alderney and Guernsey employers to better understand the current provision of occupational health services and future needs for Guernsey and Alderney. 76 employers completed the survey across 16 sectors.
- 7.5. The findings, along with input from the third sector, health professionals and other key stakeholders will be used to develop an Occupational Health Strategy for Guernsey and Alderney. This work will reinforce the commitment to work rehabilitation and wellbeing from a strategic perspective and will help support an active and healthy workforce.
- 7.6. At an operational level, a case management team has been established within Social Security. Officers actively contact our customers if their claim for sickness benefit has lasted, or is expected to last, beyond four weeks. Where appropriate, officers will liaise with the treating practitioner and employers to agree return to work plans and signpost to other suitable support. In identifying a pathway back into work, case managers provide flexible support and can access initiatives which enable gradual return to work, re-training, voluntary work, work experience, paid work placements, recruitment grants

(for employers) and back to work bonuses. This is another area that is being reviewed as part of the programme to see how this support can be further improved.

- 7.7. Although the total number of incapacity benefit claims in payment has remained fairly constant, the number of new incapacity benefit claims approved during the first 30 weeks of 2024 is 85 lower than were approved over the same period in 2023, as shown in Chart 1 below. This equates to a 40% reduction in new incapacity benefit claims. Considering that the weekly rate of incapacity benefit varies from £129.99 to £236.32 (2024 rates), this represents a cost avoidance (by way of benefit expenditure) of £11,000 to £20,000 per week.

Chart 1 – Total number of new incapacity benefit claims during the first 30 weeks (aggregate) of each year from 2018 to present



8. Supported Living and Ageing Well Strategy update

- 8.1. The States' Supported Living and Ageing Well Strategy ('SLAWS') agreed by the Assembly in 2016²⁰, includes a range of actions to assist adults in Guernsey and Alderney with their long-term care needs. The Policy & Resources Committee, the Committee *for* Health & Social Care and the Committee *for* Employment & Social Security are jointly responsible for taking forward SLAWS due to the breadth of workstreams within it.
- 8.2. The Long-term Care Insurance Scheme ('the Scheme') is a mandatory, contributions-based public insurance scheme. It was introduced in 2003, to assist islanders in paying for residential or nursing care in private care homes. The Committee is responsible for managing the Scheme and its funding mechanism, the Long-term Care Insurance Fund.

²⁰ The Supported Living and Ageing Well Strategy ([Billet D'État III of 2016, Volume II](#)).

- 8.3. Given demographic changes in which the number of older islanders who may require care is increasing alongside a limited working-age population, rising costs and the States' fiscal challenges overall, it is recognised that a new model for delivery and funding of community long-term care is needed.
- 8.4. In 2020, as part of taking SLAWS forward, the Assembly agreed in principle to extend the Scheme to include benefit for homecare and introduce a new rate of benefit for complex care. In 2021, the Assembly agreed to increase the rates of contributions from employees, self-employed persons and non-employed persons by 0.4% over a four-year period (i.e. an increase of 0.1% per year for four years) to place the Scheme, in its current scope, on a sustainable financial footing. The fourth and final increase is due to be applied in 2025 (subject to States approval). This does not cover the introduction of homecare benefit or a new complex care rate. However, full reliance on contribution rates to continue to fund long-term care is unsustainable.
- 8.5. Development toward the future model of long-term care has been a Government Work Plan priority since 2022, and a cross-Committee project to advance the work was established later that year by the three responsible Committees. A report outlining the workstream's key findings will be published soon.
- 8.6. Following changes in the membership of the Policy & Resources Committee in late 2023, a new direction was agreed by a majority, proposing that the recommendations for a new long-term care model should be considered holistically alongside the tax review expected early in the next political term. The Policy & Resources Committee is under direction to return to the Assembly in 2026 with tax proposals to address the State's financial challenges.
- 8.7. It is important that the Scheme's benefit rates accurately reflect the rising costs of care provision given the importance of maintaining the robustness of the islands' private care sector. The three Committees have agreed that the Committee will present short-term proposals to achieve this goal before the end of this political term.
- 8.8. The Committee is considering a range of proposals including a wider review of the rates payable to care homes and the approach to future uprating of the benefit rates to align with the 'true costs' of delivering long-term care, as well as options for improving the sustainability of the Fund. The Committee plans to present these proposals in a separate Policy Letter for consideration by the Assembly before the end of the year.

9. Expenditure financed by the Long-term Care Insurance Fund

- 9.1. Pending States consideration of the Policy Letter referred to in paragraph 8.8, the Committee is proposing that the rates of long-term care benefit, respite benefit and the co-payment²¹ be increased by 4.5%, this being the rate of RPIX as at the end of June 2024, with effect from 6th January 2025. The proposed rates are set out in Tables 9, 10 and 11 below. These are intended to be interim, short-term, rates, pending finalisation and States consideration of the Committee's full package of proposals later this year.

Table 9 – Current and proposed weekly rate of the co-payment (personal contribution)

	2024 (current)	2025 (proposed)
Co-payment	£327.32	£342.02

Table 10 – Current and proposed weekly rates of long-term care benefit

	2024 (current)	2025 (proposed)
Residential care benefit	£609.07	£636.51
Residential – dementia (elderly mentally infirm)	£796.11	£831.95
Nursing care benefit	£1,098.93	£1,148.35

Table 11 – Weekly rates of respite care benefit

	2024 (current)	2025 (proposed)
Residential care respite benefit	£936.39	£978.53
Residential- dementia respite benefit	£1,123.43	£1,173.97
Nursing care respite benefit	£1,426.25	£1,490.37

- 9.2. Table 12 overleaf summarises the impact of the proposed benefit rates on projected expenditure from the Long-term Care Insurance Fund for 2025, along with the 2024 revised forecast at the time of writing, compared with the actual expenditure figures for 2021 to 2023.

²¹ Under the Long-term Care Insurance Scheme, it is a condition of entitlement to benefit that the person in care should make a contribution toward their cost of accommodation and living expenses while in care, known as the co-payment. The co-payment is the maximum weekly amount that is paid by income support for claimants living in a care home, apart from a small personal allowance.

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

	2021 Actual £m	2022 Actual £m	2023 Actual £m	2024 Forecast £m	2025 Budget £m
Residential care	11.9	11.1	12.5	13.6	14.2
Nursing care	10.9	11.0	11.1	11.4	11.9
	22.8	22.1	23.6	25.0	26.1
Administration	0.4	0.3	0.3	0.3	0.4
	23.2	22.4	23.9	25.3	26.5

PART IV: FINANCIAL POSITION

10. Financial position of the Guernsey Insurance Fund

- 10.1. The recent financial performance of the Guernsey Insurance Fund is shown in Table 13 overleaf. It is estimated that the operating deficit, before investment returns, will be £25.6m in 2025 (2024 forecast: £26.1m deficit). The Fund has now been in deficit, before investment returns are taken into account, since 2009.
- 10.2. The operating deficit arises when expenditure on benefits and administration exceeds contribution income. This shortfall is met by drawing down the Fund's reserves and, although the drawdown has been planned, it results in the number of years' expenditure cover remaining in the Fund reducing. It also reduces the extent to which investment income can contribute to the financing of the scheme.
- 10.3. Transfers to the General Revenue reserve relate to expenditure on an intangible asset for information technology in development. In line with the States accounting policies, costs of acquiring or developing intangible assets are fully expensed in the year in which they are incurred, and reserve balances for the Guernsey Insurance Fund have been restated to reflect this.

Table 13 – Financial performance of the Guernsey Insurance Fund²²

	2021 Actual £m	2022 Actual £m	2023 Actual £m	2024 Forecast £m	2025 Budget £m
Income	138.0	144.6	159.2	172.6	182.2
Expenditure	(167.1)	(168.9)	(182.4)	(198.7)	(207.8)
Operating deficit	(29.1)	(24.3)	(23.2)	(26.1)	(25.6)
Investment returns	75.8	2.0	45.0	40.7	41.7
Net surplus/(deficit) for the year	46.7	(22.3)	21.8	14.6	16.1
Appropriations to General Revenue reserve	(1.7)	(1.6)	(1.8)	(0.9)	(0.1)
Net assets at 1st January	695.7	740.7	716.8	736.8	750.5
Net assets at 31st December	740.7	716.8	736.8	750.5	766.5
Expenditure cover in years	4.4	4.2	4.0	3.8	3.7

11. Financial position of the Long-term Care Insurance Fund

- 11.1. The financial performance of the Long-term Care Insurance Fund is shown in Table 14 below. The 2025 budget estimates that the operating surplus will be £17.2m (2024 forecast: £15.4m surplus).

Table 14 – Financial performance of the Long-term Care Insurance Fund

	2021 Actual £m	2022 Actual £m	2023 Actual £m	2024 Forecast £m	2025 Budget £m
Income	29.2	32.6	37.1	40.7	43.7
Expenditure	(23.1)	(22.4)	(23.9)	(25.3)	(26.5)
Operating surplus	6.1	10.2	13.2	15.4	17.2
Investment returns	11.3	0.6	8.6	8.7	10.3
Net surplus/(deficit) for the year	17.4	10.8	21.8	24.1	27.5
Net assets at 1st January	101.0	118.4	129.2	151.0	175.1
Net assets at 31st December	118.4	129.2	151.0	175.1	202.6
Expenditure cover in years	5.1	5.8	6.3	6.9	7.6

²² The figures for 2021 and 2022 have been restated following the adoption of IPSAS accounting standards.

12. Investment performance

- 12.1 On 15th July 2021, the Machinery of Government (Transfer of Functions) Ordinance, 2021, came into force, transferring the responsibility for the management of investments attributable to the Guernsey Insurance Fund and the Long-term Care Insurance Fund from the Committee to the Policy & Resources Committee. The investment management is overseen by the States' Investment Board Sub-Committee of the Policy & Resources Committee. Implementation and day to day management and administration continues to be undertaken by the Treasury Management Team.
- 12.2 An ambitious return target of UK CPI +5% on a 10+ year forward view, has been set by the States Investment Board in conjunction with advice from its investment consultant. For shorter terms the portfolio is measured against several more appropriate benchmarks, which attempt to measure both the success of the strategic asset allocation and the performance of the investment managers selected. The short- to medium-term benchmark most relevant and referenced most frequently is the Policy Benchmark, which is a composite of global equity, bond and alternative indexes. This benchmark measures whether the investment managers are in aggregate achieving returns in excess of the overall markets, which represent the opportunity set for investment.
- 12.3 Performance for the calendar year 2023 was +6.7% versus the policy benchmark at +7.6%. Performance for the period January to June 2024 was +4.3% versus the policy benchmark at +5.9%. With the restructure of the portfolio, commenced second half of 2023 and due for completion in the third quarter of 2024, returns should begin to more closely align with, and subsequently exceed, the policy benchmark as the portfolio asset allocation and strategy is fully implemented.
- 12.4 Performance for the trailing 10-year period to June 2024 was +5.2% p.a. compared with a long run real target of +8.1%. It should be noted that the UK CPI +5% long-term benchmark was only introduced at the beginning of 2023 and the previous target of the former Common Investment Fund was GBP LIBOR +3.5%, which on a trailing 10-year period to June 2024 basis was 4.7%.

PART V: RULES OF PROCEDURE

13. Compliance with Rule 4 of the Rules of Procedure

- 13.1 Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, propositions laid before the States.
- 13.2 In accordance with Rule 4(1)(a), it is confirmed that Proposition 1, in respect of increasing contribution rates to the Guernsey Insurance Fund and the Long-term Care Insurance Fund, aligns with the priority set out in the Government Work Plan²³ to ‘sustain government finances’ under the ‘reshaping government’ workstream.
- 13.3 In accordance with Rule 4(1)(b), it is confirmed that the Committee has engaged with the Policy & Resources Committee throughout the preparation of this Policy Letter. The Policy & Resources Committee has advised that it is supportive of the Committee’s proposals to increase contribution rates, as set out in Part II this Policy Letter, and to increase the rates of contributory benefits funded from the Guernsey Insurance Fund by 4.9%, as set out in Part III of this Policy Letter.
- 13.4 In accordance with Rule 4(1)(c), the Propositions have been submitted to His Majesty’s Procureur for advice on any legal or constitutional implications.
- 13.5 In accordance with Rule 4(1)(d), estimates of the financial implications to the States of carrying the proposals into effect are set out in Tables 8 and 12 of this Policy Letter.
- 13.6 In this Policy Letter, the Committee has set out its proposals for benefit rates and contribution rates and limits for 2025. In accordance with Rule 4(2)(a), it is confirmed that the propositions accord with the Committee’s purpose:

“To foster a compassionate, cohesive and aspirational society in which responsibility is encouraged and individuals and families are supported through schemes of social protection relating to pensions, other contributory and non-contributory benefits, social housing, employment, re-employment and labour market legislation.”

²³ The Government Work Plan 2021-2025 ([Billet D’État XV of 2021, Article I](#)).

13.7 In accordance with Rule 4(2)(b), it is confirmed that the propositions have the unanimous support of the Committee.

Yours faithfully

P J Roffey
President

H L de Sausmarez
Vice-President

T L Bury
S J Falla
L C Queripel

M R Thompson
Non-States Member

R J Le Brun
Non-States Member

Appendix 1

Current and anticipated future contribution rates for 2024 to 2031

	2024	2025	2026	2027	2028	2029	2030	2031
Class 1	14.1%	14.4%	14.6%	14.8%	15.0%	15.2%	15.4%	15.6%
Employer	6.9%	7.0%	7.1%	7.2%	7.3%	7.4%	7.5%	7.6%
Employee	7.2%	7.4%	7.5%	7.6%	7.7%	7.8%	7.9%	8.0%
Class 2								
Self-employed	11.9%	12.2%	12.4%	12.6%	12.8%	13.0%	13.2%	13.4%
Class 3: Non-employed								
Under pension age	11.3%	11.6%	11.8%	12.0%	12.2%	12.4%	12.6%	12.8%
Over pension age	3.7%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE FOR EMPLOYMENT & SOCIAL SECURITY

CONTRIBUTORY BENEFIT AND CONTRIBUTION RATES FOR 2025

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

9th September 2024

Dear Deputy Trott

Preferred date for consideration by the States of Deliberation

In accordance with Rule 4(3) of the Rules of Procedure of the States of Deliberation and their Committees, the Committee *for* Employment & Social Security requests that the Policy Letter entitled 'Contributory Benefit and Contribution Rates for 2025' be scheduled for consideration at the States' meeting that is due to commence on 23rd October 2024.

It is imperative that the above-named Policy Letter is considered by the States before the end of October. This is to allow sufficient time for essential processes to be carried out by the Revenue Service before the end of the year, in order that the new rates and limits can be implemented from 1st January 2025, which is the only time of year that contribution rates and limits can be adjusted.

Yours sincerely



Peter Roffey
President

Lindsay De Sausmarez
Vice President

Tina Bury, Steve Falla, Lester Queripel

Ross Le Brun, Mark Thompson
Non-States Members