



**XIV
2022**

BILLET D'ÉTAT

WEDNESDAY, 7th SEPTEMBER, 2022

BUSINESS OF THE MEETING

1. Committee *for* Employment & Social Security - Emergency Uprating of Income Support Rates, P.2022/77

BILLET D'ÉTAT

TO
THE MEMBERS OF THE STATES
OF THE ISLAND OF GUERNSEY

I hereby give notice pursuant to the provisions of Rule 2(4) of the Rules of Procedure of the States of Deliberation and their Committees that at the Meeting of the States of Deliberation to be held at **THE ROYAL COURT HOUSE**, on **WEDNESDAY**, the **7th September, 2022** the item listed in this Billet d'État is submitted for debate.

R. J. McMAHON
Bailiff and Presiding Officer

The Royal Court House
Guernsey

31st August, 2022

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE FOR EMPLOYMENT & SOCIAL SECURITY

EMERGENCY UPDATING OF INCOME SUPPORT RATES

The States are asked to decide:

Whether, after consideration of the Policy Letter entitled 'Emergency updating of income support rates', dated 31st August 2022, they are of the opinion:

1. To set the income support requirement rates at the rates set out in Table 1 of the Policy Letter, from 7th October 2022.
2. To set the limit of weekly income for a person living in the community at £980 per week, from 7th October 2022.
3. To set the maximum rent allowances at the amounts set out in Table 2 of the Policy Letter, from 7th October 2022.
4. To set the supplementary fuel allowance paid to income support householders at £37.06 per week, from 28th October 2022 to 28th April 2023.
5. To direct the preparation of such legislation as may be necessary to give effect to the above decisions.

The above Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1)(c) 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

EMERGENCY UPDATING OF INCOME SUPPORT RATES

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

31st August 2022

Dear Sir

1. Executive summary

- 1.1. Under its mandate, the Committee *for* Employment & Social Security (the Committee) is responsible, amongst other things, for advising the States and developing and implementing policies in relation to financial and social hardship. Income support is the mechanism designed to support people at risk of financial hardship. Income support rates are set annually in January based on the rate of inflation as measured by changes in RPIX at the end of the previous June. RPIX, which measures the change in price of a standardised ‘basket’ of items (excluding the mortgage interest payment item), increased by 7.0% in Guernsey between June 2021 and June 2022¹.
- 1.2. This change in inflation reflects that the cost of living is increasing faster than usual, which is putting additional financial pressure on the lowest income households in the community, who may struggle to meet their needs if benefit rates do not maintain pace with inflation. Given the higher than usual RPIX figure reported in June 2022, and the fact that the last increase in income support rates, applied in January 2022, was based on RPIX at the end of June 2021 (which was 2.3%), the Committee is proposing that an uplift in the income support rates is applied as soon as possible. This will close some of the gap between the current income support rates payable and the current cost of food, fuel, rent, and other essential goods and services.
- 1.3. The proposals set out in this Policy Letter are for an interim uprating of income support rates, including requirement rates, the limit of weekly income

¹ Guernsey Quarterly Inflation Bulletin - June 2022: <https://gov.gg/CHttpHandler.ashx?id=156297&p=0>

(known informally as the ‘benefit limitation’), and maximum rent allowances, to take effect from 7th October 2022. In addition, this Policy Letter sets out proposals for winter fuel allowance to take effect from 28th October 2022.

- 1.4. It should be noted that the proposals in this Policy Letter seek only to address the immediate cost of living crisis affecting families on the lowest incomes in Guernsey. These proposals represent an in-year cost which can be managed within the existing budget. They do not replace the ordinary uprating of all non-contributory benefits, to take effect from January 2023, for which proposals will be brought to the States as usual for debate in November 2022, alongside the Budget for 2023. For the avoidance of doubt, the increase in income support rates that the Committee will propose to take effect from January 2023, will take into account the uplift to be applied in October 2022, if the proposals set out in this Policy Letter are agreed by the States.
- 1.5. The Committee is grateful to the Presiding Officer for authorising the publication of an additional Billet d’État, under Rule 2(4) of the Rules of Procedure, to enable this Policy Letter to be considered by the States at the meeting scheduled to commence on 7th September 2022.

2. Inflation pressure in Guernsey

- 2.1. RPIX in Guernsey is currently increasing faster than usual. Between 1st July 2021 and 30th June 2022, RPIX increased by 7.0%. This increase in prices is being driven by a number of factors:
 - The conflict in Ukraine and sanctions on Russia which have significantly increased the price of fuels, staple food products and some materials used widely in manufacturing;
 - The ongoing disruption to international shipping, which itself arose out of a combination of the disruptions to production in various countries as a result of successive lockdowns; and a significant increase in global demand for goods, when access to services and foreign holidays was restricted. This has resulted in substantial backlogs at the world’s largest trade ports and a shortage of shipping containers which has significantly increased the cost of shipping and restricted supplies;
 - Brexit, and the application of new non-tariff barriers for the movement of goods between the UK and the EU, which has put further pressure on shipping costs;
 - A post-pandemic boom in the housing market; and
 - Wage inflation (particularly locally) because of recruitment issues, which has a tendency to increase prices.

- 2.2. However, price inflation remains significantly lower in Guernsey (and Jersey) than the most comparable measures in the UK². In the past, Guernsey has sometimes followed the UK's patterns of inflation at a slight lag, but in this instance, inflation in Guernsey is unlikely to reach the same levels as the UK because some of the drivers of the current spike in inflation have less impact in Guernsey. Primarily this is because we import renewable energy from Europe via subsea cables, meaning that Guernsey is less exposed to price fluctuations in electricity than the UK (which is heavily dependent on gas for its electricity generation). It is also because the functioning of the UK energy price cap has resulted in very large step changes in energy prices (and gas prices in particular) which have not occurred in Guernsey.
- 2.3. Nonetheless, the annual change in RPIX is expected to increase further in the third and fourth quarters of 2022. According to the latest inflation forecast for Q3 2022³, RPIX looks likely to peak between 8% and 9% late in the year. The rate of increase in RPIX is forecast to begin falling again in 2023, although it is likely to be late in the year before it returns to what might be termed 'normal' levels.
- 2.4. The Committee is conscious that this rapid increase in inflation, which is projected to continue and have effects into next year, will already be having a disproportionate impact on the Island's lowest income households. As a result, the Committee is of the view that something needs to be done urgently to address this.

3. Proposals for interim uplift in income support rates

- 3.1. Income support is an in-work benefit, supporting those whose wages or earning potential, for whatever reason, is insufficient to meet their own or their family's needs. Income support also provides financial support for pensioners and people with caring responsibilities, or who have a health condition or impairment that significantly affects their work capacity.
- 3.2. As at 20th August 2022, there were 3,064 income support claims. In addition, there were 1,692 dependants, including partners and children, supported by those claims, giving a total income support population of 4,756 people.
- 3.3. As noted in the Committee's 2021 Policy Letter entitled 'Non-contributory benefit rates for 2022', research was undertaken throughout 2021 to determine a new Minimum Income Standard benchmark for Guernsey. The outcome of this work and proposals for new requirement rates based on it,

² The UK's headline rate and the Bank of England forecasts are based on CPI but RPI and RPIX measures are produced and more comparable to Guernsey's indices.

³ Forecast inflation Q3 2022 - <https://www.gov.gg/CHttpHandler.ashx?id=156982&p=0>

will be presented to the States for debate in November 2022, alongside the Budget for 2023, for implementation in January 2023.

- 3.4. In the interim, the Committee is proposing that an uplift of 5% be applied to the income support requirement rates, the limit of weekly income for people living in the community and the maximum rent allowances, to take effect from 7th October 2022.

Income support requirement rates

- 3.5. Table 1 below details the proposed short-term and long-term income support requirement rates to take effect from 7th October 2022. The current rates are shown in brackets for comparison purposes.

Table 1 – Proposed requirement rates (current rates in brackets)

	Short-term rates – up to 6 months	Long-term rates – over 6 months
Householders:		
Single householder	£119.57 (£113.88)	£207.04 (£197.18)
Cohabiting/married couple	£208.91 (£198.96)	£342.79 (£326.47)
Non-householder:		
18 or over	£91.19 (£86.85)	£155.67 (£148.26)
Rent allowance	£84.50 (£80.50)	£84.50 (£80.50)
Member of a household:		
Aged 11 and over	£85.17 (£81.11)	£121.38 (£115.60)
Aged 5–10	£64.05 (£61.00)	£91.20 (£86.86)
Aged under 5	£42.95 (£40.90)	£61.04 (£58.13)

Limit of weekly income

- 3.6. In the majority of cases, a person’s net earnings and any benefits received, including income support, equal their total personal and family requirements, including their rent. However, in some cases, a person’s income (i.e. the combination of earnings and benefits) is capped by the limit of weekly income (known informally as the ‘benefit limitation’). The current limit of weekly income for people living in the community is £930 per week.

- 3.7. The limit of weekly income does not affect those households with a total requirement below this level. A relatively small number of households have a total requirement of £930 per week or more and the vast majority of these households have income from other sources (e.g. earnings or other benefits), meaning that the amount of income support received is less, or far less in some cases, than the limit. There is sometimes a misconception that many claimants receive £930 per week in benefit. This is certainly not the case – in fact, less than 0.1% of claimants receive £930 per week in income support.
- 3.8. Ignoring the effect of adjustments, such as for family allowance and the earnings disregard, a household with an income of £930 per week will not receive any financial assistance through income support, irrespective of how much their income falls short of their identified needs.
- 3.9. Policy proposals in respect of the limit of weekly income will be included in the Committee’s Policy Letter on the annual uprating of non-contributory benefit rates, due to be considered by the States in November 2022. In the meantime, the Committee proposes that the limit of weekly income is uplifted by 5%, in line with the increase proposed for the requirement rates. This equates to a proposed limit of £980 per week, when rounded to the nearest £10. This is a necessary adjustment, otherwise families whose calculated level of need is near to, or already in excess of, the current limit of weekly income, will not benefit from the increase in the requirement rates, as their income from all sources will continue to be capped at £930 per week.

Maximum rent allowances

- 3.10. The increase in a person’s requirement rate to allow for rental payments is known as a rent allowance. Maximum rent allowances (MRAs) are in place to ensure that the allowance paid by income support towards rent is reasonable in the context of the size of property that a family can be expected to occupy. In other words, income support will not cover unlimited rental expenses. For clarification purposes, the MRAs only apply when a person’s rent is equal to, or more than, the level of the relevant MRA.
- 3.11. Historically, the MRAs have corresponded with the highest rent charged for a social housing unit of the appropriate size. However, not all income support recipients live in social housing, and it has been well documented that there has been a rapid increase in private rents charged over the past year. As a result, the Committee deems it necessary to assist those living in private rental accommodation by increasing the MRAs as soon as possible.
- 3.12. The Committee proposes that the current MRAs be increased by 5%, with effect from 7th October 2022, as shown in Table 2 overleaf.

Table 2 – Current and proposed Maximum Rent Allowances

Tenancy group	Description	Current	Proposed
Group 1	Single with no children	£239.38	£251.35
Group 2	Couple with no children	£239.38	£251.35
Group 3	Single or couple with 1 child	£278.07	£291.97
Group 4	Single or couple with 2 children	£354.01	£371.71
Group 5	Single or couple with 3+ children	£432.75	£454.39
Group 6	Living in shared accommodation	£185.33	£194.60

4. Winter fuel allowance

- 4.1. A winter fuel allowance is paid from General Revenue to householders in receipt of income support for 26 weeks from the last week in October until the last week in April of the following year. The winter fuel allowance for the period 29th October 2021 to 29th April 2022 was £30.13 per week, having been increased by 4.3% compared to the winter before. This reflected the inflation adjusted cost of fuel and light in the year to June 2021.
- 4.2. Over the year ending June 2022, the price of coal and other solid fuels increased by 2.3%, electricity remained stable, gas increased by 15.5% and oil by 88.6%. After weighting to reflect how much households across the Island spend on each of these fuel types, the overall increase in the ‘fuel and light’ group index was 23%⁴. This is a significant increase compared with previous years, and is largely a result of the sanctions imposed on Russia because of the conflict in Ukraine, which has significantly increased the price of fuels. Additionally, this is coupled with the fact that oil prices were lower in 2020 than they had been previously, and have been steadily returning to more ‘normal’ prices.
- 4.3. Reflecting the annual change in the cost of fuel and light in the year to June 2022, the Committee is proposing that the winter fuel allowance be increased by 23%, taking it to £37.06 per week, for the period from 28th October 2022 to 28th April 2023.
- 4.4. It should be noted that the 9% increase in the price of electricity applied by Guernsey Electricity from 1st July 2022 is not reflected in the 23% increase proposed in line with the inflation for fuel and light to the year ending June 2022. However, this will be included in the calculation that will apply to the fuel allowance for the 2023-24 winter period, which will be based on the increase in the fuel and light group index, as at the end of June 2023.

⁴ Guernsey Quarterly Inflation Bulletin June 2022: <https://www.gov.gg/CHttpHandler.ashx?id=156297&p=0>

- 4.5. Unlike the other proposals set out in this Policy Letter, this is not an interim or early adjustment to the rate of winter fuel allowance. The allowance applies from the last Friday in October each year. Usually this falls prior to the States meeting at which the Committee’s annual Policy Letter on non-contributory benefits, which contains proposals relating to the winter fuel allowance, is considered. As a result, the States resolved in 2013⁵:

“20. 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.”

- 4.6. However, since this Policy Letter will be considered in advance of the winter fuel allowance payments commencing for the 2022-23 winter period, the Committee is of the view that it is more appropriate, from a governance perspective, to include in this Policy Letter the proposals for the rate of the winter fuel allowance for the coming winter. Further proposals relating to the future of the allowance will be presented to the States in the Committee’s annual Policy Letter on non-contributory benefit rates, due to be considered by the States in November 2022.

5. Budget implications

- 5.1. The forecast, as at the end of Q2 2022, showed that overall expenditure on income support for 2022 is estimated to be £45.7m, approximately £1.65m below budget for the year. This includes the proposal to apply an increase of 23% to the winter fuel allowance with effect from 28th October 2022.
- 5.2. It is anticipated that the proposals set out in this Policy Letter, in relation to uplifting income support rates by 5%, with effect from 7th October 2022, will increase 2022 expenditure by approximately £0.53m for the remaining three months of 2022. The resulting forecast position for 2022 is estimated to be £46.2m, which is £1.1m under budget for 2022.
- 5.3. The interim uprating is an in year cost which can be managed through the underspend in the 2022 budget. This is primarily the result of a reduction in income support claim numbers caused by the Island recovering from the impact of Covid faster than anticipated. There will be no material impact of these proposals on the 2023 budget position, as it is purely an early adjustment towards the proposals that the Committee intends to present to the States later in 2022, for debate alongside the States’ Budget for 2023.

⁵ Benefit and Contribution Rates for 2014 and Modernisation of the Supplementary Benefit Scheme ([Billet d’État XX of 2013, Volume II, Article XI](#))

6. Income Support (Implementation) (Amendment) Ordinance, 2022

- 6.1. In order to implement the proposals set out in this Policy Letter, it will be necessary for an amendment to be made to the Income Support (Implementation) Ordinance, 1971. Ordinarily, the drafting of any legislation required in order to implement resolutions of the States takes place after those resolutions have been made by the States.
- 6.2. However, given the emergency nature of this Policy Letter, and the timeframe that the Committee is proposing for the implementation of the propositions, it is important that the necessary legislation can be approved as swiftly as possible. On this basis, permission has been sought, and received from, the Policy & Resources Committee for it to exercise its powers under the Reform (Guernsey) Law, 1948, to make the Income Support (Implementation) (Amendment) Ordinance, 2022, in order that it can enter into force on 7th October 2022. This is subject to the States approval of the Committee's proposals, and the Legislation Review Panel's prior approval of the Ordinance, in line with Article 66 of the Reform (Guernsey) Law, 1948.
- 6.3. This approach is deemed necessary in order that sufficient time is available between the approval of the new income support rates and their proposed implementation on 7th October 2022. Approximately three weeks is needed to enable the necessary operational processes to take place in relation to the inputting and testing of the rates in the benefits computer system.

7. Compliance with Rule 4 of the Rules of Procedure

- 7.1. 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.
- 7.2. Rule 4(1)(a) requests that a statement is provided explaining whether the Proposition contributes to the States' objectives and policy plans. In accordance with that Rule, one of the top ten priorities agreed by the States following debate of the June 2022 update to the Government Work Plan⁶ was to improve living standards. The Committee's forthcoming Policy Letter on non-contributory requirement rates will set out proposals in line with the direction of the States in this priority area, and this Policy Letter sets out proposals that seek to take a first step towards this, by addressing the impact of the current cost of living crisis on the Island's lowest income households.
- 7.3. In accordance with Rule 4(1)(b), it is confirmed that the Policy & Resources Committee has been kept informed of the Committee's intentions throughout the drafting of this Policy Letter, and has indicated its general support for an

⁶ The Government Work Plan 2022 ([Billet d'État X of 2022, Volume 1, Article I](#))

interim increase in income support rates. This is on the understanding that the increase is accommodated within the projected 2022 underspend on the income support budget estimate. Permission has also been received from the Policy & Resources Committee for it to exercise its powers under the Reform (Guernsey) Law, 1948, to make the Income Support (Implementation) (Amendment) Ordinance, 2022, to bring the proposals contained in this Policy Letter into effect as expediently as possible.

- 7.4. In accordance with Rule 4(1)(c), the Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.
- 7.5. In accordance with Rule 4(1)(d), estimates of the financial implications of carrying the proposals into effect are set out section 5 of this Policy Letter.
- 7.6. In this Policy Letter, the Committee has set out proposals for an urgent uplift in the income support requirement rates, limit of weekly income and maximum rent allowances, to apply from 7th October 2022, as well as winter fuel allowance to apply from 28th October 2022. In line with Rule 4(2)(a), it is confirmed that the propositions align 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.'

- 7.7. 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
J A B Gollop

M R Thompson
Non-States Member

R J Le Brun
Non-States Member