OFFICIAL REPORT

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STATES OF GUERNSEY

SCRUTINY MANAGEMENT COMMITTEE

Employment & Social Security Public Hearing

HANSARD

The Reading Room, Les Cotils, Wednesday, 18th January 2017

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Members Present:

Panel Chair: Deputy Chris Green
Deputy Peter Roffey
Deputy Laurie Queripel

Mr Mark Huntington – Principal Scrutiny Officer
Mr Alistair Doherty – Adviser

Business transacted

Scrutiny Management Committee

Employment & Social Security
Public Hearing

The Committee met at 10.00 a.m.
in The Reading Room, Les Cotils

[DEPUTY GREEN *in the Chair*]

Procedural –
Remit of the Committee

The Chairman (Deputy Green): I would like to welcome everybody here today: elected representatives, senior public servants and members of the public.

Our session today focuses on the Employment & Social Security Committee. This hearing is part of a sequence of question and answer sessions where the Committees of the States of Guernsey will be questioned by the Scrutiny Management Committee on progress that has been made to date, in terms of policy and also in terms of their management of finances.

This hearing, in particular, will focus on the Social Welfare Benefits Investigation Committee's proposals, and other key issues, such as the re-establishment of the reciprocal health agreement, and progress with the Medical Specialist Group (MSG) contract negotiations, Transformation process and fiscal and economic policy.

I should also make it clear that this is a parliamentary committee proceeding and members of the public are not permitted to speak or ask questions during the hearing.

EVIDENCE OF
Deputy Michelle Le Clerc, President;
Deputy Shane Langlois, Vice-President;
Mr Malcolm Nutley, Chief Secretary;
Mr Ed Ashton, Head of Operations,
Committee for Employment & Social Security

The Chairman: First of all, I now turn to our witnesses. Could we introduce ourselves, starting with Mr Nutley?

***Mr Nutley*:** I am Malcolm Nutley, I am the Chief Secretary of the Committee for Employment & Social Security.

The Chairman: Thank you.

***Deputy Le Clerc*:** I am Deputy Michelle Le Clerc, President of Employment & Social Security.

***Deputy Langlois*:** I am Deputy Shane Langlois. I am Vice-President of the Committee for Employment & Social Security.

***Mr Ashton*:** Ed Ashton, Head of Operations, Employment & Social Security.

The Chairman: Thank you very much.

Without any further ado, can we start with some questions on SWBIC, or the Social Welfare Benefits Investigation Committee if you do not like acronyms?

Perhaps if I start with Deputy Le Clerc on this? If you feel that somebody else may be able to offer an alternative answer or more information, feel free to delegate.

In March of 2016, the States decided to introduce, subject to funding being available, the recommendations of the Social Welfare Benefits Investigation Committee from 2017, or as soon as possible thereafter. I think we can all agree that it is now January 2017, when exactly do you anticipate real progress on implementation of those States' Resolutions, Deputy Le Clerc?

***Deputy Le Clerc*:** I think it is already in the public domain that we have all had some pushback from Policy & Resources, and I think in their Budget uprating, they were indicating it would probably be 2019 or beyond when we are out of a deficit position, that funding would be available for SWBIC.

Again, I have made it very clear in the States' Assembly that that is not acceptable to Employment & Social Security and we would want to implement this, at the very latest, 2018, and I say 2018 because we know that we have got some internal work that we need to do and that is bringing together the housing part of our mandate and bringing the staff down to Wheadon House. So, I think it would have been wrong for us to have pushed that for 2017, but we are hopeful that we will bring all of that together in 2017, so we would want to start in 2018.

The Chairman: I presume that you are in regular dialogue with Policy & Resources on their funding issue?

***Deputy Le Clerc*:** Well, we have had a few meetings with Policy & Resources. We will be having further meetings regarding all parts of our mandate over the next year.

But we are also hoping that this will be part of our prioritisation in the Policy & Resource Plan, so we are hoping that, when the Policy & Resource Plan comes back to the States' Assembly in June this year, we will also have the support of the Assembly and, therefore, that will push forward the funding, really, for us to implement.

The Chairman: So, you are still hopeful of implementation at the start of 2018, subject to that P&R Plan process being successful, from your point of view?

***Deputy Le Clerc*:** Yes, we are. I think that is fair to say, Shane, isn't it?

***Deputy Langlois*:** Yes. It is all down to the funding. As you probably know, there is a three-year transition for implementation of SWBIC and initially, in the first year, it needs about £3.4 million of funding and that drops down to about £2.9 million. It is where that £3.4 million is going to come from. Is T&R going to provide it, or has this Committee got to try and find it from somewhere?

The Chairman: In your view, how should that be funded? It is £2.9 million, isn't it, but there are also some transitional costs, the £3.4 million you referred to. How should it be funded, in your view?

***Deputy Langlois*:** I think it should come from general revenues. I do not think we should be having to find it from our funds. But, if Policy & Resources say they do not have the money, and we think the implementation of SWBIC is crucial for the modernisation of our non-contributory benefits system, then obviously, we have got a huge incentive to get it up and running.

Deputy Roffey: Can I just explore that a little bit further? Are P&R saying that it is basically not going to be available from general revenue in time for a 2018 start? If that is the case, are you looking to persuade the States to overrule that or are you into looking at alternative sources of funding?

***Deputy Langlois*:** We have not developed our tactics – yet.

Deputy Roffey: Just thinking aloud?

***Deputy Langlois*:** If P&R are telling all Committees they want a budget cut of 3% and 5% and 5%, it is a bit unlikely they are going to turn around and say, 'Oh, by the way, we have got an extra £3.4 million we can give you.'

The pressure is going to be on us to find the funding somewhere.

Deputy Roffey: If the funding simply was not available from anywhere, is there a Plan B? Part of SWBIC was increased fairness between people living in social housing and people who are living in the private sector. Could you do a zero-based method of it, even though there would be more losers than gainers, just to bring in the fairness until the money is available or do you regard that as too harsh on people who are currently in social housing?

***Deputy Langlois*:** I think one of our priorities is the people in social housing. Obviously, for them, that is where the big change is and it is crucially important we both communicate with them and reassure them, because there are going to be winners and losers.

We would not want to start implementing SWBIC piecemeal. There might be one or two little things we could do, but we would really want to see it come in as a whole, rather than just bits and pieces. That is how it works, as a whole.

The Chairman: Does that mean, therefore, you can only implement the SWBIC proposals once the full amount of money is available, not just the £2.9 million, but also the transitional cost for the three-year transition?

***Deputy Langlois*:** That is how we would implement it, sensibly. It will work and people will not be disadvantaged.

***Deputy Le Clerc*:** I think I just need to add that those figures are now out of date, so what we also need to do is we need to re-look at those figures. In our last uprating report in October, we increased the benefit limitation to £650, so that there will be some families that were in financial hardship previously, albeit a small amount, and they would usually be families with a larger family with children.

We would need to re-work all of those figures and that is the issue that we have got. As time moves on, financially, what were the figures and the £3.4 million from two years ago actually may have changed in the future.

We do need to have a look at those figures, but there is not much point in us doing all of that work until we really have got some firm agreement that we will actually have that funding available.

I think, just to pick up on what Shane has said, we could do things piecemeal but we do not really want to go down that route of tweaking this and tweaking that. We would rather deliver the whole package of benefits, because it is a starting point.

When we look at our own internal budget, we are already under pressure on our own internal budget, finding the 3% and the 5% and the 5% and we have already agreed with P&R, as many other committees have, that we can find the 3% savings for this year, but we cannot guarantee that we can find the 5% and 5%.

We look like we have got a substantial budget, but a lot of that comes out of the insurance fund. Well, this is out of general revenue. So, when you look at the general revenue and where you could take that money from, you are looking at some of the universal benefits and some of that is self-defeating benefits. The universal benefits, Family Allowance may be one area that you would look at but, actually, all you are doing is moving the deck chairs because you are taking out and you would need to give back.

The Chairman: If we could stick to the social welfare performance for now? It is fair to say that the SWBIC approach, really, was to try to establish benefit rates which are adequate to avoid intolerable poverty in Guernsey. Is that, actually, the right approach to addressing the issues, that definition that was offered in the Social Welfare Benefits Investigation Report? This notion that benefit rates should be pitched at a level to avoid people in the Island not being in intolerable conditions.

Is that an approach you support, Deputy Le Clerc?

***Deputy Le Clerc*:** Well, I think, if I just consult my note here, I was on the working party and Deputy Gollop is in the audience and he was on the working party, we just have to put this into perspective.

When you look back at reforms that were looking to be introduced in March 2012, the envelope was between £8 million and £20 million. October 2013, when the Social Security Department tried to make increases –

The Chairman: Yes, I think I may have been on that Department.

***Deputy Le Clerc*:** Yes, you were, Deputy Green. The cost envelope was about £4.25 million and, as Deputy Langlois has said, we were expecting the £3.4 million, but that included some of the transitional costs. So, I think when the SWBIC Committee was set up, actually there was a huge amount of pressure and realisation that, if the cost envelope has been pushed back twice by the Assembly – even at £4.25 million it was pushed back – actually, if we had come back with fantastic figures and then we would have had absolutely no chance at all in any of the funding.

I think that is the difficulty that we have faced. We had to try and come up with some realistic costs.

The Chairman: I will bring in Deputy Roffey in just a moment. If I could just press that slightly more? I understand entirely the point you are making about the costs envelope and that is a very pragmatic way of approaching it, if you do not mind me saying, but what was expressed in the SWBIC Report was this moving away from textbook or think tank definitions of absolute or relative poverty.

I am just asking the question, is that an approach to poverty that you and Deputy Langlois agree with?

***Deputy Langlois*:** I was not there, but that has always been a problem, hasn't it? The 2012 proposals were based on minimum income standards. (**The Chairman:** That's right.) That led to very high costs, so the 2013 proposals reverted to the idea of 60% of median earnings. As far as I can see, SWBIC opted to return to a modified version of the Minimum Income Standard, in other words, taking things out to reduce the overall cost.

I think one could argue about what is poverty till the cows come home and, in Guernsey, we probably have done. We have to make a start and SWBIC was very ambitious. Really the reform, as I said, is about non-contributory benefit system. Implementing it, those ambitions are not going to be realised immediately. Basically, what it is going to do is provide a level platform and some framework, some new ideas, some new levers, extra needs, allowances, to allow us to implement that reform over time.

That is why it is so crucial –

The Chairman: Sorry, I will move onto something else in a moment. I am just trying to press the point in terms of the political representatives that we have in front of us, do you agree with that approach to the definition of poverty for Guernsey, Deputy Langlois, Deputy Le Clerc?

***Deputy Langlois*:** The Committee, I think, would probably agree to a modified version of the Minimum Income Standard, which is what SWBIC used. We have not criticised that approach.

The Chairman: Doesn't that really mean, then, that poverty, actually, in the Guernsey context is whatever any particular States finds it? Would you agree with that?

***Deputy Le Clerc*:** I think we have got the Poverty Indicator Report that will be due out at the end of this week. Deputies have already seen it and, obviously, we cannot discuss it today.

The Chairman: No, we cannot. There is a discrepancy, isn't there, between the definition in SWBIC and those other metrics that the States has recognised as the official way of defining poverty? That is quite an inconsistency, isn't it?

***Deputy Le Clerc*:** It is an inconsistency. I was disappointed that I was working on SWBIC and we were defining poverty and working out figures for what we felt was appropriate and we had another Committee, whoever they were, or department at that time, that were working up the poverty indicators.

The Chairman: Policy Council, presumably.

***Deputy Le Clerc*:** There was no communication between the two. There is a discrepancy, I would agree with that.

The Chairman: Deputy Roffey.

Deputy Roffey: I know you want to move on from SWBIC. Just a couple of questions. For clarity, you say that the cost of SWBIC's introduction has been changed by the fact that the ceiling on allowances has been altered. Changed which way, up or down?

***Deputy Le Clerc*:** Well, there would be, when you increase the benefit limitation, that should bring in more people into the Supplementary Benefit scheme because that enables them, particularly if they are in work, you can help them more.

Deputy Roffey: Having already done that, would that reduce the cost of SWBIC being brought in?

***Deputy Le Clerc*:** The number of people affected by the benefit limitation was minimal, wasn't it?

***Mr Nutley*:** It is small, but the answer to the question is the cost would likely be increased, but the quantum we do not know until we have run the numbers.

Deputy Roffey: And you will work that up for the policy planning debate, will you? You are going to make a bid, presumably, with the updated figures?

***Mr Nutley*:** Yes.

Deputy Roffey: The other question is, I suppose, Deputy Langlois said only with the money can you bring it in sensibly and not have too much negative impact on the losers, but if the definition is helping people in intolerable poverty, surely the other side of the coin is those people who will win from this will continue with intolerable poverty until it is actually produced?

***Deputy Langlois*:** P&R said 2019 at the earliest and that is why want to push for it to be introduced in 2018, for that very reason.

Deputy Roffey: So you perceive this being basically a set-piece debate in the States, when the Policy Plan comes back?

***Deputy Langlois*:** Yes, it is very, very important to this Committee.

The Chairman: You would agree, the implication from Deputy Roffey's point, is if Policy & Resources does not want to fund this before 2019, or beyond, whenever that is, the implication is that it is acceptable, politically, to allow people to continue to live in intolerable conditions until 2019 or beyond?

Presumably your Committee, with the remit you have, would find that absolutely unacceptable?

***Deputy Le Clerc*:** We will continue, whether through our uprating report or through the Policy & Resources Plan - we will continue to say that we need this funding, or we cannot accept, as a society, and it will not be just for ourselves, Deputy Green, but it will be for the 40 of us in the Assembly to decide whether that is acceptable.

It is not just Employment & Social Security. We will be bringing forward as much as we can but, actually, it is for other people to prioritise and say, 'Actually, in our view, it is not acceptable.'

We are prepared. Perhaps other Committees might have to forego some of what they want to do. That is not a decision for us alone to make.

Deputy Roffey: Just to make absolutely crystal clear, if P&R recommended no extra money for this, and if the States agreed, you would have no Plan B to make that currently inequitable system more equitable on a cash-neutral basis?

***Deputy Le Clerc*:** Not that I am aware of. When I have a look at our budget, it would have to be some of the universal benefits. That is the only real slack in our system and I think, again, that brings different arguments.

The Chairman: Just a few more questions on the social welfare reforms as this is clearly a big part of your agenda.

If the system is approved by the States and the outcome of prioritisation is that we will fund it as a States, going forward, is the new model of social welfare that was imagined by SWBIC, financially sustainable for the Island, going forward, do you think?

***Deputy Le Clerc*:** I am sorry, what do you mean, financially sustainable? Are you saying that it would not be financially sustainable?

The Chairman: Can we afford it as an Island, going forward, on an ongoing basis, on a recurring basis?

***Deputy Le Clerc*:** If people are living in poverty, we have to find the money or we have to accept that we have a two-tier society.

I do not think that that is acceptable.

***Deputy Langlois*:** Can I just say on that, there is a difference between the States affording and the Island affording it. I certainly think the Island can afford it. Whether the States can afford it is up to our fiscal policies.

It must be emphasised that the figures are just estimates, because they involve people's behaviour. How are people going to behave once they have moved from, say, rent rebate, to a Supplementary Benefit with the rights and obligations that has on people? How are they going to react to that situation? As you probably know, we have got lots of work to benefits, CEPS, and other innovations to encourage people back into the workplace and what effect all that is going to have once the SWBIC proposals are implemented, we cannot –

The Chairman: Just before I bring in Deputy Queripel, just to follow that through. One could take the view that, actually, what the States will increasingly be doing is subsidising low pay and subsidising high rents on the Island and, if you like, subsidising the effects of market forces.

Is that an issue that concerns you, the fact that an awful lot of people on Supplementary Benefit are in work and in relatively low-paid jobs and, also, the high rents associated with the private market? Are they concerns that you have, Deputy Le Clerc?

***Deputy Le Clerc*:** Our benefit rates are not set on the market rates. Our benefit rates are set on our social housing rents. So, actually, those people that are in private rented accommodation, a larger proportion of their income is spent on their rent.

For people on social housing rents, that is set in a formula that enables a maintenance programme to be continued, a rebuilding programme, etc. That is slightly different. We are not influenced totally by market rates.

The Chairman: Let me make the question clearer, because it was something that occurred to me and I should probably make it absolutely clear what I am getting at, which is obviously the States has policies in relation to low pay. It could have policies in relation to the affordability of rents in the private sector.

Do you think there should be other policy drivers in the States, which could help tackle those two issues: low pay and high rents in the private sector? Why should it all be mopped up by the Supplementary Benefit budget? Do you see what I am saying?

***Deputy Le Clerc*:** Yes, I do. However, there are people that are on Supplementary Benefit that will not work, so they have no ability to work. People on long-term invalidity. So, I see what you are saying about low pay, fortunately now, under the new mandate, we have got employment, minimum wage legislation and I think we set a very positive move last year by saying we would increase the minimum wage by a considerable amount and received quite a lot of flak from certain business sections of the Island.

We will be looking at minimum wage and pay and we go into consultation in the next few months on that, but I think there will always be a difficulty in the ability for those on the very lowest incomes to earn sufficient to keep themselves without any assistance from Government.

The Chairman: Okay, that deals with the low pay side. I will bring in Deputy Queripel at some point, but I just want to follow the other aspect, which is the high cost of rent in the private sector. What about policy in that area?

Deputy Le Clerc**:** We are awaiting a housing survey and, I think, it is KPMG, so that will be interesting from our perspective to see what indications that there are in that report and how much Government should or should not interfere in the private rental market.

I am of the personal view that Government should not interfere in the private sector.

The Chairman: That report has been delayed; do we know why that has been delayed?

Deputy Le Clerc**:** I think it was just it was not part of our Committee's mandate at the time and it just took a while to set the terms of reference around about this time last year and then it was finding somebody to actually do the report and I think in the end we were actually left with very few people wanting to tender for the work.

The Chairman: Deputy Queripel.

Deputy Queripel: Yes, we are sort of skating around the issue of how to fund SWBIC in the long-term, sustainable funding. To be frank, do you think at the end of the day, we are going to need to adopt a more progressive approach in regard to revenues coming into the States, whether it be via tax or contributions, in order to honestly fund the long-term aims of SWBIC?

Deputy Le Clerc**:** I do not think you can ask for the insurance contributions –

Deputy Queripel: What about the earnings cap?

Deputy Le Clerc**:** Yes, and we know that we have got an outstanding piece of work and we are going to have some dialogue with Policy & Resources on that.

Some of the questions you are asking of us are questions that need to be asked of Policy & Resources.

Deputy Queripel: But I am asking you for your opinion on that because, ultimately, if SWBIC is going to come into play, in the long-term it is going to have to be sustainable and we cannot do that with the same pot of money or, perhaps, even, a decreasing pot of money. So, the only way is to get more money into the pot.

Do you think that should be via a progressive means, whether it be to do with tax or contributions, that is the point I am making? How can we do it with the same pot of money?

Deputy Le Clerc**:** I can only give my personal view and we are here as a Committee and I have not got, necessarily, a Committee view on that.

The Chairman: Deputy Langlois, you said before that general revenue should fund the SWBIC proposals. It must be correct on one level, in terms of the fact that it is a general revenue-funded benefit scheme. Do you have a personal view in terms of how general revenue could support this extra expenditure? Again, your personal view?

Deputy Langlois**:** Personally, I think there is room for re-allocation of resources and a look at our tax and social security systems to find additional money in a progressive way. It has not been looked at really, we have just been trotting along with the existing system for decades, now, and P&R, as they announced in their Budget, for instance, are looking at the funding of health and social care. That is quite an innovative idea for Guernsey, and I think there are other ways we could look at our revenue streams.

Deputy Green: I have just got one more question, I think, or one more set of questions on SWBIC, in terms of the efficiency. Certainly, the proposed changes should mean that your Committee is able to conduct its business in a more efficient manner.

The question I have got is can you explain the rationale behind the stated requirement for an extra 4.5 full-time employees, at an additional cost of £200,000 *per annum* in the proposals in the Policy Letter.

***Deputy Le Clerc*:** I think I would ask, perhaps, Ed, to explain that.

The Chairman: Mr Ashton.

***Mr Ashton*:** So, we have arrived at that figure by looking at the existing complement of staff delivering the services to the existing Supplementary Benefit scheme, recognising that to some extent the approach at housing would be in comparison regarded as a more light-touch, means-tested approach; applying the way we work now to the number of people that will be coming across into the joined-up scheme and arriving at what we believe is the bare minimum of extra resource required.

It is 7.5 heads, people, but there is a net of 4.5 because several posts have freed up as a result of the rent rebate scheme moving away. It would be my intention to put those posts in place using contract posts where we can so that we can flex the requirement going forwards so that, if we find that we have over-estimated in certain areas, we can pull back on that.

The important thing is to get what we believe is staffing right from day one. For those that know the Supplementary Benefit scheme very well, they would know that there is a point at which, if you under-staff, general revenue expenditure overall tends to increase because you are not doing the checks and balances in the way that you should do. There is this sort of balance between the number of people and the activities that go on.

If we pare back too much it means that we are not perhaps checking people's changes of circumstances frequently enough and there is a danger, then, that we are paying out more than we need to or we are retrospectively writing to people saying 'we have overpaid you' and then we have all the problems with that comes, individuals having debts that otherwise we could have managed and prevented them going into debt with us.

The Chairman: In your view, Mr Ashton, what are the real efficiencies of the new SWBIC system?

***Mr Ashton*:** Definitely there is efficiency in bringing everyone together, all the customers together, because we are sharing customers at the moment, so we have got staff in both former camps dealing with the same customer. There is a duplication of information, often, a duplication of customers having to tell us information and tell the housing team information and there are other efficiencies under the new way of working which would apply to the social housing tenants coming across is the work requirement.

Only for those people currently receiving Supplementary Benefit is there a work requirement built into the scheme. Those existing rules would be applied to people coming across from social housing. Many of those people that will be coming across are already working and they will meet that work requirement very easily. We may find that there are other people who need support from the job centre and other staff in order to increase their work capacity.

A significant change, as well, will be that the work requirement will apply to adult dependants, which is a key difference. At the moment, there is no requirement for, say, whatever partner, if they are not working there is no requirement for them to work within the rent rebate system. So, you get your rent rebate assessment based on one person's income. We will need to be working with those individuals who, perhaps, have not worked for some time to do our best to activate them into work, if they can. We may discover they have got caring requirement or things like that, which are some of the reasons why people help maximise their earning capacity in their current Supplementary Benefit scheme.

The Chairman: Can we move on to Family Allowance? Deputy Le Clerc, obviously, you will be aware that the States resolved last term to, in effect, reduce Family Allowance payments in order to fund a universal pre-school package.

We now understand that there will be a review of the pre-school offer by Education after a couple of terms. Given the possibility of a change in the universal approach to pre-school, would you still be 100% content with the reductions to Family Allowance, or do you think the situation needs to be fully revisited?

***Deputy Le Clerc*:** I can speak on behalf of the Committee, because we have discussed this at Committee level and we are disappointed that Education are indicating that there are going to be some changes in the scheme, because we believe that that Family Allowance was removed and re-directed to enable a more universal offering from Education and we feel that that moves away from that universality. We have pushed for this to go back to the States, so any revisions of that scheme should come back to the States.

I am happy to say in public that I am disappointed that it seems to me, how can you come back to the States at the end of June, or July, or whenever they will bring this back, and they would not have had the ability to have a full two terms of delivery and I believe they are already starting their work on seeing if the scheme is successful. How can you do that when you have not even gone through two terms?

I do not see how you can bring back a paper changing the funding mechanism from September when you have not really given it a good chance to see how it is progressing.

That is probably beyond our remit, but because it was from Family Allowance –

The Chairman: That is the aspect I was trying to view. Sorry, Deputy Roffey.

Deputy Roffey: You have obviously already discussed this in Committee. What aspect of any possible changes is it that concerns you? Is it allowing top-ups, is it bringing down the cut-off point to make it less universal from that point of view? Is there a particular aspect of what Education have in mind that worries you, or not?

***Deputy Le Clerc*:** Well, we have not really got a full idea of what Education have got in mind. In fact, I am not too sure that we fully understand what Education have actually launched from January.

Deputy Roffey: I am asking, really, what your red lines are. You have given up part of Family Allowance to fund this. What are your red lines about any changes that would make you say 'Oi, we want our money back', really?

***Deputy Le Clerc*:** I think it is part of the universality. For us, it is ensuring those people, on absolutely the lowest incomes, the people that are our customers at Social Security, are not disadvantaged.

Deputy Roffey: So, it is that end of the income scale? You would not have an objection, if they, for instance, brought down the income cap from £150,000 to £100,000 to exclude more people, that would be less universal, but it would not worry you because it would not impact on people at the bottom?

***Deputy Le Clerc*:** Again, I cannot say that we have discussed it to that level of detail and, again, because we have got no idea what Education are actually planning, I am finding it difficult to comment on something when I have not actually got the details of how they might or might not change the scheme.

I think, fundamentally, our position is that we agreed to forego some of the Family Allowance and voted, like the other States' Members, for that income to be used in a different way and we feel, rightly or wrongly, because it may be that other people feel that has gone over now to general revenue, you have got no control over that money, but we just feel that we should try, if it is being changed, to say look, that was not how that Family Allowance was to be used for originally.

Deputy Roffey: When I put exactly that point to the President of Education, Sport & Culture at an earlier session like this, he basically said it was irrelevant because Family Allowance was due to be phased out altogether, anyway. Was he correct in that assumption?

***Deputy Le Clerc*:** That was part of the recommendations of the Personal Tax and Benefit Review. I am not sure if that was a full recommendation or it was decided to 'note the intention'.

The Chairman: It was 'note the intention'.

***Deputy Le Clerc*:** Personally, in the previous term, I think I was the only Committee Member on the Social Security Department that voted to use part of that income for the pre-school and my own thinking at the time was that if we are going to work towards the removal of Family Allowance as a universal benefit, that actually I wanted to ensure that while it will go to general revenue pot and not a penny spent on children, at least from my personal view it was better it was still spent on provision of Children's Services.

Actually, we have got an outstanding Resolution from Deputy Dorey to say that, when we do look at Family Allowance as a universal benefit, if it is to be removed, that that money is used and redirected to Children's Services.

The Chairman: Are you actively in dialogue with Education, Sport & Culture about this situation, because obviously there is not a great deal of clarity?

One would hope that you are regularly speaking with them to see where they are going.

***Deputy Le Clerc*:** Well, we have had one meeting with them and I think there was another one arranged. Deputy Fallaize was going to meet with them. Has that gone ahead?

***Deputy Langlois*:** That took place.

***Deputy Le Clerc*:** That took place. We have not had the feedback on that second meeting. Deputy Fallaize and I met with Education to discuss our views.

***Deputy Langlois*:** It is not a case of negotiating with Education. I think we made our stance quite clear that, if you are going to cut a universal benefit like Family Allowance, it should be funding a universal service, like pre-school education, not going into voucher systems and that sort of thing.

It is a fundamental principle. I am not going to say it is a non-negotiable stance, but it is pretty near, that kind of thing.

The Chairman: But you need to know what is going on?

***Deputy Le Clerc*:** I think the whole States' Assembly needs to know what is going on. Parents need to know what is going on.

The Chairman: Absolutely. Sorry, Deputy Queripel…

Deputy Queripel: That was going to be my line of inquiry, between the two Committees.

The Chairman: Just to finish on Family Allowance, there was that proposition to note the intention to move beyond, perhaps, a universal benefit in relation to Family Allowance. Deputy Le Clerc, do you have a view on whether it should actually remain as a universal benefit, or should be means-tested? Have you had discussions in your Committee about the future of Family Allowance and have you spoken with Policy & Resources about it since the change of Government in May?

***Deputy Le Clerc*:** We have not spoken to Policy & Resources specifically about Family Allowance as a universal benefit. I think it is fair to say that we had a question at a Committee meeting about universal benefits and I think it is fair to say that this Committee is more in favour of universal benefits than against universal benefits.

***Deputy Langlois*:** Absolutely true.

The Chairman: Putting words in your mouth, but Deputy Le Clerc, Deputy Langlois would you want to continue to see Family Allowance as a general revenue-funded benefit on a universal basis?

***Deputy Langlois*:** As Deputy Le Clerc said, when we discussed universal benefits, it was not just Family Allowance, it was universal benefits as a whole up for grabs –

The Chairman: We are talking specifically about Family Allowance.

***Deputy Langlois*:** Family Allowance is one of them and, generally, we support the idea of universal benefits for various reasons: social cohesion, we are all in this together. They are benefits because you avoid the problem of trying to target benefits.

It is very easy to say we will do away with this universal benefit and we will target the funds more accurately, but actually to try and implement that other than using the Supplementary Benefit system is a lot harder.

Deputy Roffey: I was going to ask, is the support for universal benefits philosophical or practical? Philosophically, it is hard to see why an advocate married to a medical specialist should need to get Family Allowance, but I understand there may be a practical thing. Once you start to means test it becomes complicated and expensive and intrusive, maybe.

***Deputy Le Clerc*:** Yes. And it is both.

People pay into a system and, actually, irrespective of your income, you do like to see that you take something out. We all pay into our pension. Why would an advocate not take out his pension?

Deputy Roffey: Going left field just for a second. Are you following what is happening in Finland? They are taking that to a whole new level, providing everybody with a basic income.

***Deputy Le Clerc*:** I think it is experimental and I think it is probably something like 1,000 families.

***Mr Nutley*:** A 2,000 trial to start with. It is being trialled elsewhere as well. Canada are trying it. So, there is some international interest in that.

Deputy Roffey: No plans for any fact-finding trips at the moment, though? *(Laughter)*

The Chairman: Okay, can we move on from Family Allowance, then? I would like to ask you a few questions about investment management.

I guess we will start with Deputy Le Clerc, again. My understanding is that a change of investment consultants was undertaken in 2016. That might well have been with the previous board.

Can I ask Deputy Le Clerc, obviously, you were on the previous board, what was the real rationale for changing the investment consultants, given the financial consequences of doing so?

***Deputy Le Clerc*:** Their contract was up for renewal and, at that point, we decided that we would go out to tender and invite other tenders. I think it was just one of those things that, after a certain amount of time, we wanted to have a look and see what other investment advisers were available.

The Chairman: What was the key factor that led to the change of investment manager?

***Mr Nutley*:** The previous investment adviser had already had its contract extended; it was a three-year contract, which was extended by a further three years.

These support contracts are, typically, on three year terms. It had been six years with the previous adviser and we felt it was good governance to go out to tender again and see who is around. It is a fairly small field. There are a great many fund managers, there are fewer investment advisers and, I think, when the exercise was undertaken there was a pretty strong feeling that our incumbent may well be appointed for a third session. We were quite happy with the previous incumbent.

When we went out to tender, spoke to the shortlist, we were persuaded by our current investment adviser that they should have that contract.

The Chairman: Is there likely to be any change of investment strategy in the near future, Deputy Le Clerc?

***Deputy Le Clerc*:** Yes, there is a slight change in investment strategy and I think part of that comes out of your Scrutiny review and that is looking at our risk profile.

We are mindful of our obligations and, actually, we do think we need to reduce, slightly, our risk profile on the funds.

Of course, when you reduce risk profile, perhaps you have to forego some of the return, but because we are now in draw-down mode in those funds, I think capital protection is probably more important than, perhaps, income.

The Chairman: Are you at liberty to describe what that change of strategy might look like in terms of movement of investments?

***Deputy Le Clerc*:** We are still working on that portfolio at the moment and I think it is fair to say it is quite a complex area. We are trying to get our heads round what the Sharpe ratio is on these returns. We are working on the changes to the portfolio at the moment.

We have got substantial investments and one of the things that we have to take into consideration is we cannot just remove a huge lump sum out of those investments overnight. So, the transition of those investments, and moving from one strategy to another is also quite important. I think we are still in very early days with our advisers, so it is building that trust and confidence and, with a new Committee as well, the only consistent has been myself and our non-States member Mike Brown on the Committee. We have been fortunate that we have managed to keep at least that, but there has been a bit of a learning curve for everybody.

The Chairman: Obviously, the financial impact of investment strategy is vast in money terms. What level of political oversight and scrutiny is applied to investment strategy and performance and is it sufficient, in your view?

***Deputy Le Clerc*:** Do you want to?

The Chairman: Deputy Langlois?

***Deputy Langlois*:** I do not particularly want to! It is okay, it is fine.

I think the political oversight is working well at the moment. Obviously, one of the golden rules of investment is you do not invest in anything you do not understand. The political board, the Committee, is very keen to have it explained.

It is okay saying reduce risk, but if it looks risky to reduce risk, as it sometimes does in investment terms, to me, it is vital we understand what actually the products we are moving funds into actually intend to do. With all investment, you cannot eliminate risk entirely. Even if you keep your money in cash, you can only guarantee that its value will erode over time, so you end up having to take some degree of risk.

The Chairman: Is there still a subcommittee for investment? Who sits on that?

***Deputy Langlois*:** I do, Deputy Yerby and Deputy Le Clerc.

***Deputy Le Clerc*:** And then our non-States member Mike Brown. We have been looking for what we would term as an expert and we have approached several people, but we are still looking for the right person.

P&R have got Mr Chris Waldron on their Committee and we are fortunate that he does come along to several of our meetings, so we have got him on a temporary basis.

The Chairman: I see, you are looking for your own expert to sit on that subcommittee?

***Deputy Le Clerc*:** We are looking for an expert to sit on that subcommittee.

The Chairman: How often do you meet?

***Deputy Le Clerc*:** We meet, officially, once a quarter with our investment advisers. However, over the past few months we have been meeting a lot more regularly. I would probably say once every six to eight weeks, because of training that we have had to undertake as a new Committee, looking at the investment strategy, really getting to know them and understand how they work. They work in a very different way from the previous advisors.

So, actually, I would say that we have had a lot more than quarterly meetings that we would usually get back to once we are comfortable and where we feel we are in a good place.

The Chairman: I am glad you mentioned training. Have the new political members of Employment & Social Security, particularly those on the subcommittee, had specific training on investment management and the political skills they will need to oversee and to scrutinise that?

I would have thought it must be one of the most intellectually challenging aspects of the mandate.

***Deputy Le Clerc*:** It is.

The Chairman: It is not easy, is it?

***Deputy Le Clerc*:** I think I am really, really fortunate that I have got an exceptional Committee and I have got people like Deputy Langlois and Deputy Yerby, with the capacity and capability of not only taking on that responsibility, it is a huge responsibility, but clearly understanding. The other thing is they are not afraid to challenge, if they do not understand anything.

We have had some specific training delivered to us by Redington. The other thing to point out is that we actually go along to the P&R meetings and the P&R meetings are on a monthly basis and all members of the Committee have attended at least one of the P&R meetings over the last six months.

Again, they have got a different investment mandate, but it gives you some understanding of what is happening in the market place, where bonds are going, where equities are, what is happening in the global market. That just builds up your knowledge and understanding that you can bring back. It enables you to question our own investment manager.

***Deputy Langlois*:** I was just going to add that I was on T&R's investment subcommittee in 2008-2012, so a lot of the jargon is familiar to me and I can compare the experience, which is hugely useful.

The Chairman: In the last seven months since you have been on the new Committee, have you ever overruled the investment advice that you have been provided with by the consultants, by the experts?

***Deputy Le Clerc*:** They would give us recommendations, rather than say, 'This is what you must do.'

The Chairman: Have you ever not followed a recommendation?

***Deputy Le Clerc*:** Yes, we have challenged some of the underlying fund managers that have come before us. The usual process is that they would provide us, if they say 'we think you need to change this area of the portfolio', with two or three options and then they would normally give a recommendation on their preferred option and, yes, we have challenged some of their recommendations and, in particular, there was one fund manager we said we were not comfortable with their governance and their structure. We had done our own research through Google and, even though they reassured us, we still said, 'Actually, we are not comfortable, can you go away and come back with some other options?'

We are working through those at the moment, aren't we?

***Deputy Langlois*:** One of the other aspects is if we see that our investment would be a large proportion of that manager's portfolio, that would always concern us. That was one of the concerns.

The Chairman: Thank you for that answer. I think members of the public sometimes think we talk about political oversight and scrutiny of things, but to give an example like that where the outcome has been different because of political challenge, I think that is very positive.

I think I have just got one more question on this area and then I will hand over to Deputy Roffey.

Sticking with the investment strategy and performance, really, Deputy Le Clerc, are there any real lessons for our Government to be drawn, do you think, from the organisation of investments in Jersey and what appears to be the better performance evident in their investments?

***Deputy Le Clerc*:** I am afraid I do not know a huge amount about the make-up of Jersey's investment portfolio.

I think, when you compare Social Security investments to, even, P&R investments, you cannot just look at performance.

The Chairman: Is it a different risk appetite?

***Deputy Le Clerc*:** It is a different risk appetite. It is what the funds are used for. I think you are comparing apples and pears here. I think Malcolm has something to add…

The Chairman: I think Mr Nutley might be able to answer that. My understanding of the Jersey system is that they, in effect, have combined their Treasury assets with the Social Security side, but the returns and performance seem to be better as a result. The question was, are there any lessons for us to learn from that structure?

***Mr Nutley*:** There is the combination and there is the performance. At present, both the Committees have discussed and there was an independent report on this saying there are arguments for the management of the funds being separated, there are arguments for them being in the same place.

The *status quo* at the moment is for their separation. But in Jersey, as you say, it is different. The Social Security funds are invested alongside the Treasury funds and my understanding, when I last heard not so long ago, was that they were heavily into tracker funds, heavily into equity trackers, so it would be no surprise that the performance has been spectacularly high. But you are vulnerable to larger swings in that.

Deputy Queripel: Can I just ask, have you been in talks with P&R about that kind of arrangement, changing to that kind of model, or has there been no dialogue at all with P&R?

There have been some noises from them that they seem to be interested in that approach.

***Deputy Langlois*:** P&R, even when they were T&R, were very keen on the idea of a sovereign wealth fund, i.e. Dubai, and with one investment adviser, but as Malcolm was saying, I think we have always resisted that.

I do not think there was the political commitment of P&R to move towards that, we were happier with two separate funds. You get two bites of the cherry.

The Chairman: Would you keep that under review?

***Deputy Langlois*:** Yes.

***Deputy Le Clerc*:** I do not think your Scrutiny report clearly indicated that that was the way to go. Maybe, if it had said that, we may have pursued that more. I think it was fairly on the fence.

The Chairman: It did not. The question was whether there are any lessons to learn. Putting to one side the way in which they organise their funds, are there any other lessons that we could learn from their approach to investment strategy.

***Deputy Le Clerc*:** From Jersey?

The Chairman: Yes.

***Deputy Le Clerc*:** If they are heavily into equities, I think at the moment equities have been riding high but if they drop and we are in draw-down mode, I said that when we started this topic, you need to protect your capital.

If, suddenly, there was a one third drop in the equity market, I am not sure I would be very comfortable as President of Employment & Social Security, explaining that to Mrs Le Page, from Torteval, that actually we have not got a two-year buffer fund now, we have only got a six-month buffer fund.

I see Deputy Roffey smiling!

Deputy Roffey: I am just thinking we would invite you back under those circumstances! *(Laughter*)

The Chairman: Okay, can we put that topic to bed for the time being and I will now turn to Deputy Roffey.

Deputy Roffey: When talking about investments just now you were saying you are in draw-down mode, which is shorthand really for saying your buffer funds are going down, so saleability is obviously important for all your schemes, I wanted to turn to your other source of income, which is contributions.

I think we are all very aware that contributions have just gone up, particularly those of us who have just had our quarterly cards through. At the time that we approved those increases, you made absolutely clear that that was not the end of the process. It would not be enough to provide sustainability.

Just out of interest, assuming no radical changes to any of the schemes, how much higher do contributions have to go before you have a sustainable situation?

***Deputy Le Clerc*:** At the moment, I think we are sustainable on the contributions that we have got, with the policy of the uprating report that we have got and with pushing out pension age to 70.

I think there will always be some pushback on the uprating and I think the crunch will come when we go, in 2020, to an RPIX only uprating. So, I expect that there will be some challenge from the Assembly. I expect there will be some challenge within our own Committee on that uprating policy. I think that is the time when we will need to accept that, if we want to pay more generous old age pensions, we will actually have to look at that contribution rate.

Deputy Roffey: But, the retirement pension fund, at the moment, if we maintain our current, rather mean, approach to uprating, is sustainable at the current level of contributions?

***Mr Nutley*:** No, The Personal Tax and Benefit Review came up with a set of criteria that, in our modelling, would get the Guernsey Insurance Fund sustainable.

That was put to the States and various recommendations were agreed. Some were to note, so were to agree. So, the uprating policy was agreed by the States, which is the poorer uprating, it is the one-third until 2020 then RPI…

But, subsequently, the Government Actuary did their periodic review and, because of changed variables and assumptions, in particular a lower projected investment return, it was marginally unsustainable. So, the situation had changed from just about sustainable under PTR to just under sustainable, long-term.

We do not, through the actuarial review, maintain the two years' buffer that was planned.

***Deputy Le Clerc*:** There are lots of variables in that.

There is immigration as well and I think we were projecting only perhaps 100 immigration per year, whereas I think the rose-tinted view was 200 per year. There are so many variables in that sustainability.

***Deputy Langlois*:** You are only really going to get sustainability or move towards it if you have a fully funded pension.

It is a question that has been asked. In other words, if we counted our buffer fund as a fund, what percentage would we be funded. In other words, for instance, the Superannuation Fund, I am not sure what the latest figure is, it is something like 95% funded, in other words its assets are predicted to meet 95% of its liabilities, so the interesting question would be what was the situation with Social Security's Insurance Fund, but the actuaries cannot actually produce that.

Deputy Roffey: Another definition of sustainability would say, if you have got about two years' expenditure now in your fund, it is unsustainable if that goes down. It is sustainable if it is maintained or it goes up.

***Deputy Langlois*:** Yes. If we have got a pay as you go system that is our target.

Deputy Roffey: You have got a number of schemes and, obviously, from the point of view of the punter, it is the total amount they pay into the account. So, if I can just turn to the Long Term Care Insurance Scheme, what about that, assuming there were no changes to it, and I know that is a big assumption, how much would contributions need to go up to make that sustainable?

***Mr Nutley*:** On the pay as you go basis?

Deputy Roffey: Yes, what we are paying in for the Long Term Care Insurance Fund.

***Mr Nutley*:** I can find you the answer fairly quickly. I cannot say it instantaneously. I do have the right reports here to give you that answer.

***Deputy Le Clerc*:** I think the other thing is that you have got, with the Long Term Care, as part of SLAWS (States' Living & Ageing Well Strategy); the way that people can draw on those funds may change. We may see some recommendations to change that, so that sustainability, hopefully, would increase, if those changes are acceptable.

Deputy Roffey: Would that be moving away from universality, having an income limit?

***Deputy Le Clerc*:** I think in SLAWS it was looking at the delivery of the care and dividing up the care into hotel costs, physical care costs and splitting it up that way. In effect, at the moment, what we draw down from the Long Term Care Fund is just paid over to the care home and that does include an element for food, accommodation and nursing care. It was saying, if you live on your own …

The other thing is… one of the arguments was people pay into this Fund and they never go into a care home, it is not fair if you are living in your own home that you do not get any financial assistance at all.

I think it was making that Fund more equitable to those people that have contributed to it.

Deputy Roffey: Isn't there a problem, though, that over the last 15 years we have been saying to people making the contributions, 'If you need to go into residential or nursing care, all of this will be paid for you.' Now we are saying, 'You have paid those contributions, but that may not be the case. It will only be the care section and you will have to pick up the rest yourself.'

***Deputy Le Clerc*:** I think that if you have been in my home in the last two weeks, since people have received their letters from the Department, I have had so many phone calls over the last few weeks on that and I think that is because there is no buffer fund and people still have the concept that there is a pot of money held in their name and they have contributed to it and that is it, they are going to take out of it.

Deputy Roffey: Which brings us back to Malcolm, who I think has found the figure there.

***Mr Nutley*:** Oh yes. When the actuarial review was done, this was before the 0.5% addition, this was showing that the current rate for long term care was 1.4% and if you kept it at the pay as you go rate, the pay as you go rate would plateau at 3.1% around 2050, because the maximum long term care liability is about 20 years behind maximum pension liability, because it deals with older people.

Deputy Roffey: These are all inter-related, obviously, but another one of your schemes pays for treatment under the contract with the MSG. That is being re-negotiated at the moment. Do you think there is any chance contribution rates may need to go up in respect of that scheme, in order to fund any new contracts?

***Deputy Le Clerc*:** I think, within the current contribution rate, we should be fine, at least in the short term. We are looking at the Health Care Fund with P&R, because that is something that there is talk about that being funded in a slightly different way.

I am not sure how that will go. With the Health Care Fund, there is a bit more of a buffer in that one, at the present time, but with increasing health care costs, I do not think it is potentially the MSG contract that might impact on that Health Care Fund, it is probably some of the more off-Island costs that may end up –

Deputy Roffey: You do not perceive a big increase in the costs on the contract, then?

***Deputy Le Clerc*:** I do not think it is anything we are planning for at the present time, but we are working with P&R on that.

***Deputy Langlois*:** One of the objectives of the new MSG contract was Transformation and part of that is going to be more efficient delivery of services. We are involved in those negotiations as the purse-holders, so we have had an insight into it and Health & Social Care do keep emphasising how crucial it is to transform the ways that secondary health care is delivered, with a view to doing it more efficiently and, hopefully, making some savings. So, we have not been anticipating it.

We will have failed, in other words, if the bill goes up.

Deputy Roffey: Okay, we will make a careful note of that.

***Deputy Le Clerc*:** Can I just say that Malcolm has reminded me that actually one of the vulnerabilities is pharmaceutical cost, because that is about £15 million of that budget and I think that is an area that is more difficult for us to keep under control.

In effect, we have to go with what the UK and the devolving powers of the UK and we are under constant pressure, when there are new expensive drugs coming onto the market, from the public to pay for those new drugs and they can be very, very expensive.

The Chairman: Just on a very practical note, when can we expect an announcement in relation to the new MSG contract?

***Deputy Le Clerc*:** I think I have got the wording somewhere here. End of January. We are just ticking off the final parts of the contract and outstanding points so yes, it should be by the end of this month.

Deputy Roffey: But you agree with Deputy Langlois, if the cost has gone up over the old contract, that would represent failure?

***Deputy Le Clerc*:** Yes, it would. But it is a completely different contract. I do not know if that is going to be an area that you are going to speak to us specifically about.

The Chairman: We have some questions on that area, yes. If you want to continue for the moment, Deputy Roffey?

Deputy Roffey: Yes. I am aware that you will be limited in what you can say, obviously, until you actually go public about it and you have got another two partners involved in these negotiations.

But, we would be interesting in any step changes, do you actually see the waiting lists still there, for instance? Transformation is one thing, but Transformation is not always a good thing. I just want to know what sort of transformation you actually see compared with the old contract.

***Deputy Le Clerc*:** The waiting times are important, because I think that is really how the public perceive it. That will remain as part of the contract, but I think, I will have to refer to my little list and my notes because, actually, it is much more than that. There are some core objectives and I think it is worth going through some of those core objectives.

Part of the negotiations are to improve patient experience and clinical outcomes, reduce the amount of time people spend in hospital, more flexible clinical delivery models, commissioning off-Island treatment. I know you appreciate Health & Social Care are undergoing this huge transformation and delivery, so it will be working with the MSG on delivery of that transformation and transforming some of the services that they deliver.

This contract will have a lot more flexibility, whereas the previous contract has been very inflexible and, really, the only thing has been the waiting times.

It will be a completely different contract.

The Chairman: There will be more metrics than just that waiting time?

***Deputy Le Clerc*:** Yes.

The Chairman: That is good to hear. You do not mind if I butt-in with a quick question on this? Again, obviously, we are aware of the timeline so it is perhaps not ideal timing, but are you able to give any indication as to how the States can get true value for money from the new MSG contract in terms of general principles, general practice?

***Deputy Le Clerc*:** That is more difficult without going into some of the detail of the contract. As I say, it has been written with flexibility in mind. At the moment, the contract is based around consultant-led services and whenever anything is required, it is based on an additional consultant, which I think perhaps is not the best way and medical enhancements have moved on, so we need to work in a different way.

Because there are so many specialisms now, on the consultant side, actually it has become more difficult for even the MSG to find the consultants with more general practice.

It will be there in the new contract. I am just reluctant to say too much.

Deputy Roffey: I think it is unfair to question, probably, in more detail at this stage. But I was fascinated you said you were looking at different ways of funding specialist care, because I am wondering what they are.

They are coming out of the contributions to you at the moment. We know that general revenue is in deficit at the moment, so what other possible sources for funding for specialist care are there?

***Deputy Langlois*:** I do not know if there are going to be bright, new sources of funding. What there might be is, as I said, P&R are looking into it at the moment, is a re-jigging of the way with fund Health & Social Care.

At the moment, it is split between general revenue and Social Security contributions. The question is, is that an efficient way of funding Health & Social Care? Are there other models than what we use? That is about as far as it has got.

Deputy Roffey: It was striking that – what was it? – £4.7 million that was supposed to paid across from general revenue to your health scheme was not paid, in order to help P&R balance the books. There seemed to be almost no objection from your Department. What was going on? Presumably there must have been some trade-off for you not objecting?

***Deputy Langlois*:** I think we were just trying to be co-operative and help P&R out of a difficult situation.

***Deputy Le Clerc*:** It was not really P&R, for us, it was helping Health & Social Care.

Deputy Roffey: Just to clarify that, how did that work?

***Deputy Le Clerc*:** Because it was Health & Social Care that needed the additional funding.

Deputy Roffey: So, by not having the transfer from P&R, they were able to increase Health & Social Care's budget?

***Deputy Le Clerc*:** Yes, exactly.

Deputy Roffey: It is an assumption there will be a re-jigging. If there is not, the fact that that £4.7 million is not there in your fund, are there any implications for the future funding of specialist care?

***Deputy Le Clerc*:** We know that, of all the funds, that was in better health, for want of a better word, and it was just for the one year that we were prepared to forego that. As I say, it is because we have been working very closely with our colleagues in Health and, maybe, it is because of my background in the previous term in understanding the pressures on Health that, actually, the bulk of that £4.7 million saving would help our colleagues in Health.

The Chairman: It was sold very much, I think, as a one-off. Are you saying that you would not support that move being repeated in the next Budget?

***Deputy Le Clerc*:** We would not support that move in the next Budget, if we have had no conversations with P&R.

I think it is really, really important that we have the conversations with P&R to discuss the way forward on the funding of health and I think they have got some ideas of where they want to go on health.

We have got some ideas of where they want to go on health and I am sure Health & Social Care have got some ideas as well.

Deputy Roffey: Do you think it is actually rational for your department to be the people raising the revenue for specialist health care?

***Deputy Le Clerc*:** I think it is just a revenue-raising mechanism and I do, sometimes, question – and this is my personal view – are we kind of playing the role of P&R sometimes, when we have requests from Health & Social Care or from the MSG to fund another consultant?

It is kind of another layer.

So, I am open to a conversation with Health & Social Care and P&R as to what is the best way of raising the revenue for our health care.

Deputy Roffey: I can tell from conversations are ongoing I am not going to get anything too definitive. It almost takes us back to what Deputy Queripel was saying in relation to SWBIC which is, if the burden was for P&R to raise this money, then how would they do it? I do not know if, Jersey had this, it was rejected, this idea about health tax or whatever. Is that the sort of thing you are thinking about?

***Deputy Le Clerc*:** That may be what P&R are thinking about.

***Deputy Langlois*:** I think you are trying to push us slightly too far down the line. We are not going to devise fiscal policy here in this hearing.

The Chairman: Have you, as Employment & Social Security, had any assurances yourselves from P&R that the non-transfer of whatever the figure is to the Health Care Fund will not happen again?

***Deputy Le Clerc*:** We have not had any reassurances, but we have told them that that was a one-off. We need to sit around the table and talk about next year and talk about the funding.

Deputy Roffey: That formula exists, doesn't it? The onus is on them to opt-out of it, rather than you to ask for it, because the formula does exist there.

***Deputy Le Clerc*:** Yes, it does. I think we are going to have to start those conversations and we have got some dates in the diary, because these are really important conversations that we need to have.

We know from the uprating report last year, when we were newly elected, literally our first Committee meeting was, 'here is a draft of the uprating report'. Because of the Budget process and the uprating report, it is something that we will be talking about in the next couple of months, because it needs to be in our agenda to resolve.

***Deputy Langlois*:** Can I just say, it is not that we gave P&R the money, we forewent. P&R are in effect in the strongest position, because they are the ones who gave us the grant and asked whether they could not give us the grant, to help them with their budgeting.

We cannot guarantee that is not going to happen again, but they have said it was a one-off.

The Chairman: I suppose the question is, if there have not been any contingencies, would you seek an assurance from P&R this time around that it will not happen again?

***Deputy Le Clerc*:** All they are doing, in a way, is building up problems for the future. By not putting the money into that Fund, it reduces the sustainability and all that is going to happen is, in 15-20 years' time, they are going to have to go to general revenue.

That conversation has to happen.

Deputy Roffey: Not only have you lost the £4.7 million, you have lost any investment return on it for the years ahead?

***Deputy Le Clerc*:** Yes, absolutely.

***Mr Nutley*:** Just for the accuracy of the record, picking up Deputy Roffey's point. The default is not that the grant continues, because the States have now legislated that grant out.

So, there is a 0% in grant and it will need a positive proposition to change that.

Deputy Roffey: That is an interesting clarification.

I think I have only got two questions left and I must not eat into the whole of Deputy Queripel's time.

I was talking about contribution rates and the various schemes and you are not quite sustainable on your main scheme, you are nowhere near sustainable on the long term care scheme.

What is your view of the maximum that you can dip into these pockets across the whole range of the schemes? Is there a red line above which you cannot go in as far as how much you ask from Social Security payments?

***Deputy Langlois*:** I was tempted to give a light-hearted answer to that.

No, we have not sat down and worked out how much the maximum we could take from Islanders.

Deputy Roffey: I wondered whether you work out what is right and then, it costs this, so that is what we have to get in, or whether you start from the point of view Islanders cannot afford to pay more than that, so we had better design the schemes that actually fit within that?

***Deputy Le Clerc*:** I think it is more like, 'What will the States vote through?'

Deputy Green is laughing. Having sat through many uprating reports –

Deputy Roffey: They have some workshops about that!

***Deputy Le Clerc*:** – and can we have a half a per cent increase, or a quarter per cent increase? There has been pushback, pushback, pushback…

Again, that is a piece of work with P&R and, I think I said in my uprating speech, that whatever we do, we have got to work with P&R because the effect is a tax on certain elements of the population. We have got to be mindful that we just cannot keep increasing contributions, increasing contributions, increasing contributions.

We have also got that limit, is it a 28% limit?

Deputy Roffey: That is from GDP generally, in tax and Social Security.

***Deputy Langlois*:** Can I just say on that it is not necessarily Social Security sitting around increasing the rates. The driver has been, especially since 2008, is that the grants from general revenue to Social Security have been cut, as part and parcel of the balancing of the zero-10 loss, and therefore the Social Security contribution has gone up by about a third since 2008.

A lot of that has been because our grant has been cut and we have had to increase Social Security contributions.

Deputy Roffey: Just to clarify, you are having all these meetings with P&R, you are talking about some fairly big stuff there about how lots of things are funding. I am not going to press from you where you are. Timescale, when are we likely to see something concrete come out of that?

***Deputy Le Clerc*:** Out of the P&R?

Deputy Roffey: From the meetings with P&R about how tax fits together with Social Security and who should pay what.

***Deputy Le Clerc*:** Ultimately, it will come through on the Budget and the uprating report.

Deputy Roffey: This year?

***Deputy Le Clerc*:** Well, it has to be this year. We cannot keep kicking the can down the road. I think I have said, if it were a world sport, we would be at the top for kicking the can down the road. That is the problem and we cannot continue to do that. We have got to address these problems.

Deputy Roffey: Thank you, that is helpful. Just one really specific question, before I hand you over. That is on extra care sheltered housing. We have obviously had two big schemes worked up recently and then extended in Maison Maritaine and Longue Rue.

I can see a need for a lot more of that coming along. What serves as the funding model for that, both for the accommodation and for the care packages within it? Has any work been done on that?

***Deputy Le Clerc*:** I think it is an expensive model, delivery of care. In addition, it is the land, as well, to provide that facility. At the moment, personally, I am still unclear as to what the actual real cost of delivery of care in that way has been, because it has, historically, part of Housing's budget, partly Health's budget.

Now that Health & Social Care has taken over the care part of that package and the Guernsey Housing Association (GHA) are responsible for the building part, I am hoping that we will have more clarification on that. I am not clear on exactly how expensive that delivery of care is.

I would not want to be jumping in saying 'we have got to have another one'. When I have been away at some of the British-Irish Council meetings we have been the envy of many jurisdictions in what we have done, but I think we need to really truly understand what we are delivering.

Deputy Roffey: Of course, that care is not payable under the Long Term Care Insurance. In a residential home, it would be?

***Deputy Le Clerc*:** Yes.

Deputy Queripel: Can I just ask, on the model of extra care housing, do you think the costs are perhaps distorted or increased by the fact that … Are the correct people always going into these facilities? This is my concern. I have heard reports that, perhaps, there has been a mismatch in regard to the people using the facilities that they need more care than people should need in these kinds of facilities.

Have you got a view on that? Have you had any feedback on that at all?

***Deputy Le Clerc*:** I think that is a Health & Social Care issue.

Deputy Queripel: But it does factor into the cost and the cost is something for you, isn't it? Will you be exploring that issue? That is what I am asking.

***Deputy Le Clerc*:** That, again, is for Health & Social Care.

Deputy Queripel: Yes, but you will need to ask them questions, because you need to know that that money is being spent in the right way and the right amount of money is being spent.

Are you going to push to find out if the right people are in these facilities or not? Or, can you push?

***Deputy Le Clerc*:** I would say, from experience, I think at the present time, you have got people that were in the previous facilities, Longue Rue and Maison Maritaine, and perhaps their level of needs was not as great as people now going into extra care housing.

But, that was an agreement at that time that those people would be provided with home and care. So, perhaps, at the present time the balance is not where they would want it to be, but that was an obligation that the States of Guernsey had for those people.

Deputy Queripel: Will you be keeping an eye on that balance?

***Deputy Le Clerc*:** That is not for me to be keeping an eye on.

Deputy Queripel: The cost of it still comes down to your Committee. Surely that is something that you should be interested in?

Deputy Roffey: Can I just ask for clarification, if what Deputy Queripel is saying is true, it is actually saving you money because, if those people with complex needs are going into extra care housing, whether they should be or not, it is actually less impact than if you were having to fund nursing care places.

***Deputy Le Clerc*:** I am not sure whether Deputy Queripel is indicating where there are people that should not be in there because their needs are beyond what extra care can provide, or whether there are people with lower level needs. He has not made that clear to me.

Deputy Queripel: The first one.

***Deputy Le Clerc*:** So, it is people with additional –

Deputy Queripel: That are not suited to that kind of decision.

***Deputy Le Clerc*:** That is a decision for Health & Social Care.

Deputy Queripel: Yes, but the costs are down to you.

***Deputy Le Clerc*:** We only provide the buildings. So, who goes into that accommodation is not decided by the Guernsey Housing Association.

Deputy Roffey: This may be a good point to say there would be lots more that I could ask. Sorry –

***Deputy Le Clerc*:** I just wanted to be sure that I was correct on that point.

Deputy Roffey: There is lots more that I could ask you, but I am aware I have probably had my share of the time.

The Chairman: Shall we have a break for five minutes?

***Deputy Le Clerc*:** Yes.

The Committee adjourned at 11.26 a.m.
and resumed at 11.31

The Chairman: Deputy Laurie Queripel.

Deputy Queripel: Thank you.

I just wanted to ask, I suppose Deputy Le Clerc first and foremost, but anybody else can chip in. Has your Committee looked at the feasibility of reinstating a reciprocal health agreement with the UK? Has there been any response from the UK Government? Are there any initiatives in this area that can be taken jointly with Jersey and the Isle of Man, who have both restored their reciprocal health agreements with the UK?

***Deputy Le Clerc*:** We are progressing the reciprocal health through the route of the Deputy Fallaize amendment. So, we are working at the moment and we have got an outstanding Resolution to bring something back by October 2017. That would be an insurance-based scheme and it would just be available to people who are unable to obtain travel insurance or health insurance if they were going on holiday to the UK.

We are not looking at a reciprocal health agreement where people visiting Guernsey would be paid for any visits to primary care or A&E. I think it is really important, also, to say this is a bit of a moving feast at the present time, with the UK Government and what is happening with Brexit.

A&E and primary care were still free, but there was a review during 2015 and 2016 and it was called 'Making a Fair Contribution'. I checked again this week, over the weekend, and we are still awaiting the results of that outcome.

So, although Jersey and the Isle of Man may currently have some form of reciprocal health agreement, even what they have got may change under that review.

The Chairman: So, the model that was envisaged by the Deputy Fallaize/Deputy Queripel amendment, that will be in the uprating report, will it, for October? Or a separate Policy Letter around about October?

***Deputy Le Clerc*:** I do not think we have decided whether it will be part of uprating or a separate Policy Letter.

***Mr Nutley*:** We have not, but the timetable is that same time.

The Chairman: Just on that, bearing in mind the model that was put forward in that successful amendment that became a States' Resolution, isn't there something of a risk that that model could potentially be opening up, have open-ended a financial commitment for the taxpayer, or can the costs associated with that be controlled adequately, do you think?

***Deputy Le Clerc*:** Part of it depends on this maintaining a fair contribution, I think. Some treatment for people visiting the UK is still free, so if you need to go into A&E immediately, that is free at the point of care. It is if you actually then have to stay in hospital and need a bed. That is when it starts to kick in.

I think part of this, the paper that we will bring to you, we will hopefully have a better understanding of what the UK are or are not prepared to offer, not just to ourselves but to other visitors to the UK, we may have to cost that in. If they remove even that, then I think that would have an increased cost impact.

The detail will be in the Policy Letter, because there will be certain parameters and it may be, and this is just off the top of my head, rather than what is in at Policy Letter, that you have an excess that you have to pay the first £50, so again that might reduce the contributions.

The Chairman: That is what I was getting at. From an objective point of view, you could say this is potentially running the risk of opening up a financial commitment that the taxpayer in Guernsey cannot necessarily afford, unless you actually put in some sensible control.

We look forward to finding out a bit more detail on that.

Sorry, Deputy Queripel.

Deputy Queripel: Am I just following on, before I go to my next question, does that mean not looking at all at the idea of reinstating the full reciprocal health agreement? You are not exploring that issue at all?

***Deputy Le Clerc*:** We are still exploring that issue. It would be wrong to say that we are not exploring that issue through the external relations team, but I think it is also fair to say that the UK have got bigger things on their plate at the moment.

We never say it is dead in the water, and it keeps ticking on, on a low-burn.

***Deputy Langlois*:** We call it the reciprocal health agreement. From the UK's point of view, it was never really reciprocal.

They ended up picking up the tab for UK citizens in Guernsey, in the main, and they picked up the tab for Guernsey residents in the UK, which is why it ended, because they saw it as being unfair.

To be honest, when you look at the figures, it was.

Deputy Roffey: The reciprocity was not equal. We would treat each other's citizens as our own and, because Guernsey people get fleeced when they go for primary care, so too did visitors. Whereas in the UK they provide free.

***Deputy Langlois*:** Basically, until the secondary health care, the UK would be picking up the tab both sides of the agreement, so that is really why it ended.

Deputy Roffey: Before you move on from that, any representations coming in from Economic Development. I can see people like the tourist industry saying that, if Jersey and the Isle of Man, particularly Jersey, have got a reciprocal health agreement and Guernsey does not, it might be seen as a disincentive to come here rather than Jersey.

***Deputy Le Clerc*:** There have been no specific conversations with that Committee. I think it is very hard, because it is the UK that has the power.

The other thing is that, actually, if we had a full reciprocal health agreement and you said that people coming from the UK to Guernsey had free treatment at the point of care, that would not be equitable with the people of Guernsey, because Guernsey people have to pay to go A&E. Local residents have to pay to go to their GP, so, in fact, you would be providing visitors to the Island with a service that you are not actually providing your own, local residents, who are paying taxes and insurance contributions.

The Chairman: It is often said that there is a certain specific cost to the Guernsey taxpayer for reinstating the reciprocal health agreement but, given the apparently fixed costs of A&E, the fixed costs of the hospital, for example, is there really any extra specific cost to the Guernsey taxpayer from reinstating the reciprocal health agreement, or is that actually a bit of a myth?

***Deputy Langlois*:** In 2011, the estimate was it would cost us £350,000 a year to reinstate the reciprocal health agreement. Whether that has been updated since then …

The Chairman: Given that is a 2011 figure, what does that figure actually represent? It is something we talk about in political discourse and in public and we have kind of elevated this up to a kind of unarguable truth. I am just not actually 100% sure we are actually talking about an actual, specific cost, when the fixed costs of A&E, the fixed costs of the hospital in Guernsey, that is there to be seen.

I just float it as an idea, really.

***Deputy Le Clerc*:** I just come back to the point I made earlier. Why would you give someone visiting Guernsey free treatment when, actually, you and I would not have free treatment?

Why would we pay for someone to have free treatment, but we do not pay for our own Islanders?

Deputy Queripel: Could a scheme be put in place that allows for that, or accommodates that?

***Deputy Le Clerc*:** That is called health insurance and travel insurance.

If you travelled to the US, would you travel to the US without taking out any health insurance? I would not. Would you travel to a Third World country without health insurance and travel insurance? I would not.

Deputy Roffey: I would. The costs of private health care out there is so cheap!

***Deputy Le Clerc*:** If something severe happened and you needed to be repatriated, your insurance would cover that.

***Deputy Langlois*:** The reciprocal health agreement never did cover repatriation, which obviously could be very expensive.

Deputy Queripel: Has your Committee taken an holistic view on this and seen, by not having the scheme in place, what the effects are on the wider economy are in regard to the income from tourism and things like that?

***Deputy Le Clerc*:** We have had absolutely no conversations with Economic Development. The reason we are looking at the reciprocal health agreement is because we have the Health Insurance Fund and the Resolution asked us to look at the Health Insurance Fund providing some level of assistance and an insurance scheme so that people that have paid into it and Islanders, we have got that health insurance fund, so that they have got that security of knowing that, if they need that treatment in the UK, it would be provided.

I am not sure that the use of the Health Insurance Fund to fund people visiting the Island would be what the remit of those funds are and legally we would be able to do that. I think that would have to come out of the general revenue budget and that is where you are looking at Health & Social Care because they will either be the winners or losers out of that.

From the Employment & Social Security perspective, we are looking at paying for it out of the Health Insurance Fund, for residents and Islanders going to UK who might need emergency medical treatment.

The Chairman: Presumably, bearing in mind the non-transfer of the £4.7 million to the Health Fund in the last Budget, when that discussion was being had, we still had this States' Resolution from the Fallaize amendment that said this potential scheme would be funded from that particular Fund.

What were those discussions that you had and were concerns expressed in your Committee at that stage? Because…depleting that Fund all the more makes it all the more difficult to fund such a scheme from that Fund.

***Deputy Le Clerc*:** We are not talking about a significant amount, not anywhere near £4.7 million.

The Chairman: But, do you take the general point, that it makes it more difficult to draw on any funds from that Fund, if you have depleted it from the usual stream of 12% of income *per annum*?

***Deputy Le Clerc*:** I am sorry, I do not –

Deputy Queripel: Could you estimate what impact it might have on the Fund? When Deputy Fallaize and I constructed the amendment, we went to speak to Mr Nutley about it and I think the view was it would have modest or a small impact on the Fund.

Can you give some sort of estimate in regard to what you think the impact might have in financial terms?

***Mr Nutley*:** I do not think we should, because we will be going out to tender soon, so we should not. I think the point was made when you came to see me, as you know, the financial numbers right across Employment & Social Security accounts are very large indeed. Multi-millions for pharmaceuticals, multi-millions for the Specialist Health Insurance Scheme, £100 million plus for pensions…

By comparison, the scheme we are envisaging here, this unilateral scheme, it is not reciprocal, the one-sided scheme that we will provide the proposed cover to people in the UK, if they fall ill and they do not have insurance on their own, you are taking it down in probability all the time, and therefore the numbers are not expected to be very large.

For example, a swing in pharmaceutical costs may dwarf the size of anything we are talking about here.

Deputy Queripel: Can I just ask a quick question about social housing policy?

At the moment, you have an earnings threshold in place, in regard to your tenants in social housing.

That has been described as being a crude and inflexible method. Are you reviewing that policy? You can get a point where people are earning just a few pounds above the threshold and their tenancy seems to be under threat. Or some elderly people have been prudent, responsible, and saved for their old age and suddenly find that perhaps those earnings might be a threat to their tenancy.

Are you reviewing that policy at all, to make it more nuanced, or is there a way of doing that?

***Deputy Le Clerc*:** We are looking at all of our tenancy agreements at the moment and we are looking at capital thresholds. I think that is what you are touching upon. I will say that we have put a stop to retired people, actually if they receive a windfall, being asked to leave their accommodation. We are looking at that at the present time, but we are reviewing all of the tenancy agreements.

I think SWBIC will play part of that, because of capital thresholds. So, yes, it is part of our ongoing work.

You will appreciate that taking in that housing part of the mandate has been a considerable learning curve for us.

The Chairman: I have just had a thought on that. It would be good to get your feedback on how that has progressed, since May, with the new structure of Government and obviously your Committee now has certain new responsibilities that it did not in the old States: social housing policy, minimum wage, legal aid, for example.

How have things been going, as it were?

***Deputy Le Clerc*:** Well, we have been very, very busy. I think Deputy Langlois was saying every once he meets at Environment, we have had three meetings of Employment & Social Security, because it is now a very, very big mandate.

I think, as we understand our mandate more, we are actually seeing how joined up everything can be in the future. Again, that is another key part of having housing moving down from Frossard House down to Wheadon House, to reduce a need for people duplicating, telling us what their income is.

Getting back to your original question, yes, it is part of looking at the tenancy agreements. We are still working on that.

Did you want to add to that?

***Deputy Langlois*:** The blend is going to take some time. Obviously, it is so beneficial to have Housing as part of Employment & Social Security. It is something we are very keen to get really good.

The Chairman: Okay. Well, I think we can bring proceedings to a close.

In closing, I would like to thank our witnesses for attending today and for your answers. Thank you very much, it is much appreciated.

One final thing I can say is that I can announce that our next major review, to be led by the Vice-President of the Scrutiny Management Committee, Deputy Peter Roffey, will be on the subject of in-work poverty, which will clearly involve a Call for Evidence from relevant bodies so, clearly, we will be asking for input on the Employment & Social Security Committee as a Committee with a key mandate in this area.

That will be the next major review, on the subject of in-work poverty.

Thank you very much.

***Deputy Le Clerc*:** Thank you.

The Committee adjourned at 11.48 a.m