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 August 2020

Dear Sir

**Letter of Comment – Committee for Employment & Social Security, Committee for Health & Social Care, Committee for Education, Sport & Culture – P.2020/126  
Building a Better Future: Children’s Health and Education**

In October 2015, the States agreed that:

*“after consultation with other relevant committees of the States, the Committee for Employment & Social Security shall report to the States by no later than October, 2017 setting out their opinion on whether the universal payment of family allowances should be altered, reduced or ceased and the costs thereof redirected to allow the States to provide additional financial support for some or all of the following children’s services:*

- *medical and paramedical, including but not limited to primary care, dental, optical and physiotherapy provided either by States-employed clinicians or contracted private practitioners; and*
- *breakfast clubs, after school homework clubs, school meals and holiday clubs at States’ schools.”*

As a general principle, the States should make decisions following consideration of a full and objective evidence-based analysis of options, including their alignment to agreed policy aims.

However, this policy letter does not detail the purpose and benefits of the current system of family allowance which provides a universal benefit neither does it consider whether such a system should be retained or whether government’s aims would be better achieved by replacing it, in full or in part, by a system of targeted benefits. Proposition 6b requests the States “to reaffirm the importance of Family Allowance” but there is no supporting evidence or analysis to support this recommendation.

Instead, it appears that the Committees concerned have identified a number of initiatives which they consider to be high priority and then calculated the necessary adjustment to the family allowance system in order to fund these initiatives. There has not been public consultation on the proposals.

Whilst the measures proposed undoubtedly have merit and will be popular, the policy letter does not define the overall policy objectives that are being pursued and what the desired outcomes and benefits are. In addition, there is no detail of alternative measures considered within the broad sphere of children's services and their benefits. Therefore, it will not be possible to measure whether these changes, if approved, achieve desired outcomes and deliver net overall benefits or whether there are other services which would deliver better comparative outcomes.

The Policy & Resources Committee supports the general principle of replacing universal benefits with targeted benefits but questions whether using only the blunt instruments of an income ceiling and an age cut-off are the correct way to target benefits. For example, reducing the cost of primary care appointments and Emergency Department visits would not benefit those in relative poverty who are in receipt of income support as these services are already funded as part of the income support benefit package. The policy letter does not include an assessment of the net overall impact of the proposals on a range of household incomes.

Furthermore, Members are particularly concerned about the potential impact on families which include young people aged between 18 and 19 years old who are in full-time education and living in a low income household. The removal of the family allowance from the household income could jeopardise those individuals' continuation in full-time education.

The proposed limit of gross household income of £120,000 is different to both the £150,000 limit applied for access to pre-school education and the £100,000 threshold at which the withdrawal of personal income tax allowances commences.

Understandably, there are a number of financial risks associated with the proposal and it has been necessary for a number of assumptions to be made when modelling the cost including the price-sensitivity of demand for medical and dental appointments and the stance taken by private practitioners in respect of setting charges. Unless the £25 cost for a primary care appointment or Emergency Department visit rises, the subsidy payable by the States of Guernsey will rise in real-terms in future years and this will be accelerated if fees charged by surgeries increase by in excess of inflation. The inevitable consequence of this would be a commensurate reduction in funding available for other services.

Finally, if the Propositions included in the policy letter are approved, they will also result in those individuals / households who become ineligible to receive family allowance also becoming ineligible for various tax benefits which are linked to the receipt of family allowance, including the ability of unmarried couples to transfer allowances or for single parents to receive charge of child allowance. Furthermore, receipt of family allowance also entitles a parent to receive a social insurance contribution credit if they do not work, until their youngest child reaches 16 years of age. Therefore, appropriate Propositions would be

included in the 2021 Budget Report to enable States Members to decide whether to eliminate these consequential effects.

**In conclusion, the Policy & Resources Committee has not been able to form an evidence-based view as to whether the proposals achieve government objectives.**

Yours sincerely

A handwritten signature in black ink, appearing to read "Lyndon Trott". The signature is written in a cursive, slightly slanted style.

Lyndon Trott  
Vice-President, Policy & Resources Committee