

**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**STATES' TRADING SUPERVISORY BOARD**

**STATES' TRADING SUPERVISORY BOARD – SUCCESSION PLANNING**

The States are asked to decide:-

Whether, after consideration of the policy letter 'States' Trading Supervisory Board – Succession Planning' dated 4 February, 2021, they are of the opinion:-

1. To agree that the Rules of Procedure of the States of Deliberation and Their Committees should be amended with immediate effect as follows –

(a) for Rule 37.(2), substitute:

“37.(2) The term of office for members of the States' Trading Supervisory Board, who are not sitting members of the States, shall expire on a date (or if more than one member, dates) to be determined by the States' Trading Supervisory Board provided that:

(i) if two such members are appointed, one of those member's term of office (as determined by the States' Trading Supervisory Board), will expire at least one year before the end of a new States' term and the other member's term of office (as determined by the States' Trading Supervisory Board) will expire no later than one year after the start of a new States' term and

(ii) if only one such member of the States' Trading Supervisory Board is appointed, their term of office will expire no later than one year after the start of a new States' term.”

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

**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**STATES' TRADING SUPERVISORY BOARD**

STATES' TRADING SUPERVISORY BOARD – SUCCESSION PLANNING

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

4<sup>th</sup> February, 2021

Dear Sir

**1 Executive Summary**

- 1.1 The purpose of this policy letter is to make recommendations to the States regarding both the immediate and long-term succession planning arrangements for the States' Trading Supervisory Board (STSB), specifically in relation to the Non-States Members of the Board.
- 1.2 The States have previously agreed to extend the terms of office for the STSB's two Non-States Members for a period of 6 months after the 2020 General Election. The STSB is under direction from the States to report back with proposals to either retain or replace one or both of its Non-States Members before the end of that period. It is also under direction to report back with longer-term succession planning proposals for the Board.
- 1.3 This policy letter is intended to address the above requirements. The proposals outlined below are intended to ensure a degree of continuity for the STSB, specifically in relation to its responsibilities to act as if it were a Board of Directors for the States' unincorporated trading concerns and commercial interests, thereby helping to assure their effective and efficient management, operation and maintenance.

**2 Background**

- 2.1 The STSB was established as an entirely new Committee of the States in May, 2016.

- 2.2 At the outset of the 2016-2020 political term, the Rules of Procedure of the States of Deliberation and Their Committees (the Rules) provided that the minimum requirements for the membership of the STSB included: a President who shall be a sitting Member of the States; at least one other sitting Member of the States; and, at least two other Members who shall not be sitting Members of the States.
- 2.3 The specific inclusion of Non-States Members in the membership requirements had been predicated on the need to ensure that the STSB was able to recruit the appropriate skills and experience required to fulfil its responsibilities for the States' trading businesses.
- 2.4 In 2015, the States' Review Committee's (SRC) second policy letter on the Organisation of States' Affairs<sup>1</sup> drew a distinction between the role of the STSB in respect of the incorporated and unincorporated trading businesses. The former are made up of Guernsey Electricity, Guernsey Post, the Aurigny Group and Jamesco 750 Limited and, in their case, the STSB's role is to act as shareholder. The latter include Guernsey Dairy, Guernsey Water, States Works, Guernsey Waste and Guernsey Ports, and the SRC's policy letter clearly envisaged that the STSB's role here would be to act as if it was the Board of Directors. This is how the STSB has approached its work.
- 2.5 As such, it was anticipated that those Members of the STSB who were not States Members would have skills in connection with corporate governance, board and shareholder responsibilities, risk management, operational efficiency and performance review and have a commercial, legal and/or financial background. In contrast to the Non-States Members appointed to the Principal Committees, the Non-States Members of the STSB are voting Members of the Board.
- 2.6 Following consideration of a policy letter from the Policy & Resources Committee (P&RC) in September, 2016<sup>2</sup> the States subsequently agreed that the number of Non-States Members included in the composition of the STSB should be two. This decision was based on a recommendation from the P&RC following a review of the correct skills mix that would be required of the political and non-political STSB Members.
- 2.7 The States also agreed to appoint Mr Stuart Falla MBE and Mr John Hollis to the Non-States Member positions. At that time Mr Falla and Mr Hollis completed the membership of the STSB alongside the two States Members.

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<sup>1</sup> Billet d'État XII of 2015 – States' Review Committee – The Organisation of States Affairs – Second Policy Letter

<sup>2</sup> Billet d'État XXIII of 2016 – Policy & Resources Committee – Constitution and Membership of the States' Trading Supervisory Board

- 2.8 Subsequently, the membership of the STSB was amended following the States consideration of a requête in July, 2018<sup>3</sup>, which resulted in an amendment to the Rules to increase the number of States Members to two in addition to the President, as well as having up to two Non-States Members.
- 2.9 As a result of the above decisions, the composition of the STSB is currently three States Members and two Non-States Members.
- 2.10 At their meeting of 26 February, 2020, the States considered a joint policy letter from the STSB and the P&RC<sup>4</sup> which concerned the succession planning arrangements for the STSB over the 2020 election period and at the start of each new political term. In doing so, the States agreed<sup>5</sup>, inter alia, to extend the terms of office of the Non-States Members for a short period beyond the end of the 2016-2020 political term. The background to and rationale for the proposals set out in that policy letter are summarised below.

### **3 STSB and P&RC – Joint Policy Letter on STSB Succession Planning - 2020**

- 3.1 The 2020 policy letter noted that, since its inception, the STSB had kept under regular review and development the arrangements around its governance to ensure that it could fulfil its mandate effectively and meet the expectations which were set out in the former SRC's policy letters on the organisation of the States' affairs.
- 3.2 Taking account of the above, it also noted that a particular focus of the STSB had been on ensuring that effective succession planning arrangements were in place for its businesses, both incorporated and unincorporated, at board and management level. Good succession planning is recognised widely in corporate governance codes as a key contributor to the long-term success of businesses: helping to maintain a degree of continuity that ensures the effective ongoing operation of the business and the delivery of its strategy.
- 3.3 The STSB has worked with the incorporated businesses to ensure that succession planning arrangements have been put in place for their respective Boards of Directors. However, in the case of the unincorporated businesses where the STSB itself acts as the Board of Directors, the political cycle means that it is unable to provide similar succession planning arrangements. The policy letter acknowledged that, in a good corporate environment, it would be almost unimaginable that a business would consciously allow its entire Board of Directors to step down simultaneously, as this scenario would present significant

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<sup>3</sup> Billet d'État XIX of 2018 – Requête – Amendment to the Constitution of the States' Trading Supervisory Board

<sup>4</sup> Billet d'État V of 2020 – Policy & Resources Committee and States' Trading Supervisory Board – States' Trading Supervisory Board – Succession Planning

<sup>5</sup> Resolution 1 of Article VIII of Billet d'État V of 2020

risks to its operation.

- 3.4 The policy letter noted that, on this basis, the STSB and the P&RC had reviewed the potential opportunities available to mitigate the risks set out above in respect of the unincorporated businesses. Whilst it was acknowledged that it would be unavoidable that the terms of office of the States Members of the STSB would end with the political term, it was considered that this need not be the case for the Non-States Members.
- 3.5 With this in mind, the States accepted the STSB and the P&RC's proposed change to the Rules to extend the terms of office of the STSB's Non-States Members for a short period beyond the end of the 2016-2020 political term in order to enable the following:
- A degree of continuity to be maintained as the States moved from one political term to the next and the STSB awaited the election of its States Members;
  - An opportunity for the newly elected States Members of the STSB to then review the Board's required skills mix and determine whether the existing Non-States Members helped to fulfil that or whether the time was right to refresh that part of its membership with new Non-States Members; and,
  - In the event that new Non-States Members were deemed to be required, time to undertake a transparent and public recruitment process for these positions (noting that the existing Non-States Members were appointed after such a process).
- 3.6 In agreeing to extend the terms of office for the Non-States Members, the States initially directed<sup>6</sup> the "new" STSB to report back no later than the meeting on 16 December, 2020, with its proposals to either retain or replace one or both of its Non-States Members. The Rules were subsequently amended accordingly.
- 3.7 However, the above decision was made prior to the onset of the COVID-19 pandemic and the resultant changes to the 2020 General Election timeframe. As a result of the delay to the General Election from June to October, the States agreed a consequential amendment<sup>7</sup> to the Rules to extend the terms of office of the STSB's Non-States Members to a date no later than six months following the end of a States' term, thereby allowing the Board additional time to make

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<sup>6</sup> Resolution 2 of Article VIII of Billet d'Etat V of 2020

<sup>7</sup> Billet d'Etat XVIII of 2020 – States Assembly & Constitution Committee – Dates of States Meetings and Minor Amendments to the Rules of Procedure of the States of Deliberation and their Committees

recommendations to the States regarding the retention and/or replacement of its existing Non-States Members.

- 3.8 Having considered the joint policy letter from the STSB and the P&RC, the States also resolved<sup>8</sup> to direct the STSB to report back to the States no later than the States meeting on 26<sup>th</sup> May, 2021, with its longer term succession planning proposals for the STSB. The policy letter envisaged that these could include consideration of a limit on the number of terms served by an individual Non-States Member (as is the practice for the Non-Executive Directors of the incorporated businesses) and/or varying the periods of office to stagger the appointment cycle, thereby reducing the possibility that all Members of the Board would be required to stand down in close succession in the future.

#### **4 Proposals**

- 4.1 The proposals outlined below are intended to address both the STSB's requirement to return to the States regarding its recommendations for the retention/replacement of its existing Non-States Members and in relation to the longer term succession planning arrangements for the Board.
- 4.2 As indicated in Section 3 above, the 2020 policy letter clearly envisaged that the longer term succession planning arrangements for the STSB would include a limit on the number of terms which could be served by an individual Non-States Member and a variation to the periods of office to allow for a staggered appointment cycle, which would prevent future scenarios whereby all Members of the Board would be required to stand down simultaneously or in short succession. This approach would also broadly align to the arrangements already in place for the Non-Executive Directors of the incorporated businesses.
- 4.3 With this in mind, the STSB is proposing a change to the Rules to allow for the appointment of its Non-States Members on a staggered basis, with the rotation points to be: for one of the Non-States Members, one year after the beginning of a States' term; and, for the other, no later than one year before the end of a States' term.
- 4.4 The STSB has considered whether a limit should be placed on the number of terms for which its Non-States Members can serve, noting that such limits help to ensure that membership of a Board of Directors is regularly refreshed with the right skills and experience. It has concluded that its policy should be for Non-States Members to be appointed for the equivalent of a single term, but which may be extended to a maximum of two full terms. As any reappointment for an additional term can only be made upon the recommendation of the President of the STSB and would always remain subject to the approval of the States, the STSB

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<sup>8</sup> Resolution 3 of Article VIII of Billet d'Etat V of 2020

does not believe it is necessary to make provision for a term-limit within the Rules.

- 4.5 With regard to the STSB's existing Non-States Members, having reviewed the current skills mix required by the Board and considered their involvement in ongoing key work streams, the STSB will be recommending the retention of both Mr Hollis and Mr Falla at this juncture. It is noted that Mr Hollis and Mr Falla have confirmed that they are willing to continue as Members of the STSB. Their current terms of office expire on 15 April, 2021.
- 4.6 In the event that the above-mentioned arrangements are approved, the STSB will undertake a recruitment exercise for the replacement of Mr Hollis no later than October, 2021, this being the first rotation point following the 2020 General Election. A further recruitment process would then be undertaken for the replacement of Mr Falla in time for the next rotation point of June, 2024.
- 4.7 It is stressed that, should a change to the Rules as set out above be agreed, the ultimate authority to approve or reject proposals regarding Non-States Members appointments would remain with the States Assembly, upon a recommendation from the President of the STSB.
- 4.8 In anticipation of the above arrangements being approved by the States, a request has been made to the Presiding Officer for Propositions to be published for the reappointment of Mr Hollis and Mr Falla in accordance with the usual process for appointments to Committees and Boards as set out in the Rules. The STSB will also be asking the Presiding Officer to seek approval from the States to amend the running order of the States meeting at which these matters are considered to allow for the policy letter to be debated ahead of those elections. It is intended that this approach will allow the States the opportunity to first consider the basis on which the elections are being made.
- 4.9 It is noted that, although Mr Hollis and Mr Falla were engaged in the decision-making process with regard to the long term succession planning arrangements for the STSB, they were not party to the deliberations regarding the extension to their own terms of office. On this basis, they have been included as signatories to this policy letter.

## **5 Change to Rules of Procedure**

- 5.1 To facilitate the future appointment of Non-States Members to the STSB on a staggered basis, with the rotation points to be: for one of the Non-States Members, one year after the beginning of a States' term; and, for the other, no later than one year before the end of a States' term, it is proposed to amend existing Rule 37.(2) so that it reads as indicated below:

*“37.(2) The term of office for members of the States’ Trading Supervisory Board, who are not sitting members of the States shall expire on a date (or if more than one member, dates) to be determined by the States’ Trading Supervisory Board provided that:*

*(i) if two such members are appointed, one of those member’s term of office (as determined by the States’ Trading Supervisory Board), will expire at least one year before the end of a new States’ term and the other member’s term of office (as determined by the States’ Trading Supervisory Board) will expire no later than one year after the start of a new States’ term and;*

*(ii) if only one such member of the States’ Trading Supervisory Board is appointed, their term of office will expire no later than one year after the start of a new States’ term.”*

- 5.2 The proviso set out above within the proposed revision to the Rules reflects the fact that the constitution of the STSB allows for the appointment of “...up to” two Non-States Members.

## **6 Compliance with Rule 4**

- 6.1 Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, motions laid before the States.
- 6.2 In accordance with Rule 4(1), the Propositions have been submitted to Her Majesty’s Procureur for advice on any legal or constitutional implications.
- 6.3 In accordance with Rule 4(4) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the propositions above have the unanimous support of the Board.
- 6.4 In accordance with Rule 4(5), the Propositions relate to the duties of the STSB to assure the efficient management, operation and maintenance of any States’ unincorporated trading concerns and commercial interests which the States has resolved to include in the mandate of the Board.
- 6.5 In accordance with Rule 4(5), the Board has liaised with the States’ Assembly & Constitution Committee regarding the proposed amendment to the Rules.

Yours faithfully

P J Roffey  
President

C N K Parkinson



Vice-President

N G Moakes  
Member

S J Falla MBE  
Non-States Member

J C Hollis  
Non-States Member

**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**STATES' TRADING SUPERVISORY BOARD**

POLICY LETTER – STATES' TRADING SUPERVISORY BOARD – SUCCESSION PLANNING

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

4<sup>th</sup> February, 2021

Dear Sir,

**Preferred date for consideration by the States of Deliberation**

In accordance with Rule 4(2) of the Rules of Procedure of the States of Deliberation and their Committees, the States' Trading Supervisory Board (STSB) requests that the policy letter entitled 'States' Trading Supervisory Board – Succession Planning' be considered at the States' meeting to be held on 24 March, 2021.

This policy letter includes proposals regarding the immediate succession planning arrangements for the Non-States Members of the STSB. As such, this request is made in accordance with Rule 37.(2) of the Rules of Procedure of the States of Deliberation and their Committees which provides that:

*"The term of office for members of the States' Trading Supervisory Board, who are not sitting members of the States shall expire no later than six months after the end of a States' term occurs".*

On the basis of the above and taking account of the schedule of 'Submission Deadlines for 2020 – 2024 States Meetings', the meeting planned for 24<sup>th</sup> March is the last meeting at which the proposals related to the re-appointment of the STSB's Non-States Members may be considered by the States Assembly prior to the cessation of their existing terms of office.

In putting forward this request, I should like to draw your attention to paragraph 4.8 of the policy letter, which notes that the Board will also be asking the Presiding Officer to ask the States to agree to a change in the usual running order for the States' meeting on 24<sup>th</sup> March to enable this policy letter to be considered prior to the States then considering the propositions for the re-election of Mr Falla and Mr Hollis as Non-States Members of the Board.

Yours faithfully,

**Deputy Peter Roffey**

President

**Deputy Charles Parkinson**

Vice President

**Deputy Nick Moakes**

Member

**Stuart Falla MBE**

**John Hollis**

Non-States Members