



BILLET D'ÉTAT

III
2001

WEDNESDAY, 28th FEBRUARY, 2001

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BILLET D'ÉTAT

TO THE MEMBERS OF THE STATES OF THE ISLAND OF GUERNSEY

I have the honour to inform you that a Meeting of the States of Deliberation will be held at **THE ROYAL COURT HOUSE**, on **WEDNESDAY**, the **28th FEBRUARY 2001**, immediately after the meeting already convened for that day.

PROJET DE LOI

ENTITLED

**THE IMPÔTS (TEMPORARY INCREASE OF RATES) (GUERNSEY)
(AMENDMENT) LAW, 2001**

The States are asked to decide:—

I.—Whether they are of opinion to approve the Projet de Loi entitled “The Impôts (Temporary Increase of Rates) (Guernsey) (Amendment) Law, 2001”, and to authorise the Bailiff to present a most humble Petition to Her Majesty in Council praying for Her Royal Sanction thereto.

PROJET DE LOI

ENTITLED

**THE TRANSFER OF STATES UNDERTAKINGS (PROTECTION OF EMPLOYMENT)
(GUERNSEY) LAW, 2001**

The States are asked to decide:—

II.—Whether they are of opinion to approve the Projet de Loi entitled “The Transfer of States Undertakings (Protection of Employment) (Guernsey) Law, 2001”, and to authorise the Bailiff to present a most humble Petition to Her Majesty in Council praying for Her Royal Sanction thereto.

**THE ELECTRONIC TRANSACTIONS (GUERNSEY) LAW, 2000 (COMMENCEMENT)
ORDINANCE, 2001**

The States are asked to decide:—

III.—Whether they are of opinion to approve the draft Ordinance entitled “The Electronic Transactions (Guernsey) Law, 2000 (Commencement) Ordinance, 2001”, and to direct that the same shall have effect as an Ordinance of the States.

STATES ECCLESIASTICAL COMMITTEE

NEW MEMBER

The States are asked:—

IV.—To elect a member of the States Ecclesiastical Committee, who need not be a member of the States, to complete the unexpired portion of the term of office of the late Jurat J. R. R. Henry, namely, to the 31st May, 2003.

STATES ADVISORY AND FINANCE COMMITTEE**THE ANSBACHER GROUP**

The President,
States of Guernsey,
Royal Court House,
St. Peter Port,
Guernsey.

25th January, 2001.

Sir,

Ansbacher (Guernsey) Limited (“AGL”), a company incorporated in Guernsey, and Ansbacher (Jersey) Limited (“AJL”), a company incorporated in Jersey, are both subsidiaries of Ansbacher Holdings Limited, a Guernsey incorporated company (the “Ansbacher Group”).

The Ansbacher Group carries on business in the Islands of Guernsey and Jersey, their businesses being banking and financial services and other related activities. AGL holds a banking licence issued under the Banking Supervision (Bailiwick of Guernsey) Law, 1994 and a licence under the Protection of Investors (Bailiwick of Guernsey) Law, 1987. AJL holds a banking licence under the Banking Business (Jersey) Law, 1991. The Ansbacher Group is proposing a reorganisation of its companies within the Channel Islands. It is proposed that AJL will change its name to Ansbacher Private Bank (Channel Islands) Limited (“APBCIL”) and apply to the Guernsey Financial Services Commission for a licence under the Banking Supervision (Bailiwick of Guernsey) Law, 1994 and a licence under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 and open a branch in Guernsey.

AGL then proposes to transfer all of its undertakings to APBCIL to be administered by the branch of APBCIL in the Island of Guernsey. It is also proposed that all employees of AGL should be employed by APBCIL. The Ansbacher Group has been advised that in order to facilitate the transfer of undertakings as required as efficiently as possible and without interference to the conduct and continuity of such undertakings such transfer should be effected by legislation. No realty will be transferred by virtue of the proposed law.

The legislation would provide that all agreements with AGL continue with APBCIL and include all agreements with all clients, counterparties and employees. The Crown Officers have advised that there is no reason in law why the necessary legislation should not be enacted.

The Ansbacher Group has liaised closely with the Guernsey Financial Services Commission with regard to these proposals and the Commission does not raise any objection to the proposals.

All costs, charges and expenses preliminary and incidental to preparing, applying, obtaining and passing the law and in relation thereto shall be borne by Ansbacher Group.

Deputy L.C. Morgan is a non-executive director of Ansbacher Holdings Limited with which he has been involved for many years. He, therefore, withdrew from the Advisory and Finance Committee's meeting when this matter was discussed.

I have the honour to request that you be good enough to lay this matter before the States with appropriate propositions, including one directing the preparation of the necessary legislation.

I am, Sir,
 Your obedient Servant,
 J. E. Langlois,
 Vice President,
 States Advisory and Finance Committee.

The States are asked to decide:—

V.—Whether, after consideration of the Report dated the 25th January, 2001, of the States Advisory and Finance Committee, they are of opinion:—

To direct the preparation of legislation designed:—

- (1) to effect the transfer of all of the undertakings of Ansbacher (Guernsey) Limited to Ansbacher Private Bank (Channel Islands) Limited to be administered by the branch of the said Ansbacher Private Bank (Channel Islands) Limited in the Island of Guernsey, the transfer of which falls to be governed by the laws of Guernsey;
- (2) for the transfer to Ansbacher Private Bank (Channel Islands) Limited of contracts of employment governed by the law of Guernsey of persons employed by Ansbacher (Guernsey) Limited;
- (3) to provide for all agreements with Ansbacher (Guernsey) Limited governed by the law of Guernsey (including agreements with clients, counterparties and employees) to continue with Ansbacher Private Bank (Channel Islands) Limited.
- (4) to provide for other purposes incidental thereto and consequential thereon.

STATES BOARD OF ADMINISTRATION**VALE COMMONS COUNCIL ANNUAL GRANT**

The President,
States of Guernsey,
Royal Court House,
St. Peter Port,
Guernsey.

3rd January, 2001.

Sir,

VALE COMMONS COUNCIL ANNUAL GRANT

Following consideration of a report from the Board of Administration dated 23 September 1988 (Billet d'État XXV November, 1988), the States resolved:

“to authorise the States Board of Administration to pay to the L'Ancrese Commons Council such amounts as the Board considers reasonable but not exceeding £11,000 in 1988 and not exceeding £15,000 during each of the subsequent years for the purpose of assisting the Council to carry out its mandate in relation to the commons, on condition that the Council shall submit to that Board annually a statement showing particulars of its income and expenditure.”

The grant has remained at the level of £15,000 since 1989. The Vale Commons Council's responsibilities in respect of the control and supervision of the Vale Commons is provided under an Ordinance dated 25 June 1932, and includes the application of any funds received to the maintenance and improvements of the Commons and the roads across them.

In July of this year, the Board received representations from the Vale Commons Council requesting an increase in the States' grant which, the Council believes, is inadequate to enable the Council to maintain the commons to an acceptable standard over the next decade. The Board has noted that the Council is in arrears with work which it would wish to carry out, including repairs and construction to the car parks and pedestrian paths, remedial works in respect of erosion, clearance of gorse and mowing of grass. The Council is of the view that it is necessary to engage additional labour in order to address this backlog of work and to support the present employee, who retires in eight year's time.

During its representations to the Board, the Council referred to the failure of the annual grant to maintain pace with inflation and to the increased labour requirements that have resulted from reduced grazing of the Commons. The Council has indicated that it would wish to employ additional labour in order to address outstanding works and to maintain the commons to an acceptable level. The Board is satisfied that an annual grant, to a maximum sum of £30,000, payable to the Vale Commons Council, is justifiable. Not only does this increase of £15,000 address the reduction in funding that the Council has experienced over recent years as a result of the effects of inflation, but the Board also believes that these additional monies will enable the Council to employ additional resources to address many of the outstanding areas of work that have been identified by the Council.

In considering this matter, the Board noted that the Council adopts a policy of a balanced budget and as a consequence projects are prioritised and, when sufficient funds are not available, the lowest priority projects are deferred to future years. It is this practice that has led to erosion of pedestrian paths, invasion of gorse and reduced grass management. In addition, the Council has identified areas of capital expenditure necessary in the next five to eight years in the order of £75,000.

As a consequence of the above, the Board recommends that the States authorise it to pay to the Vale Commons Council an annual grant, for the year 2001, to a maximum of £30,000. The Board also recommends the States to authorise it to increase the grant for the year 2002 and in subsequent years by an amount not exceeding the increase in the Guernsey Retail Prices Index and after taking account of any increase in the Board's budget.

Whilst the Board is of the view that such an additional grant should prove sufficient to meet the routine maintenance work in respect of the Commons, there is likely to remain a need for additional funding in respect of significant capital projects and the Board therefore recommends the States to authorise the Board (subject to the approval of the Advisory and Finance Committee) to provide additional funding to the Council in respect of specific projects.

Should the States agree to these recommendations, then the Board believes it would be appropriate for the Council to submit, to the Board, an annual budget of anticipated expenditure against which any request for additional funding can be considered in consultation with the Advisory and Finance Committee.

Recommendations

The Board recommends the States:

1. to authorise the States Board of Administration to pay to the Vale Commons Council such amounts as that Board considers reasonable but not exceeding £30,000 during the year 2001 and not exceeding £30,000 adjusted in line with the Guernsey Retail Price Index during each of the subsequent years, for the purpose of assisting the Council to carry out its mandate in relation to the commons, on condition that the Council shall submit to the Board annually a statement showing particulars of its income and expenditure;
2. to authorise the States Board of Administration, in consultation with the Advisory and Finance Committee, to pay to the Vale Commons Council such additional amounts as that Board considers necessary in respect of significant capital projects on condition that the Council shall submit to the Board an annual budget of anticipated expenditure upon which future increases would be considered;

I have the honour to request that you will be good enough to lay this matter before the States with appropriate propositions.

I am, Sir,
 Your obedient Servant,
 R. C. BERRY,
 President,
 States Board of Administration.

[N.B. The States Advisory and Finance Committee supports the proposals.]

The States are asked to decide:—

VI.— Whether, after consideration of the Report dated the 3rd January, 2001, of the States Board of Administration, they are of opinion:—

1. To authorise the States Board of Administration to pay to the Vale Commons Council such amounts as that Board considers reasonable but not exceeding £30,000 during the year 2001 and not exceeding £30,000 adjusted in line with the Guernsey Retail Price Index during each of the subsequent years, for the purpose of assisting that Council to carry out its mandate in relation to the commons, on condition that that Council shall submit to that Board annually a statement showing particulars of its income and expenditure.
2. To authorise the States Board of Administration, in consultation with the States Advisory and Finance Committee, to pay to the Vale Commons Council such additional amounts as that Board considers necessary in respect of significant capital projects on condition that that Council shall submit to that Board an annual budget of anticipated expenditure upon which future increases would be considered.

GUERNSEY SOCIAL SECURITY AUTHORITY**LONG-TERM CARE INSURANCE SCHEME FOR GUERNSEY AND ALDERNEY**

The President,
States of Guernsey,
Royal Court House,
St. Peter Port,
Guernsey.

26th January, 2001.

Sir,

Long-Term Care Insurance Scheme for Guernsey and Alderney

Executive Summary

1. In November 1999 (Billet d'État XIX of 1999), the States approved in-principle the Social Security Authority's recommendation that it should develop an insurance scheme as the preferred approach to funding long-term care in Guernsey and Alderney. This would replace the several current means-tested systems, which are considered most unsatisfactory. A change to an insurance based solution had been the recommendation of an inter-departmental working party, made up of chief and senior officers of the Authority, Board of Health, Housing Authority and Advisory and Finance Committee. The findings of the working party, in the form of a consultation document, were published by the Social Security Authority in 1998. The concept of an insurance scheme for funding long-term care received strong support from the public.
2. Following the in-principle approval by the States, the working party has continued to meet to address the questions which are raised in this fundamental change in the method of funding long-term care. Particular attention has been given to how to control demand and cost, and how to ensure provision and quality, in the immediate and longer term future, especially bearing in mind that the elderly will comprise an increasing proportion of the population.
3. To achieve a cohesive policy for long-term care in Guernsey and Alderney, there should be a set of objectives shared by the various committees involved. In brief, these are to gauge the care needs of the population; to pool the financial risk of needing care; to ensure the provision of a range of services of acceptable standard; to make the funding system fair and affordable and to maintain flexibility for changes which will be inevitable in a scheme expected to be in place for many years. The committees should also share a philosophy of how care needs should be met. The aim should be for people to stay in their own homes as long as possible.
4. The development of an insurance scheme involves making financial projections well into the future, with the help of the Government Actuary's Department. This is particularly difficult when considering what might happen with long-term care, with variable factors ranging from the number of older people, health expectancy, the availability of informal carers,

medical advances and the expectations of service users. There is some confidence in the financial projections for the next 10 to 15 years, but thereafter the future is increasingly unknowable.

5. Given this degree of uncertainty, it is important that an effective framework of control is put in place. The Authority believes that the following mechanisms will provide such a framework:
 - a minimum data set – a structured and objective system of continuous assessment of individuals in residential or nursing care;
 - a Needs Assessment Panel – a panel of experts responsible for professional assessments of care needs, usually prior to admission to long-term care;
 - a Population Needs Analysis – a measure of current demand, and potential future demand, for long-term care services;
 - Board of Health standards legislation – ensuring that public funds are spent on care of an acceptable quality; and
 - Approved Providers – Regulations of the Authority requiring home operators to fulfil certain conditions in order for their residents or patients to be eligible to receive long-term care benefit.

6. To guard against the creation of a perverse incentive to go into institutional care, it is important to ensure that the Board of Health's community care services are maintained at a satisfactory level. A current shortfall has been identified and plans have been made to enhance a wide range of services. Included in this report are estimates of revenue and capital requirements, and staffing numbers, necessary in order for the Board of Health to provide increased, targeted community services. This is with a view to enabling people to remain in their own homes as long as possible and, in the longer term, to support the increasing numbers of elderly people.

7. The Authority has noted developments in sheltered housing provision since the 1999 report to the States. Both the Housing Authority and independent providers are now coming forward with proposals for new sheltered housing projects. This will go some way towards meeting what has been widely accepted as a shortfall in this type of accommodation. The Authority does not, however, recommend including a benefit for those in sheltered housing in its insurance scheme proposals.

8. The Authority's proposed long-term care insurance scheme is substantially the same as that outlined in the 1999 report to the States:
 - the scheme would be broadly similar to the specialist health insurance scheme, with compulsory contributions payable by the employed, self-employed and non-employed, including people over 65;
 - employers would not be required to contribute;
 - in addition to contribution income, the financing of the scheme would include a general revenue grant equal to 12% of contribution income;

- benefit from the scheme would be payable to people accommodated in private sector residential and nursing homes;
 - eligibility for the benefit would be based on a residency test, being a minimum of five years' residence in Guernsey or Alderney at any time and a minimum of twelve months residency immediately before benefit becomes payable;
 - eligibility for the benefit would also depend on an assessment of care needs;
 - a standard co-payment, £105 per week at 2000 rates, would be payable by all residents and patients in private or public sector long-term residential or nursing care;
 - those unable to meet the co-payment and keep an additional specified amount as their personal allowance would be able to claim supplementary benefit, whether in private or public sector accommodation;
 - beyond the co-payment by the individual, the balance of the cost of providing a bed in the States-run residential and nursing homes would be met from general revenue;
 - beyond the co-payment by the individual, a long-term care benefit of up to £260 per week, at 2000 rates, would be payable to residents in private sector residential homes and up to £470 per week in private sector nursing homes;
 - The contribution rate for the scheme would be 1.4% of earnings or income, subject to lower and upper limits. In 2000 rates, the maximum contribution would be just under £7.00 per week and would be paid by people with earnings or income of around £26,000 or more per year.
 - The contribution rate of 1.4%, arrived at through consultation with the Government Actuary's Department, is estimated to be sufficient to remain at that percentage rate for 15 years. But, as with the specialist health insurance scheme, contributions for long-term care insurance would increase annually for some people through annual increases in the upper earnings and income limits.
9. The proposals also allow for more than the above two benefit rates to be introduced in the future. This is in anticipation of the introduction of the sophisticated 'minimum data set' system, which would enable benefit rates to be set according to a sliding scale of dependency. This would be of particular assistance to some of the residential homes that cope with residents of quite high levels of dependency.
 10. The Authority believes there is an implicit commitment with the introduction of the insurance scheme that people should not be forced to sell the family home to pay for long-term residential or nursing care. It therefore proposes that the Supplementary Benefit legislation should be amended to allow the value of the former residence to be ignored when completing the means tested assessment for assistance towards the standard co-payment.
 11. The existing standard charges formula for Board of Health, Housing Authority and States of Alderney long-term nursing and residential or nursing care beds would be replaced by a single, standard co-payment at the same level as would apply, under the long-term care insurance scheme, to people in private sector homes.

12. The Authority considers it important to clarify that it is proposing a scheme of insurance that pays financial benefit to people in long-term care in order to pay the substantial part of their fees. The introduction of the scheme would not place a statutory obligation on the Authority, nor the States as a whole, to provide any particular number of beds. Clearly, the States, largely through the Board of Health, will take a view as the future unfolds on whether the Islands are adequately served by public and private sector provision, and respond accordingly, but contributions paid to the long-term care insurance scheme should not give grounds for compensation in the event of a bed not being available. While the scheme will be financed from contributions and a States Grant, eligibility will be residence based and many people who receive benefit will have paid minimal contributions to the scheme, and perhaps no contributions at all.

Long-term Care Insurance Scheme for Guernsey and Alderney

Introduction to full report

13. This report contains detailed proposals for a compulsory long-term care insurance scheme for residential and nursing home charges in Guernsey and Alderney. It follows a report by the Authority, dated 22 October 1999 (Billet d'État XIX of 1999), which was considered by the States at its meeting of 24 November 1999. The States resolved:

'to approve in principle:

- (a) that development of the means-tested supplementary benefit based model as the approach to assessment of fees for long-term care be discontinued;*
- (b) that the preferred approach to funding long-term care should be an insurance-based scheme.'*

(Resolution XVI, Billet D'État XIX 1999)

14. In 1998, the Authority published a consultation document *'The Funding of Long-Term Care and Associated Services'*, which documented the findings and recommendations of an inter-departmental working party made up of senior officers from the Social Security Authority, Board of Health, Housing Authority and Advisory and Finance Committee. This was a comprehensive document covering the full range of provision, service and funding issues surrounding long-term care in Guernsey and Alderney. The key recommendation in the consultation document was that the current amalgam of means-tested assistance schemes for assessing people's ability to pay long-term care fees should be replaced with a compulsory insurance scheme on the lines of the specialist health insurance scheme. This proposal received a very favourable reaction from the public, for whom the prospect of paying nursing home fees of £25,000 to £30,000 per year is very worrying.
15. The Authority is aware that problems highlighted in the 1998 consultation document continue to impact on people's lives and continue to cause concern for the States committees involved in the provision and funding of long-term care. These include, in particular, the blocking of hospital beds by patients who cannot be moved into private sector beds, sometimes because the private sector is unwilling to provide a bed at the rates that the States are prepared to pay through supplementary benefit. At other times, patients, or their families,

are resistant to moving from a hospital bed to a private sector home in the knowledge that once they do so the value of the vacated family home will be taken into account in the supplementary benefit assessment, whereas it is excluded from consideration in assessing the hospital fee. There also continues to be a problem of increasing dependency of people in residential homes who, for reasons including availability of beds and the funding issues, sometimes cannot be moved on into more appropriate nursing care. There certainly continues to be the problem of the unfairness caused by the inconsistencies of the various means tests for financial assistance from the States. The cost of long-term care continues to be devastating for some individuals and their families.

16. In the last three months, officers of the Authority have visited private sector residential and nursing homes in Guernsey and Alderney, have viewed the services provided and have interviewed the home owners or managers. This has given an up-to-date insight into the concerns of this sector and has confirmed the Authority's view that the introduction of a compulsory insurance scheme for long-term care is the correct way forward. Given the established policy of the States that it should not increase its provision of public sector residential and nursing care beds, it follows that the private sector will be relied on to provide essential services. The private sector, therefore, should be assured of the necessary financial support, through realistic benefit levels paid to patients and residents, to enable it to provide services of sufficient quantity and quality in the years ahead.

Contents of this report

17. This report begins with a look at the context in which the Authority's proposals should be considered and summarises the objectives for the provision and funding of long-term care in Guernsey and Alderney. The report then gives a brief synopsis of the reasoning, contained within the 1999 report to the States, which led to the recommendation in favour of a compulsory long-term care insurance scheme to be administered by the Social Security Authority. The report describes the concerns of the other committees involved in the research and development undertaken by the inter-departmental long-term care working party, as well as those concerns raised by States members in the course of debate on the report. It details the outcome of further deliberations of the working party and explains how those concerns are being addressed. In particular, measures have been identified that give the Authority confidence that it will be possible to measure and control demand, ensure provision, assure quality and control cost, all of which are vital elements of a manageable scheme. This is crucial, as the nature of long-term care will undoubtedly continue to evolve, and may change considerably, in the future. Finally, this report details in full the Authority's proposals for the insurance scheme. The proposed scheme is substantially as outlined in the 1999 report, with the addition of actuarially validated contribution rates.

People who need long-term care

18. This report mainly refers to the elderly in need of long-term care, as this is the group most likely to have long-term care needs. But the proposals also include younger people with physical or learning disabilities and those with long-term care needs because of mental health problems. At present, these groups are largely cared for by Board of Health residential and community services, funded from general revenue, but it is possible that the private sector could expand into this area of provision.

Wider context of the Authority's proposals

19. The Authority recognises that the chosen method of funding long-term care is only part of a very complex picture and that funding mechanisms can profoundly affect people's expectations and behaviour, which in turn can impact on the effectiveness of policy making. This was evidenced in the UK during the 1980s when unrestricted social security funding was available for residential and nursing home care, without an assessment of need, while there was a simultaneous policy of squeezing local authority community care budgets. The, seemingly inevitable, result was that more people went into institutional care and social security expenditure in this area snowballed. Legislation to change the system of funding and access to services was introduced in 1990, but the UK is still dealing with the repercussions of the earlier policy. The Authority acknowledges the need to ensure that its recommended insurance scheme should not distort the way people receive care in Guernsey and Alderney.

Objectives for long-term care in Guernsey and Alderney

20. The Authority considers that the issue of, and solution to, how to fund long-term care should be considered within a framework of strategic objectives for the future of long-term care in Guernsey and Alderney. These objectives can be summarised as follows:
- to identify, and estimate the cost of, the long-term care needs of the people of Guernsey and Alderney for the immediate and foreseeable future and to monitor and re-evaluate those needs continuously;
 - to pool the financial risk attached to long-term care throughout the community;
 - to determine the best means of providing services and to ensure that there is a range of care provision, with an emphasis on choice and maintaining independence, while recognising the need to balance individual preference with the availability of manpower and finance;
 - to ensure that the services provided meet acceptable and measurable quality standards;
 - to ensure access to services and an equitable system of funding, including, if necessary, pump priming initiatives to change the mix in the provision of long-term care between the public and private sectors and between institutional care and care in the community;
 - to ensure that a person's access to public funding is based on an assessment of his or her care needs;
 - to maintain effective control over expenditure on long-term care and to ensure that it is affordable for the individual, the contributor and the taxpayer;
 - to ensure that the funding system is sufficiently flexible in recognition of the uncertainty of the future.

Philosophy for provision

21. Underpinning the objectives is a philosophy of how care needs should be met. The emphasis should be on improvement of a person's condition, not maintenance. There should be effective rehabilitation. The aim should be for people to stay in their own homes as long as possible, with maximum physical and social function and maximum independence and choice within assessed needs.

The spectrum of care

22. Long-term care should, where possible, be provided in the most appropriate setting according to an individual's needs and preferences. This could be in people's own homes in the community. It could be in supported housing, where vulnerable adults are enabled to live more independently with the relevant support. It could be in sheltered housing, usually for older people who seek the security of available support services as their dependency increases. It could be in residential care homes, where accommodation and personal care are provided. It could be in nursing homes, where accommodation, personal care and nursing care are provided. Or it could be in hospitals, providing for people with high dependency or complex care needs. Care services in any of the above settings could be provided by the public or private sector. A person's change in dependency may prompt a move from one setting to another. But the aim should be for stability of accommodation with the care services adapting to meet the individual's changing needs.

Synopsis of the Authority's 1999 report (Billet d'État XIX of 1999)

23. The 1999 report explained that there is a need to develop policies to address the challenges that will result from Guernsey and Alderney's ageing populations. Demographic projections show that the working population will remain fairly static but there will be many more people over retirement age. Broadly speaking, the over 65 population will double over the next forty years, to make up a quarter of the total population. While it is hoped that older people will continue to stay healthy and be able to lead independent lives for as long as possible, the increased number of older people could have implications for the provision and funding of long-term care.
24. The report outlined the funding of long-term care in Guernsey and Alderney. This showed how the systems evolved in a piecemeal fashion into the present anomalous and unfair schemes. The report included explanations of how the various means tests are applied, demonstrating the need for a fundamental revision. The Authority had realised that this should not be confined to looking at the conflicting assessment methods, but should be broadened to consider all aspects relating to the provision of long-term care, now and in the future. A working party had been established, comprising chief and senior officers from the Social Security Authority, Board of Health, Housing Authority and Advisory and Finance Committee.
25. The 1999 report outlined the deliberations of the working party. It had looked at current provision of long-term care in both the public and private sectors. It had then considered whether this level of provision was appropriate for the current population and what the

impact of demographic trends would be. The report described how the working party had developed a means tested funding method based on the supplementary benefit legislation, in accordance with a 1988 States Resolution (Resolution XI, Billet d'État VIII 1988), but had concluded that this was no longer the preferred solution. It had concluded that the potentially devastating cost of long-term care, which often results in the need to realise capital from the former family home, constituted a risk that was best shared throughout the community. The working party had gone on to investigate alternative methods of funding by looking at commercial products and considering developments in other countries. It had come to the conclusion that the creation of a long-term care insurance scheme should be recommended, broadly similar to the specialist health insurance scheme that had been introduced by the Authority in 1996.

26. The 1999 report described how the working party had, in 1998, produced a two-volume consultation document detailing its comprehensive analysis and conclusions. It explained that the feedback from the public had been overwhelmingly in favour of the working party's recommendations.
27. Although the Authority was seeking an in-principle decision from the States, the 1999 report contained an outline of the scheme it favoured, which was almost identical to that recommended by the working party and endorsed by public opinion.
28. The scheme had the following main elements:
 - it would be administered by the Social Security Authority;
 - it would be essentially a 'pay as you go' scheme but with a small element
 - of partial funding to smooth the increases in contribution rates in the future;
 - it would be financed by contribution income and a general revenue grant;
 - contributions would be compulsory and based on the earnings or income of the employed, self-employed and non-employed, including pensioners; there would be no contribution from employers;
 - eligibility for the payment of benefit would be subject to an assessment of care needs as well as a residency test;
 - a standard co-payment would be payable by all residents or patients whether in private or public sector homes;
 - benefit would be payable up to specified limits to those receiving residential or nursing care in private sector homes;
 - the funding of long-term care in public sector establishments, after receipt of the standard co-payment from the residents or patients, would continue to be from general revenue;
29. The Authority acknowledged that the Board of Health was anxious to ensure that provision would be of an appropriate quality and that the Board had also expressed concern about the potential impact of an insurance scheme on future demand. As these factors could add to the

cost of an insurance scheme, the 1999 report concluded by stating the Authority's commitment to working closely with the Board of Health to agree on arrangements to control demand and cost, to meet demand and to achieve appropriate quality. The report gave notice of the Authority's intention to return to the States with detailed proposals, which would be developed following further consideration with the relevant committees, being, in addition to the Board of Health, the Housing Authority, the Advisory and Finance Committee and the States of Alderney.

The 1999 report: concerns of Advisory and Finance Committee

30. In its letter of comment on the 1999 report, the Advisory and Finance Committee broadly supported the Authority's proposals but questioned whether sufficient consideration had been given to how the provision of services might be secured in future to meet the projected additional demand. In particular, the committee was concerned that the exclusion of public sector provision from the proposed scheme would distort how future provision was secured. It was also concerned that the exclusion of sheltered housing from the proposed scheme could discourage private sector expansion in this area. In the committee's view there was insufficient clarity relating to the operation of the panel that would assess the care needs of potential beneficiaries. It also pointed out that the projected contribution rate quoted in the Authority's report could alter substantially if there were changes to the scope of the scheme and changes in the balance of funding between contributions and general revenue. Finally, the Advisory and Finance committee noted that, in the course of addressing these concerns, the detailed proposals of the Authority may differ in extent and in the structure of funding from that outlined in the report.

The 1999 report: matters raised during the States' debate

31. Although the 1999 report sought an in-principle decision from the States that the preferred approach to funding long-term care should be an insurance-based scheme, the report did contain details of the scheme envisaged by the Authority so that an informed debate would be possible. Comment during the debate was, therefore, both on the broad issues and specific to the scheme outlined in the report.
32. The main issues raised by States members during the debate were as follows:
- There was a concern that the private sector would not expand to meet the expected increased demand, thus requiring the public sector to do so. It was felt that the existence of an insurance scheme would imply the right to occupy a bed when needed. If the private sector did respond to the need for more provision, there were cost implications with regard to finance, land and labour that would impact on the funding mechanism, especially if the public sector were excluded from the scheme.
 - Future costs would be affected both by increase in demand and the improvements in standards that would result from the Board of Health's proposed changes to the Residential and Nursing Homes legislation.
 - It was felt that the private sector providers might overprice their services. In particular, there were worries that the third-party top-up would become the norm and that people might still have to sell the family home to meet this element of their fees.

- There were calls for the inclusion of a benefit for care in the community to encourage and reward informal care.
 - It was queried whether the Needs Assessment Panel could operate in an impartial and independent fashion. There was a view that the panel could become involved in controlling provision or that its decisions would be affected by the availability of beds. On the other hand, it was argued that it was correct that the panel should be comprised of employees of the Board of Health, as its collective professional expertise would be important.
 - It was accepted that increased provision of sheltered housing should be a priority, some members saying that it should be funded from the insurance scheme.
 - There was concern about the position of temporary residents, such as seasonal workers or licence holders who, under the scheme outlined by the Authority, would contribute but would be unlikely to benefit.
33. In his response to the debate, the President of the Authority reiterated his commitment to continue to work closely with the Board of Health on the outstanding issues, in particular the operation of the Needs Assessment Panel, ensuring future provision and ensuring updated quality standards in homes. The President said that the Authority would return to the States with detailed proposals after further consideration and further consultation with the Board of Health, the Housing Authority, the Advisory and Finance Committee and the States of Alderney.
34. With only four votes against, and one abstention, the States approved the proposition that the development of the means tested supplementary benefit model as the approach to assessment of fees for long-term care should be discontinued, and that the preferred approach should be an insurance-based scheme.

Moving forward from in-principle approval

35. In order to produce robust financial projections, it is necessary to look at the factors that affect demand for and cost of long-term care and then make reasonable assumptions about what might happen in the future. This is a very complex area, with factors ranging from the relatively straightforward forecast of the number of older people to more uncertain factors such as health expectancy or the numbers of informal carers. It is possible to model these factors to produce a range of outcomes, from the most pessimistic to the most optimistic. This range of uncertainty is the 'funnel of doubt'.
36. The main factors contributing to the funnel of doubt are as follows:
- Demography: In common with most of the developed world, improved life expectancy in Guernsey is producing an increasingly ageing population. Looking ahead up to forty years, it is estimated that the number of people over 75 will increase from 7.4% of the total population in 1996 to 8.2% in 2016 and 12.2% in 2036. It is expected that the 'very old', those over 85, will increase from 1.9% of the total population in 1996 to 2.2% in 2016 and 3.8% in 2036. At the same time, the percentage of the working population is expected to remain relatively static at around 67% for the next thirteen years and then gradually reduce to 61% by 2036.

- Health expectancy: The factors influencing life expectancy are likely to be similarly affecting how long people remain fit and well into their old age. If future generations of elderly people experience the same level of ill-health as at present, it can be assumed that the individual need for long-term care will remain the same, although the total need will rise because of the increased numbers of older people. But the optimistic view is that there will be a 'compression of morbidity'. That is, people will generally remain free of chronic illness or severe disability for longer than is now the case, lessening dependency levels and the need for long-term care. It is hoped that the long-term effects of current health promotion initiatives will have a significant positive impact.
- Informal care: The availability of unpaid care impacts on demand for paid care. People are most likely to be caring for parents, or parents-in-law, or partners. There is concern about the effect on the future supply of carers of changes such as decreased birth rate, divorce, remarriage, increased mobility and so on. If current trends continue there will be increasing numbers of elderly people living alone. Changing employment patterns among women are also thought to affect the availability of informal care, although many carry on working while caring. The pessimistic view is that informal care will decline in the future because of the above factors. A more optimistic forecast is that people will be just as willing to fulfil a caring role for loved ones, but the patterns of care may be different. For example, people may be less likely to be sharing accommodation with the person they are caring for. One view is that there will be an adequate supply of the newly retired to care for the very old. The 2001 Guernsey Census will contain a series of questions about caring. This data will provide a valuable insight into the real level of informal care at present.
- Medical advances: Alongside the anticipated general improvement in health, there will be breakthroughs in the treatment of disabling illnesses. Further ahead may see the introduction of drugs that will rejuvenate. It is possible that the dependency of future generations will reduce, both because of the effective treatment of conditions that currently result in the need for long-term care and because the ageing process itself will be treatable, so that people will be healthier, fitter and more independent.
- Levels of provision and user expectations: Just as it is unknown how dependent people will be in the future, it is not possible to predict how that dependency will translate into demand for formal care services. It is probable that a smaller percentage of people will wish to go into institutional care and the consequent change in the pattern of provision will impact on future costs. A move from institutional to community care will not necessarily produce savings. It is also accepted that successive generations will expect increasingly improved standards of accommodation, services and care. The assumption is that this would inevitably increase costs, but it may be that better quality could be achieved at the same relative cost, or even with a cost saving.
- Labour costs: Providing personal and nursing care is labour intensive, and will remain so for the foreseeable future. Labour costs for formal care therefore comprise a very large part of overall costs, and may increase at a higher rate than the general rate of inflation.

37. Of the above, the long-term financial projections are most sensitive to three main factors:
- the number of very elderly people;
 - the levels of dependency; and
 - the change in the cost of care.
38. A very pessimistic forecast would be more very elderly than predicted with significantly higher inflation for care costs. This scenario would be worsened if there proved to be fewer informal carers.
39. There is a degree of reliability with the projections for the next 10 to 15 years, but beyond that the future is increasingly unknowable. The Authority recognises that producing financial projections should be a rolling process to ensure that changing trends in demand and cost can be reflected in social policy decisions.

Mechanisms of control

40. Given the level of uncertainty about future demand and cost of long-term care, it is important that effective control mechanisms are in place. These should both allow effective management of current service provision and provide a method of informing social policy. Outlined below, paragraphs 41 - 62, are the mechanisms that the Authority believes should be intrinsic to the insurance scheme:
- the 'minimum data set' method of continuous assessment of people in care;
 - the Needs Assessment Panel;
 - a system of analysing the needs of the whole population;
 - the Board of Health care standards legislation;
 - a requirement for residential and nursing home operators to be 'approved providers'.

Minimum data set

41. The Authority has been encouraged to learn of a structured system of assessing the needs of people in residential and nursing homes that has been used in the United States for many years and is now being more widely adopted world-wide. It is proposed that providers will be required to introduce the system in their homes as a condition of becoming an 'approved provider'. At its heart is an assessment tool called the Resident Assessment Instrument. This is an assessment form, completed as part of the care worker's normal routine, containing questions designed to gather objective information about the individual resident or patient and covering every aspect of their care needs. This information supplements, but is not intended to replace, skilled professional assessment. The system has become known as MDS because the information captured from the form comprises a minimum data set. The data from the assessment form is collated, usually by a computer programme, and can be used for various purposes, including:
- Care planning: The MDS assessment is comprehensive and looks at the individual's functional, psychological, social and environmental needs. There are trigger questions, designed to alert those making the care planning decisions to potential

problem areas. Reassessments are completed on a regular basis so that the outcomes of care plans can be monitored. This maximises the potential for rehabilitation and improvement. Research has shown that even carers who are very familiar with their clients gain valuable new insight about their care needs from this process.

- Resource planning: Information from the individual assessments is gathered together into case mixes to give an overall picture of the collective care needs of the residents or patients in the home. This allows the management to allocate resources, especially staff, more effectively as the collective care needs change.
 - Funding: Identifying the client-specific resources required to meet care needs allows a monetary value to be calculated. This means that a long-term care benefit could be paid at a rate applicable to the particular care needs of the individual claimant, rather than at basic rates for residential or nursing care as is proposed at present. It is anticipated that in the future there could be up to seven separate benefit rates, depending on the type of cases provided for in the private sector.
 - Quality control: The data collected from the individual assessments would give an indication of the quality of care within homes. For example, the trigger questions might show that there was a particular problem with pressure sores or falls in a home. The collected data would be available to the Board of Health inspectors responsible for ensuring that homes are operating according to the residential and nursing home legislation.
 - Social policy: The data would provide invaluable, accurate and objective information with which to inform policy making. For example, it would enable comparisons of outcomes and quality of care in different settings, which would influence the planning of future provision.
42. The MDS system is being adapted for people being cared for in the community. It is also being developed to include acute care, post-acute care, assisted living, palliative care and mental health. The strength of this client-centred approach is that decision-making, on all aspects of long-term care, can be based on information derived from consistent and objective assessment of people's actual care needs.
43. The Authority believes that the MDS system should be adopted in Guernsey and, in conjunction with the Board of Health, has secured the services of 'InterRAI UK' to assist in the implementation of the system. 'InterRAI UK, who have anglicised the assessment tool, are affiliated to 'InterRAI', a not-for-profit international organisation of professionals who are committed to improving care of the elderly. InterRAI UK will provide the assessment tool, working manual, computer software and support.
44. A local nursing home has already decided to pilot the use of MDS for assessments of existing patients and prior to admission. The home reports that the system has markedly improved care plans, alerts carers to potential problem areas at an earlier stage, improves resource management and case recording and, because quality outcomes are measured, enhances job satisfaction. The home is also enthusiastic about the other uses to which the data can be put, such as benchmarking, calculating benefit levels, monitoring standards of care and so on.

45. The Authority trusts that this enthusiasm indicates that MDS will enjoy widespread acceptance by other long-term care providers in the islands, and has been encouraged by the reaction to MDS during the recent discussions with the home operators.

The Needs Assessment Panel

46. It is proposed that a Needs Assessment Panel (NAP) would be set up and administered by the Board of Health. Its membership would be flexible, to ensure expertise relevant to each case, and would be drawn from medical, nursing, therapy and social work staff. Its remit would be to assess the care needs of individuals and advise on how those needs should be met. It would not be responsible for placement and, although its members would be Board of Health personnel, it would operate in an independent and impartial manner. It would issue certificates confirming its advice. Access to all public sector provision, and therefore public sector funding, would be dependent on an assessment by the NAP, as would access to funding from the insurance scheme for private sector placements. There would be a procedure for requesting review by the NAP of advice that it had given.
47. The NAP would not be a statutory body, but it would be referred to under the insurance scheme legislation. The NAP certificates would constitute an opinion, upon which the Administrator of the Authority would base his statutory decision regarding the payment of benefit for those in private sector long-term residential or nursing care.
48. The Board of Health has developed an assessment method, the Professional Needs Assessment. The form, which is not specific to any one profession, would be used by a professional assessor to evaluate the individual's level of dependency and care needs. The completed assessment would then be considered by the NAP for confirmation of the advice given.
49. The Authority considers that the more objective the assessment method, the more consistent the NAP advice would be. It is therefore hopeful that an assessment tool based on the MDS system outlined above will be introduced, as this would enable the person's care needs to be tracked, from the point of referral, using consistent assessment criteria. At present, there is no such suitable tool in use, but InterRAI UK has arranged for Guernsey to become involved in the development of a comprehensive needs determination instrument, based on MDS, that is currently being worked on in Alberta, Canada.

Population Needs analysis

50. In order to measure demand, and ensure provision, it is advantageous to have an objective and reliable method of gathering information about the care needs of the entire population. Looking at need involves making judgements about how to achieve goals while making the best use of resources. This can be a very complex process when attempting to assess the care needs of a population. It involves estimating the numbers of people who have particular needs-related problems, adjusting that number according to whether they can benefit from help and then determining how that help might best be delivered and what that would cost. Demographic trends are then incorporated to estimate future care needs. This process is further complicated by its dynamic nature. For example, ideas on best practice are constantly evolving, user expectations will change and health expectancy is likely to continue to improve.

51. The Authority is aware that conducting a population needs assessment, as described above, is far from straightforward. Although UK local authorities are expected to set out their assessment of the needs of the population they serve, no accepted uniform method of achieving this has emerged.
52. For the purposes of the consultation document and the 1999 report, estimates of future provision were based on current provision in Guernsey cross-referenced with overall current levels of provision in the UK. This indicated that, in Guernsey, there were about the right number of nursing care beds, an over supply of residential care beds and an under supply of sheltered housing and community care. Financial projections for the insurance scheme were based on an assumption that provision would gradually be adjusted to match the assumed required levels.
53. This approach may be flawed, however, as there may be a mismatch between current need and the assumed required levels of provision. The UK data used for comparison was in respect of the overall current levels of provision, which may not accurately reflect the current levels of need or the best ways of meeting that need. The Board of Health is working with the Personal Social Services Research Unit (PSSRU) at the University of Manchester to develop a method of estimating current and future local care needs of the populations of Guernsey and Alderney. It is anticipated that, in the short-term, this will involve looking at admissions to institutional long-term care to ascertain the reasons for the admission and consider the resource implications if the care needs were to be met by alternative means. This exercise will provide information that can be compared with the assumptions on future provision that have been included in the Authority's financial projections for the long-term care insurance scheme.
54. In the longer term, the Authority is hopeful that planning future provision will be informed by the data that will become available from individual needs assessments using the MDS system. Evidence about the outcomes of care would be collated from every individual case, giving objective and reliable information to be used in the forming of policy. This 'bottom up' approach should make it more likely that provision is tailored to the needs of the population rather than needs being met by the services that are provided. This will be a constantly evolving process. It does not necessarily mean that there should be an open-ended commitment to meet those needs. Measuring the care needs of the population of Guernsey and Alderney is only part of the equation. Also to be considered are how to prioritise meeting the needs and what the resource implications are
55. The Authority, on advice from the Government Actuary's Department, is confident that the data on future provision included in the financial projections are sufficiently robust. The information is based on actual provision at present and takes account of known planned changes in provision as well as demographic trends. The outcome of a population needs analysis could be that provision is further adapted, but this would be a gradual process and the Authority would take account of the financial implications on the insurance scheme.

Standards legislation

56. In its 1999 report, the Authority stated that the consideration of the long-term care insurance scheme had taken account of the existing residential and nursing home legislation, although it was aware that this was under review. Since then, the Board of Health has issued a further consultation document on its proposals to update the legislation, on which the Authority has

made its comments. It is understood that the Board intends to report to the States in the near future with its proposals. At present, therefore, the Authority has a detailed understanding of the proposals at the consultation stage but is not yet aware of the Board's final recommendations.

57. The Authority fully supports the Board of Health's intention to overhaul or replace the current legislation to improve the registration and inspection system. It is particularly supportive of the proposal to introduce a compulsory Code of Practice comprising a set of minimum standards below which no provider may operate. The purpose of the standards will be to ensure the protection of residents and patients and to safeguard and promote their health, welfare and quality of life.
58. The proposed standards have been based on those outlined in the UK Government's consultation document '*Fit For The Future? National Required Standards for Residential and Nursing Homes for Older People*'. The Care Standards Act 2000 is now on the UK statute book and the final version of the standards are expected to be published by the Secretary of State for Health later this year. It is likely that the Board of Health will propose that it should modify the proposed standards for Guernsey and Alderney in line with the UK changes to its consultation version.
59. The Board of Health's proposed standards would apply to both public and private sectors. The following areas will be covered:
 - the home's brochure and prospectus;
 - rights of individual residents;
 - complaints;
 - policies, procedures, records and protocols;
 - health and personal care;
 - daily life and social activities;
 - food preparation, meals and mealtimes;
 - dying and death;
 - the physical environment, including room size;
 - management and administration;
 - staffing.
60. The two standards that have been identified as likely to be the most contentious and have the most impact on costs are room size and staffing levels. The UK is understood to have decided to soften the requirements on room size, from those put forward in the consultation exercise, and to allow some discretion for existing home operators. The UK Government also accepts that fixed staffing ratios should not be imposed, but that staffing levels should reflect the dependency of the residents or patients at any given time. There will also be a realistic time scale for the introduction of these new standards. The Authority anticipates that the Board of Health will take a similar stance. This pragmatic approach would keep the financial impact to a minimum. Estimates of increased costs as a result of providers having to comply with new standards have been included in the financial projections later in this report.

61. The introduction of the MDS system would facilitate the linking of staffing ratios to the dependency levels of residents and patients. Inspectors responsible for enforcing the Board of Health legislation would have access to the home's MDS data and would be able to monitor whether the staffing skills and mix were at the appropriate level for the home's residents at any given time.

Approved providers of long-term care services

62. The Authority proposes that the long-term care insurance legislation should provide for a status of approved provider for residential and nursing homes whose residents or patients can receive a long-term care benefit. While not being a definitive or comprehensive list of requirements, conditions for approval could include:
- being registered under the Guernsey or Alderney residential and nursing home legislation;
 - applying the MDS system of continual assessment, or other method of assessment specified by the Authority or Board of Health, to determine dependency and remuneration levels;
 - undertaking to submit annual detailed business accounts for scrutiny by the Authority in order to judge the appropriateness of levels of benefit.

Ability to form commissioning body

63. The Authority considers that the mechanisms outlined above would be sufficient to ensure that effective control was maintained over demand, provision, quality and cost. But it does recognise the need to include in the legislation an enabling provision to allow for the introduction of a system of commissioning or contracting for beds, should this prove to be necessary in future. This would involve the setting up of a States' body to undertake the purchasing process and to shape the care market to meet future needs. The commissioning body would be responsible for analysing the care needs of the population, strategic planning, ensuring adequate provision and monitoring standards and outcomes as well as entering into contracts with providers.
64. This fundamental change would mean that a system of payment of benefit to individual residents would be replaced by benefit in kind for accommodation and care provided under contracts between the States and preferred providers.

Coherent social policy

65. Social policy decision making, with continued effective liaison between committees, should be based on a consistent approach to the philosophy of care. With the accepted aim of enabling people with long-term care needs to remain in their own homes for as long as possible, it is particularly important to co-ordinate policies on informal care, community care, respite care and sheltered housing so that independence and choice can be maintained.

Informal Care

66. In its 1999 report, the Authority argued that its proposed long-term care insurance scheme should not include a benefit for informal care. That is, cash benefits would not be paid from the long-term care insurance fund to informal carers, usually family. It explained that the

issues surrounding policies for informal carers are complex. There are many types of carer and the level of care undertaken will vary from informal support to heavily involved care. The economic effect on the carer will also vary and will depend on many factors, including the impact on the carer's ability to remain in employment, the length of time that the care is required and the relationship of the carer to the person being cared for. The Authority believes that the payment of a further cash benefit, in addition to the attendance and invalid care allowances that already exist for highly dependent people, would not be an efficient use of the long-term care insurance fund. Including even a modest cash benefit for informal carers would add substantially to the total costs of the scheme and to the contributions that people would be required to pay. Based on estimates of self-assessed disability in the 1996 census, and with a cross reference to experience in the scheme in place in Germany, the Authority estimates that incorporating a home carer benefit of even £60 per week, the same as attendance allowance, would add nearly £4m per year to the cost of the scheme. This would increase the contribution rate from 1.4% to 2.1%. At year 2000 rates, this would increase the maximum contribution to the scheme by around £3.50 per week.

Respite care

67. Respite care involves the short-term admission to residential or nursing care of people being cared for in their own homes, to allow informal carers essential breaks from their day-to-day caring commitment. This can include rotational care, where, for example, a person may have respite care for one week in every four. The respite service is currently an essential part of the Board of Health's community care programme. At present, the Board has a set annual budget to meet the cost of respite care.
68. The Authority proposes that respite care in private residential or nursing beds should move to being funded by the long-term care insurance scheme. This would be consistent with the philosophy of supporting people in their homes for as long as possible. There would also be an administrative simplicity in having a single paying committee for people in the private sector beds. The Authority proposes that respite care in public sector beds, in the main Board of Health and States of Alderney, should be funded from general revenue and free of charge to the individual. There would be no co-payment payable by the person receiving respite care, either in the public sector or private sector. This is because the reasoning behind the co-payment is that people in long-term care should pay towards accommodation and service costs. Those in receipt of respite care still have these costs to meet at home. The insurance fund would meet the cost up to the relevant benefit limitation figure. As would be the case with the long-term care benefit, if the private fee were higher than the limitation figure, top-up payments might be sought by the home and might be paid by a third party.
69. Access to respite care would be via assessment by the Needs Assessment Panel. The cost of respite care has been included in the financial projections which appear later in this report.

Community Care

70. The Authority remains committed to supporting the care of people in their own homes for as long as possible and is mindful that the insurance scheme should not create a perverse incentive for people to go into institutional care. This could happen with a contributory benefit for residential or nursing care combined with inadequate community care provision. The Authority is advised that, in order to affect the numbers of admissions to institutional care, community care services must be effectively targeted by individualising care packages

rather than generally increasing the level of services. Implicit in an insurance scheme for residential and nursing care is an acknowledgement that these needs will be met. There should be a similar undertaking to meet community care needs.

71. So far, in formulating the financial proposals associated with the long-term care insurance scheme, the Authority has been working within a framework that would be cost neutral to general revenue. Further consideration of its proposals following the States debate on the 1999 has persuaded the Authority to the view that it should recommend an increase in the Board of Health revenue budget in order to provide a substantial boost to care in the community. There is also a manpower implication which is addressed later in this report. While arguing against a universal cash benefit for informal family carers, the Authority strongly supports increased benefits in kind through Board of Health community services. If there is no alternative means of meeting the needs of certain individuals in the community the Needs Assessment Panel could find itself under considerable pressure to recommend additional admissions to long-term residential or nursing care. This will occur unless there are substantially increased levels of community services. This scenario would undermine and threaten the key cost control mechanisms. Additional funding would support the Board of Health in its commitment to continued expansion of its community services and enable those services to remain predominantly free at the point of use. As well as funds being available to resource and staff initiatives in the public sector, it would also ensure support for those in the independent sector, including voluntary organisations, contracted to supply community services.

72. The Board of Health has identified the community services that should be enhanced to tackle two challenges: to encourage older people not to enter institutional care unnecessarily and, in the longer term, to provide for the increasing numbers of older people. The main areas, in order of priority, are:
 - Day care for a longer day, i.e. 8am to 6pm and for seven days a week;
The changing patterns of domestic life and the expectations of families mean that the traditional pattern of care of older relatives have changed. If older people are to stay in the community longer, day care of this level is essential so that carers have the necessary support. It is also important that carers, particularly of people with dementia, have the opportunity of some free time at weekends. Longer day care can be provided by the Board of Health through reconfiguration of existing resources.

 - Respite care, including rotational care (to be met from insurance scheme in private sector):
This type of care is essential in order to provide relief to family carers. Rotational care is particularly important to families of people with dementia, as detailed in paragraph 75 below and is an intrinsic part of their care planning.

 - Acute care at home and rapid assessment/response teams:
The aim of this proposal is to stop older people having to be admitted to hospital for acute illnesses that could be treated at home with appropriate support. It is proposed to send multi-disciplinary teams of staff into people's homes for limited periods of time. This will have the added benefit of relieving pressure on hospital beds and of stopping the patients becoming disorientated by a different environment. It is often following such a crisis that people who were coping previously become unable to return home.

Two or three people a week are admitted to the Princess Elizabeth Hospital with an acute illness, eg. A minor stroke, a chest infection, or following a fall, which could be treated at home. They will need care for 7 to 10 days in the community to aid recovery. Currently, these people often never recover well enough to return home and are, therefore, admitted to long-term care, often after occupying an acute bed for several weeks.

The annual cost to the long-term care insurance fund, of a nursing home admission, is proposed at £21,164 per annum. Preventing just a proportion of admissions, through acute care at home and rapid assessment teams, together with targeted intensive community nursing, will provide substantial savings to the insurance fund

In 1999, a survey revealed that 21% of people in residential care could have been kept at home, or in sheltered accommodation with minimal support. Such support could include home food services, assistance with transport and home maintenance, laundry services, night sitting services and increased free healthcare such as chiropody. These services are described more fully in the following paragraphs. There are approximately 140 admissions per annum to residential homes. As the cost to the insurance fund of residential care is proposed at £13,520 per annum, a 21% reduction in admissions, if achieved, would save approximately £400,000 per year on the insurance fund expenditure.

- Home food services for seven days per week:
In order for people to stay at home longer, hot meals have to be provided, island-wide, for seven days per week. The WRVS provides an excellent service but cannot give this level of provision. Apart from the importance of older people having a hot meal every day, the social contact with the person delivering the meal is also very important and provides another check on that person's wellbeing.
- Transport services:
Recent research led by the Director of Public Health flagged up the importance of a regular, dependable and inexpensive transport service, which was appropriate to the needs of older people. The vehicles would have to be easily accessible for older or disabled people. This transport would be used to take people to appointments and also to help them to meet their social needs and to stop them becoming isolated. It is proposed that the transport service would run for five days per week and a charge would be made for its use to cover the costs. It would not, however, be in competition with public transport services as access to the service would be according to assessed need.
- Home maintenance services:
Examination of the reasons why older people go into residential care shows that they often find increasing difficulty in maintaining their homes. This is not necessarily to do with major structural issues, but often minor tasks such as changing light bulbs which householders normally undertake themselves. A charge could be made for this service.
- Increased free healthcare for older people, for example chiropody:
It is a fact that older people, even if they have financial resources, do not necessarily feel able to pay for services such as chiropody, eye tests, hearing tests and physiotherapy. This is of particular concern when people have chronic diseases such as diabetes or arthritis. Sometimes, older people will pay for initial care but not follow

it up, or alternatively take a less expensive but often less skilful option. If older people are to stay in the community longer, then it is essential that they reach their optimum level of mobility and general healthiness. This proposal would provide chiropody, without charge to the individual, for those in most need.

- Laundry services, particularly for people with continence problems;
As with home maintenance, laundry becomes an increasing burden on older people as they become frailer and particularly for people with a condition such as incontinence. A service which collected, laundered and delivered items back to a person's home would be invaluable. A charge could be made for this and the Board of Health Laundry has the capacity to undertake the work.
- Night sitting services;
A night sitting service would be a development of respite care but, instead of older people being admitted into a care setting, the service would be provided in their own homes. This would be another way to support carers, as it would give them the opportunity to go out in the evening and plan for special occasions. It would also mean that the older person would be looked after in his or her own home and, therefore, would not run the risk of becoming disorientated.
- Targeted intensive community nursing;
Targeted intensive community nursing is intended to keep people, who would traditionally require a long-stay hospital or nursing home bed, in their own homes and will be needed if patients are to have a real alternative for receiving care. It may follow on from a period of acute care at home, but is a longer term measure.

73. The above list is not exhaustive and it should be noted that there would be significant capital, revenue and establishment requirements to achieve these developments, albeit not as high as would be the additional cost to the insurance fund for providing care in residential and nursing homes for the people concerned. A summary of the costs and full time equivalent (f.t.e.) staffing requirements associated with the above items, together with possible implementation dates, is as follows:

Community service	Staffing f.t.e.	Revenue cost	Implementation date
Acute care at home/rapid response	7.31	£205,600	2002
Home food services	3.21	£42,000	2002
Transport services	2.00	£30,000	2003
Home maintenance services	1.00	£12,200	2003
Chiropody		£28,400	2004
Laundry services	1.02	£14,600	2004
Night sitting services	7.36	£101,700	2004
Community nursing	11.00	£235,000	2005
Total	32.90	£669,500	

74. Some of the above enhanced services also require capital expenditure as follows:
- Acute care at home/rapid response;
Two cars will be required at a cost of £8,000 each.
 - Home food services;
Two vans will be required at a cost of £10,000 each.
 - Transport services;
Two minibuses will be required at a cost of £21,000 each.
 - Home maintenance service;
One van will be required at a cost of £10,000.
 - Laundry services;
One van will be required at a cost of £10,000.
 - Community nursing;
Five cars will be required at a cost of £8,000 each.
 - Replacement programme;
All of the above vehicles will need to be replaced every five years
75. An important area of provision in need of expansion is community support for people with dementia. Statistically one in four people aged over 80 will suffer from dementia sufficiently seriously to challenge their independence. The Board of Health plans to create a dementia day centre as part of its response to the growing demand for services to this client group rather than relying on the provision of additional long-term care beds. The centre will have a dual function, providing a day care service to people suffering from dementia and a base for a team of health professionals who will actively support people in their own homes in the early stages of their illness and provide a realistic alternative to early hospital admission. This means that people will be able to remain in their homes, and with their own families, for much longer than might otherwise be the case.
76. These services will be in addition to the plans already underway to increase the number of assessment and respite beds available for mentally ill older people. These facilities will cater for people who are more disabled by their illness and require a higher level of support than those who would be receiving respite care in residential and nursing homes, funded by the insurance scheme. The respite beds allow the patients' carers to take a break from looking after them and are an essential component of community care. There are currently only eight assessment and respite beds available at the Castel hospital for people with dementia and the intention is to increase this number to twelve, when the service is relocated to La Corbinerie in 2005.

Community service	Staffing f.t.e.	Revenue cost	Implementation date
Dementia day centre	12.00	£350,400	2002
Increased respite care	4.00	£89,000	2005
Total	16.00	£439,400	

77. The financial implications of the improvements already included in the Board's Policy and Resource Plan submission have been included in the projections for the long-term care insurance scheme, as have assumptions for future developments. The additional general revenue for Board of Health community services, as proposed in this report, has also been included in financial projections which appear later.

Sheltered housing

78. In its section of the 1998 consultation document 'The Funding of Long-Term Care and Associated Services', the Board of Health identified a significant shortfall in the provision of sheltered housing in Guernsey and Alderney. It estimated that an additional 372 units of sheltered housing would be needed in Guernsey by 2016 and a further 18 units in Alderney in the same period. This analysis has been broadly accepted. The 1999 Strategic and Corporate Plan referred to this underprovision and stated that sheltered housing should be covered by a specific land use class. Subsequently, at its meeting in June 2000, on the recommendation of the Island Development Committee, the States resolved to introduce a new class use for sheltered housing for the over 55s or younger people with disabilities (Billet d'État XIV of 2000).
79. The Authority is aware that independent sheltered housing providers are looking to put forward proposals for new developments in a number of locations. In addition, the States Housing Authority is to report to the States on its recommendations for the provision of affordable rental units on its Rosaire Avenue site and other States-owned sites.
80. The funding of sheltered housing is another complex issue. The cost can be broken down into three components: accommodation, services and care. It could be argued that the first two elements should be treated exactly as for any other type of housing unit, and that it is the potential for the provision of care or support that distinguishes sheltered housing. Funding for the care element could, therefore, be treated in isolation. A consistent approach is required so that the methods adopted to fund long-term care in the community, including care received by those living in sheltered housing, are not anomalous.
81. In its letter accompanying the 1999 report to the States, the Advisory and Finance Committee expressed the concern that the exclusion of sheltered housing from the long-term care insurance scheme could discourage its expansion. There were some calls for its inclusion during the States debate. Increased levels of interest in developing sheltered housing, in the last twelve months, have reassured the Authority that this important sector will expand. While welcoming plans for increased provision, the Authority remains of the view that long-term care benefit should not be payable to those in sheltered housing.

Current provision of residential and nursing care beds in Guernsey and Alderney

82. The 1999 report detailed the long-term care provision at that time, in both the public and private sectors. The adequacy of the current levels of provision was tested against UK norms, the nearest available comparator, with the warning that these norms may not be totally applicable to Guernsey and Alderney. It then looked forward and estimated the future service needs in 2016, based on the UK norms and local demographic data. Given that one of the main concerns relating to the proposed long-term care insurance scheme is that there should be adequate provision, the Authority has followed developments in provision since 1999 with interest.

83. At present long-term residential and nursing care provision is as follows:

Residential care beds

Guernsey	Board of Health	57	
	States Housing Authority	111	
	Private sector	<u>306</u>	
	sub-total		474

Alderney	Private sector		18
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Nursing care beds

Guernsey	Board of Health	158	
	Private sector	<u>121</u>	
	sub-total		279

Alderney	Board of Health		12
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Total residential and nursing			783
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84. During its recent discussions with private sector home operators, the Authority learned that three residential homes have plans to expand. Two of these would like to provide more beds for residents who have higher dependency or who have challenging behaviour problems. Although this may not appear to be consistent with the accepted view that there is currently an oversupply of residential care beds, there does appear to be a need for beds for people with mental health problems or dementia who are not in need of nursing care.
85. The Authority is aware that plans are nearing completion for the opening of a new nursing home at the former Blanchelande site. It is anticipated that this will provide 44 beds. In the 1998 consultation document, the Board of Health estimated that there would be a need for a further 70 nursing care beds by 2016. Clearly, an additional 44 beds in 2001 would be a significant step towards this target. It could be argued that these beds would be provided before the need had arisen, but the Authority is aware that there is a problem of blocking of hospital beds while people wait for long-term nursing care beds to become available. Problems also arise as people's dependency increases if they need to move from residential care but there are no nursing care beds available.

Public sector policy on provision

Board of Health

86. The Board of Health has recently confirmed its policy on future provision of services in its Site Development Plan included in Billet d'État XV of 1999. In this report, the Board referred to the options contained within the working party's consultation document. The document confirmed the Board's continued commitment to the development of services in the community. It also emphasised the need for more sheltered housing in Guernsey and recognised the need for a change in the balance of provision between residential and nursing home care.

87. The Site Development Plan has been prepared on the assumption that the private sector will expand to provide any extra beds needed as a result of demographic changes. This will be monitored. The Board does not intend to provide additional residential care or long-term nursing care beds but would return to the States with such proposals if the need were not being met by the private sector.

States Housing Authority

88. The States Housing Authority does not intend to increase its numbers of residential care beds. As outlined above, it is committed to facilitating the provision of affordable units of sheltered housing either directly or indirectly on States-owned land.

States of Alderney

89. Long-term nursing care beds will be increased from 12 to 15 when the Aurigny Wing of the Mignot Memorial Hospital is rebuilt. The Jubilee Home is being redesigned for use as sheltered housing. Residential care is provided at the Royal Connaught Residential Home⁷ which has recently been purchased by the States of Alderney and is managed by a private company set up by the States.

Should the public sector beds be paid for from the insurance fund?

90. Paying for the public sector beds from the proposed new long-term care insurance fund had been one of the options described in the 1998 consultation document, but had not been recommended by the working party and was not supported by feedback from the public. The Advisory and Finance Committee, in its letter of comment attached to the 1999 report, expressed concern that the exclusion of the States' long-term care services from the insurance scheme would distort how future provision would be secured. Additional private sector services would be funded from the insurance scheme while additional States services would be funded by the taxpayer through general revenue. In subsequent discussion, the Advisory and Finance Committee has commented that if the cost of public sector provision was included in the scheme and the current general revenue funding was transferred to the scheme, there would be no affect on the contribution rates currently proposed. The Advisory and Finance Committee considered that the inclusion of public sector provision could be managed in a number of ways:

- ring fencing the appropriate budgets of the Housing Authority and the Board of Health;
- creating trading accounts within the budgets of those committees, as for Beau Sejour within the Recreation Committee budget;
- creating States Trading Companies;
- creating some form of Charitable Trust as is being proposed by the Housing Authority for the creation of additional States supported housing;

or a phased approach through some of those options.

91. The Authority, Board of Health and Housing Authority do not accept the case that the public sector homes should be funded from the insurance scheme, even with a full transfer of funds from general revenue to the proposed long-term care insurance fund. The proposal does not find favour because:
- there would be no advantage to the public. The public sector homes are highly thought of and their beds sought after;
 - there are sufficient existing mechanisms, including internal and external audit and the Audit Commission, to test any suggestions of inadequacies in financial discipline in the public sector;
 - the new standards legislation will be applicable to both public and private sectors. This, and the introduction of the minimum data set (MDS) assessment, will allow comparisons and benchmarking;
 - it is public sector policy not to expand long-term residential and nursing provision; however, should this prove necessary, it would be difficult to meet shortfalls if starting from a zero base.
 - a new bureaucracy would be needed to administer the public sector homes at arm's length; this would probably mean more staff than at present because there would be no economies of scale;
 - it is important to retain key elements of the continuum of care within the public sector;
 - total private sector, or commercialised, provision may make it more difficult to exercise control over bed charges and consequently benefit and contribution rates. In addition to fixing benefit levels for private sector beds, the Social Security Authority would be drawn into annual negotiations with the controllers of the Board of Health and Housing Authority homes over their funding levels;
92. Notwithstanding these arguments against funding the public sector provision from the long-term care insurance fund, the Authority is keen to structure a scheme that has flexibility to accommodate future changes in demand and provision of services. Accordingly, the Authority has agreed with the Advisory and Finance Committee to include in this report a recommendation for the Law to be drafted in such a way as to enable the future inclusion of public provision in the scheme, should that approach, at some time in the future, be the wish of the States.

The fit of the scheme with Alderney

93. Recognising that Alderney is not merely a smaller version of Guernsey, the Authority must be satisfied that its proposals are appropriate, particularly as both of the Alderney representatives voted against the 1999 in-principle proposals for the long-term care insurance scheme.
94. The Authority considers that the issues described in this report are just as relevant to Alderney as they are to Guernsey. Indeed, the proposed scheme may have even more to offer Alderney residents. This is because the States of Alderney means-tested assessment for its public sector provision takes account of the value of the former residence in the same way as

supplementary benefit does for the private sector. Under the provisions of the proposed scheme, all those receiving long-term residential or nursing care in Alderney would pay the standard co-payment of £105 per week, at 2000 rates.

95. The Authority has consulted with the Alderney Policy and Finance Committee. The Committee accepts that the future demands created by an ageing population need to be addressed, but has three main areas of concern over the Authority's proposals:
- the Committee attaches lower importance than the Authority to the preservation of the family home as an asset for inheritance;
 - The Committee would like to see a portability of benefit outside Guernsey and Alderney for contributors who retire outside the Islands; and
 - the Committee considers that the public sector homes should be funded from the insurance scheme,

Long-term care insurance scheme is still the answer

96. Following the November 1999 in-principle decision of the States, that an insurance-based scheme should be developed, the Authority has re-examined its preferred option in the light of the comments made by the other committees involved, the views of States' members and the deliberations of the working party. The Authority has confirmed its commitment to a scheme, substantially the same as outlined in the 1999 report, as the answer to the main issues surrounding the provision and affordability of long-term care services in Guernsey and Alderney.
97. Before outlining the proposed scheme, the following paragraphs, 98 - 104, set out some details of the proposals that raised concern during the debate on the 1999 report.

Contributions to the long-term care insurance fund

98. The Authority proposes that contributions to the fund should be payable by the employed, self-employed and non-employed, including pensioners, and that the amount payable should be calculated according to a person's earnings or income. Contributions would not be payable by employers. Contributions would also not be payable by children or people in receipt of certain social security benefits and who were not continuing to receive wages or salary.
99. Those receiving long-term care would not be exempt from paying the contribution but would continue to pay according to their income. The long-term care benefit would not be treated as income for this purpose. This would mean that everybody receiving long-term care, whether in public or private sector establishments or at home via community care services, would be treated in an equitable manner. It would not be fair to exempt those in receipt of the benefit while requiring those being cared for at home to contribute.
100. The Authority considers that there is no justification for requiring employers to contribute to the scheme. This is because, unlike other social insurance benefits, there is no direct link between a person's employment and his or her need for long-term care, particularly if that need arises many years after retirement.

Contributions not refundable and no opt-out provision

101. The Authority remains of the opinion that contributions to the long-term care insurance scheme should be compulsory and that there should be no opt-out for people with private insurance arrangements or for people who are temporarily working in Guernsey or Alderney. Nor should contributions towards the scheme be refundable upon leaving the islands.
102. As the basis of funding the scheme would be much nearer 'pay as you go' than fully funded, present contributors would be paying for current beneficiaries. Contributors would not be building up personal funds within the scheme, so there should be no concept of withdrawing personal funds when leaving the islands.
103. A right to opt out would be inconsistent with the Authority's policy, for example on the specialist health scheme. Private insurance provision might prove to be inadequate and not cover the full cost of care, or be exhausted if the person was in long-term care for a very prolonged period. During its research, the working party found that there was an extremely low take-up of commercial products and, notably, there has been no lobby from the insurance industry. The Authority is therefore confident that very few people in Guernsey will have made such provision, particularly in light of the public discussion about its proposals for a States-administered long-term care insurance scheme.

Eligibility criteria for the long-term care benefit

104. There would be two tests of eligibility for claimants of the long-term care benefit:
 - (i) Residency: to prevent people moving to, or returning to, Guernsey or Alderney and being immediately eligible to claim the long-term care benefit, it would be necessary to impose the requirement of a period of continuous residency prior to the claim. In determining the period, a balance must be struck between safeguarding the Fund and ensuring that elderly people returning to the islands would not be disadvantaged. The Authority therefore proposes that to be eligible to claim the benefit, a person must be able to demonstrate continuous residency in Guernsey or Alderney of at least five years at any time and at least one year's residency immediately prior to the claim for benefit. This would mean that people moving to Guernsey or Alderney for the first time would have to be resident for five years before becoming eligible. Those who had lived in Guernsey or Alderney for at least five years in the past but returned to the islands would become eligible after one year.
 - (ii) Needs assessment: eligibility for benefit would also be dependent on an assessment of care needs by the Board of Health's Needs Assessment Panel (NAP), which would issue a certificate confirming the type of care required. The Administrator would base his decision regarding the payment of benefit on the professional opinion of the NAP.
105. A person who failed to meet either of the above criteria, but would be required to pay in full for their long-term care. No benefit would be payable under the long-term care insurance scheme.

Standard co-payment by person in care

106. As put forward in the 1999 report, the Authority proposes that there should be a standard co-payment payable by the person in long-term care, whether in States beds or in private sector

beds. The rationale behind the co-payment is that those in long-term care, who will not be returning to their former homes, should contribute towards accommodation and service costs, which they no longer have to meet elsewhere. It would not make sense to design an insurance scheme that covered the entire cost and resulted in residents and patients accumulating funds while contributors and the taxpayer paid more than was necessary.

107. It is clear that an increasing number of retired people are in receipt of occupational and personal pensions, annuities and other forms of income. It will be important to have regard to the general income levels of the retired population when adjusting the standard co-payment over time. The Authority envisages that it would make annual recommendations to the States on the level of co-payment as part of its annual uprating of all benefits proposals. The Authority will look to set the co-payment at the highest level that the great majority of people in long-term care would be able to meet. The intention would be to maintain an equitable balance between the burden of the cost to the individual, the contributor and the taxpayer. It would also ensure that applications for means-tested assistance towards the co-payment could be kept at a minimal level. The 1999 report proposed a co-payment of £100 per week. The Authority's recommendation, in year 2000 terms, would be £105 per week. The level of co-payment which the scheme would start off with depends on the timing for preparing the legislation and infrastructure of the scheme. The starting co-payment would be determined by Ordinance of the States immediately prior to commencement of the scheme.
108. Whether in public or private sector long-term beds, people unable to meet the standard co-payment and also to have sufficient funds to retain a personal allowance, £14.50 per week at 2000 rates, could be assisted by supplementary benefit. In assessing the need for supplementary benefit to meet the co-payment or personal allowance, it is proposed that the value of the former family home would be ignored. Rental income from the property would, however, be taken into account. The Authority believes that implicit in the introduction of the insurance scheme is a commitment that future claimants to the benefit should not be required to sell their home to meet the cost of long-term care. It is important to note that assets other than the former family home, including other property, would continue to be taken into account in the supplementary benefit assessment. This proposal would require a further amendment to the Supplementary Benefit (Implementation) Ordinance 1971.

Fee top-ups and third party contributions

109. The 1999 report explained that, in some cases, there would be a shortfall between the full fee charged by private sector providers for residential or nursing care and the funds available from the long-term care benefit and standard co-payment from the individual. The long-term care benefit would be set at a rate that would cover adequate accommodation and services in compliance with Board of Health or States of Alderney standards legislation. It would be assumed, therefore, that higher fees would indicate higher quality accommodation, additional services or higher profit aspirations of the home operators. In cases where the home looks to charge more than the combined level of the standard co-payment and the maximum benefit from the insurance fund, the person needing care may agree to meet the shortfall from their own resources or a third party, perhaps family, will do so. This would be a contractual matter between the home and the person needing care, or third party.
110. At the time of the 1999 report, under the Supplementary Benefit legislation, third party payments were treated as income to the claimant and the benefit payable was reduced by an

equivalent amount, giving no net gain to the home operator. This position was rectified in March 2000 when, on the recommendation of the Authority, the States resolved that third party contributions in respect of private sector residential, nursing or Cheshire home fees could be ignored as income in supplementary benefit assessments (Billet d'État VIII 2000).

111. It is clear that a number of the private sector operators would certainly seek top-up payments. Some homes are already charging private payers more for their beds than the levels of benefit and co-payments recommended in this report. But other homes would be very happy to provide all of their beds for the proposed benefit levels. A small number of homes are run by charities and currently charge at, or below, supplementary benefit limits. These homes have informed the Authority that they do not intend to charge up to the maximum benefit levels proposed for the insurance scheme. So there will be a mix of pricing policies in the private sector homes. The challenge for the Authority is to ensure that benefit levels adequately reflect the cost of care. The Authority will be looking to the minimum data set (MDS) system, together with scrutiny of homes' accounts, to judge adequate levels of benefit, and hence fair levels of remuneration to the homes.
112. There would be no top-up payments for public sector long-term residential or nursing care. The capital costs and running costs, net of the standard co-payments received from residents, would be borne by general revenue, as is now the case.

Benefit payable

113. For the start of the long-term care insurance scheme, the Authority is proposing that benefit would be payable at two rates, one for residential homes and the other for nursing homes. In year 2000 rates, the Authority would recommend benefit rates of up to £260 and £470 per week respectively. Benefit could be lower than these amounts depending on the fees charged by the home.
114. In time, it is envisaged that this simple two benefit approach would be superseded by a range of benefit levels that would reflect the dependency of the individual claimant, rather than the type of bed occupied. This could be achieved when the MDS system was in place and fully operational. It is envisaged that up to seven benefit rates could be introduced to cover the following levels of care needs:
 - special rehabilitation;
 - extensive care;
 - special care;
 - clinically complex;
 - cognitively impaired;
 - behavioural problems; and
 - reduced physical function.
115. In the much longer term, the delivery of long-term care may well change radically. The long-term care insurance scheme, its funding and its payment of benefits, will have to be adaptable to fit with different structures.

Scheme cannot guarantee availability of long-stay bed

116. The Authority considers it important to clarify that it is proposing a scheme of insurance that pays financial benefit to people in long-term care in order to pay the substantial part of their fees. The introduction of the scheme would not place a statutory obligation on the Authority, nor the States as a whole, to provide any particular number of beds. Clearly, the States, largely through the Board of Health, will take a view as the future unfolds on whether the Islands are adequately served by public and private sector provision, and respond accordingly, but contributions paid to the long-term care insurance scheme should not give grounds for compensation in the event of a bed not being available. While the scheme will be financed from contributions and a States Grant, eligibility will be residence based and many people who receive benefit will have paid minimal contributions to the scheme, and perhaps no contributions at all.

Detailed proposals of the long-term care insurance scheme

117. The rates quoted below are in year 2000 terms. Immediately prior to the start of the scheme, which will require new legislation, the States would determine the rates of contributions and benefits to apply. The personal allowance rate included below is the 2000 rate of £14.50 per week. The 2001 rate, approved by the States in September 2000 (Billet d'État XX of 2000), was increased by more than RPI, to £15.75 per week.
118. The full proposals for the long-term care insurance scheme are as follows:
- (i) that the scheme would be administered by a single insurer, being the Guernsey Social Security Authority;
 - (ii) that the scheme would be financed predominantly on a pay-as-you-go basis, but contribution levels set at a percentage rate intended to hold for 15 years, thereby implying a small element of partial funding;
 - (iii) that there would be established a separately identified long-term care insurance fund, controlled and managed by the Guernsey Social Security Authority;
 - (iv) that the long-term care insurance fund would be financed by contribution income and an annual States grant from General Revenue. The rate of contribution would be 1.4% of relevant earnings or income. The amount of the of States grant would be equal to 12% of total contribution income;
 - (v) that provisions relating to the payment of benefit would come into force no earlier than three months after the commencement of the collection of contributions to the scheme, to allow the accumulation of working capital;
 - (vi) that there would be a periodic review of the long-term care fund by an actuary at no longer than five-yearly intervals;
 - (vii) that contributors to the scheme would be employed, self-employed and non-employed persons, including persons over 65;
 - (viii) that employers would not have to contribute to the scheme in respect of their employees;

- (ix) that employed and self-employed persons would pay contributions based on earned income, subject to upper and lower earnings limits;
- (x) that non-employed persons would pay contributions on an income-related basis, subject to upper and lower limit income limits;
- (xi) that contributions would not be payable by children, persons receiving contribution credits in respect of sickness benefit, invalidity benefit, unemployment benefit, industrial injury benefit, maternity allowance, invalid care allowance, widowed parent's allowance or widow's pension for widows under 65, unless such persons continued to be in receipt of earnings;
- (xii) that the payment of contributions would be compulsory and there would be no provision for an opting out clause in respect of persons holding private long-term care insurance cover;
- (xiii) that contributions paid into the long-term insurance fund would not be reimbursed to the contributor on leaving the islands;
- (xiv) that an enabling provision be included for possible future reciprocity with the UK and other countries in matters relating to the provision of long-term care benefit;
- (xv) that for a person residing in a residential or nursing home to receive long-term care benefit, the owners or operators of that home would have to be an approved supplier of long-term care services. This would require the home:
 - (a) to be registered with the Board of Health or Alderney General Services Committee under the appropriate residential and nursing homes legislation;
 - (b) to operate a formal resident assessment system such as minimum data set (MDS) or other system nominated by the Authority;
 - (c) to submit, as required, audited accounts and financial statements for scrutiny by the Authority;
 - (d) to meet such other operational criteria as may be prescribed by regulations.
- (xvi) that all residents and patients would make a standard co-payment of £105 per week at 2000 rates, irrespective of whether they are in public or private sector long-term residential or nursing care;
- (xvii) that, to give effect to the above, the current arrangements for setting charges, and assessing ability to pay such charges, for Board of Health, Housing Authority and States of Alderney long-stay beds will cease to have effect from the date of commencement of the long-term care insurance scheme;
- (xviii) that persons unable to meet the standard co-payment of £105, at 2000 rates, would be eligible to apply to the Social Security Authority for supplementary benefit assistance;
- (xix) that in applying the supplementary benefit assessment for assistance with the co-payment, the value of the claimant's former residence would be ignored;

- (xx) that, at 2000 rates, a personal allowance of up to £15.00 per week would be payable, under the supplementary benefit law, to all persons whose available weekly resources were insufficient to meet the standard charge and also retain a sum of that amount for personal expenses;
- (xxi) that eligibility for the payment of benefits to any person would be subject to:
 - (a) a requirement of a period of continuous residence and presence in Guernsey or Alderney of at least five years at any time; and
 at least one year's residence and presence immediately prior to claiming benefit;
 - (b) an assessment of need for long-term care by the Needs Assessment Panel to be set up and administered by the Board of Health;
- (xxii) that, until such time as a system of individual dependency assessment is established in all homes, benefit would be paid from the long-term care insurance fund to the resident or patient, up to specified levels, the size of the benefit payable being dependent on whether the person is in a residential care bed or nursing care bed. In 2000 rates, these cash benefits would be up to £260 per week in a private sector residential care bed and up to £470 per week in a private sector nursing care bed;
- (xxiii) that, with the introduction of the MDS system of individual continual assessment, there would be provision, by Ordinance, for long-term care benefit to be payable at a rate appropriate to the claimant's assessed care needs, the applicable rate being one of several rates of long-term care benefit payable up to specified levels according to dependency;
- (xxiv) that, after payment by the resident or patient of the £105 co-payment and the limit of benefit payable from the insurance fund being reached, any outstanding balance in respect of fees charged by a private sector residential home or nursing home would need to be met by the individual and/or a third-party;
- (xxv) that, from the date of commencement of the insurance scheme, long-term nursing care and residential care provided by the States of Guernsey and States of Alderney would be funded through the general revenue budgets of the Board of Health, the Housing Authority or the States of Alderney, as the case may be, with the exception of the £105 per week standard co-payment by the resident or patient, or by supplementary benefit for persons unable to meet the co-payment;
- (xxvi) that respite care in private sector residential or nursing care beds would be included in the provisions of the insurance scheme as follows:
 - (a) access to all publicly funded respite care would be on the recommendation of the Board of Health Needs Assessment Panel;
 - (b) public sector respite care would be met in full from general revenue;
 - (c) there would be no co-payment payable by people receiving respite care;
 - (d) a benefit would be payable to those receiving respite care in private sector residential or nursing care; this would be payable up to a rate equal to the

standard co-payment plus the applicable rate of benefit for a residential bed or a nursing bed, as the case may be;

- (e) a person would be entitled to a maximum of four weeks respite care per annum, unless the Needs Assessment Panel specified otherwise in exceptional cases;
 - (f) that any outstanding balance in respect of respite care fees charged by a private sector residential home or nursing home, above the combined total of the amount of the co-payment and the relevant benefit limit, would need to be met by the individual or a third-party;
- (xxvii) that long-term care benefit would not be payable outside Guernsey or Alderney;
 - (xxviii) that there would be a right of appeal to an independent tribunal appointed by the Royal Court against a decision of the Administrator regarding the payment of benefit;
 - (xxix) that the long-term care benefit rates, the level of the co-payment and the personal allowance would be reviewed annually by the States;
 - (xxx) that there would be enabling provision for the introduction, by Ordinance, of a system of commissioning or contracting long-term care service at the expense of the long-term care insurance fund, such arrangements adding to, or replacing, the long-term care benefits;
 - (xxxi) that there would be enabling provision, by Ordinance, for residents and patients of homes which are currently in the public sector to receive benefit paid from the long-term care insurance fund;
 - (xxxii) that the States may, by Ordinance, introduce benefits payable from the long-term care insurance fund for care received other than in private sector residential or nursing homes.

Financial projections

119. The Authority has made estimates of the overall cost of long-term care, including current public sector costs and estimates of private sector costs. From that base, the Authority has estimated the total cost of the proposed long-term care insurance scheme and the cost to contributors. The Authority has also made predictions of projected costs to 2036. The projections have built in the expected growth in the older population and assumptions about future changes in provision. In its 1999 report, the Authority made projections which linked demand for long-term care with the growth in the numbers of people over 65. For this report, the Authority has made its projections based on the growth in the numbers of people over 75. This gives a more pessimistic view on the financial burden on the scheme, but is considered to be a better assumption. On advice from the Government Actuary, the Authority also considered projections linked to the number of deaths, the logic being that people tend to be in long-term care, particularly nursing beds, a few years prior to death. A projection linked to the number of deaths produces a more optimistic financial projection than the link with the growth in the over 75s, but the Authority has stayed with the latter, conservative projection. The assumptions and projections that follow have been validated by the Government Actuary's Department.

Assumptions

120. The assumptions incorporated into the financial projections are as follows:
- (a) that there will be no growth in States provision of nursing beds. This is consistent with Board of Health policy;
 - (b) that private sector nursing care beds will remain as at present until 2001 when there will be an increase of 50 beds. This takes into account current plans of private home owners, as understood by the Authority. This new total is frozen in the projections until 2006 and thereafter increased in line with the growth in the number of people aged over 75;
 - (c) that there will be no growth in public sector residential care beds. This reflects the policy of the Board of Health and States Housing Authority;
 - (d) that there will be no growth in private sector residential care beds until 2011. This is consistent with the conclusion that there is currently an over provision of residential care beds. The assumption is therefore made that 15% of those currently in residential care would not go into a home in future. This would be because of the combined effects of the Needs Assessment Panel, more sheltered housing and boosted levels of community care. From 2011, residential care beds are assumed to increase in line with the growth in the number of people aged over 75;
 - (e) that expenditure on community care will increase as shown in paragraphs 73 and 77 for the period 2002 to 2005, above what is already in the Board of Health's policy and resource plan. From 2006, the assumption is that expenditure will increase in line with the population growth of over 75s;
 - (f) that there will be a real rate of increase of contribution income of 2.5% from 2000 to 2004 and 2% from 2005 onwards, due mainly to an anticipated continuing real growth in earnings.

Current costs of long-term care

121. Based on a detailed analysis of income and expenditure during 1996, the Authority estimates that the 2000 costs of providing long-term care in Guernsey and Alderney amount to £21.57m, made up as follows:

	£
Private Sector	7,690,000
Board of Health	11,900,000
Housing Authority	1,240,000
Alderney	<u>740,000</u>
	21,570,000

122. The costs of the Board of Health include the operational long-term care costs of the Castel Hospital, King Edward VII Hospital, Duchess of Kent House, homes for people with a learning disability and Community Services.

123. It is estimated that the total costs are met as follows:

	£
Payments from residents/patients	8,330,000
From general revenue	<u>13,240,000</u>
	21,570,000

124. The £8.33m currently paid by residents includes the amount paid by people in the States-run homes and an estimate of the amount paid by people accommodated in the private sector homes. It also includes part payments where people make some payment to the home from their own resources and receive supplementary benefit assistance for the remainder of the payment. All supplementary benefit payments for long-term care are included in the £13.24m paid from general revenue.

Initial increase in overall costs under an insurance scheme

125. The Authority estimates that the overall costs of long-term care would show an immediate increase of £1.70m on the introduction of an insurance scheme as outlined. The main reason for this, accounting for £1.23m, is that the indicative new rates of benefit would pay the private sector home operators more than they are receiving at present for people whose fees are met by the States. This is particularly so in the case of nursing homes, where revenue of £575 per week, being £105 from the patient and £470 from the insurance fund, would be £158 per week more than the current benefit limit for supplementary benefit, £417 in 2000. The Authority acknowledges the need to pay benefit rates that are sufficient to encourage the private sector operators to stay in business, to provide good quality accommodation and, in the longer term, to increase provision to meet the forecast growth in demand.
126. Taking into account the above, the estimated total costs of long-term care under an insurance scheme, in 2000 values, would be as follows:

	£
Private Sector	9,050,000
Board of Health	12,130,000
Housing Authority	1,330,000
Alderney	<u>760,000</u>
	23,270,000

127. It is estimated that these costs would be met as follows:

	£
Payments from residents/patients	4,230,000
From general revenue	12,390,000
From insurance fund	<u>6,650,000</u>
	23,270,000

Insurance scheme costs for general revenue

128. The 1999 report proposed a financing structure for the long-term care insurance scheme that would be cost neutral for general revenue. General revenue could lose some income through the reduction to a flat rate £105 per week from the current standard charges of approximately £234 per week for Housing Authority beds and £258 and £293 per week for Board of Health residential and long-stay nursing beds. But the loss would be small because

the current charges are rebated in the majority of cases through means tested assistance. Savings to general revenue would occur under the supplementary benefit budget as the costs of private sector residential and nursing care were transferred to the insurance scheme.

129. This report is substantially the same as the 1999 report as regards the proposed requirement from general revenue, with one important change. In this report, the Authority is proposing additional recurring revenue be allocated to the Board of Health as indicated in the Authority's consultation document on funding long-term care, in order to increase the Board's level of community services for people needing long-term care. The targeted interventions require the following revenue increases:

2002	£598,000
2003	£42,200
2004	£144,700
2005	<u>£324,000</u>
Total	£1,108,900

130. The above, specific, increases are in addition to the general increased level of funding for community services which will be required for those years, and beyond, to reflect the growing number of older persons in the community.

States grant to long-term care insurance fund

131. In common with the financing of the Guernsey Insurance Fund and the Guernsey Health Service Fund, the Authority proposes that the long-term care insurance fund should receive a grant from general revenue, calculated as a fixed percentage of income collected from contributors. The Authority estimates that a grant from general revenue, equal to 12% of total contribution income will be required to achieve the cost neutral balance for general revenue before taking additional community care expenditure into account.

Substantially reduced payments for the people in care

132. The Authority estimates that the level of direct payments from individuals, for both public sector and private sector care would reduce from £8.33m to £4.23m. This is because residents and patients would be paying only £105 per week, unless they agreed with the home to pay a further top-up. The reduction in payments from individuals would be compensated by payments from the insurance fund, which, of course, would be primarily funded from contributions from members of the community not in care.

Rates of contributions to long-term care insurance fund

133. The Authority estimates that a contribution rate of 1.4% would be required to fund a long-term care insurance scheme as outlined in this report. This should be sufficient to meet current expenses and, importantly, to start a modest accumulation of funds towards the longer term liabilities of the ageing population. The Authority estimates that the percentage rate of 1.4% should hold for at least 15 years.

134. At 2000 rates, a 1.4% contribution rate would mean that individual contributions to the scheme would be as set out below:

Employed and self-employed persons	
Earnings	Contribution p.w.
£71 p.w. or less	£0.00
£72 p.w.	£1.01
£100 p.w.	£1.40
£200 p.w.	£2.80
£300 p.w.	£4.20
£400 p.w.	£5.60
£498 p.w. or more	£6.97

Non-employed persons	
Income	Contribution p.w.
£143 p.w. or less	£0.00
£144 p.w.	£2.02
£200 p.w.	£2.80
£300 p.w.	£4.20
£400 p.w.	£5.60
£498 p.w. or more	£6.97

135. The above figures show that the maximum contribution, in 2000 rates, would be £6.97 per week and would be paid by persons with earnings or income, depending on their insurance classification, of £498 per week (£25,896 p.a.) or more. Maximum contributions are currently paid by 23% of employed persons and 32% of self-employed persons.

Projected costs of current arrangements and long-term care insurance

136. The Authority has made actuarially validated projection of costs to 2036 both for current arrangements for funding long-term care and for an insurance scheme. While a number of scenarios have been modelled, the projections below incorporate the key assumptions set out in paragraph 118.

Current funding arrangements (2000 prices)	2000	2036
	£	£
Private Sector	7,690,000	31,040,000
Board of Health	11,900,000	27,240,000
Housing Authority	1,240,000	1,940,000
Alderney	<u>740,000</u>	<u>1,140,000</u>
	21,570,000	61,360,000
Met by		
Payments from patients/residents	8,330,000	28,890,000
From general revenue	<u>13,240,000</u>	<u>32,470,000</u>
	21,570,000	61,360,000

Insurance scheme (2000 prices)	2000 £	2036 £
Private Sector	9,050,000	36,230,000
Board of Health	12,130,000	27,650,000
Housing Authority	1,330,000	2,070,000
Alderney	<u>760,000</u>	<u>1,180,000</u>
	23,270,000	67,130,000
Met by		
Payments from patients/residents	4,230,000	11,940,000
From general revenue	12,390,000	27,870,000
From insurance fund	<u>6,650,000</u>	<u>27,320,000</u>
	23,270,000	67,130,000

Staffing implications

Social Security Authority staffing

137. The Social Security Authority would endeavour to accommodate its responsibilities in the administration of an insurance scheme within existing staff levels.
138. The collection of contributions would not require additional resources as this would be administered together with collection of contributions for the social insurance and health service schemes. But it could be expected that some increase in pursuing contribution debt could result from the increased contributions.
139. A long-term care insurance scheme would involve Social Security Authority staff in paying benefit to all residents of private sector residential and nursing homes, instead of, as now, paying only to those covered by supplementary benefit. But an insurance scheme would be far more straightforward to administer and would do away with most of the means testing in this particular area under the separate Board of Health, Housing Authority and Social Security assessments. It would substantially reduce the need for bank checks, valuations of investments, investigations into property disposals and so on in the area of long-term care. Means-testing would remain for patients or residents who could not afford the standard charge of £105 per week. The Social Security Authority would do these assessments for persons in both the public sector and private sector homes. The Authority's staff would no longer be required to undertake the Board of Health assessments, according to Board of Health rules, because the liability of the patient or resident would be limited to the £105 per week standard charge with no further assessment towards the costs. The Authority would hope that the shift from a smaller number of complicated assessments to a larger number of more simple claims and payments could be rebalanced without staff increases.

Housing Authority staffing

140. The Housing Authority would not envisage any staffing implications on its own staff from a shift to an insurance scheme as outlined. The Housing Authority advises that there would be marginal gains from not having to assess its residents for their ability to pay fees, but there would still be a need to bill residents for their £105 per week new standard charge and to pursue any debts.

Board of Health staffing

141. The Board of Health would also remain responsible for billing and collecting the £105 charge. The Board is not currently carrying out assessments for fees, this being done by the Social Security Authority on the Board's behalf, so there would be no savings in this respect.
142. The establishment of a Needs Assessment Panel, which is multi-disciplinary in nature and will assess the needs on an annual basis as a minimum, creates a workload which is over and above the work currently done by Board of Health staff. The estimate of staff needed to implement and facilitate this process is 4 full time equivalents. An indicative skill mix is probably 1.0 nurse, 1.0 social worker, 0.5 occupational therapist, 0.5 physiotherapist and 1 co-ordinator. In addition, the increased number of private care home places envisaged will require an increase in the Board's staff of inspectors. This will amount to one full time equivalent.
143. The targeted boost in community services referred to in paragraphs 72 to 76, and including the services for people with dementia, amount to an extra 48.9 full time equivalent members of staff over the next five years. All these posts would be additional to the Board's existing establishment and additional to those posts which will be needed to maintain existing services to an increased population of older people.

Private sector staffing

144. In the medium and longer term, there will be a demand for additional staff in the private sector, which will occur with or without a long-term care insurance scheme, being a consequence of the ageing population. This could be a significant resourcing issue for the Islands. This also has possible implications for the Board of Health in terms of competition for nurse recruitment and possible implications for the Housing Authority in terms of licences for essential workers.

People in residential and nursing homes without residential qualifications

145. The proposed residence test for eligibility for long-term care benefit is set out in paragraph 104. This presumes that residence in the residential or nursing home satisfies the control of occupation legislation administered by the Housing Authority. There is an issue here that the Housing Authority has asked to be addressed in this report, as explained in the paragraphs that follow.
146. Prior to the introduction of the Housing (Control of Occupation) (Amendment) (Guernsey) Law 1988 some residential and nursing homes were inscribed in Part A of the Housing Register, which meant that there was no control over their occupation.
147. In the light of concern that this situation might result in immigration by older people who had no connection with the Island, the Amendment Law created a new Part C of the Register. All open market residential and nursing homes were moved to Part C and, as a consequence, anyone who is not a qualified resident, other than the owner of the property, requires a housing licence to occupy such a home.

148. At the time of the introduction of the Amendment law, the Housing Authority gave an undertaking that it would grant a housing licence, in respect of their occupation of a property inscribed in Part C, to any person over 55 who has lived in Guernsey for the preceding ten consecutive years.
149. Generally, residential and nursing homes, which are not inscribed in Part C of the Housing Register, may only be occupied by qualified residents. Only in very exceptional circumstances will the Authority grant a licence to enable a person to occupy a local market residential or nursing home.
150. The Housing Authority now considers this situation to be anomalous. The standard or level of care provided in such a home is not dependent on the Housing Control Law status of the property, but all are subject to the same criteria laid down by Board of Health home standards legislation. Whether a person will be accommodated in a Part C home or in a local market home may depend on where vacancies exist at the time that a home is needed. The restriction which prevents long-term open market residents from being accommodated in certain homes may on occasion create unreasonable difficulties.
151. The Housing Authority, therefore, considers that a housing licence to occupy any residential or nursing home, whether it is inscribed in Part C of the Housing Register or whether it is local market, should be issued to anyone who:
- Has been resident in Guernsey for the whole of the preceding 10 year period;
 - is aged 65 or over; and
 - for whom a placement in residential or nursing care is considered appropriate by the Board of Health's Needs Assessment Panel.
152. It will be noted that the Housing Authority is proposing the age criterion of 65, rather than 55, which has been used previously. The Housing Authority emphasises that the age of 65 is proposed for the automatic granting of a licence. Any request for a licence from a person below this age would be considered on its individual merits.
153. Homes such as Longue Rue House and Maison Maritaine, which are administered by the Housing Authority, are exempt from the provisions of the Housing Control Law because they are owned by the States. No person, therefore, requires a licence to reside in either of those homes. So far, it has been the Housing Authority's general policy to limit occupation of its homes to persons with residential qualifications. But the Housing Authority now proposes that persons who would be eligible for a housing licence under the policy set out above, would also be considered for admission to homes administered by the Housing Authority.
154. The position in Alderney is that the Nursing and Residential Homes (Registration and Occupation) (Alderney) Law, 1987 requires that a person shall not occupy a nursing home as a patient, or a residential home as a resident, otherwise than in accordance with a licence issued by the General Services Committee.

Summary of long-term care insurance scheme proposals

155. The population is ageing and Guernsey and Alderney face increased demands for long-term care services over the next forty years.
156. In November 1999, the States approved in principle an insurance-based solution to funding long-term care in Guernsey and Alderney. The approval was by an overwhelming majority.
157. The States did have some concerns. Over the last year, the Authority, with the continued assistance of the Board of Health, the Housing Authority and the Advisory and Finance Committee has addressed those concerns. Further consideration has been given to how to measure demand, how to ensure provision, how to assure quality and how to control cost. Some of these issues have become much clearer, in particular the identification of minimum data set (MDS) as an objective means of assessing dependency. As regards provision, key developments emerging on sheltered housing and nursing homes prove that the private sector is responding to demand and the Board of Health has reviewed and refined its requirements for targeted community services. But the Authority has found that it can only go so far in tying down some of the loose ends that were concerning some States members. The future will always be uncertain. Perhaps the only certainty is that the nature of long-term care delivery in Guernsey and Alderney will change over time in ways that are not envisaged at present. So, while proposing a long-term care insurance scheme for the foreseeable future, the Authority also proposes that the legislation giving effect to the scheme as detailed in this report should enable different structures of benefit to be substituted in future as and when the provision of long-term care takes a different turn.
158. The proposed insurance scheme, for the payment of benefit to those in private sector long-term residential or nursing care, forms part of a package that sees the charging arrangements in the public sector changed to provide a level playing field for the person needing care. The package also includes boosted funds and establishment for Board of Health community care services to ensure that there continues to be sufficient provision across the spectrum of care.

Recommendations

159. The Authority recommends:
 - (a) that a compulsory social security long-term care insurance scheme be introduced on the lines outlined in paragraph 1 18 of this report;
 - (b) that the Supplementary Benefit (Implementation) Ordinance 1971, as amended, be further amended to provide for the same eligibility tests to apply in the means tested assessment for assistance towards the co-payment and/or personal allowance, whether in the private or public sector, such amendment to take effect from the coming into effect of the long-term care insurance scheme;
 - (c) that the Supplementary Benefit (Implementation) Ordinance 1971, as amended, be further amended to provide for the value of the former residence to be ignored in the means-tested assessment for assistance towards the co-payment and/or personal allowance, whether in the private or public sector, such amendment to take effect from the coming into effect of the long-term care insurance scheme;

- (d) that the States direct the Advisory and Finance Committee to take due account of the estimated cost to the Board of Health of the required targeted community services, the needs Assessment Panel and the Inspection Team when calculating and recommending to the States the Board of Health's revenue budget and capital allocations for the years 2002 and subsequent years;
- (e) that the States direct the Civil Service Board to have regard to the estimated staffing establishment required by the Board of Health for the targeted community services, the Needs Assessment Panel and the Inspection Team;
- (f) that, from the coming into effect of the long-term care insurance scheme, the prevailing charges for Board of Health, Housing Authority and States of Alderney long-term residential and nursing care be replaced by a simple charging system where the standard charge will be equivalent to the standard insurance scheme co-payment, such charges being uprated with periodic changes in the standard co-payment.

160. I have the honour to request that you will be good enough to lay this matter before the States with appropriate propositions including one directing the preparation of the necessary legislation.

I am, Sir,
Your obedient Servant,
O. D. LE TISSIER,
President,
Guernsey Social Security Authority.

The President,
States of Guernsey,
Royal Court House,
St. Peter Port,
Guernsey.

1st February, 2001.

Sir,

I have the honour to refer to the letter dated 26 January 2001 addressed to you by the President of the Guernsey Social Security Authority on the subject of a Long Term Care Insurance Scheme for Guernsey and Alderney.

Currently, individuals are responsible for covering the costs of their own long term care. Long-term care services are provided by the private sector, the voluntary sector (subsequently referred to jointly as the private sector) and the public sector (the States through the Board of Health and Housing Authority). Means tested assistance is available to help with the cost of long-term care either through Supplementary Benefit for private sector fees or through an abatement of public sector fees.

The original drivers in 1989 for instigating a review of long term care funding were concerns about inconsistencies in the criteria applied in the means testing across the whole spectrum of provision and in particular the circumstances whereby a person may need to sell their home to cover care costs.

The November 1999 report to the States from the Authority proposed that responsibility for covering the cost of long term care should be transferred from the individual and shared by the community through the introduction of an Insurance Scheme. The States agreed in principle to the proposal.

The detailed proposals to implement that policy show that the current costs for long term care are some £23m per year and are projected to increase to £67m (at current prices) over the next 35 years. **Before approving the detailed proposals the States must be convinced that measures are in place to ensure that it is able to meet the commitment it is entering into on behalf of future generations through a Scheme that is sustainable and equitable.**

Because public sector provision is excluded, the Insurance Scheme will cover less than half the actual total cost of long term care provision. The remaining burden will fall on general revenue. The Scheme also contains a number of possible inequities. The burden of funding increased Community Care services as proposed in the policy letter will also fall significantly on general revenue. The Committee's detailed comments on the proposals are set out in the Appendix to this letter.

The original concerns about inconsistencies in the criteria applied in means testing and in particular the circumstances whereby a person may need to sell their home to cover care costs could be addressed in a far simpler, direct and equitable way than through an Insurance Scheme as structured in the current proposals. The Committee therefore believes that the States should reconsider its agreement to the principle of introducing a Long Term Care Insurance Scheme.

The Advisory and Finance Committee will therefore be bringing forward an amendment that recommends the States:

To direct the Authority to review how the current system of support for long term care costs might be revised to address concerns about the application of means testing criteria and to review how its proposals for an Insurance Scheme could be revised to address the concerns expressed above.

To direct the Authority to submit a further report to the States on the results of its review with appropriate recommendations.

I am, Sir,
Your obedient Servant,
L. C. MORGAN,
President,
States Advisory and Finance Committee.

Appendix

In its letter of comment on the November 1999 report from the Guernsey Social Security Authority on Long Term Care Costs the Advisory and Finance Committee stated:

The Advisory and Finance Committee agrees that development of a Supplementary Benefit approach to assist with fees for long term care should be discontinued in favour of an Insurance Scheme based approach, but it has concerns about the nature of the arrangements described in the policy letter.

Whilst those arrangements would address the funding of the costs of the current level of long term care services provided by both the States and the private sector, more work needs to be done on how those arrangements would impact on securing the provision of the additional services necessary to meet projected future needs.

In particular, the Committee is concerned that the exclusion of States long term care services from the Insurance Scheme will distort how future provision is secured (additional private sector services will be funded from the Scheme, additional States services by the taxpayer through general revenue). The exclusion of sheltered housing from the Insurance Scheme could also discourage future provision by the private sector to address the universally acknowledged current gross under-provision of such accommodation. Fundamental principles relating to the operation of the Needs Assessment Panel have also yet to be considered and it is not clear how the availability or otherwise of various categories of long term care provision will influence the granting of a “passport” to such services.

It continued:

In supporting this recommendation however, the Advisory and Finance Committee must make it clear that detailed proposals to implement the in-principle decision in a way which addresses the long term concerns expressed above may result in an Insurance Scheme which varies considerably in extent and in the structure of funding from that described in the policy letter.

The detailed proposals now being brought forward by the Authority do not go very far in addressing the long term concerns expressed above.

Paragraph 136 of the Report sets out the increase in the costs of long term care provision and how they will be met now and in 35 years time if the Insurance Scheme is introduced based on projections of demographics and patterns of provision.

	2000		2036 (at 2000 prices)	
	£m	% of total	£m	% of total
Payments from:				
Patients/Residents	4.23	18	11.94	18
General Revenue	12.39	53	27.87	41
Insurance Fund	6.65	29	27.32	41
	<u>£23.27 m</u>	<u>100</u>	<u>£67.13 m</u>	<u>100</u>

This table illustrates two points, firstly the magnitude of the costs of current provision and the almost tripling of those costs over the next 35 years and secondly, how the proposed Long Term Care Insurance Scheme actually covers less than half of total care costs. The increase in the proportion covered by the Insurance Scheme over 35 years is dependent on the additional long term care facilities required over that period being provided by the private sector, which is by no means certain. If the private sector does not develop those additional facilities the burden of providing them will fall on the States and on general revenue.

The Advisory and Finance Committee believes that this is a fundamental flaw in the proposals and that the additional rates of social insurance contributions required (the insurance premium) have been set artificially low thus masking and not making adequate provision for the actual cost of the commitment the States is taking on. Whilst the introduction of the Scheme may not place a statutory obligation on the States to ensure that sufficient long term care facilities are available to anyone who fulfils the Needs Assessment Panel criteria, it will place an irresistible political and moral obligation on the States to do so.

The proposals being brought forward by the Authority also seek States endorsement for an increase in the provision of Community Care services by the Board of Health. This increase will place an additional burden on general revenue of some 11 million per year. The Insurance Scheme and Community Care proposals will together generate a need for an additional 49 public service staff (paragraphs 73 and 76) in addition “to posts which will be needed to maintain existing services to an increased population of older people” (paragraph 143) which the Board of Health has previously estimated as being an additional 18 staff.

Whilst the Insurance Scheme itself has been presented as being neutral in its immediate effect on general revenue, the proposals on Community Care services will if approved, increase general revenue expenditure. The Advisory and Finance Committee has consistently taken the line that proposals for significant increases in the budget and manpower of a general revenue committee should be considered within the context of overall States resource requirements as presented in the annual Policy and Resource Planning report.

The Advisory and Finance Committee also has other concerns about the proposed scheme.

Apart from the financial implications of excluding public sector provision from the scheme, the proposals allow for residents or other parties to make “top up” payments to private sector homes to cover additional facilities and services whereas no such arrangement will exist in public sector homes. Without adequate influence over bed allocation this could lead to a “two-tier” service whereby the private sector will seek to attract low dependency residents with the ability to make, or have made for them “top up” payments whilst the public sector will be left to cater for poorer, high dependency residents.

The lack of provisions to build up entitlement to care or to receive refunds could also result in inequities. Persons who have lived and worked in Guernsey, and who have paid contributions into the Scheme but who, for one reason or another enter into care off Island, will receive no benefit at all. On the other hand, someone who has been in the Island for only the minimum qualifying period, and who may not have paid any contribution, can receive full benefit.

This is contrary to the principles of most of the current contributory social security measures, in particular Old Age Pensions.

The Advisory and Finance Committee has raised its concerns with the Authority as a result of which clauses have been included in the proposals that would enable the States to bring public sector provision within the Scheme at a later date. The Authority has also included clauses that enable the projected requirement for increases in resources for the Board of Health in respect of Community Services to be considered as part of the Policy and Resource Planning process.

The Advisory and Finance Committee is grateful to the Authority for making these concessions but they do not go far enough to enable the Committee to recommend the States to support the recommendations.

The States are asked to decide:—

VII.— Whether, after consideration of the Report dated the 26th January, 2001, of the Guernsey Social Security Authority, they are of opinion:—

1. That a compulsory social security long-term care insurance scheme be introduced on the lines outlined in paragraph 118 of that Report.
2. That the Supplementary Benefit (Implementation) Ordinance, 1971, as amended, shall be further amended to provide for the same eligibility tests to apply in the means-tested assessment for assistance towards the co-payment and/or personal allowance, whether in the private or public sector, such amendment to take effect from the coming into effect of the long-term care insurance scheme.
3. That the Supplementary Benefit (Implementation) Ordinance, 1971, as amended, shall be further amended to provide for the value of the former residence to be ignored in the means-tested assessment for assistance towards the co-payment and/or personal allowance, whether in the private or public sector, such amendment to take effect from the coming into effect of the long-term care insurance scheme.
4. To direct the States Advisory and Finance Committee to take due account of the estimated cost to the States Board of Health of the required targeted community services, the Needs Assessment Panel and the Inspection Team when calculating and recommending to the States that Board's revenue budget and capital allocations for the year 2000 and subsequent years.
5. To direct the States Civil Service Board to have regard to the estimated staffing establishment required by the States Board of Health for the targeted community services, the Needs Assessment Panel and the Inspection Team.
6. That, from the coming into effect of the long-term care insurance scheme, the prevailing charges for States Board of Health, States Housing Authority and States of Alderney long-term residential and nursing care shall be replaced by a simple charging system where the standard charge will be equivalent to the standard insurance scheme co-payment, such charges being uprated with periodic changes in the standard co-payment.
7. To direct the preparation of such legislation as may be necessary to give effect to their above decisions.

STATES HOUSING AUTHORITY**REVIEW OF THE OPEN MARKET**

The President,
States of Guernsey,
Royal Court House,
St. Peter Port,
Guernsey.

29th December, 2000.

Sir,

HOUSING CONTROL LAW - REVIEW OF THE OPEN MARKET

I have the honour to present the following report concerning Open Market housing in Guernsey.

A. INTRODUCTION

The Authority decided to undertake a review of the Open Market provisions in the Housing (Control of Occupation) (Guernsey) Law 1994, at this time, primarily because during the States debate in July 2000, concerning the proposed inscription in the Housing Register of new dwellings to be constructed on the site of the former Savoy Hotel, it became clear to the Authority that it would be desirable to clarify policy issues before bringing any further site specific proposals to the States.

The current Law came into force on 1 July 1994 and, although it can be extended by Ordinance by periods of up to five years, it would otherwise remain in force until 30 June 2004.

It had been the Authority's intention to carry out a full review of the Law during 2001, so that any changes deemed to be necessary could be debated by the States well before the Law's expiry date; but because the Law has different provisions for "Open" and "Local" market housing the Authority considered there was merit in presenting separate reports to the States to facilitate and focus debate on each of these matters independently.

This report, therefore, concentrates on issues concerning the Open Market and contains proposals for amendments to the Law and statements of proposed policies. Although initially intended as a review to aid the drafting of a law to replace the present Law on its expiry in June 2004, in view of the fact that there would thus be a delay of over two years before the Law changes took effect, the Authority will propose that, where appropriate, the changes should be effected by amendment to the Law of 1994.

This report covers the following subjects:

- **Size of the Open Market**
- **Inclusion of Open Market accommodation in prestigious or important developments**
- **Alterations to existing provisions concerning the Housing Register**
- **Restrictions on Qualified Residents**

B. SIZE OF THE OPEN MARKET

The initial limit on the size of the Open Market housing stock was effectively dictated by the Housing Control Law of 1969, which established the Open Market Housing Register and set out the historical factors which rendered a dwelling eligible for inscription in that Register.

A further limitation on the number of dwellings which could be included in the Open Market housing stock was imposed by the decision of the States, when introducing the Housing Control Law of 1982, generally to close the Register so that no new or additional properties could be inscribed, except by specific decision of the States.

Under current policies, therefore, the number of dwellings inscribed in the Register will continue to diminish slowly as owners decide for whatever reason to remove their property from the Open Market.

(i) Should the Open Market be expanded?

Against this background, the Authority has considered whether measures should be taken to halt this decline or to increase the size of the Open Market. The Authority has concluded that there is no reason, on housing grounds, why the Open Market should be expanded. In fact quite the opposite, as any expansion is likely to cause a loss or potential loss of Local Market dwellings.

The Authority is of the opinion that expansion of the Open Market would have to be justified on some other strategic grounds and, it is suggested, at the instigation of a body other than the Housing Authority. If, for example, it is desirable to increase the number of Open Market dwellings in order to increase revenue income then that should not be an initiative of the Authority.

(ii) Should the Open market be contracted other than by the current natural wastage?

Although there would be some merit in this in that there would be a gain to the Local Market housing stock, the Authority does not envisage that the States could reasonably legislate to remove existing Open Market status from properties.

The Authority does not therefore recommend any legislative measure directly to expand or contract the Size of the Open Market.

C. INCLUSION OF OPEN MARKET ACCOMMODATION IN PRESTIGIOUS OR IMPORTANT DEVELOPMENTS

In July 2000 the States approved a proposition that a proportion of the dwellings to be constructed on the site of the Savoy Hotel should be inscribed in the Housing Register if the equivalent number of existing dwellings were deleted from Part A of the Housing Register.

Some States Members expressed concern as to the precedent that the decision might create, but the Authority made it clear that it would only regard the decision as a precedent for similar exceptional proposals.

The key reason for the Authority's recommendation was that the redevelopment of the Gategny MURA (Mixed Use Redevelopment Area) was considered to be most important in view of its prominent position and the poor appearance of a major part of the area. It was also considered to

be a prime site for the inclusion of Open Market accommodation because of its location which, the Authority believed, could attract new wealth to the Island. There was also a significant amount of Local Market housing to be gained in the development of the overall area of the MURA.

However, the Authority decided that, in view of States Members' concerns about the extent of the precedent resulting from the Savoy decision, before another site specific proposal was taken to the States, there should be an opportunity for the States to approve a policy statement to guide property owners and to assist the Authority in bringing forward future proposals.

The first principle to establish is to what type of site any policy statement should apply. Using the Savoy site as an example, the Authority considers that this policy should only apply to important or prestigious sites where the inclusion of Open Market dwellings is seen as essential for strategic reasons. The policy could also apply to sites which are located in MURA's and where the overall number of dwellings to be provided, in that MURA, will exceed 100.

Having considered the type of sites to which the policy may apply a key issue is whether there should be any numerical limit on the number of dwellings which can be inscribed in a particular development. As applied to the Savoy site, in order for new dwellings to be inscribed, it is proposed that an equal number of existing dwellings be deleted from the Register. However, it is important to note that it is likely that there will be a limited number of dwellings, which can be acquired for the purpose of deleting them from the Register, to satisfy this requirement. They are likely to be at the lower end of the Open Market price range in order for the exchange to be viable; and any depletion in the number of dwellings at the lower end of the Open Market is likely to increase the scarcity value of the remaining similar properties. Thus the overall scope for the use of this policy is likely to be limited.

In formulating its proposals in the case of the Savoy, the Authority decided that there should be a proportional limit of one third of the total number of dwellings to be developed within the enclos, and this led to the agreed proposal that eight dwellings should be inscribed.

If, for other applications, the number continued to be set on the basis of one third of the total number of dwellings, it is conceivable that 30 plus dwellings could be eligible in a development of 100 dwellings or more.

Although it is probably unlikely that a single developer would acquire 30 dwellings for the purpose of deletion, were one to do so it would significantly deplete the lower end of the Open Market and probably mean that there would be little or no scope for any other developer to take up this facility.

The Authority has therefore decided to recommend the States that there should be a numerical limit as well as a proportional limit. The Authority considers that it would be reasonable to apply the numerical limit of eight dwellings which was established in the case of the Savoy site.

In the light of the above the Authority proposes that in respect of developments where it is prepared to recommend that new dwellings can be inscribed in the Housing Register, on a one to one basis (i e in exchange for the deletion of existing properties from the Register) there will be a limit of one third of the total number of dwellings in the development or a maximum of eight dwellings whichever is the lesser.

During the Savoy debate, there were also some concerns about the size of the dwellings to be deleted and those to be inscribed. The Authority does not consider that the size of the dwellings, or whether those to be deleted and inscribed are comparable, are important. What is important is that there should be a direct numerical exchange.

In this context, it is important to note that there is nothing in the Housing Control Law which controls the size of an Open Market dwelling. Once it has been inscribed in the Register, it can be increased or reduced in size without penalty. Any size limitation that the States may wish to impose would only, therefore, be relevant at the time of the application. Such decision of the States could not prevent the owner from developing the property in accordance with the Law, and any relevant planning law, thereafter.

Some Members also expressed concern that existing occupants of the dwellings to be deleted might use that fact to gain the issue of a housing licence.

To offset this, the Authority proposes that it would only regard the deleted dwelling as satisfying this arrangement if, at the time of the application, it is either (a) vacant or (b) occupied by a qualified resident.

Taking account of all the above points, the States will, therefore, be asked to approve the following policy statement:

- 1. The policy would not apply to small one-off sites or Single dwellings.**
- 2. It can apply to sites:**
 - **which are part of a Mixed Use Redevelopment Area (MURA) and where the overall number of new dwellings in the MURA is likely to be in excess of 100; and/or**
 - **where there are other Strategic issues.**
- 3. In return for each dwelling to be inscribed, one existing dwelling must be deleted from Part A of the Housing Register.**
- 4. Neither the dwelling to be deleted nor that to be inscribed will have to meet any specific size or rateable value criteria. It will simply be a numerical exchange, albeit that the Authority will have to approve the Specific dwelling which is to be inscribed or deleted.**
- 5. The dwelling to be deleted must be unoccupied, or occupied by a qualified resident, at the time of the application to delete the inscription. The fact that the dwelling is the subject of an application for the deletion of the inscription from the Housing Register under this policy would not be regarded as a reason which, of itself, would justify the grant of a housing licence to an occupier or former occupier.**
- 6. The number of dwellings which can be inscribed on a one to one exchange basis will be limited to one third of the total number of dwellings in the development or a maximum of eight dwellings whichever is the lesser.**

Note - for the purposes of the above policy statement the words "site" in number 2 and "development" in number 6, mean that an owner will only be eligible for one such concession in respect of parcels of adjacent land in his ownership in the MURA. The owner would not be able to increase the number of dwellings beyond the eight or one-third mentioned in number 6 by phasing the site development or by transferring land to an associate company.

D. ALTERATIONS TO EXISTING PROVISIONS CONCERNING THE REGISTER

(i) Properties added to Part B to become incapable of transfer to Parts C or D [see Sections 39(b) & (c)]

There are two types of hotel property inscribed in Part B of the Housing Register.

Until 1982 the Housing Register was a single Register which contained all Open Market properties whether they were in use as private dwellings or hotels (or indeed nursing / residential homes or lodging houses).

In the 1982 Law the Register was divided into two parts Part B comprised all those Open Market properties which were in use as hotels and Part A comprised all other Open Market properties.

The Law also made provision for other hotels to be added to Part B of the Register even though they had not previously been eligible for the Open Market Register under the previous Law.

On 11 February 1998 the States accepted a Tourist Board proposition that all remaining hotels should be added to Part B of the Register.

So the two types of hotel property inscribed in Part B of the Register are:

- those which were full Open Market properties inscribed in the Register prior to 1982; and
- those which were added to the Register during the course of the 1982 and 1994 Laws (which were not previously eligible for the Open Market).

In view of the fact that they were not previously eligible for the Open Market, the Law specifically states that, if hotels in this second category cease to be used as hotels they **cannot be transferred to Part A as private dwellings**.

However, they can be transferred to Part C (if they are in use as nursing or residential homes) or to Part D (if they are in use as lodging houses).

Properties which are inscribed in Parts C and D **can be occupied by the owner and his family**.

So the Law allows a hotelier (without residential qualifications):

- to occupy his property while it is inscribed in Part B and is used as an hotel; or
- to cease to operate as an hotel and to take in a few lodgers: this would cause the Authority to transfer the property to Part D so that the occupation by lodgers is controlled, but as the owner he can continue to occupy the dwelling; or
- to obtain registration under Board of Health legislation as a residential (or nursing) home and, as the owner, to continue to occupy the property;

However, if the use of the property changes to a private dwelling house it reverts to the Local Market and he cannot continue to occupy it without a housing licence.

There have been some examples of transfers of such hotels to both Part C and Part D but the Authority considers that this is not what the States intended when they made provision for the concessionary inscription of hotels. If it had been the States intention that such properties could

have retained Open Market status even though not in use as hotels, then it would have been logical for the States to have also made provision for such properties to be transferable to Part A as private dwellings.

It is clear that the States, in deciding that hotels could be added to Part B of the Register, were specifically intending to assist tourism and to ensure as far as possible that those hotels would be retained in the industry.

In the Authority's view if a hotel which is not eligible for Part A ceases to be a hotel it should not be eligible for any other part of the Register and should revert to the Local Market.

The Authority proposes that Section 39 of the Law should be amended accordingly. This proposal would not be applied retrospectively. Thus if a property, which would otherwise be a property to which this proposal applied, has, at the date of publication of this policy letter, already been transferred to Part C as a residential or nursing home, or Part D as a lodging house, then it may remain inscribed in that Part of the Register for so long as it continues in such use.

(ii) Amendments to the Register by Ordinance

Under Section 52 of the Law the States may permit the Authority to add properties to Part A or Part B of the Register by approving an Ordinance. The section provides that application for the inscription must be made by the owner within 3 months of the commencement of the Ordinance. That is not normally a problem. Usually the property has been identified at the time of the States decision and there is no reason why it cannot be inscribed immediately.

However, in cases like the Savoy site development the inscription is dependent on (a) the property being constructed and (b) the deletion of another property.

There could therefore be a delay of some two years between the initial decision of the States to agree that the inscription of a dwelling will be permitted by Ordinance and for the Ordinance to be placed before the States.

This could create some uncertainty. Even though the States will have given a commitment, the applicant cannot be guaranteed that the inscription will be made effective until the States have approved an Ordinance. To avoid any doubt it would be preferable that the Ordinance was placed before the States as soon as possible after the initial decision .

This could be effected if Section 52(2) was amended so that the period during which the owner was required to make application for the inscription became "within three months or such other period as may be specified in the Ordinance."

(iii) Re-inscription of combined dwellings

Section 34 of the Law requires that if an Open Market dwelling is combined with a Local Market dwelling it must be deleted from the Register.

There are many examples of Open Market dwellings which have a Local Market dwelling in their grounds. Frequently the Local Market dwelling will be a former granny unit and its proximity to the main dwelling or the manner in which it overlooks the Open Market property, will often mean that it is not occupied and therefore does not form a useful part of the Local Market stock.

On several occasions since 1982 the Authority has made a commitment to the owner that if he deletes another dwelling from Part A of the Register it will allow the Local Market and Open Market units to be combined (either by physical alteration or by use).

The Authority generally makes a commitment to grant licences and then to recommend the States to permit the inscription of the combined dwelling by an Ordinance made under Section 52.

To date the States has always approved such recommendations.

This is an example where in the Authority's view the Law takes up States' time unnecessarily. The Authority, therefore, recommends that the States agree to the principle that the Law be amended to enable the Authority to reinscribe "combined" properties without the requirement for specific States approval by Ordinance. This could be achieved by amending Section 34 to provide that if the Authority deletes a dwelling from the Register due to its combination with not more than one Local Market dwelling, the Authority may, on application being made, inscribe the combined dwelling, provided that the owner has first deleted another dwelling which he owns from Part A of the Housing Register.

The effect would be similar to the current Sections 35 and 36 which enable the Authority to approve alterations to Open Market dwellings within specified limits.

(iv) Purpose built premises within the enclos of Part B Hotels

Section 49 of the Law enables the States by Ordinance to permit any premises within the curtilage of a Part B hotel to be added to the hotel's inscription if they were purpose built, converted or otherwise created for occupation by tourists or for staff fully employed in the hotel. Self catering tourist units are excluded.

The current situation is that some hotels have staff quarters within their enclos which are included in the inscription, while for others the staff quarters are excluded. There is no reason for the differentiation. It is generally dependent on whether the hotelier has asked for the premises to be included.

The Authority is aware that some States Members may not wish to see staff quarters included in the Part B inscription, because it would free the staff members accommodated from the need of a licence. However, the Authority can see no justification for the current discrimination which requires staff accommodated within the enclos of some Open Market hotels to be required to hold a housing licence, while staff accommodated within the enclos of other Open Market hotels are not required to hold housing licences. Indeed there are cases where some staff employed in the same hotel have to hold licences because they are accommodated in staff quarters which are within the hotel's enclos but are not included in the hotel's inscription, while their workmates who are living in the hotel do not need licences.

In the Authority's view all such staff should be treated alike and they should either all be free from the need of licences if they live within the enclos of the hotel where they are employed or they should all need to hold licences.

The Authority cannot see any justification for introducing a requirement for licensing for those currently free from such a requirement and it therefore recommends that Section 49 of the Law should be amended to enable the Authority, on application from the owner, to include in the hotel's inscription in Part B of the Housing Register, "any premises, other than a self-catering unit, within the enclos, curtilage or precincts of the hotel, which were built,

converted or otherwise created for the accommodation of tourists or persons fully employed at the hotel for the purposes of the operation of the boarding permit”.

This amendment would dispense with the present requirement that each individual case requires the approval of an Ordinance.

(v) Occupation of Part C properties by other than owners

The Housing Register is in four parts:

Part A – private dwelling houses are unrestricted;

Part B – hotels – some restrictions apply but the owner and the manager (and their direct family members); and members of staff fully employed in the hotel can occupy the Part B property without a licence;

Part C – residential and nursing homes – some restrictions apply but the owners (and their direct family members) are exempt from the need of a licence;

Part D – lodging houses – again only the owners (and their direct family members) are exempt from the need of a licence.

There is a case for extending the exemption for Part C residential and nursing homes along similar lines to Part B hotels. That is, in addition, to owners, “managers or staff fully employed in the home” could be permitted to occupy without the need of a licence. In the case of the Manager the exemption would cover his/her direct family members, but for other staff the exemption would be for the fully employed staff member only and not for dependents. This would avoid the need to grant housing licences and would recognise that the staffing implications for residential and nursing homes will be similar to hotels, although it is less likely that the proprietors would wish to sacrifice “guest beds” for staff use except very much as a last resort.

It is proposed therefore that the Law be amended so that managers (and their direct family members) and staff fully employed in Part C properties are exempt from the need of a licence to live therein.

(vi) Exemption of owner where the property is company owned

As mentioned above, occupation by the owner of a Part B, C and D property is exempt from the need of a licence. However, it is increasingly common for hotels and residential / nursing homes to be held in the ownership of a company.

The definition of owner in Section 71 does not cover the beneficial owner of a company. Where a person is (or a married couple are) the beneficial owner of a company which owns a property which is inscribed in Part B, C or D, there is a case for extending the exemption to cover that person’s occupation of the property as if he were the owner for an estate of inheritance. Again this would obviate the need for a housing licence.

If, instead of amending the Law, the Authority granted such a person a licence he would eventually become a qualified resident after 20 years under licence.

It is therefore recommended that Section 71 of the Law be amended so that where a property inscribed in Part B, Part C or Part D is owned by a company, a person who is (or a married couple who are) the beneficial owners of that company should be included in the definition of “owner” for the purposes of Sections 20 and 21 of the Law and thus be exempt from the need of a licence to occupy the property.

E. RESTRICTIONS ON QUALIFIED RESIDENTS

(i) Perpetuation of the concept of restricted qualified residents?

Section 54 of the Law provides that a qualified resident, who caused a property which he owned, to be inscribed in the Housing Control Register, has lost the automatic right to occupy a controlled Local Market dwelling.

The Housing Register has now been closed for new inscriptions for more than 18 years. The vast majority of restricted qualified residents will be relatively elderly and many will have inscribed their dwellings at least 25 years ago. Currently they can only regain the right to occupy a Local Market dwelling if they delete a dwelling from the Register. However, they can occupy a nursing home (Section 24) without the requirement to delete a dwelling from the Register.

The Authority has considered whether the time has come when the concept of “restricted qualified residents” should be abandoned. However, it is known that the number of restricted qualified residents is in excess of one hundred and if all were freely able to move to Local Market dwellings, the shortage of such housing would be exacerbated in the short term.

The Authority considers, therefore, that the restricted qualified resident concept should remain in the Law and be reviewed again towards the expiry of the Law which succeeds the 1994 Law. However, in the case of elderly persons it is probably disproportionate to the aims of the legislation that many of these should continue to be restricted.

Although a change in the Law, which would effectively be irreversible, is not recommended, the Law empowers the Authority to grant a restricted qualified resident permission to occupy a Local Market dwelling and the Authority will exercise its discretion sympathetically in the case of elderly persons especially those over the age of 80.

(ii) Anomalies in the provisions in Section 54 concerning restricted qualified residents.

(a) Spouse

Some dwellings have been inscribed by one qualified resident alone (i.e. not jointly with a spouse). While both are alive the spouse is not restricted. That is, the couple could separate and the unrestricted spouse would have the freedom to occupy a controlled dwelling. However, immediately that the inscriber dies, the spouse becomes restricted. In Section 54(1) the restriction applies if she was living with the person at the time of inscription. In Section 54(2) and (4) the restriction applies if she was living with the inscriber at the time of death.

The Authority considers that these restrictions are unreasonable and it is recommended that the Law be amended so that the bracketed words beginning “(or, after his death his spouse etc)” should be deleted wherever they appear in Section 54. The words “or his Spouse, as the case may be” should be deleted from Section 54(6)(a) and (b).

(b) Restrictions on qualified resident owners who did not occupy

Generally the restrictions in Section 54 apply to the owner who inscribed the dwelling and who was occupying it either on a date in 1968 or on the date on which it was inscribed. However, Section 54(1)(a) says the owner who inscribed it will be restricted if “he or some other qualified resident was occupying on that date (23 December 1968)”. This was first included in the Law of 1975 although the reasons are not clear.

Paragraph 27 of the Authority’s policy letter included in Billet VI for the meeting of 26 March 1975 reads as follows:

“The Authority ... considers that the exclusion of the following categories of person from this restriction is anomalous:

- b) persons who possess the specified residential qualifications and who were the beneficial owners of the dwelling on 23 December 1968 but were not the occupiers, where that dwelling was occupied on 23 December 1968 by a person with the specified residential qualifications.”

In the absence of an explanation as to why the exclusion was considered anomalous, the Authority considers the position created by the 1975 decision to be anomalous.

In order to be eligible for the Register, properties either had to have achieved a specified rateable value by 1962 or, if built after that date, had to have achieved a specified rateable value no later than 19 July 1968.

Who was in occupation of the dwelling on that one day, 23 December 1968, had no bearing on the status of the dwelling. Under the Laws which were operative in the 1960’s a property was an “Open Market” dwelling, which could be occupied by non-local people, provided that it had achieved the specified rateable value by the specified date.

It was not unknown for such dwellings to be occupied successively by non-local people and then locals. The Authority regards it as anomalous that a person’s residential status should be dictated by the fact that a dwelling which he owned, but did not occupy, was occupied by a local person on 23 December 1968 when on the 22 December 1968 it might have been occupied by a non-local person.

It becomes even more anomalous in that if the house had been vacant on 23 December 1968, the owner would not have been restricted by inscribing the house in the Register.

However, it is appropriate to recall that, at the time that paragraph 27 referred to above was written into the 1975 policy letter, the degree of restriction was relatively light. Under the 1969 Law and under the Authority’s proposals for the 1975 Law, a qualified resident who inscribed his dwelling in the Register was prevented from occupying an existing controlled dwelling but he had an absolute right to construct a replacement dwelling (to a size specified by the Authority) for his future occupation. He did not therefore completely lose the benefit of his residential qualifications.

However, that was changed, in the 1975 Law, because in the subsequent States debate, an amendment was proposed and approved by the States which made the restriction much more stringent. The right to occupy a specifically constructed replacement dwelling was withdrawn and the person effectively had to occupy an Open Market dwelling. The fact that the restriction is more severe makes it more important to remove anomalies.

In the light of all the above the States are recommended that the Law is amended so that the words “or some other qualified resident” are deleted from Section 54(1)(a).

GENERAL

In the light of all the above the States are recommended as follows:–

SIZE OF THE OPEN MARKET

1. To note that the Authority does not recommend any legislative measure directly to expand or contract the size of the Open Market.

INCLUSION OF OPEN MARKET ACCOMMODATION IN PRESTIGIOUS OR IMPORTANT DEVELOPMENTS

2. To approve the policy statement set out in section C of this report.

PROPOSED AMENDMENTS TO THE HOUSING (CONTROL OF OCCUPATION) (GUERNSEY) LAW 1994

ALTERATIONS TO EXISTING PROVISIONS CONCERNING THE REGISTER

Properties added to Part B to become incapable of transfer to Parts C or D

3. To agree that Section 39 of the Law be amended so that dwellings which are inscribed in Part B of the Housing Register, should not be eligible for transfer to Parts C or D, if they were neither (a) inscribed in the Housing Register under the Law of 1975 nor (b) inscribed in Part A of the Register of 1982, prior to their inscription in Part B.

Amendments to the Register by Ordinance

4. To agree that Section 52(2) be amended so that the 3 months allowed for inscription may be extended by including the words “or such other period as may be specified in the Ordinance”.

Re-inscription of combined dwellings

5. To agree that Section 34 of the Law be amended to enable the Authority to re-inscribe in Part A of the Register an Open Market dwelling which has been combined with not more than one Local Market dwelling, provided that the owner has arranged the deletion of another property, which he owns, from Part A of the Register to the Authority’s satisfaction in accordance with the practice which has been established under the 1982 and 1994 Laws.

Purpose built premises within the enclos of Part B Hotels

6. To agree that the Law should be amended to enable the provisions of Section 49 to be undertaken by the Authority without the need for an Ordinance.

Occupiers of Part C properties

7. To agree that Section 21 of the Law be amended so that managers (and their direct family members) and staff fully employed in Part C properties are exempt from the need of a licence to live therein (i.e. similar to the provisions of Section 20 relating to Part B hotels).

Exemption of owner where the property is company owned

8. To agree that Section 71 of the Law be amended so that where a property inscribed in Part B, Part C or Part D is owned by a company, a person who is (or a married couple who are) the beneficial owners of that company should be included in the definition of “owner” for the purposes of Sections 20 and 21 of the Law.

Anomalies in the provisions for restricted qualified residents .**Spouse**

9. To agree that Section 54 of the Law be amended by the deletion of the words “(or, after his death, his spouse etc)” so that a spouse does not become restricted, for the first time, on the death of the person who inscribed a dwelling in the Housing Register. The words “or his spouse, as the case may be” should also be deleted from Section 54(6)(a) and (b).

Restrictions on owners who did not occupy

10. To agree that the words “or some other qualified resident” be deleted from Section 54(1)(a).

I have the honour to request that you will be good enough to place this matter before the States with appropriate propositions including one directing the preparation of the necessary legislation.

I am, Sir,
 Your obedient Servant,
 J. E. LANGLOIS,
 President,
 States Housing Authority.

[N.B. The States Advisory and Finance Committee supports the proposals.]

The States are asked to decide:—

VIII.— Whether, after consideration of the Report dated the 29th December, 2000, of the States Housing Authority, they are of opinion:—

1. To note that the States Housing Authority does not recommend any legislative measure directly to expand or contract the size of the Open Market.
2. To approve the policy statement set out in section C of that Report.
3. That section 39 of the Housing (Control of Occupation) (Guernsey) Law, 1994, be amended so that dwellings which are inscribed in Part B of the Housing Register, shall not be eligible for transfer to Parts C or D, if they were neither (a) inscribed in the Housing Register under the Housing (Control of Occupation) (Guernsey) Law, 1975 nor (b) inscribed in Part A of the Housing Register of 1982, prior to their inscription in Part B.
4. That section 52(2) of the Housing (Control of Occupation) (Guernsey) Law, 1994, be amended so that the 3 months allowed for inscription may be extended by including the words “or such other period as may be specified in the Ordinance”.
5. That section 34 of the Housing (Control of Occupation) (Guernsey) Law, 1994, be amended to enable the States Housing Authority to re-inscribe in Part A of the Housing Register an Open Market dwelling which has been combined with not more than one Local Market dwelling provided that the owner has arranged the deletion of another property, which he owns, from Part A of that Register to that Authority’s satisfaction in accordance with the practice which has been established under the Housing (Control of Occupation) (Guernsey) Laws 1982 and 1994.
6. That the Housing (Control of Occupation) (Guernsey) Law, 1994, be amended to enable the provisions of section 49 to be undertaken by the States Housing Authority without the need for an Ordinance.
7. That section 21 of the Housing (Control of Occupation) (Guernsey) Law, 1994, be amended so that managers (and their direct family members) and staff fully employed in Part C properties are exempt from the need of a licence to live therein (ie similar to the provisions of section 20 of that Law relating to Part B hotels).
8. That section 71 of the Housing (Control of Occupation) (Guernsey) Law, 1994, be amended so that where a property inscribed in Part B, Part C or Part D is owned by a company, a person who is (or a married couple who are) the beneficial owners of that company shall be included in the definition of “owner” for the purposes of sections 20 and 21 of that Law.
9. That section 54 of the Housing (Control of Occupation) (Guernsey) Law, 1994, be amended by the deletion of the words “(or, after his death, his spouse etc)” so that a spouse does not become restricted, for the first time, on the death of the person who inscribed a dwelling in the Housing Register and the words “or his spouse, as the case may be” shall also be deleted from section 54(6)(a) and (b) of that Law.
10. That the words “or some other qualified resident” shall be deleted from section 54(1)(a) of the Housing (Control of Occupation) (Guernsey) Law, 1994.
11. To direct the preparation of such legislation as may be necessary to give effect to their above decisions.

STATES HOUSING AUTHORITY

ANNUAL REVIEW OF STATES HOUSE RENTS AND REBATES

The President,
States of Guernsey,
Royal Court House,
St. Peter Port,
Guernsey.

29th December, 2000.

Sir,

ANNUAL REVIEW OF STATES' HOUSE RENTS AND REBATES

INTRODUCTION

I have the honour to present the following report concerning States' house rents and rebates for consideration by the States.

GENERAL REVIEW

At the time of its 2000 Policy Planning submission the Authority assigned a short-term priority to the review of the current policies regarding Rents and Rent Rebates. However, subsequently, following consideration of the Social Policy Working Group's response to the Requete on Low Income Earners and Households (Billet D'État XII – 12 May 2000) the Authority agreed to lead inter-departmental investigations into possible measures to address the problem of high private sector rental costs.

The Authority is now of the view that neither public nor private rental costs, and their means of abatement, can be addressed in isolation; consequently, the Authority has embarked upon a full scale review of public and private sector rental costs. Initially this review is at officer level in liaison with staff from the Social Security Authority and the Advisory and Finance Committee, but other committees such as the Cadastre Committee will be included at a later date.

Therefore, in the light of the above, the Authority proposes that the present system of setting rents and calculating rent rebates remains in place for at least another year; but that, in common with the practice adopted in recent years, rents and rent rebates should be increased by the current rate of inflation to ensure that rents maintain their relative value, and to ensure that the value of the rebate is maintained for those of limited means.

GENERAL POLICY ON RENTS AND REBATES

The Authority's general approach to States' house rents and rent rebates was set out in the report considered by the States in May 1988 (Billet d'État XIII). This included the following statement of principles :-

- “ (a) rent subsidies should not be used to keep general rent levels low;
- (b) subsidies should not be distributed to tenants who do not need them;
- (c) the aim of the scheme should be to ensure that tenants with low incomes or large families, or both, should not be asked to pay higher rents than they can afford.”

The Authority considers that these three principles continue to be relevant and will form the backbone of its comprehensive review.

RENTS

Since 1988, the Authority’s recommendations for the annual adjustment of rents have been intended to ensure that subsidies are only provided through the Rent Rebate Scheme to those tenants who cannot afford Standard Rents. While this objective has not been fully achieved and in practice those rents have themselves been subject to some degree of subsidy, the objective of the current proposals is to prevent that unmeasured subsidy from increasing pending the completion of the comprehensive review of rents.

The Authority therefore recommends that Standard Rents should be increased by the increase in the Retail Price Index for the year ended 30 September 2000, namely 4.5%.

Appendix I shows the effect of this increase on the full range of Standard Rents. The largest weekly increase resulting from this proposal would be £4.85 per week, while a typical three bedroomed dwelling would have a rental increase of £3.47 per week to £80.64 per week. The rent for a typical modern one bedroomed dwelling would increase by £3.35 per week to £77.74 per week.

The Authority wishes to emphasise that these adjustments to Standard Rents will have no effect on tenants who qualify for a Rent Rebate. Approximately two-thirds of States’ tenants are in receipt of a Rent Rebate and, therefore, will face no increase in rent as a result of the Authority’s proposals.

Standard Rents are only payable by those tenants who either do not qualify for, or who do not wish to apply for, a Rent Rebate. Tenants who apply for, and who are eligible for, a Rent Rebate will be assessed on the basis of their income.

RENT REBATES

The Rent Rebate Scheme was introduced in 1973, with the aim of ensuring that States’ tenants did not have to pay more in rent than they could reasonably afford. The Scheme has been reviewed annually by the States and generally the value of the rebate has been maintained by adjusting the factors in the rebate calculation in line with movements in the Retail Price Index, thereby protecting the rebate against the effects of inflation.

The rules governing the Rent Rebate Scheme are detailed in Appendix II: in the present circumstances, the Authority does not propose any change to these rules.

However, in order that the Rent Rebate Scheme continues to meet its stated objective, and to maintain the value of the rebate, it is recommended that all the factors in its calculation are adjusted in line with the increase in the Retail Price Index for the year ended 30 September 2000, i.e. 4.5%. This proposal includes an increase in the gross income ceiling for eligibility for a Rent Rebate from £387 to £405 per week.

The proposed rebate factors are shown at Appendix III; and examples of Weekly Income and Rent Payable both for Single Householders and Married Couples are shown at Appendix IV. It should be noted that Appendix IV is in an abbreviated form, but further details will be provided to any tenant or Member of the States who may request them. Similarly any tenant or Member of the States who wishes to know the rental category of a dwelling may obtain this information by contacting the Authority's office.

HIGH EARNER SURCHARGES

As a result of Resolution XIII of the States of 30 April 1992 (Billet VIII), the Housing Authority has, since 1 April 1993, implemented Income Related Rents for tenants whose income is regarded as high.

Under this scheme, rent is surcharged so that tenants pay more than the Standard Rent for their dwelling. At the time of writing, there are sixteen tenants paying a surcharge.

The surcharge is not intended to be a penalty, but rather an incentive or encouragement to tenants to vacate their dwellings and make way for more needy families from the housing waiting list. This is illustrated by the fact that 95% of the income-related surcharge, paid over and above the Standard Rent, is returned to tenants if they vacate their States' house within a 5 year period.

The income threshold at which the surcharge is activated has not been the subject of regular annual adjustment, but for 2000 the States agreed the Authority's recommendation to increase this threshold from £575 to £585 per week.

The following scale thus became applicable in 2000:–

At £585 per week, rent is assessed at 1/6 of income	=	£97.50 per week
At £611 per week, rent is assessed at 1/5 of income	=	£122.20 per week
At £636 per week, rent is assessed at 1/4 of income	=	£159 per week

For 2001, the Authority recommends that the three levels at which the proportion of rent to income is adjusted should each be increased by 4.5% as follows:–

<i>Income</i>	<i>Proportion charged</i>	<i>Gross Rent (inc surcharge)</i>
£611 per week	– 1/6 of weekly income	= £101.80 per week
£639 per week	– 1/5 of weekly income	= £127.80 per week
£665 per week	– 1/4 of weekly income	= £166.25 per week

The Authority will continue to exercise discretion and waive the surcharge in appropriate cases; for example, where there is serious ill-health, or where the tenant is approaching retirement age so that the period of high earning is likely to be relatively limited.

In recommending these changes, the Authority does not necessarily consider that all tenants who are earning less than £611 per week should be regarded as earning too little to be able to afford to vacate their States' dwellings. The Authority will, therefore, continue to offer encouragement to tenants to vacate their homes, if appropriate with the aid of the States Home Loan Scheme.

CONSULTATION

The Authority has consulted with the States House Tenants' Association regarding all these proposals, and the Association has commented as follows:–

“The States House Tenants Committee have come to the conclusion that the proposed rent increases are inflationary. The Committee see this as encouragement to the private sector landlords to follow your example or higher increases.”

While it is acknowledged that any increase in prices may contribute in some way to inflation, the Authority considers that it is unrealistic for States tenants to expect to face no increase in rent and it therefore recommends the States to allow both Rents and Rebates to keep pace with inflation.

RECOMMENDATIONS

The Authority recommends the States to agree that:–

1. Standard Rents for States Houses be increased by 4.5% to the levels set out in Appendix I;
2. The factors used to calculate a Rent Rebate be adjusted by 4.5%, as set out in Appendices III and IV;
3. The gross income ceiling for eligibility for a Rent Rebate be increased from £387 to £405 per week;
4. The States Resolution XIII of 30 April 1992 be varied further so that Income Related Rents will not be applied to tenants whose joint gross incomes are under £611 per week as set out in this report;
5. All the above changes shall take effect from 5 May 2001.

I have the honour to request that you will be good enough to lay this matter before the States with appropriate propositions.

I am, Sir,
 Your obedient Servant,
 J. E. LANGLOIS,
 President,
 States Housing Authority.

APPENDIX IMaximum Rental StructureProposed Rents in standard type. *Current Rents in italics.*

Category	Bedsit	1 BED	2 BED	3 BED	4 BED	5 BED
12	–	–	89.74	103.38	–	–
	–	–	85.88	98.93	–	–
11	–	77.74	86.29	99.33	–	–
	–	74.39	82.57	95.05	–	–
10	52.33	72.36	80.04	92.20	107.21	112.62
	50.08	69.24	76.59	88.23	102.59	107.77
9	50.29	69.54	76.80	87.24	98.63	–
	48.12	66.55	73.49	83.48	94.38	–
8	48.15	66.55	73.62	84.49	94.33	–
	46.08	63.68	70.45	80.85	90.27	–
7	46.08	63.72	70.37	80.64	89.96	–
	44.10	60.98	67.34	77.17	86.09	–
6	44.06	60.81	67.31	76.80	85.69	94.06
	42.16	58.19	64.41	73.49	82.00	90.01
5	41.88	57.97	64.05	72.96	81.34	–
	40.08	55.47	61.29	69.82	77.84	–
4	39.86	55.08	60.81	69.17	76.96	84.25
	38.14	52.71	58.19	66.19	73.65	80.62
3	37.62	52.17	57.64	65.34	72.69	–
	36.00	49.92	55.16	62.53	69.56	–
2	35.66	48.99	54.42	61.49	68.33	–
	34.12	46.88	52.08	58.84	65.39	–
1	33.63	46.45	51.32	57.64	64.05	–
	32.18	44.45	49.11	55.16	61.29	–

Note – The “Category” reflects the facilities, amenities and location of the properties.

APPENDIX IIRENT REBATE SCHEME

1. Any tenant who applies for a rent rebate should complete a form providing details of:
 - * (a) gross income of tenant and spouse/partner (if earning);
 - (b) number of children at education establishments or under school age;
 - (c) number and ages of children in employment (earnings not required);
 - (d) number of lodgers and/or additional families (earnings not required).

*NOTE: The gross income includes wages or salary from employment or business, bonuses, overtime, commission and part-time or casual earnings all totalled before deduction of Income Tax, States Insurance Contributions or any other contributions deducted from earnings, but excludes war disability pension family allowance and attendant allowances.
2. Where the tenant accommodates a parent or parent-in-law who is aged 65 or over, a charge will be levied in assessing any entitlement to Rent Rebate. If the parent is below aged 65 and in employment, the normal lodger charges will apply.
3. Where the tenant is not the principal earner in the household, the rent payable may be related to the income of the principal earner. A child of the tenant will not be regarded as the principal earner if he or she is less than 25 years old, and this provision will only be applied where the tenant is either (a) aged 60 years or over, or (b) aged less than 60 years but permanently unemployed.
4. No detailed investigation of income will be made, but simple verification of gross earnings will be required as necessary and in cases where false information is knowingly provided appropriate action will be taken.
5. Further adjustments to the rent payable may be made in special cases of personal hardship eg. invalidity, handicapped persons.
6. Where a tenant has been offered alternative accommodation, in essentially the same area on the grounds that his present dwelling is under-occupied and rejects such offer, the Authority may withdraw the rebate.
7. No rebate shall be allowed to a tenant carrying on a business unless he can produce irrefutable evidence that he is entitled to such rebate.
8. Rebates will only be granted to tenants whose rent account is in arrears if agreement is reached for the payment of an amount above the rebated rent in order to clear the arrears.
9. Rebates will be calculated having regard to the factors detailed in Appendices III and IV.
10. Where the joint gross income of the tenant and his spouse/partner exceeds £405 per week, no rebate will be allowed.
11. Rent charges and rebates are assessed on a 50 week year basis.
12. The scheme will be reviewed annually.

APPENDIX IIIPROPOSED REBATE FACTORS

- (1) Rent payable assessed at one quarter of gross weekly income of
 - (a) single householders whose gross weekly income is £241 or more
 - (b) married couples and other householders whose gross weekly income is £367 or more
- (2) Rent payable assessed at one fifth of gross weekly income of
 - (a) single householders whose gross weekly income is £161
 - (b) married couples and other householders whose joint gross weekly income is £241
- (3) Rent payable assessed at one sixth of gross weekly income of
 - (a) single householders whose gross weekly income is £122
 - (b) married couples and other householders whose joint gross weekly income is £181
- (4) Rent payable assessed at one seventh of gross weekly income of
 - (a) single householders whose gross weekly income is £78
 - (b) married couples and other householders whose joint gross weekly income £122
- (5) Where the income levels fall between
 - (a) for single householders £78 & £241
 - (b) for married couples and other householders £122 & £367

the rent payable is graduated (for proposed graduations – See Appendix IV).

NOTE: WEEKLY INCOME MEANS JOINT GROSS ANNUAL INCOME DIVIDED BY 52

Allowances

- (6) In assessing gross income the following is disregarded:

The earnings of a one parent family	£2,225 pa
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- (7) For every child of school age or under or in receipt of full time education the weekly assessed rent is reduced by £3.11

Additional Charges

- (8) The following amounts will be added to the weekly assessed rent (but not so as to exceed standard rent)

(a) for each child of the householder aged 18, but under 25 years of age	£8.85
(b) for each child of the householder aged 25 and over and for each lodger.	£13.27
(c) for each additional family	£21.03
(d) aged parent charge (see Rule 2)	£4.15

(This latter charge may be varied if the parent has owned property).

NOTE: “Weekly assessed rent” relates to a 50 week payment year.

APPENDIX IVRENT REBATE SCHEME – EXAMPLESSINGLE PERSONS

	Weekly Income	Assessed Rent		Weekly Income	Assessed Rent		Weekly Income	Assessed Rent
	£	£ p		£	£ p		£	£ p
§1/7	78	11.59		130	23.71		170	36.73
	80	12.03		140	26.91		180	40.33
	90	14.23		150	30.11		190	43.93
	100	16.43		160	33.31		200	47.53
	110	18.63	1/5	161	33.49		210	51.13
	120	20.83					220	54.73
1/6	122	21.15					230	58.33
							240	61.93
						1/4	241	62.66

To assess rent payable for incomes not included in table

- (a) Between £78 and £121 add 22p for each additional £1 income;
- (b) Between £122 and £160 add 32p for each additional £1 income;
- (c) Between £161 and £240 add 36p for each additional £1 income.

Incomes of less than £78 assess at one seventh of income.

Incomes in excess of £241 assess at one quarter.

Incomes in excess of £405 not eligible for rebate.

NOTES: (1) “WEEKLY INCOME” MEANS JOINT GROSS ANNUAL INCOME DIVIDED BY 52.

(2) “ASSESSED RENT” RELATES TO 50 WEEK YEAR.

RENT REBATE SCHEME – EXAMPLESMARRIED AND OTHER HOUSEHOLDERS

	Weekly Income	Assessed Rent		Weekly Income	Assessed Rent		Weekly Income	Assessed Rent
	£	£ p		£	£ p		£	£ p
1/7	122	18.13		220	43.46		320	78.57
	130	19.89		230	46.56		330	82.17
	140	22.09		240	49.66		340	85.77
	150	24.29	1/5	241	50.13		350	89.37
	160	26.49		250	53.37		360	92.97
	170	28.69		260	56.97	1/4	367	95.42
	180	30.89		270	60.57			
1/6	181	31.37		280	64.17			
	190	34.16		290	67.77			
	200	37.26		300	71.37			
	210	40.36		310	74.97			

To assess rent payable for incomes not included in table.

- (a) Between £122 and £180 add 22p for each additional £1 income;
- (b) Between £181 and £240 add 31p for each additional £1 income;
- (c) Between £241 and £366 add 36p for each additional £1 income.

Incomes of less than £122 assess at one seventh of income.

Incomes between £367 and £404 assess at one quarter of income.

Incomes in excess of £405 not eligible for rebate.

The above assessed rents may be subject to deductions and additions in respect of the allowances and charges set out in Appendix IV.

NOTES: (1) “WEEKLY INCOME” MEANS JOINT GROSS ANNUAL INCOME DIVIDED BY 52.

(2) “ASSESSED RENT” RELATES TO 50 WEEK YEAR.

[N.B. The States Advisory and Finance Committee supports the proposals.]

The States are asked to decide:—

IX.— Whether, after consideration of the Report dated the 29th December, 2000, of the States Housing Authority, they are of opinion:

1. That the Standard Rents for States Houses shall be increased by 4.5% to the levels set out in Appendix I to that Report.
2. That the factors used to calculate a Rent Rebate shall be adjusted by 4.5% as set out in Appendices III and IV to that Report.
3. That the gross income ceiling for eligibility for a Rent Rebate shall be increased from £387 to £405 per week.
4. That States Resolution XIII of the 30th April, 1992, shall be varied further so that Income Related Rents will not be applied to tenants whose joint gross incomes are under £611 per week as set out in that Report.
5. That all the above changes shall take effect from the 5th May, 2001.

STATES BOARD OF INDUSTRY**RE-ZONING OF STATES LAND AT LA VILLIAZE TO CREATE A HI-TECHNOLOGY PARK**

The President,
States of Guernsey,
Royal Court House,
St. Peter Port,
Guernsey.

17th January, 2001.

Sir,

1. RE-ZONING OF STATES LAND AT LA VILLIAZE TO CREATE A HI-TECHNOLOGY PARK

One of the critical factors to be addressed if Guernsey is to succeed in its ambitions to become a centre of excellence for e-commerce - is the provision of land to meet the special needs of new hi-technology operations of a type that the Island has not seen in the past. The re-zoning of an area of States land along the northern boundary of the Airport for this purpose provides a unique opportunity to attract serious inward investment from leading world players in a way which will:

- provide Guernsey with a set of credentials establishing it as a serious e-commerce centre of international repute;
- represent a significant step towards diversifying the Island's economy by generating a new source of income;
- complement and enhance existing plans to develop the adjacent La Villiaze Industrial Estate for similar hi-technology purposes; and
- provide a valuable revenue stream for the States.

The purpose of this report is to set out the case for re-zoning the land and to explain how the site might be developed in partnership with the private sector so as to secure the States' long-term interests.

The report also sets out the steps necessary to achieve this objective within a relatively short window of opportunity if the Island is not to lose out to other competing e-commerce centres.

2. BACKGROUND**2.1 States commitment to e-commerce**

On 26th January 2000 the States debated a number of reports covering the future of telecommunications within the Bailiwick and the opportunities to benefit from e-commerce.

Those reports stressed that e-commerce was going to have an immense impact on every economy in the world and that there were few places where the effects of networking technologies and e-commerce would be felt more strongly than in the Bailiwick of Guernsey.

The reasons for this were set out as follows:

- *There is limited scope for tourism and manufacturing, horticulture, agriculture or fisheries to drive economic growth given the physical constraints of the Bailiwick and so all of the significant growth is likely to be in knowledge-based sectors.*
- *The Bailiwick is extremely dependent on the financial services sector, which, as a knowledge-based industry, will be the first to feel the effects of e-commerce.*
- *E-commerce will dominate the professional business and personal services sector which is the only area of the market that is growing and can offer scope for diversifying the economy.*
- *Demographic trends indicate that the working population of the Bailiwick is likely to decline slightly and so it is essential to increase productivity and widen the scope for employment through the use of e-commerce and through the use of e-commerce which is not labour intensive.*
- *Physical isolation and relatively limited island transport links to Europe increase the importance of e-commerce for transacting with partners, overseas offices and customers with relative ease.*

The States agreed with the reports' conclusions that if the Bailiwick failed to create an attractive environment for e-commerce then financial and non-financial businesses were likely to migrate to locations where the telecommunications infrastructure, e-commerce legislation, IT skills and e-commerce development opportunities met their requirements.

The States resolved inter alia:

“2. That the development, implementation and marketing of a detailed e-commerce strategy and creating the conditions for the development of e-commerce is essential for the future economic well being of the Bailiwick”.

Furthermore the Board of Industry was charged with the development and implementation of an e-commerce strategy for Guernsey and has captured a vision for the future of e-commerce as follows:

To develop and promote the Bailiwick of Guernsey as the preferred (offshore) centre for e-commerce, providing a world-class infrastructure and environment and offering limitless opportunities to e-enterprises.

A thorough review of the strategic issues involved in taking forward the intentions of the States was completed and a strategy document issued to all States members in September 2000.

(Note: For the purposes of this report the terms e-commerce and e-business should be regarded as the same).

2.2 Implementation of Strategy

Since the debate in January 2000 progress has been made on a number of fronts in order to position Guernsey at the forefront of the e-commerce revolution i.e.:

- Approval by the States of the Electronic Transactions (Guernsey) Law 2000 which is essential in order to support e-business transactions.

- Good progress has been made with the phased implementation of the ambitious £12.5 million Guernsey Grid For Learning project.
- An IT training programme is currently being developed in consultation with the Island's employment sectors to address IT training requirements and raise the level of IT skills within the population.
- Work is well advanced on the development of Intellectual Property legislation with the assistance of specialist lawyers and economic consultants.
- The drafting of legislation for the regulation of the Telecommunications sector (and Electricity and Postal sectors) has been completed.
- An internationally experienced Regulator for these three sectors, who has particular expertise in the Telecommunications industry, has been appointed on a shadow basis (prior to enactment of regulatory legislation).
- The Board of Industry has also appointed an e-Business Director with impressive global experience of the new economy to head up its new e-business team.
- Telecommunications links between the Island and the rest of the world will be improved by the completion in 2001 of the fibre optic cable link with France; and
- Arrangements are in hand to present the States with recommendations on the process of selecting an appropriate successor to GT so as to secure the global telecommunications infrastructure essential if Guernsey is to compete in the world e-commerce market.

2.3 The Missing Link

While good progress has been made in assembling the pieces of the e-commerce jigsaw, there is one notable omission – Guernsey does not have immediately available either existing accommodation or a new site of the type required by the large e-commerce operators that are showing interest in establishing Guernsey as an international base.

The specialist consultants retained by the Board to help develop the strategy confirmed that if Guernsey is to develop as a prosperous, stable and sustainable e-commerce centre then, in addition to the work streams listed above, it needed to have available a supply of suitable hi-tech accommodation which was:

- near to main transport routes.
- in a reputable business location.
- could be supplied with appropriate power and telecommunications fibre; and
- ideally was in close proximity to the Island's airport.

It was also estimated that if Guernsey was to take advantage of the opportunity of locating major e-commerce players on the Island then there was a window of opportunity between 12 and 18 months (from August 2000). Given the importance of attracting large e-commerce players to the Island as part of the overall strategy and on the other hand the lack of suitable land, the Board, in consultation with various States committees and the private sector, has been searching for an appropriate site for a hi-technology park.

2.4 What is a Hi-Technology Park?

Bearing in mind that e-commerce is in many respects simply a new way of doing existing business then, of necessity, the definition of e-commerce is broad. For example a High Street Bank, which is beginning to embrace on-line banking, can legitimately claim to be involved in e-commerce and yet it will be occupying the same premises with the same staff in a High Street location continuing to provide all the other face-to-face customer facilities that have always been available.

In contrast, an Internet book supplier will utilise the Internet for the placing of orders for books and other material. However, beyond the computerised data houses that such a company may operate, they will also have warehouses in which books are physically stored, packed and sent for distribution.

While the Island is likely to have a requirement in future for all shades of the e-commerce spectrum, the proposed occupants of the type of hi-technology park that the Board has in mind can be more narrowly defined. Such hi-tech parks typically consist of a collection of purpose-built units which provide a secure environment in which large numbers of computer servers, telecommunications switchgear and other electronic equipment are housed.

Such units form the electronic nerve centre of global e-commerce operations, operating 24 hours a day, 365 days a year.

Occupiers of such buildings either rent equipment placed on various racks - with one building housing the equipment of many users, or rent an entire dedicated data room. Depending on the scale of the application, whole buildings can be rented by one operator.

Technical rooms are equipped with raised floors to allow cable access with the storage equipment racks arranged in rows so as to allow operators to move in-between. The remainder of the building, other than the racks and data suites (which is often referred to as "the technical space") is given over to plant rooms to regulate the power supply and air conditioning and to limited office and administrative areas. The presumption is that the personnel on site will be specialist technical personnel.

The activities within the buildings are also protected from outside electronic interference through the construction of what are known as "Faraday cages".

While on the inside these units are effectively computer warehouses, from the outside buildings are usually finished to a high standard. The surrounding areas are normally carefully landscaped so that the site is aesthetically pleasing to clients, those who work in the Park and neighbours.

3. CHOICE OF SITES

The Board, in consultation with various States committees and the private sector, has been searching for an appropriate site and believes that it has now identified an area of land which satisfies all of the strategic and corporate measures agreed by the States, and which is ideally suited for development as a hi-technology business park including data hosting facilities for Guernsey.

The site in question forms part of States owned land along the northern boundary of the Airport, adjacent to the existing La Villiaze Industrial Estate.

Land at La Villiaze was first zoned for industrial and future industrial expansion in the Outline Development Plan published in 1967. Despite many changes in urban and rural planning over the years, the surrounding area has always been retained for hi-technology, light industrial development that would require an airport location. However, a substantial section of the adjacent land zoned for industrial development was used for the construction of Les Bas Courtils Bungalows in 1975 as an extension of Les Bas Courtils Estate.

The site formed the operating base of electronics firm Tektronix for many years and latterly Specsavers Optical Group and Milvus, a software company. Given the ongoing decision of the States to reserve land in the area for hi-technology, the Board of Industry has been in dialogue with the Board of Administration as to whether further land could be released for this purpose. However, before examining the area of land and the merits of re-zoning in this case, the Board of Industry would wish to make it clear that it has not confined its search to this particular site.

The Board fully appreciates that any recommendation to re-zone an area of land in advance of the regular reviews of the Urban and Rural Area plans is an unusual step and one that cannot be merited other than in exceptional circumstances.

Undoubtedly other sites elsewhere in the Island could be found and re-zoned or existing sites earmarked for other purposes revisited. Indeed the Board believes that this exercise should be undertaken and may yield further opportunities to develop land for this purpose possibly in areas where the availability of power and communication links are more favourable than the La Villiaze site.

Unfortunately, the process of searching for and evaluating such sites, possibly reviewing their zoning, establishing whether one or more landowners are interested in participating in such a development, will take considerable time. Time during which the opportunities which now exist to attract reputable high profile e-business companies to the Island might have been lost.

Beyond the fact that it lends itself readily to development for this purpose, one of the major attractions of the La Villiaze site is that it is available now, if the States chooses to re-zone and release it, and equally important it is in States ownership and therefore its development can be facilitated and controlled within a short timescale.

4. VALUE TO GUERNSEY

This type of new business is attractive to Guernsey for a number of reasons.

- At a time of full employment any activity that can potentially generate significant income through the use of technology but with relatively few personnel is to be welcomed.
- The availability of suitable accommodation for e-commerce operations on this scale could attract companies which establish the Island as their world wide operating base and if structured in a particular way will deliver tax benefits to the Exchequer.
- The availability of such accommodation may also prove to be of strategic importance, particularly in relation to the development of the Telecommunications sector, by providing an added attraction to a telecommunications operator with a wide portfolio of communications interests. Indeed, a number of major operators have expressed the wish to have access to significant amounts of accommodation of this type as part of their initial expressions of interest in operating from the Island.

- Opportunities also exist for establishing on such sites operations such as those specialising in Internet security in such a way as to help secure Guernsey's finance industry or to complement developments currently being researched in using the Island as a base for intellectual property services.
- Further income is likely to be generated for Guernsey's existing professional service sector given that the companies concerned will require accounting, administrative and legal services on the Island.

Guernsey will need to be selective in attracting tenants to the site and ensure that they are established operators, that generate sufficient income to benefit the Island and also carry with them prestige and an international reputation and/or provide facilities which enhance what the Island has to offer as a centre of excellence for e-business. With this in mind the Board believes that:

1. any site in States ownership released for this purpose should be leased but not sold to a developer; and
2. the States (through the Board) should be involved in the selection of tenants so as to ensure the maximum return to the Island in strategic or financial terms. In this respect, the likely return from such operations is expected to exceed that of some of the established financial institutions in the Island.

5. MINIMAL STAFFING

The staffing requirements of typical sites indicate that approximately one person is employed for 3,500 square feet of space. Examples of the area/staff ratio for existing sites are:

Glasgow	35,000 sq ft – 10 people
Dublin	40,000 sq ft – 16 people
Slough	50,000 sq ft – 21 people
Thurrock	80,000 sq ft – 21 people

By way of comparison the Specsavers building at La Villiaze is approximately 100,000 square feet and accommodates in excess of 350 people.

The low staffing requirements and the ratio of technical space to office accommodation is such that relatively few car parking spaces are required. Furthermore, as facilities run on a 24-hour, 3-shift basis, a marginal increase in traffic in any area where a hi-technology park is located will spread over a 24-hour period.

Staff employed in this business are highly skilled and there is a unique opportunity for new skills to be transferred to the Island population. It is likely that a number of licences would be required at the outset, but training will be expected to be an integral part of any business plan for an e-commerce occupier of the site. It is ironic that some areas in the UK and elsewhere in Europe, which have suitable sites readily available, do not always welcome these businesses because they do not generate enough jobs in areas where there is high unemployment. These businesses are in that sense, tailor-made for the Island.

6. TIME CRITICAL

In order to capture the interest of companies who are currently deciding where to base their global e-commerce operations and in order to provide credible evidence of the Island's stated commitment to e-commerce, Guernsey needs to provide sites for these businesses **as a matter of urgency**.

Carefully working through the planning and consultative processes at the pace that is usually associated with such procedures, could well produce a number of sites in two or three years time. Unfortunately, although Guernsey may have satisfied its various planning procedures, it will have added nothing to the economy because by that time the companies that we need for a diverse economic base will simply have gone elsewhere.

It is very difficult to convey to those with limited exposure to the sector the unprecedented speed of growth and change in the new economy and the impatience of new players to set up their operations in a fraction of the time taken in the past by traditional businesses. Frustrating though it may be, the fact is that unless Guernsey responds, it will simply lose out to competing centres. Having a significant amount of land available at an early opportunity which can be released for this purpose in a matter of months, not years, is essential.

7. PROPOSED SITE

It is against this background that the Board, together with the Board of Administration and the Advisory and Finance Committee, believes that land at La Villiaze represents an exceptional case for the following reasons:

1. This area of relatively flat, open land, free of buildings, is **immediately available** for development (subject to re-zoning).
2. **Ownership by the States could allow the development to proceed without the delays likely to be met with sites in multiple ownership elsewhere.**
3. The area is of little significance to agriculture and is less suitable for housing because of the close proximity of the Airport.
4. It is adjacent to an existing hi-technology site where plans already exist to create a Guernsey technology park and where the major owner of the adjoining site (Specsavers Optical Group) wishes to explore cooperating with the development.
5. It complements plans for the development of the Airport in a number of ways.
6. The development should pose no significant environmental threats.

7.1 Area Available

At present, the main limiting factors for the development of any land along the northern boundary of the Airport are:

1. The restrictions imposed by the proximity of the "limit of runway strip" which runs parallel to the centre line of the runway; and
2. The need to ensure that any construction does not affect the safe operation of the Airport instrument landing systems and radar. (The radar tower is currently situated some 200 metres to the south of the Specsavers building).

A preliminary examination of the area of land which could be developed without compromising the present installation has been undertaken by specialists employed by the Civil Aviation Authority (CAA) and more detailed work would be undertaken if the project proceeds. The CAA has indicated that subject to certain restrictions an area of some ten acres immediately abutting the northern boundary of La Villiaze Industrial Estate could be safely developed.

A plan of the proposed area for development appears in Appendix 1 as "Area A". As can be seen from the plan, the ten-acre site is in an ideal location as it is immediately adjacent to the existing La Villiaze Industrial Park and is adjacent to few houses. The plan has also been deposited at the Greffe.

"Area A" comprises 22.57 acres, while "Area B" accounts for 13.78 acres.

7.2 Future Possibilities

At present the current location of Airport equipment precludes the development of further adjacent land within the Airport boundary. However if that equipment were to be relocated in future an additional area could be made available for development.

The Board would not wish any planning investigation into the second area of land (Area B) to jeopardise the timely development of Area A. With this in mind the Board believes that any amendments necessary to Rural Area Plan - Phase II should involve:

1. An amendment to re-zone Area A as a matter of priority.
2. Consideration of the merits of re-zoning Area B as part of the normal review process of the RAP Phase II.

7.3 Relationship to La Villiaze Industrial Estate

The Specsavers Optical Group have acquired an area of land to the west of the Milvus building and have published ambitious plans to develop the area as a Guernsey Technology Park with the accent on e-commerce.

This concept, which has the support of the Board of Industry, could potentially complement the proposals now envisaged for the adjacent States land and Specsavers have been made aware of the proposals. The company has expressed an interest in reviewing its own development plans in the light of these proposals and the possibility exists for Specsavers to work in cooperation with the States to optimise the whole development.

The undeveloped area owned by Specsavers, which is known as La Villiaze II, is currently zoned for "light industry, manufacturing, research and development". The Board believes that as part of the process of re-zoning adjacent land for e-commerce purposes (however that is defined), that definition should also be extended to the area covered by La Villiaze II. For the avoidance of doubt it should be stated that this will enable the owners of that site to develop the area for the purposes of e-commerce and/or the other uses covered by the current zoning.

8. IMPACT ON THE STRATEGIC DEVELOPMENT OF THE AIRPORT

The long-term strategic needs of the Airport have been reviewed by the Board of Administration, which has confirmed that the area at La Villiaze will not be required in the future for purposes directly related to the Airport.

Indeed consultants retained by the Board of Administration to advise on the redevelopment of the terminal and adjacent facilities, identified early in their presentations that land adjacent to the northern boundary had the potential for development for new industry.

Such a conclusion complements the Strategic and Corporate Plan 2000, Section 6.2.9 of which encourages the future development of the Airport by businesses and industries that require an airport location.

A hi-tech e-commerce park of the type proposed is one such use. It is becoming increasingly common for such facilities to be constructed on or near airports. While nowhere in Guernsey is far away, nevertheless proximity to an airport will be perceived as an advantage by high-level executives wishing to check on security in their installation and by non-resident technicians who will visit the Island for troubleshooting and maintenance.

There is further advantage to both the future of the Airport and the data park in that any additional electrical power or fibre optic facilities required for the new airport are likely to be made more cost-effective due to the fact they will also be required for this site.

9. **A BEGINNING – NOT AN END IN ITSELF**

It would not be surprising if those who are not closely connected with the pace of change within this sector came to the conclusion that development of this site might satisfy Guernsey's e-commerce needs for the foreseeable future.

While such a conclusion might not be surprising, it would be wrong. The rapid development of the Villiaze site represents an important first step towards establishing the Island as a centre of e-commerce excellence, but if the economy is to diversify into this new area then other sites are likely to be required in the near future.

Some of those sites will come from adapting existing facilities. Others may well require new land.

The Board also wishes to make it quite clear that it is fully committed to finding new sites for existing industry in the manufacturing and non-financial services sector and is in discussion with the Island Development Committee to this end. Indeed Section 6.2.4 of the Strategic and Corporate Plan 2000 provides:

“The general industrial land supply represents an important base for economic development. This land provides accommodation for the development of local business initiatives as well as providing yard and storage base and is vital to the long-term health of the economy. Detailed development plans should, therefore, seek to maintain an adequate supply of local industrial land and to manage that supply flexibly”.

Strategic Policy No. 12 goes on to state:

“To ensure an adequate supply of industrial land in terms of location, size and quantity, the detailed development plans may identify a range of opportunities for industrial development”.

The Board takes this opportunity to emphasise that while it believes priority should be given to the development of La Villiaze for the reasons stated, it remains committed to working with Island Development Committee, G-MEX and industry to secure the provision of other sites for the sector as soon as practicable.

10. ROLES AND RESPONSIBILITIES

The process of planning, constructing, marketing and maintaining hi-tech electronic data parks of the type envisaged for La Villiaze, is a highly specialised task.

It is also something of a new challenge for the commercial sector worldwide and in these early days of e-commerce there are relatively few developers with a proven track record in this field.

Against this background the Board is quite clear that:

- The States of Guernsey is ill-equipped to develop the concept **on its own**; and
- In any event the role of the States, in relation to e-commerce, is that of a facilitator, not a developer.

Accordingly, with these principles in mind, the Board, in consultation with the Advisory and Finance Committee and the Board of Administration, believe that there is merit in developing the project based on some form of partnership with an appropriate strategic partner.

At least one such developer is based on the Island and the Board of Administration and Board of Industry have had valuable preliminary discussions with them.

In evaluating the proposals discussed in these preliminary talks and in exploring other options for securing strategic partners it is envisaged at this stage that the roles and responsibilities of these partners could well be as follows:

1. Board of Administration

- It is envisaged that ownership of land will remain with the States, with the Board of Administration effectively acting as landlord. In order to satisfy the States Property Rules it will be necessary for a formal transfer to take place between the Airport and the Board of Administration and to appoint the Board of Administration as the head tenant for the purposes of managing this project.
- The developer of the site will be offered a long lease for a period and under terms to be negotiated, which delivers the greatest possible revenue to the States.
- The opportunity exists for revenue generated by the lease to accrue to the Ports Holding Account for the purpose of contributing towards the cost of Airport development.

NB A letter of comment from the Board of Administration appears as Appendix II.

2. Strategic Partner

The selected strategic partner will enter into an agreement with the States to:

- Plan, fund and construct the data park i.e. buildings infrastructure, landscaping.
- Depending on the nature of the strategic partner, he may be required to assist in the process of marketing the opportunity to both local and global e-commerce operators.
- Maintain the facilities on-site.

3. Adjacent Landowners

Specsavers Optical Group and Milvus Software will be fully consulted and given the opportunity to propose a basis for participating in the development alongside the States and the selected strategic partner in order to maximise the benefits of the development to the community.

4. Advisory and Finance Committee and the Board of Industry

The Board of Industry, in consultation with the Advisory and Finance Committee and with the benefit of specialist advice, will be responsible for selecting a strategic partner for the development and selecting tenants which will add maximum value to the economy (as described in section 4).

11. FUNDING THE DEVELOPMENT PROCESS

While it is envisaged that the cost of constructing buildings and infrastructure on the site will be met by a strategic partner, it has become clear that the process of selecting the best strategic partner for the Island, marketing the potential of this site, evaluating competing proposals from tenants and so on, is a complex process that will require access to specialists that do not exist within the States or indeed on the Island. Accordingly, there will be a need to engage specialist consultants able to advise on the property, legal and marketing issues associated with the successful development of this site.

This is a new experience for the Board of Industry and indeed the States, and it is difficult therefore to determine at this early stage precisely how much this special advice will cost. The Board has therefore agreed with the Advisory and Finance Committee that the latter should be authorised by the States to release to the Board of Industry monies up to the sum of £500,000 for the purposes of engaging specialist consultants and other related expenses.

Since it is proposed that income from leasing the site will accrue to the Airport in due course, it is further recommended that the costs incurred in setting up the site for development should be recovered from the Airport, together with accrued interest, once income begins to be generated for the benefit of the Airport.

12. RETAINING THE SITE FOR E-COMMERCE THROUGH PLANNING CONTROLS

A major source of concern for Guernsey's light industrial sector in recent years has been the loss of industrial sites to other commercial uses. This has occurred at a time when surveys of manufacturing and non-financial service operators in Guernsey have confirmed that expansion plans within this sector are being severely frustrated by the lack of suitable sites.

Accordingly, the Board of Industry is determined that the opportunity to develop La Villiaze for a new revenue earning sector of the economy should not be jeopardised by other more traditional uses, such as offices for financial services or large scale retailing. The Board also believes that any development should generate minimum additional traffic.

Accordingly, the Board will be working with the Island Development Committee to define carefully the mix of e-commerce/hi-tech operations that will be permitted on this site which provide the economic or strategic returns referred to elsewhere in this report.

The Island Development Committee is committed to reviewing with the Board and the Law Officers one or more new use class definitions that will attempt to adequately describe e-commerce. The labels “e-commerce” or “e-business” cover a wide spectrum and the Board would wish to ensure that whatever is agreed is not unnecessarily restrictive.

In exploring any definition, **the Board would not wish to see the future of the site so tightly defined as to exclude other forms of e-commerce that may develop.** With this in mind it would suggest that planning controls for this particular site need to be drawn in such a way as to:

1. meet current objectives;
2. avoid future use by more traditional activities which are likely to attract heavy vehicles and regular callers to the site; and
3. **be sufficiently flexible to take account of the dynamic nature of the e-commerce world.**

Such controls would complement the existing arrangements for La Villiaze Industrial Estate which was always designed for clean, hi-tech business but which has been sufficiently flexible over the years to accommodate a range of businesses that have added value to the economy.

13. THE WAY AHEAD

Following consultations with the Island Development Committee and HM Comptroller, the Board believes that the re-zoning of the land is best achieved by the approach set out below:

1. The Advisory and Finance Committee considers whether an amendment to the Corporate and Strategic Plan is warranted as a result of these proposals.
2. The States resolves to direct the Island Development Committee to prepare an appropriate draft Amendment to the Rural Area Plan (Phase II) as a matter of urgency.
3. The Advisory and Finance Committee appoint a Planning Inspector and a Planning Inquiry is held.
4. The Planning Inspector submits his recommendations to the Island Development Committee upon receipt of which that committee lays an Amendment before the States together with a copy of the Inspector’s report.
5. A separate policy letter is published simultaneously by the Board of Industry setting out its recommendations for a strategic partnership.
6. The States debates the Amendment of the Planning Inspector’s report and the policy letter and if the States agree, the Amendment is adopted and the preferred strategic partner endorsed.

Bearing in mind that any delay of even weeks, let alone months, could mean the loss of key e-commerce operators looking for sites, then it is essential that the above process takes place at the maximum possible speed. With this in mind the Advisory and Finance Committee should be directed to appoint an Inspector who is available and capable of producing a report within a limited timescale. Given the specific nature of the proposed development it is hoped that the Planning Inspector will be mindful of the need for urgency and that a suitable period, as short as is practical, will be set aside to allow written representations.

Throughout this report emphasis has been placed on the importance of moving ahead without delay if opportunities to develop the economy are not to be missed. With this in mind, the Board believes it would be unwise to delay seeking appropriate strategic partners for this development until such time as the results of the Planning Inquiry are known.

If the opportunities described in this report are to be seized then the following pragmatic approach is recommended to the States:

1. The Board of Industry should immediately engage specialist advisers experienced in the selection of strategic partners and who are well qualified to secure the best deal for the States of Guernsey.
2. With the benefit of such specialist advice, the Boards should identify a limited number of potential strategic partners and explore with them options for developing the site along the lines described in this report.
3. The Board of Industry, in consultation with the Board of Administration, should be given the opportunity to recommend to the States a preferred strategic partner.

The Board hopes that all parties concerned will work together to ensure that recommendations for the re-zoning of the land and details of the preferred strategic partner are presented to the States within six months or earlier if possible.

14. CONSULTATIONS

The potential value of this unique opportunity and the need to move swiftly has led to discussions between the Presidents and Senior Officers of the Advisory and Finance Committee, the Board of Administration, Board of Industry and the Island Development Committee.

The President of the Housing Authority and his senior staff have also been advised of the proposals, given the proximity of Les Bas Courtil Estate.

A letter of comment from the Board of Administration is attached (Appendix 2).

The Law Officers have also been fully consulted.

Prior to consideration of this report, initial discussions will have been held with the Douzaines of St Saviour's, the Forest and St Andrew's, with the Guernsey Manufacturers and Exporters Association (G-MEX) and the Chamber of Commerce.

Discussions with the owners of the adjacent La Villiaze site are described elsewhere in the report.

15. SUMMARY

1. Included in Guernsey's ambitious plans to become a centre of excellence for e-commerce is the objective of establishing the Island as the base for a number of major e-commerce operators.
2. While considerable progress has been made in creating an environment that will attract such operators, what Guernsey cannot currently offer is a purpose-built, hi-technology data park.

3. Such a development has potential to benefit the Island in a number of ways including improved tax revenues and adding credibility to Guernsey's plans to become a major e-commerce centre.
4. An area of States owned land, forming part of the Airport and immediately adjacent to the existing industrial estate at La Villiaze, has been identified as a potential site.
5. Development of this site may well complement the existing plans developed by Specsavers Optical Group to create a Guernsey technology park on undeveloped land within the Villiaze Industrial Estate zoned for this purpose.
6. The window of opportunity within which significant e-commerce operators would be interested in establishing themselves in Guernsey is limited and unless land is made available in a matter of months rather than years, the opportunity to diversify the economy in this way could be lost. While other sites exist within the Island with potential for development as hi-technology parks, they are not in States ownership nor would they be available immediately. Accordingly, the immediate availability of La Villiaze and the fact that it is controlled by the States has a particular attraction.
7. While the hi-technology data park envisaged will require large buildings housing expensive electronic equipment, they will require very few people. Parking requirements and additional traffic in the area would therefore be minimal.
8. Land immediately available along the northern boundary of the Airport is limited by certain technical requirements determined by the CAA. Initially a site adjacent to La Villiaze Industrial Estate (Area A) will be available but it is possible that at a later date, if some of the Airport equipment is relocated, a wider area could be released for this purpose (Area B).
9. In order to develop the land in the fastest possible time and allowing for the specialist nature of such development, it is proposed that the States should develop a partnership with an appropriately skilled strategic partner. However, it is envisaged that ownership of the land would be retained by the States and income from a long lease could be used to support Airport development.
10. In order to proceed with this specialist development, the Board of Industry will need to engage the assistance of specialists in this field.
11. The land will need to be re-zoned before it can be released for industrial e-commerce use through a process of amending the Rural Area Plan, the holding of a Planning Inquiry and further policy letters to the States.

16. RECOMMENDATIONS

The States is recommended to:

1. Note the Board of Industry's conclusions that the timely provision of suitable land for development as a hi-technology park forms a key part of the Island's e-commerce strategy.
2. Agree in principle that land in States ownership along the northern boundary of the Airport at La Villiaze should, subject to re-zoning of the area, be developed along the lines set out in this report.

3. Direct the Island Development Committee to prepare an appropriate amendment to the Rural Area Plan (Phase II) as a matter of urgency in respect of the re-zoning of the area of land identified as Area A in this report for the purposes described in this letter and report back to the States as soon as possible.
4. Note the potential for the future re-zoning for e-commerce of a further area of States land identified as Area B in this report.
5. Agree that ownership of the land should be retained by the States but that it may be developed through a strategic partnership along the lines described in this report.
6. Direct the Board of Industry, in consultation with the Board of Administration and the Advisory and Finance Committee, to take steps to secure a strategic partner for the development of the site as outlined in this report including the appointment of specialist consultants to assist in this task.
7.
 - (a) to authorize the Advisory and Finance Committee to approve a capital vote of up to £500,000 for the Board of Industry to meet the cost of specialist consultants to further the project for a hi-technology park as set out in this report, the sum to be charged to the capital allocation of the Board;
 - (b) to authorize the Advisory and Finance Committee to transfer an appropriate sum from the Capital Reserve to the capital allocation of the Board of Industry in respect of the above capital vote;
 - (c) to agree that the cost of the above capital vote shall be recovered, together with accrued interest, from the Airport and repaid to the Capital Reserve once income from the leasing of the site is generated for the benefit of the Airport.
8. Note the commitment to report back to the States with details of the preferred strategic partner and the arrangements for developing the site at the same time as the Island Development Committee's report is laid before the States.

I have the honour to request you be good enough to lay this matter before the States with appropriate propositions.

I am, Sir,

Your obedient Servant,
F. J. ROPER,
President,
States Board of Industry.

Deputy J Roper
 President
 Board of Industry
 Longue Rue
 St Martins
 Guernsey
 GY4 6HG

18th January, 2001.

Dear Deputy Roper

**RE-ZONING OF STATES LAND AT LA VILLIAZE TO CREATE A
 HI-TECHNOLOGY PARK**

The Board of Administration strongly supports the proposals set out in your policy letter dated 17th January 2001 on the above subject. It considers that the proposals, if approved by the States, will take the Island much closer towards providing land, at a strategic location, to accommodate a "Hi-Technology Park". If Guernsey is to capture inward investment in e-commerce and to promote itself as an attractive location for such activities, it is essential that it can provide the proper facilities. The proposed re-zoning of land at La Villiaze is central to such provision.

Whilst a precise framework has yet to be established, it is envisaged that the Board:

- (i) will act as "**Landlord**" in respect of the land in question;
- (ii) will wish to protect **Airport operations** both now and in the future;
- (iii) will wish to have input into discussions as to what form the development should take and regarding various **business options**.

As **Landlord**, the Board would propose that any land which may be the subject of future development proposals must remain in States ownership. It is envisaged that land would be released under a suitable medium to long-term lease agreement.

With regard to **Airport operations**, it is imperative that any development is preceded by comprehensive and thorough technical investigations so as to ensure that Airport equipment is not adversely affected. Preliminary investigations have already been carried out. Airport management will play an active role in this whole regard, supported by specialist personnel such as those from within the Civil Aviation Authority, as appropriate.

The Board considers that any provision of new services to the site, or the upgrading of existing services, should take into account Airport development proposals. It is possible that there could be cost savings and mutual benefits for the Airport and proposed e-commerce site in certain instances.

Regarding the various **business options** that might be pursued, the Board will be concerned to ensure that maximum benefits are achieved for the States of Guernsey. In particular, the Board would expect, as would any other commercial operator, that rental will be generated by this scheme. An opportunity exists for this to be paid into the Ports Holding Account so as to off-set costs in respect of the redevelopment and future running of the Airport.

The Board would wish to reserve its position such that it will offer more detailed comments in respect of the exact arrangements for developing the site, including arrangements for rental etc., when this information becomes available in due course. However, the Board considers that a flexible approach should be adopted at this very early stage. The final framework of any proposed agreement will depend on a number of important factors that have yet to be explored.

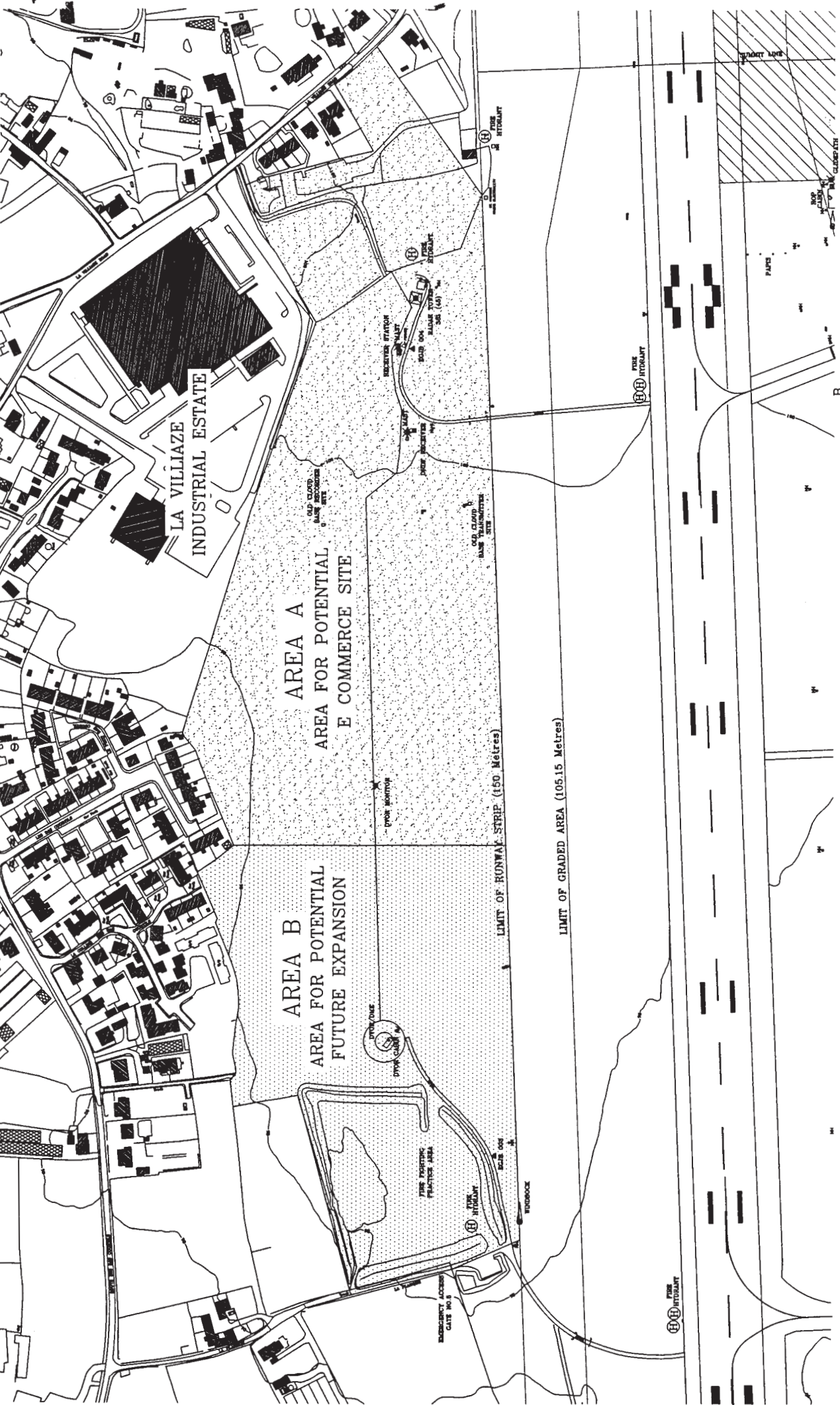
Several other matters are worthy of comment here. Firstly, it is clear that La Villiaze site is not likely to be the only site required for such purposes, as the Board of Industry points out. There is every possibility that further areas of land will need to be identified for similar purposes in future. The Board of Administration will be pleased to assist in this regard.

Secondly, the Board supports the Board of Industry's concerns that the planning definition of the site should not be so restrictive as to exclude other forms of e-commerce that may develop in future.

Thirdly, regarding the areas shown under Appendix 1, the Board would wish to emphasise that the plan shows areas for proposed **re-zoning** only. The actual extent of **development** thereon can only be determined following further investigations and this will also be subject to receiving the necessary approvals in due course.

Finally, the Board wishes to emphasise the need for a swift yet carefully considered response to the need for land where dedicated e-commerce activities can flourish. It very much hopes that the States will support the Board of Industry's efforts in this regard. Speed is essential if current interest in Guernsey as a possible centre for future investment in this hi-tech arena is to be maintained. We have before us a significant area of States owned land at a strategic location which offers a unique opportunity to demonstrate Guernsey's commitment to being a real player in global e-commerce business. Such an opportunity should not be missed.

I am, Sir,
Your obedient Servant,
R. C. BERRY,
President,
States Board of Administration.



APPENDIX 1

PLAN SHOWING AREAS FOR PROPOSED RE-ZONING

(FOR PURPOSE OF IDENTIFICATION BUT NOT OF LIMITATION)

(NOT TO SCALE)

The President,
States of Guernsey,
Royal Court House,
St. Peter Port,
Guernsey.

30th January, 2001.

Sir,

I have the honour to refer to the letter dated 17 January 2001 addressed to you by the President of the Board of Industry on the subject of re-zoning of States land at La Villiaze to create a Hi-Technology Park.

The Advisory and Finance Committee strongly supports the proposals because it recognises that if Guernsey is to offer itself as a credible centre for e-business it must have available, within a relatively short time, suitable accommodation for specialist operators in this field. The Villiaze site particularly commends itself because the fact of its ownership by the States should allow it to be developed without the delays that might well occur with other land in private ownership.

However in supporting the request for an Amendment to Rural Area Plan Phase II which will allow the site to be rezoned for e-business purposes the Committee wishes to stress that it does not believe that this is the only site that should be released for such purposes and is encouraged by the Board of Industry's intention to work with the Island Development Committee to seek suitable sites in other locations.

In endorsing the approach set out by the Board in its letter, the Committee recognises that the States is ill-equipped to build, operate and maintain premises of the type envisaged and that there is a strong case for selecting an appropriate strategic partner. Equally important, however, is for the States to remain in control of the selection of tenants which add the greatest value to the Island, both in strategic and financial terms. Accordingly, the Committee fully supports the request for sufficient funds to enable specialist property, legal and marketing advisers to be appointed.

The Board's proposals represent the best way in which the States can bring forward the necessary accommodation as soon as possible in the fast moving world of e-business and the Advisory and Finance Committee recommends the States to approve the proposals.

I am, Sir,
Your obedient Servant,
L. C. MORGAN,
President,
States Advisory and Finance Committee.

The States are asked to decide:—

X.— Whether, after consideration of the Report dated the 17th January, 2001, of the States Board of Industry, they are of opinion:—

1. To note the States Board of Industry's conclusions that the timely provision of suitable land for development as a hi-technology park forms a key part of the Island's e-commerce strategy.
2. To agree in principle that land in States ownership along the northern boundary of the Airport at La Villiaze shall, subject to re-zoning of the area, be developed along the lines set out in that Report.
3. To direct the Island Development Committee to prepare an appropriate amendment to the Rural Area Plan (Phase II) as a matter of urgency in respect of the re-zoning of the area of land identified as Area A in that Report for the purposes described in that Report and report back to the States as soon as possible.
4. To note the potential for the future re-zoning for e-commerce of a further area of States land identified as Area B in that Report.
5. That ownership of the land shall be retained by the States but that it may be developed through a strategic partnership along the lines described in that Report.
6. To direct the States Board of Industry, in consultation with the States Board of Administration and the States Advisory and Finance Committee, to take steps to secure a strategic partner for the development of the site as outlined in that Report including the appointment of specialist consultants to assist in that task.
7. (a) To authorise the States Advisory and Finance Committee to approve a capital vote of up to £500,000 for the States Board of Industry to meet the cost of specialist consultants to further the project for a hi-technology park as set out in that Report, the sum to be charged to the capital allocation of that Board;
- (b) to authorise the States Advisory and Finance Committee to transfer an appropriate sum from the Capital Reserve to the capital allocation of the States Board of Industry in respect of the above capital vote;
- (c) that the cost of the above capital vote shall be recovered, together with accrued interest, from the Airport and repaid to the Capital Reserve once income from the leasing of the site is generated for the benefit of the Airport.
8. To note the commitment to report back to the States with details of the preferred strategic partner and the arrangements for developing the site at the same time as the Island Development Committee's report is laid before the States.

STATES TRAFFIC COMMITTEE**A NEW PUBLIC TRANSPORT STRATEGY**

The President,
States of Guernsey,
Royal Court House,
St. Peter Port,
Guernsey.

23rd January, 2001.

Sir,

A NEW PUBLIC TRANSPORT STRATEGY**1. Introduction**

The Island's public transport strategy comprises three areas; scheduled bus services, school bus services and private hire services including the taxi industry.

The Committee is currently satisfied with the legislative framework it has established for the private hire and taxi industry and will shortly be commencing the annual review of its policies and objectives.

This policy letter focuses on the other two areas and identifies options and opportunities to redefine the Island's scheduled and school bus services. In doing so it fulfils Resolution 4 arising from a States debate on 25 January, 1995. It also reflects on the current strategy established by the States in 1995, the lessons that have subsequently been learned and it sets out details relating to the closure of Guernseybus.

In putting forward its vision for the future delivery of scheduled and school bus services, the Committee's principal objectives are to encourage significantly greater usage of public transport, provide systems of public transport of which the Island can be proud and thereby facilitate a quality alternative form of travel to the motor car.

2. Background

On 25 January, 1995, following consideration of a policy letter put forward by the Committee, the States resolved to implement new arrangements for the delivery of both scheduled and school bus services (Billet D'État II of 1995). This involved the introduction of competition with Island Coachways being licensed alongside Guernseybus.

The scheduled bus routes were combined into three packages and tendered out with Island Coachways securing one of the packages. The tenders were based on the companies' estimates of the gross costs involved in delivering each package of services, less the anticipated income from fares revenue. The difference between the two figures would be met by the States in the form of a public subsidy.

The strategy put forward at the time was well thought out and broke new ground. Regrettably, for reasons not known at the time, it was doomed to failure. The passenger figures supplied by the former management of Guernseybus and subsequently used by both companies to prepare their tenders were wholly inaccurate. This led, within the first year, to a situation where an inadequate number of vehicles were available to carry the actual number of passengers using the buses. As a consequence of the flawed tendering process, the strategy never worked as envisaged and between 1995 and 1999, three reports had to be considered by the States, which tried to resolve the resultant vehicle and financial problems.

In attempting to resolve the difficulties alluded to above, the States agreed to provide some limited additional funding for the scheduled bus services. However, even these measures proved to be insufficient and the Committee, together with the bus operators, had to adopt other measures including increasing bus fares and reducing services. The fact is that both bus companies had to cope with severe under funding of the scheduled bus services over the past five years.

3. Lessons Learned

The past five years, of what were seven year contracts with Island Coachways and Guernseybus, have been difficult and have thrown up a number of challenges. Nevertheless, they have also provided valuable experience which the Committee has been able to put to good use in developing its proposals for a radically new strategy.

Of principal concern to the Committee is the fact that over the past five years, the bus operators have had to cross-subsidise the cost of operating scheduled bus services with income and profits made from school bus and private hire services. This was something which the Committee had intended to prevent in 1995 when recommending revised proposals for scheduled bus services. These services must in future “stand alone”. By this, the Committee means that the operation of scheduled bus services should be sustainable in the same way as school bus and private hire services are.

It is debatable, with the benefit of hindsight, that there was room in 1995 for two bus companies to compete “head on” for scheduled and school bus services. However, even if it is accepted that at the time there was a sufficient volume of business (passengers), the Committee would contend that it is no longer the case today.

Since 1996/7, passenger movements have fallen from their peak of 1,123,818 to 890,733 at the end of September 2000 (see appendix 1). This can be predominantly attributed to fewer tourists either visiting the Island or at least using public transport. However, of equal concern is that over the past two years, passenger movements throughout the winter months have also fallen indicating that local bus users are being deterred from using the service. The Committee believes that the reduction in residents using the scheduled bus services can be attributed to a number of reasons, chief amongst which is price resistance (fares too high), reductions in service frequencies and an inadequate quality of service.

This downward spiral, of increasing fares, reducing services and falling passenger numbers cannot be permitted to continue.

Both bus companies attempted to improve the quality of their vehicles over the past five years and to some extent this was achieved. However, there has been insufficient funding

available even to make the investment in new(er) vehicles which the companies were obliged to do, let alone to sustain this.

Without new, attractive and comfortable vehicles, low bus fares and increased service frequencies, all of which will necessitate additional public funding, the Island's scheduled (and school) bus services will continue to decline and deteriorate.

In the Committee's view, in order for there to be a sustainable and long term future for the Island's bus services, the States will have to accept that:

- service frequencies must be enhanced;
- bus fares need to be reduced;
- the quality of the vehicles must be improved and maintained;
- all of which will require significantly increased funding to be made available.

4. Recent Developments

(a) Guernseybus

In September of last year, the Committee was notified by the Proprietor of Guernseybus, Mr Gary Bougourd, that, due to serious ill health problems, he had no choice but to close down his business. In the circumstances, Mr Bougourd could not consider bringing in an administrator because this would have left him with continued responsibility for the business and the associated stress, which was not advisable on health grounds. Furthermore, there was no one from within his family who could take over the running of the company.

Mr Bougourd considered that whilst the company was solvent it could not be sold as a going concern. This was principally because the company's main source of revenue came from the contract with the States to run scheduled bus services, which had two years left to run.

Furthermore, there was no guarantee that the company would be awarded another contract at the end of the existing one, without which the company could not be financially sustained. The Committee, after careful consideration, agreed with Mr Bougourd's assessment.

In determining how to proceed, the Committee was acutely conscious both of its statutory obligation and the direction given to it by the States in January 1995 in relation to the provision of public transport. Specifically:

- under the terms of the Public Transport (Guernsey) Law, 1984, the Committee has a duty to ensure that there are available at all times, sufficient, efficient and safe systems of public transport services in Guernsey to meet the requirements of the public; and
- on 25 January, 1995 the States resolved to direct the Committee, in consultation, as appropriate, with the States Advisory and Finance Committee, to take such further action as may be deemed necessary to ensure that there are sufficient, efficient and safe systems of public transport within the Island.

Consequently, and having sought advice from the Advisory and Finance Committee and its public transport advisers, Southern Vectis plc, the Committee was left with no choice but to negotiate with Mr Bougourd to acquire sufficient vehicles and ancillary equipment to facilitate the continued delivery of Island wide scheduled and school bus services and thus minimise any disruption to the travelling public. At the same time, the Committee undertook negotiations with Island Coachways with a view to them assuming responsibility for the delivery of those scheduled and school bus services which Guernseybus was contracted to provide.

The Committee obtained advice and valuations on the vehicles prior to entering into negotiations with Guernseybus as follows:

	<u>Guernseybus Valuation</u>	<u>Optare Manufacturer's Valuation</u>	<u>Southern Vectis Valuation</u>
	£	£	£
23 Metrorider buses	178,000	178,000	145,200
10 LH coaches	20,000	N/A	22,700
Spare parts,	at least £30,000	N/A	N/A
Bus ticketing machines and associated equipment	13,200	N/A	N/A

- N.B. 1). Optare valued the vehicles “unseen” and expressed the opinion that their figures were probably conservative.
- 2). Southern Vectis sent to the Island a small team of mechanics who inspected the vehicles over one weekend prior to preparing valuations.
- 3). Almex, which manufactures the bus ticketing machines, provided a valuation to the Committee of £20,090 for second hand ticketing machines.

The Committee agreed to pay Mr Bougourd a total of £125,500 which comprised; £111,000 for the 33 vehicles (in effect, the older coaches were acquired rather than purchased), £12,000 for the bus spares and £2,500 for the bus ticketing machines and associated equipment.

The Committee also assisted Guernseybus in meeting the costs of the disposal of 9 buses totalling £925.

In addition to this, the Committee has incurred expenditure in undertaking vehicle inspections, a significant backlog of maintenance work, replacement of spare parts and essential repairs to ensure the vehicles it has acquired are safe and roadworthy. The Committee had been made aware that there appeared to have been a lack of a proper maintenance regime and as a consequence, most of the vehicles would require considerable expenditure in repairing faults and undertaking necessary maintenance

and repair work. This was reflected in the Committee's final offer for the purchase of the vehicles.

The completion of the maintenance and repair work is essential, particularly having regard to the Committee's obligations for public transport and its duty to ensure the safety of the travelling public. In addition, the work will extend the operational life of the vehicles, thus providing the necessary "breathing space" until a new public transport strategy has been put in place by the States. It is also anticipated that if the vehicles are replaced within the next two years, they may retain some residual value.

At the time of preparing this policy letter a total of £21,000 has been spent by the Committee on repair and maintenance work for the vehicles it has acquired, although it is estimated that the likely total expenditure will be in excess of £60,000 including essential work being carried out on some of the vehicle's engines and chassis. Although Island Coachways will in future meet the costs of general maintenance work, any significant expenditure on replacement engines or gear boxes will remain the responsibility of the Committee.

In notifying the Committee in September of the decision to close his company, Mr Bougourd indicated that he would have to do this by the end of September unless the Committee would agree to underwrite the operational losses the Company incurred whilst alternative arrangements were being put in place for the scheduled and school bus services provided by Guernseybus.

It is acknowledged that during the winter months both bus companies have operated at a loss, with the cumulative losses being offset the following spring and summer with increased income from bus fares as well as from school bus and private hire services. As the Committee has already stated, this practice of the cross subsidising of scheduled bus services should not have been allowed to arise and was a symptom of the flawed tendering process which took place in 1994 and was acknowledged as such by the States in 1997.

Therefore, in these exceptional circumstances the Committee felt it had no choice but to underwrite the losses incurred by Guernseybus between 1 October and 28 November, 2000 which came to a total of £32,177.

In total, the Committee has incurred or expects to incur, unforeseen expenditure as set out above of approximately £220,000. This expenditure will be met, in full, from the Committee's existing unspent balances and capital allocation. **No new monies will be drawn from the General Revenue account. Any ongoing costs will be met from the Committee's revenue budget.**

b) **Island Coachways**

Island Coachways has agreed to provide scheduled bus services on those routes previously allocated by the Committee to Guernseybus and to deliver those school bus services for which the Committee had contracted with Guernseybus.

The Committee has in turn agreed that the balance of the public subsidy which was due to Guernseybus for scheduled bus services to 30 September 2001, will be paid to

Island Coachways. The balance of the fees due in respect of Guernseybus' contract for school bus services, which expires on 31 July, 2001 will also be paid to Island Coachways. The actual sums involved are:

(i)	Total subsidy due to Guernseybus for year 6, scheduled bus services (25/9/00 - 24/9/01)	£125,094
	Balance of subsidy to be paid to Island Coachways (01/12/00 - 24/9/01)	£104,245
(ii)	Total contract fees due to Guernseybus for school bus service contract to 31/7/01	£118,056
	Balance of school bus contract fees to be paid to Island Coachways (01/12/00 - 31/7/01)	£83,326

The above mentioned sums will be met from the Committee's revenue budget allocation and exclude the sums to which Island Coachways is entitled in respect of their own contracts for scheduled and school bus services.

As part of the negotiations with Island Coachways, it was also agreed that:

- the company would pay a monthly leasing charge of £100 for each of the vehicles acquired by the Committee from Guernseybus which are used for the delivery of scheduled and school bus services, for an initial period of six months at which time the arrangement would be reviewed;
- the spare parts obtained by the Committee would be made available to Island Coachways to be used in maintaining the vehicles acquired from Guernseybus;
- Island Coachways would pay a total of £2,500 for the bus ticketing equipment the Committee had acquired.

5. The Future Strategy For Scheduled and School Bus Services

In November 1999, the Committee appointed Southern Vectis plc to undertake a major review to consider various options for enhancing the scheduled and school bus services. The terms of reference required an examination of:

- (i) options for the provision of services that continued to cater for existing demand, whilst stimulating additional patronage;
- (ii) identification and feasibility of new service links to reflect travel patterns;
- (iii) options to improve access to and the understanding of the services by existing and potential users;
- (iv) options for improvements to the current levels of service frequencies;
- (v) the efficiency of the schedules and driver and vehicle utilisation;
- (vi) the feasibility and relative advantages and disadvantages of a single or multiple operator system of service delivery;

- (vii) the feasibility of and options for improved integration of the scheduled and school bus services;
- (viii) the associated cost and revenue issues;
- (ix) marketing initiatives and fare levels;
- (x) vehicle requirements, including the number, type, capacity and cost.

In establishing the options for the redesign of the scheduled bus services network, it was decided to follow a number of guiding principles aimed to:

- stimulate increased use of public transport
- reduce congestion and pollution
- produce a network matched to current needs
- minimise the social disadvantages of not owning a car
- facilitate easier understanding of and accessibility to public transport
- develop new links reflecting travel pattern analysis
- provide better frequencies
- provide new tourist orientated services
- facilitate effective and efficient schedules
- generate increased revenue and cost reductions to help fund new buses
- consider a professional marketing package both on and off Guernsey
- ensure a network design based on proven principles.

Subsequently, in May 2000, the Committee asked Southern Vectis to undertake a further study with the objective of assessing the impact of reduced or free fares.

A copy of the principal report prepared by Southern Vectis has been lodged at the Greffe for inspection by the public and members of the States. The second report prepared by Southern Vectis has been appended, in full, to this policy letter.

6. Southern Vectis' Principal Report

The principal report prepared by Southern Vectis concluded that:

- the existing network of scheduled services was too complex;
- there were too many low frequency services;
- cross - Island journeys were difficult to make;
- the lack of evening and winter Sunday services impacts negatively and underlined the network's second class nature;
- some ticket prices were a little aggressive and more imaginative fares should be considered;
- the financial performance of the system was very disappointing;
- there was a need to sharply improve the perceived vehicle quality;
- waiting facilities are still generally poor;
- the bus station was in the wrong location and may, in any case, not be needed;
- the present range of school bus contracts, vouchers and passes was unnecessarily complicated;
- the school bus service contracts were wasteful of resources as was the virtual lack of integration with the scheduled bus services;
- there needs to be an imaginative solution to the growing problem of car over-use.

The report went on to recommend action in six areas:

- (i) the creation of an attractive network that will encourage usage;
- (ii) the elimination of needlessly wasteful and inefficient practices;
- (iii) the generation of funds to allow investment in high quality vehicles;
- (iv) investment in ancillary features, such as the provision of information and waiting areas;
- (v) the management of the demand for car use;
- (vi) a professional and on-going marketing strategy.

7. Southern Vectis' Supplementary Report

The report attached as appendix 2 to this policy letter outlines seven alternative funding options based on different fare structures, together with the associated implications.

8. Proposals To Be Implemented

Having carefully evaluated the findings, options and recommendations contained in both reports and taking into account the experience gained over the past five years, the Committee has concluded that radical change is required and that this must be achieved without delay.

(a) Route Network

The Committee has already taken the initiative and announced plans for the introduction of an entirely new route network of scheduled bus services with effect from 12 March, 2001 which:

- restores the network to a regular frequency;
- simplifies the route numbering system and makes it less complex to comprehend;
- significantly enhances frequencies of services on key corridors (i.e. Town to St Sampsons, Vazon, Grandes Rocques, St Martins);
- introduces cross-Island journeys to make transport by bus quicker, easier and more attractive;
- provides attractive tourist options;
- provides many new links, particularly across St Peter Port;
- reintroduces some winter Sunday services;
- allows easy interchange in St Peter Port and elsewhere.

It is based principally on the report and recommendations prepared by Southern Vectis which was refined in consultation with Island Coachways. In achieving a long overdue revision to the Island's scheduled bus services network (last undertaken in 1981), a more efficient system will be introduced which requires fewer buses, incurs less operational costs and yet improves services. It also establishes a good foundation for the implementation of a new strategy as set out in this policy letter.

The new network will be subject to on-going review in consultation with Island Coachways with a view to further enhancing service levels and frequencies. It is essential that the new route network is introduced well in advance of the summer when services and demand are at their peak to allow sufficient time for the drivers to be trained on and become acclimatised to the new routes.

Furthermore, the Committee wishes to move to a situation within the year where:

- the change-over between the summer and winter bus services is much less noticeable in terms of the frequencies of services; and
- the change-over coincides with similar change overs involving air and sea transport operators' schedules.

(b) **Bus Terminus**

The Committee intends to pursue the proposal, on an experimental basis, to dispense with the existing bus terminus and instead to provide an "interchange" along the North Esplanade. The advantages are:

- it will bring the buses actually and visibly much closer to the harbour (ferry terminal) which will aid and encourage interchange;
- it will bring the buses closer to the shops and closer than the nearest car parks;
- its proximity to the Tourist Board's offices and Tourist Information Bureau will assist with the promotion and use of buses.

The main disadvantage is that, with buses interchanging on both sides of North Esplanade, the existing three/four lanes of traffic will be reduced to two. The Committee does not anticipate any significant traffic congestion arising as a consequence of this proposal but the experimental period will be able to confirm this.

Buses will only be held over at the "interchange" along the North Esplanade for around five minutes to allow passengers to board and any change in drivers. The new network and proposed vehicle utilisation is designed to make the optimum use of drivers and vehicles.

During the experimental period, the Committee, in conjunction with the Board of Administration, would intend to look at the opportunity to convert the surface of the existing bus terminus into short stay car parking. The Committee has previously identified a significant shortage of car parking in the southern end of the town.

(c) **Bus Priority Systems**

At the present time the Committee is conducting a comprehensive assessment of all of the Island's traffic signals, the majority of which are now obsolete and in need of replacement. Proposals for a phased replacement of all obsolete traffic signals will be placed before the States in due course. In seeking the necessary finance in order to fund the installation of replacement traffic signals, the Committee intends to ensure that they will all be capable of facilitating bus priority by enabling the early activation of the signals in a similar fashion to systems used by the emergency services. This will help to improve journey times.

(d) **Marketing Initiatives**

In introducing the new network of services the Committee is undertaking a marketing initiative to ensure that the travelling public has prior access to full information on the proposed changes and the associated advantages. This initiative will subsequently be reinforced on an on-going basis.

Additionally, the Committee will continue to work with the Tourist Board to ensure that all prospective tourists have access to information on the Island's public transport system, the associated services, frequencies and fares. The Committee has recently secured space within the Board's promotional brochure in which to provide details on the Island's public transport so that tourists can make informed choices before they book their holiday.

The Committee has also recently commissioned the preparation of a computer and web-based bus services travel planner which will provide information on all of the Island's scheduled bus services as well as acting as a travel planner. To complement this initiative, the Committee has purchased a purpose built multi-media facility which is effectively a small computer fixed to a stand, to be initially trialled at Beau Sejour. If this is successful, the Committee will consider locating additional facilities in other parts of the Island which will provide extensive information on the bus services.

(e) **Other Improvements to Infrastructure**

(i) **Bus Shelters**

The Committee has recently replaced the bus shelter at the Grange and has introduced a new one at the Bridge in addition to a new taxi waiting shelter at the Weighbridge. It is intended to review further opportunities for increasing the number of bus shelters around the Island, although it must be acknowledged that such opportunities are inevitably limited. Nevertheless, the Committee has recently identified a potential site in St Peters which is currently under consideration.

(ii) **Bus Information and Timetables**

It has been decided that in future, bus stops will, wherever practicable, be designated by poles rather than signs painted on roads or pavements. This change in policy will enable more information on bus services and frequencies to be displayed at bus stops around the Island. The Committee is already in the process of installing twenty additional bus timetable displays at key bus stops. It has also now arranged for bus timetables to be available at more than 150 locations around the Island including post offices, airport, harbour, shops, hotels, guest houses and beach kiosks.

N.B. The costs associated with the proposals outlined in (d) and (e) above will be met from the Committee's existing resource allocations.

9. School Bus Services

(a) Current Position

Under the Education (Guernsey) Law, 1970, the Council is required to provide free transport, by bus, to and from school for pupils under eight years of age who live a mile or more from school and for pupils aged 8 years or more who live two and a half miles or more from school.

In addition, where a pupil who qualifies for free bus transport does not have access to a school bus service, they are issued by the Committee with free vouchers to travel on

scheduled bus services. The same vouchers are also issued for a fee of up to 40 pence to enable pupils to attend after school activities, visit the dentist and so on.

The Council also issues vouchers for a fee of up to 40 pence to pupils who are not eligible to travel on the school bus service but wish to do so.

School bus services are provided, on behalf of the Council, by the Committee through contracts with service providers, to enable the above mentioned legal requirements to be discharged.

(b) The Next Step

Some integration between the school and scheduled bus services will now be possible under the new network which the Committee is introducing. Initially, it is intended to combine some school bus services with lightly loaded scheduled services. This will lead to better utilisation of vehicles and drivers and result in some reduction in operational costs without service frequencies being compromised.

The Committee will be looking to implement these changes once the existing contracts for school bus services expire in July, 2001. At the present time these are allocated between Island Coachways, Bluebird Taxis and Intransit Passenger Services although it is intended to continue to encourage competition in this area.

The new scheduled bus services network is designed to provide later services from the secondary schools to the main catchment areas. These can facilitate after school activities and also be used for any students with behavioural problems.

The Committee will also be seeking, in consultation with the Education Council, to simplify the existing arrangements in respect of school bus travel and the associated voucher systems.

The Committee did consider, in conjunction with the Education Council, a proposal for altering the opening and closing times for La Mare de Carteret School. This would involve moving the opening time from 8.30 a.m. to 8.00 a.m. and the closing time from 3.30 p.m. to 3.00 p.m. Implementing such a proposal would reduce the maximum number of vehicles required at peak periods by six, to cope with both scheduled and school bus services. The associated operational costs would decrease by £70,000 per annum and the investment in new vehicles would fall by approximately £420,000.

Regrettably, the Education Council felt unable to support such a change to the school time for La Mare De Carteret, due to the likelihood that it would be unacceptable to staff, parents and pupils.

(c) The Future

The Committee recognises that a considerable amount of traffic congestion occurs around the Island's schools and that during the school holidays there is a marked reduction in the amount of traffic circulating on the roads. Encouraging more pupils to use the school bus service is one of the ways in which existing levels of traffic congestion can be managed more effectively and reduced.

Although the Committee wishes to see school bus travel eventually provided free to all pupils, irrespective of where they live or which school they attend, it is important that such an approach, and the associated implications, are carefully considered.

In particular, the new scheduled bus services network must be given time to settle down, and the proposed move towards some integration with school bus services introduced as outlined in the previous section. In addition, the Committee is aware that if its proposals set out in this policy letter for the further development of scheduled bus services are approved by the States, this will need careful management and involve significant additional public subsidies.

The Committee appreciates the importance of ensuring that the legal obligations placed upon the Education Council (and the Committee) are properly discharged. In this respect, it would be entirely unacceptable for pupils who qualify for free bus travel to be expected to use scheduled services which were already full and would result in such pupils being left at bus stops

A simple assessment by the Committee's consultants of the possible implications of providing free bus travel for all school pupils to and from school indicated that there could be an 80% take up of all school pupils. The Committee concluded however that this was unrealistic within the Guernsey context and instead decided to apply a 100% increase in the existing number of pupils using the bus services (current maximum daily peak is 750). This would result in:-

- at least a further 15 vehicles needed to manage the peak school traffic loadings;
- additional drivers would be required and are very unlikely to be available in the current economic climate;
- operational costs would increase by around £150,000 per annum;
- additional expenditure on vehicles would be around £1 million.

In the light of this analysis the Committee intends to give further, very careful consideration to the introduction of free school bus travel within the next 12 months once:-

- States has decided on a new strategy for scheduled bus services;
- the new scheduled bus services network, frequencies and funding have been properly tested and refined; and
- the move towards greater integration of the scheduled and school bus services has been implemented.

At that time the Committee will then consider how best to proceed with the long term goal of providing free school bus travel for all pupils.

10. Strategic Proposals

The Committee has, as set out above, already taken appropriate steps to redefine the Island's scheduled and school bus services and to introduce further, significant improvements to the infrastructure. However, the Committee cannot radically improve the usage of bus services any further without the support of the States in the form of new and comprehensive funding arrangements which will address:-

- very cheap travel for all passengers in addition to the free travel for OAPs' recently agreed by the States;
- increased frequencies of service; and
- the acquisition of brand new buses.

If the States is prepared to accept the Committee's recommendations for additional funding to implement the above mentioned arrangements then, together with the action already taken as previously outlined, the Committee is satisfied that this should lead to:–

- **significantly more residents, tourists and school pupils travelling on public transport;**
- **a public transport system of which the Island can be justly proud;**
- **less reliance on car travel and less congestion;**
- **an environment that should reduce pressure on the demand for the construction of additional and expensive car parking facilities in St Peter Port.**

(a) Funding of Scheduled Bus Services

The Committee believes that, together with good service frequencies and quality vehicles, low fares are essential in attracting and retaining additional passengers and this can only be achieved through increased public subsidy.

Although attracted to the proposal for a “free” or more accurately, entirely subsidised bus service, the Committee believes that on balance, this should not be introduced at this time. The anticipated costs of between £2.165 million and £2.878 million were a significant factor in arriving at this decision.

In considering this matter, the Committee has researched the funding arrangements which currently exist in other Islands as follows:–

	<u>Scheduled Bus Services</u> <u>Subsidies (per annum)</u> £	<u>School Bus Service</u> <u>Subsidies (per annum)</u> £	<u>Population</u>
Guernsey	382,000	323,000	58,680
Jersey	584,000	Not available but was £750,000 in 1997.	85,150
Isle of Wight	985,000	1,500,000	125,466
Isle of Man	→ 4,000,000	←	71,714

NB.

- (i) All figures quoted exclude income from bus fares or vouchers.
- (ii) The population figures were derived from 1996 data.
- (iii) The Isle of Man is anticipating the purchase of 44 new double deck buses over the next three years at an additional capital cost of £6,000,000.

What the Committee is proposing is the implementation of the fares and subsidy Option 7 set out in the supplementary report prepared by Southern Vectis which involves:-

- **a 20 pence flat fare on all services;**
- **an £8 monthly rover ticket;**
- **free travel for Senior Citizens over the age of 65.**

It is anticipated in the report by Southern Vectis that passenger levels could increase by up to 30% purely as a result of the introduction of the cheap 20 pence fare. Further increases are also likely with the improvements in service frequencies, introduction of brand new buses and improved reliability of the vehicles and network as a whole. Such an increase in passenger numbers could lead to overloading problems particularly at peak periods in the summer months. In those circumstances, frequencies on the main corridors and possibly elsewhere will have to be further increased at peak periods.

In addition, although the Committee does not initially intend to introduce any late evening services, because of the additional cost and manpower implications, this matter is to be carefully reviewed in consultation with Island Coachways and it is likely that some experimental services will be introduced.

The proposed fare option would mean that the number of vehicles would need to be increased from the existing level of 31 vehicles (no school hours staggering) to 40, in order to cope with increased demand, greater frequencies and some integration between the scheduled and school bus services.

It is anticipated that the subsidy required will be £1,025,000 per annum which would represent an increase of around £450,000 on the current annual average of total public subsidy taking into account the provision made in the 2001 budget report for a free bus service for Old Age Pensioners.

However, given the uncertainty over the likely effects of the proposed new strategy, the Committee also believes that a contingency sum should be available equivalent to 20% of the anticipated subsidy requirement (i.e. a further sum of £200,000 per annum). This would provide the Committee with some flexibility to respond to a variety of situations in a positive and efficient manner such as a larger than anticipated increase in passenger numbers and the consequent need for additional vehicles and the associated operational costs. Such action would be taken in consultation with the Advisory and Finance Committee.

(b) Acquisition Of New Vehicles

To complement the new route network, fares structure and service frequencies, together with additional investment in the infrastructure as outlined earlier in this policy letter, the Committee is proposing investment over a two year period in brand new vehicles.

The Committee believes that the provision of new vehicles will, in themselves, generate additional passengers. Such vehicles, as well as promoting high quality services, would be designed to meet the needs of the elderly, infirm and disabled with provision, for example, of low floors to facilitate easier access.

Under the route network designed by Southern Vectis, a total of 31 vehicles are required. If the new funding arrangement outlined in the previous section is approved

by the States, a further 9 vehicles will be needed bringing the total to 40. An additional 5 vehicles would be needed as back-ups. Each bus will cost approximately £70,000 to purchase requiring a total investment of around £3,150,000. The vehicles are generally depreciated over a seven year period. The Committee would anticipate that in negotiations for the purchase of 45 vehicles, there would be scope for reducing the overall cost. At the same time, the Committee would investigate options for the acquisition of vehicles including a lease arrangement with the manufacturer. The best option, based on the most favourable terms would be negotiated by the Committee.

The Committee believes that the most appropriate way to proceed is for the States to invest in acquiring and then leasing out to the bus operator, a new fleet of vehicles. Such an arrangement will provide a significant level of security for the States over the future provision of scheduled and school bus services.

Negotiations with the bus operator would take place in order to secure a reasonable income for the States from the leasing arrangement. These funds could be set aside to offset some of the costs of acquiring replacement vehicles in the future.

It is the Committee's view that:-

- half of the vehicles should be purchased for use during the first year of the new contract for scheduled and school bus services;
- the other half should be phased in during the second year;
- the vehicles should be owned by the States and leased, on a commercial basis, by the bus operator;
- a separate contract should be arranged for the future servicing arrangements for the vehicles.

(c) Contract for Scheduled Bus Services

In the light of experience over the past five years there can be no doubt that the former contract with Guernseybus and the existing contract with Island Coachways is seriously flawed and should be terminated by mutual agreement as soon as possible. This view is shared by Island Coachways.

What the Committee is proposing in its place has been the subject of very careful consideration. The Committee has concluded that in Island Coachways there remains a competent, experienced and dedicated local company which provides a range of public transport services and a considerable number of employment opportunities.

The Committee is of the view that in terminating the existing contract with Island Coachways, it should be given the authority by the States to negotiate the best possible terms with the company for a new contract which achieves the Committee's vision for scheduled bus services as set out in this policy letter. The Committee believes that an initial five year contract should be agreed with a break clause after three years.

Whilst, no doubt, certain aspects of the existing contract can be incorporated into a new contract, other clauses will be needed to take account of:

- the proposed new funding arrangements;
- the leasing, use and maintenance of the new vehicles to be acquired by the States.

In its negotiations, the Committee would intend to take advice from the Law Officers and its consultants, Southern Vectis plc.

Recommendations

The Committee therefore recommends the States to:–

- 1) approve of the measures already taken by the Committee in handling the closure of Guernseybus Limited and the associated transitional arrangements, including the expenditure incurred as set out in section 4;
- 2) note the proposals for the new scheduled bus services network and improvements to the public transport infrastructure as set out in section 8 of this policy letter;
- 3) note the further integration planned for the scheduled and school bus services and the proposed simplification of the voucher system for the school bus service as set out in section 9;
- 4) note the Committee's intention to return to the States in due course with proposals for providing free school bus travel for all pupils;
- 5) approve the new funding arrangements for scheduled bus services as set out in section 10(a) and to direct the Advisory and Finance Committee to increase the Traffic Committee's revenue budget for 2001 as appropriate and to take the new funding arrangements into account when recommending to the States the Traffic Committee's revenue cash limit in 2002 and subsequent years;
- 6)
 - (a) to authorise the Traffic Committee in consultation with the Advisory and Finance Committee to acquire a new fleet of vehicles as set out in section 10(b) of this report by purchase or alternative suitable means and to lease such vehicles to the service operator;
 - (b) to grant delegated authority to the Advisory and Finance Committee to approve a capital vote or votes of up to a total of £3,150,000 to cover the costs of vehicles purchased as set out in section 10(b) of this report, which sum shall be charged to the capital allocation of the States Traffic Committee, which allocation shall be permitted to be overdrawn for this purpose;
 - (c) to direct the Advisory and Finance Committee to take account of the above in recommending to the States capital allocations of the Traffic Committee for 2002 and subsequent years;
 - (d) insofar as the acquisition of new vehicles as set out in section 10(b) of this report by such means as leasing falls to be properly treated as a revenue cost, to authorise the Advisory and Finance Committee to increase further the revenue budget for 2001 of the Traffic Committee to take account of such cost and to take account of such costs in recommending to the States revenue allocations of the Traffic Committee for 2002 and subsequent years;
- 7) authorise the Committee in conjunction with the Advisory and Finance Committee to enter into negotiations in order to secure the best possible terms for the future delivery of scheduled bus services as set out in section 10(c).

I should be grateful if you would lay this matter before the States with appropriate propositions.

I am, Sir,

Your obedient Servant,
 P. N. BOUGOURD,
 President,
 States Traffic Committee.

PASSENGER ANALYSIS (Combined IC & GB figures)					
	1995/96	1996/97	1997/98	1998/99	1999/2000
SEPT/OCT	87,369	107,241	106,448	95,553	82,578
NOVEMBER	48,278	52,463	52,950	51,927	47,641
DECEMBER	48,121	50,494	55,083	54,087	49,437
JANUARY	45,012	46,749	48,927	45,317	36,821
FEBRUARY	43,913	43,990	49,443	43,500	38,813
MARCH	50,225	55,020	58,567	56,478	49,596
APRIL	69,458	76,247	72,437	65,052	57,070
MAY	113,237	117,341	111,914	96,424	90,210
JUNE	134,265	142,367	122,325	108,886	110,796
JULY	157,985	156,237	138,147	124,780	111,878
AUGUST	160,412	159,954	144,419	129,938	125,504
SEPTEMBER	108,507	115,715	106,439	91,021	90,389
TOTALS	1,066,782	1,123,818	1,067,099	962,963	890,733

REVENUE ANALYSIS (Combined IC & GB figures)					
	1995/96	1996/97	1997/98	1998/99	1999/2000
SEPT/OCT		63,679	76,880	79,166	73,318
NOVEMBER		34,766	37,448	41,017	37,680
DECEMBER		35,969	39,299	45,147	40,151
JANUARY		32,099	33,559	34,080	28,530
FEBRUARY	(Sept to)	29,581	32,820	34,802	32,563
MARCH	228,325	37,635	43,199	44,898	39,919
APRIL	58,853	54,406	55,004	52,895	50,649
MAY	77,453	83,243	90,098	83,104	81,547
JUNE	101,038	108,417	104,546	97,204	98,051
JULY	114,795	126,330	120,486	111,655	101,491
AUGUST	113,740	121,085	124,084	116,581	112,982
SEPTEMBER	82,994	90,435	95,863	82,722	81,150
TOTALS	£777,198	£817,645	£853,286	£823,271	£778,031

**REVIEW
OF
SCHEDULED AND SCHOOL
BUS SERVICES
IN
GUERNSEY**

SUPPLEMENTARY REPORT

**Southern Vectis plc
Nelson Road
Newport
Isle of Wight
PO30 1RD
Tel: 01983 522456**

AUGUST 2000

SUMMARY

- In November 1999, the Guernsey States Traffic Committee retained Southern Vectis to undertake a wide-ranging review of the Island's bus services. The initial report was presented in January 2000.
- In May 2000 the Guernsey States Traffic Committee retained Southern Vectis to assess the impact of reduced or free fares. Five scenarios were to be assessed, to which two further options (combinations of the five) have been added.
- All fares reductions are likely to generate ridership. The level of this generation is subject to debate so it would be prudent to evaluate both a "best guess" and also a contingency.
- There are three financial effects:
 - (i) Loss of revenue through cheaper fares
 - (ii) Generation of revenue through increased ridership
 - (iii) Increased costs to deal with overloading
- With current (1999) fares revenue of £823K, the subsidy requirement will rise. The effects are complex and are summarised below:

Option Number	Option type	Current subsidy	Likely subsidy	Likely subsidy With contingency
1.	Half fare	£382K	£836K	£927K
2.	50p flat fare	£382K	£703K	£767K
3.	20p flat fare	£382K	£1269K	£1623K
4.	£15 monthly Rover	£382K	£734K	£784K
5.	Free fares	£382K	£2165K	£2878K
6.	50p flat fare + £ 15 monthly Rover	£382K	£802K	£886K
7.	20p flat fare + £8 monthly Rover + free for senior citizens	£382K	£1339K	£1722K

- A credible trial of one of the more radical options (20p flat fare or free fares) will cost between £70K and £95K for a six months experiment.

1. PREAMBLE

In November 1999, the Guernsey States Traffic Committee retained Southern Vectis to undertake a wide ranging review of the Island's bus services. The initial report was presented in January 2000; its recommendations included:

- A new, simple, “customer-friendly” bus network
- Staggering of school hours
- Creation of a *Green Travel Zone* for St Peter Port
- A new interchange in St Peter Port
- Bus priority measures
- Nineteen new single deck buses
- A new senior citizen rover ticket.

The proposals, if fully implemented, would have a neutral effect on subsidy requirement, as against the 1999 position.

In May 2000, the Guernsey States Traffic Committee retained Southern Vectis to undertake a second study, with the objective of assessing the impact of reduced or free fares. Five scenarios were to be assessed:

- | | | |
|----------|---|-------------------------------------|
| Option 1 | : | Halving current fares |
| Option 2 | : | Modest flat fare of 50p |
| Option 3 | : | Low flat fare of 20p |
| Option 4 | : | Cheap system ticket: £ 15 per month |
| Option 5 | : | Free travel |

This report presents the findings.

- Section 2 is a theoretical discussion of the impact of lower fares on ridership and the possible effects on resource requirements.
- Section 3 discusses the likely changes in levels of demand as a result of the range of actions on fares and resource levels.
- Section 4 examines the likely critical routes and journeys.
- Section 5 details the demand and resource implications of the various options.
- Section 6 moves on to the political and commercial implications of the various options.
- Section 7 makes some further observations.

2. IMPACT OF LOWER FARES: DISCUSSION

2.1 Fares Changes

Any change to fare levels is likely to lead to change in the level of patronage. The widely held view is that there is a reasonably straightforward arithmetical relationship – termed the *elasticity of demand with respect to fares* – although there is some debate as to the actual figure. This aspect is discussed further in Section 3. Changes to the type of fares offered can also have an impact. Flat fares, as opposed to zonal or mileage-based fares, are simple to understand and market. Recent experience in London suggests that this simplicity, by itself, stimulates bus usage. Variation of fares for *system tickets* (marketed as *Rover* and *Monthly* tickets on Guernsey) can also have a marked effect; cheaper system tickets not only drive up usage because of the lower price but also stimulate a shift from standard fares and a generation of trips which, at

the margin, are free to the customer. Cheaper system tickets will have more of an impact on longer journeys, for which the system ticket is much better value than the relatively high standard fares. London is again a good example of the impact on passenger volumes of cheap system tickets.

2.2 Resource Changes

Any significant generation of passenger trips, as a result of reduced fares, will cause overloading problems, especially where the particular journey is operating close to capacity. There are three broad approaches to deal with this problem:

- *Do nothing* – and make passengers wait for the next bus. Whilst this approach is cost effective, it has obvious, and probably unacceptable, downsides for the customer, the operator and the States.
- *Duplication* – Overloading journeys could be duplicated on an “as required” basis. This is a reasonable response for occasional and unpredictable surges in demand. It is an ineffective means of dealing with a regular overloading.
- *Enhanced frequencies* – A service could have its frequency enhanced (from, say, every 30 minutes to every 20 or 15 minutes). This is the most satisfactory means of dealing with regular overloading. It has the added benefit that service level elasticities will kick in, leading to an overall growth in demand. This aspect is discussed further in Section 3.

2.3 Modelling a Change

A considerable amount of research has been undertaken in an attempt to calculate the various elasticities (as discussed in Section 3).

Southern Vectis has not been able to uncover any research into the effect of introducing a fares-free bus system on current demand levels. This is unsurprising as there are very few, if any, recent examples of a public transport system moving from a commercial fares structure to fares-free.

One way of dealing with this aspect, in the absence of studies elsewhere, is to undertake a *stated preference survey*. This is a well-established market research tool and may help. However, the cost will be high and there is likely to be a reasonably wide tolerance in the predicted impact on ridership.

ELASTICITIES: A DISCUSSION

3.1 Calculating an Elasticity

Elasticity of demand is a way of expressing changes in demand in response to a change in such factors as fare levels, service levels, car ownership, petrol prices and income. The numerical value is the percentage change in patronage as a result of a 1% change in the variable.

As an example, if fares are increased by 50% and usage falls by 25%, then the elasticity of demand with respect to fares is -0.5. (The negative sign reflects the change in patronage moving in the opposite direction to the change in fare.) Similarly, if a 50% increase in service (say, from every 30 minutes to every 20 minutes) leads to a 30% increase in usage, then the elasticity of demand with respect to service levels is +0.6.

3.2 The TAS Report

3.2.1 Report contents

The most recent study into elasticity was the *DETR Bus Fare Elasticity Project* carried out jointly by the TAS Partnership and University College London. Their report was published in December 1999. The report contains a useful bibliography of other studies as well as an analysis of a range of data, including the UK bus statistics (the Government Stats 100 form) for the years 1970 to date.

3.2.2 Main conclusions

The main conclusions relate to elasticities of demand in respect of both fares and service levels. TAS feel there are short term and long term effects for both factors, the short term being for the first year and the long term for seven years after the change. The average short term elasticity of demand with respect to fares is -0.4; the long term elasticity is -0.9.

In both cases the elasticity relates to *real* fares - that is fares changes after the effects of inflation. The average short term elasticity of demand with respect to service levels is +0.4; the long term effect is +0.9.

There are a number of caveats and further observations in the report:

- Income elasticity is negative in the long run— so rising incomes lead to fewer bus journeys.
- Demand is more sensitive to rising fares than falling fares. There are very few instances of fare reductions; the indication is a short run elasticity of -0.3 and in a long run of -0.6.
- The cross-elasticity between bus patronage and motoring costs is between -0.3 and -0.4 in the long run.
- Demand is 50% to 100% more sensitive to fares changes in rural areas as against towns and cities.
- There is greater fares elasticity for off-peak trips.

3.2.3 Observations on the TAS report

The major problems in seeking to establish the precise nature of the relationship between fares and bus usage is the impact of other factors. In the UK, bus usage grew steadily until the 1950s as a consequence of growing disposable income. Growth in both ownership of private car and television impacted heavily on the demand for bus travel. From the late 1950s bus fares have tended to increase in real terms and usage fall. But, more critically, ownership of private cars has mushroomed. Unfortunately, there has been no long term experiment in any part of the UK to assess the effect of holding fares static, in real terms. Perhaps the most illuminating area is France. Despite tight local authority control of fares, and no real fares increases, many towns are suffering a fall in usage.

It is also interesting to note that usage of the UK's rail network has been growing significantly for a number of years, despite fares remaining static in real terms, or even rising. External factors, such as growing congestion on the road network, are likely to be the main causes. It could well be that the long-held view that elasticity of demand with respect to fares is around -0.4 and that the apparent long term figure of -0.9 is due to other circumstances. In addition,

the TAS figures relate only to fares increases; fares reductions are perceived to work to an elasticity of demand figure of only -0.3 to -0.6. A three year fares experiment on a sparsely used rural service on the Isle of Wight does not suggest that the elasticity of demand figure is particularly high.

3.2.4 Elasticities on Guernsey

For the purposes of this study, it would seem appropriate to assume an elasticity value in the band -0.2 to -0.5 with a most likely figure of -0.3. As fares approach zero, even this broad band is going to be inappropriate; there is a limit to how much bus travel is going to be made. (The relatively modest use of “free” school buses is an indication of this.) Given the very high car usage on Guernsey, even a small switch from car to bus will lead to a sharp increase in bus usage. Under a fares-free scenario it is going to be very difficult to predict the impact on usage. For the purposes of this study, it is assumed that usage will increase on average by 100%.

4. CURRENT LOADINGS

Discussions with operators suggest that peak demand is in the mid afternoon in the summer, when shoppers, tourists, scholars and some commuters are wishing to travel at the same time. (The morning peak is over before most shoppers and tourists start to travel.)

Fig. 4A details the loadings on each afternoon journey (each journey being the round trip) in a week in August 1999. Average hourly usage is included for each route.

Implementation of the proposals in the first report will lead to changes in number of bus journeys on each corridor, perceived frequency and, as a consequence, usage. In order better to understand the likely impact of fares reductions, it is necessary to consider the network in more detail. It is logical to group the various bus journeys into corridors:

Corridor A	:	<i>St Martins</i> including Saints, Jerbourg, Airport, Pleinmont
Corridor B	:	<i>St Andrew</i> including Les Bas Courtils, Sous L'Eglise
Corridor C	:	<i>Kings Mills</i> including Mont Saint, Castel Church and Perelle
Corridor D	:	<i>Saumarez</i> including Castel Hospital, Vazon and Grandes Rocques
Corridor E	:	<i>Footes Lane</i> : the Shuttle
Corridor F	:	<i>Camp de Roi</i> including Pleinheume, L'Islet, La Ramee, Baubigny, La Passee, Oatlands
Corridor G	:	<i>Bridge</i> including Bordeaux Harbour, L'Ancrese.

Fig. 4B details the likely base position following the service change, but before any fares reductions. For each corridor, the demand is assessed as under:

- (i) The current maximum demand in the busiest hour
- (ii) The perceived frequency for the current network
- (iii) The perceived frequency for the proposed network
- (iv) The consequent likely demand, assuming an elasticity of demand of +0.5.
- (v) Likely average usage per departure for the proposed network

Average usage per round trip ranges from 11 (on the shuttle) to 59 on the St Martin corridor. Those corridors with demand from both Town and the main beaches are particularly well loaded and will be operating close to capacity.

Figure 4A

SUMMER USAGE : AFTERNOONS

Passengers per round trip : Monday 2 to Friday 6 August 1999

Route	(i) 1400 - 1459							(ii) 1500 - 1559							(iii) 1600 - 1659							(iv) 1700 - 1759						
	M	Tu	W	Th	F	Av		M	Tu	W	Th	F	Av		M	Tu	W	Th	F	Av		M	Tu	W	Th	F	Av	
A	1410	5	13	13	3	23		1510	6	10	5	35	17		1610	13	8	4	11	21		1710	16	17	12	25	6	
	1430	17	6	8	5	8		1530	11	10	13	11	21		1630	6	8	21	11	21		1730	13	8	1	6	14	
	1450	n/a	12	19	14	11	34	1550	14	6	6	0	10	35	1650	13	2	5	8	7	32	1750	7	1	10	13	4	31
B	1420	45	n/a	26	24	23		1520	20	16	18	20	30		1610	4	10	2	14	8		1710	11	8	9	1	17	
	1450	19	14	25	25	38	53	1550	24	38	15	35	36	50	1620	27	16	7	11	11		1720	39	19	12	41	19	
								1640	18	2	6	14	23		1750	39	31	17	8	9	56							
								1650	38	18	17	18	13	55														
C	1410	32	32	32	36	39		1510	52	48	26	36	45		1610	33	28	26	41	37		1710	51	44	32	58	50	
	1420	36	30	17	7	16		1520	21	12	1	24	24		1620	27	23	6	33	5		1745	23	27	28	39	30	76
	1445	51	47	40	60	35	102	1545	30	37	14	43	39	90	1645	64	40	38	49	39	98							
D	1450	31	30	23	35	26	29	—	—	—	—	—	—	—	1605	18	54	24	36	38	34	1710	36	47	n/a	18	19	
															1745	21	16	24	12	23	48	1745	21	16	24	12	23	48
E	1420	23	25	24	24	41	27	1555	20	18	16	11	15	16	1620	13	36	4	15	28	19	1720	14	13	12	16	5	12
F	1425	44	52	35	55	37	45	1535	29	n/a	18	22	34	26	1600	24	22	10	25	39		1710	36	36	22	32	16	
								1625	20	26	18	41	20	49	1605	23	20	9	10	22		1745	19	20	15	21	30	49
G	1405	27	20	33	35	34		1505	28	16	30	39	36		1605	23	20	9	10	22		1705	44	36	27	40	37	
	1435	24	5	30	16	30	51	1535	7	18	20	17	34	49	1635	24	21	24	29	23	41	1750	8	23	17	17	22	54
H	1415	7	5	13	4	13	8	1515	9	2	25	4	4	9	1600	2	8	15	1	19		1715	12	16	16	17	5	
								1615	7	2	3	9	3	14	1615	7	2	3	9	3	14	1745	16	14	0	16	10	24
J	1400	24	31	16	22	30		1500	24	18	18	10	25		1600	20	29	18	33	24		1710	39	34	22	28	32	
	1430	25	25	26	18	21	48	1530	22	8	29	19	24	39	1620	13	23	5	25	5		1720	17	5	11	18	20	
								1640	18	20	13	13	15	55	1640	18	20	13	13	15	55	1750	16	32	19	15	18	65
L	1445	28	8	11	24	20	18	1545	19	10	20	21	20	18	1615	9	19	6	3	6		1715	40	15	24	39	18	
								1515	28	17	20	18	58		1645	17	18	6	25	12	24	1745	26	10	14	16	17	44
N	1415	19	9	3	24	33	45	1545	22	15	6	20	12	43	1615	21	19	22	9	21	18	—	—	—	—	—	—	
	1445	29	25	24	25	35	45	—	—	—	—	—	—	—	—	—	—	—	—	—	—							
S	1400	4	5	4	19	13		1500	13	10	4	12	10		1600	5	5	6	4	8		1700	6	3	6	15	14	
	1415	8	8	13	7	19		1515	9	6	n/a	2	4		1615	5	12	3	16	n/a		1715	2	16	1	11	5	
	1430	3	9	n/a	n/a	4	42	1530	n/a	12	6	9	8		1630	11	7	5	12	6		1730	7	9	2	10	3	
	1445	11	9	22	6	23	42	1545	8	11	n/a	4	21	35	1645	5	1	1	12	15	29	1745	3	7	4	1	6	26

Fig 4B

BASE NETWORK : USAGE BY CORRIDOR

Corridor Code	Area	Current Busiest Hour	Current Perceived Frequency	Proposed Perceived Frequency	Likely Busiest Hour	Likely Average Usage per Departure
A	St Martin	189	30	15/30	236	59
B	St Andrew	48	60	60	48	48
C	Kings Mills	27	60	60	27	27
D	Saumarez	103	30	30	103	52
E	Shuttle	42	15	15	42	11
F	Camp de Roi	68	30/60/120	30	85	43
G	Bridge	93	30	15	140	35

5. OPTIONS FOR CHANGE: DEMAND IMPLICATIONS

5.1 Methodology

For each of the changes in fares (the five options detailed in Section 1), the possible implications for demand are detailed on three elasticity of demand bases: -0.2, -0.5 and -0.3. These are used to generate likely fares income (as against £823K for 1999) and likely usage per departure in the peak hour in August (based on the calculation in Fig. 4B).

All figures are per annum at 1999 prices.

5.2 Variation by Service

A flat fare or reduced fare system ticket is likely to have a greater impact on high fares where the benefits are greater. The effects will therefore vary by service. Fig. 5A details the average fare for the week. All days (Monday to Saturday) are assumed to have an equal weighting. Sunday is excluded because it is likely to be atypical. The average fare is slightly higher on Saturday. The weekly average is just over 78p.

Fig. 5B compares the average fare on each route with the overall Guernsey average. As might be expected, routes with attractors at the far end (C, F & G) have a relatively high average fare, whereas some of the shorter routes (A & B) have a relatively low average fare. The surprises are the low average fare on H & L and the high average fare on the shuttles. In any event, the average fare for all services is within 8% of the Guernsey average, so it is reasonable to assume a reasonably consistent effect from flat fares and discounted system tickets across the bus network.

5.3 Option 1 : Half Fares

It is assumed that all fares, including discounts will halve.

The initial effect will be that revenue will halve from £823K to £412K.

The various elasticities will have the following effects:

<i>Elasticity</i>	<i>Passenger Change</i>	<i>Revenue</i>	<i>Overall Revenue Loss</i>
-0.2	+10%	£453K	£370K
-0.3	+15%	£474K	£349K
-0.5	+25%	£515K	£308K

The additional patronage will, almost certainly, cause overloading problems, particularly on the St Martin corridor and, perhaps on the Saumarez corridor. It would be prudent to build in three additional vehicles throughout the summer, each working eight buses a day, Monday to Saturday. The first report (para. 5.2) assumed a cost of £12 per hour plus £22,000 per vehicle (overheads and new vehicle costs). Assuming 136 days (Monday to Saturday) of summer, this equates to 3264 hours - a total cost of £105K. The overall "best guess" net cost of a half fares scheme is, therefore, £454K, with a ridership increase of 15%.

REVENUE AND PASSENGERS : BY DAY

Monday 2 to Saturday 7 August 1999

	Mon	Tue	Wed	Thu	Fri	Sat	Total
Revenue: Guernsey bus	2265	2234	2209	2280	2538	2178	13704
Revenue: Island Coachways	1370	1342	1294	1527	1399	1291	8223
Total Revenue	3635	3576	3503	3807	3937	3469	21927
Passengers: Guernsey Bus	2889	2907	2871	3004	3278	2586	17535
Passengers: Island Coachways	1780	1662	1666	1924	1835	1625	10492
Total Passengers	4669	4569	4537	4928	5113	4211	28027
Average Fare	78	78	77	77	77	82	78

Fig 5B

AVERAGE FARE BY ROUTE

Monday 2 to Saturday 6 August 1999

	Average Fare							Mean Average Fare	Variation (%) to Guernsey Average Fare
	Mon	Tue	Wed	Thu	Fri	Sat			
A	76	71	68	77	68	70	72	-8	
B	69	77	76	68	70	72	72	-8	
C	82	86	82	87	83	86	84	+7	
D	85	79	78	72	71	90	79	+1	
E	80	72	65	70	84	85	76	-3	
F	81	78	83	80	76	95	82	+5	
G	73	73	87	78	79	82	79	+1	
H	67	63	67	76	79	82	72	-8	
J	80	82	73	75	77	82	78	0	
L	75	67	75	70	71	85	74	-5	
N	80	81	76	77	79	80	79	+1	
S	79	79	78	79	80	79	79	+1	

5.4 Option 2 : Flat Fare of 50p

It is assumed that the 50p flat fare applies to all passengers and that there are no further discounts for children or senior citizens.

In this case, the average effect is to reduce the fare from an average of 78p to 50p - a reduction of 36%. However, as mentioned in para 2.1, flat fares are easy to understand and market and this will stimulate usage. It is reasonable to assume that ridership levels will rise at a similar rate to the half fare scheme.

The initial effect will be that revenue will fall from £823K to £528K.

The various elasticities will have the following effects:

<i>Elasticity</i>	<i>Passenger Change</i>	<i>Revenue</i>	<i>Overall Revenue Loss</i>
-0.2	+10%	£581K	£242K
-0.3	+ 15%	£607K	£216K
-0.5	+25%	£660K	£163K

As with the half fare scheme, there is likely to be overloading and similar costs (£105K) should be added.

The overall “best guess” net cost of a 50p flat fare is therefore £321K per annum, again with 15% more passengers.

5.5 Option 3 : Flat Fare of 20p

It is assumed that the 20p flat fare applies to all passengers and that there are no further discounts for children or senior citizens.

In this case, the average effect is to reduce the fare from an average of 78p to 20p – a reduction of 74%. As with the 50p option, there will be a marked flat fare effect. It would be prudent to assume that this will enhance the perceived reduction to, say, 80%.

The initial effect will be that revenue falls from £823K to £211K.

The various elasticities will have the following effects:

<i>Elasticity</i>	<i>Passenger Change</i>	<i>Revenue</i>	<i>Overall Revenue Loss</i>
-0.2	+16%	£245K	£578K
-0.3	+24%	£262K	£561 K
-0.5	+40%	£295K	£528K

Passenger generation has now reached a level where the proposed network will be inadequate. It will be necessary to modify this network to strengthen busy corridors. Whilst a more detailed study may be appropriate, the suggestions below give an indication of the sort of changes that will be necessary.

- Route 7 (Island Explorer) increased from every 30 to every 20 minutes, summer time.
- Route 6 (Vale to St Martin) increased from every 30 to every 20 minutes summer time.

- Routes 4/4A (Town to Vazon/Grandes Rocques) increased from every 30 to every 10 minutes summer time and every 15 minutes winter time, also replacing the Park & Ride element of the shuttle.
- Routes 3 & 5 - no change.
- Shuttle. Commercially, with Park & Ride on routes 4/4A, there is commercial justification for only a one-bus 30 minute frequency.

The three main corridors, on the Island, would interchange at Town every 10 minutes.

These changes would have the following resource effects:

	SUMMER		WINTER	
	ORIGINAL PROPOSED NETWORK	MODIFIED NETWORK	ORIGINAL PROPOSED NETWORK	MODIFIED NETWORK
1/2	2	1	2	1
3	2	2	2	2
4/4A	2	6	2	4
5	2	2	2	2
6	3	5	3	3
7	6	10	5	5
	—	—	—	—
Total	17	26	16	17
	—	—	—	—

On the basis of 10 hours per day per new vehicle, hours based costs will rise by 90 hours on each of the 136 summer Monday to Saturday days and by 10 hours on each of the 169 winter Monday to Saturday days. This is equivalent to a cost of £167K. Vehicle costs will rise by £198K.

There will be a significant enhancement of frequencies on around two-thirds of the network - averaging a 50% improvement. On an elasticity of demand with respect to service level of +0.5, overall usage should increase by a further 15%. Accordingly, the revenue will rise from £262K to £301K and the “best guess” net cost, after taking account of the additional resources will be £887K.

5.6 Option 4 : A £15 Per Month Rover Ticket

This option assumes that the Rover Ticket is reduced from £52 to £15 per month. This reduction will, in effect, knock-out all the monthly tickets and all but the 1 day and 3 day Rovers. The effect on ridership will be complex:

- Current £52 ticket holders will enjoy the biggest saving. These individuals are unlikely to make greater use of the buses.
- All other monthly and multiple day Rover ticket holders will transfer to the new ticket with varying savings; again these individuals are unlikely to make greater use of the buses.

- There will be a massive transfer of single ticket holders to the new ticket. In that the ticket offers marginal journeys at no cost, there will be significant passenger generation. This will affect, in particular, higher frequency users and those travelling longer distances - at higher fares. Experience on the Isle of Wight suggests that demand is sensitive to the difference between standard fares and system ticket fares.
- A proportion of non-bus users will switch to the bus because of the low fare and the simplicity of using the system.
- Remaining passengers, for whom the £ 15 ticket is unattractive will be unaffected.

Whilst fares information is available from the ticket system, it is not possible to distil information aggregated to specific passengers. With all these variables it is going to be very difficult to make sufficiently accurate predictions of the likely impact of such a ticket. Nevertheless, it may be worth making some “brave assumptions”.

- 40% of the fares paid are from people who will not benefit from the £ 15 ticket.
- Of the remaining 60% the current average monthly spend is £30.
- Elasticity of demand with respect to fares will be higher because of the nil cost of marginal journeys - assume -0.5.

With these assumptions, the revenue will fall from £823K to £576K.

<i>Elasticity</i>	<i>Passenger Change</i>	<i>Revenue</i>	<i>Overall Revenue Loss</i>
-0.5	+15%	£576K	£247K

As with the half fare scheme, there is likely to be overloading and similar costs (£105K) should be added.

The overall “best guess” net cost of a £15 Rover Ticket is therefore £352K per annum, with 15% more passengers.

5.7 Free Fares

As discussed in para 3.2.3, it is going to be very difficult to assess the likely effect of a fares-free system. Again, some brave assumptions will need to be made. Whilst the revenue loss - £823K- is obvious, the effect on ridership is far less clear. Conventional elasticity measures are clearly inappropriate as the generation effect is likely to accelerate the closer fares reach zero. For the purposes of this study it seems reasonable to assume, for working purposes, that, initially, usage will double. However, this will lead to chronic overloading which will require a substantial increase in resources. These enhanced frequencies will, in themselves, stimulate demand, requiring a further increase in service levels.

The final brave assumption is that equilibrium is reached at a passenger increase of 200%.

The service frequencies necessary to achieve this are:

- Route 7 (Island Explorer) increased from every 30 to every 10 minutes, summer time
- Route 6 (Vale to St Martin) increased from every 30 to every 10 minutes, summer time
- Routes 4/4A (Town to Vazon/Grandes Rocques) increased from every 30 to every 10 minutes, summer time and every 15 minutes, winter time (as with the 20p flat fare option)
- Route 3 (Longfrie to Camp de Roi) increased from every 60 to every 30 minutes.
- Route 5 unchanged.
- Routes 1/2 (shuttle) on a revised route, every 15 minutes.

Bridge to St Martin would then operate on a 5 minute summer daytime frequency.

These changes would have the following resource effects:

	VEHICLE REQUIREMENT		VEHICLE REQUIREMENT	
	SUMMER		WINTER	
	ORIGINAL PROPOSED NETWORK	MODIFIED NETWORK	ORIGINAL PROPOSED NETWORK	MODIFIED NETWORK
1/2	2	2	2	2
3	2	4	2	2
4/4A	2	6	2	4
5	2	2	2	2
6	3	9	3	3
7	6	18	5	5
Total	<u>17</u>	<u>41</u>	<u>16</u>	<u>18</u>

On the basis of 10 hours per day per new vehicle, hours based costs will rise by 240 hours on each of the 136 summer Monday to Saturday days and by 20 hours on each of the 169 winter Monday to Saturday days. This is equivalent to a cost of £432K. Vehicle costs will rise by £528K.

The “best guess” is that the increase in costs and loss of revenue will be £1783K, but there will be a trebling of passenger journeys.

The financial effects of the five options are summarised in Figure 7A.

5.8 Caveats

The calculations above have, of necessity, had to be based on some fairly courageous assumptions. The suggested figures should, therefore, be taken only as a guide.

5.8.1 Modest Options

There are very few comparisons that can be made with the half fare, 50p flat fare and £15 monthly Rover options. If any of these proposals are implemented, budgeting will be important; it will be a public relations disaster if the new system is “too” successful and extra resources cannot be arranged. It would be prudent to build a 20% tolerance into the additional subsidy requirement.

5.8.2 Radical Options

There are no comparisons that can be made with the 20p flat fare and free fare options. Budgeting will again be important if either of these proposals are implemented. Given the uncertainty associated with these options, it will be prudent to build in a 40% tolerance.

5.8.3 Staffing

Both the 20p flat fare and the free fares system envisage a significant increase in summer operations. Staffing of the existing system is already difficult, so it may be prudent to assume that wages will have to increase noticeably. The tolerances (paras 5.8.1 and 5.8.2) should be sufficient.

5.8.4 Loading

All the options assume much higher load factors - especially in the winter. This will tend to increase boarding times. However, the very simple systems (flat fares, cheap Rovers and free fares) will allow much speedier boarding and therefore overcome this problem.

6. **OPTIONS FOR CHANGE: POLITICAL AND COMMERCIAL CONSIDERATIONS**

6.1 **Revenue Risk**

The cheaper the fares become, the higher the proportion of the revenue found by the States. (With free fares, all passenger revenue is found by the States.) It is currently in the operators' interests to seek to satisfy demand. With very low or free fares it will be in their interests solely to contain costs. Unpredicted over-use of the system will generate very little revenue for the operators and there is a real risk that operators will not seek to manage the system in a dynamic fashion to overcome these problems. Ensuring that operators deal with such problems will require a carefully worded contract and, perhaps, a suitable funding regime to cover such unpredicted costs - linking part of public funding to passenger volumes could be used to incentivise operators.

6.2 **Customer Orientation**

As outlined above, the current system encourages the operators (in theory) to meet customer aspirations. With very cheap fares, the customer may well become a relatively minor consideration and systems may have to be implemented to ensure good customer service. This is likely to be a difficult area to resolve.

6.3 Managing Change

Any of the fares options will see a major change to the operations, performance and usage of Guernsey's bus system. It will not be possible fully to predict and deal with the impact of any of the options and will be necessary to have a pro-active approach to the evolving problems (and opportunities). This will require an ability to deal effectively and quickly with emerging issues - both at States level and with the operators.

6.4 Comparison

As fares fall and a greater proportion of the revenue is met by the States, there is likely to be political pressure for some equality of service. Even on free fares, Kings Mills can only justify an hourly frequency whereas busier parts of the Island can justify 10, or even 5, minute frequencies. It will not be easy to argue the case for quite wide differences in service levels.

Ensuring a pragmatic solution to this potential problem will require political resolve.

7. FURTHER OBSERVATIONS

7.1 Fares Combinations

Some of the options explored in Section 5 are not mutually exclusive. In particular a flat fare could be married to discounted Rover tickets. There are two broad options:

Option 6 (lower subsidy): 50p flat fare and a Rover ticket at £15 per month.

Option 7 (higher subsidy): 20p flat fare, a Rover ticket at, say, £8 per month and free travel for senior citizens.

7.1.1 Option 6

The combination of the 50p flat fare and £15 Rover ticket will, again, be difficult to assess. The following assumptions seem reasonable:

- 50% of the fares paid are from people who will not benefit from the monthly ticket. The average effect is a fares reduction of 36% but, given the simplicity of a flat fare scheme, ridership levels will rise similar to a half fare scheme.
- Of the remaining 50%, the current average monthly spend is £30.
- Elasticity of demand with respect to fares will be higher because of the nil cost of marginal journeys.

With these assumptions, the revenue will fall from £823K to £469K. (The 50% now on Rovers will have fallen from £412K to £206K and the 50% on standard fares from £411K to £263K.

Different elasticities and passenger generation factors will apply:

<i>Ticket Type</i>	<i>Elasticity</i>	<i>Passenger Change</i>	<i>Revenue</i>	<i>Overall Revenue Loss</i>
Standard	-0.3	+15%	£206K	£206K
Rovers	-0.5	+25%	£302K	£109K
Total	–	c +20%	£508K	£315K

As with the half fare scheme, there is likely to be overloading and similar costs (£105K) should be added.

The “best guess” net cost of the combined option of a 50p flat fare and £15 Rover ticket is therefore £420K with around 20% more passengers.

7.1.2 Option 7

Perhaps the most attractive option, politically, (short of free fares) is a combination of a low flat fare of 20p, a low Rover of, say, £8 per month and free fares for senior citizens.

If similar assumptions are made as with option 6, then revenue will fall from £823K to £215K (the 50% on Rovers will have fallen from £412K to £110K and the 50% on standard fares from £411K to £105K).

Different elasticities and passenger generation factors will again apply:

<i>Ticket Type</i>	<i>Elasticity</i>	<i>Passenger Change</i>	<i>Revenue</i>	<i>Overall Revenue Loss</i>
Standard	-0.3	+24%	£130K	£281K
Rovers	-0.5	+37%	£110K	£302K
Total	–	c +30%	£240K	£583K

Passenger generation will involve a level of additional resources similar to that detailed with the 20p flat fare, so £365K additional costs should be assumed, together with £19K revenue generation from service enhancements. Free travel for senior citizens will cost £29K.

The overall “best guess” of the net cost of a combination of a 20p flat fare, an £8 monthly Rover and free fares for senior citizens is therefore £957K.

The effects of these two options are summarised in Figure 7A.

FIGURE 7A

SUMMARY OF FINANCIAL EFFECTS

Option Number	Option Type	Current Revenue £K	Initial Revenue Change £K	Initial New Revenue £K	Passenger Generation Factor	Revenue Generation £K	New Revenue £K	Overall Revenue Change £K	Additional Costs ^① £K	Current Subsidy £K	New Subsidy £K
1.	Half fare	823	-411	412	15%	+62	474	-349	105	382	836
2.	50p flat fair	823	-295	528	15%	+79	607	-216	105	382	703
3.	20p flat fair	823	-612	211	24%	+51	262	-561	326	382	1269
4.	£15 monthly Rover	823	-323	500	15%	+76	576	-247	105	382	734
5.	Free fares	823	-823	0	200%	0	0	-823	960	382	2165
6.	50p net fare; £15 Rover	823	-354	469	20%	+49	508	-315	105	382	802
7.	20p flat fare, £8 Rover; free for senior citizens	823	-637	186	30%	+25	211	-612	345	382	1339

Note: ① Additional operating costs, less revenue generated by enhanced service levels.

7.2 Trialling the Radical Options

It would help to assess the impact on ridership if the more radical options (20p flat fare and free fares) were trialled. The obvious routes are the shuttle and route E. They give a balance between urban and rural and neither should experience capacity problems.

Route E had a fares revenue of £4557 and the shuttle had a revenue of £6885 in March 1999. A six month free fares winter experiment (1 October 2000 to 31 March 2001?) would cost £70K on lost revenue on these services; a 20p flat fare would cost £52K. There is likely to be some leakage from parallel routes in the St Peter Port area and it would be prudent to budget an additional £25K for this.

7.3 Final Observations

The sort of fares changes currently being considered by the States, coupled to the concepts outlined in the earlier report give Guernsey the opportunity radically to overhaul its public transport system.

The very real problems that need to be addressed should not inhibit Guernsey from taking what will be seen, on the wider stage, as a very positive and far-thinking initiative.

August 2000

The President,
States of Guernsey,
Royal Court House,
St. Peter Port,
Guernsey.

31st January, 2001.

Sir,

I have the honour to refer to the letter dated 23 January 2001 addressed to you by the President of the States Traffic Committee on the subject of a new Public Transport Strategy.

In April and November 1997 and again in September 1999 the States agreed to proposals from the States Traffic Committee to vary the terms of the original Scheduled Bus Services contracts in favour of the two bus companies, Island Coachways and Guernseybus.

At the time the Advisory and Finance Committee in its letters of comment expressed its concerns as to the shortcomings in the nature and operation of the contracts. The Committee therefore accepts the need to terminate the existing Scheduled Bus Services contracts.

The Committee has been kept fully informed of, and has supported, the steps taken by the States Traffic Committee to secure the Island's scheduled bus services following notification by the proprietor of Guernseybus Limited of his intention to close the company due to his serious health problems. **The Committee therefore recommends that the States approve the measures already taken by the States Traffic Committee in respect of the closure of Guernseybus Limited.**

The Committee accepts that, in common with many similar jurisdictions, a degree of public subsidy is necessary in order to maintain a viable public transport system. The Committee also accepts the States Traffic Committee's proposal that there is little realistic alternative to placing the contract for all Scheduled Bus Services with Island Coachways.

Although the Committee accepts that the States Traffic Committee is obliged to bring forward some proposals at this time, it is very concerned that a strategic policy with major financial implications is being placed before the States outside of the established States financial cycle.

The Committee is very concerned that almost immediately after the Budget Debate the States is being asked to consider major additional expenditure in isolation. This cannot be good government and the Committee would hope that following on from the review of the machinery of government, measures will emerge that will enforce a significantly greater degree of financial discipline and control.

It would have been far more appropriate for the States Traffic Committee to have made provisional arrangements for Scheduled Bus Services, as indeed it has done for the past few months, and then

included its proposals in its Policy and Resource Planning submission. This would have enabled the States to have considered the relative priority of this call on its limited resources in the context of other anticipated new demands. For example, the Committee is already aware of imminent proposals for significant extra spending in the areas of Health (Long Term Care) and Education (including increased funding for further education).

As stated in the most recent Budget and Policy and Resource Planning Reports at present public revenues are buoyant and the States financial position is healthy. However, there are serious concerns for the future as to the sustainability of income and the ability of the States to control expenditure. These pressures are very real and are accelerating.

Against this background the Committee does not believe that it can responsibly support the States Traffic Committee's proposals to spend £1,225,000 each year on a bus subsidy scheme which is unproven. It is emphasised that this represents a further £600,000 (including the £200,000 contingency) above the current level of subsidy in addition to the cost of the over 65s free travel as agreed during the 2001 Budget debate.

However, as stated above, the Committee recognises that some public subsidy is unavoidable if the Island is to have a viable public bus service which offers a credible alternative to the ever increasing use of private cars. The Committee, by a majority, realises that an increase in the present subsidy is necessary, although not in the manner and to the extent proposed by the States Traffic Committee.

The Committee is also of the firm opinion that the accessibility, reliability and frequency of service is the prime factor which determines the use of public transport in Guernsey, and not the cost of fares. The Committee would have preferred the States Traffic Committee to have come forward with proposals for a revised service rather than seek to introduce an excessively subsidised scheme.

The Committee believes that, for a trial period of 12 months, a fare structure based upon a 50 pence flat fare and a £15 monthly rover ticket should be introduced. Such a scheme would represent a sizeable reduction in the present fare structure and offers sufficient incentive to travel by public transport. After the trial period the States Traffic Committee should then report back to the States, within six months, on the effectiveness, or otherwise, of the reduced fare structure. These proposals, if accepted by the States, would still represent an estimated total annual subsidy of approximately £900,000.

The Committee has endeavoured to persuade the States Traffic Committee to change its approach. However, having failed to do so, the Committee intends to move an amendment to that effect.

A minority of the Committee supports neither the proposed amendment nor the States Traffic Committee's recommendations as regards subsidy levels as set out in its report. In the absence of very substantial measures to deter the use of private cars, increased subsidies will have no discernable effect on the use of scheduled buses.

The Committee also believes that it is essential that before implementing any revised fare structure the States Traffic Committee must develop a set of Key Performance Indicators setting out precisely its objectives and to subsequently enable a judgement to be made on how reducing the fares (at the tax payers' expense) has, or has not, succeeded in meeting those objectives. The Committee intends to liaise with the States Traffic Committee to this effect.

I am, Sir,
 Your obedient Servant,
 L. C. MORGAN,
 President,
 States Advisory and Finance Committee.

The States are asked to decide:—

XI.—Whether, after consideration of the Report dated the 23rd January, 2001, of the States Traffic Committee, they are of opinion:—

1. To approve the measures already taken by the States Traffic Committee in handling the closure of Guernseybus Limited and the associated transitional arrangements, including the expenditure incurred as set out in section 4 of that Report.
2. To note the proposals for the new scheduled bus services network and improvements to the public transport infrastructure as set out in section 8 of that Report.
3. To note the further integration planned for the scheduled and school bus services and the proposed simplification of the voucher system for the school bus service as set out in section 9 of that Report.
4. To note the States Traffic Committee's intention to return to the States in due course with proposals for providing free school bus travel for all pupils.
5. To approve the new funding arrangements for scheduled bus services as set out in section 10(a) of that Report and to direct the States Advisory and Finance Committee to increase the States Traffic Committee's revenue budget for 2001 as appropriate and to take the new funding arrangements into account when recommending to the States the States Traffic Committee's revenue cash limit in 2002 and subsequent years.
6. (a) To authorise the States Traffic Committee in consultation with the States Advisory and Finance Committee to acquire a new fleet of vehicles as set out in section 10(b) of that Report by purchase or alternative suitable means and to lease such vehicles to the service operator;

- (b) to grant delegated authority to the States Advisory and Finance Committee to approve a capital vote or votes of up to a total of £3,150,000 to cover the costs of vehicles purchased as set out in section 10(b) of that Report, which sum shall be charged to the capital allocation of the States Traffic Committee, which allocation shall be permitted to be overdrawn for that purpose;
 - (c) to direct the States Advisory and Finance Committee to take account of the above in recommending to the States capital allocations of the States Traffic Committee for 2002 and subsequent years;
 - (d) insofar as the acquisition of new vehicles as set out in section 10(b) of that Report by such means as leasing falls to be properly treated as a revenue cost, to authorise the States Advisory and Finance Committee to increase further the revenue budget for 2001 of the States Traffic Committee to take account of such cost and to take account of such costs in recommending to the States revenue allocations of the States Traffic Committee for 2002 and subsequent years.
7. To authorise the States Traffic Committee in conjunction with the States Advisory and Finance Committee to enter into negotiations in order to secure the best possible terms for the future delivery of scheduled bus services as set out in section 10(c) of that Report.

DE V. G. CAREY
Bailiff and President of the States

The Royal Court House,
Guernsey.
The 9th February, 2001.

APPENDIX



STATES OF GUERNSEY GUERNSEY RETAIL PRICES INDEX

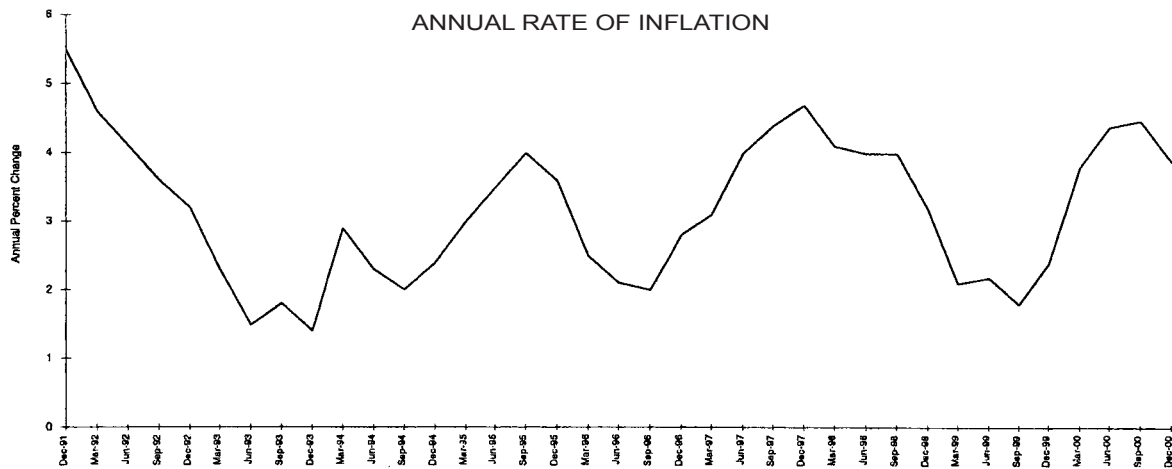
3.9% annual change as at 31 December 2000

STATES OF GUERNSEY
**ADVISORY
& FINANCE
COMMITTEE**

At the end of December, Guernsey's annual rate of inflation, as measured by changes in the Index of Retail Prices, was 3.9% compared with 4.5% at the end of the previous quarter.

The Index Figures at the end of December 2000 were 103.9 (Dec 99 = 100), 123.3 (Mar 1994 = 100), 166.6 (Dec 1988 = 100), (222.6 (Dec 1983 = 100), 353.5 (Dec 1978 = 100)

Period	%	Period	%
3 Months	0.5	2 Years	6.4
6 Months	1.1	3 Years	9.8
9 Months	2.7	4 Years	15.0
12 Months	3.9	5 Years	18.1
18 Months	5.5	10 Years	38.4



Annual % Changes

Quarterly & Changes

	March	June	September	December		March	June	September	December
1990	10.2	9.7	10.4	9.8		3.1	1.6	3.3	1.4
1991	8.6	8.7	6.1	5.5		2.0	1.7	0.8	0.9
1992	4.6	4.1	3.6	3.2		1.1	1.2	0.3	0.5
1993	2.3	1.5	1.8	1.4		0.2	0.5	0.5	0.2
1994	2.9	2.3	2.0	2.4		1.7	0.0	0.2	0.5
1995	3.0	3.5	4.0	3.6		2.2	0.5	0.7	0.2
1996	2.5	2.1	2.0	2.8		1.1	0.1	0.5	0.9
1997	3.1	4.0	4.4	4.7		1.5	1.0	1.0	1.2
1998	4.1	4.0	4.0	3.2		0.9	0.9	1.0	0.4
1999	2.1	2.2	1.8	2.4		-0.2	1.0	0.5	1.1
2000	3.8	4.4	4.5	3.9		1.2	1.6	0.6	0.5

**PERCENTAGE CHANGES IN GROUP INFLATION
AND THEIR CONTRIBUTION TO OVERALL INFLATION**

GUERNSEY INFLATION RATE (+3.9%)

	Weight	Annual % change	Contribution %
FOOD	127	-0.8%	-0.1
ALCOHOLIC DRINK	52	+5.3%	0.3
TOBACCO	19	+10.1%	0.2
HOUSING	216	+6.4%	1.4
FUEL, LIGHT & POWER	41	+10.2%	0.4
HOUSEHOLD GOODS	79	-3.7%	-0.3
HOUSEHOLD SERVICES	33	+7.6%	0.3
CLOTHING & FOOTWEAR	56	+0.5%	0.0
PERSONAL GOODS	49	+5.6%	0.3
MOTORING EXPENDITURE	85	+10.1%	0.9
FARES/OTHER TRAVEL	33	-0.4%	0.0
LEISURE GOODS	63	-0.8%	-0.1
LEISURE SERVICES	92	+4.8%	0.4
FOOD AWAY FROM HOME	55	+3.3%	0.2
OVERALL	1000		3.9
<p>Weight is the proportion of the total index represented by each group. Contribution shows the effect of price changes in relation to the relative weight of the groups</p>			

Matters affecting the R.P.I. during the last year

1. The main contributors to inflation during the last year were price increases in the housing, motoring, fuel, light & power and leisure service groups.
2. A main factor in the motoring and fuel, light & power groups was the higher price of crude oil, this led to increases in the price of petrol and domestic energy. This excludes electricity where the prices have remained stable over the last two years.
3. The housing group shows the effect of increased property prices, mortgage payments and maintenance costs.
4. Within the food group there have been decreases over the last year in the prices of potatoes, tea and fresh fruit.

Matters affecting the R.P.I. during the last three months

The main positive contributors to the RPI for the last **three months** were housing (owner occupier costs) leisure services (holidays) and clothing & footwear (seasonal changes).

This release is also published on the States of Guernsey Web Site <http://www.gov.gg/esu> or you can contact them directly on (01481) 717012.

IN THE STATES OF THE ISLAND OF GUERNSEY

ON THE 28TH DAY OF FEBRUARY, 2001

The States resolved as follows concerning Billet d'Etat No. III
dated 9th February, 2001

PROJET DE LOI

entitled

**THE IMPÔTS (TEMPORARY INCREASE OF RATES) (GUERNSEY)
(AMENDMENT) LAW, 2001**

- I. To approve the Projet de Loi entitled "The Impôts (Temporary Increase of Rates) (Guernsey) (Amendment) Law, 2001", and to authorise the Bailiff to present a most humble Petition to Her Majesty in Council praying for Her Royal Sanction thereto.

PROJET DE LOI

entitled

**THE TRANSFER OF STATES UNDERTAKINGS
(PROTECTION OF EMPLOYMENT)
(GUERNSEY) LAW, 2001**

- II. To approve the Projet de Loi entitled "The Transfer of States Undertakings (Protection of Employment) (Guernsey) Law, 2001", and to authorise the Bailiff to present a most humble Petition to Her Majesty in Council praying for Her Royal Sanction thereto.

**THE ELECTRONIC TRANSACTIONS (GUERNSEY) LAW, 2000
(COMMENCEMENT) ORDINANCE, 2001**

- III. To approve the draft Ordinance entitled "The Electronic Transactions (Guernsey) Law, 2000 (Commencement) Ordinance, 2001", and to direct that the same shall have effect as an Ordinance of the States.

STATES ECCLESIASTICAL COMMITTEE

NEW MEMBER

- IV. To elect Douzaine Representative D.A. Grut as a member of the States Ecclesiastical Committee, who need not be a member of the States, to complete the unexpired portion of the term of office of the late Jurat J.R.R. Henry, namely, to the 31st May, 2003.

STATES ADVISORY AND FINANCE COMMITTEE

THE ANSBACHER GROUP

- V. After consideration of the Report dated the 25th January, 2001, of the States Advisory and Finance Committee:-

To direct the preparation of legislation designed:-

- (1) to effect the transfer of all of the undertakings of Ansbacher (Guernsey) Limited to Ansbacher Private Bank (Channel Islands) Limited to be administered by the branch of the said Ansbacher Private Bank (Channel Islands) Limited in the Island of Guernsey, the transfer of which falls to be governed by the laws of Guernsey;
- (2) for the transfer to Ansbacher Private Bank (Channel Islands) Limited of contracts of employment governed by the law of Guernsey of persons employed by Ansbacher (Guernsey) Limited;
- (3) to provide for all agreements with Ansbacher (Guernsey) Limited governed by the law of Guernsey (including agreements with clients, counter parties and employees) to continue with Ansbacher Private Bank (Channel Islands) Limited;
- (4) to provide for other purposes incidental thereto and consequential thereon.

STATES BOARD OF ADMINISTRATION

VALE COMMONS COUNCIL ANNUAL GRANT

VI. After consideration of the Report dated the 3rd January, 2001, of the States Board of Administration:-

1. To authorise the States Board of Administration to pay to the Vale Commons Council such amounts as that Board considers reasonable but not exceeding £30,000 during the year 2001 and not exceeding £30,000 adjusted in line with the Guernsey Retail Price Index during each of the subsequent years, for the purpose of assisting that Council to carry out its mandate in relation to the commons, on condition that that Council shall submit to that Board annually a statement showing particulars of its income and expenditure.
2. To authorise the States Board of Administration, in consultation with the States Advisory and Finance Committee, to pay to the Vale Commons Council such additional amounts as that Board considers necessary in respect of significant capital projects on condition that that Council shall submit to that Board an annual budget of anticipated expenditure upon which future increases would be considered.

STATES BOARD OF INDUSTRY

RE-ZONING OF STATES LAND AT LA VILLIAZE TO CREATE A HI-TECHNOLOGY PARK

X. After consideration of the Report dated the 17th January, 2001, of the States Board of Industry:-

1. To note the States Board of Industry's conclusions that the timely provision of suitable land for development as a hi-technology park forms a key part of the Island's e-commerce strategy.

2. To agree in principle that land in States ownership along the northern boundary of the Airport at La Villiaze shall be developed along the lines set out in that Report.
3. To direct the Island Development Committee to prepare an appropriate amendment to the Rural Area Plan (Phase II) as a matter of urgency in respect of the re-zoning of the area of land identified as Area A in that Report for the purpose described in that Report and report back to the States as soon as possible.
4. To note the potential for the future re-zoning for e-commerce of a further area of States land identified as Area B in that Report.
5. That ownership of the land shall be retained by the States but that it may be developed through a strategic partnership along the lines described in that Report.
6. To direct the States Board of Industry, in consultation with the States Board of Administration and the States Advisory and Finance Committee, to take steps to secure a strategic partner for the development of the site as outlined in that Report including the appointment of specialist consultants to assist in that task.
7.
 - (a) To authorise the States Advisory and Finance Committee to approve a capital vote of up to £500,000 for the States Board of Industry to meet the cost of specialist consultants to further the project for a hi-technology park as set out in that Report, the sum to be charged to the capital allocation of that Board;
 - (b) To authorise the States Advisory and Finance Committee to transfer an appropriate sum from the Capital Reserve to the capital allocation of the States Board of Industry in respect of the above capital vote;
 - (c) That the cost of the above capital vote shall be recovered, together with accrued interest, from the Airport and repaid to the Capital Reserve once income from the leasing of the site is generated for the benefit of the Airport.
8. To note the commitment to report back to the States with details of the preferred strategic partner and the arrangements for developing the site at the same time as the Island Development Committee's report is laid before the States.

IN THE STATES OF THE ISLAND OF GUERNSEY

ON THE 1ST DAY OF MARCH, 2001

The States resolved as follows concerning Billet d'Etat No. III
dated 9th February, 2001

(Meeting adjourned from 28th February, 2001)

GUERNSEY SOCIAL SECURITY AUTHORITY

LONG-TERM CARE INSURANCE SCHEME FOR GUERNSEY AND ALDERNEY

- VII. After consideration of the Report dated the 26th January, 2001, of the Guernsey Social Security Authority:-
1. That a compulsory social security long-term care insurance scheme be introduced on the lines outlined in paragraph 118 of that Report.
 2. That the Supplementary Benefit (Implementation) Ordinance, 1971, as amended, shall be further amended to provide for the same eligibility tests to apply in the means tested assessment for assistance towards the co-payment and/or personal allowance, whether in the private or public sector, such amendment to take effect from the coming into effect of the long-term care insurance scheme.
 3. That the Supplementary Benefit (Implementation) Ordinance, 1971, as amended, shall be further amended to provide for the value of the former residence to be ignored in the means-tested assessment for assistance towards the co-payment and/or personal allowance, whether in the private or public sector, such amendment to take effect from the coming into effect of the long-term care insurance scheme.
 4. To direct the States Advisory and Finance Committee to take due account of the estimated cost to the States Board of Health of the required targeted community services, the Needs Assessment Panel and the Inspection Team when calculating and recommending to the States that Board's revenue budget and capital allocations for the year 2000 and subsequent years.
 5. To direct the States Civil Service Board to have regard to the estimated staffing establishment required by the States Board of Health for the targeted community services, the Needs Assessment Panel and the Inspection Team.
 6. That, from the coming into effect of the long-term care insurance scheme, the prevailing charges for States Board of Health, States Housing Authority and States of Alderney long-term residential and nursing care shall be replaced by a simple charging system where the standard charge will be equivalent to the standard insurance scheme co-payment, such charges being uprated with periodic changes in the standard co-payment.

7. To direct the preparation of such legislation as may be necessary to give effect to their above decisions.

STATES HOUSING AUTHORITY

ANNUAL REVIEW OF STATES HOUSE RENTS AND REBATES

IX. After consideration of the Report dated the 29th December, 2000, of the States Housing Authority:-

1. That the Standard Rents for States Houses shall be increased by 4.5% to the levels set out in Appendix I to that Report.
2. That the factors used to calculate a Rent Rebate shall be adjusted by 4.5% as set out in Appendices III and IV to that Report.
3. That the gross income ceiling for eligibility for a Rent Rebate shall be increased from £387 to £405 per week.
4. That States Resolution XIII of the 30th April, 1992, shall be varied further so that Income Related Rents will not be applied to tenants whose joint incomes are under £611 per week as set out in that Report.
5. That all the above changes shall take effect from the 5th May, 2001.

IN THE STATES OF THE ISLAND OF GUERNSEY

ON THE 14TH DAY OF MARCH, 2001

The States resolved as follows concerning Billet d'Etat No. III
dated 9th February, 2001

(Meeting adjourned from 1st March, 2001)

STATES HOUSING AUTHORITY

REVIEW OF THE OPEN MARKET

- VIII. After consideration of the Report dated the 29th December, 2000, of the States Housing Authority:-
1. To note that the States Housing Authority does not recommend any legislative measure directly to expand or contract the size of the Open Market.
 2. To approve the policy statement set out in section C of that Report, subject to the modification that the term "qualified resident" used in point 5 of that policy statement shall be construed as excluding persons subject to restrictions under Part V of the Housing (Control of Occupation) (Guernsey) Law, 1994.
 3. That section 39 of the Housing (Control of Occupation) (Guernsey) Law, 1994, be amended so that dwellings which are inscribed in Part B of the Housing Register, shall not be eligible for transfer to Parts C or D, if they were neither (a) inscribed in the Housing Register under the Housing (Control of Occupation) (Guernsey) Law, 1975 nor (b) inscribed in Part A of the Housing Register of 1982, prior to their inscription in Part B.
 4. That section 52(2) of the Housing (Control of Occupation) (Guernsey) Law, 1994, be amended so that the 3 months allowed for inscription may be extended by including the words "or such other period as may be specified in the Ordinance".
 5. That section 34 of the Housing (Control of Occupation) (Guernsey) Law, 1994, be amended to enable the States Housing Authority to re-inscribe in Part A of the Housing Register an Open Market dwelling which has been combined with not more than one Local Market dwelling provided that the owner has arranged the deletion of another property, which he owns, from Part A of that Register to that Authority's satisfaction in accordance with the practice which has been established under the Housing (Control of Occupation) (Guernsey) Laws 1982 and 1994.
 6. That the Housing (Control of Occupation) (Guernsey) Law, 1994, be amended to enable the provisions of section 49 to be undertaken by the States Housing Authority without the need for an Ordinance.

7. That section 21 of the Housing (Control of Occupation) (Guernsey) Law, 1994, be amended so that managers (and their direct family members) and staff fully employed in Part C properties are exempt from the need of a licence to live therein (ie similar to the provisions of section 20 of that Law relating to Part B hotels).
8. That section 71 of the Housing (Control of Occupation) (Guernsey) Law, 1994, be amended so that where a property inscribed in Part B, Part C or Part D is owned by a company, a person who is (or a married couple who are) the beneficial owners of that company shall be included in the definition of "owner" for the purposes of sections 20 and 21 of that Law.
9. That section 54 of the Housing (Control of Occupation) (Guernsey) Law, 1994, be amended by the deletion of the words "(or, after his death, his spouse etc)" so that a spouse does not become restricted, for the first time, on the death of the person who inscribed a dwelling in the Housing Register and the words "or his spouse, as the case may be" shall also be deleted from section 54(6)(a) and (b) of that Law.
10. That the words "or some other qualified resident" shall be deleted from section 54(1)(a) of the Housing (Control of Occupation) (Guernsey) Law, 1994.
11. To direct the preparation of such legislation as may be necessary to give effect to their above decisions.

STATES TRAFFIC COMMITTEE

A NEW PUBLIC TRANSPORT STRATEGY

- XI. After consideration of the Report dated the 23rd January, 2001, of the States Traffic Committee:-
1. To approve the measures already taken by the States Traffic Committee in handling the closure of Guernseybus Limited and the associated transitional arrangements, including the expenditure incurred as set out in section 4 of that Report.
 2. To note the proposals for the new scheduled bus services network and improvements to the public transport infrastructure as set out in section 8 of that Report.
 3. To note the further integration planned for the scheduled and school bus services and proposed simplification of the voucher system for the school bus service as set out in section 9 of that Report.
 4. To note the States Traffic Committee's intention to return to the States in due course with proposals for providing free school bus travel for all pupils.

5. To approve the new funding arrangements for scheduled bus services as set out in section 10(a) of that Report, except that the fare structure and subsidy should be based on:
- A 50 pence flat fare on all services;
 - "System tickets" (as described on page 250) with an average minimum fare no less than 20p;
 - Free travel for Senior Citizens over the age of 65; and
- to direct the States Advisory and Finance Committee to increase the States Traffic Committee's revenue budget for 2001 as appropriate and to take the new funding arrangements into account when recommending to the States the States Traffic Committee's revenue cash limit in 2002 and subsequent years.
6. To agree that the first twelve months of operations of the new funding arrangements for scheduled bus services, as in proposition 5 above, be regarded as a trial period and to direct the States Traffic Committee to report back to the States within six months of the end of such trial period on its effectiveness.
- 7.(a) To authorise the States Traffic Committee in consultation with the States Advisory and Finance Committee to acquire a new fleet of vehicles as set out in section 10(b) of that Report by purchase or alternative suitable means and to lease such vehicles to the service operator;
- (b) to grant delegated authority to the States Advisory and Finance Committee to approve a capital vote or votes of up to a total of £3,150,000 to cover the cost of vehicles purchased as set out in section 10(b) of that Report, which sum shall be charged to the capital allocation of the States Traffic Committee, which allocation shall be permitted to be overdrawn for that purpose;
 - (c) to direct the States Advisory and Finance Committee to take account of the above in recommending to the States capital allocations of the States Traffic Committee for 2002 and subsequent years;
 - (d) insofar as the acquisition of new vehicles as set out in section 10(b) of that Report by such means as leasing falls to be properly treated as a revenue cost, to authorise the States Advisory and Finance Committee to increase further the revenue budget for 2001 of the States Traffic Committee to take account of such cost and to take account of such costs in recommending to the States revenue allocations of the States Traffic Committee for 2002 and subsequent years.
8. To authorise the States Traffic Committee in conjunction with the States Advisory and Finance Committee to enter into negotiations to secure the best possible terms for the future delivery of scheduled bus services as set out in section 10(c) of that Report.

K.H. TOUGH,
HER MAJESTY'S GREFFIER.

CORRECTION OF STATES RESOLUTION AS PRINTED

In the Resolutions made on 1st March, 2001 on Billet d' État No. III dated 9th February, 2001 (Page 23 of the printed Resolutions for 2001) the words "charge will be equivalent to the standard" ...were omitted from Resolution 6 of Article VII, as printed.

A corrected print of page 23 of the Resolutions, setting out Article VII as corrected, is attached.

K. H. TOUGH
HER MAJESTY'S GREFFIER