



# BILLET D'ÉTAT

WEDNESDAY, 30th MAY, 2007

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2007

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# ***B I L L E T D ' É T A T***

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## **TO THE MEMBERS OF THE STATES OF THE ISLAND OF GUERNSEY**

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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 30<sup>th</sup> MAY, 2007**, at 9.30am, to consider the items contained in this Billet d'État which have been submitted for debate by the Policy Council.

G. R. ROWLAND  
Bailiff and Presiding Officer

The Royal Court House  
Guernsey  
11 May 2007

**PROJET DE LOI**

entitled

**THE DISCLOSURE (BAILIWICK OF GUERNSEY) LAW, 2007**

The States are asked to decide:-

I.- Whether they are of the opinion to approve the Projet de Loi entitled “The Disclosure (Bailiwick of Guernsey) Law, 2007” 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 MOTOR TAXATION AND LICENSING  
(GUERNSEY) (AMENDMENT) LAW, 2007**

The States are asked to decide:-

II.- Whether they are of the opinion to approve the Projet de Loi entitled “The Motor Taxation and Licensing (Guernsey) (Amendment) Law, 2007” and to authorise the Bailiff to present a most humble petition to Her Majesty in Council praying for Her Royal Sanction thereto.

**THE MOTOR VEHICLES, TRAFFIC AND LICENSING  
(AMENDMENT) ORDINANCE, 2007**

The States are asked to decide:-

III.- Whether they are of the opinion to approve the draft Ordinance entitled “The Motor Vehicles, Traffic and Licensing (Amendment) Ordinance, 2007” and to direct that the same shall have effect as an Ordinance of the States.

**THE MACHINERY OF GOVERNMENT (TRANSFER OF FUNCTIONS)  
(GUERNSEY) ORDINANCE, 2007**

The States are asked to decide:-

IV.- Whether they are of the opinion to approve the draft Ordinance entitled “The Machinery of Government (Transfer of Functions) (Guernsey) Ordinance, 2007” and to direct that the same shall have effect as an Ordinance of the States.

**THE HOUSING (CONTROL OF OCCUPATION)  
(EXTENSION) ORDINANCE, 2007**

The States are asked to decide:-

V.- Whether they are of the opinion to approve the draft Ordinance entitled “The Housing (Control of Occupation) (Extension) Ordinance, 2007” and to direct that the same shall have effect as an Ordinance of the States.

**THE MERCHANT SHIPPING (BAILIWICK OF GUERNSEY) LAW, 2002  
(COMMENCEMENT) ORDINANCE, 2007**

The States are asked to decide:-

VI.- Whether they are of the opinion to approve the draft Ordinance entitled “The Merchant Shipping (Bailiwick of Guernsey) Law, 2002 (Commencement) Ordinance, 2007” and to direct that the same shall have effect as an Ordinance of the States.

**HOUSING DEPARTMENT**

**NEW MEMBER**

The States are asked:-

VII.- To elect a sitting Member of the States as a member of the Housing Department to complete the unexpired portion of the term of office of Deputy L R Gallienne, who has resigned as a member of that Department, namely to serve until May 2008 in accordance with Rule 7 of the Constitution and Operation of States Departments and Committees.

**LADIES’ COLLEGE BOARD OF GOVERNORS**

**NEW CHAIRMAN AND NEW MEMBERS**

The States are asked:-

VIII.- To elect

1. a sitting member of the States as Chairman of the Ladies’ College Board of Governors to fill the vacancy which will arise on 1<sup>st</sup> June, 2007, by reason of the expiration of the term of office of Deputy W M Bell, who is eligible for re-election.
2. a member of that Board of Governors to fill the vacancy which will arise on 1<sup>st</sup> June, 2007, by reason of the expiration of the term of office of Mrs M L Perkins, who is eligible for re-election;

3. as a member of that Board of Governors with effect from 1<sup>st</sup> June, 2007, Deputy D A Grut who has been nominated in that behalf by the Education Department for election by the States.

## **GUILLE-ALLÈS LIBRARY COUNCIL**

### **NEW MEMBER**

The States are asked:-

IX.- To elect a sitting member of the States as a member of the Guille-Allès Library Council to fill the vacancy which will arise on 1<sup>st</sup> June, 2007, by reason of the expiration of the term of office of Deputy Mrs J M Tasker, who is eligible for re-election.

## **ADMINISTRATIVE DECISIONS (REVIEW) (GUERNSEY) LAW, 1986**

### **NEW CHAIRMAN ANDS DEPUTY CHAIRMAN OF PANEL OF MEMBERS**

X.- To elect, in accordance with the provisions of section 4 (2) of the Administrative Decisions (Review) (Guernsey) Law, 1986:-

1. a Chairman of the Panel of Members, who shall be a sitting member of the States of Deliberation and who has held a seat in the States for a period of three years or more, to fill the vacancy which will arise on 1<sup>st</sup> June, 2007, by reason of the expiry of the term of office of Deputy W M Bell, who is eligible for re-election.
2. a Deputy Chairman of that Panel, who shall be one of the Deans of the Douzaines but who shall not have a seat in the States, to fill the vacancy which will arise on 1<sup>st</sup> June, 2007, by reason of the expiry of the term of office of Douzenier J R Domaille, who is eligible for re-election.

## **POLICY COUNCIL**

### **IMPLEMENTATION OF THE ECONOMIC & TAXATION STRATEGY**

#### **1. Executive Summary**

In June 2006, after an unprecedented period of extensive public consultation, the States agreed the Policy Council's proposals in respect of the Future Economic & Taxation Strategy (see appendix 1).

The implementation of that Strategy is of fundamental importance to the economic and social well-being of Guernsey & Alderney. The key objective of the Strategy is to maintain a healthy economy that will provide residents with well-paid, secure and sustainable jobs that add value to the businesses in which they are employed. The overall package of the Strategy is designed to ensure that Guernsey remains a good place for businesses to operate and to provide well-paid jobs.

In approving the Strategy the States resolved to adopt a two-stage approach which is a prudent and sensible economic policy. It will greatly reduce the likelihood of economic slowdown and, very importantly, provide a further opportunity for refinement and reflection after a period of real experience of the new taxation environment.

In stage one (until 2011/2013) the States will run a budget deficit, funded by the use of up to half of the Contingency Reserve with increases in existing indirect taxes, increased Social Security contributions, continued restraint on public sector expenditure and the maintenance of economic growth at a sustainable level.

In stage two, after taking into account economic performance, international events and Jersey's experience with its Goods and Services Tax (GST), the States will then be ideally placed to evaluate and produce an overall package which sustains the Island's economic position and delivers a balanced States budget.

In developing the Strategy it has been recognised that those on lower incomes must be protected as much as possible from the negative consequences of the changes and that taxation increases need to be targeted at people who can most afford to pay, rather than members of the community who are already vulnerable (including those on low or fixed incomes including pensions). This will be taken up both specifically as an integral part of the implementation of the Strategy and more generally within Priority 4 of the Government Business Plan which is to 'Redistribute wealth wisely in the community'.

It should be emphasised that even with the proposed tax increases, individuals in Guernsey will continue to be subject to tax levels which are far lower than the vast majority of other jurisdictions in the world, and disposable income of individuals will also continue to be high. Guernsey will continue to be a good place to live, work and bring up children because it is safe, attractive and forward-looking. Appendix 2

provides a brief analysis of the different levels of prosperity between Guernsey and the UK.

The purpose of this States Report is to:

- Provide an update on the considerable progress that has been made since June 2006 in implementing the Economic & Taxation Strategy.
- Report back on work that has been undertaken following an additional period of consultation.
- Obtain States agreement to a range of issues that have now been developed in much greater detail which in turn will assist with the preparation of the necessary legislation.
- Highlight the remaining issues that need to be addressed in further States Reports to be debated in July and September.
- Highlight those policy matters that form an integral part of the Strategy and will be brought before the States during 2007.
- Provide updated figures on States Revenues, Expenditure and the Contingency Reserve. These show that economic growth continues to be strong (and ahead of target), that States expenditure is under control and is budgeted to increase by less than RPI and the Contingency Reserve has increased by £10m more than originally planned.

In order to facilitate the timely revision of the taxation regime it is proposed that, as far as is consistent with good government, the legislation will be drafted in a manner that enables matters of detail to be introduced and amended by Ordinance and Regulation, rather than requiring changes to the overarching primary legislation.

Finally, commentary by Rosemary Radcliffe on the Progress Report on the Implementation of the Economic & Taxation Strategy is attached as appendix 3. Rosemary Radcliffe is a UK economist and off-island expert and she was a member of the Independent Working Group that was established in November 2005 to examine the economic impact of changes to the Island's corporate tax regime.

## **2. Background**

The main drivers for change in the Island's Economic and Taxation Strategy are twofold: the need to meet international standards and obligations (in order to secure access to world financial markets) and the need to be competitive with other jurisdictions.

Since 2002 there has been considerable activity across the world in response to the various international tax initiatives. Most competitor jurisdictions have already made

announcements to the effect that they intend to introduce a Zero-Ten model. In the case of the Isle of Man this approach is now already in place and Jersey will be following suit, albeit with some further variations.

Guernsey has, over recent decades, developed a prosperous, resilient and business-friendly environment which is competitive and has been able to respond quickly to international developments. This, in turn, has generated a very healthy economy and created opportunities for entrepreneurship and diversification.

The Island's future economic prosperity clearly lies in maintaining a business environment where its residents are in well-paid, secure and sustainable jobs that add value to the businesses in which they are employed. It is only through this economic activity that individuals will prosper and the States will be able to raise the necessary revenues to fund public services and infrastructure improvements. Unemployment or employment in low paid jobs will simply not generate the level of public sector revenues required to fund basic public services.

**Therefore, one of the key objectives of the Strategy is the maintenance of a competitive environment for business and jobs across all of the industry sectors.**

### **3. Progress made since June 2006**

Since the States debate in June 2006 a number of important steps have been taken to implement the Economic & Taxation Strategy including: -

- In September 2006, as part of the Social Security Department's Annual Benefits and Contributions Report, the States approved increases in upper earnings limits for employers, employees, the self-employed and the non-employed with effect from 1 January 2007. As a result of this transitional measure the contribution required from general revenue to the Guernsey Insurance Funds was reduced by £10m. Further increases in the upper earnings threshold, and increases in employer contribution rates (from 5.5% to 6.5%) will be proposed in September 2007 to take effect on 1 January 2008.
- In October 2006 the States approved the Treasury and Resources Department's Report on capital prioritisation which set out the capital expenditure requirements for the coming years.
- In December 2006, as part of the debate on the 2007 Budget, the States approved a number of increases in indirect taxation in line with the recommendations of the June 2006 Report. In particular, petrol duties were nearly doubled, alcohol duties increased by 20%, the rates of TRV on domestic premises increased by 25% and business premises increased by 100%. See appendix 4.
- In December 2006, as part of the 2007 Budget, the States agreed that revenue expenditure for 2007 should increase by less than RPI.



- In December 2006 the States approved the further development of the draft Government Business Plan which included targets to increase public sector income by 3% above RPI, contain revenue expenditure to RPI or less and invest £20m per year in capital expenditure. Preliminary work has also commenced on developing a series of Key Economic Indicators to monitor the economy.
- In January 2007 the States approved proposals from the Treasury and Resources Department which established a framework and criteria for fees and charges levied by Departments.

[NB As a result of the above increases in social security contributions and indirect taxes £15m was transferred to the Contingency Reserve Fund at the beginning of 2007].

#### **4. Detailed Proposals**

The following sections of this Report set out in further detail certain matters that were agreed by the States in June 2006. They are the result of work carried out in consultation with industry (which is on-going in respect of some issues) and are designed to ensure that the fundamental principles of the Economic and Taxation Strategy are delivered.

##### **a) Zero Corporation Tax Rate**

In order to be an effective and competitive International Financial Centre, a tax neutral platform is essential. The existence of a zero tax product is a fundamental element of the taxation strategies of the Island's competitors and therefore Guernsey must respond accordingly.

The Independent Economic Assessment Group's report entitled 'The Economic Case for a 0/10% Corporate Tax Rate Structure in Guernsey' concluded that: -

- *"Guernsey's financial services industry is pivotal to the future of the Bailiwick's economy.*
- *The Bailiwick has no option but to respond to international pressure and reform its corporate tax regime.*
- *Further, if the Bailiwick's international competitiveness is to be sustained there is no option but to adopt a 0%/10% corporate tax structure....."*

There is simply no option other than to respond and reform the corporate tax regime. Therefore, with effect from 1 January 2008, the standard rate of income tax on company profits will be 0% with the following exceptions: -

- specific banking activities – 10%;

- activities regulated by the Office of Utility Regulation – 20%;
- Guernsey rental income – 20%. (This is a variation from the original proposals put forward in June 2006 as set out below in section d).

**b) Banking Activities**

The extent to which the banking activities of Guernsey banks should be subject to income tax at 10% has been the subject of consultation with representatives of the Financial Services Sector. Careful consideration has also been given to the public pronouncements of competing jurisdictions.

Against this background it has been decided to apply the following criteria to banking activities: -

- The treatment of a bank's profits should depend on the way in which the assets giving rise to those profits have been funded.
- Profits derived from assets funded by way of customer deposits should be liable to tax at 10%.
- Profits funded by the amount of capital needed to satisfy a bank's minimum regulatory requirement should be liable to tax at 10%.
- All other profits should be liable to tax at 0%.

It is estimated that taxing banking activities will raise approximately £15m of tax revenue per year.

**c) Utilities and States Trading Activities Regulated by the Office of Utility Regulation**

The amount of taxation collected from this area, which includes Guernsey Electricity and Guernsey Post (both wholly owned by the States of Guernsey) is likely to be modest. However, having considered the alternatives (i.e. 0/10/20%), and as set out in previous consultation documents, in June 2006 the States resolved that any entity subject to regulation by the Office of Utility Regulation shall be taxed on its profits at 20% on those activities that are regulated as this was a key principle of the States commercialisation process.

Those activities that are carried out by the Utilities and States Trading Activities that are not regulated by the OUR will be charged income tax at 0% and subject to the same distribution regime as other businesses.

**d) Guernsey Rental Income**

The previous consultation processes identified that there was scope for increasing the

amount of taxation derived from the ownership and use of property. Under proposals already approved by the States, the ownership and rental of Guernsey property will continue to make a major contribution to States Revenues. After further consideration however it has been decided that all Guernsey rental income should continue to be taxed upon the company at the 20% rate (after allowable deductions) regardless of its residential status for tax purposes or that of the shareholders.

In addition, Guernsey's tax legislation presently exempts from tax, property income arising to UK and Jersey pension schemes from property holdings in Guernsey. It is now proposed to remove those exemptions however, the existing exemptions for all charities would be continued.

Following the most recent consultations it is evident that further consideration needs to be given to wider issues such as whether the development of property, and associated building trade activities, should continue to be subject to the 20% rate of tax. In addition, the availability of interest relief for property investments also requires further, careful consideration to ensure that the final proposals do not undermine the rental market. **It is therefore proposed that a States Report on the treatment of property-related matters will be presented at the July States meeting.**

Finally, on a related matter, the amount of revenue raised from property (via Tax on Real Property) will be increased as part of the 2008 Budget. Detailed proposals relating to the introduction of the new system of Tax on Real Property will be presented to the States for debate in June.

#### **e) Guernsey Resident Shareholders: Taxation of Distribution of Profits**

Although the finance sector is presently the dominant part of the Island's economy, it is by no means the only sector. There are also a wide range of economic activities on the Island including light industry, retail services, tourism, construction, leisure and other local service and traditional businesses.

A major concern (confirmed by responses received during the first consultation process) was a widely held perception of the creation of an unfair regime (that the profits of Guernsey trading entities should be attributed to shareholders whereas off-island companies trading in the island would pay no Guernsey tax). It was felt this would lead to some shareholders selling up or leaving the Island. This would inevitably result in less vitality and investment in local businesses and declines in local owner-operated businesses and job opportunities.

The approach, to counter such concerns, which was set out in the second consultation document, (and supported by the majority of responses) was to adopt a distribution-only regime. Under this approach individual taxpayers would be subject to taxation at the standard 20% personal tax rate on the amounts actually distributed by way of dividend or as otherwise defined as distributions.

From the responses received from key businesses and their local shareholders, it is clear

that a distribution-only policy on business profits will encourage inward investment and re-investment, and provide an incentive to local ownership which will enhance the Island's competitiveness in attracting off-island investment.

**The States therefore resolved that Guernsey resident shareholders should be taxed at 20% on their distributed profits and on all rental and investment income (but see section (d) above regarding revised proposals in respect of rental income).**

As a consequence, all investment income of a company will always be deemed as distributed to the shareholder. In relation to trading profits it was recognised that with the distribution-only basis, as with the previously considered and rejected full attribution basis, anti-avoidance measures would need to be introduced. Such measures, although relatively rare in Guernsey until now, are widely used in other jurisdictions where differential rates of tax as between individuals and companies is the norm. The actual anti-avoidance measures used in practice will depend upon experience of the new system over a period of time.

The definition of the term "distribution" obviously includes the payment of a dividend however in the light of further consultations that have been undertaken, it is proposed that the following events would be regarded as "deemed distributions" for the purpose of the law: -

- Disposal, repurchase and/or redemption of shares in companies with accumulated undistributed profits (with exemptions for reorganisations, mergers and de-mergers within a group of companies) except for the purposes of business.
- Death of a shareholder where the company has accumulated undistributed profits. (It is recognised however that this could cause difficulties where those undistributed profits have been invested in business assets and consequently it is proposed that a form of 'rollover' relief be introduced to cater for such situations. The details of the rollover relief will be provided in a Report to be presented to the States in September).
- Change of residence of shareholder (i.e. where he departs from Guernsey, becoming non-resident) where the company has accumulated undistributed profits.
- Migration of the company where the company has accumulated undistributed profits.
- Liquidation (including striking-off) of the company in circumstances where the company has accumulated undistributed profits.

[NB – "undistributed profits" means profits that have not been distributed or previously deemed as distributed].

Measures will also be introduced to deal with the following: -

- The avoidance of tax on the income of service/consultancy companies where, were it not for the existence of the company, the services would have been subject to the Employees Tax Instalment Scheme (ETI) (the way to deal with this would be to require the company to operate ETI on its income).
- Sidestepping of the distribution basis by advancing loans to participators rather than paying dividends. In order to act as a disincentive to such practices, a tax charge of 20% should arise on a company making such a loan (but with provisions for the company to claim relief at 20% where repayments of loans are made). Loans on commercial terms would not be caught by this provision.
- Settlements (trusts) including employee benefit trusts. It is envisaged that the personal income tax return would require the disclosure by Guernsey resident settlors and beneficiaries of their interests in settlements. There would be consequent sanctions within the Income Tax Law for failure to notify the relevant information or for the supply of incorrect information.

As far as employee benefit trusts are concerned, in order to ensure that these vehicles are not used as a means of delaying or avoiding distributions (and thus delaying an income tax charge) provisions would be introduced to ensure that a payment by a company to an employee benefit trust would not qualify for a deduction until such time as that payment was taxed in the hands of the company directors or employees.

Some exceptions to the above rules are being recommended in order to recognise the fact that some individuals will have interests in companies that are unlikely to give rise to significant avoidance risks. Those exceptions would include: -

- where the Guernsey resident shareholder has an interest in the company of 1% or less;
- where the company's income has been taxed in another jurisdiction at the rate of 20% or more;
- holdings in Guernsey exempt collective investment schemes;
- holdings in utilities to the extent that the profits are taxed at 20%;
- the extent to which the company's income consists of Guernsey rents (which, it is proposed, should continue to be taxed on the company at 20%).

Individuals who are "resident only" for tax purposes pay tax only on Guernsey source income and other income remitted to Guernsey. The above rules would apply as appropriate to such individuals in a manner which mirrors their current treatment under the Income Tax Law.

Some of the above issues have been the subject of comment during the most recent consultation process with industry and further consideration is being given to those comments. Certain refinements may subsequently be necessary and if so these will feature as part of the Report to be presented to the States in September.

#### **f) Significant Individual Tax Payers**

Guernsey, like many small economies, has a number of individuals who, because of their exceptionally high business profits or personal wealth, can potentially pay income tax out of all proportion to the demands they place on public services.

Such individuals are extremely important to the Island and indeed are eagerly sought by other jurisdictions. It is therefore essential that the Island remains attractive to such individuals especially those who, through their own expertise and business activities, could generate new economic activity and well-paid employment opportunities.

In June 2006 the States resolved *“that individual taxpayers shall be liable to the standard rate on their investment and non-Guernsey trading income up to a defined income ceiling with a maximum tax payable of £250,000 on any individual’s income from such sources”*. During the recent consultation process it has become apparent that this Resolution requires clarification. Certain matters, including the proposed ceiling, are currently under consideration and further details will be included in a Report to be debated at the September States meeting.

Arising from the recent consultations it is proposed that the ceiling (Cap) would apply to a married couple in the same way that would apply to a single individual. The annual maximum tax payable would be time apportioned for new arrivals and leavers. This ceiling could be revised from time to time in the light of experience, decisions taken by competitor jurisdictions and in view of ongoing considerations on population and economic policy. Any revisions will be carried out as part of the normal annual Budget process.

**The following table illustrates how the proposal might work in practice.**

<b>Source</b>	<b>Subject to cap?</b>	<b>Not subject to cap?</b>
Guernsey employment/pension		✓
Overseas employment/pension	✓	
Guernsey business		✓
Overseas business	✓	
Guernsey rent		✓

Overseas rent	✓	
Jersey bank interest	✓	
Guernsey bank interest	✓	
Guernsey exempt collective investment schemes	✓	
Jersey based collective investment schemes	✓	
Overseas dividends, etc*	✓	
Guernsey dividends, etc		✓
Deemed distributed income where there are no underlying Guernsey sources* <sup>2</sup>	✓	
Deemed distributed income where there <u>are</u> underlying Guernsey sources* <sup>2</sup>		✓
<p>*Assuming the originating company has no Guernsey source income other than bank deposit interest.</p> <p>*<sup>2</sup>Where sources are from <u>both</u> Guernsey and non-Guernsey sources the income subject to the cap would be apportioned.</p>		

Appendix 5 shows how the above could vary if the individual was “resident only” rather than “solely or principally resident” for Guernsey tax purposes.

#### **g) Other Income Tax Matters**

Since the States debate in June 2006 further technical analysis has been undertaken which has identified a number of additional matters that have been the subject of further consultation. These are set out below.

##### **(i). Company returns**

While a company’s income may be taxable at 0%, it will still be necessary for it to submit accounts in support of the company’s tax return as at present, so that the taxable income that will be subject to the distribution rules can be established under the Law. In the case of companies that have no Guernsey resident shareholders and either no Guernsey source income or just Guernsey bank deposit interest, it is proposed that there will be a facility to provide an annual certificate to that effect, which would avoid the need to submit accounts as a matter of course where there is no question of the distribution rules to Guernsey residents applying.

**(ii). Losses**

Under the present legislation, if a business makes profits and subsequently starts incurring losses, those losses can only be relieved against future profits from the same business. In future, under the agreed distribution basis, it is proposed that losses can be offset against accumulated undistributed profits brought forward from previous years.

**(iii). Collection of tax**

Where there are distributions/deemed distributions, it is proposed that the company will be the person responsible for the deduction of tax from such income.

Making the company responsible in this way assists collection of the tax that would be due at each event. It is envisaged that a system would be structured either along the lines of the ETI Scheme or as part of it so that at quarterly intervals the company will be required to make a return of “chargeable events” that occurred in the previous quarter and to remit the tax due on behalf of the shareholders. Such a system would ensure the continuous flow of funds to the States.

There would also need to be a provision that in the event a company failed in its obligations in this respect, the Administrator of Income Tax could still collect the tax due from the shareholder direct.

**(iv). Dividends, Royalties, Interest etc.**

As a measure of simplification of the Income Tax Law it is proposed that under the new arrangements, payments of dividends, royalties, interest and income of a similar nature, when made to a non-resident individual or company, will not be subject to Guernsey Income Tax over and above that applied at the company level.

**(v). Penalties**

Although in most cases a company’s liability to income tax will be at the 0% rate, that company will continue to have responsibility for making an accurate return of income. It will be necessary, therefore, to maintain a penalty provision for the company’s failure to do so. As the majority of penalties are currently calculated by reference to the amount of tax due on the omitted income, it will be necessary to identify an alternative basis on which to calculate a penalty. It is envisaged that in such circumstances the penalty would be at the rate of 20% of the understated income plus additional penalties equivalent to those already contained in the Law, dependent on whether there has been fraud or negligence.

**(vi). Transitional provisions**

In view of the fundamental restructuring of the corporate tax regime and in order to protect States revenues, all companies will be deemed to have ceased trading on 31 December 2007 and should be charged to tax on all profits arising up to that date with



the distribution rules applying only to income from 1 January 2008 onwards.

For the avoidance of doubt, accrued and unrelieved losses as at 31 December 2007 will be available to carry forward for offset against future income.

**(vii). Amendment of Income Tax Law by Ordinance**

In the constantly developing commercial world that exists today, it would be beneficial if legislation could be adopted quickly in order to meet the needs of the States of Guernsey and industry. It is proposed, therefore, that this be achieved by allowing tax legislation to be amended in future by Ordinance.

**5. Proposals that have yet to be addressed**

- In June, detailed proposals for the implementation of a system of Tax on Real Property will be presented to the States. The recommendations contained within the previous two States Reports, setting out the need for change and the general principles of a new transparent and fair system, have already been approved by the States.
- In July, a further report on the Economic & Taxation Strategy will be presented to the States dealing with outstanding property-related issues including whether the development of property, and associated building trade activities, should continue to be subject to the 20% rate of tax. The availability of interest relief for property investments will also be carefully considered to ensure that the final proposals do not undermine the rental market.
- In July, the States will debate the Government Business Plan which will include targets on income, expenditure (revenue and capital) and economic growth.
- The next stage of the States Property Rationalisation Strategy will come before the States in September. This will include the identification of further opportunities for the disposal of surplus property.
- Staff costs are a major element of States expenditure (over 50%). The States have now decided to replace the Staff Number Limitation Policy (SNLP) and it is envisaged that an alternative policy will be debated in September.
- In September, as part of the Social Security Department's States Report on Benefits and Contributions Rates, further increases in the upper earnings threshold, and increases in employer contribution rates (from 5.5% to 6.5%) with effect from 1 January 2008 will be recommended.
- In September, a further Report on the implementation of the Economic & Tax Strategy will be presented dealing with outstanding matters that need to be addressed before January 2008.

- In November, as part of the agreed phasing of the Strategy, further increases in indirect taxation will be recommended in the 2008 budget.
- The 2008 budget will also contain detailed proposals in respect of personal income tax allowances and interest and life assurance reliefs.

In addition to the measures set out above, detailed legislation will be presented to the States within the next few months (currently anticipated to be July) which will underpin the Strategy.

Enabling legislation will also be developed during 2008 to underpin a system of goods and services tax as previously directed by the States.

Finally, there will be an on-going requirement for Departments, both collectively and individually, to ensure that expenditure is kept under rigorous control and efficiencies actively identified and delivered.

A timeline for progressing the above proposals is attached as appendix 6.

## **6. Implementation of other revenue raising measures**

Detailed proposals (for example, the specific rates of duties on tobacco, alcohol and fuel, personal income tax reliefs, including mortgage interest relief and allowances etc.) will be introduced in the normal way as part of the annual Budget prepared by the Treasury and Resources Department. Furthermore, any future changes to such matters as tax capping will also form part of that annual process.

Any changes to the social security contribution rates and Upper Earnings Limit, will be made at the time that the Social Security Department presents its States Report on Benefits and Contributions Rates (traditionally in September each year).

A review of company fees, as set out in the June 2006 Report, is currently in the process of being finalised and it is intended that the Commerce & Employment Department will be bringing forward a States Report later this year.

### **Goods and Services Tax**

The States resolved in June 2006 that although in the short term a goods and services tax should **not** be introduced, the possibility of doing so at a later date must be considered. It was therefore resolved that an appropriate system of goods and services tax for Guernsey should be investigated, including the experience of introducing such a measure in Jersey. It was also agreed that the necessary enabling legislation be developed and put in place.

Since June 2006 the Treasury and Resources Department has continued to investigate the very varied goods and services taxation systems across the world. Particular emphasis has, of course, been placed on monitoring developments in Jersey where the

latest public pronouncements are that a general goods and services tax will be introduced some time during 2008 with an initial rate of tax of 3% (for a minimum of three years) with very few exemptions. The authorities in Jersey have been extremely helpful during these investigations. The situation in Jersey will continue to be monitored and attention will be paid to the general tax rate, the goods and services which are subject to exemptions or otherwise, the treatment of financial services, the threshold for companies exempt from registration and the de minimis value for the personal importation of goods.

It is presently the intention that a States Report will be produced for debate in the autumn of 2008. Depending upon the implementation date for Jersey's Goods and Services Tax, it may be possible to take into account Jersey's experiences in administering their GST when developing a system for consideration by the States.

## **7. Public Sector Expenditure**

The primary purpose of the Economic & Taxation Strategy, by its nature, concentrated on securing continued economic success for Guernsey through maintaining and promoting a climate in which business can succeed and through the raising of sufficient public revenues to fund essential public services.

However, from the very start of the process it was recognised that a key part of the overall package would be the need to critically review the level of public sector expenditure. The general public's views on States expenditure were very strongly expressed in the consultation responses. The need to control public sector expenditure was the item which was commented upon by the largest number of responses, with 97% wishing to see restraint.

As set out in appendix 7, progress is being made in this area. Without the public sector expenditure restraint that has been achieved in recent years, in excess of £25m more per year would need to have been raised from personal taxes. **This would have equated to the halving of personal income tax allowances.**

It is clear from the progress being made in this area that States Departments, individual States Members and staff have engaged in this process and that there is a clear change in culture and attitude towards public sector expenditure. Difficult challenges lie ahead and hard decisions will need to be taken but it is essential that public services must be delivered in an efficient and effective manner and value for money must always be achieved. This theme is taken forward in Priorities 3 and 12 of the Government Business Plan.

## **8. Contingency Reserve**

The purpose of the Contingency Reserve is to provide protection against financial difficulties including significant economic downturns having a severe adverse effect on the Island. For the immediate future the Contingency Reserve is expected to continue to increase in size as a result of investment growth (the investments are mainly fixed

interest and similar financial instruments).

Although the Contingency Reserve clearly cannot be used to make good any shortfall in revenue over an indefinite period, it is appropriate, and consistent with its original purpose that it should be used in the short to medium term to help balance the books in order to smooth transitional arrangements for the implementation of the Economic & Taxation Strategy.

In June 2006 the States resolved *“that up to half of the Contingency Reserve (interest and capital) may be used to fund the shortfall in public sector expenditure during a transitional phase”*. At that time the Contingency Reserve had a balance of approximately £200m. It is therefore intended that £100m of that balance, plus any new monies transferred into the Reserve, plus the interest accumulated on such sums may be used to fund public services during the transitional phase. A minimum of £100m plus the accumulated interest (on that £100m) from June 2006 will be retained. It is currently anticipated that it would be 2014 before half of the Contingency Reserve (as at 30 June 2006) will have been used ([see appendix 12](#)).

It is emphasised however that transfers into or out of the Contingency Reserve can only be made with a specific Resolution of the States. Ultimately it will therefore be for the States to decide at the time how the Contingency Reserve is used.

## **9. Economic Development**

In June 2006, the States resolved:

*“To direct the Policy Council to afford a higher degree of priority to the identification of initiatives (including possible private sector partnerships) which are favourable to the development and/or revival of economic sectors other than the financial services sector, and to bring before the States practical proposals which to some degree will redress the current imbalance in the Island’s economic base.”*

This resolution will be fully addressed as a result of a Strategic Economic Plan, which is in the process of being prepared as part of the Government Business Plan. The Policy Council’s Fiscal & Economic Policy Steering Group (FEPSG) is working with the Commerce and Employment Department on such a plan which will be submitted to the July 2007 meeting of the States.

## **10. Harmonisation of the Income Tax and Social Security Rules**

The Income Tax Office and the Social Security Department have traditionally worked closely together in a number of areas. However, it is clear from the work undertaken in developing the Economic and Taxation Strategy that even closer cooperation will be required in the future. For example, there are at present a number of “mismatches” between the treatment of such items as benefits in kind, certain self-employed persons and investment companies. Without underestimating the effort required, it is clear that

greater harmonisation between the Social Security and Income Tax Rules is needed and the Treasury & Resources and Social Security Departments should be directed to address this matter.

## **11. Conclusions**

It is clear that since the key States debate in June 2006, considerable progress has been made in developing and implementing the agreed Economic & Taxation Strategy.

This report highlights the very real progress that has been made as well identifying those matters that have yet to be addressed. Importantly, the Report provides the basis upon which the necessary legislative framework will be developed for the States to consider later this year (in July and September).

Finally, this report demonstrates that while the timescales are tight, all of the necessary measures will be put in place by January 2008.

## **12. Recommendations**

Following consideration of this Report the States are recommended to: -

1. Note the progress that has been made to date concerning the implementation of the Economic and Taxation Strategy and the intention to bring forward related policy matters during 2007 as set out in sections 3 and 5 of this report.
2. Agree that the limited amount of specified banking activities as set out in section 4(b) should be subject to income tax at 10%.
3. Agree that Utilities and States Trading Activities regulated by the Office of Utility Regulation shall be taxed on their profits at 20% on those activities that are regulated as set out in section 4(c).
4. Agree that Guernsey Rental Income will continue to be subject to the 20% Rate (after allowable deductions) regardless of the residential status of the company or its shareholders as set out in section 4(d).
5. Note that further consideration is being given to wider property-related issues as set out in section 4(d) and that these will be the subject of a further report.
6. Agree that the present exemptions from tax on Guernsey rent enjoyed by UK and Jersey pension schemes will be removed as set out in section 4(d).
7. Agree that Guernsey resident shareholders should be taxed at 20% on their distributed profits and that appropriate anti-avoidance measures be introduced as necessary as set out in section 4(e).
8. Note the proposals in respect of significant individual tax payers and the

intention to give more consideration to specific issues and report back to the States as set out in section 4(f).

9. Agree those matters relating to the operation and administration of the Income Tax system as set out in section 4(g).
10. Note those matters that are to be addressed as part of the on-going implementation of the Economic and Taxation Strategy as set out in sections 5 to 10.
11. Direct the Treasury and Resources Department to take account of the Economic and Taxation Strategy when bringing forward recommendations as part of the States 2008 (and future) Budget Reports.
12. Direct the Social Security Department to take account of the Economic and Taxation Strategy when bringing forward recommendations as part of that Department's Reports on Benefit and Contribution Rates for 2008 and future years.
13. Direct the Treasury & Resources and Social Security Departments to continue working together in order to identify and address areas where the income tax and social security rules can be harmonised.
14. Direct the preparation of such legislation as may be necessary to give effect to the above decisions.

M W Torode  
Chief Minister

23<sup>rd</sup> April 2007

## **LIST OF APPENDICES**

1. States Resolutions - June 2006
2. Information on differences in prosperity between Guernsey and England
3. Analysis by Rosemary Radcliffe of the measures contained in this report and their impact upon inflation
4. Summary of 2007 budget proposals for indirect taxes
5. Liability to tax of individuals who are resident but not solely or principally resident
6. Timetable of Events
7. Public Sector Expenditure
8. Public Sector Revenues 2004 - 2006
9. ETI Growth 1999 to 2006
10. Projected Public Sector Revenues 2008
11. Actual and projected income and expenditure 2006 – 2010
12. Contingency Reserve Projections
13. Glossary

**Appendix 1****STATES RESOLUTIONS - JUNE 2006**

After consideration of the Report dated 8<sup>th</sup> May, 2006, of the Policy Council:

1. That from 1 January, 2008, the basic rate of income tax on company profits shall be 0%.
2. That only a limited amount of regulated business (i.e. specific banking activities) shall be subject to income tax at 10%.
3. That trading activities regulated by the Office of Utility Regulation shall be subject to income tax at 20%.
4. That resident individuals shall continue to pay income tax at 20% on assessable income.
5. That Guernsey resident shareholders shall be taxed at 20% on their distributed profits and on all rental and investment income but with effective anti-avoidance measures including deemed distribution in certain circumstances.
6. That individual taxpayers shall be liable to the standard rate on their investment and non-Guernsey trading income up to a defined income ceiling with a maximum tax payable of £250,000 on any individual's income from such sources.
7. That "wealth taxes" such as inheritance and capital gains taxes shall not be introduced.
8. That the rates of existing indirect taxes shall be increased, in particular duties on alcohol, tobacco and motoring, and Tax on Rateable Values, in line with the contents of that Report.
9. That the General Revenue grant to social security shall be reduced from 1 January, 2008, by increasing the rate of employers contribution by 1% and increasing the Upper Earnings Limit for employers to the equivalent of £100,000, and for self-employed, non-employed and employees to the equivalent of £60,000.
10. That General Revenue shall continue to fully fund the non-contributory elements of the present social security system (Family Allowances, Supplementary Benefit etc).
11. That up to half of the Contingency Reserve (interest and capital) may be used to fund the shortfall in public sector expenditure during a transitional phase.



12. That income tax relief on interest payable and life assurance policies shall be revised in accordance with the proposals set out in that Report.
13. To direct the Treasury and Resources Department to investigate a system of goods and services tax, including that introduced by the States of Jersey, and to direct the preparation of the necessary enabling legislation.
14. To direct the Treasury and Resources Department to take account of the above proposals when bringing forward recommendations as part of that Department's 2007 and future Budget Reports.
15. To direct the Social Security Department to take account of the above proposals when bringing forward recommendations as part of that Department's Reports on Benefit and Contribution Rates for 2007 and future years.
16. To direct the preparation of such legislation as may be necessary to give effect to their above decisions.
17. To direct the Policy Council to afford a high degree of priority to the identification of initiatives (including possible public/private sector partnerships) which are favourable to the development and/or revival of economic sectors other than the financial services sector, and to bring before the States practical proposals which, to some degree, will redress the current imbalance in the Island's economic base.

## Appendix 2

## **Prosperity comparison between a typical family living in Guernsey and England, in 2008**

### **Background**

The purpose of this paper is to provide a broad analysis of how the tax changes being introduced in Guernsey, in 2008 will affect a typical Guernsey married couple compared to a similar family in England.

The comparisons are based on Gross household income (nominal values) and the price of an average local market property. The analysis excludes the cost of living expenses such as food, motoring, home maintenance and travel.

The figures used to calculate the England comparisons are those announced in the March 2007 Budget report for the 2008/09 tax year and assume that personal allowances rise by RPI, estimated to be 4% for the year April 2007/08.

The analysis consists of a typical Guernsey family comprising a married couple with two children with a gross annual household income of £60,000 and a mortgage of £150,000 living in a property worth £300,000 (average local market value) compared with a similar family living in England. This is just one scenario of many personal circumstances which could be compared.

To provide a relatively straightforward analysis, it was decided to compare three main aspects of taxation:

1. Income tax
2. Social Insurance/National Insurance
3. Equivalised Council Tax

### **Results**

In 2008 a typical married couple with two children borrowing £150,000 to fund a mortgage, living in England could pay **£6,818** more than a similar family living in Guernsey. This family would pay **11%** more of their income on tax, insurance and Council Tax than an equivalent family, despite the changes to Guernsey's tax environment. The Guernsey family are paying £2,926 less in income tax and £1,887 less in Council Tax equivalent.

<b>Tax type</b>	<b>Guernsey (% of income)</b>	<b>England (% of income)</b>
Income Tax	11.5	16.4
Social Insurance/NI	5.5	8.8
Council Tax equivalent	0.5	3.7
<b>Total</b>	<b>17.5</b>	<b>28.9</b>

**Appendix 3****Commentary by Rosemary Radcliffe on the Progress Report on the Implementation of the Economic & Taxation Strategy.**

The Chief Minister  
 The States of Guernsey  
 Sir Charles Frossard House  
 La Charroterie  
 St Peter Port  
 Guernsey GY1 1FH

20 April 2007

Dear Chief Minister

**Implementation of the Economic & Taxation Strategy****Introduction**

1. During 2006 I was asked by the Treasury and Resources Department to serve on an Independent Working Group charged with examining the economic impact of changes to Guernsey's corporate tax regime. We submitted two papers: the first, published in March 2006, examined the economic case for the 0%/10% rate structure; and the second, published in April 2006, examined the economic consequences of different approaches to the management of Guernsey's public finances.
2. Following extensive consultation, in June 2006 the States approved the Future Economic & Taxation Strategy for the Island. Since then, work has been proceeding to implement elements of the strategy: this has included approval of the first phase of social security contribution increases; approval of the Capital Prioritisation Report, the Government Business Plan, and the Report on Fees & Charges; and approval of the 2007 Budget Report. Work is also in hand to prepare for other changes.
3. An important element in the overall plan is a Progress Report to the States on the implementation of the Strategy, due to be presented in May 2007. In this context, I have been asked by the Policy Council to provide a commentary for inclusion in the Report; this letter meets that requirement.
4. In reviewing the Progress Report I should emphasise that I have done so as an economist rather than a tax expert. My observations, therefore, focus on the economic aspects of the strategy; it will be for others to comment on the detail of certain of the tax proposals and on the very important matter of anti-avoidance provisions.

5. Against this background, therefore, I comment below on the following:

- The objectives of the Strategy
- The two-stage approach
- Progress since June 2006
- Proposals still to be addressed
- Key issues for the future

### **The objectives of the Strategy**

6. The Progress Report emphasises that one of the key objectives of the strategy is the maintenance of a competitive environment for business and jobs across all the main industry sectors. This is of fundamental importance to Guernsey. Key to international competitiveness is a competitive tax structure and a benign policy environment.

7. In this context, much attention is quite rightly paid to the position of the financial services sector. **In its first report, the Independent Working Group concluded that the Bailiwick has no option but to respond to international pressure and reform its corporate tax base; we further concluded that, if its international competitiveness as a location for financial services businesses is to be maintained, there is no option but to adopt the ‘0%/10%’ corporate tax structure.** This, therefore, is a key component of a Strategy to maintain a competitive environment in Guernsey: the financial services sector delivers more than one third of the Island’s incomes and nearly 25% of its jobs.

8. But, as the Progress Report emphasises, other sectors are also of importance to Guernsey: whilst the financial services sector is the Island’s ‘strong’ sector and, because its output is traded on international markets, it must retain its global competitiveness, it is clearly important that other sectors, similarly, benefit from an appropriate policy environment. To grow, any economy needs either a growing workforce or growing output per head: for Guernsey this means growing output per head, in other words improving productivity, in those parts of the economy where output is not traded internationally (e.g. domestic construction, retail services, health and education) as well in financial services. It will be important to ensure that broader economic policy promotes competitiveness in these sectors too, and I return to this below in commenting on some issues for the future.

9. Last, I note from the Progress Report that in developing the Strategy it has been recognised that those on lower incomes must be protected as much as possible from the negative consequences of any changes in fiscal policy. This is an important consideration: in assessing the economic impact of changes in policy and in making choices between different options that have different distributional effects, policy-makers do need to have their social objectives very much in mind and be prepared to put in place compensating policies if necessary. Priority 4 of the Government’s Business Plan will be important in this regard: other things being equal, measures that are progressive rather than regressive in their impact are likely to be preferable.

## The two-stage approach

10. As is well-known, the Strategy is based on a two-stage approach. In summary, Stage One covers the period to 2011/13: during this period the aim is to implement some revenue-raising measures (increases in existing indirect taxes and increased Social Security contributions) and to promote economic growth, thus boosting tax revenues, but otherwise to deploy up to one half of the Contingency Reserve to fund the budget deficit. In Stage Two the States will then, in the light of economic performance and international events, be able to produce a fiscal package that will deliver a balanced States budget whilst sustaining the Island's economic position.

11. This two-stage approach was commented upon in the second report of the Independent Working Group. We said there that it was in our view appropriate to adopt a phased approach to the management of the public finances and sensible to take early action along the lines proposed by the Policy Council in its report of March 2006. **This view may be reinforced today: because the Island has substantial accumulated Reserves it is not necessary (or, from the economic point of view, desirable) to move immediately to a balanced budget provided that it is recognised that, in the medium term, steps may need to be taken to correct any structural<sup>1</sup> (as opposed to cyclical) deficit that may emerge.** Structural deficits, it must be emphasised, are not sustainable.

## Progress since June 2006

12. As mentioned above, since June 2006 work has been proceeding to implement elements of the Strategy. Below I comment on the key developments.

- In September 2006 the States approved increases in the upper earnings limits for employers, employees, the self-employed and non-employed with effect from 1 January 2007. As a consequence the contribution required from general revenue to the Guernsey Insurance Funds was reduced by £10m. This move, effectively, makes the system somewhat less regressive: the relationship between earnings and tax is maintained further up the income curve. I also note that further increases in the upper earnings limit will be proposed to take effect from 1 January 2008 that will continue this trend. I also note, however, that an increase in employer contribution rates (from 5.5% to 6.5%) will also be proposed for next year. Whilst a relatively modest increase in employer contributions is unlikely to have a major economic impact, I would urge caution in implementing substantial increases in employer contribution rates. This is an example of a tax that is shifted, sometimes in quite complex ways depending on the state of the labour market, and may have an impact on international competitiveness if it has to be absorbed in the form of lower profits in those sectors whose output is traded on international markets.

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<sup>1</sup> The distinction between structural and cyclical deficits is an important one. The aim must be to balance the budget over the economic cycle. Hence in assessing the state of the public finances in any one year it is necessary to be clear as to where in the cycle the economy stands. A deficit in the downturn may not be evidence of a structural deficit whilst a deficit in the upturn very likely will be.

- In October 2006 the States approved the Treasury and Resources Department's Report on capital prioritisation. I understand that a further refinement of this process is to be undertaken. In doing this, I would emphasise a point that was also made in the first report of the Independent Working Group. We there observed that governments frequently respond to pressure on the public finances by cutting capital expenditure but that this can have deleterious, and sometimes unexpected, economic consequences. Further analysis of past capital expenditure suggests that, in some 'good' economic years in the past, Guernsey may actually have been under-spending on capital and thereby having to undergo an element of catch-up later. Significantly lower levels of capital expenditure in the future may impact on the economic performance of the island directly by reducing demand in the construction sector but may also result in poorer-quality infrastructure that can, in turn, affect economic performance. It will be necessary to keep a careful watch on priority areas and not starve the economy of those capital projects that actually improve economic performance.
- In December 2006 the States approved increases in indirect taxation in line with the recommendations of the June 2006 Report. These proposals had the effect of giving a modest upward hike to inflation but otherwise represent a modest increase in taxation in areas where effective tax rates in Guernsey are, by comparison with other jurisdictions, very low. Two areas merit comment. First, petrol duties were virtually doubled. In general, fuel duties, like all consumption taxes, tend to be more regressive than progressive but, insofar as they may reduce vehicle usage in response to increased cost, may help to achieve other objectives of policy. This is an area that policy-makers will wish to keep an eye on for the future. And, second, the rates of TRV on domestic premises were increased by 25% and on business premises by 100%. Whilst the option of increasing revenue from domestic property taxation is in my view a sound one (I return to this further below), increases in the rate of taxation on business premises feed straight through to business costs. Because the effective rate of taxation on business profits will be falling for many businesses as a result of the move to 0%/10%, some increase in business costs via TRV may be entirely reasonable; however, proposals for further increases will need to be evaluated carefully to ensure that there are no deleterious effects on business competitiveness. Overall, upward adjustments to the rates of indirect taxation have an important role to play in the management of the public finances: they are relatively cheap to implement and, if they are modest, can be adopted without significant economic detriment<sup>2</sup>.
- As part of the 2007 Budget, the States agreed that revenue expenditure should increase by less than the RPI. Again, as a short term measure keeping growth in expenditure below growth in prices (i.e. real reductions in revenue expenditure) seems an entirely appropriate target. Doubtless there are efficiency gains that should be made and a focus on key priorities is important.

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<sup>2</sup> It is, however, important to recognise the effect that increases in indirect taxation can have on inflation. This is returned to below in the discussion of key issues for the future.

But it is also important to recognise that cash limits that are too tight may actually result in economic damage. Efficiency improvements can and should deliver savings in the near term without real cuts in service levels but there is a limit to what efficiency improvements alone can achieve. Increases in revenue spending that are less than the rate of inflation, if pursued year-on-year for too long, may result in real cuts in important services.

- In December 2006 the States also approved the further development of the draft Government Business Plan. This, inter alia, set targets for increasing public sector income as well as in relation to revenue and capital expenditure as described above. An additional idea that may be worth pursuing in this regard is to look further at partnership models whereby responsibility for service provision can be shared between the public and private sectors. Effective governance arrangements and strong accountability provisions are vital in this regard, but if these can be put in place such arrangements can contribute to improved efficiency and reduced costs. The Plan also includes proposals for examining fees and charges levied by departments. Again, this latter proposal is a laudable development: where services are provided to specific user groups who obtain specific benefit, and are not for the general benefit, it is not unreasonable that those user groups should pay for them<sup>3</sup>.

### **Proposals still to be addressed**

13. The Progress Report identifies a number of proposals that will need to be presented to the States during 2007 and 2008. Many of these relate, as mentioned above, to the detailed specification of proposals already agreed: for example, the detailed implementation of the corporate tax proposals; taxation of rental income; taxation of the distribution of profits; the position of significant individual taxpayers; and the scope and structure of anti-avoidance measures. These are very important issues but are outside the scope of my review. Below I comment on some of the economic aspects of proposals still to be addressed.

- Detailed proposals for the implementation of a revised system of Tax on Real Property are to be presented to the States in the summer. This initiative is to be welcomed: in the second report of the Independent Working Group we pointed out that Guernsey at present collects very little revenue by way of taxes on residential property, certainly when compared with other jurisdictions. And in Guernsey it seems not unreasonable to assume quite a strong relationship between the value of an individual's residential property and that individual's wealth. Thus property taxes can offer many of the benefits of a wealth tax without the latter's disadvantages. And if the systems are already in place the costs of change need not be great. One area where caution is needed, however, has already been referred to above: increases in the rates of property taxation on businesses need to be evaluated carefully in the context of competitiveness

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<sup>3</sup> As with indirect taxes such as fuel duties, fees and charges imposed on business are typically shifted to consumers and give an upward impetus to inflation but the amounts are unlikely to be so large as to have a significant impact on business competitiveness

issues.

- In July 2007 the Government Business Plan will be further debated. In setting targets both for income and for revenue and capital expenditure assumptions as to future economic growth will be critical and I consider this in more detail below.
- The next stage of the Property Rationalisation Strategy will come before the States in the autumn. Again, disposal of surplus property is a sensible priority but it is important to recognise that such initiatives are one-off: they cannot solve the problem of a structural deficit but they can assist in the short-term management of the public finances.
- Further proposals will be coming forward in the autumn in relation to the 2008 Budget. Increases in the upper earnings threshold for social security contributions and further increases in indirect taxation have already been commented on above, but also of importance will be proposals in respect of personal income tax allowances and interest and life assurance reliefs. In the second report of the Independent Working Group we observed that these could be fruitful areas for adjustment. Such adjustments could include modest reductions in personal allowances; abolishing life assurance relief; and relief on personal pension contributions. Implementation costs would be low and modest changes would have only a marginal impact on the effective tax rate.
- Last, during 2008 a report is to be presented to the States on investigations into a system of goods and services tax (GST). This is obviously an issue of major importance: if it becomes clear that significant new revenue-raising initiatives are going to be needed beyond 2011/12 to address an emerging structural deficit then a GST will be one of the options open to Guernsey. In the second report of the Independent Working Group we observed that policy-makers would be well-advised to give consideration now to appropriate additional policies in order to secure fiscal balance in the future; we were of the view that such policies will very likely be needed, but in any event to be prepared to implement policies that, in the event, turn out not to be needed is clearly to be preferred to having to design and implement such policies at speed. Detailed work on a GST, even if in the event it is decided not to implement such a tax, is therefore entirely appropriate.

### **Issues for the future**

14. As indicated above, progress since 2006, and plans for 2007 and 2008, fit well with the stated aims of the Strategy. There are however, two particular issues relating to future economic performance that merit comment at this time: economic growth; and inflation and the labour market. Both are of importance because they are key to whether, at the conclusion of Stage One, there is likely to be a structural deficit emerging that will need to be addressed in Stage Two and, if so, what size it is likely to be, what will be the scale of any action to remedy it, and what should be the focus of



any new measures. I comment briefly on each of these two issues below, followed by some observations on the implications for the public finances.

### ***Economic growth***

15. Assumptions as to likely rates of economic growth in Guernsey were discussed in some detail in the second report of the Independent Working Group. We concluded that, whilst the objective of seeking to maintain previous levels of economic growth by means of ‘pro growth’ policies was to be applauded, it is important not to overestimate what these can achieve. We were of the view that a central assumption of average real growth of 2.5% per annum over the medium term would be both prudent and appropriate although we also observed that it would be important to consider the consequences of growth both above and below this central estimate.

16. It is reasonable to enquire whether there have been any developments over the last 12 months that indicate a need to change this view. Looking first at the wider economic environment, Guernsey’s growth, given its dependence on global financial services, is strongly influenced by developments in the global and UK economies. Globally, the world economy grew by around 3.8% in 2006<sup>4</sup>, up from 3.4% in 2005 and comfortably above its long run historic average. The general outlook for 2007 is for continued relatively robust growth in much of the world, albeit at a slightly slower rate than in 2006. The latest IMF estimate sees the world economy growing this year at around 3.5%. But whilst this is the most likely outcome there are quite substantial risks to global performance, including oil prices; the perpetuation of global trade imbalances; the US economy, where the housing market is slowing rapidly; and the geopolitical situation, particularly in relation to the Middle East. In the UK, economic performance this year is likely to be around 2.75%, and around 2.5% in 2008. But, like the global economy, there are substantial risks facing the UK economy, including in particular oil prices and the possibility of a sharp reaction to interest rate increases by consumers who are heavily in debt.

17. Overall, the implications for economic growth in Guernsey are reasonably favourable: benign global and UK prospects provide a good backdrop for an economy heavily dependent on global financial services markets. But there are risks in the global economic environment and it continues to be the case that Guernsey cannot depend upon better than average growth year-in year-out for the entire period to 2011/12 and beyond: the need to be ready with contingency plans for Stage Two is still very much there. And the importance of looking at the consequences of both higher and lower growth than that assumed in any central estimate is also still there: uncertainty as to economic prospects will continue to be a feature of economic life up to and beyond 2011/12.

### ***Inflation and the labour market***

18. In recent years inflation has undoubtedly been an issue for Guernsey. Data for the last 10 years suggest that, although the inflation curve in Guernsey has had a similar

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<sup>4</sup> IMF estimates.

shape to the UK, it has in general been as much as a full percentage point higher. Notably, inflation has continued high even in years when economic growth was not so strong, suggesting that inflation is not simply a matter of ‘demand-pull’. And if we look at the most recent figures the situation has certainly not improved: at the end of December 2006 the annual rate of headline inflation was 4.4%, up from 3.5% in September, and the latest figures at the end of March 2007, published on 18 April, shows inflation up a further 0.4%, to 4.8%, a two-year high. Housing costs appear to be a key issue, contributing 2.8% to the 4.8% total at the end of March. The continuing rise here seems to be mainly due to the increased cost of servicing a mortgage. But other prices rose too, including food, which contributed 0.5%<sup>5</sup>. The only group showing a downward movement was clothing and footwear.

19. These domestic inflationary pressures are of particular significance in that inflation is also creeping up in the global environment. Strong growth globally combined with the effect of high energy and commodity prices has driven up inflation, and this has prompted central banks around the world to tighten their monetary policy stances. In the UK, similarly, consumer price inflation has trended upwards in recent months. The Consumer Price Index (CPI), which is the UK Government’s preferred measure of inflation, stood significantly above its 2% target rate at 3.0% in December 2006 and, as in Guernsey, the most recent figures published on 17 April, shows a further increase. The CPI in March rose to 3.1%<sup>6</sup>, requiring the Governor of the Bank of England to write to the Chancellor explaining the circumstances for the first time since the Bank was granted independence over interest rate decisions in 1997. The increase in CPI inflation, which does not include housing costs, was driven largely by rises in food and drink prices, which also increased in Guernsey, and there are some grounds for supposing that this latest increase in the UK will turn out to be more of a temporary than a permanent phenomenon, but the Bank has already moved to increase interest rates in January 2007 and it seems highly probable that a further rise will follow in May.

20. Looking ahead, therefore, there has to be a risk that Guernsey will continue to experience significant inflationary pressures in the near term, and relatively high price inflation, when passed on in the form of relatively higher wages, is the enemy of productivity growth. This may well have implications for fiscal policy: when inflationary pressures are high measures that give a substantial upward hike to inflation<sup>7</sup> are best avoided.

21. Following on from this, another issue of major importance is the state of the labour market in Guernsey. In the absence of up-to-date figures, anecdotal evidence certainly suggests that the labour market, particularly in financial and business services, is tight and getting tighter. A labour force with the right skills and available at an

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<sup>5</sup> Alcohol also contributed 0.4% to the 4.8% figure. Whilst this was partly due to increases in duties it was also a consequence of price rises following Christmas special offers, which is a common phenomenon at the end of the first quarter.

<sup>6</sup> The comparable figure for the RPI was 4.8%, the same as Guernsey.

<sup>7</sup> The increases in indirect taxes implemented thus far, and planned for next year, should result in only a relatively modest increase in inflationary pressures. See Appendix 4 to the Progress Report.

appropriate wage is crucial to the maintenance of competitiveness, hence this has to be an important area to keep under close review; supply-side policies directed at improving the supply of labour and at improving the skills base of the workforce will be very important.

### ***Implications for the public finances***

22. Guernsey's relatively strong economic performance in the past year has certainly helped in the delivery of the first stage of the Strategy. The Progress Report indicates that in 2006 growth in ETI, investment income and self-employed was 4.6% in real terms (9% in cash terms allowing for inflation at 4.4%)<sup>8</sup>. This growth, together with the measures already implemented and those in the pipeline to be introduced in 2008, will go some way to addressing the 'black hole' problem consequent on the move to '0%/10%'. But caution is still needed with regard to the future fiscal balance. It would be unwise to rely on the continued elasticity of ETI receipts, notwithstanding that ETI receipts have grown faster than the economy in recent years<sup>9</sup>, or on continued real growth in excess of 2.5% per annum on average. On the expenditure side, constraining capital expenditure too much can have deleterious economic consequences. And whilst constraining revenue expenditure growth to below the RPI is a reasonable target for the short term, it is unlikely that it can be maintained into the medium term without real cuts in services and possible economic damage.

23. Overall, therefore, it has to be right to keep the position under careful review and be ready to implement more substantial revenue-raising measures from 2011/12 if a structural deficit is by then beginning to appear. Whether this should take the form of a GST will be for policy-makers to decide, although to be ready with the appropriate systems must be the basis of a prudent approach. In its second report the Independent Working Group drew attention to the disadvantages of a GST, notably that such taxes are regressive rather than progressive and have a direct impact on inflation and thereby on wage demands. It seems probable that Guernsey will still be struggling with inflationary pressures by the time decisions have to be taken on Stage Two of the Strategy. And a GST would only be appropriate if it were to be seen as a major source of revenue for the future. If any emerging structural deficit should be more modest, or if inflationary pressures continue to be substantial, other measures (e.g. use of the income tax system; further taxation of property; selective use of duties) may be seen as preferable.

Yours sincerely



**Rosemary Radcliffe**

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<sup>8</sup> See Appendix 7.

<sup>9</sup> Appendix 8 to the Progress Report indicates that ETI income has grown on average by 11% p.a. in cash terms since 1999, or 7% in real terms.

**Appendix 4****Summary of 2007 Budget Proposals for Indirect Taxes**

	Estimated Revenue Raised	Impact on individuals	Impact on RPI
Petrol duty up by 6.2p per litre & increase in motor vehicle taxation (Diesel)	£2.25m	Average motorist about £1 per week more.	0.1%
Tobacco duty up by RPI plus 3%	£0.4m	20 cigarettes increase by 15p	0.05%
Alcohol duty up by 20%	£1.25m	Pint of beer up by 2p, litre of wine up by 24p, spirits £1.11 per litre	0.2%
TRV up by 25% on domestic	£0.5m	Average TRV bill to increase by £20 per year, or less than 50p per week.	0.1% (total)
TRV up by 100% on commercial	£1.25m		
TRV, Utilities, tourist and others	£0.25m		

## Appendix 5

# **LIABILITY TO TAX OF INDIVIDUALS WHO ARE RESIDENT BUT NOT SOLELY OR PRINCIPALLY RESIDENT**

Current position compared to post 1 January 2008

<b>Class of resident individual</b>	<b>Broad definition of time spent in Guernsey</b>	<b>Liability to Guernsey tax (current)</b>	<b>Suggested liability to Guernsey tax (under zero/10)</b>
Resident only	More than 91 days (but also resident elsewhere)	<ul style="list-style-type: none"> <li>• Guernsey source personal income.</li> <li>• Non-Guernsey source personal income remitted to Guernsey (e.g. UK pension).</li> </ul>	<ul style="list-style-type: none"> <li>• Guernsey source personal income.</li> <li>• Non-Guernsey source personal income remitted to Guernsey (e.g. UK pension).</li> <li>• Deemed distributed company investment income derived from Guernsey sources.</li> <li>• Company business income where deemed as distribution, e.g. sale of shares, loans, etc to the extent it is derived from Guernsey sources.</li> <li>• Deemed distributed company income derived from non-Guernsey sources but only to the extent it is <u>remitted</u> to Guernsey.</li> <li>• Non-Guernsey source company business income where deemed as distributions, e.g. sales of shares, loans, etc but only to the extent it is <u>remitted</u> to Guernsey.</li> </ul> <p>BUT with a cap on non-Guernsey source income plus Guernsey bank interest/income from Guernsey exempt collective investment schemes.</p>

**Appendix 6****TIMETABLE OF EVENTS (TO DATE)**

December 2002	Advisory and Finance Committee issue Supplement to the 2003 Budget Report entitled “Future Corporate Taxation Strategy”
June 2004	Policy Council established the Fiscal & Economic Policy Steering Group (the “Steering Group”)
March 2005	First Consultation Document issued
September 2005	Second Consultation Document issued
October 2005 & November 2005	Public Presentations held in Guernsey and Alderney
February 2006	Independent analysis of 500+ Consultation Responses issued
March 2006	Future Fiscal & Economic Structure issued by Policy Council
March 2006	Economic case for 0%/10% issued by Independent Economic Working Group
April 2006	Independent Economic Working Group issue Economic Impact Analysis
June 2006	States approve Future Economic and Taxation Strategy
September 2006	States approve first phase of social security contribution increases w.e.f. 1 January 2007
October 2006	States approve Capital Prioritisation Report
December 2006	States approve 2007 Budget Report including increases in indirect taxes and £15m transfer to Contingency Reserve
December 2006	States approve Government Business Plan
January 2007	States approve Report on Fees & Charges

## **TIMETABLE OF EVENTS**

### **OUTSTANDING**

May 2007	Progress report to the States on the implementation of the Economic & taxation Strategy
June	Report on proposals for the introduction of Tax on Real Property
July	Report on outstanding property-related matters to be debated by the States (inc interest relief on property investments)
July	Enabling Legislation to be debated by the States
July	Debate on Government Business Plan to include targets on income, expenditure and economic growth
September	Report on next stage of the Property Rationalisation Strategy
September	Report on replacement policy for SNLP
September	States to approve second phase of social security contribution increases w.e.f. 1 January 2008
September	Report on outstanding issues to be addressed in connection with the Economic & taxation Strategy
November	States to approve 2008 Budget Report including further increases in indirect taxes, personal income tax allowances and interest and life assurance reliefs
January 2008	New Tax Regime implemented
Autumn 2008	Report on Goods and Services Tax including draft legislation

**Appendix 7****PUBLIC SECTOR EXPENDITURE**

Percentage of total annual expenditure by Department

	2004 %	2007 %
Policy Council	3.0	2.6
Treasury & Resources	7.7	7.5
Commerce & Employment	4.4	3.8
Culture & Leisure	1.1	1.1
Education	21.9	22.3
Environment	2.9	2.9
Health & Social Services	27.3	28.7
Home	8.4	8.9
Housing	0.9	0.7
Public Services	3.5	2.5
Social Security	18.9	19.0
	100%	100%

Note: 1% redistribution is equivalent to £3m.

Total Expenditure 2003 to 2007

	2003	2004	2005	2006	2007	
Expenditure	£254m	£276m	£292m	£295m	£301m	*
Increase in cash terms	5.9%	8.4%	5.8%	1.1%	2.0%	
Increase / (Decrease) in real terms	3.0%	3.5%	2.5%	(3.3%)	(0.5%)	

\* Per Budget - not adjusted for the change in Social Security grant

In the period 2000 to 2002 expenditure grew by an average of 6% per annum in real terms.



## Appendix 8

## PUBLIC SECTOR REVENUES 2004 - 2006

	2004		2005		2006	
	£m	£m	£m	£m	£m	£m
<b>Income Tax</b>						
ETI	109.0		116.0		124.0	
Individuals	30.9		32.5		38.6	
Companies	<u>96.0</u>		<u>110.2</u>		<u>107.5</u>	
		235.9		258.7		270.1
<b>Indirect Taxes</b>						
Customs Duties	15.8		15.4		15.6	
Document Duties	14.5		17.2		18.3	
Company Fees / Duty	6.7		6.9		7.6	
Tax on Rateable Value	4.1		4.1		4.2	
Motor Tax	<u>5.5</u>		<u>6.1</u>		<u>6.3</u>	
		46.6		49.7		52.0
<b>Miscellaneous Income</b> (inc. Capital Income)		2.4		2.1		3.8
		<u>284.9</u>		<u>310.5</u>		<u>325.9</u>

## Appendix 9

### ETI GROWTH 1999 TO 2006

Under the proposed new tax regime income from employees (i.e. ETI) will become a greater proportion of States revenues.

Without any changes in the tax regime there has already been a marked increase in ETI receipts as follows:

	£m	% Annual increase	% Growth after inflation (RPI X)	ETI as a % of total income tax receipts
1999	61	5.2%	2.4%	32%
2000	70	14.8%	11.0%	35%
2001	82	17.1%	14.2%	36%
2002	97	18.3%	14.5%	41%
2003	105	8.2%	4.8%	44%
2004	109	3.8%	0.9%	46%
2005	116	6.4%	3.4%	45%
2006	124	6.9%	4.1%	46%

**Since 1999, despite increases in personal tax allowances, ETI Income has grown by £63m, or 103%, an average of 11% per year in cash terms, or 7% in real terms.**

## Appendix 10

**PROJECTED PUBLIC SECTOR REVENUES 2008**

The following table shows where the revenue (excluding transitional company tax) raised to fund States expenditure is derived:

	2006 £m	2006 as %	2008 £m	2008 as %
<u>Revenue Income</u>				
ETI / Individuals	163	50.0	187	66.3
Income from company profits	107	32.8	-	-
Income from banking profits	-	-	15	5.3
Income from distributed profits	-	-	9	3.2
Indirect taxes	52	16.0	64	22.7
Miscellaneous (inc. capital income)	4	1.2	7	2.5
	<u>326</u>	<u>100</u>	<u>282</u>	<u>100</u>

Notes:

2008 ETI / Individuals (£187m) is based on an annual growth of 5% in cash terms (2.5% in real terms assuming RPI of 2.5%) plus the effect of reducing income tax relief on interest payments and life assurance policies (£7m).

**ETI, investment income & self-employed growth in 2006 was 4.6% in real terms (9% in cash terms). If that growth were to be maintained in 2007 and 2008, then the above projected revenue is estimated to be between £295m and £300m.**

## Appendix 11

**ACTUAL AND PROJECTED REVENUE INCOME AND EXPENDITURE 2006 – 2010**

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Revenue Income</b>					
Income Tax					
ETI	124	129	135	142	149
Individuals	39	41	45	46	47
Companies	107	111	-	-	-
Transitional Company Tax *	-	-	18	-	-
Reduction of interest relief, etc	-	-	7	7	7
Banks	-	-	15	15	15
Distributed profits	-	-	9	9	9
	270	281	229	219	227
Indirect Taxes					
Customs Duties	16	19	28	29	30
Document Duties	18	18	18	19	20
Company Fees / Duty	8	8	8	8	8
Tax on Rateable Value	4	6	10	11	11
Motor Tax	6	4	-	-	-
	52	55	64	67	69
Miscellaneous (inc. Capital Income)	4	6	7	9	9
<b>Total Revenue Income</b>	<b>326</b>	<b>342</b>	<b>300</b>	<b>295</b>	<b>305</b>
<b>Revenue Expenditure</b>					
Expenditure before reduction in grant	295	311	315	325	335
less: reduction in grant to Social Security	-	(10)	(25)	(25)	(25)
<b>Total Revenue Expenditure</b>	<b>295</b>	<b>301</b>	<b>290</b>	<b>300</b>	<b>310</b>
<b>Net Surplus / (Deficit)</b>	<b>31</b>	<b>41</b>	<b>10</b>	<b>(5)</b>	<b>(5)</b>
<b>New capital allocations</b>			<b>(20)</b>	<b>(20)</b>	<b>(20)</b>
<b>Funded from General Revenue Account Reserve</b>			<b>10</b>	<b>-</b>	<b>-</b>
<b>Transfer from Contingency Reserve</b>			<b>-</b>	<b>25</b>	<b>25</b>

\*This reflects the fact that during 2008 payments of tax will continue to be received for years up to and including 2007, as companies finalise their income tax affairs to 31 December 2007.

**Appendix 12****CONTINGENCY RESERVE PROJECTIONS  
(Based on Appendix 10)**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Opening Balance	219	229	241	228
Interest Received	10	12	12	11
Use of Fund	-	-	(25)	(25)
Closing Balance	<u>229</u>	<u>241</u>	<u>228</u>	<u>214</u>

Based on a withdrawal of £25m per annum, it would be 2014 before half of the Contingency Reserve as at 30 June 2006 plus interest had been used.

## Appendix 13

### GLOSSARY

**Attribution** means a regime where the assessable profits of a company are treated as income of the shareholders, irrespective of whether the profits are distributed or not.

**Cash terms** means the actual amount of money that will be expended. Real Terms is cash terms less inflation.

**Contingency Reserve** is a Fund established by the States of Guernsey whose purpose is to provide protection against major emergencies including significant economic downturns having a severe adverse effect on the Island.

**Distribution-only** means a regime where tax would be assessed on local shareholders of a company based on the amounts actually distributed or deemed to be distributed in defined circumstances.

**ETI (Employee Tax Instalment Scheme)** is a tax collection scheme whereby an employer withholds tax from the emoluments of individual employees and pays the tax over to the Income Tax Office.

**Fiscal & Economic Policy Steering Group** is the sub-Group of the Policy Council tasked with overseeing the development of a future fiscal and economic strategy and was responsible for issuing the first and second consultation documents in 2005. The Group comprises the Chief Minister as Chairman, the Deputy Chief Minister and the Ministers of the Treasury & Resources and Commerce & Employment Departments

**General Revenue** means those parts of the States activities that are funded, fully or in part, by general taxation. For example, Health, Social Services, Education, Law and Order.

**Goods and Services Tax** is a generic term for a range of taxation systems where revenue is raised from the consumers of goods and services at the point of purchase. A **Sales Tax** refers to a type of goods and services tax which is chargeable at the point of sale.

**Independent Economic Working Group** was commissioned by the Treasury and Resources Department to undertake an economic analysis and comprises former Deputy John Roper as Chairman assisted by Rosemary Radcliffe CBE and economic consultants Oxera.

**Island(s)** means the islands of Alderney, Guernsey and Herm.

**Minimum Regulatory Requirement** (in relation to a bank) is the minimum capital that it is required to hold as determined by the Guernsey Financial Services Commission.

**Ring-Fenced** is a term used to describe the situation when a preferential tax regime is available only to non-residents rather than to residents of the country providing the regime.

**States Trading Entities** means those companies wholly owned by the States of Guernsey and subject to regulation by the Office of Utility Regulation, i.e. Guernsey Post Limited and Guernsey Electricity Limited.

**Tax on Rateable Values** is the current system of annual tax (which currently raises approximately £6m per year) on property. This system is under review and will be replaced by a simplified system to be referred to as Tax on Real Property.

**Zero-Ten** means a tax regime where the standard rate of tax on corporate profits is zero with some companies regulated by the Guernsey Financial Services Commission subject to a tax rate of 10% (and some at 20%).

**(NB The Treasury and Resources Department's comments are set out below.)**

The Chief Minister  
Policy Council  
Sir Charles Frossard House  
La Charroterie  
St Peter Port

25<sup>th</sup> April 2007

Dear Sir

**IMPLEMENTATION OF THE ECONOMIC & TAXATION STRATEGY**

At a recent meeting of the Treasury & Resources Department the Board gave very careful consideration to the Policy Council's States Report on the above matter and I am pleased to be able to confirm that we fully support the proposals.

The Treasury & Resources Department will, as you know, continue to play a lead role in the implementation of the fiscal and taxation measures that form part of, and indeed, underpin, the Strategy. In this respect it is pleasing to note the level of support that the States have given to the various measures presented to them since the key debate on the Strategy last June.

The Department believes that this latest Report provides a very important and timely reminder of the work that has already been completed as part of implementing the Strategy. It is, of course, important that further Reports are presented to the States over the forthcoming months in order to maintain the necessary momentum in delivering the Strategy and to ensure that the public and the business community are kept informed of developments.

While we also remain mindful of the considerable amount of work that still needs to be finalised, the Treasury & Resources Department is confident that all of this will be completed in time for January 2008. In addition, the consultation process must continue over the next few years, particularly during the transitional phase up to 2011/13 and I can assure you that the Treasury & Resources Department will continue to play its part in that process.

Yours sincerely

L S Trott  
Minister



The States are asked to decide:-

XI.- Whether, after consideration of the Report dated 23<sup>rd</sup> April, 2007, of the Policy Council, they are of the opinion:-

1. To note the progress that has been made to date concerning the implementation of the Economic and Taxation Strategy and the intention to bring forward related policy matters during 2007 as set out in sections 3 and 5 of that Report.
2. That the limited amount of specified banking activities as set out in section 4(b) of that Report shall be subject to income tax at 10%.
3. That Utilities and States Trading Activities regulated by the Office of Utility Regulation shall be taxed on their profits at 20% on those activities that are regulated as set out in section 4(c) of that Report.
4. That Guernsey Rental Income will continue to be subject to the 20% Rate (after allowable deductions) regardless of the residential status of the company or its shareholders as set out in section 4(d) of that Report.
5. To note that further consideration is being given to wider property-related issues as set out in section 4(d) of that Report and that these will be the subject of a further report.
6. That the present exemptions from tax on Guernsey rent enjoyed by UK and Jersey pension schemes will be removed as set out in section 4(d) of that Report.
7. That Guernsey resident shareholders shall be taxed at 20% on their distributed profits and that appropriate anti-avoidance measures shall be introduced as necessary as set out in section 4(e) of that Report.
8. To note the proposals in respect of significant individual tax payers and the intention to give more consideration to specific issues and report back to the States as set out in section 4(f) of that Report.
9. To agree those matters relating to the operation and administration of the Income Tax system as set out in section 4(g) of that Report.
10. To note those matters that are to be addressed as part of the on-going implementation of the Economic and Taxation Strategy as set out in sections 5 to 10 of that Report.
11. To direct the Treasury and Resources Department to take account of the Economic and Taxation Strategy when bringing forward recommendations as part of the States 2008 (and future) Budget Reports.

12. To direct the Social Security Department to take account of the Economic and Taxation Strategy when bringing forward recommendations as part of that Department's Reports on Benefit and Contribution Rates for 2008 and future years.
13. To direct the Treasury and Resources and Social Security Departments to continue working together in order to identify and address areas where the income tax and social security rules can be harmonised.
14. To direct the preparation of such legislation as may be necessary to give effect to their above decisions.

## POLICY COUNCIL

### GOVERNMENT BUSINESS PLAN 2007 – PROPOSED ARRANGEMENTS FOR THE JULY STATES DEBATE

#### 1. Introduction

- 1.1 The development of Guernsey's First Government Business Plan (GBP) during 2006/7 has been strongly focused on providing political leadership to drive the process of policymaking and resource planning. The Policy Council considers that it is very important that the political engagement that has been achieved through sustained dialogue with States Members is not lost when the draft plan is debated by the States in July.
- 1.2 The layered structure of the GBP was explained when the incomplete plan was presented to the States in December (2006). A copy of the relevant extract from the December report is attached for reference as **Appendix A**. States Members will be aware that work has been proceeding quite intensively since the beginning of the new year including an unprecedented number of meetings between the GBP Project Team, Department boards, States Committees and Policy Steering Groups.
- 1.3 The Policy Council proposes to reflect the involvement of the many different contributors to the GBP and their political 'ownership' of the plan in the way that the July debate is organised and managed.

#### 2. Proposed Arrangements for the July 2007 States debate

- 2.1 It has been agreed in discussion with the Bailiff that the scheduled meeting of the States in July will be principally dedicated to the consideration of the GBP. Any other urgent matters that must be considered in July will be dealt with at a special, additional meeting commencing 11<sup>th</sup> July, if necessary.
- 2.2 Instead of dealing with the GBP via a single debate, however, it is proposed that there will be **an over-arching debate** opened by the Chief Minister and supported by the Deputy Chief Minister as Chairman of the GBP Project Team to deal with any wider issues raised by the plan and any matters not covered by the process described in paragraph 2.3.
- 2.3 Within this overall structure, a series of **sixteen subsidiary debates** will take place to consider the fourteen States Priority action plans, the Strategic Economic Plan (formerly called the 'Economic Development Plan') and the Strategic Land Use Plan.
- 2.4 Each of the subsidiary debates will be opened and closed by the relevant Minister responsible for that area of work. In the case of States Priority action

plans with more than one lead agency at Level 2, it will be for the bodies concerned to decide which Minister should open and close the debate, leaving other Ministers and States Members to contribute as appropriate.

- 2.5 Each subsidiary debate will be subject to a specific proposition and it is intended that the States will vote on that proposition and then move on to the next priority/strategic plan. Any amendments will be considered within the context of the relevant subsidiary debate unless they relate to broader matters that affect the GBP as a whole. The Deputy Chief Minister will sum up for the over-arching debate once all the subsidiary debates have been held and votes taken on the relevant propositions. In this way, he will be able to pick up on any points that remain outstanding.
- 2.6 In the case of the fourteen States Priorities, only Levels 1, 2 and 3 of the action plans will be presented to the States for approval. The detailed actions described at Level 4 will be fully set out in the main body of the Billet for consideration and comment but will be for noting only. In this way, the Departments responsible for implementing the GBP will retain the flexibility necessary to exercise their judgement and adjust the Level 4 actions as necessary in the light of experience and changing circumstances without referring the matter back to the States.
- 2.7 The Policy Council considers that this approach will avoid the imposition of time-consuming and cumbersome reporting procedures; will ensure that the GBP remains a 'living document' and will continue to allow Departments to exercise their mandates without undue corporate interference in detailed matters.
- 2.8 The Scrutiny process will act to ensure that any changes that are made at Level 4 remain consistent with the Level 1 objective and all States Members will, of course, be able to raise any concerns they may have through normal States procedures.
- 2.9 Although it will be possible under the States Rules of Procedure for a member to bring an amendment relating to Level 4 of the action plans, the Policy Council trusts that States Members as a body will strongly discourage this approach because it distorts the *strategic* focus of the GBP and risks derailing a process that relies on a productive relationship between corporate objectives and departmental implementation.
- 2.10 The Operational Plan Summaries, on the other hand, will be provided in an appendix to the GBP as they are essentially descriptive in nature and, as with the Level 4 action plans, it is not intended that the GBP process should override the mandates the States have given to Departments and Committees.
- 2.11 Having said this, however, the Operational Plan Summaries are expected to demonstrate the alignment between the departmental, committee and corporate

levels of government. If there are perceived inconsistencies, these will also be open to the scrutiny process and States Member comment.

- 2.12 The Policy Council wants to encourage all States Members to participate productively in the GBP debate but to ensure that the sixteen subsidiary debates are completed within the limited time available will require some agreed self-discipline on behalf of all Members. With this in mind, the Policy Council would strongly encourage Members to keep to a **five minute maximum** for all speeches, including, if possible, opening speeches and summings up. There may need to be some relaxation of this rule, however, if a Minister needs to respond to a large number of points raised in debate.

### 3. Conclusions and Recommendations

- 3.1 The GBP represents a completely fresh approach to policymaking and resource planning in Guernsey and because it is entirely new, there is inevitably an element of trial and error in determining the most effective method of debate.
- 3.2 The Policy Council believes that the process outlined in this report should enable a form of debate that allows States Members to participate much more effectively in setting a direction for government than has ever been possible before. Depending on the level of success that is achieved, it is, of course, intended to adjust and refine the process over subsequent years so that the GBP process continues to improve with each successive cycle.
- 3.3 The Policy Council, therefore, recommends the States to agree that the July 2007 Government Business Plan debate should be conducted as described in this report.

M W Torode  
Chief Minister

23<sup>rd</sup> April 2007

## APPENDIX A

### THE STRUCTURE OF THE GOVERNMENT BUSINESS PLAN

The Government Business Plan remains formally denoted as the States Policy & Resource Plan for the purposes of relevant legislation but it is presented as a new, more streamlined form of plan that is part of a wider family of documents.

**The Government Business Plan consists of several related layers:**

1. **States Corporate Policies**

These are high-level statements of government policy that should not require frequent review.

2. **The Eight Key Themes of the Corporate Agenda**

The Themes are of equal importance and are bound together by an overarching statement of purpose. Together they represent the political consensus within the States that sets a broad direction for government.

3. **The States' Priorities**

This will be a statement of the specific Political Priorities that the majority of States Members agree should be pursued during the States' term together with action plans for achieving these objectives.

4. **Operational Plan Summaries**

The operational plans of the Policy Council and all States Departments and Committees will be summarised within the Government Business Plan.

5. **Strategic Plans**

The **Strategic Land Use Plan** (Strategic & Corporate Plan) will be retained as part of the Government Business Plan having been a long-standing component of the Policy & Resource Plan.

In addition, a new plan, the **Economic Development Plan**, will be developed and included in future Government Business Plans to guide government action to support the continued well-being of the local economy.

6. **Further Development of the Government Business Plan**

The first Government Business Plan is yet to be completed as is explained in this report. Work will continue to complete the plan for consideration at the July 2007 States meeting and it is proposed that, in future cycles, the main Policy debate will take place in July followed by the setting of the States Budget in the Autumn.

The States are asked to decide:-

XII.- Whether, after consideration of the Report dated 23<sup>rd</sup> April, 2007, of the Policy Council, they are of the opinion:-

That the July 2007 Government Business Plan debate shall be conducted as described in that Report.

## **POLICY COUNCIL**

### **CORPORATE ANTI-POVERTY PROGRAMME - MONITORING AND UPDATE**

#### **Executive Summary**

Given the current background to States finances, with the need to restrain public expenditure, coupled with the States decisions to implement a new tax strategy in 2008, the Policy Council (through its Social Policy Steering Group) is embarking on an overall review of the Corporate Anti-Poverty Programme (CAPP).

The Policy Council is working closely with the Treasury and Resources Department, and other relevant States Departments and Committees in this review.

This Report seeks to:

- Highlight the progress made under the CAPP in 2006, while also presenting updated action plans for 2007, in each area of the CAPP;
- Recommend that the CAPP be subsumed within Priority 4 (Redistribution of wealth wisely within the community) of the Government Business Plan (GBP);
- Note the Policy Council's intention to defer the repeat of the Survey of Guernsey Living Standards (SGLS), which was due to take place in early 2009, until late 2009/2010, in order to be able to take account of the effects of the new Economic and Tax Strategy in 2008; and
- Note the more robust financial position of the Corporate Housing Programme (CHP) following changes made to its funding structure.

#### **Background to the CAPP**

The States of Guernsey voted in favour of an anti-poverty strategy and corporate anti-poverty programme (CAPP) at their meeting of November 2003 (Billet d'État XXV).

The last CAPP update was presented to the States in May 2006, in Billet d'État X.

#### **Review of the CAPP**

The Policy Council, through the Social Policy Steering Group, has, over the past year, aimed to address the appropriateness of the ongoing work streams under the CAPP, and review the best way to take it forward, in light of current financial restraints.

The review has included some other initiatives that could be introduced to alleviate financial poverty in the Island.



In December 2006, the States approved the first Government Business Plan, in Billet d'État XIX, ahead of a more fully developed version, which is to be presented to the States in July 2007. In approving the GBP, the States agreed to commit to 14 States Priorities, including the service priority 'Redistribute wealth wisely within the community' (Priority 4).

As a consequence of the review undertaken by the Social Policy Steering Group, and in light of the development of a corporate business agenda for the States, it is the recommendation of the Policy Council that the CAPP, and those aspects of the Corporate Housing Programme, which involve anti-poverty measures, should be subsumed within States Priority 4 (Redistribution of Wealth) of the Government Business Plan.

The Policy Council is of the view that Priority 4 of the GBP is wider in scope than the Corporate Anti-Poverty Programme, and forms part of the States business agenda, therefore accommodating the CAPP, and updating its relevance.

Additionally, aspects of Action Area E of the CAPP (Crime Reduction Initiatives) would effectively be subsumed within GBP Priority 7 (Take firm action against crime and the causes and effects of crime).

Within the Government Business Plan, progress made to address relative poverty would be monitored not against an isolated corporate action plan, but in the overall context of the whole business agenda, therefore making it more difficult to see anti-poverty measures in isolation from corporate government priorities and actions.

### **The Government Business Plan and the future of the CAPP**

The Plan identifies 14 States Priorities for action during the remainder of this States term, and the action plans to be pursued in each case.

Priority 4 of the Government Business Plan is entitled "*Redistribute wealth wisely in the community,*" and has as its Level 1 Priority Objective:

*To consolidate and develop policies to help and empower those on low incomes and vulnerable members of the community, to share in the advantages of a largely prosperous economy.*

The instructions for its Level 2 work stream, as set out in the inaugural Government Business Plan (Billet d'État XIX, 2006) draw attention to the intention to integrate the CAPP within the Plan. It envisages that:

*The development of an action plan to pursue this priority objective will integrate the Corporate Anti-Poverty Programme with elements of the Corporate Housing Programme under the leadership of the Social Policy Steering Group.*

Since the initial version was approved, work has continued to fully develop the action plans contained within it, and development is underway of Key Performance Indicators, which will be included as part of the action plans and monitored over time, in order to show whether the action being taken is effective.

During the past year, in mind of the aim to subsume the CAPP within the Government Business Plan, the Social Policy Steering Group has worked with the relevant States Departments and Committees in order to draw up action plans for Priority 4, in terms of the major items of work to be carried out as part of each work stream (Level 3), and the Level 4 contributory actions to be taken in support of major tasks at Level 3.

## **Finance**

The 2006 CAPP update advised that, as a consequence of the present financial situation of the States, in which expenditure grew to levels, which were no longer sustainable, and reductions in public spending became very necessary, progress in achieving the original aims and objectives of the programme would be slower than originally envisaged.

However, the Policy Council is pleased to note that, through its tax strategy proposals and approved recommendations on Tax on Rateable Values and Fees and Charges, the Treasury and Resources Department (T&RD) has, during the past year, continued to commit to the principle that people on lower incomes must be protected. However, there is currently no agreed mechanism in place to ensure this, and one of the key tasks in 2007 will be for the Social Policy Steering Group to work with the Treasury & Resources and Social Security Departments to put appropriate processes in place to ensure that people on lower incomes are protected.

Additionally, as part of its Economic and Taxation Strategy proposals, T&RD recommended, and the States approved that those non-contributory areas of social security would continue to be funded by general revenue. It was also agreed that there would be no fundamental change to the funding of supplementary benefits from general revenue.

Furthermore, last year, T&RD recommended, and the States approved, that the method of funding and accounting for the Housing Department's rent rebate scheme should be reviewed. In recent years, the Housing Department received enhanced capital allocations (£5m in 2005 and £7m in 2006) in respect of the Corporate Housing Programme. However, as contained in the Capital Prioritisation report (Billet d'Etat XVII, October 2006), the States approved the T&RD recommendation that the Housing Department's annual revenue budget should be increased to take into account the rent rebates granted to tenants (both those in States Houses and those nominated tenants in Guernsey Housing Association properties), and the capital allocations adjusted accordingly, with the aim to implement those proposals in 2008.

The Policy Council is pleased to note that these changes to the funding arrangements for the Corporate Housing Programme (under Action Area G of the CAPP) have placed the CHP in a more robust financial position than had previously been the case.

### **Deferral of the repeat Survey of Guernsey Living Standards (SGLS)**

When the States approved the CAPP in November 2003 (Billet d'État XXV), it was agreed that a repeat of the Survey of Guernsey Living Standards, previously carried out between 2000 and 2002, should be undertaken early in 2009, in order to help identify the overall progress made by Guernsey's Anti-Poverty Strategy, and to assess how effective the CAPP had been in delivering that strategy.

The Anti-Poverty Strategy policy letter said that the repeat of the SGLS would be conducted with respect to the benchmark set in 2000/2001, and that the overall aim of the strategy was to reduce relative poverty in Guernsey by 50%, with respect to that benchmark, by the end of 2008.

In the 2006 CAPP Update, it was noted that a repeat of the SGLS would be important to monitor the absolute success of the strategy. However, as previously stated, it is the view of the Policy Council that the repeat SGLS should be deferred until late 2009/2010, in light of the forthcoming changes to the tax strategy.

The Economic and Taxation Strategy comes into effect on 1<sup>st</sup> January 2008. Under the new tax strategy, the basic rate of income tax on company profits will be 0%, with only a limited amount of regulated business subject to taxation at 10%. In order to ensure that there is sufficient public sector revenue, there will be increases in existing rates of indirect taxation (alcohol, tobacco, taxes on property and motoring), and an increase in the amounts collected through social security contributions. In effect, the new taxation strategy will shift some of the burden of taxation away from companies and onto individuals but that will be minimised by the phasing-in of increases and the measured use of the Contingency Reserve.

The Policy Council is aware that the immediate impact of the changes to the tax strategy will mean that some individuals may have less disposable income.

The Council wishes to have a clear picture of how the situation, in regard to the level of relative poverty in Guernsey, has changed since the implementation of the CAPP, and in mind of the above, is therefore of the opinion that if the follow-up Survey of Guernsey Standards is conducted too soon after the implementation of the Economic and Taxation Strategy, the full effects of the strategy will not have been felt, and the results may therefore be unrepresentatively positive.

It is the view of the Policy Council that it is therefore better to delay the survey slightly in the expectation of achieving a more representative picture of relative poverty in Guernsey. This would ensure that any effects of the tax strategy will have fed through to people's individual finances, thus revealing a more accurate picture of the level of poverty in Guernsey.

## **Continuous Review of the CAPP**

CAPP updates have, to date, been reported separately to the States. However, if, as recommended, the States agrees that the CAPP should be subsumed within Priority 4 of the Government Business Plan, future updates will be reported as a level of work under the GBP, with monitoring of the Plan and the overall performance of States Priority 4 coming under mandate of the Scrutiny Committee.

## **Changes to work streams**

Several key changes within Action Area F: Fiscal and Legislative Measures have been proposed, as detailed below.

The Commerce and Employment Department's investigation into the feasibility of establishing a Guernsey Credit Union revealed that a Credit Union would not provide an effective means of alleviating the nature of indebtedness and the consequent effect of relative poverty that is being experienced by some Guernsey residents. The Department's research also strongly indicated that there would be insufficient subscription to Credit Union banking and associated financial services in order to achieve viability. As a by product of examining Credit Union feasibility, however, the Commerce and Employment Department identified that greater benefit could be derived by residents through the provision of quality financial skills education, although the Social Policy Steering Group has already committed to this intervention, which falls within the *Financial Literacy* work stream of Action Area B of the CAPP. The Commerce and Employment Department has, therefore, requested that the work stream *Credit Union investigation* be removed from the CAPP and the Policy Council's Social Policy Steering Group has subsequently endorsed this view.

The Social Policy Steering Group has also endorsed the view of the Commerce and Employment Department that following investigation into the possible establishment of equity release schemes in Guernsey, the Department should not proceed with this matter. The Department's research into equity release schemes identified that they also would not provide an effective means of alleviating relative poverty in Guernsey. It is therefore proposed that the work stream *Equity release schemes* should also be removed from the CAPP.

The 2007 CAPP Update features the inclusion of a new work stream under Action Area F, *Prevent or rectify market failure and protect against damaging practices*. It should be noted that the work stream *Fuel and Energy Costs* now forms part of this new work stream, and it is therefore appropriate to delete *Fuel and Energy Costs* as a stand-alone work stream.

## **Monitoring Frameworks**

Monitoring and evaluation are key priorities in implementing an anti-poverty strategy, and have been part of the responsibility that the Policy Council has had for the CAPP.

The aims of the monitoring process are twofold. Firstly, to monitor the take-up of outcomes of individual initiatives under the CAPP, secondly, that the monitoring of initiatives should support an evaluation of the programme against a repeat of the Survey of Guernsey Living Standards in 2009/10.

Monitoring information is collected systematically at specific times: typically daily, monthly, quarterly or annually. After a certain time, dependent on the work stream, the information collected is analysed to answer such questions as:

- How successful is the initiative/work stream?
- Have we implemented the correct procedures?
- What difference is this work stream making?

The Policy Council's Policy and Research Unit has continued to engage with all CAPP Lead Departments to ensure that the information collected from the monitoring process is first analysed in the Lead Department to review the effectiveness of its individual work streams. This information is then fed to the Policy and Research Unit to look at ways of adding further sophistication to the evaluation and analysing process. This allows the Unit, in conjunction with the Social Policy Steering Group, to conduct an analysis of the CAPP in its entirety, from a strategic level.

The work streams in this report have been categorised by the Policy and Research Unit and the Lead Departments according to the progress that has been made in implementing each initiative.

<b>Category Rating</b>	<b>Progression of work stream</b>
<b>1</b>	<b>Objective of work stream in place and concluded, or objective of work stream in place and ongoing.</b>
<b>2</b>	<b>Objective of work stream to be implemented in 2007</b>
<b>3</b>	<b>Commitment for proposals to come forward in 2007</b>
<b>4</b>	<b>No action to be taken in 2007</b>

This report lists the CAPP work streams within their designated Action Area. The category rating assigned to each work stream has also been given, followed by the proposals for monitoring in regard to those that are in place or in an advanced state of development that have been put forward by the Lead Department in consultation with the Policy and Research Unit.

Appendix A lists all the Action Areas of the CAPP. It shows the Lead and, where relevant, the Second Lead Department of each Action Area and the work streams that

come under each one. Work streams that have not yet been implemented should feed into the Government Business Plan at Levels 3 and 4, although there is the possibility that some might not, due to changes to priorities.

## **Conclusion**

This report has given a brief update of the CAPP work that has progressed since the last update in May 2006, and the progress of the Action Areas is detailed in Appendix A. Progress on work carried out during 2006 has been largely provided in the individual Monitoring Framework under each work stream and work planned for 2007 is listed under the individual Action Plans, in order to give an overview of how the CAPP is advancing.

This report has also covered the future of the CAPP, in regard to the incorporation of the Programme within the Government Business Plan. It has also touched upon future funding issues being discussed with the Treasury and Resources Department.

It has also highlighted the need for the follow-up of the Anti-Poverty Survey to be undertaken in 2009/10, to give time for the impact of the new tax strategy to be known.

## **Recommendation:**

The States are recommended to note: -

- i. the updates on all the Action Areas of the CAPP;
- ii. that with the establishment of the fully-developed Government Business Plan in July 2007, the CAPP, and those aspects of the Corporate Housing Programme involving anti-poverty measures, will be subsumed under States Priority 4 of the GBP; and
- iii. that the Policy Council intends to defer the repeat of the Survey of Guernsey Living Standards (SGLS), which was due to take place in early 2009, until late 2009/2010, in order to take account of the implementation of the new Economic and Tax Strategy in 2008

M W Torode  
Chief Minister

23<sup>rd</sup> April 2007

## APPENDIX A

**Action Area A: Benefits and Tax Measures**

**Lead Department:** *Social Security, (First Lead) Treasury and Resources (Second Lead).*

**Objectives:**

To provide support, including necessary financial, to those most in need in conditions of dependency, such as childhood, old age, disability and special need, but with due regard to the sustainability of the Island's resources.

To ensure that the tax and benefits systems work in an integrated way to support those suffering from, or vulnerable to, relative poverty.

To fulfil the objective that no Guernsey or Alderney resident should be denied access to health care services through lack of financial resources.

To promote the benefits available to those suffering from relative poverty, so that those concerned know where help can be obtained.

To target this assistance to meet, in particular, the needs of single pensioners and families with dependent children.

**Work Streams:**

- *Single Pension Increase*

**Category 1:** Objective of work stream in place and concluded, or objective of work stream in place and ongoing.

**Progress made on work stream since May 2006 States Report:**

Greater percentage increase awarded to single pensioners throughout the four-year period 2003 to 2006, inclusive. For 2007, no further differential was applied, with pensions for single persons and married couples both being increased by 3.4%.

**Action Plan for 2007:**

There are no further plans for 2007 on this topic.

<b>Monitoring Framework</b>	
Outcome Aim (s)	To increase the rate of single pension relative to the combined rate for a pensioner plus dependant wife to 70% or as near to that figure as possible, having regard to the sustainability of the Guernsey Insurance Fund.
Data Source(s)	Pension rates approved annually by the States. Median earnings from employment, if reportable by Policy and

	Research Unit.
Frequency of Collection	Annual
Information to be reported	Ratio of single pension to single pension plus increase for dependant wife
Progress against Outcome Aim (s)	In 2002, ratio was 62%. In 2007, it is 66.5%
Comments	<p>Expensive strategy as there are many more single pensioners than pensioner couples.</p> <p>This indicator will be relevant for at least 10 years, but thereafter will increasingly lose relevance because of the individualised pension reforms that were legislated from 01 January 2004.</p> <p>A good indicator would be the ratio of single pension to median earnings from employment. Policy Council looking into feasibility of reporting median income.</p>

- 
- ❑ *Support for higher family allowance/childcare allowance with income tax clawback*

### **Category 3: Commitment for proposals to come forward in 2007**

#### **Progress made on work stream since May 2006 States Report:**

Progress has been made in the design of a redistribution model. A frequency distribution of family income has been produced by the income tax office, which has enabled various options for lower- and upper- family income levels, and the rate of clawback of family allowance to be evaluated.

The Social Security Department is working on the assumption that the current level of benefit and administrative expenditure on the flat-rate family allowance, of approximately £8.1m in 2006, would be available for the redistributed benefit and administration. Administrative costs for an income-related, redistributive scheme will be very substantially higher than the administrative costs of the current universal scheme. Depending on how the scheme is delivered, those extra costs may fall to the income tax office of the Treasury and Resources Department, or the Social Security Department.

#### **Action Plan for 2007:**

In co-operation with the Treasury and Resources Department, the Social Security Department will draw up the framework of a workable scheme of income-related family allowances and report to the States during 2007.

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□ *Review Health Benefits Grants*

**Category 1: Objective of work stream in place and concluded, or objective of work stream in place and ongoing.**

**Progress made on work stream since May 2006 States Report:**

This work was completed in 2004. It is relevant to note, however, that following the expiry of the 3 year agreement on primary care medical fees following independent review, the primary care practices have applied an increase of 12.5% in their fee rates from 1 January 2007. This takes the full cost of a medical consultation to £43.60. After claiming the £12 grant, the cost to the patient is £31.60.

**Action Plan for 2007:**

As above

<b>Monitoring Framework</b>	
Outcome Aim (s)	To maintain a substantial level of subsidy in the cost of seeing a GP.
Data Source(s)	Grant rates and standard consultation price.
Frequency of Collection	Annual.
Information to be reported	Ratio of grant to consultation price, currently 27.5% (£12/£43.60). It was 31% of the 2006 consultation fee of £38.75.
Progress against Outcome Aim (s)	The proportional rate of subsidy is worsening, which is an unsatisfactory position.
Comments	Recent and previous experience has proved that the consultation subsidy should not be further increased without long-term control on the headline rate of the consultation fee. This may cause aim of benefit to be reviewed.

□ *Financial help for medical expenses and disability allowance*

**Dual Ratings 1 and 4: Objective of work stream in place and concluded, or objective or work stream in place and ongoing; and No action to be taken in 2007**

**(a.) Financial help for medical expenses (Category 1)**

**Progress made on work stream since May 2006 States Report:**

Nothing further to report.

**Action Plan for 2007:**

N/A

<b>Monitoring Framework</b>	
Outcome Aim (s)	Ensure that the Medical Expenses Assistance Scheme continues to help Guernsey residents for whom the cost of medical treatment is a barrier.
Data Source(s)	SSD records.
Frequency of Collection	Ongoing collection. Annual reporting.
Information to be reported	Claim numbers and benefits expenditure
Comments	<p>After the 56% increase in expenditure between 2004 and 2005, MEAS expenditure in 2006, at £111, 232, was just 3.7% up on 2005. This was broadly the increase in fee rates.</p> <p>As reported last year, a substantial part of MEAS is now used for clinically necessary orthodontics for children, formerly undertaken by the HSSD School Dental Clinic. The remainder of the MEAS budget tends to be for ongoing medical cover for low income families, rather than for one-off assistance with GP bills.</p>

**(b.) Financial help for disability allowance (Category 4)**

**Progress made on work stream since May 2006 States Report:**

No progress to report.

**Action Plan for 2007:**

No work in this area planned for 2007.

□ *Back to work benefits*

**Category 1: Objective of work stream in place and ongoing**

**Progress made on work stream since May 2006 States Report:**

The appointment of a Work Rehabilitation Officer on a trial basis was successful, resulting in the appointment being made permanent by trading an established post. During 2006, the Work Rehabilitation Officer worked with 68 long-term benefit claimants (33 ill-health and 34 unemployed, which resulted in 34 returns to work by the end of 2006, and a number of others are ongoing in 2007.

**Action Plan for 2007:**

SSD is committed to this area of work rehabilitation. The workload, which could expand hugely if resources allowed, will continue to be constrained to what the small team can cope with.

<b>Monitoring Framework</b>	
Outcome Aim (s)	To assist people to move from various benefits into paid employment.
Data Source(s)	SSD, Education Department, including College of Further Education.
Frequency of Collection	Ongoing
Information to be reported	Number of customers with whom a back-to-work agreement has been reached, nature of programme and outcome.
Progress against Outcome Aim (s)	Take up of back-to-work programmes continued at a similar rate to 2005. The gradual return to work initiative continues to be the most popular programme on offer and in 2006, the return-to-work success rate of those that took part was around 75 per cent.
Comments	While the number of claimants worked with remains relatively small, it is important to note that many of the claimants being assisted often have multiple barriers to employment, which necessitate intensive one-to-one attention over a prolonged period.

❑ *Supplementary Benefit*

**Category 1: Objective of work stream in place and concluded, or objective of work stream in place and ongoing**

**Progress made on work stream since May 2006 States Report:**

Greater percentage increase awarded to single householder Claimants from January 2006 (third year in succession). General increase from January 2007.

**Action Plan for 2007:**

The Department will examine the merits of having a different benefit limitation for different family compositions. This is expected to lead to proposals in the September benefit uprating report to the States for amendments to legislation.

❑ *Restructuring Public Assistance*

**Category 1: Objective of work stream in place and concluded, or objective of work stream in place and ongoing**

**Progress made on work stream since May 2006 States Report:**

A States Report on this matter was approved by the States in April 2005. From 1 July 2005, the supplementary benefit scheme was extended to include the former public assistance claimants. Action complete.

**Action Plan for 2007:**

N/A

❑ *Negative Income Tax (Tax Credits)*

**Category 4: No work to be undertaken in 2007**

**Progress made on work stream since May 2006 States Report:**

Nothing to report.

**Action Plan for 2007:**

Neither SSD nor T&R intends undertaking any work in 2007 in the area of negative income tax (tax credits) beyond continuing monitoring of the UK tax credit systems.

The work in progress on clawback of family allowances through the income tax system (see above) does, however, involve some similar principles.

❑ *Increase Benefit take-up*

**Category 1: Objective of work stream in place and concluded, or objective of work stream in place and ongoing.**

**Progress made on work stream since May 2006 States Report:**

Nothing further to report.

**Action Plan for 2007:**

SSD will promote benefits with its bulk postings, where appropriate. Beyond that, no further plans in this area for 2007.

<b>Monitoring Framework</b>	
Outcome Aim (s)	Ensure that people receive the benefits that they are entitled to.
Data Source(s)	Responses to advertisements and bulk mailings.
Frequency of Collection	One month period following each promotion
Information to be reported	Number of calls, claims taken, outcome.

## **Action Area B: Education and Employment Services**

***Lead Department: Education.***

### **Objectives:**

To encourage and assist those in financial poverty, wherever possible, to improve their situation by:

- Entering, or re-entering, the workforce
- Improving their employment prospects through education and training
- Gaining control of their financial circumstances

To promote the advice, education, training and employment opportunities available to those suffering from relative poverty, so that those concerned know where help can be obtained.

### **Work Streams:**

- *To promote information, advice and guidance on the support, training and employment opportunities available to those on low incomes.*

### **Category 2: Objective of work stream to be implemented in 2007**

#### **Progress made on work stream since May 2006 States Report:**

Funding for a 3-year project was secured in Spring 2006. This funding enabled the appointment of a qualified Careers Adviser, who will commence the project in April 2007. Initial work has been undertaken to:

- Acquire additional training in psychometric testing appropriate to working with adult clients.
- Establish working partnerships with partner organisations.
- Establish an accommodation base.
- Establish monitoring arrangements to evaluate the effectiveness of the project.

#### **Action Plan for 2007:**

The project will commence in Spring 2007.

- *To support those sectors of the community who have basic skills difficulties*

### **Category 2: Objective of work stream to be implemented in 2007**

## **Progress made on work stream since May 2006 States Report:**

### **Staffing:**

A revised management structure has been introduced to ensure that literacy and numeracy is embedded in quality learning for all students at the College of Further Education (CFE).

A learning support manager was appointed in July 2006 to oversee the College literacy and numeracy strategy.

An additional literacy lecturing post has been created from existing resources.

### **Training**

Awareness training has been given to all full-time lecturers, including strategies to manage 'neuro-diversity.'

The CFE has trained 7 local teachers to acquire a level 4 qualification in working with adults with dyslexia problems.

### **Screening**

The CFE has undertaken rigorous screening of all new full-time students who are undertaking full-time courses and the apprenticeship scheme. This has resulted in those students identified with literacy difficulties receiving additional literacy support.

Specialist screening for dyslexia has also been undertaken. 80 referrals were received of whom 47 have been given extra support.

### **Dyslexia-Friendly College**

The College was one of six colleges who ran the pilot scheme for establishing standards for dyslexia-friendly colleges.

### **Information, Communication and Technology (ICT)**

ICT has been incorporated into the provision for Basic Skills provision. It is part of the Learning Support offer, and extra ICT tuition is provided to students at entry level and level 1.

The College has invested in software such as text-help to support literacy problems.

The dyslexia-friendly forum has gone from strength to strength in providing dyslexia-friendly policies particularly amongst employers. College staff have arranged dyslexia awareness training for a variety of organisations including the Institute of Health, the Soroptomists Club, the CIPD and the Guilles Alles Library.

## **Provision**

The College has continued to extend provision for those with basic skills difficulties. It now supports 87 full-time students at level 1 or entry level as well as 21 full time students with special needs. It also provides basic skills tuition for approximately 80 part-time students.

## **Financial Literacy**

A variety of initiatives have been established to promote financial awareness amongst all students. These include:

- Increased post-16 provision through the Institute of Financial Services certificate/ diploma in Financial Studies and through enterprise education as part of the apprenticeship scheme.
- Liaison with bodies such as the Guernsey Financial Literacy Advisory Group and Commerce and Employment Department to plan increased provision of financial literacy.

## **Guernsey Adult Literacy Project (GALP)**

Funding has been secured through the establishment of a Charitable Trust to establish a pilot of this project which has the following primary aims:

- to provide adults in Guernsey with opportunities to develop their literacy skills
- to develop a network of easily accessible learning centres
- to build a bank of resources for the teaching of literacy
- to train and develop a team of literacy facilitators
- to investigate and disseminate good practice in the teaching of literacy skills

The project will commence in April 2007.

## **Action Plan for 2007:**

1. To expand the programme of support for CFE students requiring literacy and numeracy support.
2. To extend post-16 provision of financial literacy especially through Institute of Finance Studies courses.

3. To promote information advice and guidance on the support, training and employment opportunities available to those on low incomes.
4. To extend dyslexia – awareness training to employers
5. To increase basic skills provision amongst the prison population.
6. To support the establishment of GALP and to create partnerships with organisations who may have dealings with adults with learning difficulties.

<b>Monitoring Framework</b>	
Outcome Aim(s)	To measure the take-up of basic skills provision. To measure the improvements in the performance of individuals with recognised basic skills difficulties in numeracy.
Data Source(s)	Student course uptake statistics. Initial diagnostic and summative assessments will be undertaken to assess the numeracy levels for College students at the commencement and end of their courses respectively.
Frequency of Collection	Annual.
Information to be reported	The numbers of students with basic skills difficulties profiled for basic skills provision. The tracking of individual student's attainment to evaluate any change in numeracy skill levels.
Progress against Outcome Aim(s)	In the academic year 2005-6, 47 full time students and apprentices received extra support with their basic literacy and numeracy skills. There were a further 28 adult, part-time students who attended College sessions to improve their literacy skills (in some cases students could not read at all when they started attending). College staff also worked with the Social Security Department to identify clients with literacy problems. This resulted in a further 16 people receiving help. Next year the intention is to work in a similar way with the NSPCC, NCH and Citizens' Advice Bureau.
Comments	The monitoring framework for numeracy has been piloted in the College Maths Workshop in 2005. The assessments demonstrated that 121 students were working at a numeracy level of level 1 or below. Level 1 is broadly equivalent to a pre-GCSE qualification. All students had progressed in their numeracy skills and 60 had obtained a qualification equivalent to GCSE. The format will now be rolled out to ICT and literacy.



□ *To engage disaffected young people in education*

**Category: Dual Rating 1 and 2: Objective of work stream in place and concluded, or objective of work stream in place and ongoing; and Objective of work stream to be implemented in 2007**

**Progress made on work stream since May 2006 States Report:**

Work has continued to finalise the strategy for providing young people with access to a broad, balanced and accessible range of courses and training opportunities that will provide them with personalised and coherent programmes, which meet their individual needs and prepare them effectively for further learning, employment and later life.

The Advisory Committee for Curriculum and Assessment (ACCA) has completed a review of the Bailiwick of Guernsey Curriculum Statement with a view to providing greater flexibility and choice in curriculum provision that supports personalised learning, and encourages motivation and engagement in education.

At Key Stages 3 and 4 in particular, schools are being provided with increased flexibility in the curriculum provided, to ensure the provision of an inclusive curriculum for all their students.

Increased flexibility is being provided by enabling schools to:

- select foundation subjects appropriate to a student's needs and aptitude
- review the balance of curriculum time allocations to different areas of learning in the light of students' needs
- integrate the existing Programmes of Study for different subjects
- tailor the content of the programmes of study to students' learning styles and needs throughout the Key Stage
- create different pathways within a Year or across the Key Stage to meet the needs of different groups of students e.g. alternative course provision to GCSE through programmes such as the OCR National Skills Profile – Accreditation for Life and Living Course (Entry Level).

The range of link courses provided by the Guernsey College of Further Education for 14-16 students in the secondary schools has continued to be enhanced with greater access to vocational-based courses. There are currently 500 student places being provided by the College.

The Revised Procedures for the Management of School Exclusions Document is to be ratified by the Education Board shortly and procedures have been put into place to provide enhanced levels of monitoring of exclusions within the Service.

<b>Monitoring Framework</b>	
Outcome Aim(s)	1. To have in place by September 2006 a 14-19 Strategy (Guernsey) Statement. 2. To have in place by September 2006 the Revised Procedures for the Management of School Exclusions.
Data Source(s)	Individual Action Plans in the Schools and Educational Services Development Plan.
Frequency of Collection	Termly
Information to be reported	Progress towards the achievement of the two outcome aims identified above.
Progress against Outcome Aim(s)	<p>The Bailiwick of Guernsey Curriculum Statement has been fully reviewed and includes revised curriculum frameworks for all the Key Stages. The Framework is designed to provide flexibility and choice in curriculum provision, which supports personalised learning and encourages motivation and engagement in education at Key Stages 3, 4 and 5. Following the consultation period on the Curriculum Statement, which is to take place in the Spring Term 2007, the 14-19 Strategy (Guernsey) will be finalised.</p> <p>The revised Procedures for the Management of School Exclusions document has completed its consultation period and will be forwarded for ratification by the Education Board in March 2007.</p>
Comments	The revised completion date for the Education Department's 14-19 Strategy Document is July 2007.

### **Action Plan for 2007:**

1. To have in place by July 2007 an agreed 14-19 Strategy (Guernsey) Statement with full implementation to be with effect from September 2008. Including finalising in schools the requirements for:
  - work related learning, careers education and guidance
  - the achievement of improved standards in functional literacy, numeracy and ICT capability.
2. Special Educational Needs (SEN) Provision

The priorities for the Education Department's SEN Reorganisation Programme are to ensure:

- early intervention in order to support the establishment of the necessary foundations for later success in education
- a flexible continuum of SEN provision is available so all young people benefit from education, whether in mainstream, special schools or other provision.

### **Progress made against the action plan in 2006:**

#### **Consolidation of the work of the Nurture Groups.**

The pilot phase has been completed for all Nurture Groups. They have been evaluated as successful and meeting their aims. The Groups have continued to work in the schools in which they are located but current financial constraints restrict their further expansion.

#### **The Revised Procedures for the Management of School Exclusions.**

The Draft Exclusions document has been circulated to all schools and services for implementation. The schools have been trialling the policy and will do so until the end of the academic year.

#### **The appointment of behaviour coordinators in schools**

A behaviour co-ordinator has been appointed in each of the four secondary schools – St Sampson's, St Peter Port, Les Beaucamps, La Mare de Carteret. Their role is to co-ordinate the management of behaviour problems in each school. Initial and on-going training is currently being provided for these co-ordinators as well as selected staff for St Anne's, the Grammar School and the College of Further Education.

#### **Accommodation for the Behaviour, Emotional and Social Difficulties (BESD) Team**

As a result of the opening of Le Rondin Primary Special School additional accommodation for the BESD Service has been provided at Granville House in order to provide enhanced facilities for pupils with behaviour, emotional and social difficulties.

Granville House is now the interim base for pupils with behaviour, emotional and social difficulties. The Centre Manager is now in post. The premises have been improved by modifying the accommodation. A part-time school nurse has also been appointed to support students.

#### **Arrangements for pupils with behaviour, emotional and social difficulties**

Plans continue for the opening of the Centre for Pupils with Behaviour, Emotional and Social Difficulties (BESD) on the site of the present Oakvale School when the Les

Nicolles Secondary Special School opens in September 2008. A BESD Centre Manager and a BESD Advisory and Outreach Manager have been appointed.

### **Action plan for 2007:**

To continue to address the priorities of the SEN Reorganisation Programme:

- Early intervention in order to support the establishment of the necessary foundations for later success in education
- The ongoing development of a flexible continuum of SEN provision so all young people can benefit from, have access to and inclusion in education whether in mainstream, special schools or education otherwise.

### **Early Intervention:**

#### **Literacy Strategy**

In order to raise standards and provide all pupils with a firm foundation in literacy, all Reception teachers and teaching assistants and all Learning Support Service staff will receive training in a high quality evidence based approach to literacy development that encompasses speaking, listening, reading and writing.

#### **Data Collection**

To identify areas of strength and weaknesses that need to be addressed, data on a number of areas will be compiled and analysed: the number of pupils on the SEN Register; the results of the common reading test administered at Years 2, 3, 5, 7 and 9; school exclusion figures.

#### **Transition Planning**

To make recommendations and produce policies and joint protocols with HSSD on transition planning and arrangements for young people age 14 -19 with SEN.

### **A Flexible Continuum of Provision and Support:**

#### **Communication Difficulties/Autistic Spectrum Disorder (ASD)**

In order to address the needs of pupils with challenging behaviour who have communication difficulties but are able to access the mainstream school curriculum cognitively there is a need to:

- Review the current primary age Communication/ASD provision, consider the possibility of developing a primary school age base attached to a mainstream school and make recommendations for future provision.

- Plan for the establishment of a permanent secondary school age base at St Sampson's High School and determine an admissions and transition policy for this base.

### **Behaviour Emotional and Social Difficulties (BESD)**

#### **A. The BESD Centre at Granville House:**

- a) To develop policies, procedures and curriculum to improve attendance and attitudes to learning.
- b) To improve the assessment system to assist staff in successfully differentiating both the academic and the social curriculum for pupils at the Centre.

#### **B. Behaviour Coordinators (BECOS):**

To review progress in addressing behavioural aspects made by schools since the appointment of BECOS in secondary schools.

#### **C. The BESD base at LMDC Primary School:**

To review progress in the BESD base in addressing behavioural and social difficulties in the school; this had resulted from a change in the socioeconomic status in the school catchment area.

<b>Monitoring Framework : Literacy Strategy</b>	
Outcome Aims	UK consultants to provide in September 2007 a two day training course for all Reception teachers, teaching assistants and LSS staff on the Read Write Inc Literacy Programme.
Data Sources	Attendance on the course. Post course use of the approach and materials to be supported and monitored by the LSS who will provide a report.
Frequency of collection	Termly

<b>Monitoring Framework: Data Collection</b>	
Outcome Aims	To compile robust data on the number of pupils on the SEN Register; the results of the common reading test administered at Years 2, 3, 5, 7 and 9; school exclusion figures. To provide a report.
Data Sources	Schools and Education Department ICT Section
Frequency of collection	Annually

<b>Monitoring Framework: Transition Planning</b>	
Outcome Aims	To make recommendations and produce policies and joint protocols with HSSD on transition planning and arrangements for young people age 14 -19 with SEN.
Data Sources	A task group, chaired by Education and comprising members from HSSD and Education will meet to achieve the outcome aims and provide a report.
Frequency of collection	Annually

<b>Monitoring Framework: Communication Difficulties / ASD</b>	
Outcome Aims	Recommendations for provision for primary age pupils with ASD. A clear plan in place for the establishment of a base at St Sampson's High School
Data Sources	A task group, chaired by Education and comprising members from HSSD and Education will meet to achieve the outcome aims and provide a report.
Frequency of collection	Annually

<b>Monitoring Framework: BESD</b>	
Outcome Aims	To make recommendations and produce policies and protocols on meeting the needs of primary and secondary age pupils with BESD. To review progress in addressing behavioural aspects made by schools since the appointment of BECOS in secondary schools
Data Sources	Task groups, chaired by Education and comprising members from HSSD and Education will meet to achieve the outcome aims and provide a report.
Frequency of collection	Annually

- *Financial support for post-compulsory training*

### **Category 3: Commitment for proposals to come forward in 2007**

**Progress made on work stream since May 2006 States Report:**

The Education Department made proposals for revising funding arrangements for students going on to Higher Education. These were deferred pending a consultation process with wider sectors of the community.

**Action Plan for 2007:**

To undertake the consultation process and to make recommendations to the States in 2007.

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□ *Financial Literacy*

**Category 2: Objective of work stream to be implemented in 2007**

**Progress made on work stream since May 2006 States Report:**

This is a new work stream, introduced in 2007. However, the Education Department has already put in place a number of interventions to address this need for pre- and post-16 year olds, and in addition, as previously mentioned, funding has been secured to establish a pilot of the Guernsey Adult Literacy Project, which aims to use financial literacy as part of its core curriculum.

However, Commerce and Employment Department research, which included consultation with the Guernsey branch of the Citizens Advice Bureau, identified that the financial skills of the Bureau's clients seeking debt advice remained largely unmet by the existing services provided. It is therefore intended to introduce financial literacy/education services, delivered by the CAB, as a joint project, as an extension of existing services.

As mentioned in Action Area F of this report, the C&ED has noted that there is much to be gained from the provision of quality financial skills education, and its support for this important work stream will be maintained.

**Action Plan for 2007**

Introduce financial literacy/education services, delivered by the CAB, as a joint project, to complement the initiatives being undertaken through the Education Department's schools and services.

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**Action Area C: Services for Older People and People with a Disability**

*Lead Department: Health and Social Services, (First Lead) Social Security, (Second Lead).*

**Objectives:**

To provide support and services to the elderly and disabled to alleviate poverty, but with due regard to the sustainability of the Island's resources.

To target this assistance to help single pensioners.

**Work Streams:**

- ❑ *Tax and benefit initiatives for pensioners*

**Progress made on work stream since May 2006 States Report:**

No action taken

**Action Plan for 2007:**

No action to be taken in 2007, beyond the measures already being taken in Action Area A, under *Increase Benefit take-up*

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- ❑ *Employment opportunities for people with a disability*

**Category 4: No action to be taken in 2007****Progress made on work stream since May 2006 States Report:**

A coordinated delivery has been explored with HSSD/SSD which is delivering some results. Moving schemes between the two departments has not been agreed due to professional concerns.

**Action Plan for 2007:**

No action to be taken in 2007.

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- ❑ *Improve provision of services for older people and people with a disability*

**Category 1: Objective of work stream in place and concluded, or objective of workstream in place and ongoing.****(a.) Service provision for older people – specialist Health Visitor****Progress made on work stream since May 2006 States Report:**

A Health Visitor has been appointed.

**Action Plan for 2007:**

The first annual report will be due in March 2007.

**(b.) Service provision for people with a disability – Community Team****Progress made on work stream since May 2006 States Report:**

No appointment of a psychologist in 2006.

**Action Plan for 2007:**

A review of HSSD's provision of clinical psychology will be undertaken in 2007.

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□ *Long-term care insurance scheme (community services)*

**Dual Ratings Categories 1 and 2:** Objective of work stream in place and concluded, or objective of workstream in place and ongoing; and Objective of work stream to be implemented in 2007. NB: This work stream has been split into 2 sub-sections

**(a.) Rapid Response (Category 1)**

Monitoring Framework	
Outcome Aim (s)	To ensure 75% of those referred to the rapid response team are not admitted to hospital
Data Source(s)	Patient Administration System (PAS)
Frequency of Collection	Annual
Information to be reported	301 clients referred 47 admitted to PEH 9 admitted to KEVII 8 referred to residential homes 230 remained at home (76.4%)
Progress against Outcome Aim (s)	2.9% more service users remained at home than in 2006. Vacancy of 0.5 nurse still exists

**(b.) Maintenance and Transport Services (Category 2)**

Monitoring Framework	
Outcome Aim (s)	To keep people in their own homes and reduce residential care admissions by 5%
Data Source(s)	Managerial report
Frequency of Collection	Annual
Information to be reported	29 service users taken to day care every week 10 services users currently using shopping service 43 service users have their fires lit daily during cold periods
Progress against Outcome Aim (s)	A percentage ratio is difficult to estimate, but these figures show substantial numbers are being maintained at home with small amounts of this service

□ *Forums for older people/forums for people with a disability*

**Category 1:** Objective of work stream in place and concluded, or objective of workstream in place and ongoing.

**(a.) Forums for older people**

**Progress made since May 2006 States Report:**

Officers have been visiting existing groups of older people to establish the need for this overarching forum.

**(b.) Forums for people with a disability**

Terms of reference agreed by professionals, now out to service users, carers and voluntary organisations for comment.

**Action Area D: Services for Families with Children and Young People**

*Lead Department: Health and Social Services*

**Objectives:**

To provide support and assistance to families to ensure they have access to services that will promote and safeguard the welfare of their children.

The assistance and support should be targeted to single parents and larger families to ensure that poverty does not prevent or hinder their ability to fully participate in society and enables their children to fulfil their potential.

**Work Streams:**

- ❑ *Assistance with the cost of childcare provision*

**Category 3: Commitment for proposals to come forward in 2007**

**Progress made on work stream since May 2006 States Report:**

A draft report was completed and preliminary proposals for a pilot project were prepared, but progress has been frustrated by lack of resources.

**Action Plan for 2007:**

This work stream will be revisited when the Social Policy Co-ordinator takes up her post in late Summer 2007.

- ❑ *Introduce a community development project similar to 'Sure Start' initiatives in the UK*

**Category 1: Objective of work stream in place and concluded, or objective of work stream in place and ongoing**

**Progress made on work stream since May 2006 States Report:**

The Community Development Project is run by NSPCC, with the Manager of the Guernsey branch also being the manager of the project. The project has had a slow start, which was dominated in the first year by the search for new premises for the NSPCC, and the second year by recruitment of staff. The Project Manager set up a multi agency

operational group initially, which gave direction to the project and identified areas of need.

#### **Action Plan for 2007:**

Funding has been agreed for 2007, a service level agreement is being drawn up between HSSD and the NSPCC to continue the project for this further year.

The service will continue to develop, dependant on the needs of the children and families involved. It is intended to widen the area to incorporate St Martin's and St Andrew's with an outreach service provided.

Monitoring Framework	
Outcome Aim(s)	<p>To continue with previous outcomes and monitoring framework.</p> <p>To develop, with the involvement of the community, a range of high quality, sustainable services for children under 5 and their families;</p> <p>In relation to improving social and emotional development outcomes:</p> <ul style="list-style-type: none"> <li>▪ By reducing the numbers of children on the child protection register within the target area.</li> <li>▪ By reducing the proportion of children 0 – 3 that are re-registered within 12 months on the Child Protection Register.</li> <li>▪ By having agreed and implemented culturally sensitive ways of caring for and supporting mothers with postnatal depression.</li> <li>▪ By ensuring that the project contacts 100% of families with young children in the designated area within 6 weeks of birth.</li> </ul> <p>In relation to improving health outcomes:</p> <ul style="list-style-type: none"> <li>• Island wide health promotion issues will be supported through the drop-in.</li> <li>• By ensuring that parenting support and information are available for all parents</li> <li>• By achieving a 10% reduction in children 0 – 3 admitted to hospital as emergencies with severe injury/accident.</li> </ul> <p><b>In relation to improving children's ability to learn by:</b></p> <ul style="list-style-type: none"> <li>▪ Achieving a 5% reduction in the numbers of children 0 – 3 requiring specialist speech and language intervention.</li> <li>▪ By ensuring that there is access to good quality</li> </ul>

	<p>play and learning opportunities for all with emphasis on the importance of play.</p> <ul style="list-style-type: none"> <li>▪ By increasing the use of libraries by parents with young children</li> <li>▪ By ensuring parent representation on the Project.</li> <li>▪ By developing local targets to link the Community Development Project with employment agencies in the defined area.</li> </ul> <p><b>To break the cycles of deprivation and exclusion that have a detrimental impact on the life changes of children and young people.</b></p>
Data Source(s)	Statistical information from HSSD, NSPCC and the Education Department.
Frequency of Collection	Annually. This information is currently being collated by the NSPCC.
Information to be reported	The agreed measures will be monitored and evaluated on a yearly basis:- Based on the annual report of the NSPCC Project Manager
Progress against Outcome Aim(s)	Improved nutrition amongst the under 5's; Children entering school healthy and ready to learn;

❑ *Develop family centres*

**Category 4: No action to be taken in 2007**

**Progress made on work stream since May 2006 States Report:**

No further progress has been made on the development of a third family centre, as financial restraints have meant that the plans cannot be taken forward. Two family centres, one on the Bouet, and one on Les Genats, continue to provide a service.

However the community project in St Peter Port South will be extended to cover the St Martin's and St Andrew's areas, and will provide an out reach service.

**Action Plan for 2007:**

The two existing family centres will continue to develop and provide services. Plans for a third family centre will not be progressed in 2007.

❑ *Review of Childcare Legislation*

**Category 1: Objective of work stream in place and concluded, or objective of work stream in place and ongoing**

**Progress made on work stream since May 2006 States Report:**

An implementation programme is in progress to ensure the introduction of new legislation during 2007-2008. A number of working groups have been established, in particular, an inter-agency group to take forward the implementation of the duty on States Departments to work together, and the development of an integrated plan for children's services.

**Action Plan for 2007:**

A detailed project plan for the implementation has been drawn up by the Project Manager. This sets out actions and timescales to ensure that the targets are met. The main objectives for the project to deliver are:

- Children Law and all related secondary legislation and Guidance approved and implemented
- The Child Youth and Community Tribunal and Children's Convener both implemented
- Safeguarder Service implemented
- States Departments working together in implementation of new duties to children and families
- Implementation training completed and ongoing training arrangements in place.

A communication strategy is in place to ensure that information about the changes are known within the States and to the public.

<b>Monitoring Framework</b>	
Outcome Aim (s)	New legislation in force, and implemented
Data Source(s)	Draft Project agreed by the States and Privy Council and implementation dates stated in the legislation.
Frequency of Collection	Quarterly reports to HSSD Board.
Information to be reported	Progress on the drafting, and on the implementation programme
Progress against Outcome Aim (s)	Currently on course for the Draft Project to be presented to the States in September 2007, with implementation in 2008.

- ❑ *Involve young people in decisions that affect their lives*

**Category 2: Objective of work stream to be implemented in 2007****Progress made on work stream since May 2006 States Report:**

Plans to take this forward were discussed in 2005, particularly in relation to the development of services for children.

**Action Plan for 2007:**

Consultation with children and young people took place in 2006 seeking their views on the priorities for services for children and young people, and what the top priorities should be within the planning for services for children and young people across the States. It is intended that the plan for children and young people will contain mechanisms for the ongoing consultation and involvement of children and young people.

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❑ *Youth Service Play Scheme*

**Category 4: No action to be taken in 2007**

**Progress made on work stream since May 2006 States Report:**

This has not been a priority for further development during 2006.

**Action Plan for 2007:**

There are no plans to progress this currently, due to other priorities within the HSSD.

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**Action Area E: Crime Reduction Initiatives**

***Lead Department: Home Department***

**Objectives:**

To help young people who are vulnerable to criminal activity.

To target areas in the Island where those people susceptible to poverty feel vulnerable to crime.

To smooth the transition from custody to community, such as that poverty is not a reason to re-offend.

**Work Streams:**

❑ *Youth Inclusion Programmes*

**Dual Rating 1 and 2: Objective of work stream in place and concluded, or objective of work stream in place and ongoing; and Objective of work stream to be implemented in 2007**

**Progress made on work stream since May 2006 States Report:**

Karabiner project continues

**Action Plan for 2007:**

Implementation of the new Children Law will include a hearing system for all children up to age 18.

A new children plan has been developed by a multi-agency group – including HSSD, Culture & Leisure, Housing, Education and Home Department. This will be the template for provision of Children's services (headings as in "Every Child Matters" *Be Healthy, Stay Safe, Enjoy and Achieve, Respected and Responsible, Achieve Potential*).

Continue with Karabiner at a minimum of 3 courses per year

□ ***Develop drug and alcohol rehabilitation programmes in prison***

**Category 1: Objective of work stream in place and concluded, or objective of work stream in place and ongoing.**

**Progress made on work stream since May 2006 States Report:**

A full-time Substance Misuse Worker is now employed in the Prison, funded by the Drug & Alcohol Strategy and through a Service Level Agreement between Drug Concern and the Drug and Alcohol Strategy. This service commenced in October 2006.

The contract between the Guernsey Alcohol and Drug Abuse Council (GADAC) and the Prison concluded at the end of 2006, however, referrals are still made for continuing work in the community.

Assessments and referrals to Drug Concern and the Substance Misuse worker have increased.

A drugs awareness course of 5 sessions was run in 2006.

**Action Plan for 2007:**

The Substance Misuse Worker now employed in the Prison has a Key Performance target for 2007 of assessing 90% of prisoners on Reception.

The Prison are currently working on a Prison Drug & Alcohol Strategy policy document and are holding regular meetings with Narcotics Anonymous and Alcoholics Anonymous for their input into this document. This is being overseen by the Island Drug and Alcohol Strategy Co-ordinator.

<b>Monitoring Framework</b>	
Outcome Aim(s)	<ol style="list-style-type: none"> <li>1. To provide appropriate interventions for substance abusers linked to risk/needs assessment.</li> <li>2. 10% increase in the numbers of those assessed as requiring further intervention (medical and/or psychosocial), and those receiving it.</li> </ol>
Data Source(s)	<ul style="list-style-type: none"> <li>• Prison database for frequency of intervention</li> </ul>

	<ul style="list-style-type: none"> <li>• Prison Healthcare assessments</li> <li>• Drug Concern initial assessments on all prisoners</li> <li>• Drug Concern annual statistics.</li> </ul>
Frequency of Collection	Annual 1 <sup>st</sup> January – 31 <sup>st</sup> December.
Information to be reported	<ul style="list-style-type: none"> <li>• Numbers assessed</li> <li>• % requiring interventions based on risk need analysis</li> <li>• Numbers receiving interventions</li> <li>• Numbers declining interventions – and the reasons for non-compliance</li> </ul>
Progress against Outcome Aim(s)	<p>Drug Concern carried out 74 assessments, with 60 requiring ongoing work.</p> <p>In 2006, Drug Concern / Substance Misuse Worker carried out interventions with 74 individuals for a total of 400 sessions</p> <p>GADAC carried out interventions with 31 individuals for a total of 79 sessions. 15 had follow up work</p>

- ❑ *Enable continuity of care and smooth transition between prison and community to ensure that drug and alcohol rehabilitation is maintained*

### **Category 2: Objective of work stream to be implemented in 2007**

#### **Progress made on work stream since May 2006 States Report:**

Under the Bailiwick Drug and Alcohol Strategy, treatment services continue to be a developmental priority, to provide appropriate treatment for drug-using offenders prior to, through, and after a custodial term. These services are being developed and monitored by the Drug Strategy in partnership with HSSD (*Community Drug and Alcohol Team*) and Home Department (Criminal Justice Drugs Service/Probation). Although the establishment of the Team has been increased, this area continues to be under-resourced, and the required treatment is not always available for those leaving prison.

The Criminal Justice Drug Worker continues to assist released prisoners out on licence conditions. The figures for 2006 were 24 appointments covering 17 prisoners.

The Prison Service Healthcare department is now under the control of HSSD, with the manager also being the Manager for Special Services and Community Care. Arrangements are made for specialist HSSD staff to visit the prison to provide continuity of services for individual prisoners.

The Prison Therapeutic Committee was established in 2006, and part of their discussions is based on conforming to prescribing practices, so that there is continuity for the prisoner in receiving prescribed medication once out in the community.



**Action Plan for 2007**

To consolidate and develop the therapeutic approach.

Research into how to develop the Criminal Justice Service to also deal with alcohol users.

The Island Drug and Alcohol Strategy was ratified by the States of Guernsey in November 2006 and its recommendations will be implemented in 2007.

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□ *Greater focus on the rehabilitation of young offenders*

**Dual Ratings 1 and 2: Objective of work stream in place and concluded, or objective of work stream in place and ongoing; and Objective of work stream to be implemented in 2007**

**Progress made on work stream since May 2006 States Report:**

Management and facilitator training in Restorative Justice was undertaken in 2006, and the scheme is being evaluated.

Multi-agency working has been developed in line with the new Children Law, due for implementation in September 2007.

Restorative Justice Conferences have been held in the prison.

Anti-bullying policy in the prison is now in place.

A Risk Management meeting is held each week to discuss those most vulnerable.

Assessment, Care and Control Teamwork (ACCT) was piloted in the prison during 2006. All case managers and assessors have now been trained with training for all agencies and staff to be completed by April 2007.

**Action Plan for 2007:**

Anti-social behaviour amongst young persons is being addressed through a community safety strategy, involving all Criminal Justice agencies.

Continuing with the ACCT policy, all prison staff and agency members will be trained by the end of March 2007.

All agencies dealing with young persons will be given awareness training in regard to "Children in Need" and this links in with the new Children Law and "Working together."

The Prison is working towards achieving protocols in respect of information sharing with the Police and Social Services, to identify children at risk and potential perpetrators.

- ❑ *Improve education, training, and employment opportunities for prisoners*

**Category 2: Objective of work stream to be implemented in 2007**

**Progress made on work stream since May 2006 States Report:**

A survey was carried out covering the whole of the prison population in October 2006, to identify and evidence the levels of numeracy and literacy capabilities of the prisoners.

**Details of figures:**

<b>LITERACY</b>		<b>NUMERACY</b>	
<b>Below E1</b>	<b>2%</b>		
<b>E1</b>	<b>4%</b>	<b>E1</b>	<b>3%</b>
<b>E2</b>	<b>14%</b>	<b>E2</b>	<b>11%</b>
<b>E3</b>	<b>29%</b>	<b>E3</b>	<b>36%</b>
<b>L1</b>	<b>23%</b>	<b>L1</b>	<b>23%</b>
<b>L2</b>	<b>21%</b>	<b>L2</b>	<b>19%</b>
<b>Refused test</b>	<b>7%</b>	<b>Refused test</b>	<b>7%</b>
<b>L1 and below</b>	<b>72%</b>	<b>L1 and below</b>	<b>73%</b>

**NOTE:**

(E1 = Entry Level 1: E2 = Entry Level 2: E3 = Entry Level 3: L1 = Level 1: L2 = Level 2. See following tables for description)

**The National standards for literacy, with examples and school equivalents:**

<b>National Standard</b>	<b>At this level, adults will be able, for example, to:</b>	<b>School level equivalent</b>
<b>Entry 1</b>	<ul style="list-style-type: none"> <li>Read and obtain information from common signs and symbols</li> </ul>	Level 1 (age 5)
<b>Entry 2</b>	<ul style="list-style-type: none"> <li>Use punctuation correctly, including capital letters, full stops and question marks</li> </ul>	Level 2 (age 7)
<b>Entry 3</b>	<ul style="list-style-type: none"> <li>Organise writing in short paragraphs</li> </ul>	Level 3 (age 9)

<b>Level 1</b>	<ul style="list-style-type: none"> <li>Identify the main points and specific detail in texts</li> </ul>	Level 4 (age 11)
<b>Level 2</b>	<ul style="list-style-type: none"> <li>Read and understand a range of texts of varying complexity accurately and independently</li> </ul>	GCSE A*-C (age 16)

### **The National standards for numeracy, with examples and school equivalents**

<b>National Standard</b>	<b>At this level, adults will be able, for example, to:</b>	<b>School level equivalent</b>
<b>Entry 1</b>	<ul style="list-style-type: none"> <li>Recognise and name common shapes such as rectangles, circles, cubes, etc.</li> </ul>	Level 1 (age 5)
<b>Entry 2</b>	<ul style="list-style-type: none"> <li>Read and understand information in simple diagrams and charts</li> </ul>	Level 2 (age 7)
<b>Entry 3</b>	<ul style="list-style-type: none"> <li>Add or subtract using three-digit numbers</li> </ul>	Level 3 (age 9)
<b>Level 1</b>	<ul style="list-style-type: none"> <li>Recognise and use fractions, decimals and percentages</li> </ul>	Level 4 (age 11)
<b>Level 2</b>	<ul style="list-style-type: none"> <li>Find the mean, median and mode and use them as appropriate to compare two sets of data</li> </ul>	GCSE A*-C (age 16)

#### **Action Plan for 2007:**

The Prison has key performance targets to assess basic skills on each prisoner upon reception and to carry out a further assessment after 6 months.

#### **□ *Expand offending behaviour programmes in prison***

**Dual Ratings 1 and 3:** Objective of work stream in place and concluded, or objective of work stream in place and ongoing; and Commitment for proposals to come forward in 2007

#### **Progress made on work stream since May 2006 States Report:**

LSI'R (Level of Service Intervention – Revised) scores now used to select appropriately for C&C (Choices and Challenges) programme.

Cognitive Behavioural Programmes (CBP) included in all sentence planning.

#### **Action Plan for 2007:**

The Prison continues to contract an Independent psychotherapist to provide intensive two-week C&C programmes (4 per annum).

2 Booster programmes planned pre-release.

4 new prison staff/facilitators to be trained

Domestic abuse group programme to be developed with Hampton Trust via a domestic abuse strategy, should this be approved by Social Policy Steering Group.

One-to-one specialist programmes for violent aggression, sex offending and domestic abuse, run by Probation.

<b>Monitoring Framework</b>	
Outcome Aim(s)	1. To provide appropriate Cognitive Behavioural Programmes (CBP)/ Offending Behaviour Programmes (OBP) to prisoners serving longer sentences with risk/needs analysis commensurate with programmes offered.
Data Source(s)	<ul style="list-style-type: none"> <li>• Prison database</li> <li>• Sentence planning documentation</li> <li>• Probation LSI'R scores</li> <li>• Probation database</li> </ul>
Frequency of Collection	Annual 1 <sup>st</sup> January – 31 <sup>st</sup> December
Information to be reported	<ul style="list-style-type: none"> <li>• Number of people identified as requiring CBPs</li> <li>• Number of people identified as being suitable or having a priority</li> <li>• Number of people attending CBPs</li> <li>• Number of participant hours undertaken on CBPs</li> <li>• Number of women receiving one-to-one interventions.</li> </ul>
Progress against Outcome Aim(s)	<p>5 programmes delivered in 2006:</p> <ul style="list-style-type: none"> <li>- “Reasoning &amp; Rehabilitation” attended by 8 male prisoners</li> <li>- “Choices and Challenges” attended by 24 male prisoners and three female prisoners</li> </ul> <p>The course for female prisoners was facilitated by the Probation Service.</p> <p>Financial resources at the Prison allow for 4 courses per year and places on the courses are allocated on a priority needs basis. This is established via a Probation Service Risk analysis, sentence planning and length of sentence.</p> <p>Two prisoners transferred to UK prisons for Sex Offender Treatment Programme</p>
Comments	<ul style="list-style-type: none"> <li>• Some people are not suitable candidates for CBPs</li> <li>• Prisoners requiring Sex Offender Treatment Programmes (SOTPs) are sent to UK prisons to complete the course – thus the needs of this group</li> </ul>

	<p>are met</p> <ul style="list-style-type: none"> <li>• The CBP needs of women prisoners are met on a one-to-one basis due to the small numbers of women in prison.</li> </ul>
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- *Develop appropriate programmes in prison that target short-term prisoners and young offenders*

**Category 1: Objective of work stream in place and concluded, or objective of work stream in place and ongoing**

**Progress made on work stream since May 2006 States Report:**

Choices & Challenges continues to be the main offending behaviour programme for short term prisoners and young offenders.

Community involvement from NCH, Careers and Probation for young offenders.

**Action Plan for 2007:**

People will continue to be assessed for C&C courses and Booster courses pre release but some of these individuals will require one to one from Probation.

<b>Monitoring Framework</b>	
Outcome Aim(s)	<ol style="list-style-type: none"> <li>1. To provide appropriate programmes to short term prisoners and young offenders with risk/needs analysis commensurate with programmes offered.</li> <li>2. 5% increase in numbers assessed as needing programmes and numbers successfully completing.</li> </ol>
Data Source(s)	<ul style="list-style-type: none"> <li>• Prison database</li> <li>• Sentence planning documentation</li> <li>• Probation LSI'R scores</li> </ul>
Frequency of Collection	Annual
Information to be reported	<ul style="list-style-type: none"> <li>• Number of people identified as requiring interventions</li> <li>• Number of people identified as being suitable or having a priority</li> <li>• Number of people attending programmes</li> <li>• Number of participant hours undertaken on programmes</li> </ul>
Progress against Outcome Aim(s)	<p><b>See figures in the previous table</b></p> <p>The "Choices and Challenges" has been consolidated into a concentrated and continuous 2-week delivery that engages prisoners both morning and afternoon, Monday to Friday.</p>
Comments	The outcome is dependent on the funding being available to run these courses.

□ *Develop resettlement schemes*

**Category 2: Objective of work stream to be implemented in 2007**

**Progress made on work stream since May 2006 States Report:**

Adult Custody Supervision Orders, for all offenders serving over 12 months and Extended Sentences, implemented in 2006.

Increased focus on high risk cases via Multi Agency Public Protection Arrangement (MAPPA) meetings.

Joint Prison and Probation working party on the nine strands of the Resettlement strategy, as recommended in the Prison 2005 HM Chief Inspector of Prisons report. The residential managers in the prison have had to be increased to meet the demands largely appertaining to sentence planning processes.

**Action Plan for 2007:**

Due to the significant increase in the average length of sentence which has increased over time, impacting significantly on the sentence planning process, the overcrowding situation the UK prison service finds itself in, and the changes in the Parole Law, the prison will need to provide increased resources to put into place the appropriate regimes to meet the ongoing needs of the prisoner community

□ *Improve Community Policing*

**Category 2: Objective of work stream to be implemented in 2007**

**Progress made on work stream since May 2006 States Report:**

Progress in 2006 has been retrograde as there have been no surgeries held, and no Community Officers assigned to community areas. This has been due to a lack of resources, compounded by the duty to investigate two suspicious deaths, which culminated in murder enquiries being launched, along with a number of other high profile investigations. These matters severely impacted on the ability to resource a Community Policing Programme.

**Action Plan for 2007:**

Continue to develop outcomes from 2005. Development is reliant on staffing levels.

<b>Monitoring Framework</b>	
Outcome Aim(s)	<ol style="list-style-type: none"> <li>1. Increase surgeries at the Bridge to monthly basis</li> <li>2. 25% increase in number of surgeries held in other parts of the Island</li> <li>3. 10% increase in the amount of hours spent in community areas by Beat Officers (resources allowing)</li> <li>4. 10% increase in reported satisfaction with the</li> </ol>

	Police Service
Data Source(s)	<ul style="list-style-type: none"> <li>• The Policing Plan</li> <li>• Guernsey Police Public Survey</li> </ul>
Frequency of Collection	Quarterly – but reported annually – 1 <sup>st</sup> January – 31 <sup>st</sup> December
Information to be reported	<ul style="list-style-type: none"> <li>• The number of Officers assigned to permanent community beat areas</li> <li>• The number of surgeries set up by area</li> <li>• The number of members of the public attending surgeries</li> <li>• Crime rates by area</li> </ul>
Progress against Outcome Aim(s)	There have been 0 surgeries held in any island locations. No Community Officer has been assigned to permanent community beats. Thus there has been no service to survey.

❑ ***Encourage the enhancement of the role of Neighbourhood Watch***

**Category 1: Objective of work stream in place and concluded, or objective of work stream in place and ongoing**

**Progress made on work stream since May 2006 States Report:**

In 2006, three Neighbourhood Watch areas were established: Roseville (new Housing Association properties), Courtil St Jacques and Le Villocq.

Three established areas were lost – one due to bereavement of the co-ordinator and another co-ordinator who has moved off-Island.

The total number of areas remains at 14.

**Action Plan for 2007:**

Continue to develop Neighbourhood Watch schemes.

<b>Monitoring Framework</b>	
Outcome Aim(s)	<ol style="list-style-type: none"> <li>1. To work with members of the community to develop crime-fighting initiatives within their areas of residence or work in order to improve the quality of life for those persons living or working within the area covered by the watch.</li> <li>2. Increase in the number of areas taking up the Neighbourhood Watch Scheme.</li> </ol>
Data Source(s)	Crime Prevention Officer.
Frequency of Collection	Quarterly – but reported annually – 1 <sup>st</sup> January to 31 <sup>st</sup> December
Information to be reported	<ul style="list-style-type: none"> <li>• The number of Neighbourhood Watches established</li> </ul>

	<ul style="list-style-type: none"> <li>• Surveys to determine their effectiveness</li> <li>• A correlation of reported crime year on year comparisons</li> <li>• Crime comparison results</li> </ul>
Progress against Outcome Aim(s)	Number of new Neighbourhood Watch Schemes established: 3

❑ *Develop a more inclusionary crime policy*

**Category 1: Objective of work stream in place and concluded, or objective of work stream in place and ongoing**

**Progress made on work stream since May 2006 States Report:**

In 2006, the following crime initiative was developed through the (Crime Management Unit) CMU with assistance of the Crime Analyst, and the direct supervision of the CMU Sergeant:

Operation Breeze – Crime initiative to reduce incidents of burglary at the beach kiosks on the Island. In 2005, 19 burglaries occurred at various kiosks. With the assistance of Treasury and Resources department several “autodialler” alarm systems were purchased, which were installed in many of the Island kiosks and very distinctive signage indicating their presence and the fact that an activation message was sent to the Police control room.

In 2006, since installation, only 1 similar offence has occurred.

At Beau Sejour, the CMU department identified that around 4% of all crime committed occurs in and around the area of Beau Sejour Leisure Centre. The Crime Prevention Officer completed a detailed strategy highlighting the crimes committed, and how action could be taken to reduce the number of crimes committed there. This was presented to the management of the centre, and already CCTV has been agreed for the complex.

Crimestoppers “picture board” has included working in partnership with BBC local radio and Guernsey Press to publish CCTV images of persons suspected of being involved in incidents of crime. BBC Radio Guernsey has a Crimestoppers link to its website, and within days of the first image being released, an identification was made and an arrest occurred. Senior Police Management have since authorised the release of a series of images, which have resulted to-date in 10 arrests. Charges have also been made on several of these incidents.

**Action Plan for 2007:**

Continue to develop responses to crime in key areas (e.g. Kiosks and Beau Sejour)

Continue with “Picture Board” initiative.



- ❑ *Improve the security of individual homes of low-income households*

**Category 1: Objective of work stream in place and concluded, or objective of work stream in place and ongoing**

**Progress made on work stream since May 2006 States Report:**

The Crime Prevention Officer (CPO) completed 24 security surveys – of which 6 were domestic properties and 18 were business related. 13 other premises were visited where advice was given which did not result in a written report.

In 2006, the CPO gave advice with regards to ‘designing out crime’ to the following developments and proposed developments:

- Roseville – Housing Association development.
- Les Nicolles school.
- Proposed Housing Association development at the site of the bus garage, Bouet.
- Proposed Housing Association development at Victoria Avenue, St Peter Port.

**Action Plan for 2007:**

Continue to develop the objectives from 2005.

<b>Monitoring Framework</b>	
Outcome Aim(s)	To improve home security and lessen the fear of crime by: <ol style="list-style-type: none"> <li>1. A 5% increase from previous year in the number of surveys undertaken (resources permitting)</li> <li>2. A 5% increase from the previous year in the numbers of plans advised on (resources permitting)</li> </ol>
Data Source(s)	Crime Prevention Officer Police Architectural Liaison Officer
Frequency of Collection	Quarterly – but reported annually – 1 <sup>st</sup> January – 31 <sup>st</sup> December
Information to be reported	<ul style="list-style-type: none"> <li>• The number of security surveys undertaken in relation to both domestic and business premises.</li> <li>• The number of plans advised on by the Architectural Liaison Officer</li> </ul>
Progress against Outcome Aim(s)	This work continues with 24 surveys taking place in 2006 (6 domestic and 18 business) The Architectural Liaison Officer has advised on 4 plans:

## **Action Area F: Fiscal and Legislative Measures**

***Lead Department: Commerce and Employment, (Lead)***

### **Objectives:**

To review and investigate legislation and fiscal initiatives (excluding the use of Income Tax and Social Security measures) to support the objectives of the States Anti-Poverty Strategy.

### **Work Streams:**

- ***Credit Union investigation***

### **Category 1: Objective of work stream in place and concluded, or objective of work stream in place and ongoing**

#### **Progress made on work stream since May 2006 States Report:**

Investigation into the feasibility of establishing a Guernsey Credit Union was carried out during the latter part of 2006. During its research the Commerce and Employment Department was grateful to have been able to work with the local branch of the Citizens Advice Bureau whose knowledge of indebtedness and the associated social issues proved to be most valuable.

During its research the Department noted the popular misconception that a Credit Union is an 'easy access' source of inexpensive loans, available to people to whom financial services are normally denied because of their financial circumstances. The principal function of a Credit Union is to encourage regular saving which, after the establishment of a substantial track record of saving, a client would be able to approach for a loan within certain criteria.

The Commerce and Employment Department's research led it to the conclusion that a Guernsey Credit Union would not provide an effective means of alleviating poverty locally, particularly in the context of the nature of unmanaged debt that research has revealed. The Department also concluded that there would be insufficient subscription to Credit Union banking and associated financial services in order to achieve viability and the Policy Council's Social Policy Steering Group has subsequently endorsed this view. This work stream has therefore been removed from the CAPP.

In coming to this conclusion the Commerce and Employment Department noted that there is much to be gained from the provision of quality financial skills education, (see Action Area B of the CAPP) and its support for this important work stream will be maintained.

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□ *Equity release schemes*

**Category 1: Objective of work stream in place and concluded, or objective of work stream in place and ongoing**

**Progress made on work stream since May 2006 States Report:**

Investigation into the possible establishment of equity release schemes in the Island was undertaken during the latter part of 2006. The Department drew heavily on UK experience of such schemes and noted that a number of recognised bodies that represent consumers and the elderly recorded concerns about the true benefits to vendors of entering into an equity release agreement.

Notwithstanding that Guernsey does not have in place the legislation required to establish and regulate equity release schemes, as a result of its research, the Department concluded that they would not provide an effective means of alleviating poverty locally. The Policy Council's Social Policy Steering Group supported the Department's recommendation that Guernsey should not proceed with this matter. This work stream has therefore been removed from the CAPP.

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□ *Investigation into introducing minimum wage legislation*

**Category 3: Commitment for proposals to come forward in 2007**

**Progress made on work stream since May 2006 States Report:**

The Commerce and Employment Department carried out a full public consultation during 2006, the results of which are currently being evaluated. Further information on the effects, implications, enforcement and experiences of minimum wage legislation is currently being evaluated from other jurisdictions where minimum wage legislation already exists.

**Action Plan for 2007:**

Commerce and Employment will bring a report with recommendations back to the States in the Autumn of 2007, or earlier if possible.

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□ *Fuel and energy costs*

**Category 3: Commitment for proposals to come forward in 2007**

This work stream now forms part of the '*Prevent or rectify market failure and protect against damaging practices*' work stream that appears below. It is therefore appropriate to delete it as a stand-alone work stream.

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□ *Prevent or rectify market failure and protect against damaging practices*

**Category 3 (both): Commitment for proposals to come forward in 2007**

**NB: This work stream has been split into 2 sub-streams**

- (a) Re-evaluate existing legislation and regulation that seeks to protect consumers, employees and employers, (including regulation of loan companies)**

**Progress made on work stream since May 2006 States Report:**

The provision of consumer credit forms part of the Commerce and Employment Department's current review of Fair Trading matters. Proposals for primary legislation to be introduced to cover Fair Trading as part of the package relating to Competition were approved by the States in July 2006.

The Projet de Loi "The Competition and Trading Standards (Enabling Provisions) (Guernsey) Law, 2007", was approved by the States at its January 2007 meeting and Privy Council approval is expected during the Autumn of this year.

With specific regard to the regulation of loan companies, it is a fact that a significant proportion of Guernsey's debt problems stem from financial service providers that would not fall within local regulation, i.e. UK companies, offering access to borrowing on-line. For this reason, along with the significant resources required to implement controls, the introduction of legislation is not justified at this stage. The Commerce and Employment Department recommends that the provision of comparable information on APR, total cost of credit etc. by credit companies, combined with the provision of financial literacy on behalf of their clients is the first step towards alleviating debt problems. This follows the approach adopted in the UK. The Department has been working closely with the Citizens Advice Bureau and is pursuing the approach outlined above through the Social Policy Steering Group.

**Action Plan for 2007:**

The Commerce and Employment Department will continue to work with the Social Policy Steering Group and the Citizens Advice Bureau to bring about effective proposals for the development of financial literacy. This work stream will form part of Priority 4 of the Government Business Plan.

- (b) Investigate appropriateness of competition legislation; recommend to the States appropriate changes to the regulation of utilities and consider other sectors where regulation by the OUR may add value.**

**Progress made on work stream since May 2006 States Report:**

In July 2006, the States approved proposals from the Commerce and Employment Department for the introduction of competition legislation. At the same meeting the States also noted that informal investigations would be undertaken into areas of the Island's economy, in particular the energy market, and specifically gas and the importation of bulk fuels, with a view to deciding on

the appropriateness of either bringing them within the remit of the Regulation of Utilities Law, or of making them subject to a formal investigation under the competition legislation, once enacted.

In September 2006, Consultancy Solutions for the Oil Industry was commissioned to carry out a high level review of the energy market in Guernsey, including the prices charged, such a review to include consideration whether there was a prima facie case for the fuel market, or any sector of the market, to be investigated formally under competition legislation, or controlled under the Regulation of Utilities legislation.

The Projet de Loi “The Competition and Trading Standards (Enabling Provisions) (Guernsey) Law, 2007” was approved by the States at its January 2007 meeting.

**Action Plan for 2007:**

Having received States approval, the Projet de Loi will now be forwarded for Royal Assent and, during this period, work will proceed on the first Ordinances required to put the legislation into effect, initially on anti-competitive practices and abuse of a dominant market position. The States also resolved that an Ordinance should be introduced on mergers and acquisitions and this will require a further Report to the States in order to provide drafting instructions. It is envisaged that this further Report, and the Ordinances, will be laid before the States for consideration in the autumn of 2007.

In specific regard to fuel and energy costs, the report on this matter is virtually complete and publication is expected during the second quarter of 2007. It is hoped that drawing attention to fuel costs will of itself help to ensure a more competitive environment in the Island’s energy sector, especially in transport fuels, as appears to have happened in Jersey. If appropriate, the Report’s findings will be reported to the States in due course, possibly as part of a more comprehensive report on specific competition legislation issues.

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- ❑ *Develop and promote family friendly employment policies*
  - ❑ *Remove disincentives to working beyond retirement age*
  - ❑ *Develop incentives and other initiatives to reduce unemployment*
  - ❑ *Develop policies to bring into employment those who through disability, disadvantage or other reasons may be excluded from employment*

**Category 3 (all): Commitment for proposals to come forward in 2007**

**Progress made on work stream since May 2006 States Report:**

Preliminary research is being undertaken with other States Departments in order to fully

understand the perceived issues relating to these four work streams. Significant effort is already being made in these areas, albeit that a coordinated approach is needed as focus in these areas increases. Initial desk-based research has revealed that a significant amount of data is already available, or could be made available, within a number of States Departments to support these projects. Work has begun on reviewing what is on offer in other jurisdictions and to consider the positive and negative impacts of any proposed initiatives.

#### **Action Plan for 2007:**

These four work streams have been built into the Workforce Development Programme, which will feature as part of Priority 2 (Plan for Sustainable Economic Growth) of the Government Business Plan. The Programme focuses on the full spectrum of the workforce, including those who have low or no skills and those who have low or no income. Implementation of the Programme represents a partnership between States Departments, employers and training organisations in pursuit of shared aims and will be delivered by a Policy Council Sub-Group through the key Departments involved.

The Workforce Development Programme has three Primary Aims and includes some forty separate work streams, including the four mentioned above:

#### **Increasing Participation in the Workforce**

To increase the proportion of the working age population that actually work - the work streams focus on removing barriers to the workplace and to reducing exclusion.

#### **Increasing the Effectiveness of the Workforce**

To ensure that members of the workforce are able to increase their potential to meet the needs of the developing economy - the work streams relate to skills development and the provision of training opportunities.

#### **Maximise the Benefit of Housing Licences**

Recognising the need to supplement the local workforce through inward migration of skills and labour - the work streams are aimed at maximising the benefit that employment related housing licences bring to the economy.

### **Action Area G: Corporate Housing Programme**

#### ***Co-ordinated by Housing***

The States Report entitled 'Corporate Housing Programme – Progress Against the 2006 Action Plans,' provides details of the progress made by the Housing Department against the 2006 Corporate Housing Programme (CHP) Action Plans, which were approved by the States in December 2005. Additionally, appropriate Action Plans for 2007 were approved.

The CHP is being monitored in a separate project from the CAPP monitoring project.

The Policy Council is pleased to note that, with the adoption last year of the resolutions attached to the Capital Prioritisation Report, and the 2007 Budget Report, funding arrangements for the CHP are in a more robust position than had previously been the case.

In October 2006, the Treasury and Resources Department, as part of its Capital Prioritisation Report, recommended a review of the method of funding and accounting for the Housing Department's rent rebate scheme. After consideration, in the 2007 Budget Report, which was presented to the States in November 2006, T&RD recommended, and the States agreed, that from 2008, rent rebates should be treated as a revenue item within the Housing Department's budget.

The Policy Council is pleased to note that with net rent rebates now being refunded as part of the Housing Department's annual General Revenue budget, funding for the CHP is in a much more secure position than had previously been the case.

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**(NB The Treasury and Resources Department has no comment on the proposals.)**

The States are asked to decide:-

XIII.- Whether, after consideration of the Report dated 23<sup>rd</sup> April, 2007, of the Policy Council, they are of the opinion:-

1. To note the updates on all the Action Areas of the Corporate Anti-Poverty Programme.
2. To note that with the establishment of the fully-developed Government Business Plan in July 2007, the Corporate Anti-Poverty Programme, and those aspects of the Corporate Housing Programme involving anti-poverty measures, will be subsumed under States Priority 4 of the Government Business Plan.
3. To note that the Policy Council intends to defer the repeat of the Survey of Guernsey Living Standards (SGLS), which was due to take place in early 2009, until late 2009/2010, in order to take account of the implementation of the new Economic and Tax Strategy in 2008



## **POLICY COUNCIL**

### **THE GUERNSEY FINANCIAL SERVICES COMMISSION: 2006 ANNUAL REPORT**

The Financial Services Commission (Bailiwick of Guernsey) Law, 1997, as amended, requires the Commission to prepare an annual report and accounts for submission by the Policy Council to the States.

The Policy Council recommends that the States appoint the firm of KPMG Channel Islands Ltd as auditors of the Guernsey Financial Services Commission for the year ending 31 December 2007.

The Policy Council recommends the States:

- (1) to note the Report;
- (2) to approve the accounts of the Guernsey Financial Services Commission for the year ended 31 December 2006;
- (3) to appoint the firm of KPMG Channel Islands Ltd as auditors of the Guernsey Financial Services Commission for the year ending 31 December 2007.

M W Torode  
Chief Minister

24<sup>th</sup> April 2007

**(NB The Guernsey Financial Services Commission 2006 Annual Report, which is appended to this Report, is published separately)**

**(NB The Treasury and Resources Department has no comment on the proposals.)**

**(NB The Public Accounts Committee has approved the proposal relating to the appointment of auditors.)**

The States are asked to decide:-

XIV.- Whether, after consideration of the Report dated 24<sup>th</sup> April, 2007, of the Policy Council, they are of the opinion:-

1. To note that Report.
2. To approve the accounts of the Guernsey Financial Services Commission for the year ended 31<sup>st</sup> December 2006.
3. To appoint the firm of KPMG Channel Islands Ltd as auditors of the accounts of the Guernsey Financial Services Commission for the year ending 31<sup>st</sup> December 2007.

## **TREASURY AND RESOURCES DEPARTMENT**

### **APPOINTMENT OF NON-EXECUTIVE DIRECTORS GUERNSEY POST LIMITED**

The Chief Minister  
Policy Council  
Sir Charles Frossard House  
La Charroterie  
St Peter Port

30<sup>th</sup> March 2007

Dear Sir

In April 2005, as a review of commercialisation and regulation arrangements was taking place at the time, the Treasury and Resources Department recommended that the Board of Guernsey Post should only appoint one replacement non-executive director upon the retirement of Mr David Warr and Mr Terry Holder. This was agreed by the States and Mr Jeff Kitts appointed.

Mr David Roberts has now indicated his retirement from the Board leaving only three non-executive directors, Mr Dudley Jehan (Chairman), Mr Roger Perrot and Mr Jeff Kitts. As it has proved difficult on occasions for the Board of Guernsey Post Limited to operate with three local non-executive directors and one off-island non-executive director, the Treasury and Resources Department is proposing that two new non-executive directors are now appointed; one to the post vacated by Mr Holder in December 2004 and the other to replace Mr Roberts.

Mr Andrew Duquemin and Mr Steven Hannon have agreed that their names could be put forward as non-executive officers.

Mr Duquemin is Chairman of Elysium Fund Management Limited, a company providing fund management and corporate finance services to a range of funds and trading companies. Elysium was formed in October 2006 to complete the management buyout of the business of Collins Stewart Fund Management Limited, a Guernsey registered company and wholly owned subsidiary of Collins Stewart Tullett plc, where he was managing director.

Mr Duquemin has extensive experience in the listing of companies on both the London Stock Exchange and the Channel Islands Stock Exchanges. He is also a director of Corporate Consultants Limited; a Guernsey based consultancy business which has provided corporate finance and management consultancy services since 1991.

He sits on the boards of several local trading companies, has a degree in Accounting and Finance and qualified as a Chartered Accountant in 1983. He is also a Fellow of the Securities Institute and holds the advanced diploma in Corporate Finance.

It is considered that the breadth of financial and business experience that Mr Duquemin has would strengthen the Board of Guernsey Post and assist in maintaining good corporate governance.

Mr Hannon was appointed as interim Chief Executive for a period of six months following the unfortunate death of Mr Mike Hall. The Chairman of the Board has informed the Treasury and Resources Department that in the short time Mr Hannon had spent with Guernsey Post, he had made a great personal impact on the organisation. His contract came to an end in February 2007 and a new Chief Executive has now been appointed.

Guernsey Post has greatly benefited from Mr Hannon's contacts with Royal Mail, its main service supplier, and knowledge of the emerging competitors to Royal Mail as a result of liberalisation in the UK postal market. He has over 35 years experience of the postal industry, for the majority of that time working for Royal Mail where he held a number of senior management positions including project management roles and he also has significant experience in industrial relations. Since leaving Royal Mail in 2003 he has undertaken consultancy work in the postal field and is a director of a UK mail consultancy firm.

It is proposed that Mr Hannon is appointed as a non-executive director operating on an off-island basis allowing him to bring current UK market experience to the Board of Guernsey Post.

### **Recommendation**

In accordance with the States Trading Companies (Bailiwick of Guernsey) Ordinance, 2001, it is recommended that the States approve the appointment of Mr Andrew Duquemin and Mr Steven Hannon as non-executive directors of Guernsey Post Limited.

Yours faithfully

L S Trott  
Minister

**(NB The Policy Council supports the proposals.)**

The States are asked to decide:-

XV.- Whether, after consideration of the Report dated 30<sup>th</sup> March 2007 of the Treasury and Resources Department, they are of the opinion:-

To approve the appointment of Mr Andrew Duquemin and Mr Steven Hannon as non-executive directors of Guernsey Post Limited.

**TREASURY AND RESOURCES DEPARTMENT****STATES OF ALDERNEY - LA VALLEE SEWER AND OUTFALL REPLACEMENT**

The Chief Minister  
Policy Council  
Sir Charles Frossard House  
La Charroterie  
St Peter Port

5<sup>th</sup> April 2007

Dear Sir

**Executive Summary**

Under the States Financial Procedures when the States of Alderney wishes to undertake a major capital project the prior approval of the States of Guernsey is necessary. In such cases the States Report seeking approval is submitted by the Treasury and Resources Department on behalf of the Alderney authorities.

The States of Alderney has advised that La Vallee sewer is inadequate and in a poor state of repair and is in urgent need of replacement. A figure of £550,000 for these works was included in the States of Alderney 2007 capital budget but all tenders received for the works were considerably in excess of this sum.

The Treasury and Resources Department has discussed this matter with the Alderney authorities who have advised that the major reasons for the significant increase in cost are:

- At the time of compiling the Budget the full extent of the works required was not known.
- No large civil engineering scheme of this sort has been carried out on-island in recent years to give a basis for estimation.

Tender rates submitted by Geomarine, which has considerable experience of projects of this size and scope, have been reviewed by States property services who confirm that they are comparable with rates which apply in Guernsey for similar projects. The Treasury and Resources Department is, therefore, satisfied that this project is essential and the cost of the works, which includes a contingency sum of £50,000, represents good value for money.

The States of Alderney is able, subject to certain conditions, to move sums from the Alderney Gambling Control Commission reserves to its capital allocation and has agreed that a sum of £500,000 will be transferred to part fund this project.

### **La Vallee sewer and outfall replacement**

The Alderney Policy and Finance Committee has written to the Treasury and Resources Department in the following terms with regards to the replacement of La Vallee sewer and outfall.

*“The General Services Committee has known for several years that the main sewer from St Anne’s to the outfall at Crabby is both inadequate and in a poor state of repair, and had originally included a provision of £540,000 for its renewal in the budget for 2005. This has been deferred on a yearly basis to 2007 when a estimate of £550,000 was included in the capital budget together with a transfer towards the scheme of £500,000 from the monies held on reserve be the Alderney Gambling Control Commission.*

*Over the past several months drawings and specifications have been drawn up for a remedial scheme and tenders sought.*

*At the Alderney States meeting of 21st March the following item was placed before the States for consideration: -*

#### *Replacement of Main Sewer and Outfall*

*The following letter has been received from Mr Walden, Chairman of the General Services Committee: -*

*"It has for many years been known that the Island outfall sewer from the Island Hall to the outfall at Crabby is inadequate in respect of being able to deal with the flows generated and is in poor structural condition.*

*The outfall serves the whole of St Anne’s and carries all of the foul, surface water and highway water from this catchment.*

*The Original town sewerage system installed in the mid 1900’s terminated at the rear wall of the Island Hall, in a 36” x 24” brick egg-shaped sewer. This presumably then ran in a ditch through the Valley Gardens, followed La Vallée and ultimately discharged to the sea.*

*At some later stage, the ditch section was piped with a 15” salt glazed pipe, which was both inadequate to take storm flows and either laid poorly or has deteriorated since installation such that the structural condition is poor and the lengths in the Valley Garden have substantial tree root intrusion at joints (this has been verified by CCTV inspection).*

*The result of this is that in periods of modest rainfall, the first manhole immediately behind the Island Hall overtops and floods the top of the Valley Garden with foul sewage.*

*As the gradient of the existing sewer then increases down to the bottom of La Vallée, the storm flow is then contained (except for heavy rainfall events) within the sewer until it reaches the junction of La Vallée and Crabby Road.*

*The existing sewer gradient then decreases and even with the reduced flow lifts this cover and discharges on to the highway at this point even under modest rainfall events. There is also external flooding in the gardens of adjacent properties during these events.*

*During the last few years, the General Services Committee and Building and Development Control Committee have restricted new development in areas that are served by the sewer, so as not to exacerbate the situation. Connection has been refused to the Clos Carré Estate.*

*There have been some questions asked concerning the design of the sewer, particularly the size, on which I comment below: -*

1. *The size has been determined by the States Engineer and the Assistant States Engineer, by: -*
  - a. *Calculating the maximum capacity of the existing 36" x 24" sewer.*
  - b. *Carrying out a basic catchment analysis of the area served by the sewer.*

*Both gave similar results.*

2. *It should be remembered that when the original 36" x 24" sewer was installed, most properties in the catchment would have had the roof water diverted to a cistern for domestic use – development since and the installation of piped potable water to all dwellings mean that much of this water now goes into the sewer.*
3. *The sewer design life is fifty years plus. It would not be prudent to install a sewer which did not have an element of “future proofing” to allow for potential new development and (as unfortunately happens), new separately-served drainage developments diverting surface water to the foul drainage systems as time goes by.*



4. *The actual increase in cost for increasing pipe size, say 750mm diameter to 900mm diameter is less than 10%. The increase in allowable flows is in the order of 50% - a small price to pay for "future proofing".*

*On the question of part replacement of the sewer, this would not achieve the aims of the project as any upstream improvements (Valley Gardens for instance) would only move the point of overflow further down the outfall i.e. into La Vallée Road itself.*

*Up sizing/improvements to the lower part of the outfall would have some beneficial effect with occasional tide-lock situation but would not relieve the major areas of foul water flooding.*

*Finally, provision has been made at the chamber at the junction of La Vallée and Crabby Road for the retrofitting of a storm water overflow should the planned installation of basic sewage treatment take place.*

*This overflow would allow dry weather flows to be diverted to treatment, whereas storm water flows would continue to be discharged via the new downstream combined outfall.*

*At the meeting of the GSC at 12.00(noon) on the 20<sup>th</sup> December 2006, returned tenders were opened for the above project. 4 tenders were received, the Committee having previously been informed that Mr JF Main had prior to that date declined to tender.*

*Tenders received were:-*

*Tender 1. Geomarine - £1,173,805.28 (An alternative solution costed at £565,737.54 was submitted).*

*Tender 2. Ian Tugby – no tender was included in the return envelopes, but a letter indicated he was unwilling to tender.*

*Tender 3. A J Bohan - £1,355,099.00*

*Tender 4. Crocker Civil Engineering Ltd - £1,122,979.65*

*Tenders were subsequently checked arithmetically and a comparison made of the parts and classes within each part.*

*The alternative tender from Geomarine after detailed examination, was found to be based on incorrect assumptions which invalidated the proposed works as a complete solution to the primary project problems outlined above.*

*Examination of the three conforming tenders, on the grounds of quality, Health and Safety, company background and value for money led the*

*Policy and Finance Committee to resolve overwhelmingly (one abstention) to recommend the acceptance of the tender from Geomarine Ltd in the sum of £1,173,805.28 as the tender which fulfilled the States requirements best.*

*Additional costs for the substantial final highway reinstatement required (estimated £50K) and supervision of the works on site (estimated £35K) lead to an increase in total scheme costs of £85,000.*

*The Policy and Finance has approved this project and also endorsed the previous decision that £500,000 of the scheme costs be funded from the Alderney Gambling Control Commission reserves.*

*It is proposed that the balance of £758,805.28 is met from the Alderney Capital Allocation in which there are funds available at present, due to previous slippage with capital projects. However as future projects are currently being prioritised by the States, and have yet to be agreed, some less urgent projects may have to be postponed.*

*The States is asked to resolve, after consideration of the report from the Chairman of the General Services Committee, and subject to approval by the Treasury and Resources Department, and if necessary the States of Deliberation, to: -*

- 1. Authorise the replacement of La Vallee Sewer and outfall as detailed in the report.*
- 2. Accept the tender from Geomarine Ltd in the sum of £1,173,805.28.*
- 3. Approve the additional costs of £85,000 to cover highway reinstatement and supervision.*
- 4. Vote the sum of £1,258,805.28 to cover the overall cost of the project, £500,000 of which be taken from the Alderney Gambling Control Commission reserves, and the balance of £758,805.28 from the States of Alderney Capital allocation.*

*Mr W Walden  
Chairman"*

*The States is asked to resolve, after consideration of the report from the Chairman of the General Services Committee, and subject to approval by the Treasury and Resources Department, and if necessary the States of Deliberation, to: -*

- 1. Authorise the replacement of La Vallee Sewer and outfall as detailed in the report.*

2. *Accept the tender from Geomarine Ltd in the sum of £1,173,805.28.*
3. *Approve the additional costs of £85,000 to cover highway reinstatement and supervision.*
4. *Vote the sum of £1,258,805.28 to cover the overall cost of the project, £500,000 of which be taken from the Alderney Gambling Control Commission reserves, and the balance of £758,805.28 from the States of Alderney Capital allocation.*

*The States of Alderney resolved after consideration of the above report to accept the proposal for replacement of La Vallee Sewer and to accept the tender from Geomarine Ltd in the sum of £1,173,805.28 and also to approve additional costs of highway reinstatement and supervision in the sum of £85,000. The States further agreed to vote the sum of £1,258,805.28 to cover the overall cost of the project, £500,000 of which to be taken from the Alderney Gambling Control Commission reserves and the balance of £758,805.28 from the Alderney Capital allocation.*

*I am therefore writing to seek the approval of your Department, and if necessary the States of Deliberation to the above mentioned expenditure."*

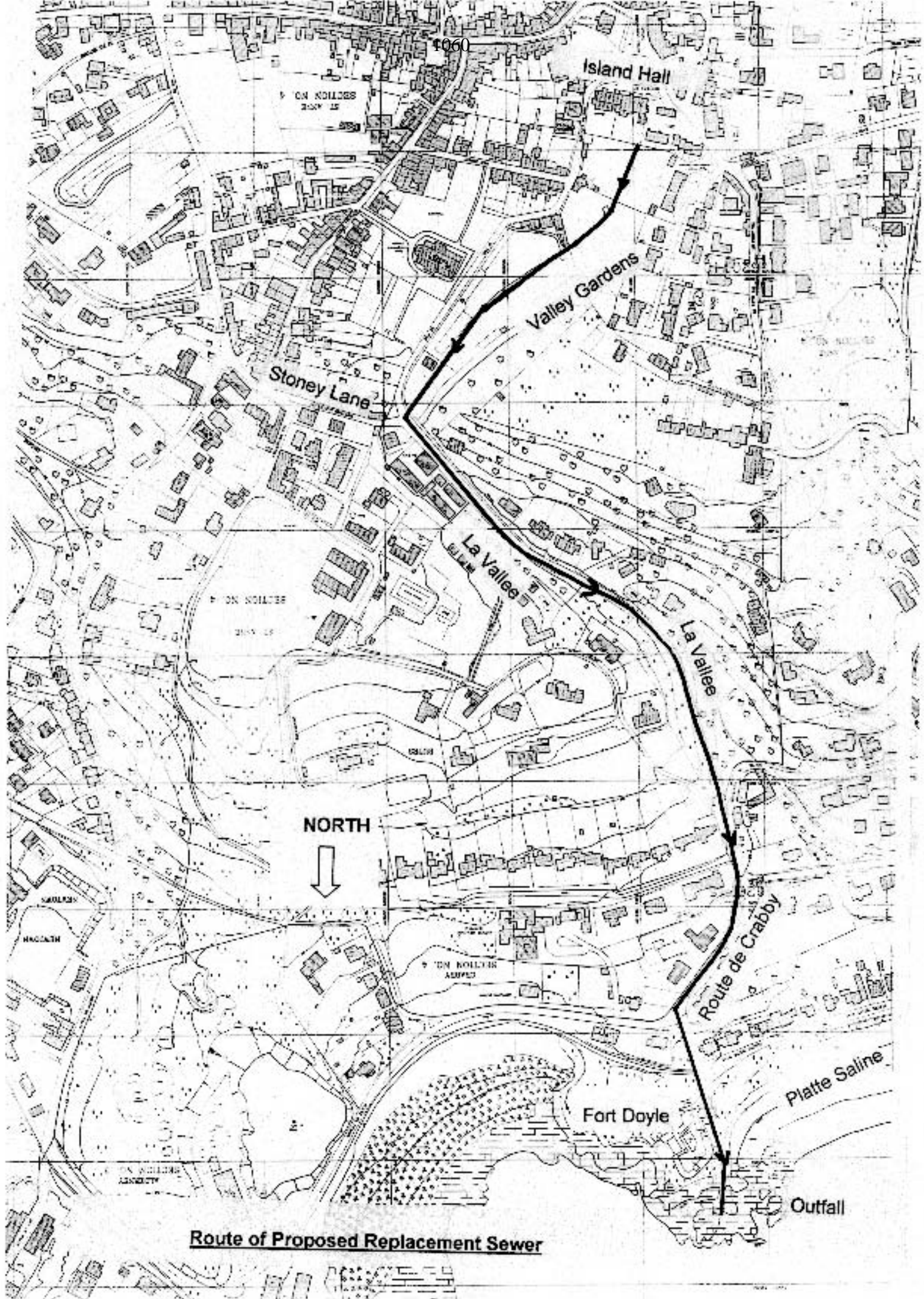
## **Recommendations**

The Treasury and Resources Department recommends the States to:

- (1) To approve the replacement of La Vallee sewer and outfall as set out in this Report at a total cost not to exceed £1,258,805.
- (2) To authorise the States of Alderney to accept the tender from Geomarine Ltd in the sum of £1,173,805.28.
- (3) To vote the States of Alderney a credit of £1,258,805 to cover the cost of the above works, such sum to be charged to its capital allocation.
- (4) To note the States of Alderney's intention to transfer a sum of £500,000 from the Alderney Gambling Control Commission reserves to its capital allocation to part fund this project.

Yours faithfully

L S Trott  
Minister



1060

Island Hall

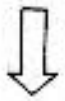
Valley Gardens

Stoney Lane

La Vallee

La Vallee

NORTH



Route de Crabby

Platte Saline

Fort Doyle

Outfall

**Route of Proposed Replacement Sewer**

**(NB The Policy Council supports the proposals.)**

The States are asked to decide:-

XVI.- Whether, after consideration of the Report dated 5<sup>th</sup> April, 2007, of the Treasury and Resources Department, they are of the opinion:-

1. To approve the replacement of La Vallee sewer and outfall as set out in that Report at a total cost not to exceed £1,258,805.
2. To authorise the States of Alderney to accept the tender from Geomarine Ltd in the sum of £1,173,805.28.
3. To vote the States of Alderney a credit of £1,258,805 to cover the cost of the above works, such sum to be charged to its capital allocation.
4. To note the States of Alderney's intention to transfer a sum of £500,000 from the Alderney Gambling Control Commission reserves to its capital allocation to part fund this project.

## **HOUSING DEPARTMENT**

### **HOUSING (CONTROL OF OCCUPATION) (GUERNSEY) LAW, 1994 - VARIATION TO THE HOUSING REGISTER**

Chief Minister  
Policy Council  
Sir Charles Frossard House  
La Charroterie  
St Peter Port

8<sup>th</sup> February 2007

Dear Sir

#### **Executive Summary**

This report recommends that the States agree that an Ordinance be prepared to permit the Department to inscribe two dwellings in Part A of the open market Register. The dwellings concerned are La Ville en Bas, 47 Hauteville, St Peter Port, and The Flat, 2 Grange Place, St Peter Port (known as 'Courtyard House').

#### **Introduction**

Since 1982 the Housing Register of open market dwellings has generally been closed for new inscriptions. However, under Section 52 of the above Law, the States may by Ordinance permit the Department to inscribe any dwelling in Part A or Part B of the Register.

#### **La Ville en Bas, 47 Hauteville, St Peter Port**

In 1970 the then Housing Authority inscribed in the Housing Register the property known as La Ville en Bas, 47 Hauteville, St Peter Port. In 1977 application was made to the Authority to sub-divide the dwelling into two self contained flats. The lower flat retained the name 'La Ville en Bas' and became controlled local market accommodation whilst the upper flat retained the open market inscription and became known as 'Upper Flat, 47 Hauteville, St Peter Port'.

In 2004 the property was sold and the new owners applied to develop the enclos to create an additional dwelling to which they wish to transfer the open market Part A Inscription of the 'Upper Flat'. Section 31 of the Housing (Control of Occupation) (Guernsey) Law, 1994 would allow this transfer to happen if the existing open market dwelling was demolished. As the intention is to develop the 'Upper Flat' as controlled local market accommodation the Housing Department has no power under the Law to

transfer the inscription. The transfer can only be achieved by taking a proposal to the States for permission to inscribe the new dwelling under Section 52 of the Law.

The Department has received an application for the deletion of the 'Upper Flat' from the Housing Register together with the relevant permissions relating to the construction of the new dwelling and the redevelopment of the existing building into three units. Confirmation has been received that the tenants of the open market flat have been rehoused and that this flat has been unoccupied since 8 January 2007.

**The Flat, 2 Grange Place, St Peter Port (known as 'Courtyard House')**

In 1981, the then Housing Authority inscribed in the Housing Register the property known as Number 2 Grange Place, The Grange, St Peter Port. At that time it comprised the following:

Top floor flat	RV £70 – Open market
Offices	RV £165 – Local market
Garden Flat	RV £24 – Local market
Two garages	RV £15 & £13 – Local market

The two owners died in 1983 and 1999 respectively which resulted in the property passing to the latter deceased's heirs. According to Cadastre records, the property was sold on 27 May 1999 (although the then Housing Authority was not notified of the sale despite the owner being required by Law to do so).

The new owners proceeded to redevelop the property. This redevelopment resulted in the existing open market flat and the Garden Flat ceasing to exist. The offices were enlarged to absorb the two residential units and two new dwelling units were created on the property. The Housing Authority was not notified of the alterations.

On 26 November 2002, the property was sold to Nissan UK Limited. Again the Housing Authority was not notified of the change of ownership.

In 2003 it came to the Housing Department's attention that the entry on the Register did not concur with the physical layout of the dwellings.

While there has been a failure on the part of the current owners or their agents to notify the Authority of the purchase of the property, the significant omission was made by the previous owners and/or their agents. It is evident that, when the property was purchased by Nissan UK, their Advocates made the appropriate checks (albeit without asking the Authority to declare the Registration to be correct) and found nothing to cause them to doubt that one of the two dwelling units on the property was that which was inscribed in the Register.

Nissan UK therefore purchased, in good faith, a property which to all intents and purposes included an open market dwelling. It would be unreasonable that Nissan UK should suffer from actions of previous owners.

Had the previous owner advised the Authority of its intention to redevelop the property in 1999 it is likely that the then Authority would have supported the proposal by arranging that one of the new dwellings be inscribed in the Register (albeit that an Ordinance may have been required). The redevelopment was very similar to a demolition. If the development had been viewed as a demolition the Department could have inscribed a replacement dwelling, constructed anywhere within the enclos, in the Register under the provisions of Section 31 of the Law. If the building works were not viewed as a demolition then it is reasonable to regard the works as a rationalisation of the property (principally to improve the office accommodation but also to provide better separation between the offices and the open market dwelling) and there is reason to believe that the Authority would have supported an approach to the States at that time.

The present situation is that the current owners have acquired a property which they genuinely believed contained an open market dwelling. Their Advocate conducted the usual searches prior to purchase and found an inscription in the Register.

The present owners have not been at fault in this matter, although their Advocates could have sought a Declaration of Registration prior to acquisition – this would have resulted in an inspection which should have brought the changes to light. The failure to request such a declaration is not an offence because these are not obligatory. Although the Advocate subsequently failed to notify the Authority of the purchase, even if notification had been made it would not have altered the facts as set out in the preceding paragraphs.

It has generally been considered that one of the purposes of Section 52, which allows properties to be added to the Register by Ordinance, is to correct errors, or to ‘right wrongs’. Clearly Nissan UK would be ‘wronged’ if the property it purchased as open market became local market through no fault of the company.

The redevelopment of the property by the previous owners has not depleted the local market - there were two dwellings (one local market and one open market) - and if the States agree to allow one new dwelling to be inscribed in the Register as a replacement for the former open market unit that has ceased to exist, there will still be one local market and one open market unit on the property.

## **Recommendations**

In the light of all the above, the Department recommends the transfer of the inscription of Upper Flat, 47 Hauteville, St Peter Port (Cadastre No. A406780000) to a new dwelling to be built within that enclos.

The Department further recommends that The Flat, 2 Grange Place (known as ‘Courtyard House’) (Cadastre No. A114450000) should be inscribed in Part A of the Register.



If the States agree to approve an Ordinance to permit The Flat, 2 Grange Place (known as 'Courtyard House') and the new dwelling to be built within the enclos of La Ville en Bas, 47 Hauteville, St Peter Port to be inscribed in Part A of the Register, Section 52 of the Law states that the owners will be required to apply for the inscription "within a period of six months, or such other period as may be specified in the Ordinance, immediately following the date of commencement of the Ordinance" for the inscription to proceed. It is proposed therefore that the Ordinance should specify that the Department may inscribe The Flat, 2 Grange Place (known as 'Courtyard House') and the new dwelling to be built within the enclos of La Ville en Bas, 47 Hauteville, St Peter Port in Part A of the Register on application being made by the owner within 6 months from the commencement date of the Ordinance.

The Department recommends that the States agree that an Ordinance be prepared in accordance with Section 52 of the Housing (Control of Occupation) (Guernsey) Law 1994 to permit the Department to inscribe The Flat, 2 Grange Place, The Grange, St Peter Port (known as 'Courtyard House') and the new dwelling to be built within the enclos of La Ville en Bas, 47 Hauteville, St Peter Port in Part A of the Housing Register subject to application being made by the owners within 6 months from the commencement date of the Ordinance.

Yours faithfully

D Jones  
Minister

**(NB The Policy Council supports the proposals but has expressed concern about the circumstances which have led the Housing Department to bring forward the proposals in respect of 2 Grange Place.)**

**(NB The Treasury and Resources Department has no comment on the proposals.)**

The States are asked to decide:-

XVII.- Whether, after consideration of the Report dated 8<sup>th</sup> February, 2007, of the Housing Department, they are of the opinion:-

1. That the inscription of Upper Flat, 47 Hauteville, St Peter Port (Cadastre No. A406780000) shall be transferred to a new dwelling to be built within that enclos.
2. That The Flat, 2 Grange Place (known as 'Courtyard House') (Cadastre No. A114450000) shall be inscribed in Part A of the Register.
3. To direct that an Ordinance be prepared in accordance with Section 52 of the Housing (Control of Occupation) (Guernsey) Law 1994 to permit the Department to inscribe The Flat, 2 Grange Place, The Grange, St Peter Port (known as 'Courtyard House') and the new dwelling to be built within the enclos of La Ville en Bas, 47 Hauteville, St Peter Port in Part A of the Housing Register subject to application being made by the owners within 6 months from the commencement date of the Ordinance.
4. To direct the preparation of such legislation as may be necessary to give effect to their above decisions.

## **HOME DEPARTMENT**

### **THE DRUG TRAFFICKING AND PROCEEDS OF CRIME LAWS AND THE INTERNATIONAL CO-OPERATION LAW**

The Chief Minister  
Policy Council  
Sir Charles Frossard House  
La Charroterie  
St Peter Port

21<sup>st</sup> March 2007

Dear Sir

#### **1. Executive Summary**

This report recommends a number of amendments to the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999 and the Drug Trafficking (Bailiwick of Guernsey) Law, 2000 to ensure that the enforcement powers available in the Islands' are equally robust as those available in the UK. It is essential for the Bailiwick to seek, at least, to mirror the UK's enforcement provisions to maintain the Islands' excellent reputation in this international area of law enforcement.

The recommendations set out in Her Majesty's Procureur's letter reflect the powers for restraint, confiscation and anti-money laundering regimes for drug trafficking and other crimes contained within the UK's Proceeds of Crime Act 2002. It is not proposed to seek to unify the Bailiwick's legislation at this time but, if approved, the amendments to existing legislation would provide parallel powers and offences locally and satisfy the enforcement regime recommended by international regulatory bodies including the Financial Action Task Force.

Her Majesty's Procureur's letter also recommends that the international co-operation legislation be amended to allow for future amendments to be made by Ordinance. Money laundering and associated criminal activity is invariably highly sophisticated and, internationally, legislation and practice associated with international co-operation in criminal proceedings is constantly being developed. It is therefore essential that the Bailiwick's laws are equally responsive.

#### **2. Proposals from Her Majesty's Procureur**

Her Majesty's Procureur has written to the Department in the following terms regarding proposals to amend the Bailiwick's drug trafficking and proceeds of crime law and the laws relating to international co-operation in such investigations:

### **“Introduction**

*The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999 and the Drug Trafficking (Bailiwick of Guernsey) Law, 2000 were based on legislation then in force in England. Both have recently been amended to improve their effect. I am pleased to report that these Laws have proved effective in their application by St James Chambers and the law enforcement agencies.*

*In 2002, the United Kingdom Parliament enacted the Proceeds of Crime Act, one notable feature of which is that the restraint, confiscation and anti-money laundering regimes for drug trafficking and other crimes are now in one piece of legislation. In due course, it is likely that the States will be asked to approve a new unified Proceeds of Crime Law, based upon the Proceeds of Crime Act 2002 as it applies in England and Wales, modified to suit local circumstances.*

*However, given the very heavy workload on St James Chambers, I have reached the conclusion that it would not be appropriate to now ask for approval for what will be lengthy and complex replacement legislation, while the existing legislation remains workable, though not perhaps as effective as its mainland replacement.*

*In the following paragraphs, however, I shall be recommending several changes to the existing Proceeds of Crime and Drug Trafficking legislation which I believe are required and warrant the attention of the States immediately. I shall also be proposing some amendments to the Criminal Justice International Co-operation (Bailiwick of Guernsey) Law, 2001.*

### **Proceeds of Crime Law**

#### **Business required to take measures to prevent money laundering**

*Section 49 of the Proceeds of Crime Law requires regulations to be made “in respect of the duties and requirements to be complied with by financial services businesses for the purpose of forestalling and preventing money laundering”. Regulations made under section 49 (which are the responsibility of the Policy Council to prepare) require businesses to have in place, for example, proper customer identification and record keeping procedures. Failure to comply with such Regulations may lead to the revocation of a licence to do financial services business, or even prosecution before our criminal courts.*

*Under the Proceeds of Crime Law, financial services businesses include institutions such as banks, insurance companies and trust administration businesses. Lawyers’ and accountants’ practices are also classified as financial services businesses, in respect of financial related work performed for a client*

*that is more than incidental to their core work of providing legal or accountancy advice.*

*In its most recent set of recommendations, the Financial Action Task Force (FATF) states that, in addition to financial services businesses, the requirement to have in place procedures to counter money laundering should be extended to include a range of other businesses and professions. Accordingly, I consider that Guernsey's anti-money laundering and counter terrorist financing framework should be extended to include -*

- (a) estate agents,*
- (b) dealers in high value goods when accepting significant sums of cash (e.g. car dealers),*
- (c) casinos (including any form of organised gambling), ,*
- (d) lawyers (and other legal professionals) and accountants when preparing or performing the following activities:*
  - buying and selling of real estate;*
  - managing of client money, securities or other assets;*
  - management of bank, savings or securities accounts;*
  - organisation of contributions for the creation, operation or management of companies;*
  - creation, operation or management of legal persons or arrangements, and buying and selling of business entities,*

*and that Regulations should provide for this list to be amended.*

*In the United Kingdom, the FATF requirements are on the whole met by the Money Laundering Regulations, 2003 that give effect to the requirements of the Second EU Money Laundering Directive. The requirements in the legislation concerning anti-money laundering measures for non-financial type businesses are not as onerous as those for financial service providers.*

*It is important for the preservation of the Bailiwick's international reputation and standing with organisations such as FATF and the IMF that the requirements of the FATF recommendations are met. In view of this, I recommend the addition of the necessary enabling provisions to the Proceeds of Crime Law so that Regulations concerning the prevention of money laundering may be made for those additional businesses mentioned above and that such Regulations may include the appointment of a regulator or supervisor for anti-money laundering and counter terrorist financing purposes. Any Regulations*

*and the potential appointment of any supervisors should be the subject of consultation with effected parties. No decision has yet been taken on Regulations or such appointments.*

***Amendment to include terrorism and drug trafficking in section 49 of the Proceeds of Crime Law***

*As mentioned, section 49 of the Proceeds of Crime Law allows for Regulations to be made in connection with financial services businesses in order to forestall and prevent money laundering. For the purposes of section 49 “money laundering” means doing any act which constitutes a money laundering offence as detailed by the Law or, in the case of an act done outside the Bailiwick, which would constitute such an offence if done in the Bailiwick.*

*The Regulations made under section 49 require financial services businesses to act in the same way towards suspicious transactions that may relate to terrorism as they do to money believed to be connected to other types of crime.*

*As section 49 is currently worded, Regulations made under it cover money held by a bank if it is the proceeds of acts of terrorism, or of non-terrorist offences committed to obtain money for use in connection with terrorism. Both scenarios meet the definition of money laundering. However, it is not clear that Regulations made under section 49 cover money that is obtained entirely by lawful means that is eventually set aside for use in connection with terrorism, neither is it certain that such Regulations cover drug trafficking funds, as drug trafficking is excluded from the definition of criminal conduct in section 1 of the Law.*

*I therefore recommend that the States be asked to approve the amendment of section 49 to bring all terrorist money and drug trafficking funds within the Proceeds of Crime Law’s definition of “money laundering”.*

***Enforcement of confiscation orders made in other jurisdictions***

*Both the Proceeds of Crime and Drug Trafficking Laws allow HM Procureur to apply to the Royal Court firstly, to freeze assets held locally that are believed either to be or to represent the proceeds of crime or of drug trafficking; and secondly, to register and enforce confiscation orders made by a court in another jurisdiction.*

*Each Law allows for the freezing of assets and the enforcement of overseas confiscation orders if a jurisdiction is designated by Ordinance of the States. The States have the power by Ordinance to designate jurisdictions that have been designated by secondary legislation made under the two Acts of the UK Parliament that (prior to the enactment of the Proceeds of Crime Act 2002) dealt with, the proceeds of crime and drug trafficking.*

*As a result of such designations made in the UK, 177 jurisdictions were designated under the Drug Trafficking Law and 68 under the Proceeds of Crime Law. The relatively small number of designations under the Proceeds of Crime Law is simply a result of the fact that there were fewer designations under the equivalent legislation in force in the UK.*

*The Proceeds of Crime Act 2002 repealed in the UK the Acts on which the Bailiwick's Drug Trafficking and Proceeds of Crime Laws were based. Under the new UK Act, the requirement to designate jurisdictions, as described above, was not re-enacted, and instead, under the regime put in place (under section 444) all jurisdictions are eligible for assistance. This eligibility is not automatic, as the Home Secretary is given discretion as to whether assistance is provided. The precise procedures are detailed in secondary legislation. In particular, the section under which countries are designated in the UK by Order in Council is prospectively repealed. It is still in force at the moment, and so is the Order in Council made under it; but when it is eventually repealed, it will no longer be possible to designate further jurisdictions by Ordinance, unless the Proceeds of Crime Law and Drug Trafficking Law are amended to accommodate the new designation procedures in the UK.*

*Despite the change in legislation in the UK, all the designations currently made under our local Laws remain valid. Given the very large number of designations made under the Drug Trafficking Law, it is unlikely that I will receive a request for the freezing of assets and enforcement of a confiscation order from a jurisdiction that has not been designated under that Law, but that is not the case with the Proceeds of Crime Law where a number of future designations will certainly have to be made. Moreover, even in relation to drug trafficking, we may need to designate new jurisdictions in the future.*

*I therefore recommend that section 35(1)(a) of the Proceeds of Crime Law and of the Drug Trafficking Law be amended to permit the States to designate by Ordinance those countries to which assistance may be afforded.*

### **Live television and telephone links**

*Since the enactment of the Criminal Justice (Fraud Investigation) (Bailiwick of Guernsey) Law, 1991, the Law Officers have regularly provided assistance to other jurisdictions in connection with serious or complex fraud investigations. The Proceeds of Crime and Drug Trafficking Laws also contain powers to gather information that have been used to help other jurisdictions.*

*In most cases, evidence gathered in Guernsey has been presented at any eventual trial by the Guernsey witnesses' written statement being read to the trial court. There have been a small number of foreign trials in recent years when a witness who lives in Guernsey has been required to give live evidence, and in some of these cases the person summonsed has agreed to travel to the foreign court to give evidence.*

*There have however, been a small number of witnesses who have declined, for various reasons, to travel to give evidence. In these cases, it has been possible for the Royal Court to take the witness's evidence under oath under the provisions of section 4 of the International Co-operation Law. Sometimes the witness's evidence is written down and then formally sworn. On other occasions, the evidence has been videoed with a view to it being played to the foreign court during the trial.*

*The Law Officers recently received an enquiry from England asking whether a witness in Guernsey could give evidence to the Crown Court by a live television link. There is no express statutory power in Guernsey to permit this and therefore the legal status of evidence so given in Guernsey might be called into question. Any difficulty caused to a foreign trial by a lack of local legislation in this respect would be of course embarrassing for Guernsey.*

*In England, sections 30 and 31 of the Criminal Justice (International Co-operation) Act, 2003 permit the use of television and telephone links for the purpose of providing evidence for foreign criminal trials. So that the possibility of embarrassment by not being able to provide full assistance to a foreign trial can be avoided, and to maintain and enhance the Bailiwick's reputation, I recommend that local legislation be enacted based upon sections 30 and 31 of the International Co-operation Act, 2003.*

#### **Amendment of International Co-operation Law by Ordinance**

*Internationally, legislation and practice associated with international co-operation in criminal proceedings is constantly being developed. In view of this I recommend, in order to permit the Bailiwick to react quickly, and to legislate with the minimum of delay, that a section be added to the International Co-operation Law, to allow its amendment by Ordinance of the States, thereby removing the need to obtain an Order in Council (a process which can cause delay) for each and every amendment.*

#### **Human rights**

*I am of the opinion that the proposals I have detailed in this letter are compatible with the provisions of the European Convention on Human Rights.*

#### **Cost**

*Inevitably there will be some cost involved in any regulation or supervision but, if and when Regulations are prepared, the appointment of a regulator or supervisor and the fees payable to them should be the subject of consultation.*

*If the remainder of my proposals are enacted then, each time the legislation is used, action will be required from the Law Officers' Chambers and the law*



*enforcement authorities. However, I believe that no extra staff will need to be recruited as a consequence of the recommended changes. Indeed there will be cases in connection with which Guernsey will be able to retain for its benefit all or part of the money realised by the enforcement of an overseas order.*

### **Recommendations**

*In summary, I therefore recommend that States' approval be sought for legislation as set out above."*

## **3. Home Department's Response**

The Department believes that the proposals are in accord with Priority 7 of the Government Business Plan, namely to take firm action against crime and the causes and effects of crime. In particular the proposals set out in this report reflect the priority objective set out in Level 1 of this priority, namely:

*"Promote and support policies which keep the Bailiwick a safe and secure place to live. This means taking firm action against crime and tackling the situations which give rise to criminal behaviour through strategies to tackle drug and alcohol abuse and social problems in the community."*

Further, the proposals clearly fall within the Level 2 work stream for Law Enforcement, namely:

*"Take firm action by providing an economic, efficient and effective law enforcement resource to combat all crime and confiscate the proceeds of crime."*

The Department is unanimous in its support for the proposals. Her Majesty's Procurer's proposals have been prepared in full consultation with the Guernsey Police and Customs and Immigration Service and both Services believe these additional measures will enable them to deal effectively and robustly with drug trafficking and all forms of financial crime.

## **4. Resources**

The Home Department believes that there will be a measure of resource implications which the Chief Officer of Police and Chief Officer of Customs and Immigration consider can, in the short term, be managed through the prioritisation of operations.

The Department is conscious that this report is one of several such reports in just over 18 months which has recommended amendments to the Bailiwick's drug trafficking and financial crime legislation. Whilst the individual reports may not have significant resource implications the cumulative effect on the resources of the Guernsey Police and the Customs and Immigration Service are of increasing concern. The Department is conscious that these resources are already severely stretched.

The Department accepts that the measures set out in this report, as in previous ones, are essential if the Bailiwick is to retain and maintain its international reputation and standing with organisations such as FATF and the IMF. However, it wishes to put the States on notice that it has asked the Chief Officers of Police and Customs and Immigration to undertake a full review of the resources necessary to ensure that this legislation, that was previously approved by the States, and future proposals to extend civil forfeiture to cover property and high value goods in addition to the provisions relating to civil forfeiture which were approved by the States in July 2006, is enforced robustly and consistently in line with the international standards required by FATF and the IMF.

The Department will present the findings of this review to the States as soon as practicable. The Department undertakes to ensure that any request for additional resources is proportionate to the need to protect the Island's international reputation and ensure that the Bailiwick continues to be an attractive place for the types of business the islands are seeking to encourage.

## **5. Conclusion**

The Department recommends the States:

To approve the Department's proposals for amending the legislation as set out in Her Majesty's Procureur's letter; and

To direct the preparation of such legislation as may be necessary to give effect to the foregoing.

Yours faithfully

G H Mahy  
Minister

**(NB The Policy Council supports the proposals.)**

**(NB The Treasury and Resources Department has no comment on the proposals.)**

The States are asked to decide:-

XVIII.- Whether, after consideration of the Report dated 21<sup>st</sup> March, 2007 of the Home Department, they are of the opinion:-

1. To approve the Home Department's proposals to amend legislation as set out in Her Majesty's Procureur's letter quoted in section 2 of that Report.
2. To direct the preparation of such legislation as may be necessary to give effect to their above decision.

## HOME DEPARTMENT

### FRAUD

The Chief Minister  
Policy Council  
Sir Charles Frossard House  
La Charroterie  
St Peter Port

21<sup>st</sup> March 2007

Dear Sir

#### **1. Executive Summary**

This report follows on from proposals for the reform of the Bailiwick's criminal laws which were approved by the States in April 2006. The States Report of April 2006 indicated that amendments to the Bailiwick's laws on fraud also needed amendment and Her Majesty's Procureur was monitoring developments in the UK before finalizing his proposals. The proposals set out by Her Majesty's Procureur are based on the UK's Fraud Act 2006 and seek to provide a more robust framework for pursuing these types of offences than is currently contained within the Bailiwick's common law and the Theft (Bailiwick of Guernsey) Law, 1983, as amended.

The proposed new legislation will ensure that the Bailiwick maintains appropriate and robust criminal provisions to protect the Islands from fraudulent activity and so ensure that the Islands' economies, given their reliance on the financial services industry, are protected by affording the law enforcement agencies with the necessary tools to pursue those who engage in this type of criminal activity.

#### **2. Proposals from Her Majesty's Procureur**

Her Majesty's Procureur has written to the Department in the following terms regarding proposals to amend the Bailiwick's criminal laws dealing with fraudulent activities:

##### ***Introduction***

*On 30<sup>th</sup> December, 2005, I wrote to you to suggest some important amendments to the criminal law in the Bailiwick. In my letter, reproduced in the Home Department's Report to the States on Criminal Law Reform – see Billet d'État No. VIII of 2006 (April) at pp 764 et seq. – I indicated (at para. 76) that I was closely monitoring developments in England concerning the law relating to fraud, following the Law Commission's 2002 Report on the subject, with a view*

*to making appropriate recommendations for new local legislation. On the 8th November, 2006 the Fraud Act 2006 received Royal Assent, and following a review of the Act's provisions, I am firmly of the opinion that proposals for similar legislation should be placed before the States without delay.*

### ***Current legislation***

*The main statutory provision which deals with fraud is the Theft (Bailiwick of Guernsey) Law, 1983, largely based upon the Theft Acts of 1968 and 1978. The only major amendment to the 1983 Law occurred in 1999 with the enactment of the Theft (Bailiwick of Guernsey) (Amendment) Law, also based upon English legislation.*

*In addition to the legislation, Guernsey's customary or common law recognises 'fraud' as a criminal offence, prosecuted typically as a conspiracy to defraud if there is evidence of an agreement between two or more persons to defraud someone.*

### ***Law Commission's Report***

*The Law Commission in its 2002 Report noted that, in addition to theft, the Theft Acts provide for eight offences of deception. These are committed by a person who dishonestly and by deception:-*

- (a) obtains property belonging to another, with the intention of permanently depriving the other of it,*
- (b) obtains a money transfer,*
- (c) obtains services,*
- (d) secures the remission of an existing liability to make a payment,*
- (e) induces a creditor to wait for payment, or to forgo payment, with intent to permanently default on the debt,*
- (f) obtains an exemption from, or abatement of liability to make a payment,*
- (g) obtains a pecuniary advantage, or*
- (h) procures the execution of a valuable security.*

*The Law Commission noted that under the Theft Acts, there are numerous overlapping but distinct statutory offences that could be used in cases of fraud. In its Report it quoted the eminent academic lawyer Professor Griew who had written:-*

“No-one wanting to construct a rational, efficient law of criminal fraud would choose to start from the present position. The law ... is in a very untidy and unsatisfactory condition. The various offences are not so framed and related to each other as to cover, in a clearly organised way and without doubt or strained interpretation, the range of conduct with which the law should be able to deal.”

*The Law Commission also observed that, given the number and detail of the various fraud offences which are available, prosecutors sometimes choose the wrong charge to match the evidence, or lay too many charges, which make trials unduly complex. It concluded:-*

“A clearer, simpler law of fraud would make it easier for prosecutors to pursue one correct charge, which in turn would give fraud trials greater focus and structure.”

*The Theft Acts also do not cover conduct that most ordinary persons would consider to amount to a crime. Under the Acts, for a prosecution for any of the deception offences to succeed the prosecution must prove that a person has been deceived. As a result, problems were encountered in connection with computers and machines. The Law Commission's Report stated:-*

“A machine has no mind, so it cannot believe a proposition to be true or false, and therefore cannot be deceived. A person who dishonestly obtains a benefit by giving false information to a computer or machine is not guilty of any deception offence. Where the benefit obtained is property, he or she will normally be guilty of theft, but where it is something other than property (such as a service), there may be no offence at all.

This has only become a problem in recent years, as businesses make more use of machines as an interface with their customers. There are now many services available to the public which will usually be paid for via a machine. For example, one would usually pay an internet service provider by entering one's credit card details on its website. Using card details to pay for such a service without the requisite authority would not currently constitute an offence. As the use of the internet and automated call centres expands, this gap in the law will be increasingly indefensible.”

*The Law Commission also identified that problems have been encountered in prosecuting in circumstances in which a person does not commit the offence of theft but abuses his position, for example, as an employee, to make a secret profit. This difficulty was identified as long ago as 1985, in a case concerning the manager of a bar who sold his own beer rather than that supplied by his employer.*

*In view of the problems associated with the Theft Acts, the Law Commission recommended that the deception offences be repealed and replaced by a single offence of fraud which could be committed in any one of three ways. The Home Office accepted this recommendation, and the Fraud Act 2006 is the legislative result.*

### ***Fraud Act***

*Under section 1 of the Fraud Act 2006 a person may be guilty of fraud by*

- (a) making a false representation,*
- (b) failing to disclose information,*
- (c) abusing their position.*

*If statutory fraud is to be introduced into local law, I recommend that the maximum sentence be 12 years, to mark the condignity with which our reputable international finance centre should regard such an offence, which, when committed, damages not only its victims (and may reduce them to penury) but also the Island's reputation.*

*The detail of each of the ways it is possible to commit fraud are as follows.*

#### ***A. False representation***

*A person is guilty of fraud by false representation if he dishonestly makes a false representation, and intends, by making the representation, either to make a gain for himself or another, or to cause loss to another or to expose another to a risk of loss.*

*A representation is false if it is untrue or misleading, and the person making it knows that it is, or might be, untrue or misleading. It may be expressed or implied and be regarded as made if it (or anything implying it) is submitted in any form to any system or device designed to receive, convey or respond to communications (with or without human intervention).*

*Representations may be made by conduct as well as words. For example, when a person dishonestly misuses a credit card to pay for something. The act of tendering the card falsely represents that he has authority to use it for that transaction. It is immaterial whether the person accepting the card for payment is deceived by the representation.*

*The offence may also be committed by someone who engages in “phishing” by, for example, disseminating an e-mail to large groups of people falsely representing that the message had been sent by a legitimate financial institution. The aim of the e-mail is to prompt the receiver to provide information such as*

*credit card details and bank account numbers so that the “phisher” can gain access to personal financial information.*

***B. Failing to disclose information***

*A person is guilty of fraud by failing to disclose information if he dishonestly fails to disclose information to another person which he is under a legal duty to disclose, and intends, by failing to disclose the information, either to make a gain for himself or another, or to cause loss to another or to expose another to a risk of loss.*

*A person will therefore be guilty of fraud if for example, he intentionally fails to disclose information relating to a heart condition when making an application for life insurance.*

***C. Abuse of position***

*A person is guilty of fraud by abuse of position if, while occupying a position in which he is expected to safeguard, or not, to act against the financial interests of another person, he dishonestly abuses that position, and intends, by means of the abuse of that position, either to make a gain for himself or another, or to cause loss to another or to expose another to a risk of loss. A person may be regarded as having abused his position even though his conduct consisted of an omission rather than an act.*

*An example of a situation covered by this provision is where a person employed by a software company uses his position to clone software products with the intention of selling the products on.*

***Possession etc. of articles for use in frauds***

*Both the Theft Act, 1968 and The Theft (Bailiwick of Guernsey) Law, 1983 contain a provision which makes it an offence for a person when not at their home to be in possession of any article for use in the course of or in connection with any burglary, theft or deception. Fraud may be committed over the telephone or internet by for example, the use of a stolen credit card. To cover this type of situation, the Fraud Act makes it an offence for a person to possess or have under his control any article for use in the course of or in connection with any fraud. I recommend that the maximum sentence for this offence should be 6 years.*

*The Act also makes it an offence to make, adapt, supply or offer to supply any article knowing that it is designed or adapted for use in the course of or in connection with fraud, or intending it to be used to commit or facilitate fraud. This offence covers for example, a person who makes devices which when attached to electricity meters cause the meter to malfunction. The actual amount of electricity used is concealed from the provider, who as a result incurs*



*a loss. I recommend that the maximum penalty should be the same as that for the offence of fraud.*

*In connection with both offences, the meaning of the word “article” is defined so that it includes any program or data held in electronic form.*

### ***Obtaining services dishonestly***

*The Law Commission noted that certain types of conduct to obtain a service which should be unlawful would not be covered either by the new offence of fraud or the offence of obtaining services by deception contrary to the Theft Act. One of the examples the Law Commission gave in its Report was where a person gives false credit card details to an automated booking system, or tenders a forged or stolen credit card to an electronic vending machine, and thus obtains a ticket for a journey or entertainment. There is no deception of the booking system (because it is not a person), nor of the staff who check the tickets of the passengers or audience (because the staff are only interested in whether each person has a ticket, not how they got it).*

*The Law Commission recommended that a new offence of obtaining services dishonestly should be enacted. Under section 11 of the Fraud Act, a person is guilty of an offence if intending that payment will not be made, or will not be made in full, he obtains services for himself or another by a dishonest act, and they are made available on the basis that payment has been, is being or will be made for or in respect of them. I recommend that the maximum penalty should be 6 years imprisonment.*

### ***Liability of company officers for offences by a company***

*The Fraud Act has a similar provision to section 18 of the Theft Act 1968. As a result directors, managers, secretaries and other similar officers of a company are liable to be charged as well as the company for offences created by the Act.*

### ***Transitional measures etc***

*When drafting the Fraud Act, Parliamentary Counsel had to make provision for transitional arrangements to cover, for example, criminal conduct that occurred prior to the Act’s commencement date. Also, amendments were required to several Acts of Parliament, for example, the Criminal Justice Act 1993, to give the English courts extended jurisdiction in connection with fraud offences completed abroad after the ‘ground work’ was done in England.*

### ***Recommendations***

*The provisions I have described were enacted following the Law Commission’s lengthy and a thorough review of the law relating to fraud. During the review the Law Commission benefited from the advice and experience of many leading*

*practitioners and academic experts in the field of criminal law. In my opinion the new provisions are comprehensive, measured, and certainly an improvement on the deception offences of the Theft Acts. Guernsey is no less immune from fraudulent conduct committed or assisted or initiated here than any other place, but importantly, the extent and importance of Guernsey as a financial services location of excellence makes it all the more important that our criminal law in dealing with economic crimes and frauds should be as fully effective here as on the mainland, and that our law enforcement bodies are not at any disadvantage in pursuing fraudsters. I strongly recommend that the States be asked to approve the enactment of similar provisions to those of the Fraud Act 2006 throughout the Bailiwick.*

*I also recommend that Guernsey's customary or common fraud offences, particularly conspiracy to defraud, be retained. Developments in connection with that offence in England will be monitored carefully, and if the UK Parliament makes any changes to English common law, careful consideration will be given to them by the Law Officers, and if believed appropriate, recommendations will be made to the States for local legislation.*

#### ***Power to amend by Ordinance***

*I recommend that any legislation that is enacted if this letter's recommendation is approved contain a provision allowing for amendments to be made by way of Ordinance.*

#### ***Cost***

*If the proposals I have outlined are enacted, I do not anticipate there will be any incurrence of extra expenditure by the States.*

#### ***Human rights***

*I am of the opinion that the proposals, if enacted, will comply with the European Convention on Human Rights.*

#### ***Summary***

*In summary, I recommend that the States be asked to direct the preparation of legislation in accordance with the foregoing to:-*

- (a) create offences of:*
  - (i) fraud,*
  - (ii) possession etc. of articles for use in frauds,*
  - (iii) making or supplying articles for use in frauds, and*

- (iv) *obtaining services dishonestly;*
- (b) *extend liability for prosecution to officers of companies,*
- (c) *repeal of the current deception offences contained in the Theft (Bailiwick of Guernsey) Law, 1983, as amended; and*
- (d) *permit the amendment of the legislation by Ordinance.”*

### **3. Home Department’s Response**

The Department believes that the proposals are in accord with Priority 7 of the Government Business Plan, namely to take firm action against crime and the causes and effects of crime. In particular the proposals set out in this report reflect the priority objective set out in Level 1 of this priority, namely:

*“To promote and support policies that keep the Bailiwick a safe and secure place to live. This means taking firm action against crime and tackling the situations that give rise to criminal behaviour through strategies to tackle drug and alcohol abuse and social problems in the community.”*

Further, the proposals clearly fall within the Level 2 work stream for Law Enforcement, namely:

*“Take firm action by providing an economic, efficient and effective law enforcement resource to combat all crime and confiscate the proceeds of crime.”*

The Department is unanimous in its support for the proposals. Her Majesty’s Procurer’s proposals have been prepared in full consultation with the Guernsey Police and Customs and Immigration Service and both Services believe these additional measures will enable them to deal effectively and robustly with all forms of fraud.

### **4. Resources**

The Home Department believes that there will be a measure of resource implications which the Chief Officer of Police and Chief Officer of Customs and Immigration consider can, in the short-term, be managed through the prioritisation of operations.

The Department is conscious that this report is one of several reports in just over 18 months which has recommended amendments to the Bailiwick’s criminal legislation. Whilst the individual reports may not have significant resource implications the cumulative effect on the resources of the Guernsey Police and the Customs and Immigration Service are of increasing concern. The Department is conscious that these resources are already severely stretched.

## 5. Conclusion

The Department recommends the States:

To approve the Department's proposals for amending the legislation as set out in Her Majesty's Procureur's letter; and

To direct the preparation of such legislation as may be necessary to give effect to the foregoing.

Yours faithfully

G H Mahy  
Minister

**(NB The Policy Council supports the proposals.)**

**(NB The Treasury and Resources Department has no comment on the proposals.)**

The States are asked to decide:-

XIX.- Whether, after consideration of the Report dated 21<sup>st</sup> March, 2007, of the Home Department, they are of the opinion:-

1. To approve the Home Department's proposals to amend legislation as set out in Her Majesty's Procureur's letter quoted in section 2 of that Report.
2. To direct the preparation of such legislation as may be necessary to give effect to their above decision.

## **HOME DEPARTMENT**

### **MISUSE OF DRUGS AND RELATED MATTERS**

The Chief Minister  
Policy Council  
Sir Charles Frossard House  
La Charroterie  
St Peter Port

4<sup>th</sup> April 2007

Dear Sir

#### **1. Executive Summary**

The purpose of this report is to amend and update the Bailiwick's legislation relating to the Misuse of Drugs (Bailiwick of Guernsey) Law, 1974 ("the Misuse of Drugs Law") to ensure that sentencing powers for drugs offences are consistent between the Misuse of Drugs Law and the Customs and Excise (General Provisions) (Bailiwick of Guernsey) Law, 1972 ("the Customs and Excise Law").

Further, the proposal to extend the powers afforded to Police Officers in respect of the searching of premises and vehicles and obtaining evidence under the Misuse of Drugs Law to Customs Officers will support and enhance joint working with the Guernsey Police.

#### **2. Customs and Excise Report on the Misuse of Drugs**

In May 2004 the Customs and Immigration Service, in consultation with the Guernsey Police and Her Majesty's Procureur commenced a comprehensive review of the Misuse of Drugs Law. The review sought to identify the issues that required examination given that the legislation had not been the subject of such a comprehensive review for a number of years. Further, the Customs and Immigration Service was conscious that the nature of drug-related crime had changed significantly in recent years.

The report made a number of recommendations which included the following areas where amendments to the Misuse of Drugs Law was considered appropriate:

- (a) Penalties for drugs and drug-related offences
- (b) Powers of Customs officers.

The relevant sections of the Customs' report are set out in Appendix 1 of this report.

The report was forwarded to Her Majesty's Procureur for his comments and advice.

### **3. Proposals from Her Majesty's Procureur**

Her Majesty's Procureur responded to the Customs report in the following terms:

#### ***“Introduction***

*The Chief Officers of the Island Police Force and Customs and Immigration Service wrote to me in July last year in connection with proposals to amend and review legislation relating to the misuse of drugs within the Bailiwick. Enclosed with their letter was a comprehensive Report dated 24 July 2006 setting out a number of proposals.*

*The contents of the Report were discussed at a meeting held in August 2006 between members of my Chambers and the Chief Officers and other members of the Police and Customs and Immigration. Following that meeting and further consideration of the Report within my Chambers, I confirm that I support the proposals set out in the Report including the proposal for a general review of the law relating to the misuse of drugs. Any general review will, of course, take some time to carry out because, for example, consultation with interested groups will be necessary. However, pending the carrying out of any general review, I believe that the States should be asked to approve, as soon as possible, the preparation of legislation to implement the specific recommendations concerning penalties for offences and the powers of Customs Officers set out in the Report.*

#### ***Penalties***

*The Report draws attention to disparities between the maximum sentences available upon conviction for similar offences under the Customs and Excise (General Provisions) (Bailiwick of Guernsey) Law, 1972 and the Misuse of Drugs (Bailiwick of Guernsey) Law, 1974 and proposes legislative amendments designed to remove the disparities. I support the proposals contained within the Report and, in connection with the alternative proposal set out in paragraph 2.1.2 of the Report, I suggest that the maximum sentences of imprisonment for convictions upon indictment under sections 3(3) and 4(3) for Class B drug offences under the Misuse of Drugs Law are reduced to 21 years.*

#### ***Powers of Customs Officers***

*The Report highlights the fact that most powers to search premises and vehicles and obtain evidence under the Misuse of Drugs Law are only exercisable by Police Officers and that this places limitations upon the effectiveness of joint Police and Customs operations. This is clearly unsatisfactory and I recommend*

*that the Law is amended so that the definition of officer of police as it appears in section 32(1) of the Law is amended to include a Customs Officer. This amendment will enable Customs Officers to exercise all the powers that Police Officers may exercise under the Misuse of Drugs Law.*

### **Conclusion**

*The proposed legislative changes outlined in the Report and this letter, if enacted:-*

- (a) should not require any extra expenditure by the States or the authorities in Alderney or Sark, and*
- (b) will, in my opinion, comply with the European Convention on Human Rights.*

*For the reasons set out above, I recommend that the States be asked to approve the drafting of legislation to cover the matters detailed in this letter and the Report of 24 July 2006.”*

The Home Department has consulted the Chief Officers of Police and Customs and Immigration Service regarding these proposals. The proposals have the Department's full support.

The Department notes Her Majesty's Procurer's support for a general (more comprehensive) review of the law relating to misuse of drugs. In this respect the Department has consulted with the Health and Social Services Department (which is mandated with responsibility for the law) and agreed that as neither Department has the resources available at the present time to undertake such a fundamental review, that it will remain a matter to be dealt with as a priority as and when such resource implications allow. The Health and Social Services Department, nevertheless, supports the interim proposals contained within this States Report.

The Department is firmly of the view that the high level of success achieved by Police and Customs Officers in the investigation of offences under both the Bailiwick's Misuse of Drugs Law and the Customs and Excise Law is testimony to the co-operation and professionalism of both Services, both individually and through operational joint working. It therefore has no hesitation in supporting the proposals to extend the powers of entry and search afforded to Police Officers to Customs Officers as this will further support such joint working without the requirement to seek additional warrants under other legislation.

### **4. Resources**

The Home Department believes that the proposals contained within this report should not require any additional resources.

**5. Conclusion**

The Department recommends the States:

- (a) To approve the Department's proposals for amending the legislation as set out in Her Majesty's Procureur's letter; and
- (b) To direct the preparation of such legislation as may be necessary to give effect to the foregoing.

Yours faithfully

G H Mahy  
Minister



## APPENDIX 1



### **EXTRACT OF REPORT PREPARED BY THE CUSTOMS AND IMMIGRATION SERVICE RECOMMENDING AMENDMENTS TO MISUSE OF DRUGS (BAILIWICK OF GUERNSEY) LAW, 1974**

#### **1. Introduction**

The Misuse of Drugs (Bailiwick of Guernsey) Law, 1974 was implemented on 20<sup>th</sup> August 1974. It primarily outlines guidelines in relation to the restrictions in place relating to controlled drugs and the prevention of their misuse. This piece of legislation will hereafter be referred to as ‘The Misuse of Drugs Law.’

H.M. Procureur wrote to the Minister of the Home Department on 10<sup>th</sup> May 2004 requesting that a review of the maximum penalties available in respect of offences under the Misuse of Drugs Law be conducted simultaneously with a review of the maximum penalties in respect of drugs offences under the Customs and Excise Legislation.

The Guernsey Customs and Immigration Service (“Customs”) and Guernsey Police have noted that there are several issues regarding the Misuse of Drugs Law that need to be reviewed. Many of these issues have arisen as a result of a number of exceptions which have been granted to the Misuse of Drugs Act that are not mirrored in the local legislation.

It should be noted that the Misuse of Drugs Law has not been updated for some time so the changes that have been highlighted by local Law Enforcement might not translate easily.

The purpose of this report is to identify the issues that need to be examined with a view to undertaking a **full and comprehensive review** of the Misuse of Drugs legislation. A catalyst for this review has been the introduction of the Serious and Organised Crime Group which has stimulated this matter further up the joint agenda.

#### **2. Penalties for Drugs and Drug Related Offences**

In 2004 the Home Department requested that a review of the maximum penalties available in respect of offences under the Misuse of Drugs legislation should be conducted simultaneously with a review of the maximum penalties available in respect of drugs under the Customs and Excise legislation.

This project was undertaken by the Customs in conjunction with the Guernsey Police. In this review, comparisons were made between the prescribed maximum penalties for offences involving a controlled drug available under local legislation and the equivalent UK Acts. A research report was also compiled, documenting the various legislative amendments and circumstances that created the sentencing differentials in Guernsey Laws, as well as drawing comparisons with the UK equivalent legislation.

Amendments to the respective UK Acts have ensured that the maximum sentencing under the Customs and Excise Management Act and Misuse of Drugs Act are the same, providing the Courts with consistent sentencing options for all drug trafficking offences. However unlike the UK legislation, the differences in the maximum sentences between the Guernsey Customs Law and the Misuse of Drugs Law remain.

## **2.1 Recommendations**

In order to remove the disparity in sentencing and provide the Court with similar maximum sentencing powers for drug offences prosecuted under both the Customs and Misuse of Drugs legislation, the following recommendations are put forward for consideration:

1. Propose an amendment to the Third Schedule of The Customs and Excise (General Provisions) (Bailiwick of Guernsey) Law 1972 -

- (i) On summary conviction involving a Class A drug, to increase the level of fine from not exceeding twice level 5 on the uniform scale or six times the value of goods, whichever is greater, or to imprisonment for a term not exceeding twelve months, or to both

to three times level 5 on the uniform scale, or six times the value of goods, whichever is the greater, or to imprisonment for a term not exceeding twelve months or to both

- (ii) On summary conviction involving a Class B drug, to increase the level of fine from not exceeding twice level 5 on the uniform scale or six times the value of goods, whichever is the greater, or to imprisonment for a term not exceeding twelve months or to both

to three times level 5 on the uniform scale, or six times the value of goods, whichever is the greater, or to imprisonment for a term not exceeding twelve months or to both

- (iii) On conviction on indictment involving a Class C drug, to increase the term of imprisonment from not exceeding ten years to a fine or both,

to a term of imprisonment not exceeding fourteen years to a fine, or both

2. Consideration be given to amending either of the Customs and Excise (General Provisions) (Bailiwick of Guernsey) Law 1972 or Misuse of Drugs (Bailiwick of Guernsey) Law 1974 to have a common maximum sentence level for conviction on indictment of a drug trafficking offence involving a Class B drug, namely

- (i) amend the Third Schedule of The Customs and Excise (General Provisions) (Bailiwick of Guernsey) Law 1972 by increasing the term of imprisonment from not exceeding twenty one years, a fine or both

to a term of life imprisonment, a fine or both

*(brings the sentence in line with the Misuse of Drugs Law)*

or

- (ii) amend the Misuse of Drugs Law 1974, by reducing the maximum sentence from life imprisonment, a fine or both

to a term of imprisonment not exceeding twenty one years, a fine or both

*(brings the sentence to the same level as contained within the Customs Law, yet provides an incremental scale of sentencing for the three classifications of drugs, A, B or C.)*

### 3. Empowerment of Customs Officers

Under the current Misuse of Drugs Law, there are inconsistencies in relation to using search warrants in that Customs Officers are not given automatic power of entry and search. This situation results in Customs Officers having to obtain Warrants that are separate to Police Officers who are covered in the legislation. Please see the following extract (the relevant sections have been highlighted):

Taken from page 29 Misuse of Drugs (Bailiwick of Guernsey) Law:

**“22. (1) An officer of police or other person authorised in that behalf by a general or special order of this Board shall, for the purposes of the execution of this Law, have power to enter the premises of a person carrying on business as a producer or supplier of any controlled drugs and to demand the production of, and to inspect, any books or documents relating to dealings in any such drugs and to inspect any stocks of any such damage.**

**(2) If an officer of police has reasonable grounds to suspect that any person is in possession of a controlled drug in contravention of this Law or of any Order made hereunder, the officer of police may –**

- (a) *search that person, and detain him for the purpose of searching him;*
- (b) *search any vehicle or vessel in which the officer of police suspects that the drug may be found, and for that purpose require the person in control of the vehicle or vessel to stop it;*
- (c) *seize and detain, for the purposes of proceedings under this Law, anything found in the course of the search which appears to the officer of police to be evidence of an offence under this Law.”*

Presently when executing search warrants in relation to drugs offences, the police preference is to utilise the Misuse of Drugs Law. Current policy between police and customs states that drugs operations, where practical, should be dealt with jointly. As Customs Officers are unable to enter and search premises under the Misuse of Drugs legislation, a separate approach needs to be made to the Bailiff for a warrant under PPACE or the Customs Law. This results in loss of time and duplication of effort in applying for additional warrants. This reason alone presents a strong case for this part of the Law to be amended. An appropriate update would allow Customs Officers to function in a far more efficient manner and allow them to deal with such matters as they arise.

### 3.1 Comparison with UK Legislation

In order to carry out a detailed examination of this issue, the Misuse of Drugs Act 1971 has been examined. This UK Act uses different wording. Please see the following extract:

(Taken from page 24 Misuse of Drugs Act 1971)

“23 *Powers to search and obtain evidence*

(1) *A constable or other person authorised in that behalf by a general or special order of the Secretary of State (or in Northern Ireland either of the Secretary of State or the Ministry of Home Affairs for Northern Ireland) shall, for the purposes of the execution of this Act, have power to enter the premises of a person carrying on business as a producer or supplier of any controlled drugs and to demand the production of, and to inspect, any books or documents relating to dealings in any such drugs and to inspect any stocks of any such drugs.*

(2) *If a constable has reasonable grounds to suspect that any person is in possession of a controlled drug in contravention of this Act or of any regulations made thereunder, the constable may –*

- (a) *search that person, and detain him for the purpose of searching him;*

*(b) search any vehicle or vessel in which the constable suspects that the drug may be found, and for that purpose require the person in control of the vehicle or vessel to stop it;*

*(c) seize and detain, for the purposes of proceedings under this Act, anything found in the course of this search which appears to the constable to be evidence of an offence under this Act.”*

### **3.2 Conclusion**

The Law should be updated to provide a balance of powers for Police Officers and Customs Officers. It is suggested that Customs Officers should be granted the power of Police Officers under the Misuse of Drugs Law in order to allow Customs Officers to carry out their operational functions jointly with police. This would also bring the practice into line with other recent legislation.

### **3.4 Recommendations**

To summarise, it is clear from the evidence that has been collected as part of this review that Customs Officers will be able to function in a far more efficient manner if Customs Officers are given equal powers under the Misuse of Drugs Law. It is suggested that an application of Law to Customs and Excise, as featured in PPACE could be put in place. This could be enabled by way of a statutory instrument. Alternatively, the glossary of terms or ‘interpretation’ could be amended to reflect that where the term ‘police officer’ is used to refer to an officer of the Island Police Force this could also cover an officer of customs and excise. .

## **8. Summary of Recommendations**

### **Penalties for Drugs and Drug Related Offences**

Produce amendments to remove the disparity in sentencing and provide the Court with similar maximum sentencing powers for drug offences prosecuted under both the Customs and Misuse of Drugs legislation.

### **Empowerment of Customs Officers**

That the Misuse of Drugs Law is amended by Statutory Instrument to widen the power of Police Officers to incorporate Customs Officers as defined by Section1 (1) of the Customs and Excise (General Provisions) (Bailiwick of Guernsey) Law, 1972 as amended.

## **9. Conclusions and Next Steps**

The Service recommends that a full legislative review of the Misuse of Drugs Law is undertaken in addition to the issues highlighted in this report and would be appreciative of the advice of the Law Officers of the Crown in regard to how this work could be progressed with a view to presenting the recommendations to the Home Department.

**(NB The Policy Council supports the proposals.)**

**(NB The Treasury and Resources Department has no comment on the proposals.)**

The States are asked to decide:-

XX.- Whether, after consideration of the Report dated 4<sup>th</sup> April, 2007, of the Home Department, they are of the opinion:-

1. To approve the Home Department's proposals to amend legislation as set out in Her Majesty's Procureur's letter quoted in section 3 of that Report.
2. To direct the preparation of such legislation as may be necessary to give effect to their above decision.

**STATUTORY INSTRUMENTS LAID BEFORE THE STATES**

**THE HEALTH SERVICE (BENEFIT) (LIMITED LIST) (PHARMACEUTICAL BENEFIT) (AMENDMENT NO. 3) REGULATIONS, 2007**

In pursuance of Section 35 of the Health Service (Benefit) (Guernsey) Law, 1990, the Health Service (Benefit) (Limited List) (Pharmaceutical Benefit) (Amendment No. 3) Regulations, 2007, made by the Social Security Department on 4<sup>th</sup> April, 2007, are laid before the States.

EXPLANATORY NOTE

These Regulations add to a limited list of drugs and medicines available as pharmaceutical benefit which may be ordered to be supplied by medical prescriptions issued by medical practitioners or dentists, as the case may be.

**THE MOTOR VEHICLES (INTERNATIONAL CIRCULATION) (DRIVING PERMIT FEE) ORDER, 2006**

In pursuance of section 1 (4) of the Motor Vehicles (International Circulation) Ordinance, 1974, as amended, the Motor Vehicles (International Circulation) (Driving Permit Fee) Order, 2006, made by the Environment Department on 19<sup>th</sup> December, 2006, is laid before the States.

EXPLANATORY NOTE

This Order increases the fee payable for the issue of an International Driving Permit from £5.00 to £7.00 with effect from 1<sup>st</sup> February, 2007.

**THE DRIVING LICENCES (INCREASE IN FEES) REGULATIONS, 2007**

In pursuance of sections 2A (b) and 2B of the Motor Taxation and Licensing (Guernsey) Law, 1987, as amended, The Driving Licences (Increase in Fees) Regulations, 2007, made by the Environment Department on 24<sup>th</sup> April, 2007, are laid before the States.

EXPLANATORY NOTE

These regulations set out a new scale of fees that are chargeable for the new style driving licences with effect from 1<sup>st</sup> June, 2007. The increased fees will only apply to the new style licences that will only be issued after a date determined by the Committee and which will replace the old style licences.

*APPENDIX I*

**EDUCATION DEPARTMENT**

**VALE INFANT SCHOOL – VALIDATION REPORT**

The Chief Minister  
Policy Council  
Sir Charles Frossard House  
La Charroterie  
St Peter Port

4<sup>th</sup> April 2007

Dear Sir

I enclose a summary of the Vale Infant School Validation Report, together with the Education Department's response and would be grateful if you would arrange for them to be published as an appendix to the Billet d'État for May 2007.

Copies of the full report will be made available for any member of the public to inspect at both the school and the Education Department.

Yours faithfully

D P Le Cheminant  
Member

Enc



**ISLANDS' FEDERATION FOR THE EVALUATION OF SCHOOLS  
(IFES)**

**Summary of the Validation Report**

**VALE INFANT SCHOOL**

**GUERNSEY**

**October 2006**

## SUMMARY OF THE OCTOBER 2006 VALIDATION REPORT

### VALE INFANT SCHOOL

Vale Infant School mainly takes children from the north end of the Vale parish. There are three classes in Reception and Y1, and two in Y2.

There are 139 pupils on roll, 83 boys and 56 girls, aged from 4 to 7.

They are taught by 9 full time staff, including the headteacher. They are supported by 7 full or part time teaching assistants.

There are 8 classes, with an average class size of 17.4 and a pupil teacher ratio of 17.4 : 1.

### Background

The school was visited by a validation team of six inspectors during the week of October 9th 2006. Five were Ofsted inspectors from the UK and one was an IFES headteacher trainee from Guernsey. The team met informally with staff at the school on Sunday and then spent four days inspecting the school.

The school provided comprehensive documentation and its self-review report in advance of the visit, having spent a year working on its self-evaluation activities. The school wishes to record its appreciation for the advice and support it received during the review period from the late Primary Education Officer, Tony Bougourd. Additional information, such as children's work, videos, DVDs, photographs and portfolios of other evidence, was made available to the team during the week. All staff had attended the Education Department's IFES Internal Evaluator training course on how to carry out a self-review.

The evidence base to validate the school's findings was collected through :

- \* scrutiny of a range of whole school and subject documentation, including School Improvement Plans since the last inspection, portfolios, minutes of meetings and assessment data; information and evidence about standards and progress had been provided from the last three years;
- \* observation of 57 whole or part lessons;
- \* examination and discussion of teachers' planning;
- \* attendance at assemblies;
- \* examination of pupils' current and previous work;

- \* approximately 16 hours of planned discussions with teachers and other staff, pupils and parents;
- \* observation of pupils on arrival and departure from the school and at other times around the buildings and grounds;
- \* scrutiny of 84 returns and 25 additional written comments from the confidential parental questionnaire.

At the end of the week, subject leaders received an oral feedback on their areas of responsibility, and the team's main findings were reported to the headteacher and her senior management team, and then to the Director of Education.

### **Main Findings**

- \* The school has made commendable progress in many areas since the last inspection in February 2001.
- \* The headteacher and her staff have successfully established a caring, purposeful and friendly atmosphere where children feel secure, valued and encouraged. The school's aims and desired ethos are clearly displayed in appropriate documentation.
- \* All the main areas identified for attention in the previous validation report have been professionally addressed. All four members of the senior management team (SMT), together with relevant teaching and non-teaching staff, have contributed effectively to the school's progress.
- \* Improvements since 2001 include the regular monitoring of planning, teaching, learning and attainment, the rationalisation of subject leader responsibilities, the provision of new job descriptions, the updating and more consistent application of school policies and schemes of work, further attention to practices in assessment, recording and reporting (ARR) and the provision of planning, preparation and assessment time (PPA).
- \* Behaviour and relationships are excellent, and attendance levels are high.
- \* A broad curriculum is provided for children, following the requirements of the National Curriculum (Guernsey). Attention is needed to ensure that timetables are suitably balanced between subjects, that there are daily opportunities to practise basic skills in English and mathematics, and that the impact of time provided for PPA is regularly monitored.
- \* The school can justifiably feel proud of being the first Channel Island school to be awarded Enhanced Status for the National Healthy Schools Standard (ENHSS). This resulted from extensive work in personal, social and health

education (PSHE), healthy eating, physical activity, and emotional health and well being.

- \* The school's progress is reflected in the impressive improvements in the quality of teaching, learning and attainment. During the validation week 57 lessons were observed. Of these, 95% were judged to be of at least satisfactory standard, and a highly commendable 67% were of good or excellent quality. These figures compare favourably with those for 2001 which were 84% and 31% respectively. Most children are attaining in line with their age and ability, and formal assessment results are mostly above the Guernsey average.
- \* Consistently well planned and purposeful teaching was observed in the core subjects of English, mathematics and science, and good practice was also observed in all other subject areas. Children in the Foundation Stage receive a good induction into school and benefit from a secure grounding in the six areas of learning.
- \* The positive influence of the Island's Assessment for Learning initiative could be observed in many lessons. ICT provision is very good and is being used with increasingly beneficial effect.
- \* Subject leaders are making strong contributions to developments in their designated areas and they benefit from allocated time to monitor work in progress. Several teachers have produced impressive portfolios of pupils' work and some, such as in mathematics and RE, have included helpful examples of work at different National Curriculum (NC) levels.
- \* Work in classrooms is greatly enhanced by the efforts of committed teaching assistants, and by other support staff and volunteer parents.
- \* The best lessons are characterised by clear and shared learning intentions, good pace, high expectations and opportunities for reflection, assessment, praise and encouragement. Good provision is made for children with special educational needs, and differentiation allows for the further development of the most able pupils. The SENCO effectively oversees the implementation of the Guernsey SEN Code of Practice.
- \* Features of weaker lessons occasionally include over-prescriptive activities which stifle creativity, poor timing which means that planned activities are not completed, and the disruption in continuity for some pupils caused by withdrawal work. The new policy for gifted and talented pupils has yet to be fully implemented.
- \* Excellent provision is made for the social, moral, spiritual and cultural (SMSC) development of children and is a considerable strength of the school. Children benefit from a range of outside visits and from visitors to the school. The school council operates well.

- \* The school fully meets the requirements of the RE agreed syllabus. Collective worship is well planned and conducted with appropriate contributions from others in the local parish and community.
- \* Relationships with parents and the local community continue to be great strengths of the school. There was an excellent 65% return from the parental questionnaire (Appendix A) which reveals high levels of appreciation for the headteacher's leadership and management and for the work of the school.
- \* The school worked hard and conscientiously on its self-review, and greatly valued the unstinting support provided by the late Primary Education Officer. The system of Performance Management and the programme of internal classroom observations greatly assisted in determining the school's strengths, weaknesses and the proposals for improvement.
- \* The internal report should provide a helpful basis for the production of the next School Improvement Plan (SIP). Most of the subject reports were particularly evaluative and thorough, although some of the whole school aspects were more descriptive and lacking in rigour.
- \* All staff are committed and hard working, and undertake their duties conscientiously. Suitable encouragement is given for participation in relevant professional development and in-service training. The demanding new role of PPA co-ordinator is being undertaken professionally and well. Good use is made of Island curriculum advisers.
- \* The school is aware of the need to review SMT roles to achieve greater cohesion, and to increase the effectiveness of its decision making processes and internal communication systems. The Island has yet to provide a Performance Management programme for deputy heads.
- \* The school office is efficiently run and welcoming to parents and visitors. The buildings and grounds are well cleaned and maintained.
- \* Financial procedures are efficient, and the computerised SAPS system is backed up by manual records. Staff take responsibility for their own delegated budget areas.
- \* Efficient use is made of the available accommodation and the outside environment has been considerably enhanced. The school is well resourced to meet the requirements of the NC(G) and benefits from generous ICT facilities. The library has been upgraded and is well organised and used. A covered walkway between the main building and the outside huts would be of considerable benefit to pupils and staff.

- \* The supportive and hard working PTA provides valuable extra funding on an annual basis for such things as the adventure equipment on the school field and for additional curriculum resources.

### **Key Issues that the School Needs to Address**

- \* The school's report correctly highlights a number of areas for attention. They include continued development of Assessment for Learning, ICT, provision for gifted and talented children, strengthening of cross-curricular planning and the monitoring of the impact of PPA time. These intentions are endorsed by the validation team.
- \* In order to sustain the school's progress and to build upon its many strengths, the headteacher and her SMT should also:
  - review SMT roles to establish more unified teamwork and cohesion;
  - strengthen formal internal systems of consultation, decision making, record keeping and communication;
  - review class timetables to achieve curriculum balance and to ensure that there are daily opportunities for children to practise basic skills;
  - review the provision for higher attaining pupils to avoid over-prescription of some activities and to provide more open ended tasks;
  - continue to strengthen the analysis of assessment data to develop IEPs and to set achievable short term targets for individual children;
  - consolidate systems of assessment to achieve greater consistency across the school;
  - continue to sustain the school's many existing strengths, to facilitate the monitoring role of subject leaders, and to promote the spread of good practice in such areas as planning, marking and the development of portfolios and display.

*The school is responsible for drawing up an action plan after receiving the Report, showing what it is going to do about the issues raised and how it will incorporate them in the school's Improvement Plan.*

*A follow-up visit to the school will be made in summer 2008 in order to monitor and discuss the progress the school has made, and a written report will be made to the Director of Education.*

### **Response to the Validation Report on Vale Infant School**

The Education Board and staff of the Vale Infant School welcome and accept the Validation Report of October 2006. The Report commends the progress that has been made in many areas since the last validation and the lead taken by the Headteacher to successfully implement a number of new initiatives.

The school's self-review was undertaken conscientiously and in most areas provided an evaluative and useful basis for future school improvement planning. The Board notes with satisfaction the improvements made in the standard of teaching due to more focused and rigorous monitoring by committed subject leaders and the introduction of Assessment for Learning. These, together with the investment in ICT, have made a positive impact on teaching methodology. The Headteacher and her staff can be justifiably proud of the improvements made in the quality of teaching, learning and attainment since 2001, with a rise from 84% to 95% in observed lessons which were of at least a satisfactory standard and from 33% to 67% for those judged to be good or excellent. Teachers have high expectations of standards of both behaviour and work and they have very good working relationships with the pupils.

The Headteacher and her staff have successfully established a warm, friendly and purposeful ethos within the school where the children feel secure, valued and encouraged to make good progress. Parents are encouraged to play a full part alongside the school in helping to educate their children and show strong appreciation for the work of the Headteacher and her staff as endorsed by the outstanding positive responses from the parental survey. Personal, Social, and Health Education is now a strength of the school with many significant initiatives promoting the emotional health and well being of the children. The school has worked extensively towards the notable achievement of being the first school on the Island to receive the Enhanced Status for the National Healthy Schools.

Key areas for development identified as part of the School's Self-Evaluation and the Validation Report are:

- to continue the development of Assessment for Learning and consolidate systems for tracking pupil progress across the school
- to build on the progress made with ICT and its' role in enhancing the curriculum
- to review the identification process and provision for pupils identified as being 'gifted and talented'
- to strengthen planning for cross curricular work and differentiated work to ensure that all pupils are suitably challenged
- to review the roles of the senior management team and strengthen the internal communication systems
- to continue to sustain the school's many existing strengths and promote the spread of good practice within the school.

# Guernsey Retail Prices Index<sup>1104</sup>

## Quarter 1 - 31 March 2007



POLICY COUNCIL  
THE STATES OF GUERNSEY

Issue Date - 18 April 2007

## Introduction

The Guernsey Retail Prices Index (GRPI) is the measure of inflation used in Guernsey. It measures the change in the prices of goods and services bought for the purpose of consumption or use by households in Guernsey. It is published quarterly by the States of Guernsey Policy and Research Unit. The calculation of the GRPI is based on the price change of items within a 'shopping basket'. Whilst some prices rise over time, others will fall or fluctuate and the Index represents the average change in these prices. *This is an abridged version of the RPI handout, produced for publication in the Billet. The full version is available for download on [www.gov.gg/pru](http://www.gov.gg/pru).*

## Headlines

- At the end of March 2007 Guernsey's annual rate of inflation was **4.8%**. This is higher than the figure at the end of December 2006, which was 4.4%. The equivalent figure for the UK was also 4.8%. The Jersey figure is not yet available.
- Guernsey's RPIX (inflation excluding mortgage interest payments), increased from 2.8% last quarter to **3.1%** at the end of March.
- The **Housing** group, which has the largest weight within the Index, contributed **2.8%**. This is also an increase from 2.4% in December 2006.
- The Index increased to **132.7** (1999 base).

## Overview

The Guernsey RPI increased by 4.8% for all items ending 31st March 2007.

The Housing group continued to be the largest contributor to the RPI at 2.8% out of the 4.8% figure. The continuing rise in this group is mainly due to the increasing cost of servicing a mortgage. This is a result of the combined effects of rising interest rates and average house prices.

Food was the next highest contributor at 0.5%. This was followed by Alcohol, which contributed 0.4% as a result of a duty increase and price rises following Christmas special offers. The next highest contributors were the Motoring and Leisure Services groups, which contributed 0.2% each.

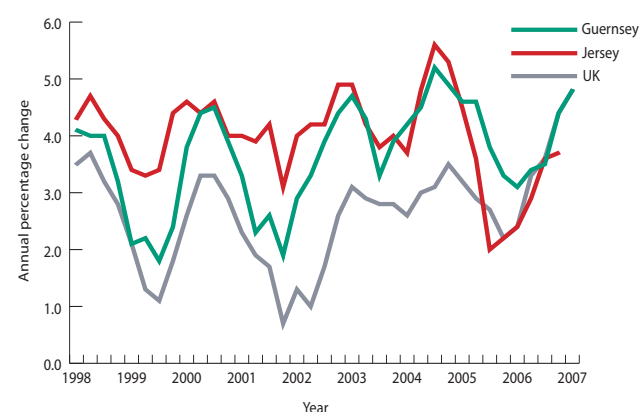
The Clothing and Footwear group had a downward effect on the Index at -0.2%.

The RPI has continued to rise from its 5 year low of 3.1% in March 2006. The RPI this quarter is 0.4% greater than in December 2006.

**Table 1: Annual Rates of Inflation**

Year	March	June	September	December
2002	2.9	3.3	3.9	4.4
2003	4.7	4.3	3.3	3.9
2004	4.2	4.5	5.2	4.9
2005	4.6	4.6	3.8	3.3
2006	3.1	3.4	3.5	4.4
2007	4.8			

**Figure 1: Annual Rates of Inflation**





# **IN THE STATES OF THE ISLAND OF GUERNSEY ON THE 30<sup>th</sup> MAY, 2007**

**The States resolved as follows concerning Billet d'État No XIV  
dated 11<sup>th</sup> May 2007**

## **PROJET DE LOI**

entitled

### **THE DISCLOSURE (BAILIWICK OF GUERNSEY) LAW, 2007**

- I.- To approve the Projet de Loi entitled "The Disclosure (Bailiwick of Guernsey) Law, 2007" 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 MOTOR TAXATION AND LICENSING (GUERNSEY) (AMENDMENT) LAW, 2007**

- II.- To approve the Projet de Loi entitled "The Motor Taxation and Licensing (Guernsey) (Amendment) Law, 2007" and to authorise the Bailiff to present a most humble petition to Her Majesty in Council praying for Her Royal Sanction thereto.

### **THE MOTOR VEHICLES, TRAFFIC AND LICENSING (AMENDMENT) ORDINANCE, 2007**

- III.- To approve the draft Ordinance entitled "The Motor Vehicles, Traffic and Licensing (Amendment) Ordinance, 2007" and to direct that the same shall have effect as an Ordinance of the States.

### **THE MACHINERY OF GOVERNMENT (TRANSFER OF FUNCTIONS) (GUERNSEY) ORDINANCE, 2007**

- IV.- To approve the draft Ordinance entitled "The Machinery of Government (Transfer of Functions) (Guernsey) Ordinance, 2007" and to direct that the same shall have effect as an Ordinance of the States.

**THE HOUSING (CONTROL OF OCCUPATION)  
(EXTENSION) ORDINANCE, 2007**

- V.- To approve the draft Ordinance entitled “The Housing (Control of Occupation) (Extension) Ordinance, 2007” and to direct that the same shall have effect as an Ordinance of the States.

**THE MERCHANT SHIPPING (BAILIWICK OF GUERNSEY) LAW, 2002  
(COMMENCEMENT) ORDINANCE, 2007**

- VI.- To approve the draft Ordinance entitled “The Merchant Shipping (Bailiwick of Guernsey) Law, 2002 (Commencement) Ordinance, 2007” and to direct that the same shall have effect as an Ordinance of the States.

**HOUSING DEPARTMENT**

**NEW MEMBER**

- VII.- To elect Deputy R R Matthews as a member of the Housing Department to complete the unexpired portion of the term of office of Deputy L R Gallienne, who has resigned as a member of that Department, namely to serve until May 2008 in accordance with Rule 7 of the Constitution and Operation of States Departments and Committees.

**LADIES’ COLLEGE BOARD OF GOVERNORS**

**NEW CHAIRMAN AND NEW MEMBERS**

- VIII.- To re-elect

1. Deputy W M Bell as Chairman of the Ladies’ College Board of Governors with effect from 1<sup>st</sup> June 2007.
2. Mrs M L Perkins as a member of that Board of Governors with effect from 1<sup>st</sup> June 2007.
3. Deputy D A Grut as a member of that Board of Governors with effect from 1<sup>st</sup> June, 2007, who has been nominated in that behalf by the Education Department for election by the States.

## **GUILLE-ALLÈS LIBRARY COUNCIL**

### **NEW MEMBER**

IX.- To re-elect Deputy Mrs J M Tasker as a member of the Guille-Allès Library Council with effect from 1<sup>st</sup> June 2007.

### **ADMINISTRATIVE DECISIONS (REVIEW) (GUERNSEY) LAW, 1986**

#### **NEW CHAIRMAN AND DEPUTY CHAIRMAN OF PANEL OF MEMBERS**

X.- To re-elect, in accordance with the provisions of section 4 (2) of the Administrative Decisions (Review) (Guernsey) Law, 1986:-

1. Deputy W M Bell as Chairman of the Panel of Members, with effect from 1<sup>st</sup> June 2007.
2. Douzenier J R Domaille as Deputy Chairman of that Panel, with effect from 1<sup>st</sup> June 2007.

## **POLICY COUNCIL**

### **IMPLEMENTATION OF THE ECONOMIC & TAXATION STRATEGY**

XI.- After consideration of the Report dated 23<sup>rd</sup> April, 2007, of the Policy Council:-

1. To note the progress that has been made to date concerning the implementation of the Economic and Taxation Strategy and the intention to bring forward related policy matters during 2007 as set out in sections 3 and 5 of that Report.
2. That the limited amount of specified banking activities as set out in section 4(b) of that Report shall be subject to income tax at 10%.
3. That Utilities and States Trading Activities regulated by the Office of Utility Regulation shall be taxed on their profits at 20% on those activities that are regulated as set out in section 4(c) of that Report.
4. That Guernsey Rental Income will continue to be subject to the 20% Rate (after allowable deductions) regardless of the residential status of the company or its shareholders as set out in section 4(d) of that Report.
5. To note that further consideration is being given to wider property-related issues as set out in section 4(d) of that Report and that these will be the subject of a further report.
6. That the present exemptions from tax on Guernsey rent enjoyed by UK and

Jersey pension schemes will be removed as set out in section 4(d) of that Report.

7. That Guernsey resident shareholders shall be taxed at 20% on their distributed profits and that appropriate anti-avoidance measures shall be introduced as necessary as set out in section 4(e) of that Report.
8. To note the proposals in respect of significant individual tax payers and the intention to give more consideration to specific issues and report back to the States as set out in section 4(f) of that Report.
9. To agree those matters relating to the operation and administration of the Income Tax system as set out in section 4(g) of that Report.
10. To note those matters that are to be addressed as part of the on-going implementation of the Economic and Taxation Strategy as set out in sections 5 to 10 of that Report.
11. To direct the Treasury and Resources Department to take account of the Economic and Taxation Strategy when bringing forward recommendations as part of the States 2008 (and future) Budget Reports.
12. To direct the Social Security Department to take account of the Economic and Taxation Strategy when bringing forward recommendations as part of that Department's Reports on Benefit and Contribution Rates for 2008 and future years.
13. To direct the Treasury and Resources and Social Security Departments to continue working together in order to identify and address areas where the income tax and social security rules can be harmonised.
14. To direct the preparation of such legislation as may be necessary to give effect to their above decisions.

## **POLICY COUNCIL**

### **GOVERNMENT BUSINESS PLAN 2007 – PROPOSED ARRANGEMENTS FOR THE JULY STATES DEBATE**

XII.- After consideration of the Report dated 23<sup>rd</sup> April, 2007, of the Policy Council,

That the July 2007 Government Business Plan debate shall be conducted as described in that Report.

## **POLICY COUNCIL**

### **THE GUERNSEY FINANCIAL SERVICES COMMISSION: 2006 ANNUAL REPORT**

XIV.- After consideration of the Report dated 24<sup>th</sup> April, 2007, of the Policy Council:-

1. To note that Report.
2. To approve the accounts of the Guernsey Financial Services Commission for the year ended 31<sup>st</sup> December 2006.
3. To appoint the firm of KPMG Channel Islands Ltd as auditors of the accounts of the Guernsey Financial Services Commission for the year ending 31<sup>st</sup> December 2007.

## **TREASURY AND RESOURCES DEPARTMENT**

### **APPOINTMENT OF NON-EXECUTIVE DIRECTORS GUERNSEY POST LIMITED**

XV.- After consideration of the Report dated 30<sup>th</sup> March 2007 of the Treasury and Resources Department,

To approve the appointment of Mr Andrew Duquemin and Mr Steven Hannon as non-executive directors of Guernsey Post Limited.

## **TREASURY AND RESOURCES DEPARTMENT**

### **STATES OF ALDERNEY - LA VALLEE SEWER AND OUTFALL REPLACEMENT**

XVI.- After consideration of the Report dated 5<sup>th</sup> April, 2007, of the Treasury and Resources Department:-

1. To approve the replacement of La Vallée sewer and outfall as set out in that Report at a total cost not to exceed £1,258,805.
2. To authorise the States of Alderney to accept the tender from Geomarine Ltd in the sum of £1,173,805.28.
3. To vote the States of Alderney a credit of £1,258,805 to cover the cost of the above works, such sum to be charged to its capital allocation.
4. To note the States of Alderney's intention to transfer a sum of £500,000 from the Alderney Gambling Control Commission reserves to its capital allocation to part fund this project.

## **HOUSING DEPARTMENT**

### **HOUSING (CONTROL OF OCCUPATION) (GUERNSEY) LAW, 1994 - VARIATION TO THE HOUSING REGISTER**

XVII.- After consideration of the Report dated 8<sup>th</sup> February, 2007, of the Housing Department:-

1. That the inscription of Upper Flat, 47 Hauteville, St Peter Port (Cadastre No. A406780000) shall be transferred to a new dwelling to be built within that enclos.
2. That The Flat, 2 Grange Place (known as 'Courtyard House') (Cadastre No. A114450000) shall be inscribed in Part A of the Register.
3. To direct that an Ordinance be prepared in accordance with Section 52 of the Housing (Control of Occupation) (Guernsey) Law 1994 to permit the Department to inscribe The Flat, 2 Grange Place, The Grange, St Peter Port (known as 'Courtyard House') and the new dwelling to be built within the enclos of La Ville en Bas, 47 Hauteville, St Peter Port in Part A of the Housing Register subject to application being made by the owners within 6 months from the commencement date of the Ordinance.
4. To direct the preparation of such legislation as may be necessary to give effect to their above decisions.

### ***STATUTORY INSTRUMENTS LAID BEFORE THE STATES***

#### **THE HEALTH SERVICE (BENEFIT) (LIMITED LIST) (PHARMACEUTICAL BENEFIT) (AMENDMENT NO. 3) REGULATIONS, 2007**

In pursuance of Section 35 of the Health Service (Benefit) (Guernsey) Law, 1990, the Health Service (Benefit) (Limited List) (Pharmaceutical Benefit) (Amendment No. 3) Regulations, 2007, made by the Social Security Department on 4<sup>th</sup> April, 2007, were laid before the States.

#### **THE MOTOR VEHICLES (INTERNATIONAL CIRCULATION) (DRIVING PERMIT FEE) ORDER, 2006**

In pursuance of section 1 (4) of the Motor Vehicles (International Circulation) Ordinance, 1974, as amended, the Motor Vehicles (International Circulation) (Driving Permit Fee) Order, 2006, made by the Environment Department on 19<sup>th</sup> December, 2006, was laid before the States.

## **THE DRIVING LICENCES (INCREASE IN FEES) REGULATIONS, 2007**

In pursuance of sections 2A (b) and 2B of the Motor Taxation and Licensing (Guernsey) Law, 1987, as amended, The Driving Licences (Increase in Fees) Regulations, 2007, made by the Environment Department on 24<sup>th</sup> April, 2007, were laid before the States.

# **IN THE STATES OF THE ISLAND OF GUERNSEY ON THE 31<sup>st</sup> MAY, 2007**

**(Meeting adjourned from 30<sup>th</sup> May 2007)**

**The States resolved as follows concerning Billet d'État No XIV  
dated 11<sup>th</sup> May 2007**

## **POLICY COUNCIL**

### **CORPORATE ANTI-POVERTY PROGRAMME - MONITORING AND UPDATE**

XIII.- After consideration of the Report dated 23<sup>rd</sup> April, 2007, of the Policy Council:-

1. To note the updates on all the Action Areas of the Corporate Anti-Poverty Programme.
2. To note that with the establishment of the fully-developed Government Business Plan in July 2007, the Corporate Anti-Poverty Programme, and those aspects of the Corporate Housing Programme involving anti-poverty measures, will be subsumed under States Priority 4 of the Government Business Plan.
3. To note that the Policy Council intends to defer the repeat of the Survey of Guernsey Living Standards (SGLS), which was due to take place in early 2009, until late 2009/2010, in order to take account of the implementation of the new Economic and Tax Strategy in 2008

## **HOME DEPARTMENT**

### **THE DRUG TRAFFICKING AND PROCEEDS OF CRIME LAWS AND THE INTERNATIONAL CO-OPERATION LAW**

XVIII.- After consideration of the Report dated 21<sup>st</sup> March, 2007 of the Home Department:-

1. To approve the Home Department's proposals to amend legislation as set out in Her Majesty's Procureur's letter quoted in section 2 of that Report.
2. To direct the preparation of such legislation as may be necessary to give effect to their above decision.



## **HOME DEPARTMENT**

### **FRAUD**

XIX.- After consideration of the Report dated 21<sup>st</sup> March, 2007, of the Home Department:-

1. To approve the Home Department's proposals to amend legislation as set out in Her Majesty's Procureur's letter quoted in section 2 of that Report.
2. To direct the preparation of such legislation as may be necessary to give effect to their above decision.

## **HOME DEPARTMENT**

### **MISUSE OF DRUGS AND RELATED MATTERS**

XX.- After consideration of the Report dated 4<sup>th</sup> April, 2007, of the Home Department:-

1. To approve the Home Department's proposals to amend legislation as set out in Her Majesty's Procureur's letter quoted in section 3 of that Report.
2. To direct the preparation of such legislation as may be necessary to give effect to their above decision.

**K H TOUGH**  
**HER MAJESTY'S GREFFIER**