



BILLET D'ÉTAT

XX
2005

WEDNESDAY, 30th NOVEMBER, 2005

1. Projet de Loi entitled "The Taxation of Real Property (Enabling Provisions) (Guernsey and Alderney) Law, 2005", p. 2327.
2. Projet de Loi entitled "The Income Tax (Surcharges and Supplements) (Guernsey) (Amendment) Law, 2005", p. 2327.
3. The Unregistered Design Rights (Bailiwick of Guernsey) Ordinance, 2005, p. 2327.
4. The Intellectual Property (Office of Registrar) (Bailiwick of Guernsey) Ordinance, 2005, p. 2328.
5. The Employment and Discrimination Tribunal (Guernsey) Ordinance, 2005, p. 2328.
6. The Sex Discrimination (Employment) (Guernsey) Ordinance, 2005, p. 2328.
7. Policy Council - European Convention for the Protection of Human Rights and Fundamental Freedoms, p. 2329.
8. Treasury and Resources Department - Superannuation Fund: Report and Actuarial Review, p. 2332.
9. Commerce and Employment Department - Appointment of the Industrial Disputes Officer and the Deputy Industrial Disputes Officer, p. 2387.
10. Commerce and Employment Department - Director General - Office of Utility Regulation, p. 2390.
11. Health and Social Services Department - Mediation and Conciliation in Private Law Family Dispute, p. 2393.
12. Home Department - Community Service: A New Sentencing Option for the Criminal Courts, p. 2424.
13. Environment Department - Inert Waste Disposal, p. 2441.
14. Commerce and Employment Department - Electricity Generation Investment Options for Guernsey, p. 2452.

Statutory Instruments laid before the States

The Milk (Retail Prices) (Guernsey) (Revocation) Order, 2005 and The Milk (Retail Prices) (Guernsey) (Revocation) (No.2) Order, 2005, p. 2480.
The Social Insurance (Contributions) (Amendment) Regulations, 2005, p. 2480.
The Social Insurance (Benefits) (Transitional) (Amendment) Regulations, 2005, p. 2481.
The Health Service (Benefit) (Limited List) (Pharmaceutical Benefit) (Amendment) (No. 3) Regulations, 2005, p. 2481.
The Health Service (Medical Appliances) (Amendment) (No. 3) Regulations, 2005, p. 2481.
The Driving Licences (Guernsey) Theory Test Regulations 2005, p. 2482

APPENDICES

1. Culture and Leisure Department - 2004 Report on the Channel Islands Lottery, p. 2483.
2. Public Sector Remuneration Committee - States of Guernsey Public Servants Pension Scheme: 2006 Pension Increase, p. 2488.
3. Policy Council - Index of Retail Prices at 30th September, 2005, p. 2489.

B I L L E T D ' É T A T

TO THE MEMBERS OF THE STATES OF THE ISLAND OF GUERNSEY

I have the honour to inform you that a Meeting of the States of Deliberation will be held at **THE ROYAL COURT HOUSE**, on **WEDNESDAY, the 30th NOVEMBER, 2005**, immediately after the meetings already convened for that day, 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 November 2005

PROJET DE LOI

entitled

**THE TAXATION OF REAL PROPERTY (ENABLING PROVISIONS)
(GUERNSEY AND ALDERNEY) LAW, 2005**

The States are asked to decide:-

I.- Whether they are of the opinion to approve the Projet de Loi entitled "The Taxation of Real Property (Enabling Provisions) (Guernsey and Alderney) Law, 2005", 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 INCOME TAX (SURCHARGES AND SUPPLEMENTS)
(GUERNSEY) (AMENDMENT) LAW, 2005**

The States are asked to decide:-

II.- Whether they are of the opinion:-

1. To approve the Projet de Loi entitled "The Income Tax (Surcharges and Supplements) (Guernsey) (Amendment) Law, 2005", and to authorise the Bailiff to present a most humble petition to Her Majesty in Council praying for her Royal Sanction thereto.
2. Considering it expedient in the public interest so to do, to declare, pursuant to section 1 of the Taxes and Duties (Provisional Effect) (Guernsey) Law, 1992, that the said Projet de Loi shall have effect from the 1st January, 2006, as if it were a Law sanctioned by Her Majesty in Council and registered on the records of the Island of Guernsey.

**THE UNREGISTERED DESIGN RIGHTS
(BAILIWICK OF GUERNSEY) ORDINANCE, 2005**

The States are asked to decide:-

III.- Whether they are of the opinion to approve the draft Ordinance entitled "The Unregistered Design Rights (Bailiwick of Guernsey) Ordinance, 2005" and to direct that the same shall have effect as an Ordinance of the States.

**THE INTELLECTUAL PROPERTY (OFFICE OF REGISTRAR)
(BAILIWICK OF GUERNSEY) ORDINANCE, 2005**

The States are asked to decide:-

IV.- Whether they are of the opinion to approve the draft Ordinance entitled “The Intellectual Property (Office of Registrar) (Bailiwick of Guernsey) Ordinance, 2005” and to direct that the same shall have effect as an Ordinance of the States.

**THE EMPLOYMENT AND DISCRIMINATION TRIBUNAL
(GUERNSEY) ORDINANCE, 2005**

The States are asked to decide:-

V.- Whether they are of the opinion to approve the draft Ordinance entitled “The Employment and Discrimination Tribunal (Guernsey) Ordinance, 2005” and to direct that the same shall have effect as an Ordinance of the States.

**THE SEX DISCRIMINATION (EMPLOYMENT)
(GUERNSEY) ORDINANCE, 2005**

The States are asked to decide:-

VI.- Whether they are of the opinion to approve the draft Ordinance entitled “The Sex Discrimination (Employment) (Guernsey) Ordinance, 2005” and to direct that the same shall have effect as an Ordinance of the States.

POLICY COUNCIL

EUROPEAN CONVENTION FOR THE PROTECTION OF HUMAN RIGHTS AND FUNDAMENTAL FREEDOMS

Executive Summary

This report proposes that a further declaration be made under the European Convention for Human Rights and Fundamental Freedom making the right of individual petition to the European Court of Human Rights permanent and mandatory with effect from 14th January, 2006, in the Bailiwick of Guernsey.

Report

1. The European Convention for the Protection of Human Rights and Fundamental Freedoms provides that certain basic rights and freedoms should be secured. These include the right to life; freedom from torture or inhuman or degrading treatment or punishment; freedom from slavery or compulsory labour; the right to liberty and security of person, fair trials for the determination of civil rights and criminal charges; respect for private and family life; freedom of thought, conscience and religion; freedom of expression and association; and peaceful assembly.
2. The Convention was extended to the Bailiwick in 1953, subject to the same reservations as were made by Her Majesty's Government on ratification of the Convention. In 1987 the States requested Her Majesty's Government to make a declaration extending the First Protocol to the Convention (rights to peaceful enjoyment of possessions, to education, and to free elections) to Guernsey, subject to a reservation similar to that made by the United Kingdom in respect of education.
3. The Convention originally provided that States party to it were to have the option of declaring whether or not they accepted two Articles of the Convention, namely Articles 25 and 46. Those Articles embodied the principles that individual citizens had the right to petition the then Commission making complaint against their government; and that in the event that their complaint reached the Court for a final ruling any judgment would bind the State party to the Convention.
4. It was not until 1966 that Her Majesty's Government felt that the time was right to make a declaration of acceptance of the applicability of those two Articles: at that time after consultation with the Insular Authorities Her Majesty's Government included the Bailiwick of Guernsey in its declaration of acceptance in respect of Articles 25 and 46. The initial declaration was made for a period of three years. Thereafter declarations of renewal have been made for periods of five years at a time, the last being in 2002 when a resolution of the States of 1st

August 2002 requested Her Majesty's Government to renew the declaration for a period of five years commencing 14th January 2001.

5. However, in May 1994 the United Kingdom decided to sign and ratify the Eleventh Protocol to the European Convention on Human Rights and Fundamental Freedoms which, inter alia, merged the Commission and the Court of Human Rights and replaced the "optional" right of individual petition with an automatic and permanent right. That right did not, however, become permanent and mandatory until the Eleventh Protocol had been ratified by all 34 signatories to the Convention. The Protocol entered into force on the 1st November 1998. It was agreed that the present arrangements with regard to the right of individual petition in respect of the Crown Dependencies should not be affected, so the right remained optional and renewable.
6. In its report to the States dated 26th June 2002 the former States Advisory and Finance Committee advised the States that they had the option of either making the right of individual petition permanent and mandatory or of allowing it to remain optional and renewable. The Committee believed that the Bailiwick should be at the forefront in matters of human rights and therefore preferred the first option. The Committee noted that since the right of individual petition had previously been renewed (in 1996) legislation had been enacted to incorporate the Convention into Bailiwick legislation and there was, therefore, no reason why the right should not be agreed on a permanent basis. Not to do so would put Guernsey out of line with almost all the other territories where the Convention applied.
7. Notwithstanding the recommendation of the Advisory and Finance Committee the States resolved to make the right of individual petition mandatory for a further period of five years, that is to the 14th January 2006.
8. Her Majesty's Government has written to the Insular Authorities in the following terms:

The European Convention on Human Rights was extended to the Bailiwick of Guernsey on 23 October 1953, and recognition of the right of individual petition before the European Court of Human Rights was renewed for a period of five years from 14 January 2001. The Insular Authorities are invited to consider whether a declaration can be made extending the right of individual petition to the Bailiwick indefinitely, rather than for another five-year period.

The practice of successive five-year extensions was based on the practice in respect of the U.K.; however since the entry into force of Protocol 11, which was extended to the Bailiwick on 9 December 1994, application of the right of individual petition to the U.K. is automatic and indefinite. The position of territories with a five-year extension is therefore anomalous, both by comparison with the U.K., and in comparison with other Council of Europe countries, which do not have this practice.

The Foreign and Commonwealth Office have asked me to add that the right of individual petition has already been extended indefinitely to the Bailiwick of Jersey and the Isle of Man, and a limited extension may be seen as implying doubts about the long-term protection of human rights within the Bailiwick.”.

9. The Policy Council, having taken all the foregoing into consideration, is of the opinion that the time has come that the right of individual petition should be made permanent and mandatory.
10. H. M. Procureur has been consulted regarding this matter.
11. The authorities in Alderney and Sark are being consulted with regard to the right of individual petition being made permanent and mandatory in their respective Islands.

Recommendation

The Policy Council therefore recommends the States to resolve that Her Majesty's Government be requested to make a further declaration under the European Convention for Human Rights and Fundamental Freedoms making the right of individual petition permanent and mandatory with effect from 14th January, 2006, in the Bailiwick of Guernsey.

L C Morgan
Chief Minister

17th October 2005

The States are asked to decide:-

VII.- Whether, after consideration of the Report dated 17th October, 2005, of the Policy Council, they are of the opinion:-

That Her Majesty's Government be requested to make a further declaration under the European Convention for Human Rights and Fundamental Freedoms making the right of individual petition permanent and mandatory with effect from 14th January, 2006, in the Bailiwick of Guernsey.

TREASURY AND RESOURCES DEPARTMENT**SUPERANNUATION FUND: REVIEW AND ACTUARIAL REPORT**

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

30th September 2005

Dear Sir

Executive Summary

In recent years the future funding of employee pensions has been a matter of considerable concern and debate in almost every organisation (public and private sector) across the world. The so-called “pensions crisis or time bomb” has equally been a matter of concern for individuals. There are a number of reasons for this, increased longevity and lower than anticipated stock market performances (in particular during 2001 to 2003), being two of the more obvious.

The States of Guernsey is not immune from such pressures and is no exception to this general position.

The purpose of this Report is to place before the States the latest triennial Actuarial Valuation (as at 31 December 2004) and to initiate a full review of the existing arrangements for public service pension provision in Guernsey. Whilst this is no easy matter, the amounts of money involved mean that it is essential that the issue is addressed now.

This Report also deals briefly with the outstanding matter of the implementation of a new States Members Pension Scheme.

For the avoidance of doubt, the matters dealt with in this Report deal solely with the pension benefits for public sector employees. There is no impact on the “States Old Age Pension” funded by the Guernsey Insurance Fund administered by the Social Security Department.

Background

As set out in the Interim Financial Report (noted by the States in July 2005):

“The States of Guernsey, in common with most public sector employers, maintains benefit-defined pension schemes. In general terms, this means that the pension payable to employees is determined by their years of service and their final salary. Stock market performance does not impact upon the pension benefits accruing to the employees as it does with a contribution-defined scheme.

All States employees pay a fixed percentage of their pensionable remuneration as their contribution to the Fund (the majority pay 6%). The amount paid by the employer (i.e. the States from monies received from general taxation) is set by actuarial valuation at rates which are affected by a range of assumptions including future benefit rates, mortality rates and stock market performance. Hence, any gains or losses arising from these assumptions can affect the contribution rate of the employer but not the employees.

Actuarial valuations are carried out by professional independent actuaries on a three-year cycle. The latest valuation was for the period ended 31 December 2001 which was considered by the States as part of the 2003 Budget in December 2002. As a result, and in line with the actuaries' recommendations, the main employer contribution rate was increased from 7.25% to 7.85%. Since that time the stock market performance has been less than originally anticipated. As a consequence, in order to meet existing future commitments, employer contribution rates will have to rise, perhaps significantly, in the near future. This is a further additional pressure on the States financial position. Initial indications are that the additional annual cost to the States could be in the order of £12m.

In the normal course of events, the forthcoming Budget would contain details of the next actuarial valuation (as at 31 December 2004) and recommendations on the employer contribution rates from 1 January 2006 onwards. However, without wishing to pre-empt the results of the actuarial valuation and any future debate and subsequent proposals, it is likely that a more fundamental review of the Superannuation Fund, its benefits and funding arrangements will be required.”

Since the publication of the Interim Financial Report the Triennial Actuarial Report (based on 31 December 2004 position) has now been finalised. A copy of that Report is attached.

In summary, the Actuarial Report recommends that, in order to return the Superannuation Fund to a fully funded position, the employer contribution rates should be increased significantly. For example, the employer contribution rate for the main Public Servants Combined Pool should be increased from 7.85% to 22% (for teachers the employer rate to be increased from 13.5% to 34.3%).

The effect of the revised employer contribution rates would be to increase annual general revenue expenditure on funding public servants pensions from £13m to

£31m, an increase of £18m. This level of increase is considerably more than the predicted operating surpluses for 2005 and 2006 and is simply not affordable.

The Department is therefore recommending that the employer contribution rates are maintained at their present level pending a full review of the pension arrangements for public sector employees.

Annual Performance

The Superannuation Fund's annual performance is reported, in line with best practice, as part of the overall States accounts in the annual July Billet D'Etat. In recent years the position, as calculated by the Actuaries, has been as follows:

| | 2004 £m | 2003 £m | 2002 £m | 2001 £m | 1998 £m |
|-------------------|------------|------------|------------|------------|------------|
| Assets | 656 | 608 | 506 | 617 | 569 |
| Liabilities | 820 | 738 | 600 | 543 | 490 |
| (Deficit)/Surplus | (164) | (130) | (94) | 74 | 79 |

The annual accounts for 2004 can be summarised as follows:

| | 2004 £m | 2003 £m |
|----------------------------|------------|------------|
| Employer contribution | 13 | 12 |
| Employee contribution | 8 | 8 |
| Refund and transfers (net) | (1) | 1 |
| Pensions & lump sums paid | (21) | (20) |
| Net investment income | <u>15</u> | <u>15</u> |
| Net increase | 14 | 16 |
| Investment appreciation | 34 | 86 |
| Opening balance | 608 | 506 |
| Closing balance | <u>656</u> | <u>608</u> |

From the above figures it can be seen that even though the Superannuation Fund is in deficit (as calculated by the Actuaries) the amount of contributions (employer plus employee) and the investment income **exceed** the pensions currently paid.

As at 30 September 2005 the Superannuation Fund had a balance of £740m which is a significant increase from the balance at the beginning of the year (and the highest it has ever been). However, despite this strong investment performance the Superannuation Fund is still in a deficit position as the liabilities have also increased. It is extremely unlikely that market returns will be sufficient on their own to return the Superannuation Fund to a fully funded position.

Funding Target

For many years the States has adopted a policy of having a fully funded scheme (i.e. at any given time the target was to have sufficient assets to cover the present value of the scheme's liabilities). This means that at each triennial Actuarial Valuation the employer contribution rates were calculated such that the Superannuation Fund would remain fully funded, provided that the underlying assumptions are correct.

During the 1980s and 1990s the Superannuation Fund was in surplus primarily due to very strong investment performance and therefore, following the Actuaries advice, the employer contribution rate was set at a level which used the surplus up over a period of time.

It is emphasised that even when the Superannuation Fund had a substantial surplus the States merely reduced its contribution rate, in line with Actuaries recommendations. It did not take a "pension holiday" and, in general, the employer contribution rate was still higher than the employee contribution rate (fixed at 6%).

As set out above, as at 31 December 2004 the Superannuation Fund is in a deficit position. In order to restore the Superannuation Fund to a fully funded position, the contribution rate would need to increase dramatically compared to the present rate which was based on the 2001 surplus position.

It is this change from a surplus funding position to a deficit position which has caused the significant increase in the recommended employer contribution rates.

Providing a pension is a contractual liability between the States and its employees and pensioners and forms part of the annual pay and conditions negotiations undertaken by the Public Sector Remuneration Committee. The States therefore need to make financial provision for the ongoing payment of pensions and future liabilities. The States has traditionally had a policy of achieving this by maintaining a fully funded Superannuation Fund. However, the maintenance of a fully funded investment fund to support a public sector defined benefits (final-salary) scheme is a relatively unusual position. In the United Kingdom, and in many other jurisdictions, some public sector pensions are paid out of current tax collections. Little, or even no, investment fund is maintained.

The Department believes that maintaining a Superannuation Fund remains appropriate, not least because such an arrangement provides security to scheme members and also

produces significant investment income. However, the level of that Fund is a policy that is worth examining as part of an overall review.

Maintaining Current Contribution Rates

In the normal course of events the Actuaries recommendations for increasing or decreasing employer contribution rates would be implemented as a relatively routine States Report and set of proposals.

However, as set out above, this is simply not affordable. It is therefore recommended that the existing rates are retained for a further year pending the full scope review. Although this means the Superannuation Fund will be foregoing approximately £18m of additional employer contributions and the deficit might grow, in the overall context and scale of the Superannuation Fund this is not significant at present.

States Trading Companies

Part of the arrangements agreed by the States when the States Trading Companies (Guernsey Post and Guernsey Electricity) were commercialised was that each of these would have their own separate Actuarial Account. This arrangement is reflected in the Actuarial Valuation where the two companies have employer contribution rates set at levels that takes into account their own specific situations.

As separate trading companies these two entities are expected to apply best commercial practice and are therefore less able to take the same long term approach to pension funding as a Government body. Therefore, and with the agreement of the two Companies, it is proposed that:

- The employer contribution rate for Guernsey Post Limited be increased from 9.0% to 14.0% with effect from 1 January 2006.
- The employer contribution rate for Guernsey Electricity Limited be increased from 8.35% to 16.3% with effect from 1 April 2006.

The recommended rate in respect of Guernsey Electricity Limited reflects the future service contribution rate as set out in the Actuaries Valuation. The company, partly through making additional annual lump sum contributions, is taking steps to reduce its past service deficit.

Investment Management

As set out in recent Budget Reports a considerable amount of work has been undertaken to modernise the management of the investment portfolio. This process has involved carrying out a full Asset-Liability study, setting appropriate benchmarks for each investment manager, appointing a Global Custodian and significantly improving reporting arrangements.

The value of the investments is, of course, heavily influenced by market performance. It is not unusual for the value of the Superannuation Fund to increase or decrease by up to £5m in a single day.

As shown in the charts accompanying this Report, the value of the Superannuation Fund has increased significantly during the past two years. However, despite this strong performance (led mainly by equities in which 80% of the Fund is invested) it is still not sufficient to return the Superannuation Fund to a surplus position.

Scope of the Review

It is clear that in order to continue to have a sustainable and affordable pension scheme for public sector employees the review must be wide in scope.

Without prejudicing or pre-empting its findings, consideration will need to be given to, amongst other matters: the level of benefits; whether a new scheme should be opened for new entrants; retirement ages; funding target levels; contribution rates (employee and employer) etc.

Introduction of Changes

The provision of a defined benefit (final salary scheme) has, and continues to be, a very important part of the employment and remuneration package of public sector employees. This is particularly the case for those employee groups (such as health care workers, teachers etc.) where there is frequent transfer between the island and UK. In these groups any difference between the pension arrangements could lead to significant recruitment and retention difficulties.

The pension arrangements for the public sector employees are determined by States Resolution and also form a key part of the employment contracts.

Any changes therefore need to be approved by the States and, realistically, are only possible to implement after consulting fully with representative employee and pensioner groups, the mechanism of which lies within the mandate of the Public Sector Remuneration Committee who undertake this task through the Pensions Consultative Committee.

States Members Pension Scheme

The Treasury and Resources Department is, of course, fully aware of the need to prepare rules and establish a States members pension scheme as previously directed by the States (Billet d'Etat I, January 2004) and work commenced on this project in the summer of 2004. However, the Department was also very soon conscious of the fact that the triennial Actuarial review was likely to have significant funding implications.

The Department continues to fully recognise that individual States Members might be inconvenienced by this delay. However, it is felt that introducing a new pension

scheme ahead of this important comprehensive review and considering its long-term implications would be inappropriate.

It is therefore intended that the details of States Members Pension Scheme will be developed as part of the overall pension review.

Conclusion

Without underestimating the complexities and difficulties that are entailed, the Department is firmly of the view that the existing arrangements for the provision of pensions in the public sector need to be fundamentally reviewed. Quite simply maintaining the present arrangements is unsustainable.

Recommendations

The Treasury and Resources Department therefore recommends the States:

- a) To note the Actuarial Valuation for the States of Guernsey Superannuation Fund as at 31 December 2004.
- b) To agree that, except for Guernsey Electricity Limited and Guernsey Post Limited, the employer and additional employer contribution rates in respect of the States of Guernsey Superannuation Fund shall remain at the present levels.
- c) To agree that the employer contribution rates for Guernsey Post Limited be increased from 9.0% to 14.0% with effect from 1 January 2006 and for Guernsey Electricity Limited be increased from 8.35% to 16.3% with effect from 1 April 2006.
- d) To direct the Public Sector Remuneration Committee and the Treasury and Resources Department to review the present arrangements for providing pensions for public sector employees and to report back jointly to the States with their proposals, by no later than September 2006.

Yours faithfully

L S Trott
Minister



States of Guernsey Superannuation Fund

Actuarial Valuation as at
31 December 2004

Prepared for

The States Treasury and Resources Department

Prepared by

S M Jones FIA

Mrs D E Simon FIA

22 July 2005

Executive Summary

We have carried out a valuation of the States of Guernsey Superannuation Fund (the Fund) as at 31 December 2004. The main purposes of the actuarial valuation are to review the financial position of the Fund and to recommend the rates of contributions payable to the Fund in the future.

The main conclusions from our valuation are that:

- **On the basis of our assumptions there was at the valuation date a funding deficit of £57,220,000 in respect of Public Servants which corresponded to a funding target ratio of 88.5%. A funding deficit of £44,850,000 is revealed in respect of Teachers, corresponding to a funding target ratio of 79.0%. A funding deficit of £378,000 is revealed in respect of Guernsey Post Limited, corresponding to a funding target ratio of 97.6%. A funding deficit of £3,614,000 is revealed in respect of Guernsey Electricity Limited, corresponding to a funding target ratio of 87.0%. A funding surplus of £50,000 is revealed in respect of the Guernsey Financial Services Commission, corresponding to a funding target ratio of 100.9%.**
- **We recommend that the additional contributions payable in respect of the levels within the Public Servants Combined Pool are discontinued, so that a level employer contribution is paid within the Combined Pool in respect of all standard groups.**
- **In the light of the valuation results we recommend that the employer contribution rate to be paid in respect of Public Servants be increased to 15.9% of Pensionable Salaries to cover the cost of benefits accruing in respect of future service. This includes an allowance of 0.25% of Pensionable Salaries to meet the expenses of the Fund. We further recommend that additional capital contributions of £5.6 million per annum (increasing in line with increases in the Guernsey Retail Prices Index) be paid in order to reduce the funding deficit to nil over the average working lifetime of the active members, approximately 13 years. Alternatively, an employer contribution rate of 22.0% of Pensionable Salaries could be paid. This rate would both meet the cost of benefits accruing in respect of future service and reduce the funding deficit to nil over the average working lifetime of the active members.**
- **We recommend that the additional contribution rates payable in respect of the special benefit groups continue at the current rates.**

Executive Summary (continued)

- We recommend that the employer contribution rate to be paid in respect of Teachers be increased from 13.5% to 17.1% of Pensionable Salaries to cover the cost of benefits accruing in respect of future service. This also includes an allowance of 0.25% of Pensionable Salaries to meet the expenses of the Fund. We further recommend that additional capital contributions of £4.9 million per annum (increasing in line with increases in the Guernsey Retail Prices Index) be paid in order to reduce the funding deficit to nil over the average working lifetime of the active members, approximately 11 years. Alternatively, an employer contribution rate of 34.3% of Pensionable Salaries could be paid. This rate would both meet the cost of benefits accruing in respect of future service and reduce the funding deficit to nil over the average working lifetime of the active members.
 - We recommend that the total employer contribution rate payable in respect of Guernsey Post Limited is increased from 9.0% to 14.0% of Pensionable Salaries. This rate also includes an allowance of 0.25% of Pensionable Salaries to meet the expenses of the Fund.
 - We recommend that the total employer contribution rate payable in respect of Guernsey Electricity Limited is increased from 8.35% to 21.2% of Pensionable Salaries. This rate also includes an allowance of 0.25% of Pensionable Salaries to meet the expenses of the Fund. This rate takes into account the lump sum recently paid into the Actuarial Account and the lump sum accrued in GEL's accounts to be paid into the Actuarial Account – the effect of these is discussed in section 10.
 - We recommend that the total employer contribution rate payable in respect of the Guernsey Financial Services Commission is increased from 10.4% to 15.5% of Pensionable Salaries. This rate includes an allowance of 0.25% of Pensionable Salaries to meet the expenses of the Fund.
 - We recommend that the revised contribution rates be implemented with effect from 1 January 2006.
 - We have also examined the position of each section of the Fund if the Fund had been discontinued at the valuation date. The results of these calculations are set out in Section 8.
 - The rates of contribution payable will be reviewed at the next valuation which is due to be made as at 31 December 2007.
 - The States Members Pension Fund is combined with the States of Guernsey Superannuation Fund for investment purposes. A valuation of the States Members Pension Fund has also been made as at 31 December 2004 and a separate report containing the results of this valuation has been prepared.
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Contents

| | | |
|------------|---|----|
| 1. | Introduction | 1 |
| 2. | Developments since the Previous Valuation | 2 |
| 3. | Fund Membership | 3 |
| 4. | Fund Assets and Financial Development | 6 |
| 5. | Funding Objective | 9 |
| 6. | Assumptions used to calculate the Funding Target | 11 |
| 7. | Funding Position – Public Servants | 13 |
| 7. | Funding Position – Teachers | 15 |
| 7. | Funding Position – Guernsey Post Limited | 17 |
| 7. | Funding Position – Guernsey Electricity Limited | 19 |
| 7. | Funding Position – Guernsey Financial Services Commission | 21 |
| 8. | Discontinuance Funding Ratio | 23 |
| 9. | Investment Policy | 24 |
| 10. | Developments since the Valuation Date | 26 |
| 11. | Overall Contribution Rate | 27 |
| 12. | Recommendations and Conclusions | 30 |
| Appendix A | Summary of the Provisions of the Fund | 32 |
| Appendix B | Membership Data | 33 |
| Appendix C | Assets | 35 |
| Appendix D | Contribution Groups and rates paid | 36 |
| Appendix E | Assumptions | 38 |
| Appendix F | General Background | 39 |
| Appendix G | Glossary | 40 |

This report has been prepared in accordance with Guidance Note GN9, issued by the Institute of Faculty of Actuaries, current at the date of signing this report.

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1. Introduction

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| 1.1 Regular valuations | This report sets out the results of our actuarial valuation of the States of Guernsey Superannuation Fund (the Fund) as at 31 December 2004. Rule 4(1) of the Fund's Rules requires the States Treasury and Resources Department to obtain regular actuarial valuations of the Fund. The previous valuation report dated 27 September 2002 considered the financial position of the Fund as at 31 December 2001. |
| 1.2 Funding objective | The recommendations in this report are designed to bring the Fund's assets into line with its funding target discussed in section 5. |
| 1.3 Other funding measures | This report also covers the Fund's financial position if it had been discontinued at the valuation date. |
| 1.4 Benefits | The valuation is based on the Fund's legal documents at the valuation date. |
| 1.5 A snapshot view | <p>This report concentrates on the Fund's funding position at the valuation date. As time moves on, the Fund's finances will fluctuate. It will therefore be necessary to carry out further valuations to monitor the position. In the meantime, if you are reading this report some time after it was prepared, you should bear in mind that the Fund's funding position could have changed significantly.</p> <p>Section 10 comments on developments since the valuation date.</p> |
-

In Appendix F to this report there is a general introduction to the valuation process. In Appendix G there is a glossary of some technical terms.

Terms used in this report which are defined in Appendix G are shown in bold type.

2. Developments since the Previous Valuation

- | | |
|---|---|
| <p>2.1 Previous valuation – Public Servants</p> | <p>The report on the previous valuation showed a funding surplus of £57,598,000 as at 31 December 2001 and a funding target ratio of 115.7%.</p> <p>The funding surplus was used to reduce the base level employer contributions that would otherwise have been payable if there had not been a surplus, although the base level contributions actually payable for level 1 members were increased from 6.25% to 7.35% of Pensionable Salaries with effect from 1 January 2003.</p> |
| <p>2.2 Previous valuation - Teachers</p> | <p>The report on the previous valuation showed a funding surplus of £3,892,000 and a funding target ratio of 102.6%.</p> <p>The funding surplus was used to reduce the employer contributions from those which would otherwise have been payable and the employer contribution rate was reduced from 14.7% to 13.5% of Pensionable Salaries with effect from 1 January 2003.</p> |
| <p>2.3 Previous valuation - Guernsey Post Limited</p> | <p>The report on the previous valuation showed a funding surplus of £2,428,000 and a funding target ratio of 123.1%.</p> <p>The contributions paid prior to the previous valuation had been based on the base level rate of 6.25% applicable to Public Servants. Following the valuation a specific rate for Guernsey Post Limited (GPL) was determined, taking into account the funding surplus of this section. The employer contributions were increased from 6.25% to 9.0% of Pensionable Salaries with effect from 1 January 2003.</p> |
| <p>2.4 Previous valuation - Guernsey Electricity Limited</p> | <p>An Actuarial Account was established in respect of active members employed by Guernsey Electricity Limited (GEL) with effect from 1 February 2002 with a starting balance of £20,711,523.</p> <p>Prior to the establishment of the separate Actuarial Account, GEL participated in level 3 of the Combined Pool. Accordingly, following the establishment of the separate Actuarial Account the employer continued to contribute at 8.25% of Pensionable Salaries, increased to 8.35% of Pensionable Salaries at 1 April 2003.</p> |
| <p>2.5 Previous valuation - Guernsey Financial Services Commission</p> | <p>An Actuarial Account was established in respect of active members employed by the Guernsey Financial Services Commission (GFSC) with effect from 1 January 2002.</p> <p>Prior to the establishment of the separate Actuarial Account, GFSC participated in level 2 of the Combined Pool. Accordingly, following the establishment of the separate Actuarial Account the employer continued to contribute at 7.25% of Pensionable Salaries, increased to 10.4% of Pensionable Salaries with effect from 1 January 2003.</p> <p>The contribution rate paid by GFSC includes an allowance for the cost of reinsuring the death in service and ill health retirement benefits within the Combined Pool. This cost was originally set at 1.35% of Pensionable Salaries and is reviewed as part of this valuation.</p> |
-

3. Fund Membership

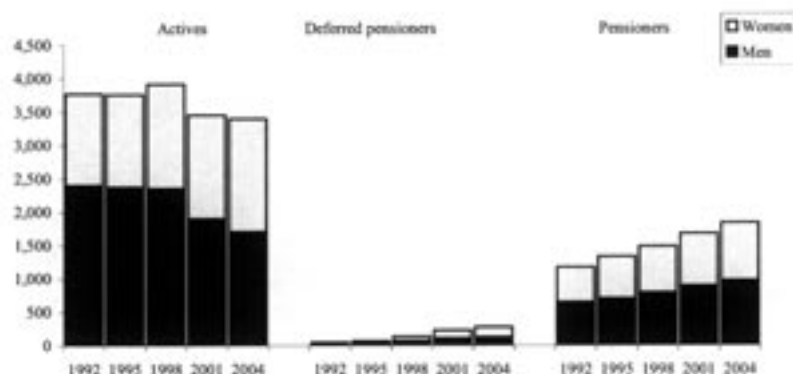
3.1 Membership data

Details of the membership at the valuation date were supplied to us on computer files extracted from the pension administration system.

The membership data is summarised in Appendix B. We have carried out detailed checks on the quality of the data but any inaccuracies should be notified to us.

3.2 Membership changes – Public Servants

Changes in the number of members of the Public Servants' Scheme since 31 December 1992 are illustrated below.

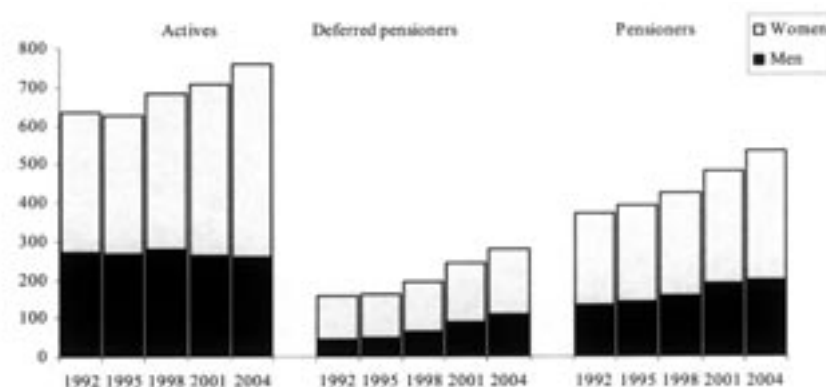


The Public Servants Scheme has experienced a small fall in the number of active members, but a steady increase in the number of pensioners and deferred pensioners.

The number of active members has fallen slightly, largely because of the establishment of separate Actuarial Accounts for GEL and GFSC in 2002.

3.3 Membership changes – Teachers

Changes in the number of members of the Teachers' Scheme since 31 December 1992 are illustrated below.

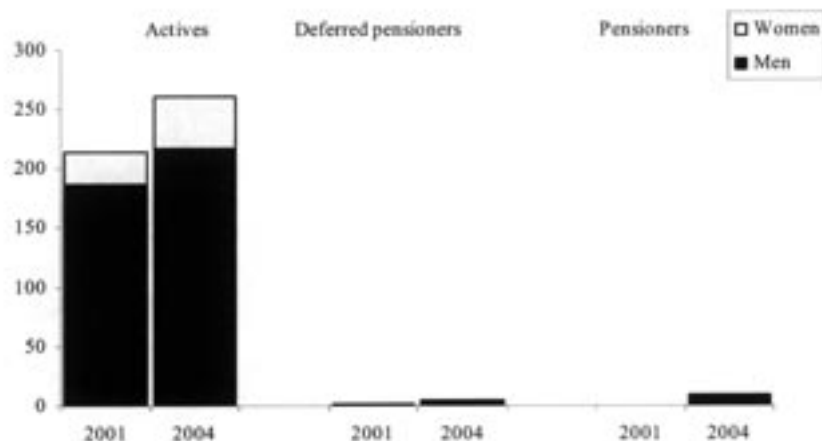


The number of active members, pensioners and deferred pensioners continues to rise steadily.

3. Fund Membership (continued)

3.4 Membership changes – Guernsey Post Limited

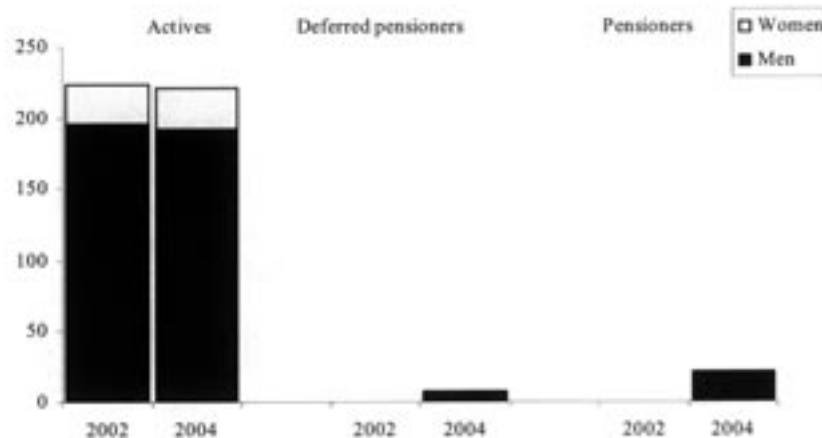
Changes in the number of members of the GPL Account since 31 December 2001 are illustrated below.



The active membership of the GPL Account has increased. The Account currently has 9 pensioners and 4 deferred pensioners.

3.5 Membership changes – Guernsey Electricity Limited

Changes in the number of members of the GEL Account since the Actuarial Account was established (1 February 2002) are illustrated below.

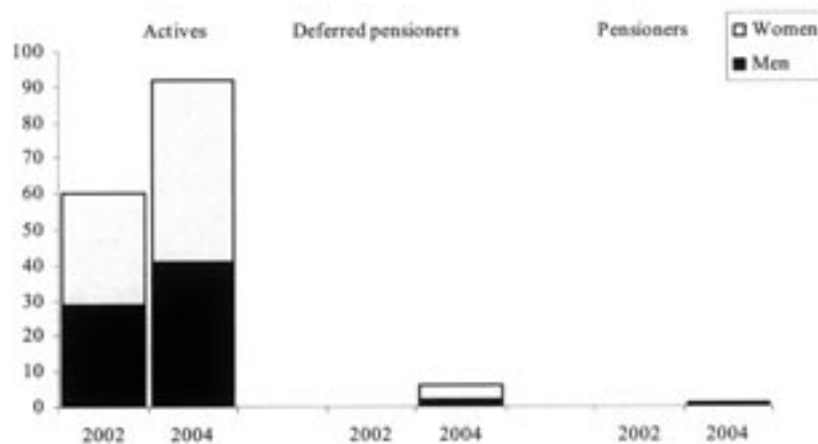


The active membership of the GEL Account has fallen very slightly. The Account currently has 21 pensioners and 8 deferred pensioners.

3. Fund Membership (continued)

3.6 Membership Changes - Guernsey Financial Services Commission

Changes in the number of members of the GFSC Account since the Actuarial Account was established (1 January 2002) are illustrated below.

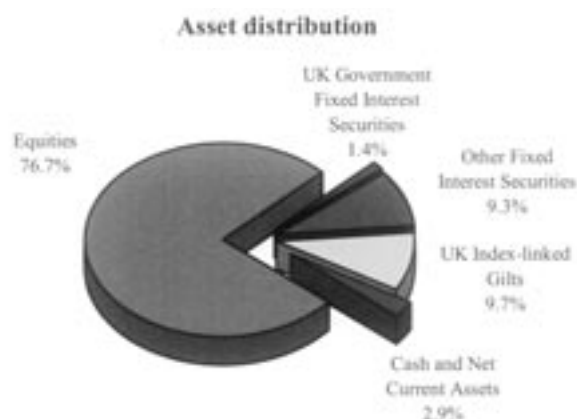


The active membership of the GFSC Account has increased considerably. The Account currently has 1 pensioner and 6 deferred pensioners.

4. Fund Assets and Financial Development

4.1 Assets

The Fund's audited report and accounts show that its assets had a market value of £440,679,000 in respect of Public Servants and £168,978,000 in respect of Teachers at the valuation date. The assets applicable to the Actuarial Accounts for GPL, GEL and GFSC were £15,401,000, £24,197,000 and £5,584,000 respectively. Accordingly the total assets held in respect of the Superannuation Fund amounted to £654,839,000 at the valuation date. These assets are analysed as follows:



For further details see Appendix C.

4.2 Financial development

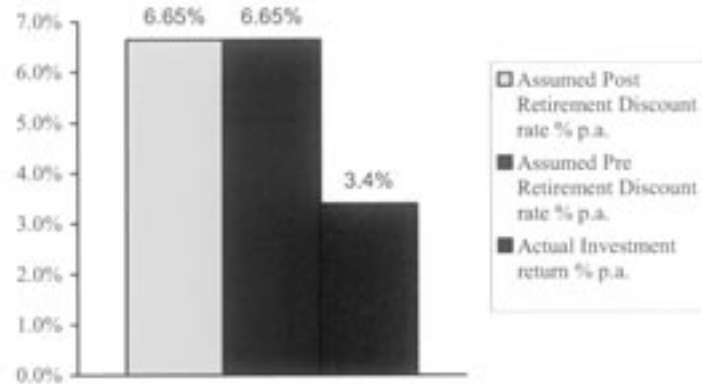
A variety of factors affect the financial position of the Fund, including investment returns, changes in the yields on gilts, pension increases and pay increases. To illustrate the Fund's financial development since the previous valuation, we have compared in the charts below:

- The investment return achieved on the Fund's assets with the investment return assumed at the last valuation;
- The yield on index linked gilts and fixed interest gilts at the previous valuation with the yields at this valuation;
- The assumptions made at the previous valuation for pension and pay increases with those increases that were actually granted.

4. Scheme Assets and Financial Development (continued)

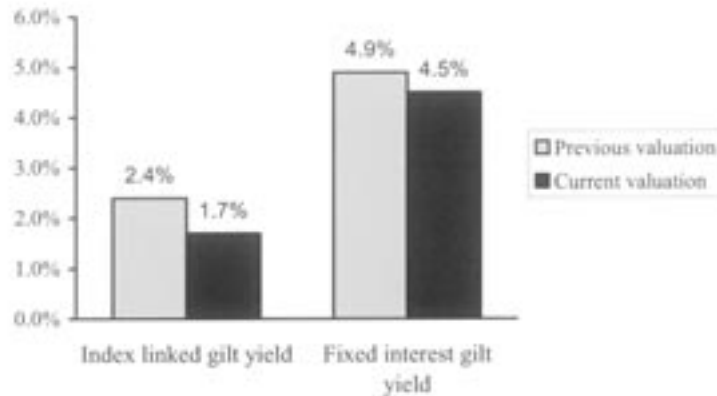
4.3 Key Experience Items

Investment return achieved compared with discount rate used



The three year period since the previous valuation was characterised by volatile equity markets and the investment return achieved on the market value of the assets was lower than the return assumed at the previous valuation.

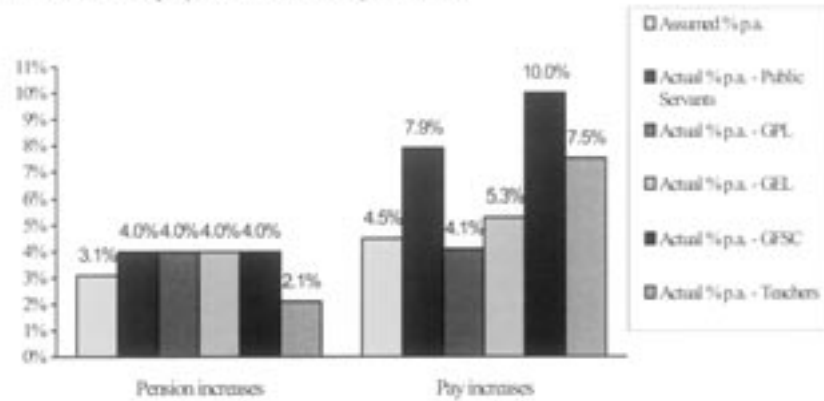
Comparison of gilt yields



The yield on fixed interest gilts has fallen between the two valuation dates. However, the yield on index-linked gilts has fallen more. The method used to derive the inflation assumption considers the difference between the yields on fixed interest and index-linked gilts. This illustrates the market's expectation of an increase in future rates of UK inflation.

4. Scheme Assets and Financial Development (continued)

Pension and pay increase comparisons



Average pension increases during the intervaluation period have been slightly higher than expected for most sections. The pension increases for Teachers are lower because these are based on UK RPI, while all other sections have pension increases based on Guernsey RPI.

Average pay increases have been variable across the different sections, but generally higher than expected at the previous valuation.

5. Funding Objective

| | |
|--|--|
| 5.1 Setting the funding objective | <p>There are several factors which should be taken into account in setting the funding objective:</p> <ul style="list-style-type: none"> • The purpose of funding the Fund; • An acceptable level of risk; • The requirements of the Fund's Rules. <p>We have described these factors below and then set out the funding objective which has been adopted for this valuation.</p> |
| 5.2 Purpose of funding | <p>The primary purpose of funding is to provide members with more security for their pensions than if they relied on the employer to pay them directly.</p> |
| 5.3 Funding does not eliminate risk | <p>However, despite the Fund being funded, there is still the risk that the assets would not be sufficient to pay all of the promised pensions in the event of the Fund being discontinued (if the employer terminates its contributions to the Fund). The risk depends on:</p> <ul style="list-style-type: none"> • Sponsor (employer) risk—the ability of the employer to continue contributions to the Fund and to make good deficits; • Funding risk <ul style="list-style-type: none"> - The funding target may be less than the value of the discontinuance liabilities (see section 8); - The assets may be less than the funding target; • Investment risk - if the assets do not match the liabilities their values will not move in line with changes in the market yield on gilts. The risk is that the value of the assets falls without a corresponding fall in the value of the liabilities which can happen over a short space of time. The more mismatched the investment strategy is, the greater the risk. |
| 5.4 Rule requirements | <p>Under Rule 2 of the Fund, the States of Guernsey determine the employer contributions to be paid into the Fund. For Teachers, this is covered in Regulation 67 of the Teachers' Fund.</p> <p>The funding objective and the level of contributions payable is therefore determined by the States of Guernsey. In accordance with Rules 2(2)(f) and (g), the States of Guernsey also determine the contribution rates payable by the States Trading Companies and any other body for which an Actuarial Account has been established.</p> |
| 5.5 The adopted funding target | <p>Pension scheme liabilities are a series of future cash payments. Other than immediate and deferred annuities provided by an insurance company, the assets that would provide the closest match to these cash flows are a combination of fixed interest and index-linked gilts. Hence a funding target could be equal to the present value of the expected payments discounted at the market yields on gilts of appropriate term. The expected payments for active members would relate to pensionable service up to the valuation date and would include an allowance for expected future increases to Pensionable Salaries.</p> |

5. Funding Objective (continued)

However, it is common for funded occupational pension schemes not to hold assets which are equal to the full amount of the liabilities valued in this way. Instead, the **funding target** will be set at a lower level than this.

The Fund's assets are largely invested in asset classes that are expected to produce higher returns than gilts. The States have agreed to take these higher expected returns into account in the **funding target** and to accept the funding risks that this involves (as explained above). In view of the differences in status between the core sections of the Fund and GPL, GEL and GFSC the amount of the higher expected return for which advance allowance has been made (and the associated risk) has been set at different levels. A higher allowance has been made for the core sections than for GPL, GEL and GFSC. The **funding target** is therefore calculated as the **present value** of the expected payments (as described above) discounted at the yield on Fixed Interest gilts of appropriate term at the valuation date plus:

- for active members and deferred pensioners in the Combined Pool and Teachers sections over the period to retirement, 2.5% per annum;
- for active members and deferred pensioners in the GPL, GEL and GFSC sections over the period to retirement, 2.0% per annum;
- for all pensioners, 1.0% per annum.

The assumptions adopted are set out in section 6.

It should be noted that lowering the funding target does not reduce the cost of providing the promised benefits. Other things being equal, if the **funding target** is lower, the employer will pay:

- Lower contributions in the short term; but
- Higher contributions (than would otherwise have been payable) thereafter.

The position if the Fund were to discontinue is considered separately in section 8.

5.6 Speed of reaching funding target

An adjustment to the contribution rate could be used to eliminate a **funding surplus** or a **funding deficit** over an agreed period of time.

5.7 Stability of contribution rate

The future service contribution rate will remain stable before and after eliminating a **funding surplus** or a **funding deficit** if the **funding objective** remains unchanged and all assumptions made are borne out in practice. If the funding objective changes and the assumptions change, then contribution rates are likely to change.

5.8 Comparison with funding objective for previous valuation

The funding objective has not changed since the previous valuation.

6. Assumptions used to calculate the Funding Target

6.1 Facts and assumptions

The benefit structure of the Fund, its membership and its assets at the valuation date are all known facts. But the Fund's future finances also depend on uncertain factors such as future investment returns, pay and pension increases, rates of mortality and employee turnover. We therefore need to make assumptions about the long-term future, covering the period until all the present members have retired and all benefits arising from their membership have been paid.

6.2 Derivation of financial assumptions

As set out in section 5, we have set the **discount rate** used to calculate the **funding target** equal to the yield on Fixed Interest gilts of appropriate term at the valuation date plus:

- for active members and deferred pensioners in the Combined Pool and Teachers sections over the period to retirement, 2.5% per annum;
- for active members and deferred pensioners in the GPL, GEL and GFSC sections over the period to retirement, 2.0% per annum;
- for all pensioners, 1.0% per annum.

The inflation assumption is derived from the difference between the yield on fixed interest gilts and the yield on index-linked gilts at the valuation date combined with an allowance of 0.5% to allow for the higher levels of inflation experienced locally in recent years compared with that in the UK.

We have assumed that Pensionable Salary increases will equal 1% pa more than local inflation.

6.3 Financial assumptions

The valuation results are sensitive to the choice of financial assumptions. The table shows the key financial assumptions used for this valuation and those used for the previous valuation. Important points to bear in mind are:

- the differences between the rates have a bigger impact on the results of the valuation than the absolute levels of each assumption;
- the assumptions were derived from market yields at the valuation date to ensure compatibility with the market value of the assets.

| Key financial assumptions | | |
|---|---------------------------|----------------------------|
| | Current valuation % pa | Previous valuation % pa |
| Guernsey inflation | 3.4 | 3.00 |
| Pay increases | 4.4 | 4.50 |
| Pension increases | 3.4 | 3.10 |
| Pre-retirement discount rate for Combined Pool and Teachers | 7.0 | 6.65 |
| Pre-retirement discount rate for GPL, GEL, and GFSC | 6.5 | 6.65 |
| Post-retirement discount rate | 5.5 | 6.65 |

The allowance for pay increases is in addition to allowances for promotional increases.

6. Assumptions used to calculate the Funding Target (continued)

6.4 Other key assumptions

The valuation results are particularly sensitive to the assumptions made for the current life expectancy of pensioners and future improvements in life expectancy. The assumptions adopted for this valuation (as set out in Appendix D) are our current best estimates for the Fund, but we need to keep these under review and it is possible that these may need to be changed at future valuations.

6.5 Changes in assumptions

The economic assumptions used for this valuation differ from those used for the previous valuation. This reflects the fall in gilt yields since the previous valuation. In addition we have revised the structure of the discount rate relative to the yield on gilts. As fixed interest gilt yields fall, the discount rate used to value the liabilities also falls as the absolute value of the assumed investment return falls which in turn places a higher value on the Fund's liabilities. The assumed rate of pension increases is higher as the inflation assumption as implied by the difference between yields on fixed interest and index linked gilts is greater than at the previous valuation. The assumed post-retirement discount rate is lower, and so is the assumed pre-retirement discount rate for GPL, GEL and GFSC. The assumed pre-retirement discount rate is higher for the Combined Pool and Teachers sections. The net impact of the changes is to place a higher value on the Fund's **funding target** for all sections.

The allowance for deaths after retirement has been changed to reflect recent improvements in mortality rates. The impact is to place a slightly higher value on the Fund's **funding target**.

We have revised our assumptions regarding normal health retirement, ill health retirement, and withdrawals for various groups of active members to reflect actual experience. We have also reduced the allowance for salary increases in excess of local inflation. The net effect of these changes is to place a lower value on the Fund's liabilities.

6.6 Details

For further details of the assumptions see Appendix D.

7. Funding Position – Public Servants

7.1 Funding deficit

The funding objective is to bring the Fund's assets into line with the **funding target**. We have therefore compared the market value of the assets in the Fund with the **funding target** as at the valuation date. The result of this comparison is as follows:

| | Funding Target £'000 |
|----------------------------|---------------------------------------|
| Active members | 270,341 |
| Deferred pensioners | 26,133 |
| Pensioners | 201,425 |
| Total | 497,899 |
| Market value of the assets | 440,679 |
| Funding deficit | (57,220) |
| Funding target ratio | 88.5% |

The Fund has a **funding deficit** relative to the **funding target** of £57,220,000. We discuss how this might be dealt with in our recommendations and conclusions in section 12.

The liabilities in respect of active members include a reserve for the potential death in service and ill health retirement benefits for GFSC which are funded for within the Combined Pool and for which GFSC pay an appropriate contribution to the Combined Pool.

7.2 Reasons for deficit

At the previous valuation the Fund had a **funding surplus** of £57,598,000. The **funding target** position has therefore worsened by £114,818,000 since the previous valuation. We have analysed below the reasons for the change, indicating the impact of each factor on the valuation result this time.



7. Funding Position – Public Servants (continued)

The **funding target position** has therefore worsened largely as a result of the poor investment returns achieved and the changes to gilt yields since the previous valuation. In addition the cost of accruing benefits compared to the contributions received has reduced the surplus, as the contributions paid have been lower than the actual cost of funding the benefits which have accrued over the period, to take account of the surplus revealed at the previous valuation. Pension increases, deferred pension increases and pay increases have all been higher than expected.

7.3 Employer contribution rate for future benefits

We have also calculated the employer contribution rate for benefits expected to accrue to members in future. This is the rate of contribution that would normally be appropriate if the Fund had no surplus or deficit and the assets were exactly equal to the **funding target**. The method we have used to calculate this is the **projected unit method**. This measures the increase in the **funding target** relating to benefits expected to accrue to members over the year following the valuation allowing for expenses and member contributions. This is a change to the previous valuation method used which was the **attained age method**. The **projected unit method** is an appropriate method to use in conjunction with a market driven valuation.

The employer's future service contribution rate on the basis of our assumptions is 15.9% of Pensionable Salaries including an allowance for expenses of 0.25%. The corresponding rate at the previous valuation was 14.1%. The reason for the increase at this valuation is the changes made to the actuarial assumptions which have increased the value placed on the liabilities.

Additional contribution rates in excess of the employer rate are required in respect of the special benefit groups. A summary of the future service contribution rates appropriate to each group is set out below.

| Proposed future service contribution rate | |
|---|--------------|
| %pa | |
| Base employer rate | 15.9 |
| Special Benefit groups | |
| Police and Firemen | |
| entrants on or before 31.10.91 | 30.9 (+15%) |
| entrants after 31.10.91 | 25.9 (+10%) |
| Senior Police and Fire Officers | 22.9 (+7%) |
| Mental Health Officers | 24.9 (+9%) |
| Crown Officers | |
| entrants on or before 31.10.91 | 25.9 (+10%) |
| entrants between 01.01.92 and 31.12.03 | 24.9 (+9%) |
| entrants after 1.1.04 | 22.6 (+6.7%) |

7. Funding Position – Teachers

7.4 Funding deficit

The funding objective is to bring the Fund's assets into line with the **funding target**. We have therefore compared the market value of the assets in the Fund with the **funding target** as at the valuation date. The result of this comparison is as follows:

| | Funding Target £'000 |
|----------------------------|---------------------------------------|
| Active members | 112,613 |
| Deferred pensioners | 18,495 |
| Pensioners | 82,720 |
| Total | 213,828 |
| Market value of the assets | 168,978 |
| Funding deficit | (44,850) |
| Funding target ratio | 79.0% |

The Fund has a **funding deficit** relative to the **funding target** of £44,850,000. We discuss how this might be dealt with in our recommendations and conclusions in section 12.

7.5 Reasons for deficit

At the previous valuation the Fund had a **funding surplus** of £3,892,000. The **funding target** position has therefore worsened by £48,742,000 since the previous valuation. We have analysed below the reasons for the change, indicating the impact of each factor on the valuation result this time.



7. Funding Position – Teachers (continued)

The **funding target position** has therefore worsened largely as a result of the poor investment returns achieved and the changes to gilt yields since the previous valuation. Pension increases, deferred pension increases, and pay increases have all been higher than expected.

7.6 Employer contribution rate for future benefits

We have also calculated the employer contribution rate for benefits expected to accrue to members in future using the same method as was adopted for the Combined Pool of the Public Servants.

The employer's future service contribution rate on the basis of our assumptions is 17.1% of Pensionable Salaries including an allowance for expenses of 0.25%. The corresponding rate at the previous valuation was 15.3%. The reason for the increase at this valuation is the changes made to the actuarial assumptions which have increased the value placed on the liabilities.

7. Funding Position – Guernsey Post Limited

7.7 Funding deficit

The funding objective is to bring the Fund's assets into line with the **funding target**. We have therefore compared the market value of the assets in the Fund with the **funding target** as at the valuation date. The result of this comparison is as follows:

| | Funding Target |
|----------------------------|-----------------------|
| | £'000 |
| Active members | 13,775 |
| Deferred pensioners | 545 |
| Pensioners | 1,459 |
| Total | 15,779 |
| Market value of the assets | 15,401 |
| Funding deficit | (378) |
| Funding target ratio | 97.6% |

The Fund has a **funding deficit** relative to the **funding target** of £378,000. We discuss how this might be dealt with in our recommendations and conclusions in section 12.

7.8 Reasons for deficit

At the previous valuation the Fund had a **funding surplus** of £2,428,000. The **funding target** position has therefore worsened by £2,806,000 since the previous valuation. We have analysed below the reasons for the change, indicating the impact of each factor on the valuation result this time.



The **funding target** position has therefore worsened largely as a result of the poor investment returns achieved and the changes to gilt yields since the previous valuation. In addition the cost of accruing benefits compared to the contributions received has reduced the surplus, as the contributions paid have been lower than the actual cost of funding the benefits which have accrued over the period to take account of the surplus revealed at the

7. Funding Position – Guernsey Post Limited (continued)

previous valuation.

These losses have been partially offset by the pay increases awarded being lower than expected.

7.9 Employer contribution rate for future benefits

We have also calculated the employer contribution rate for benefits expected to accrue to members in future using the same method as was adopted for the Combined Pool of the Public Servants.

The employer's future service contribution rate on the basis of our assumptions is 13.5% of Pensionable Salaries including an allowance for expenses of 0.25%. The corresponding rate at the previous valuation was 13.3%.

7. Funding Position – Guernsey Electricity Limited

7.10 Funding deficit

The funding objective is to bring the Fund's assets into line with the **funding target**. We have therefore compared the market value of the assets in the Fund with the **funding target** as at the valuation date. The result of this comparison is as follows:

| | Funding Target £'000 |
|----------------------------|---------------------------------------|
| Active members | 23,611 |
| Deferred pensioners | 615 |
| Pensioners | 3,585 |
| Total | 27,811 |
| Market value of the assets | 24,197 |
| Funding deficit | (3,614) |
| Funding target ratio | 87.0% |

The Fund has a **funding deficit** relative to the **funding target** of £3,614,000. We discuss how this might be dealt with in our recommendations and conclusions in section 12.

The position detailed above does not take into account the lump sum recently paid into the Fund by GEL. The effect of this is considered in Section 10.

7.11 Reasons for deficit

At the inception of the Actuarial Account the Fund had a **funding surplus** of £2,666,000. The **funding target** position has therefore worsened by £6,280,000 since 1 February 2002. We have analysed below the reasons for the change, indicating the impact of each factor on the valuation result this time.



7. Funding Position – Guernsey Electricity Limited (continued)

The **funding target position** has therefore worsened largely as a result of the poor investment returns achieved and the changes to gilt yields since the previous valuation. In addition the cost of accruing benefits compared to the contributions received has reduced the surplus, as the contributions paid have been lower than the actual cost of funding the benefits which have accrued over the period. Pay increases have also been higher than expected.

7.12 Employer contribution rate for future benefits

We have also calculated the employer contribution rate for benefits expected to accrue to members in future using the same method as was adopted for the Combined Pool of the Public Servants.

The employer's future service contribution rate on the basis of our assumptions is 16.3% of Pensionable Salaries including an allowance for expenses of 0.25%.

7. Funding Position – Guernsey Financial Services Commission

7.13 Funding surplus

The funding objective is to bring the Fund's assets into line with the **funding target**. We have therefore compared the market value of the assets in the Fund with the **funding target** as at the valuation date. The result of this comparison is as follows:

| | Funding Target £'000 |
|----------------------------|---------------------------------------|
| Active members | 4,403 |
| Deferred pensioners | 564 |
| Pensioners | 567 |
| Total | 5,534 |
| Market value of the assets | 5,584 |
| Funding surplus | 50 |
| Funding target ratio | 100.9% |

The Fund has a **funding surplus** relative to the **funding target** of £50,000. We discuss how this might be dealt with in our recommendations and conclusions in section 12.

The liabilities in respect of active members exclude any reserve for the potential death in service and ill health retirement benefits which are funded for separately within the Combined Pool.

7.14 Reasons for surplus

At the inception of the Actuarial Account on 1 January 2002 the Fund had a **funding surplus** of £1,454,000. The **funding target** position has therefore worsened by £1,404,000 since 1 January 2002. We have analysed below the reasons for the change, indicating the impact of each factor on the valuation result this time.



7. Funding Position – Guernsey Financial Services Commission (continued)

The **funding surplus** has therefore decreased largely as a result of the poor investment returns achieved and the changes to gilt yields since the previous valuation. In addition the cost of accruing benefits compared to the contributions received has reduced the surplus, as the contributions paid have been lower than the actual cost of funding the benefits which have accrued over the period. Pay increases have also been higher than expected.

7.15 Employer contribution rate for future benefits

We have also calculated the employer contribution rate for benefits expected to accrue to members in future using the same method as was adopted for the Combined Pool of the Public Servants.

We have also included the cost of insuring the death in service and ill health retirement benefits within the Combined Pool. We have calculated that this contribution should be reduced from the current 1.35% of Pensionable Salaries to 1.15% of Pensionable Salaries.

The employer's future service contribution rate on the basis of our assumptions is 15.6% of Employer contributions including an allowance for expenses of 0.25% and the contribution paid to the Combined Pool.

8. Discontinuance Funding Ratio

8.1 Discontinuance Calculation

We have reviewed the position if the Fund had been discontinued on the valuation date. On discontinuance, members' benefits would be crystallised and for active members would be based on their pensionable service and Pensionable Salaries at the date of discontinuance.

We have taken the value of the discontinuance liabilities at the valuation date as an estimate of the terms to be offered by insurance companies for determining the cost of immediate and deferred annuities, plus a provision to cover the expenses of the winding up.

8.2 Assumptions

We have taken into account margins that a life assurance company would be likely to use in the setting of its premium basis. In particular we have taken into account margins for investment mismatching by duration and for improvements in mortality. We have also included a margin for profit and cost of capital. We have not carried out a detailed analysis of the cost of risks that might apply specifically to the Fund and so our estimate is only a guide. Market changes to both interest rates, and demand and supply for this type of business, mean that our estimate cannot be relied on, and that ultimately the actual true position can only be established by completing a buy-out exercise. We have set the discount rate for this estimate equal to the yield on fixed interest gilts of appropriate term at the valuation date, less 1.0% p.a. over the period to retirement and less 0.5% p.a. subsequently. The allowance for the expenses of winding-up is separate.

8.3 Results

On this basis, the **discontinuance funding ratios** for the different sections of the Fund are set out in the table below.

Discontinuance funding ratio by Section of Fund

| Section | Discontinuance Funding Ratio |
|--|------------------------------|
| Public Servants | 63.9% |
| Teachers | 57.2% |
| Guernsey Post Limited | 65.8% |
| Guernsey Electricity Limited | 60.4% |
| Guernsey Financial Services Commission | 66.1% |

8.4 Comment

The above figures relate to the position at the valuation date and do not take into account any contributions that the employer may have paid into the Fund since the valuation date or will in the future pay into the Fund to reduce the deficiency if the Fund were to wind up.

These calculations ignore the extent to which the Fund could recover assets from the employers, had the Fund been discontinued at the valuation date.

9. Investment Policy

9.1 Investment Policy This section of the report considers issues which may be relevant to an investment policy review.

9.2 Fund maturity The States of Guernsey are required to consider the suitability of the investments in relation to the Fund's liabilities. One factor that can affect the suitability of investments is the proportion of liabilities that relate to pensioners. Schemes with a high proportion of their liabilities relating to pensioners are said to be more mature schemes.

In this respect the Public Servants and Teachers sections can be considered to be relatively mature, while the GPL, GEL and GFSC sections are relatively immature.

9.3 Investment mismatch The majority of the Fund's liabilities are linked to inflation via either pension increases or pay increases. The assets that most closely match the Fund's **funding target** liabilities are a combination of index-linked gilts to match inflation linked liabilities and fixed interest gilts and/or investment grade corporate bonds to match the fixed liabilities of the Fund. However, the Fund's assets are mainly invested in asset classes such as equities which are expected to produce higher returns than gilts over the long term.

The **funding target ratio** is affected by this investment mismatch and this is considered further below.

Although a mismatch is common among pension schemes the Fund should be aware of the risks of mismatching.

9.4 Fall in equities or in bond yields The **funding target ratio** can be affected by sudden (or gradual) changes in market value. As an example, if the market values of UK and overseas equities had fallen by 25% at the valuation date without any change in bond yields (either fixed or index-linked) we estimate that the following changes in funding levels would have taken place:

Change in funding target ratios on a fall in equity values

| | Before fall (%) | After 25% fall (%) |
|--|-----------------|--------------------|
| Public Servants | 88.5 | 71.5 |
| Teachers | 79.0 | 63.9 |
| Guernsey Post Limited | 97.6 | 78.9 |
| Guernsey Electricity Limited | 87.0 | 70.3 |
| Guernsey Financial Services Commission | 100.9 | 81.6 |

9. Investment Policy (continued)

The ratios can also be affected by changes in bond yields. If yields on fixed and index-linked bonds were to have fallen by 1% per annum at the valuation date without any change in equity market values, we estimate that the following changes in funding ratios would have taken place:

Change in funding target ratios on a fall in bond yields

| | Before fall (%) | After 1% fall (%) |
|---|--------------------|----------------------|
| Public Servants | 88.5 | 74.5 |
| Teachers | 79.0 | 66.8 |
| Guernsey Post Limited | 97.6 | 77.9 |
| Guernsey Electricity Limited | 87.0 | 71.1 |
| Guernsey Financial Services Commission | 100.9 | 79.2 |

10. Developments since the Valuation Date

10.1 Lump sum payments in respect of GEL

GEL paid a lump sum of £240,000 into their Actuarial Account on 31 March 2005. In addition, a further amount of £251,000 has been accrued in GEL's accounts for the year ended 31 March 2005.

If both these lump sum amounts, discounted at the valuation rate of interest to the valuation date, are taken into account in the above calculations, the **funding target** position for GEL would be as follows:

| | Funding Target £'000 |
|----------------------------|---------------------------------------|
| Active members | 23,611 |
| Deferred pensioners | 615 |
| Pensioners | 3,585 |
| Total | 27,811 |
| Market value of the assets | 24,680 |
| Funding deficit | (3,131) |
| Funding target ratio | 88.7% |

The Employer contribution rate for future service benefits is unchanged.

11. Overall Contribution Rate

| | |
|--|---|
| 11.1 Introduction | <p>The employers' contribution rates are set taking into account a number of factors:</p> <ul style="list-style-type: none"> • The Rules of the Fund; • The Funding Objective; • Volatility of the results; • Results of the valuation; • Developments since the valuation date; • Recommendation of the Actuary; • Recommendation of Treasury and Resources. |
| 11.2 Responsibility for setting contributions | <p>The States of Guernsey holds the responsibility for setting contribution rates including the contribution rates for the States Trading Companies and any other body for which an Actuarial Account has been established.</p> |
| 11.3 Funding objective | <p>The funding objective for all sections is to bring the Fund's assets into line with the funding target over the average working lifetime of the active members of the relevant section.</p> |
| 11.4 Volatility | <p>We would expect the results of a series of valuations to be volatile. This could be reflected in potentially large changes at successive valuations both in the funding surplus/deficit positions and in the future service contribution rates.</p> <p>Fluctuations in the future service contribution rate arguably reflect "true" changes in the future cost of benefits as expectations for future long-term levels of investment return and inflation fluctuate. However, much of the volatility in the funding surplus/deficit position is likely to arise from relative movements between the Fund's assets and those assets that most closely match the underlying liabilities.</p> |
| 11.5 Developments since the valuation date | <p>The lump sum paid and the lump sum due to be paid to the Fund by GEL have been considered in the derivation of GEL's contribution rate below.</p> |
| 11.6 Results – Funding deficit - Public Servants | <p>If our assumptions are borne out in practice, the funding deficit of £57,220,000 at 31 December 2004 could be eliminated by additional contributions of £5.6 million per annum (increasing in line with the Guernsey Retail Prices Index) payable over the next 13 years. Alternatively, the funding deficit could be eliminated by an addition to the employer's contribution rate of 6.1% of Pensionable Salaries.</p> <p>These contributions are additional to the employer contribution rate of 15.9% of Pensionable Salaries for future service benefits as well as the additional contributions required for special benefit groups, as detailed in section 7.3.</p> |

11. Overall Contribution Rate (continued)

| | |
|---|--|
| 11.7 Results – Funding deficit - Teachers | <p>If our assumptions are borne out in practice, the funding deficit of £44,850,000 at 31 December 2004 could be eliminated by additional contributions of £4.9 million per annum (increasing in line with the Guernsey Retail Prices Index) payable over the next 11 years. Alternatively, the funding deficit could be eliminated by an addition to the employer's contribution rate of 17.2% of Pensionable Salaries.</p> <p>These contributions are additional to the employer contribution rate of 17.1% of Pensionable Salaries for future service benefits.</p> |
| 11.8 Results – Funding deficit - Guernsey Post Limited | <p>If our assumptions are borne out in practice, the funding deficit of £378,000 at 31 December 2004 could be eliminated by a contribution increase of 0.5% of Pensionable Salaries over the average working lifetime of the current active members, approximately 14 years.</p> <p>Taking into account benefits expected to accrue in the future, a contribution rate of 14.0% of Pensionable Salaries for 14 years followed by a return to the employer contribution rate for future service benefits, ie 13.5% of Pensionable Salaries, will bring the Fund's assets into line with the funding target.</p> |
| 11.9 Results – Funding deficit - Guernsey Electricity Limited | <p>If our assumptions are borne out in practice, the funding deficit of £3,614,000 at 31 December 2004 could be eliminated by a contribution increase of 5.6% of Pensionable Salaries over the average working lifetime of the current active members, approximately 12 years.</p> <p>Taking into account benefits expected to accrue in the future, a contribution rate of 21.9% of Pensionable Salaries for 12 years followed by a return to the employer contribution rate for future service benefits, ie 16.3% of Pensionable Salaries, will bring the Fund's assets into line with the funding target.</p> <p>If we take into account both the lump sum recently paid into the Actuarial Account and the planned lump sum payment due in the year to 31 March 2006 as described in Section 10, the contribution increase to eliminate the remaining funding deficit of £3,131,000 would be 4.9% of Pensionable Salaries. The total contribution rate for the next 12 years would be 21.2% of Pensionable Salaries, followed by a return to the future service contribution rate of 16.3% of Pensionable Salaries.</p> |
| 11.10 Results – Funding deficit - Guernsey Financial Services Commission | <p>If our assumptions are borne out in practice, the funding surplus of £50,000 at 31 December 2004 could be eliminated by a contribution reduction of 0.1% of Pensionable Salaries over the average working lifetime of the current active members, approximately 14 years.</p> <p>Taking into account benefits expected to accrue in the future, a contribution rate of 15.5% of Pensionable Salaries for 14 years followed by a return to the employer contribution rate for future service benefits, ie 15.6% of Pensionable Salaries will bring the Fund's assets into line with the funding target.</p> |
| 11.11 Overall contribution rate | <p>Taking all of the above into account, we recommend that the employers pay the following contributions to the Fund from 1 January 2006:</p> |

11. Overall Contribution Rate (continued)

| Employer Contribution Rates | | |
|---|---|---|
| Section | Future Service Contribution Rate (% of Pensionable Salaries) | Additional Contributions required for funding target (% of Pensionable Salaries/£m per annum) |
| Public Servants | 15.9 | 6.1% or £5.6m pa |
| Teachers | 17.1 | 17.2% or £4.9m pa |
| Guernsey Post Limited | 13.5 | 0.5% |
| Guernsey Electricity Limited | 16.3 | 4.9% |
| Guernsey Financial Services Commission | 15.6 | (0.1%) |
| 11.12 Effect on discontinuance cover | These contribution rates are not expected to increase the overall proportion of accrued rights and entitlements covered by the assets if the Fund discontinues, with the exception of the Teachers Section. | |

12. Recommendations and Conclusions

12.1 Past service funding

The valuation shows that at the valuation date the Fund in respect of Public Servants had a **funding deficit** of £57,220,000. This corresponds to a **funding target ratio** of 88.5%. The Fund in respect of Teachers had a **funding deficit** of £44,850,000 and a **funding target ratio** of 79.0%. The Fund in respect of Guernsey Post Limited had a **funding deficit** of £378,000 and a **funding target ratio** of 97.6%. The Fund in respect of Guernsey Electricity Limited had a **funding deficit** of £3,614,000 and a **funding target ratio** of 87.0%. The Fund in respect of the Guernsey Financial Services Commission had a **funding surplus** of £50,000 and a **funding target ratio** of 100.9%.

We have estimated that if the Fund were to be discontinued at the valuation date the assets would not have been sufficient to cover all the liabilities using principles likely to be adopted by insurance companies for determining the cost of immediate and deferred annuities. Our estimates of the **discontinuance funding ratios** for the different sections at the valuation date are set out in Section 8.

12.2 Recommended Employer contributions – Public Servants

We recommend that the employer should pay contributions to the Fund in respect of Public Servants with effect from 1 January 2006 at the rate of:

- 15.9% of Pensionable Salaries
- Additional contributions of either £5.6 million per annum (increasing in line with increases in the Guernsey Retail Prices Index) for 13 years or an addition to the employer's contribution rate of 6.1% of Pensionable Salaries.

This includes an allowance of 0.25% of Pensionable Salaries to meet the expenses of the Fund.

12.3 Special Benefit Groups

We recommend that the additional contribution rates payable in respect of the special benefit groups within the Combined Pool continue at the current rates.

12.4 Recommended Employer contributions – Teachers

We recommend that the employer should pay contributions to the Fund in respect of Teachers with effect from 1 January 2006 at the rate of:

- 17.1% of Pensionable Salaries
- Additional contributions of either £4.9 million per annum (increasing in line with increases in the Guernsey Retail Prices Index) for 11 years or an addition to the employer's contribution rate of 17.2% of Pensionable Salaries.

This includes an allowance of 0.25% of Pensionable Salaries to meet the expenses of the Fund.

12.5 Recommended Employer contributions – Guernsey Post Limited

We recommend that the employer should pay contributions to the Fund in respect of Guernsey Post Limited with effect from 1 January 2006 at the rate of:

- 14.0% of Pensionable Salaries

This includes an allowance of 0.25% of Pensionable Salaries to meet the expenses of the Fund.

12. Recommendations and Conclusions (continued)

| | |
|---|--|
| 12.6 Recommended Employer contributions – Guernsey Electricity Limited | <p>We recommend that the employer should pay contributions to the Fund in respect of Guernsey Electricity Limited with effect from 1 January 2006 at the rate of:</p> <ul style="list-style-type: none"> • 21.2% of Pensionable Salaries <p>This includes an allowance of 0.25% of Pensionable Salaries to meet the expenses of the Fund.</p> |
| 12.7 Recommended Employer contributions – Guernsey Financial Services Commission | <p>We recommend that the employer should pay contributions to the Fund in respect of Guernsey Financial Services Commission with effect from 1 January 2006 at the rate of:</p> <ul style="list-style-type: none"> • 15.5% of Pensionable Salaries <p>This includes an allowance of 0.25% of Pensionable Salaries to meet the expenses of the Fund.</p> |
| 12.8 Review of contribution rates | <p>These contribution rates would be reviewed at the time of the next actuarial valuation due as at 31 December 2007.</p> |

Steven M Jones, FIA

Diana Simon, FIA

Appendix A Summary of the Provisions of the Fund

The Fund has been established to provide for the payment of pensions and other benefits to or in respect of employees of the States of Guernsey who are either Public Servants or Teachers.

The Fund in respect of Public Servants was established with effect from 1 October 1972 by The States of Guernsey (Pensions and Other Benefits) Rules, 1972, and has been subsequently modified by various Resolutions of the States of Guernsey.

The Fund in respect of Teachers was established with effect from 1 January 1977 by The Teachers' Superannuation (Guernsey) Regulations, 1978, and has been subsequently modified by a number of amendments.

An Actuarial Account was established with effect from 1 October 2001 for Guernsey Post Limited in accordance with paragraph 1 of the Third Schedule to the States of Guernsey (Public Servants) (Pensions and Other Benefits) Rules.

An Actuarial Account was established with effect from 1 January 2002 for the Guernsey Financial Services Commission in accordance with paragraph 2 of the Third Schedule to the States of Guernsey (Public Servants) (Pensions and Other Benefits) Rules.

An Actuarial Account was established with effect from 1 February 2002 for Guernsey Electricity Limited in accordance with paragraph 1 of the Third Schedule to the States of Guernsey (Public Servants) (Pensions and Other Benefits) Rules.

Appendix B**Membership Data**

Active members at 31 December 2004

| | | Total Number | Total Salaries £ pa |
|--|-------|--------------|------------------------|
| Guernsey Post Limited | Men | 216 | 4,800,500 |
| | Women | 44 | 870,531 |
| Guernsey Electricity Limited | Men | 192 | 5,103,961 |
| | Women | 29 | 753,729 |
| Guernsey Financial Services Commission | Men | 41 | 2,235,708 |
| | Women | 51 | 1,772,299 |
| Teachers | Men | 258 | 9,856,117 |
| | Women | 502 | 17,180,903 |
| Public Servants (including special groups) | Men | 1,707 | 47,596,810 |
| | Women | 1,693 | 36,797,227 |
| Total | | 4,733 | 126,967,785 |

Deferred pensioners at 31 December 2004

| | | Number of Cases | Amount of deferred pension £ pa |
|--|-------|-----------------|------------------------------------|
| Guernsey Post Limited | All | 4 | 27,323 |
| Guernsey Electricity Limited | All | 8 | 37,242 |
| Guernsey Financial Services Commission | All | 6 | 31,260 |
| Teachers | Men | 109 | 500,448 |
| | Women | 171 | 565,734 |
| | Total | 280 | 1,066,182 |
| Public Servants | Men | 129 | 685,703 |
| | Women | 151 | 493,890 |
| | Total | 280 | 1,179,593 |
| Total | | 578 | 2,341,600 |

There were also 360 former members at the valuation date who were entitled to a refund of their member contributions to the Fund.

Appendix B Membership data (continued)

Pensioners at 31 December 2004

| | | Number of Cases | Amount of pension £ pa |
|------------------------------|---------------------|-----------------|---------------------------|
| Guernsey Post Limited | All pensions | 9 | 72,877 |
| Guernsey Electricity Limited | All pensions | 21 | 188,244 |
| Teachers | Men | 193 | 2,368,821 |
| | Women | 291 | 2,656,456 |
| | Widows and Widowers | 51 | 168,978 |
| | Children's pensions | 5 | 8,631 |
| | Total | 540 | 5,202,886 |
| Public Servants | Men | 963 | 9,426,697 |
| | Women | 502 | 2,398,366 |
| | Widows and Widowers | 372 | 1,521,905 |
| | Children's pensions | 13 | 36,291 |
| | Total | 1,850 | 13,383,259 |
| Grand Total | | 2,420 | 18,847,266 |

In addition there was one pensioner in the GFSC Actuarial Account

Appendix C**Assets**

The audited accounts of the Fund for the year ended 31 December 2004 give the assets of the Fund as £654,839,000. These can be categorised as follows:

| | Market value (£'000) | % of total |
|--|-----------------------------|-------------------|
| Equities | 502,027 | 76.7 |
| UK Government Fixed Interest Securities | 9,358 | 1.4 |
| Other Fixed Interest Securities | 61,324 | 9.3 |
| UK Index-linked Gilts | 63,212 | 9.7 |
| Cash and Net Current Assets | 18,918 | 2.9 |
| Total | 654,839 | 100.0 |

Appendix D Contribution Groups and rates paid

Summary of Membership Groups contained in the Combined Pool as at 31 December 2004

| | Member Group Name |
|---------|--------------------------------------|
| Level 1 | Harbours |
| | Elizabeth College Non teaching staff |
| | Beau Sejour Leisure Centre |
| Level 2 | * Police |
| | * Fire Service |
| | * Airport Fire Service |
| | * Nurses |
| | Insurance Authority |
| | Airport (excluding Fire Service) |
| | Works Department |
| | General Revenue (other employees) |
| | Ladies' College Non teaching staff |
| | Guilles-Alles Library |
| | * Crown Officers |
| | * Mental Health Officers |
| | Bailiffs Office |
| Level 3 | Water Board |
| Level 4 | Dairy |

* special benefit group

With effect from 1 January 2006 a standard contribution rate will be applied to all sections (excluding additional rates for special benefit groups). The four levels will thus cease to exist.

Appendix D Contribution Groups and rates paid (continued)

Summary of the contribution rates paid since the previous valuation:

| | 2002 rate %pa | 2003/04 rate %pa |
|---|------------------|---------------------|
| Public Servants | | |
| Level 1 | 6.25 | 7.35 |
| Level 2 | 7.25 | 7.85 |
| Special Benefit groups | | |
| Police and Firemen | | |
| entrants on or before 31.10.91 | 22.25 | 22.85 |
| entrants after 31.10.91 | 17.25 | 17.85 |
| Senior Police and Fire Officers | 14.25 | 14.85 |
| Mental Health Officers | 16.25 | 16.85 |
| Crown Officers | | |
| entrants on or before 31.10.91 | 10.25 | 10.85 |
| entrants after 31.10.91 | 9.25 | 9.85 |
| Level 3 | 8.25 | 8.35 |
| Level 4 | 9.25 | 8.85 |
| Teachers | 14.70 | 13.50 |
| Guernsey Post Limited | 6.25 | 9.00 |
| Guernsey Electricity Limited | 8.25 | 8.35 from 1/4/03 |
| Guernsey Financial Services Commission | 7.25 | 10.40 |

Appendix E**Assumptions**

The assumptions used for assessing the **funding target** are summarised below. Different assumptions are used for the **discontinuance** funding measure.

Financial assumptions

| | |
|---|--|
| Guernsey Price inflation | 3.4% per annum |
| Rate of pay increases | 4.4% per annum plus an allowance for promotional increases |
| Rate of pension increases | 3.4% per annum |
| Rate of increases of deferred pensions | 3.4% per annum |
| Post-retirement discount rate | 5.5% per annum |
| Pre-retirement discount rate for Combined Pool and Teachers | 7.0% per annum |
| Pre-retirement discount rate for GPL, GEL, and GFSC | 6.5% per annum |
| Management expenses (other than investment related expenses) | 0.25% per annum of Pensionable Salaries |

Demographic assumptions

| | |
|---|---|
| Mortality before retirement | Men: Standard table AM92 Ultimate Women: Standard table AF92 Ultimate |
| Mortality in retirement for Combined Pool, GPL, GEL and GFSC | Current pensioners: Standard tables PMA92 and PFA92 projected forward to calendar year 2010 Future pensioners: Standard tables PMA92 and PFA92 projected forward to calendar year 2015 |
| Mortality in retirement for Teachers | Current pensioners: Standard tables PMA92 and PFA92 projected forward to calendar year 2015 Future pensioners: Standard tables PMA92 and PFA92 projected forward to calendar year 2020 |
| Insured benefits | The cost of death in service benefits has been based on the current cost of self-insuring these benefits. |
| Retirements | Allowance has been made for retirements before Normal Pension Age by means of age related scales. |
| Withdrawals | Allowance has been made for withdrawals from service by means of age related scales |
| New entrants | The valuation method adopted assumes that the membership of the Fund remains stable over the course of the intervalation period. |
| Family Details | Husbands three years older than their wives. 100% of members married at retirement or earlier death. |

Appendix F

General Background

This Appendix explains the background to actuarial valuations.

Background to valuations

The finances of a pension scheme fluctuate in response to both external and internal factors. Money continually flows into the scheme as contributions and investment income, and flows out of the scheme as benefit payments. Asset values fluctuate as market conditions change and liability values fluctuate as discount rates change. The main purposes of the actuarial valuation are usually to review the scheme's finances and to recommend the rate at which the employers contribute to the scheme in the future.

The actuarial valuation involves calculations which compare the scheme's assets with a **funding target**. The **funding target** calculations assess the value of the benefits that will be paid from the scheme in the future using information about the scheme at the valuation date.

The information used in a valuation

The information about the scheme which is used in the actuary's calculations is as follows:

- Details about its members, supplied by the scheme's administrator
- Information about the assets, from the scheme's audited accounts
- The rules of the scheme which define the member's benefit entitlements

There are other factors which will have an influence on the scheme's finances in the future. These include:

- Investment returns
- Pay increases
- Pension increases
- When members will retire
- How long members will live

The actuary makes assumptions about how these factors will behave in the future and uses these assumptions to put **present values** on the scheme's assets and liabilities.

The valuation process and the actuarial report

The valuation is part of the role of the actuary. The main results of the actuarial valuation are:

- An assessment of the **funding surplus** (or deficit) in the scheme at the valuation date, which shows how the scheme's assets compare to its **funding target**
- The long term cost of providing the scheme's benefits

The actuary combines the results of these two calculations to estimate the contributions needed to meet the scheme's **funding target** in the future. This may be lower or higher than the long term cost in order to adjust for the **funding surplus or deficit**.

The actuary also calculates the **discontinuance funding ratio** at the valuation date.

What happens next?

The actuary produces a formal report on the actuarial valuation. As part of that report, the actuary is required by professional guidance to highlight any particular investment risks. These are useful pointers for the trustees to consider as part of any investment review.

Glossary of Technical Terms used in the Report

Attained age method This is one of the common methods used by actuaries to estimate the cost of future benefits from a pension scheme. This method calculates the cost of the benefits expected to accrue to members over their expected remaining membership of the scheme expressed as a percentage of their expected future pensionable pay. It allows for projected future increases in pay through to retirement or date of leaving service. The method is based on the current membership and takes no account of the possibility of further members joining the scheme. If there are no new members, this method would be expected to result in a stable contribution rate, once surpluses or deficits are taken into account. However if more members join the scheme to replace older leavers, the contribution rate can be expected to fall if all the other assumptions are borne out in practice.

Defined accrued benefit method This is one of the common methods used by actuaries to calculate a recommended contribution rate to the scheme. This method calculates the **present value** of benefits expected to accrue to members over a period (often one year) following the valuation date. The **present value** is usually expressed as a percentage of the members' pensionable pay. The accruing benefits are calculated on the assumption that the scheme is discontinued, firstly at the valuation date and then secondly at the end of the relevant period after the valuation date, allowing for pay increases over the period. **Present values** are, however, calculated on the assumption that the scheme is ongoing. Provided that the distribution of members remains stable with new members joining to take the place of older leavers, the contribution rate calculated can be expected to remain stable, if all the other assumptions are borne out. If there are no new members, however, the average age will increase and the cost of the benefits accruing will rise.

Discontinuance funding ratio This is the ratio of the market value of the scheme's assets to the cost of securing the scheme's liabilities in the event of the discontinuance of the scheme.

Discount rate This is used to place a **present value** on a future payment. A "risk-free" **discount rate** is usually derived from the investment return achievable by investing in government gilt-edged stock. A **discount rate** higher than the "risk-free" rate is often used to allow for some of the extra investment return that is expected by investing in assets other than gilts.

Funding surplus/deficit A funding surplus is the excess of the value of assets over the **funding target**. If the assets are smaller than the liabilities, then the shortfall is called the **funding deficit**.

Funding target This is defined individually for each scheme. Often, the **funding target** is the actuarial value of the "past service ongoing liabilities" calculated as the **present value** of members' benefits based on pensionable service to the valuation date. It allows for projected future increases to pay through to retirement or date of leaving service.

Under the **defined accrued benefit method** it is the **present value** of the benefits which members are entitled to based on service completed to the valuation date and on the assumption that the scheme is discontinued. In the case of a final salary scheme this means that no allowance is made for future pay increases. It also includes the value of the benefits for members who have already left service – i.e. pensioners and deferred pensioners.

Funding target ratio This is the ratio of the value of assets to the **funding target**. A funding ratio in excess of 100% means that the scheme has a **funding surplus**.

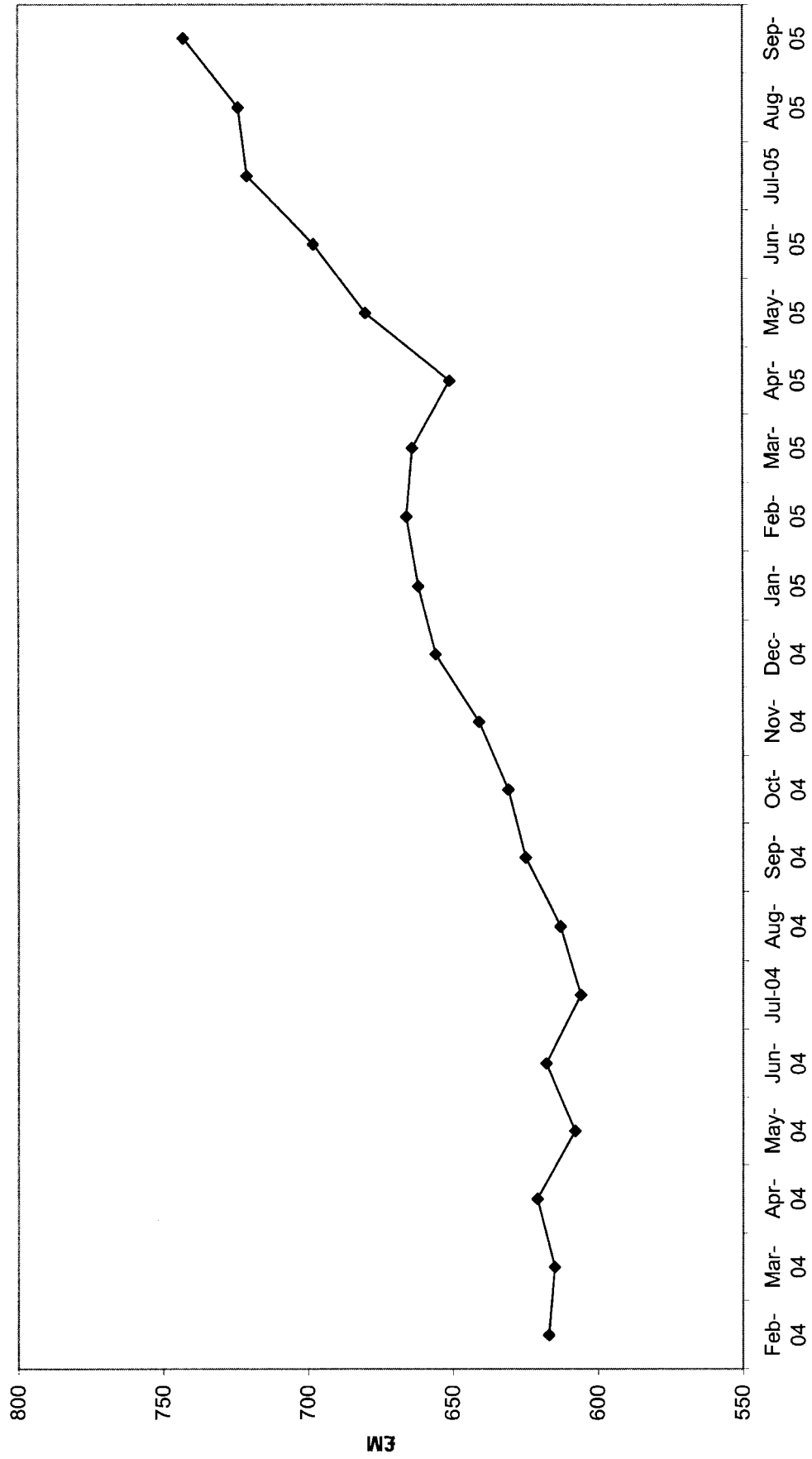
Present value Actuarial valuations involve projections of pay, pensions and other benefits into the future. To express the value of the projected benefits in terms of a cash amount at the valuation date, the projected amounts are discounted back to the valuation date by the assumed level of investment return. This value is known as the **present value**. For example, if the interest rate was 6% a year and if we had to pay a lump sum of £1,060 in one year's time we would need to invest £1,000 now - this would be the **present value**.

Projected unit method One of the common methods used by actuaries to estimate the cost of future benefits from a pension scheme. This method calculates the cost of the benefits expected to accrue to members over a period (usually one year) following the valuation date. The cost is usually expressed as a percentage of the members' pensionable pay. It allows for projected future increases to pay through to

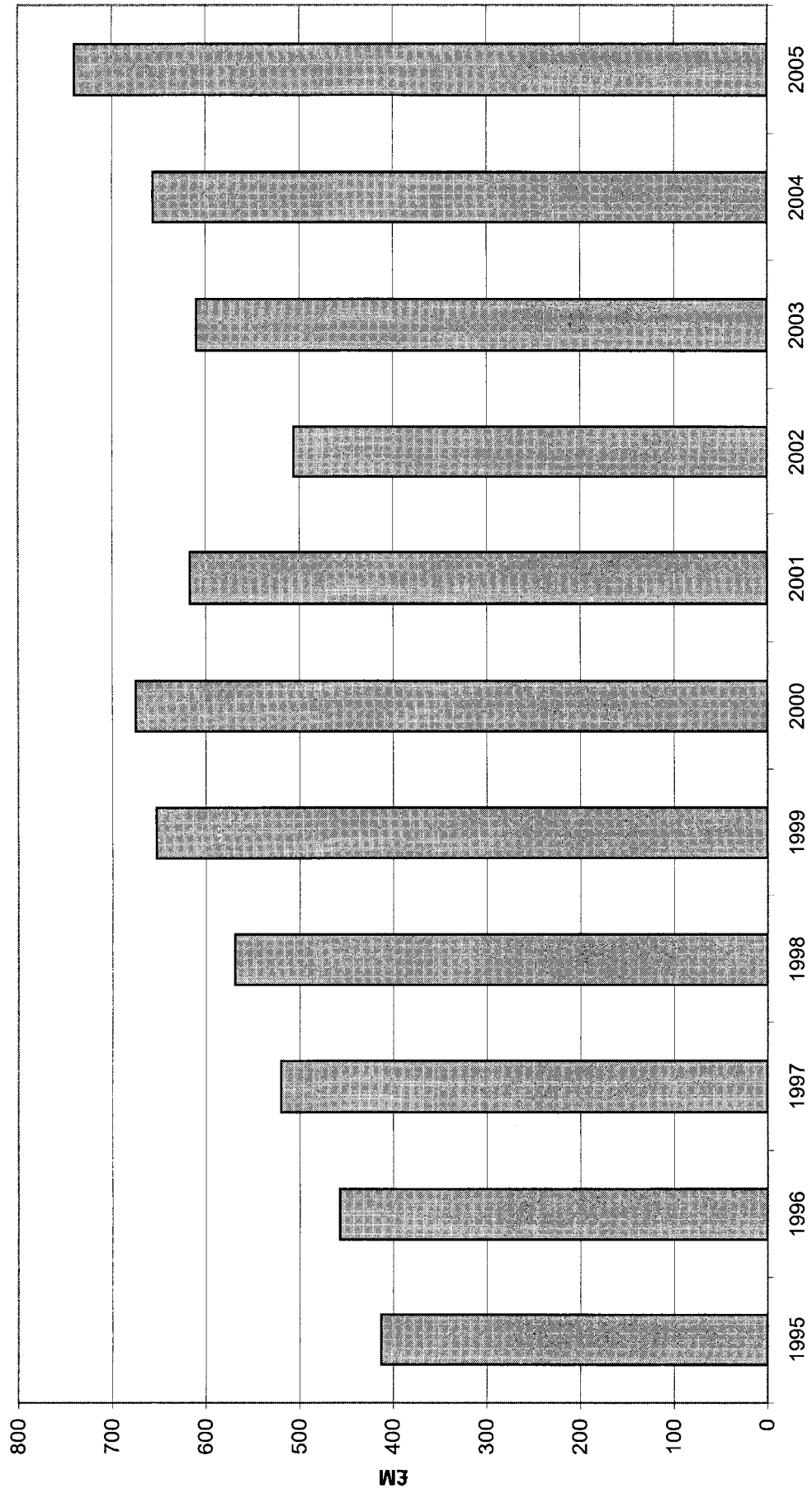
Appendix G**Glossary (continued)**

retirement or date of leaving service. Provided that the distribution of members remains stable with new members joining to take the place of older leavers, the contribution rate calculated can be expected to remain stable. If there are no new members however, the average age will increase and the cost of benefits accruing will rise.

SUPERANNUATION FUND



SUPERANNUATION FUND



(NB The Policy Council supports the proposals)

The States are asked to decide:-

VIII.- Whether, after consideration of the Report dated 30th September, 2005, of the Treasury and Resources Department, they are of the opinion:-

1. To note the Actuarial Valuation for the States of Guernsey Superannuation Fund as at 31 December 2004.
2. To agree that, except for Guernsey Electricity Limited and Guernsey Post Limited, the employer and additional employer contribution rates in respect of the States of Guernsey Superannuation Fund shall remain at the present levels.
3. To agree that the employer contribution rates for Guernsey Post Limited be increased from 9.0% to 14.0% with effect from 1 January 2006 and for Guernsey Electricity Limited be increased from 8.35% to 16.3% with effect from 1 April 2006.
4. To direct the Public Sector Remuneration Committee and the Treasury and Resources Department to review the present arrangements for providing pensions for public sector employees and to report back jointly to the States with their proposals, by no later than September 2006.

COMMERCE AND EMPLOYMENT DEPARTMENT

APPOINTMENT OF THE INDUSTRIAL DISPUTES OFFICER AND THE DEPUTY INDUSTRIAL DISPUTES OFFICER

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

20th September 2005

Dear Sir

Executive Summary

This States Report deals with the appointment of the Industrial Disputes Officer and the Deputy Industrial Disputes Officer, required under The Industrial Disputes and Conditions of Employment (Guernsey) Law 1993. Although appointments are normally made for three years, the Commerce and Employment Department is requesting a two-year appointment. This will allow time for a review of the Law undertaken by the Board of Industry before the Machinery of Government changes, to be completed and any proposals for change brought back to the States. The proposals are likely to include recommendations for the recruitment and selection of future Industrial Disputes Officers.

The Commerce and Employment Department is recommending the States appoint Mr Richard Stanton Taylor (the current Industrial Disputes Officer) and approve Mr Taylor's choice of Mr Michael Allen Fooks, (the current Deputy Industrial Disputes Officer) as his Deputy.

Report

Part I 1. (1), of The Industrial Disputes and Conditions of Employment (Guernsey) Law, 1993, requires the States to appoint an Industrial Disputes Officer. The Law also requires the Industrial Disputes Officer to appoint a Deputy, the appointment of which is also subject to the approval of the States.

At the present time, the positions of Industrial Disputes Officer and Deputy are held by Mr R S Taylor and Mr M A Fooks respectively. These appointments were made in January 2003 for a period of three years **ending on 31st December 2005**.

The Board of Commerce and Employment would like to take this opportunity to place on record their sincere appreciation for the contribution and commitment of the current post holders over the last three years.

It has been normal practice in the past, for the Industrial Disputes Officers to be appointed by the States for a three-year period, however, the Commerce and Employment Department would like to complete a review of the Law which the Board of Industry commenced in 2003. The review will take into account (amongst other things), the recruitment and selection process for future Industrial Disputes Officers.

The Commerce and Employment Department believes the review can be completed and proposals brought back to the States during 2006. This will enable the legislation to be amended, as required during 2007, prior to the appointment of the next Industrial Disputes Officers, effective 1st January 2008.

Recommendations

The Commerce and Employment Department recommends the States to:

1. Note the Department's intention to report back to the States during 2006 following a review of the Industrial Disputes and Conditions of Employment (Guernsey) Law 1993.
2. Appoint Mr Richard Stanton Taylor (the current Industrial Disputes Officer) for a period of two years with effect from 1st January 2006 and ending 31st December 2007.
3. Approve the appointment of Mr Michael Allen Fooks as Deputy Industrial Disputes Officer for the same period.

Yours faithfully

Stuart Falla
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:-

IX.- Whether, after consideration of the report dated 20th September, 2005, of the Commerce and Employment department, they are of the opinion:-

1. To note the intention of the Commerce and Employment Department to report back to the States during 2006 following a review of the Industrial Disputes and Conditions of Employment (Guernsey) Law 1993.
2. To appoint Mr Richard Stanton Taylor (the current Industrial Disputes Officer) for a period of two years with effect from 1st January 2006 and ending 31st December 2007.
3. To approve the appointment of Mr Michael Allen Fooks as Deputy Industrial Disputes Officer for the same period.

COMMERCE AND EMPLOYMENT DEPARTMENT

DIRECTOR GENERAL – OFFICE OF UTILITY REGULATION

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

26th September 2005

Dear Sir

1.0 Executive Summary

- 1.1 The Commerce and Employment Department is recommending the appointment of Mr John Curran as the Director General of the Office of Utility Regulation for a further period of one year pending the consideration by the States of a report on the results of a review of commercialisation.

2.0 Background

- 2.1 The Regulation of Utilities (Bailiwick of Guernsey) Law, 2001 provides for the Commerce and Employment Department to recommend to the States the appointment of the Director General of the Office of Utility Regulation (OUR) who shall hold office for a term not exceeding five years, although the appointment may be appointed for further terms.
- 2.2 The position of the Director General of the OUR became vacant on 1st February 2005 following the resignation of Ms Regina Finn who had held this position since 1st October 2001.
- 2.3 In normal circumstances, the Commerce and Employment Department would have recommended the States to appoint a new Director General for a period of up to five years in order to fulfil the requirements of the law. However, the States had been advised at its October 2004 meeting that the Treasury and Resources Department and the Commerce and Employment Department would be jointly undertaking a review of commercialisation the results of which might have an impact on the responsibilities of the OUR.
- 2.4 In these circumstances the Department decided to opt for a one year appointment and the States approved its recommendation to appoint Mr John Curran as Director General of the OUR for the period ending 31st January 2006. Mr Curran

had considerable regulatory experience and had been employed by the OUR since April 2003 as Director of Regulation. In addition, he had worked as a Regulatory Consultant with the OUR in 2001 assisting it in its start-up phase.

- 2.5 It is anticipated that the results of that review of commercialisation will be put to the States early in 2006. It is not expected that any significant changes to the responsibilities of the OUR will be recommended but the Commerce and Employment Department recognises that it cannot prejudge the outcome of the States debate on the review. None the less it is essential that an appointment of a Director General is made with effect from 1st February 2006 so that the OUR continues to function in the manner required by law.
- 2.6 In the light of his considerable regulatory experience and his performance in the post over the period of the initial appointment, the Commerce and Employment Department is recommending that Mr Curran be appointed for a further year until 31st January 2007.
- 2.7 If the outcome of the debate on the review of commercialisation does not result in any significant changes to the responsibilities of the OUR or any other matters affecting the role of Director General, the Commerce and Employment Department intends to subsequently recommend to the States that Mr Curran's appointment be extended for a further 3 years until 31st January 2011.

3.0 Recommendations

- 3.1 The Commerce and Employment Department recommends the States to:

Appoint Mr John Curran as Director General of Utility Regulation in accordance with the provisions of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001 for a period of one year commencing 1st February 2006.

Yours faithfully

Stuart Falla
Minister

(NB The Policy Council supports the proposal)

(NB The Treasury and Resources Department has no comment on the proposal)

The States are asked to decide:-

X.- Whether, after consideration of the Report dated 26th September, 2005, of the Commerce and Employment Department, they are of the opinion:-

To appoint Mr John Curran as Director General of Utility Regulation in accordance with the provisions of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001 for a period of one year commencing 1st February 2006.

HEALTH AND SOCIAL SERVICES DEPARTMENT

MEDIATION AND CONCILIATION IN PRIVATE LAW FAMILY DISPUTE

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

30th September 2005

Dear Sir

Executive Summary

1. At the States of Deliberation meeting held on 28th October 2004, proposals were presented by the Health and Social Services Department for a new children law (Billet d'Etat XVII of 2004). The States resolved, inter alia:

To direct the Health and Social Services Department to investigate the merits, practicalities and resource implications of establishing an independent mediation and conciliation service to which referral may be made in private law children disputes and to identify:

- (a) *the circumstances in which such a referral should be compulsory or, in the alternative, deemed inappropriate; and*
- (b) *the most appropriate mechanism for establishing such a service and to report back to the States within twelve months.*

2. This report sets out measures proposed by the Health and Social Services Department to meet the requirements of the resolution and secure provision of independent conciliation and mediation in family cases, where this is appropriate. It is proposed that the newly formed Safeguarder Service together with the introduction of Court Rules, will ensure that, wherever possible, disputes are resolved with reduced acrimony and at a saving to the States

Proposed Measures

3. The new Bailiwick Safeguarder Service, described more fully in Billet d'Etat XVII of 2004 (Part 9, page 1817), will include mediation and conciliation as part of its overall remit in private law matters. This new service will also encompass the current guardian ad litem and court welfare services.

It is proposed that this service will provide the independent mediation and conciliation necessary to reduce the number of adversarial disputes in matters concerning children.

4. It is further proposed that Court rules will be introduced that focus on resolving disputes in a non-adversarial manner, cost effectively and as quickly as possible.

In every private law matter, the first court appointment will be specifically targeted at dispute resolution and will involve the following:

- identification of immediate safety issues;
 - facilitation of early dispute resolution through such techniques as mediation and conciliation, use of parenting plans and referral to other agencies where appropriate;
 - effective court management (e.g. in identifying key issues, setting timetables and ruling on evidence).
5. A similar system, known as the Private Law Programme has recently been introduced throughout the family courts in England, following pilot studies. Information on this programme is attached as an appendix to this report.
 6. These proposals are underpinned by the presumption that conciliation/mediation is the preferred method of resolution and all parties will be expected to participate actively in this process, unless exceptional circumstances, such as safety concerns that will be investigated by the court, apply.
 7. It is proposed that the Safeguarder Service will provide mediation/conciliation in the majority of cases. However, parties involved will be free to choose alternative, independent, mediation if they wish, but the Health and Social Services Department does not anticipate that public funds will be available for this in the normal course of events.
 8. It is proposed that the court procedures necessary to introduce these proposals be drafted in full consultation with the Judiciary, Greffe, Guernsey Bar Council, Safeguarder Service and the Health and Social Services Department.

Consultation

9. Following consultation with the Bailiff, HM Greffier and Assistant Magistrate, proposals by Health and Social Services Department to meet the requirements of the October Resolution were sent to the proposer of the amendment which led to the States Resolution in a letter dated 5 July, 2005.
10. Those consulted expressed interest and support for the proposals set out in paragraphs 3 to 8 above.

Resource Implications

11. To an increasing extent, the current court welfare service has been providing mediation and conciliation in private family law matters. Formal recognition of this role is likely to lead to some increase in the workload of this service, but the

extent is hard to assess at this stage. It is however, expected that the provision of conciliation and mediation in the majority of cases will reduce the number of cases proceeding to adversarial court hearings and the requirement for fewer detailed reports to be prepared by the Safeguarder Service. These proposals are therefore within the costs previously identified for the Safeguarder Service.

12. Billet d'Etat XVII of 2004 set out the proposals for the Safeguarder Service and the additional resources needed to establish it, as it will also provide a service for public law cases and provide the guardian ad litem service necessary in adoption matters. The additional resources that were identified and approved by the States were; four additional posts, at a revenue cost of £125,000 per annum (2 safeguarders and administrative support); a revenue budget of £30,000 per annum for general running costs, and an initial set-up budget of £50,000. There is also a budget allowance of up to £30,000 per annum to pay for additional sessional staff to meet the demand, should this be necessary. The proposals in this States Report will be met from resources already approved by the States in October 2004.
13. It is expected that the new Safeguarder Service will be operational by the end of 2005. It is anticipated that focusing resources in the manner outlined, including tighter judicial control, will be more than off-set by savings in court time and legal aid spent on pursuing cases in a more traditional and adversarial manner.
14. It is believed that the proposals outlined above, address the issues raised in the amendment and provide the most cost-effective way of resolving disputes. Perhaps most importantly, they will reduce the acrimony and stress so often associated with these cases for all those involved, including the children.

Recommendations

15. The Health and Social Services Department recommends the States:
 - to support the proposal that mediation and conciliation services be provided by the new Safeguarder Service
 - to request the Royal Court to consider the introduction of such Court Rules as may be necessary to implement the proposed mediation and conciliation services.

Yours faithfully

P J Roffey
Minister



The Private Law Programme

**Guidance issued
by the
President of the Family Division**

CONTENTS

| | |
|---|----|
| Introduction | 3 |
| Guidance: The Private Law Programme | 5 |
| Model Scheme for In-Court Dispute Resolution | 10 |
| ANNEX A Structure of the Scheme | A1 |
| ANNEX B Information Sheet for Parties | B1 |
| ANNEX C Information about leaflets for children | C1 |
| ANNEX D Information Sheet for Court Managers and Listing Officers | D1 |
| ANNEX E Notice of Proceedings | E1 |
| ANNEX F Recommended Record of Hearing | F1 |
| ANNEX G Useful Organisations and Links | G1 |

From: the Rt. Hon. Dame Elizabeth Butler – Sloss, G.B.E



On the 21st July 2004 I announced the implementation of a new **Framework for Private Law** cases. This gave advanced warning to the Designated Family Judges of the principles and key elements of the **Private Law Programme** to enable the judiciary, managers from the Her Majesty's Courts Service¹ (HMCS), and the Children and Family Court Advisory and Support Service (CAFCASS) to begin their discussions about local schemes.

The full text of the guidance, which was published on the 9th November 2004, follows this Introduction. It is intended that the Programme will be a gradual process involving a National roll out of best practice together with the development of local schemes, having in mind good local initiatives already in place, based upon these principles and key elements. The detail has been discussed and agreed by a judicial working party in consultation with representatives of HMCS and CAFCASS.

The guidance provides assistance to the judiciary, HMCS and CAFCASS managers to help develop local schemes and includes examples of information sheets and other documents for court users and certain basic minimum considerations that will be necessary to make the Programme effective.

It is expected that careful consideration will be given to schemes that already exist at Family Proceedings Court level so that they can be incorporated into or enlarged upon in the development of family dispute resolution mechanisms. It is hoped that in due course the Programme will be formally extended to all Family Proceedings Courts.

It is my intention that in each of the Care Centres there will now be a process of consultation between the judiciary, HMCS, CAFCASS and interest groups represented on local Family Court Business Committees and Forums. Having

¹ On the 1st April 2005 Her Majesty's Courts Service will become the new executive agency, which will incorporate the Court Service, and be responsible for running all courts below the House of Lords – comprising of the Court of Appeal, High Court, Crown Court, County Courts and Magistrates' Family Proceedings Courts.

regard to that consultation, local schemes will be implemented by Designated Family Judges as soon as it is practicable to do so in each region.

Elizabeth Butler – Sloss
President

Guidance: The Private Law Programme

The court process exists in the wider context of parental separation and relationship breakdown. The **court's aim** is to assist parents to safeguard their children's welfare. It is hoped that many families will have received out of court assistance and early intervention from professionals before or upon making an application to the court e.g. by referral to a Family Resolutions Pilot Project and/or information, advice and assistance from specialist legal advisors and others (e.g. through the Family Advice and Information Service: FAlnS). The court to which an application is made will always investigate whether the family has had the benefit of these or similar services and whether any available form of alternative dispute resolution can be utilised.

Principles:

Where an application is made to the court under Part II of the Children Act 1989, the welfare of the child will be safeguarded by the application of the overriding objective of the family justice system in 3 respects:

1. Dispute resolution at a First Hearing
2. Effective court control including monitoring outcomes against aims
3. Flexible facilitation and referrals (matching resources to families)

The overriding objective is as follows:

"... to enable the court to deal with every (children) case

- (a) *justly, expeditiously, fairly and with the minimum of delay;*
- (b) *in ways which ensure, so far as is practicable, that*
 - a. *the parties are on an equal footing;*
 - b. *the welfare of the children involved is safeguarded;*
 - and*
 - c. *distress to all parties is minimised;*
- (c) *so far as is practicable, in ways which are proportionate*
 - a. *to the gravity and complexity of the issues; and*
 - b. *to the nature and extent of the intervention proposed in the private and family life of the children and adults involved"*

1. FIRST HEARING DISPUTE RESOLUTION

- In every case there shall be an early **First Hearing** dispute resolution appointment:

- That identifies **immediate safety issues**
- That exercises **effective court control** so as to **identify the aim** of the proceedings, the timescale within which the aim can be achieved, the issues between the parties, the opportunities for the resolution of those issues by appropriate referrals for support and assistance and any subsequent steps that may be permitted or required
- That, wherever possible, a **CAFCASS** practitioner shall be available to the court and to the family whose purpose and priority is to **facilitate early dispute resolution** rather than the provision of a formal report
- That, save in exceptional circumstances (e.g. safety) or where immediate agreement is possible so that the principle of **early dispute resolution** can be **facilitated**: directs that **the family** shall be **referred for support and assistance to**:
 - ♦ A Family Resolutions Pilot Project (where available)
 - ♦ Locally available resolution services (e.g. ADR, including mediation and conciliation, and/or other service, support, facilitation, treatment and therapy options) that are to be listed and publicised by the Family Justice Council / Family Court Business Committee for each Care Centre

(e.g. provided by CAFCASS, service partnerships – Councils with Social Services Responsibilities and the NHS and/or by voluntary service providers – NACCC (National Association of Child Contact Centres) resources and outreach voluntary workers)

2. EFFECTIVE COURT CONTROL

- The overriding objective shall be furthered by **continuous** and **active case management** of every case which shall include:
 - **Judicial Availability**: the identification of gatekeeper district judges to undertake early First Hearing dispute resolution appointments
 - **Judicial Continuity**: the allocation to the case of private law family judiciary and the identification of dedicated court and CAFCASS practitioners
 - **Continuous case management** by the allocated judiciary and identified court officers which shall include a listing scheme in each hearing centre that describes local listing arrangements to ensure judicial availability, continuity and access to the court for review and/or enforcement

- The **avoidance of unnecessary delay** by the early identification of issues and timetabling of the case from the outset
- Maximising Family Court Resources: guidance for the flexible **transfer of cases** between every level of family court so as to make best use of court facilities, judges and FPCs, having regard to availability, urgency and in some cases, complexity
- Identifying **and achieving the aim** of each hearing
- **Monitoring and reviewing the outcome** (if needs be at short notice)
- **Enforcing** the court's orders (if needs be at short notice)
- **Controlling** the use and **cost** of resources

3. FLEXIBLE FACILITATION AND REFERRAL

- Best interests decisions and agreements shall be **facilitated** by:
 - The use of **Parenting Plans** to assist parents to agree routine childcare questions
 - The use of a **CAFCASS practitioner** who where possible shall be continuously involved to **facilitate** and/or supervise the orders made by the court and the arrangements that are necessary to make orders and agreements work
 - The flexible use of **rehabilitative, training, therapy, treatment and enforcement** powers
 - Directions that require parties, referral agencies and, where appropriate, the CAFCASS practitioner to report the **progress or outcome** of any step so that the court might respond by **urgent review** to safeguard the welfare of the child

4. PROCESS

- **Information:** The DFJ responsible for each family hearing centre shall liaise with HMCS and CAFCASS and local service providers and shall set out in judicial, listing, parent and child information sheets the procedures, arrangements and facilities that are available to the court and families in the local area.
- The **First Hearing** dispute resolution appointment:
 - Shall be listed within a **target window** from the issue of the application of **4 to 6 working weeks**;
 - Shall be attended by the **parents** and in court centres where the local scheme provides for it and where resources exist may be attended by any **child** aged 9 or over

- In court centres where resources exist to provide 'in-court conciliation':
 - ♦ the First Hearing dispute resolution appointment shall be listed so that a **duty CAFCASS practitioner is available** to the parties and to the court to **facilitate** agreements, the identification of issues and any appropriate referrals for assistance;
 - ♦ where the local scheme provides for it, the detailed content of the conciliation discussions may remain confidential;
 - ♦ the court may adjourn a First Hearing dispute resolution appointment for further in-court conciliation or a report upon the availability or success of any proposal.

- In court centres where a duty CAFCASS practitioner is not available:
 - ♦ the court will identify the issues between the parties and use its best endeavours to facilitate agreements and referrals for assistance;
 - ♦ in appropriate cases where advice is necessary, the court may adjourn the First Hearing dispute resolution appointment for a CAFCASS practitioner to provide oral or short written advice to the parties and the court limited to the facilitation of matters that are agreed and referrals for further assistance.

- In all cases at the conclusion of the First Hearing dispute resolution appointment and generally at the end of any subsequent hearing that may be required the court shall identify on the face of the order:
 - ♦ the issues that are determined, agreed or disagreed;
 - ♦ the aim of the order, agreement, referral or hearing that is set out in the order;
 - ♦ any other basis for the order or directions that are made or the agreement that is recorded;
 - ♦ in respect of issues that are not agreed and that need to be determined so as to safeguard the welfare of the child:
 - the level of court (and where appropriate the allocated judge(s)) before whom all future non-conciliation hearings and applications are to be heard;
 - the timetable and the sequence of the steps that are required to lead to an early hearing;

- the filing and service of evidence limited to such of the issues as the court may identify;
- whether a CAFCASS practitioner's report is necessary and if so, the issues to which the report is to be directed;
- in respect of all orders, agreements and referrals directions for
 - ❖ the facilitation of the same (in particular by a CAFCASS practitioner);
 - ❖ the monitoring of the outcome, including by urgent reserved re-listing before the same court **within 10 working days** of a request by CAFCASS;
 - ❖ Enforcement.

Model Scheme for In-Court Dispute Resolution

The following is a model based on the principles and key elements of the Programme.

Establishing the Scheme

1. The Designated Family Judge (DFJ) consults with the local Forum, the Family Court Business Committees, the local Family Justice Council (when in place) and the relevant judiciary and Family Proceedings Courts (FPCs) and agrees the structure of the local scheme with Area HMCS and CAFCASS managers

Structure of the Scheme

2. In agreeing the structure of a scheme, regard should be had to the matters set out at Annex A
3. Where a scheme already exists it should be reviewed to ensure that it contains all of the key elements set out in the President's Guidance, having regard to the suggestions contained in this model
4. Provision should be made in every scheme for local review not later than 12 months hence

Information about the Scheme

5. Information sheets for Court Managers and Listing Officers, the parties and children setting out the venues, facilities, arrangements and alternative resources (e.g. local Alternative Dispute Resolution schemes and support services) should be agreed and published by the DFJ

Examples are at:

Annex B – Information Sheet for Parties

Annex C – Information about leaflets for children

Annex D – Information Sheet for Court Managers and Listing Officers

Practical Arrangements

Before the First Hearing Dispute Resolution Appointment (the FHDRA)

6. Private Law applications are issued on the day of receipt
7. Copy the application is sent or e-mailed to CAFCASS on the day of issue

8. Information sheets about the FHDRA, the role of the CAFCASS practitioner and the court are sent to the parties with the Notice of Hearing. An example is at Annex B. Information about leaflets for children is at Annex C, and there is an approved amended county court Notice of Hearing at Annex E
9. All applications are listed for an FHDRA in a window of 4 to 6 weeks of issue
10. A copy of the acknowledgement form is sent or e-mailed to CAFCASS on day of receipt
11. Prior to the application being listed for the appointment, CAFCASS will undertake their own paper risk assessment in particular as to safety issues
12. CAFCASS may advise the court that a particular case has risk or safety issues that would best be explored before the judge or magistrates/legal advisor at the FHDRA rather than in discussions between the parties and the CAFCASS practitioner
13. Cases that are very urgent or that involve safety issues or issues that are complex may need to be listed or determined separately and should be referred to a resident judge or magistrates/legal advisor for guidance

At Court

14. Subject to any direction to the contrary, in particular as to safety issues, the appointment is listed before a judge or magistrates/legal advisor with a CAFCASS practitioner available to facilitate early dispute resolution in accordance with the local scheme
15. Both parents are expected to attend with their representatives (if they have them). The parties' child or children should only attend where a local scheme provides for it and where the participation can occur in an appropriate child friendly environment
16. Further risk assessment may be undertaken by the CAFCASS practitioner with the child (if appropriate) and each party separately prior to any joint meeting between the practitioner and the parties (it is not expected that any joint meeting between the CAFCASS practitioner and the parties will involve a child unless the CAFCASS practitioner advises that it is in the child's interests and both parties agree)
17. An agreement is reached between the parties

Before the Judge

18. Where an agreement is reached, the terms of the agreement are considered by the judge or magistrates/legal advisor to decide whether the terms are appropriate and whether an order is necessary
19. Where full agreement is not reached the judge or magistrates/legal advisor give directions and a timetable for the case to come back to court dealing in particular with the aim of the next hearing, the issues that need to be determined, the evidence that should be filed for those purposes, and any interim provisions. The timetable will always include the listing of the next, or the full hearing, which should be as soon as is possible consistent with the interests of the child
20. The matters that are ordinarily dealt with by the judiciary are set out at Annex F. It is recommended that the parties and the court consider drafting orders having regard to the content of Annex F to provide a better record for subsequent use
21. Requests for CAFCASS reports should not be made unless a report is necessary. Where a report is necessary, the key issues, to which the report is to be directed, should be identified as should the question of whether the issues can be dealt with in a short report so as to minimise the time taken in preparing the report and to allow CAFCASS to maximise its resources to facilitate agreements and orders

After the First Hearing Dispute Resolution Appointment

22. The court order should indicate if a particular agreement or order is to be facilitated or monitored and whether particular arrangements for enforcement are provided for e.g. that the first handover for a visiting contact did in fact take place, who is to inform CAFCASS, whether, in what circumstance, and how, CAFCASS is to inform the court (e.g. by e-mail) and whether, how and when the matter is to be listed in the event of non-compliance
23. Where CAFCASS, a party or other agency is asked to inform the court of the success or otherwise of an arrangement, the agreement of that person or agency may need to be sought and the method of informing the court should be specified in the order
24. The local scheme will include the listing and notification arrangements that have been agreed between the DFJ, the judiciary, the FPCs, HMCS and CAFCASS so that a party or CAFCASS is able to bring the matter back to court for enforcement within 10 days where an agreement has not been complied with or is not working effectively
25. Listing of individual cases is a judicial function. When listing a matter for an FHDRA or any subsequent hearing listing officers will follow any listing direction contained in an order in an individual case, the President's guidance and the provisions of the local scheme

26. All applications for the variation of orders or for enforcement other than in accordance with the terms of an order in an individual case or the local scheme are to be made by separate application. Such applications should be referred to a resident judge or magistrates/legal advisor for a decision as to whether the application should be treated as an urgent enforcement hearing or a separate free standing hearing
27. Hearings are allocated to the judge who dealt with the matter previously so as to maintain judicial continuity
28. Arrangements are in place between the Court Managers and the judiciary to release the judge or magistrates for urgent enforcement hearings even if they are sitting at another court
29. A list of useful organisations and links is at Annex G

Structure of the Scheme

Key Features to be specified in the Scheme:

Venues and facilities:

- Where do the optimum facilities exist having regard to
 - the available judiciary
 - CAFCASS practitioners
 - Safety requirements
 - the need for interview and/or children's rooms
 - already existing facilities and schemes: Family Hearing Centres may be asked to share a venue (including the Family Proceedings Court) to concentrate resources

Judges:

- The availability of the specialist judiciary
 - The identity of the ticketed District Judges, Magistrates and Circuit Judges and their sitting patterns
 - The possibility of listing before District Judges (Magistrates' Courts) and Recorders (and their identity and sittings availability)
 - The existence and availability of similar schemes based in the Family Proceedings Courts

Parenting Plans:

- The use of Parenting Plans - families are to be encouraged to consider and make use of the Parenting Plan materials (which are currently in the process of being revised, with the new version to be published in April 2005)

CAFCASS:

- The identity and availability of CAFCASS practitioners

Scheme Principles:

- Whether the appointment is to be a matter of record or be confidential (i.e. is it privileged, in which case unless adjourned for further discussion or referral with a report back to the same judge or magistrate, the matter would then be listed before a different judge/magistrate for any contested hearing)
- What arrangements can be made for the involvement of children? If they are to attend court or elsewhere, is there an appropriate child friendly

environment and what are the specific arrangements that are to be made in each case?

Listing:

- The local listing scheme
 - to give effect to the timetable for the FHDRA and enforcement applications
 - whether on a dedicated day or days of the week
 - frequency of lists
 - number of judges and magistrates
 - number of CAFCASS practitioners
 - expected number of hearings in each list and expected estimated length of hearing
 - provision for extended discussion after the list is heard (e.g. during an afternoon when mornings only are listed – in like manner to Financial Dispute Resolution appointments – and to allow mention before the end of the court day)
 - provision for adjournment for discussion or to try-out an interim agreement but to be re-listed before the same judge or magistrate on another day (and, for example, with the same CAFCASS practitioner being available)
 - how to obtain a date for the next hearing

Information Sheet for Parties

First Hearing Dispute Resolution Appointment

Purpose

The First Hearing Dispute Resolution Appointment is a preliminary meeting at court to help families resolve disputes about arrangements for children and see if a workable solution can be found without further court proceedings.

Before the date of your appointment

When an application is first made to the court a copy of the application form and the respondent's details and response (the other party's acknowledgement form) are sent to the Children and Family Court Advisory and Support Service (CAFCASS). Both these forms give CAFCASS the basic information they need about you and your family. This can include issues about risk to you, or your child(ren). It is very important that you complete these forms carefully.

If any special risks are identified then CAFCASS will advise the court about these. Sometimes this will mean that the First Hearing Dispute Resolution Appointment is not the appropriate form of meeting in which case a judge will decide what form of hearing should take place.

What happens at court

Both parties will be expected to attend the appointment. A CAFCASS Family Court Advisor will be there to help you reach an agreement that will be in your child or children's best interests, without needing to have a full "court hearing".

Before the Judge

Where an agreement is reached, the judge will consider the terms of the agreement and whether a court order is needed to make this work better.

Sometimes the judge will be asked to allow more time so the First Hearing Dispute Resolution Appointment can take longer. Usually this will be on the same day but on occasions may include another appointment on another day.

Sometimes it is not possible to reach a full agreement. In these cases the judge will decide what happens next. This includes making decisions about:

- If there should be another court hearing
- A date for your case to come back to court

- The purpose of the next hearing
- What evidence will be needed – this can include written statements/and or a report prepared by CAFCASS about the current arrangements

Please contact the court should you have any queries about your appointment

Information about leaflets for children

There are three leaflets on the DCA website aimed at children whose parents are separating. They are aimed at three age groups: 5-8, 8-13, and 13+.

You can find them on our web site at:

<http://www.dca.gov.uk/family/divleaf.htm>

The leaflets are as follows:

- Children between 5 and 8 - [Me and My Family](#)
- Children between 8 -13 - [My Family's Changing](#)
- Children 13+ - [My Family's Splitting Up](#)

There are also leaflets available for children and teenagers from CAFCASS. They can be found on the following link:

<http://www.cafcass.gov.uk/English/Children/childrenIntro.htm>

or by contacting:

CAFCASS Headquarters
8th Floor
Wyndham House
189 Marsh Wall
London
E14 9SH

Tel: 020 7510 7000

Fax: 020 7510 7001

Information Sheet for Court Managers and Listing Officers

How to manage In-Court Dispute Resolution Appointments:

Particular attention should be given to the **Practical Arrangements** in the **Model for In-Court Dispute Resolution** and the **Listing** criteria in **ANNEX A**.

It is essential that:

- Discussions take place with the Designated Family Judge and the local CAFCASS managers on the implementation of the Programme
- Staff are aware of what is expected of them in respect of:
 - Issuing and listing of private law applications, in particular
 - ♦ An early **First Hearing Dispute Resolution Appointment (FHDRA)** in all cases to be listed before the District Judge or magistrates/legal advisor in a window of between 4 and 6 weeks of an application being issued
 - ♦ Whenever practicable there is access to the allocated judge or magistrates/legal advisor for an **urgent review hearing** and where necessary enforcement of private law orders within 10 working days where an agreement has not been complied with or is not working effectively
 - ♦ All applications for the variation of orders or for enforcement **other than in accordance with the terms of an order** are to be made in form C1 with the appropriate fee
 - ♦ Such applications should be referred to a resident judge or magistrates/legal advisor for a decision as to whether the application should be treated as an urgent enforcement hearing or a separate free standing hearing
 - ♦ Listing is a judicial function. When listing a matter for an FHDRA or any subsequent hearing, listing officers must follow any specific direction made in an individual case, the President's Guidance and the provisions of the local scheme
 - Sending copies of the applications and acknowledgements to CAFCASS
 - Informing the parties of what can be expected of them when they attend the FHDRA and the role of CAFCASS

- The Notice of Hearing. This may be sent to the parties with a standard paragraph added to inform them that an FHDRA has been made to attempt to resolve the issues within the application, and to explain the conciliation system that runs at the court²
- Informing parties of the local arrangements (if any) for the involvement of children attending court
- Any current schemes are reviewed to reflect the principles and key elements of the Programme as set out in this guidance

It may be useful to:

Arrange regular meetings with the judiciary, CAFCASS practitioners and court staff to discuss listing arrangements, continuity, accommodation issues, case progression, focus of reports, and the volume of reports requested

² A standard paragraph can be inserted into the county court Notice of Hearing (C6) by using the edit function after committing the C6 on FamilyMan. An example of the standard paragraph is shown in bold in Annex E.

Notice of Proceedings



In the {Court Name}

Case Number: {Case/Parent Number}

Notice of Proceedings

{Hearing/Directions Appointment}

{Applicant Name(s)} {has/have} applied to the court for an order.

The application concerns the following {child/children}: {Children's names}

About the {Hearing/Directions Appointment}

You should attend when the court hears the application at {Court Name}, {Court Address} on {Date of Hearing} at {Time of Hearing (if set)} with a hearing time estimate of {Hearing Time Estimate}

The District Judge has directed that this matter be referred to an appointment at which a Children & Family Court Advisory and Support Service (CAFCASS) practitioner will be available to discuss this matter with the parties and the judge. The object is to see if the matter can be resolved by agreement without the need for further court proceedings. The court can approve any agreement on the same day, if so required. If agreement cannot be reached then the court will normally give further directions as to how the matter should proceed.

What to do next

There is a copy of the application with this Notice. You have been named as a party in the application. Read the application now and the notes overleaf.

When you go to court please take this Notice with you and show it to a court official.

Recommended Record of Hearing

The Parties

On Notice / Without Notice

The application(s)

Representation and Attendance

The Recitals

The Agreements in principle and as to detail that have been reached and that can be facilitated despite the need for a further hearing on other matters e.g. interim provisions

The method of facilitation and monitoring of agreed matters (if any)

The basis for the order / directions that are made or the agreement that is recorded (e.g. "On the basis that mother says...and father says...")

The key ISSUES that remain to be determined, including the issues of fact and any issues relating to safety

The AIM of the hearing that is being timetabled (e.g. to determine the principle / quantum of staying / visiting contact)

Orders and Directions

Any referral to a Family Resolutions Pilot or local ADR schemes

The level of court (and if appropriate the allocated judge) before whom all further hearings are to be conducted

Whether a CAFCASS report or evidence is necessary and, if so, limited to which issues and in what form

The case management timetable including directions as to the filing and service of evidence (and specifying the issues upon which the evidence is permitted)

In the rare cases where independent experts are permitted by the court, the consideration and allocation of the cost of the same

The date of the next hearing / the full hearing

Provisions for Facilitation, Monitoring and Enforcement (including variation and discharge)

Penal Notice and Guidance

Schedules e.g. of evidence / documents considered

Useful Organisations and Links

CAFCASS Headquarters
8th Floor
Wyndham House
189 Marsh Wall
London
E14 9SH
Tel: 020 7510 7000
Fax: 020 7510 7001
Email: webenquiries@cafcass.gov.uk
www.cafcass.gov.uk

National Association of Child Contact Centres
Minerva House
Spaniel Row
Nottingham
NG1 6EP
Tel: 0870 770 3269

National Family Mediation
Alexander House
Telephone Avenue
Bristol
BS1 4BS
Tel 0117 904 2825
www.nsm.u-net.com
general@nsm.org.uk

Official Solicitors Department
Parent Patient Divisional Manager
Tel: 0207 911 7132
www.offsol.demon.co.uk

Principal Registry of the Family Division
First Avenue House
42-49 High Holborn
London
WC1V 6NP
Tel: 020 7947 6000

Resolution – first for family law
(formerly the Solicitors Family Law Association)
PO Box 302

Orpington
Kent
BR6 8QX
Tel: 01689 850227

The Family Law Bar Association
289 – 293 High Holborn
London WC1V 7HZ
Tel No: 020 7242 1289
Fax: 020 7831 7144
DX 240 LDE
www.FLBA.co.uk

The Association of Lawyers for Children
PO Box 283
East Molesey
KT8 OWH
Tel No: 020 8224 7071
www.ALC.org.uk

CLS Direct
www.clsdirect.org.uk
Tel: 0845 345 4 345

Children and Family Services Division
Legal Services Commission
85 Gray's Inn Road
London WC1X 8TX
Tel: 020 7759 0315
Fax: 020 7759 0505
E-mail: family@legalservices.gov.uk

Useful Links

FamilyMan - Private Law Best Practice Guide –
http://csi01/caseman/cm_fm_guide/downloads/dl_rl_fm.htm

Parenting Plan – DCA website
<http://www.dca.gov.uk/family/leaflets/parentplan-english/default.htm>

Performance Reports
http://csi01/court_statistics/index.htm

Private Law Framework Newsletter – No 1

http://csi01/docs/csd/family/privatelaw_framework/plf_newsletter_0704.doc

The Green Paper

<http://www.dfes.gov.uk/childrensneeds/docs/DfESChildrensNeeds.doc>

The Private Law Framework

http://csi01/docs/csd/family/privatelaw_framework/framework_document.doc

Further copies of this Guidance can be obtained from:

www.dca.gov.uk

www.courtservice.gov.uk

(NB The Policy Council supports the proposals)

(NB The comments of the Treasury and Resources Department are set out below.)

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

11th October 2005

Dear Sir

MEDIATION AND CONCILIATION IN PRIVATE LAW FAMILY DISPUTE

The Treasury and Resources Department acknowledges that the Health and Social Security Department is bringing forward this States Report in accordance with the October 2004 Resolution of the States.

As set out in last year's Budget Report (December 2004) "Individual cash limits have been set to enable Departments to have sufficient funding to carry out their priority existing services and to meet specific States commitments. However, Departments have had to consider very carefully their own priorities and how to save money. In general, the Treasury and Resources Department has not interfered in the detail of individual Department budgets as it considers that this is the responsibility of the individual Departments concerned."

The Department has taken particular note of the Health and Social Services Department's comments that:

- The resources required for this service will come from out of its existing budget, and
- That these costs will be more than off-set by savings in court time and legal aid spent in pursuing a more traditional route.

In view of the foregoing, the Department supports the Health and Social Services Department's proposals.

Yours faithfully

L S Trott
Minister

The States are asked to decide:-

XI.- Whether, after consideration of the Report dated 30th September, 2005, of the Health and Social Services Department, they are of the opinion:-

1. To support the proposal that mediation and conciliation services be provided by the new Safeguarder Service.
2. To request the Royal Court to consider the introduction of such Court Rules as may be necessary to implement the proposed mediation and conciliation services.

HOME DEPARTMENT

COMMUNITY SERVICE A NEW SENTENCING OPTION FOR THE CRIMINAL COURTS

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

4th October 2005

Dear Sir

1. Executive Summary

In September 2004 the Criminal Justice Policy Working Group forwarded a completed Report to the Home Department. Within this Report firm proposals were made about extending the range of community sentences available to the Court. In his foreword to that Report HM Comptroller wrote

“Although we have found that, numerically, the majority of custodial sentences imposed over the past few years have been terms of 12 months or less, the majority of the Prison population at any time are serving longer sentences, and in many cases much longer sentences, for offences which Guernsey society regards as particularly serious. The additional sentencing options recommended in this Report are most unlikely to be regarded by the Courts as appropriate for these serious offences. For that reason, whilst our recommendations could, if adopted and successfully implemented, produce a worthwhile reduction in the numbers of people sentenced to shorter terms of imprisonment, they would not be likely to have a major impact on the total Prison population at any one time.

That said, we have reason for some confidence that Community Service and Enhanced Community Supervision, if given a fair chance and adequate additional resources, could be more effective in appropriate cases than relatively short terms of imprisonment in serving the real needs of society through reparation, rehabilitation, and consequently crime reduction.”

The Report was included as an appendix to the September Billet with an undertaking to bring this specific initiative to the States for approval.

The primary purpose of introducing a sentence of Community Service is to provide a rigorous and effective sentence for the Court to impose where an offence has been committed, which is serious enough for custody to be considered, but where it is judged that punishment can be undertaken safely without the offender having to go to Prison.

This report should be read in conjunction with the Report of the Criminal Justice Policy Working Group with special reference to Chapter 7 “Community Sentences” which gives the background, rationale, and statistics relevant to the current proposal to introduce a sentence of Community Service (see Appendix A). The Criminal Justice Report addresses a wide range of issues on which the Department will bring a report to the States during 2006. Community Service has been brought forward for consideration at this time as a widely supported addition to the spectrum of sentences available to the Courts.

2. Community Service

Creating a new sentence of Community Service was identified very early on as a matter which the Department wished to progress and to this end Board members visited the Jersey Probation Service Community Service scheme in March 2005 prior to making a decision about the appropriateness of such a scheme for Guernsey. During the visit Board members were able to talk to the Probation staff operating the scheme as well as to offenders undertaking a range of work placements and a range of beneficiaries.

Under Jersey law “a Community Service order may be made only where the Court is considering passing a sentence of imprisonment or youth detention”. The Home Department, after consultation with the judiciary, propose that the legislation here should allow the sentence of Community Service to be used in place of some suspended sentences of imprisonment as well as providing an alternative to short periods of actual imprisonment where appropriate. The legislation should also allow however for the sentence to be available where the offences are not judged to have passed the custody threshold and where a financial penalty or bindover would not reflect the seriousness of the offence.

The Department is concerned about the apparently increasing lack of respect for authority, especially by younger people, and believes that some, who have committed offences, would be helped into some degree of self-discipline or positive work ethic by having to attend a structured regime regularly instead of serving short and sometimes repetitive prison sentences.

Community Service is a sentence of a criminal Court for a criminal offence, consisting of an order for the offender to undertake a certain number of hours of unpaid work for the benefit of the community. Offenders have restrictions placed on their liberty proportionate to the degree of harm or inconvenience they have caused their victim or their community.

The expectations on those sentenced by the Court to a period of Community Service would be high. They would have to attend various work sites, complete the work as instructed and to a reasonable standard. Work is expected to start within a short period of the order being made and if the offender does not comply with instructions given they are liable to be returned to Court where they could be fined, ordered to complete additional hours, or re-sentenced for the original offence.

Absence without permission, attendance under the influence of drink or drugs, any

aggressive or threatening behaviour or offensive language would be grounds for a return to Court.

A Community Service sentence has elements of all three parts of an effective sentence namely:

- **Punishment.** Regular attendance at placements deprives the offender of free use of leisure time.
- **Rehabilitation.** The offender must spend time helping others and this may help restore a sense of dignity and self-esteem, as well as improving the community's perception of the offender.
- **Reducing future offending rates.** There is considerable evidence to suggest that a sentence of Community Service can reduce re-offending and therefore reduce the number of victims and improve quality of life for the community. In Jersey, for example, without ignoring the obvious consideration that the latter category [those sentenced to Prison] were presumably at greater risk of re-offending, it may be significant that a reconviction and risk analysis study found that those adults sentenced to Community Service had a 23% reconviction rate after two years compared to 48% for those sentenced to Prison.

A sentence of Community Service also contains an indirect element of **reparation** in that the work benefits specific, often disadvantaged, sections of the community.

3. Staff and Resources

The kind of work undertaken by those sentenced to Community Service is varied, and is as far as possible matched to the needs and abilities of the offender. Schemes have traditionally been under the management of the Probation Service as the agency with responsibility for providing assessments for the courts and supervising offenders in the community, and the Department recommends that this model be followed in Guernsey.

The Department further recommends that the operation of the Community Service placements should be outsourced through a Service Level Agreement with the Probation Service, with a reporting process to the Home Department.

The Department has looked to Jersey for a model of what might work here not only because of the factors common to the two communities but also because the UK has gone down a different route in regard to Community Service in the last few years. In the UK the name was changed from Community Service to Community Punishment and then to Enhanced Community Punishment when an element of accredited skills training was added. Most recently, in April this year there was a further change so that 'unpaid work' is now just one element of a Community Supervision Order. The Department considers that a straightforward scheme of unpaid community work as practised in Jersey for the past decade is the most appropriate way forward for our community at the present time.

In Jersey the scheme is operated as part of the Probation Service who are responsible to the courts for its effective running. The operational manager of the scheme and the

sessional supervisors are not qualified Probation Officers but are recruited by the Probation Service from people who have the skills needed for finding and supervising relevant and appropriate work placements.

The level of staffing in Jersey is one full time manager who is responsible to the Assistant Chief Probation Officer and two part time assistant managers who find appropriate placements and then ensure that the work is performed to a satisfactory standard. Sessional supervisors are employed as required to actively supervise the work-parties and report back on individual behaviour and performance.

It is proposed that a pilot scheme is set up in Guernsey, evolving to meet the requirements of the Courts. It is envisaged that one manager will need to be appointed initially, to research possible placements and set up detailed policies and procedures to tie in with legislative and judicial considerations. Resources will be required for set up costs, including arrangements for transport, and for the cost of employing sessional supervisors. The cost of this will depend on demand and the number of work parties active at any one time. It has proved difficult to put an exact cost on the development and then running of a scheme but it is thought likely to be in the region of £100,000 per annum broadly made up as follows:

Manager. Based on EG III £ 33,500 (outsourced)

Set up costs, equipment etc. £ 25,000

Sessional Supervisors. Based on EG II £ 30,300 (outsourced)

Administration. £ 10,000

It is proposed to fund the pilot scheme for an initial 3-year period (2006-2008) from within Department unspent balances, and the Department will monitor and review the scheme in conjunction with the Courts on an ongoing basis during the pilot period. The Home Department Criminal Justice database is being developed to report on key indicators including reconviction rates for different sentences. The impact of Community Service on Court Sentencing and outcomes in regard to risk analysis and reconviction data will be monitored and three years after implementation the Department will undertake a full review of the Scheme and return to the States with any recommendations.

The viability of Community service will be dependent upon uptake by the courts, particularly the Magistrates Court. There has been a clear indication by the Judiciary that they would welcome the opportunity to use this sentence in appropriate circumstances. In Jersey the number of Community service orders made over the past four years averaged 200 per annum. The main offences committed by those sentenced to Community Service were assault (23% of orders made), driving with excess alcohol (22%), drugs offences (10%), theft (8%) and burglary (4%). Offending and sentencing patterns are obviously different in the two jurisdictions but adjusted simply for population a target for Community service Orders here would be in the region of 130 orders per year. The Jersey scheme has been established for many years and has seen a gradual increase to the present rates.

If there were 130 orders made, each for 80 hours (the average length of order in Jersey) the community in the Bailiwick would benefit from over 10,000 hours of work each year on community projects that would not otherwise be undertaken.

Much research has been done on the effectiveness of Community Service as compared to imprisonment in terms of reconviction rates. It is generally found that offenders on Community Service have lower reconviction rates than would be predicted by their criminal history, age and other relevant characteristics. The difference in reconviction rates is most marked when compared with those given short prison sentences. It is this group (those currently sentenced to under 12 months) and those given suspended sentences that the new sentence will be aimed at.

An underlying philosophy of Community Service is that offenders are capable of making positive contributions, and, having paid their debt should be allowed to be accepted back into society. As well as the contribution to community projects that Community Service would represent the scheme also has the potential to generate savings in other areas. For example where an offender is employed and supporting a partner and/or other dependants he/she will be able to continue to work, saving Social Security the possible responsibility of supporting the family during a custodial sentence. The longer term savings in regard to reduction in the growth of the Prison population and increase in community safety through improved rehabilitation are more difficult to quantify but the Department believes that greater support for reform and rehabilitation offers the best prospects for improved outcomes in regard to reduction in recidivism.

4. Hours, Time and Nature of Work Undertaken

Community Service work, as a sentence for crimes committed, is intended to be physically, emotionally or mentally demanding. This obviously means different things to different people and a suitable range of placements needs to be available to be able to accommodate the full range of offenders who may be sentenced.

A sentence of Community Service must as far as possible not exclude anyone on basis of gender, work or family commitments, disability, mental health, race, language or any other variable. The majority of work placements will take place at the weekend to accommodate those working but also to emphasise the restriction on traditional leisure time. Typically an offender sentenced to Community Service will be required to work a session of at least 5 hours a week generally on a Saturday or Sunday between 9am and 2pm (but allowing for religious commitments). Sentences would normally range from 40 hours to 180 hours in the Magistrate's Court and up to 240 hours in the Royal Court. Hours imposed would be commensurate with the seriousness of the offence committed and the hours would be expected to be worked within 12 months (the upper limit of 180 hours in the Magistrates' Court has been raised from the 120 hours recommended in the Criminal Justice Group Report after discussion with the judiciary and to reflect the sentencing powers of that Court). However, in order to provide maximum flexibility in the long term, it is proposed that there will be a power incorporated in the Order in Council to vary the number of hours and to provide rules by Ordinance.

The kind of work undertaken on Community Service varies but has in common that it

must be of value to the community and would be unlikely to be undertaken by any other group, either paid or voluntary.

Work placements can be broadly categorised in three ways:

- **Workshop placements.** Usually on Probation premises and used for the vulnerable or those unsuitable for work elsewhere. In Jersey this includes preparing mail shots for charities and refurbishment of garden furniture for residential homes.
- **Supervised teams.** Primarily gardening and painting and decorating for elderly people, or renovation work for voluntary organisations. These placements are supervised by sessional workers, selected for their ability to encourage and motivate groups of offenders who need to be supervised to maintain quality and efficiency. In Jersey, Department Members observed a group of young men gorse cutting on La Corbiere headland as part of a conservation project, another group painting fences on a National Trust site and another maintaining the grounds at a pet cemetery.
- **Agency placements.** Individual placements with charities, residential homes and other voluntary organisations. These placements are only used for those who have been carefully assessed as capable of working independently, under the supervision of someone at the charity or institution. In Jersey Members saw an individual coming to the end of a long placement at a homelessness project during which time he had renovated a series of derelict rooms for use by the project. Another young woman was seen doing cleaning and general duties in a homeless people's hostel and two more mature participants had been working for some weeks repainting a football stand for a local youth team. Other individual beneficiaries in Jersey included a local Hospice charity shop, La Société Jersiaise, Jersey Football Association, humanitarian charities and local churches.

Observation of the scheme in Jersey illustrated that some participants did the work reluctantly but knew that the consequence of non-compliance was a return to Court. Some, especially on the work parties, sometimes found the work repetitive but appreciated the chance of an alternative to going to Prison, and some, especially in the individual placements, found a real sense of having repaid their debt to society. The beneficiaries were very positive about the quality of work and workers and expressed their gratitude for work done which otherwise would not have been completed for lack of funds or available volunteers. As a rule the individual beneficiary supplied the raw materials such as paint and cleaning materials, although the Community Service scheme had over time accumulated tools, equipment and protective clothing for use by participants.

Community Service schemes tend to evolve over time to accommodate the profile and numbers of offenders being sentenced by the Courts. Prior to the sentence being imposed, the Court would generally receive a report from the Probation Service assessing the person's suitability and reporting to the Court on the availability of a placement. In practice few people will be excluded on grounds of suitability and it will

be incumbent upon the Probation Service to provide a scheme able to accommodate appropriately the sentences which the Courts wish to impose.

5. Consultation

- **Criminal Justice Policy Working Group Report.** The recommendation to the Home Department to bring forward proposals for a new sentence of Community Service came from the Report of the Criminal Justice Policy working group under the Chairmanship of HM Comptroller. Its membership included a senior judicial representative, Chief Officers of Police, Probation, and Customs, the Governor of the Prison and senior representatives of the Home Department and Policy and Research Unit at the Policy Council, the Guernsey Bar and the Parole Review Committee.
- **Court and Judiciary.** The Bailiff has indicated that there is strong support from the judiciary for the introduction of Community Service as a sentencing option in appropriate cases. The Assistant Magistrate, who has experience of sentencing practice in the UK in regard to Community Service has, at the invitation of the Bailiff and in consultation with the Chief Probation Officer, drafted initial proposals in regard to legislative and judicial considerations.

The proposals cover Court powers to make an order, general terms and requirements including minimum and maximum sentences, breach, variation, powers on further conviction and the appeal process. It is not proposed that the consent of the offender would be required to participate in Community Service. The Court would have the power to pass the sentence where it considers appropriate and where the Probation Service has indicated the suitability of the offender and the availability of work.

- **Law Officers.** Her Majesty's Comptroller has been involved with this project throughout.
- **Alderney.** Both the Court of Alderney and the Policy and Finance Committee of the States of Alderney strongly support this initiative. Indeed, the Court of Alderney unanimously agreed that it could only be a positive step to enhancing its sentencing practise.
- **Sark.** Consultations are currently ongoing with the Sark authorities.
- **Victim Support.** Victim Support does not comment on sentencing policy of the courts. They will continue to be consulted to ensure that all placements take into consideration direct and indirect victim issues.

6. Conclusion

The Department supports the recommendation in the Criminal Justice Policy Working Group's Report that a new sentence of Community Service be created to extend the spectrum of sentences available to the Courts.

7. Recommendations

The Department recommends the States:

To approve a three year pilot scheme to be set up through an outsourcing process under the management and supervision of the Probation Service to provide a Community Service Scheme adequate to respond to the sentencing policy and practice of the Courts and to note the Department's intention to report back to the States towards the end of 2008 on the results of the three year pilot.

To direct the preparation of legislation to enable the courts to:

- Make a Community Service order in respect of a person aged 16 or more who is found guilty of an offence punishable by imprisonment.
- Designate the number of hours that a person may be required to work which should normally be not less than 40 hours and not more than 180 hours for an order made in the Magistrate's or Juvenile Courts and not more than 240 hours where the order is made in the Royal Court.
- Require the hours to be worked within a specified period not exceeding 12 months of the order being made.
- Provide that proven failure to comply with an order may be dealt with by means of continuation of the order with or without a fine, or by revoking the order and dealing again with the original offence.

Yours faithfully

M W Torode
Minister

Appendix A

Chapter 7 Community sentences

7.1 Introduction

It has been our approach throughout this review to reject the defeatist idea that *'nothing works with offenders'* and turn instead to the wealth of available literature from around the world on *'what works'* studies. *'What works'* literature is based on scientific analysis of *'what works'* to reduce re-offending and rehabilitate offenders.

Professor Sherman in *'Preventing Crime: What Works, What Doesn't and What's Promising'*¹, has outlined how debates about crime and punishment in the public arena can inappropriately influence public policy decision making, and argues the seemingly obvious position that policy should be rooted in the available evidence about what does actually work.

'Which definition of crime prevention ultimately dominates public discourse is a critically important issue in [governmental] and public understanding of the issues. If the crime prevention debate is framed solely in terms of the symbolic labels of punishment versus prevention, policy choices may be made more on the basis of emotional appeal than on solid evidence of effectiveness.'

Professor Sherman

Allen, in *'Criminal Justice Matters'*², opines that policy and practice in the criminal justice system in England and Wales have *'developed in the context of penal populism, with initiatives introduced and decisions taken more with their eye on public opinion than on crime and offending'*.

We are of course concerned about how the general public might respond to the changes that we propose. There have been worries, for example, that the public might view community sentencing as a soft option for offenders. We argue that it is wrong to see punishment and prevention as mutually exclusive concepts, or to regard community and custodial sentences as *'polar opposites on a continuum of soft versus tough responses to crime'*¹. If such a dichotomy is created, the results achieved by different methods are by-passed in favour of decision-making based purely on the punitive value of a sentence, so called penal populism. We argue throughout that evidence must inform policy and that we have a duty to prove *'what works'* to the public by producing regular monitoring and evaluation reports in order to inform debate.

Some would argue that because the Island is unique we cannot just import measures from elsewhere. We would agree, at least in part, that the Island is unique and requires

¹ Sherman, L (1997), *'Preventing Crime: What Works, What Doesn't and What's Promising: A report to US Congress'*, National Institute of Justice, p.8

² Allen, R (2002), *'Editorial: Public Perception and Participation'*, in *'Criminal Justice Matters'*, No. 49 (3), p.3

measures tailored to suit local culture; we do not advocate importing identical measures and legislation from elsewhere. But we know that in Guernsey the offender profile, in general, is similar to that in other jurisdictions: for example the majority of the offending population are young males, aged between 15 and 25 as Graph 10 illustrates³. In those circumstances it does seem appropriate to apply evidence from other jurisdictions in assessing the possible merits of a shift in approach⁴.

In compiling this review we have been fortunate to draw on the work of the Jersey Probation Service, who have been working in conjunction with the University of Swansea Cognitive Foundation Centre for many years, monitoring the outcomes of different sentences in Jersey. Jersey is a similar sized jurisdiction facing many of the socio-economic and cultural issues we face in Guernsey and as such provides a useful comparison. The results of some of their work are outlined in subsequent sections, supported with evidence from further afield.

Throughout this chapter we have made assumptions, based on ‘*what works*’ literature, about the nature of sentencing, namely that it is to do with:

- punishment;
- reducing re-offending; and
- rehabilitation.

In order to adopt a ‘*what works*’ approach sentencing has to include all three aspects. As Halliday outlines in ‘*Making Punishments Work*’⁵, ‘*the available evidence suggests that greater support for reform and rehabilitation, within the appropriate punitive envelope of the sentence, to reduce the risks of re-offending, offers the best prospects for improved outcomes. Even here reduction, rather than immediate elimination, of recidivism is the realistic target*’.

7.2 Nature and scope of community sentences

This chapter makes proposals to increase the spectrum of sentences available to the Courts, primarily focussing on those offenders/offences currently likely to attract prison sentences of up to 12 months. Our proposals include both punitive and rehabilitative aspects.

The sentencing framework in Guernsey has not to date included many stand alone community sentencing options for people convicted of criminal offences. The current sentencing disposals available to the criminal Courts in Guernsey are tabled below:

³ Page 12 of the Criminal Justice Policy Working Group 2004 Report

⁴ Please refer also to the Annual Statistical Digest 2004

⁵ Halliday, J (2001), ‘*Making Punishments Work: report of a review of sentencing framework for England and Wales*,’ Home Office, p. ii

- Sentencing powers of criminal Courts for adult offenders:
 - Immediate imprisonment;
 - Suspended imprisonment;
 - Suspended Sentence Supervision Order;
 - Probation Order;
 - Fine;
 - Common Law bind-over;
 - no order; and
 - conditional discharge and dismissal of charge.
- Sentencing powers of criminal Courts for young offenders:
 - Youth Detention (under 21);
 - Suspended Youth Detention (under 21);
 - Suspended Sentence Supervision Orders;
 - Probation Order;
 - Fine;
 - Special Care Order / Fit Person Order / Supervision Order;
 - Attendance Centre Order (under 21);
 - Common Law bind-over;
 - no order; and
 - conditional discharge and dismissal of charge.
- Ancillary Orders for adult and young offenders:
 - compensation;
 - restitution;
 - confiscation; and
 - driving licence suspension.

In other jurisdictions two types of disposal most commonly represent community sentences. Firstly some kind of unpaid community work, usually imposed as a set number of hours to be completed, and secondly, various types of structured supervision aimed at modifying the offending behaviour exhibited in the commission of the offence.

Community sentences offer a way to punish and treat (where applicable) offenders who present a low enough risk of harm to be managed in the community. Currently in Guernsey many of these offenders are sentenced to a period of 12 months or less imprisonment, some are given suspended sentences, and some high fines. The introduction of stand-alone community sentences would therefore be aimed at those at risk of a 12 month or less custodial sentence, suspended or immediate. It is not

designed, and could not be used, to deal with high risk offenders, or the most serious offences, where custody will remain the only realistic option.

The most common sentences in Guernsey, after fines, are Suspended Sentences (SS) or Suspended Sentence Supervision Orders (SSSO). In 2004 107 people were under supervision with the Probation Service on SSSOs. Although with the SS or SSSO the offender initially avoids Prison, they are not truly community sentences as they increase the likelihood of a prison sentence if a further offence is committed within the period of suspension, sometimes where conviction for that offence would not have attracted a custodial sentence in its own right.

The majority of the Prison population at any one time are serving quite lengthy sentences for serious offences, most notably drug trafficking, in respect of which the Courts would rarely if ever consider a community sentence appropriate; and there will always be some recidivist offenders who fail to respond to alternative methods of disposal so that Prison becomes the only remaining option. Accordingly the introduction of community sentences in Guernsey may not impact significantly on prisoner numbers. They could, however, potentially be used to good effect in place of some immediate custodial sentences of less than 12 months, and some suspended sentences of imprisonment.

On average 38% of the Prison population, at any one time in 2003, were serving shorter-term sentences (under one year); most are low risk offenders in terms of violence although some are repeat offenders. The available evidence strongly suggests that short prison sentences are the most disruptive to prisoners' lives and result in them being at a higher risk of re-offending, thus putting the community at a greater risk from criminal activity once offenders are released back into the community. Where a Community Sentence can safely be imposed, the disruption to offenders' lives is reduced, whilst they are forced to take responsibility for their actions. Community sentences try to address the causes of crime as well as holding those who commit it to greater account. They can reduce recidivism, and consequently the number of victims of crime.

As a result of our investigations into alternatives to custody the Group are minded to recommend the following additions to the sentencing options available to the Courts:

- Community Service; and
- Enhanced Community Supervision;

but without the unnecessarily complex constraints which have so unhelpfully complicated the systems in other jurisdictions.

7.3 Community Service

Community Service as a sentence can represent reparation as well as punishment and should be targeted at those who commit relatively serious offences but present a low risk of harm to the community.

There is a long history of Community Service in many countries throughout the world. Community Service has evolved from a straightforward punishment and pay back regime to one that involves reparation and rehabilitation. For example the Enhanced Community Punishment Order (ECP) which has recently been introduced in England and Wales *'provides a new opportunity for sentencers to combine a tough and demanding community penalty with significant rehabilitation'*⁶. It gives offenders skills training and a chance to receive recognition for skills learned. It addresses the need to punish, rehabilitate the offender, and make reparation to the community. It is anticipated that a similar model might be created here, whereby offenders would be sentenced to unpaid work and where necessary and appropriate this would be accompanied by basic skills and literacy training.

Research evidence suggests that Community Service can be of benefit to the community and to offenders for the following reasons:

- it makes offenders accountable to the community for their actions;
- it focuses on rehabilitation and reparation;
- it reduces re-offending and therefore reduces the number of victims; and
- it allows offenders to remain, where appropriate, with their families, which is important for rehabilitation.

There is considerable evidence to suggest that Community Service can reduce re-offending and therefore reduce the number of victims and improve quality of life for the community. In Jersey, for example, without ignoring the obvious consideration that the latter category [those sentenced to Prison] were presumably at greater risk of re-offending, it may be significant that a reconviction and risk analysis study found that those adults sentenced to Community Service had a 23% reconviction rate after two years compared to 48% for those sentenced to Prison⁷.

The England and Wales model of enhanced community punishment might appropriately be used to design a Guernsey model of Community Service. It focuses on improving the employability of offenders based on the evidence of *'what works'*. As Professor Sherman states, *'theoretical and empirical support for the crime preventative value of employment is generally quite strong... labour markets may be the most powerful in preventing crime precisely because they respond negatively to criminal histories. While employment may give would-be offenders a stake in society, its crime preventative value may hinge on the threat of losing that stake. Maintaining that threat without creating a large group of unemployable outcasts is a major crime prevention challenge for the future of labour market practices'*⁸. A good model of Community Service will build

⁶ National Probation Service for England and Wales (2003), 'Important Information for Sentencers: Enhanced Community Punishment,' No. 4

⁷ Raynor, P and Miles, H (2004), 'Community Sentences in Jersey: Risk Needs and Rehabilitation,' Jersey Probation and Aftercare Service

⁸ Sherman, L (1997), 'Preventing Crime: What Works, What Doesn't and What's Promising: A report to US Congress,' National Institute of Justice p.13

skills that can be used in the work place, and built-in educational initiatives can increase compliance rates and produce better long-term effects.

Whilst publicly denouncing the conduct in which the offender was involved, Community Service aims to:

- act as deterrence to the offender or other persons from committing the same or similar offences;
- get work done for the community that may not otherwise be done by any agency, whether public or private;
- promote in the offender a sense of responsibility for and acknowledgement of harm caused, so as to assist in the offender's rehabilitation and re-integration into the community; and
- by naming projects that offenders have completed, increase public confidence in the system and highlight work done at limited cost to the public purse.

These benefits would in time hopefully overcome any fears that the public may have of offenders working openly in the community.

Community Service was considered by the States of Deliberation in 1979, 1983 and 1984⁹. At those times the analysis appeared to show that the numbers would be too few to warrant the implementation of the necessary legislation and allocate the resources to it; but our review of the available evidence and the statistical analysis that has been carried out suggest that this argument may no longer be valid. As the next section reports, there would be a significant pool of people potentially eligible for Community Service.

7.3.1 Categories potentially eligible for Community Service

The numbers below are taken from Police data for the past five years. The totals are in line with the numbers found in similar jurisdictions such as Jersey and the Isle of Man where there are established schemes¹⁰.

Numbers are average per annum over 1999 – 2003:

Court appearances resulting in immediate custodial sentences of less than 12 months:

| 1999 | 2000 | 2001 | 2002 | 2003 |
|--------------------|-------------|-------------|-------------|-------------|
| 84 | 95 | 88 | 85 | 98 |
| Average: 90 | | | | |

⁹ Billets d'État XXIII 1979, XV 1983 and XIII 1984

¹⁰ See the Annual Statistical Digest 2004 for a comparison of jurisdictions

Court appearances resulting in suspended sentences (including SSSO):

| | 1999 | 2000 | 2001 | 2002 | 2003 |
|---------------------|------|------|------|------|------|
| SS | 121 | 112 | 74 | 120 | 118 |
| SSSO | 21 | 40 | 55 | 54 | 41 |
| Total | 142 | 152 | 129 | 174 | 159 |
| Average: 151 | | | | | |

In Jersey and other jurisdictions, Community Service is also used for serious offences of drink driving where the Court is considering custody, and in place of high fines where a financial penalty would have little deterrent effect.

The Group recommend that legislation be enacted to enable the Courts to:

- make a Community Service Order in respect of a person aged 16 years or more who is found guilty of an offence punishable by imprisonment;
- designate the number of hours which a person may be required to work, which should normally be not less than 40 hours and not more than 120 hours for an order made in the Magistrates' or Juvenile Courts, and not more than 240 hours where the order is made in the Royal Court;
- require the hours to be worked within a specified period not exceeding 12 months of the making of the order.
- provide that proven failure to comply with an order may be dealt with by means of continuation of the order with or without a fine, or by revoking the order and dealing again with the original offence.

It is usual for a Court considering a Community Sentence to receive a report from a Probation Officer assessing the person's suitability. The Probation Service will normally only recommend Community Service for those at risk of a custodial sentence, immediate or suspended. In this way the scheme will be reserved in general for those at risk of custody rather than those who would otherwise have received a fine or bind-over. Exceptionally, however, Community Service could also be used for those who would otherwise receive a high fine for offences such as driving with excess alcohol.

(NB The Policy Council supports the proposals)

(NB The comments of the Treasury and Resources Department are set out below)

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

11th October 2005

Dear Sir

COMMUNITY SERVICES: A NEW SENTENCING OPTION FOR THE CRIMINAL COURTS

As set out in last year's Budget Report (December 2004) "Individual cash limits have been set to enable Departments to have sufficient funding to carry out their priority existing services and to meet specific States commitments. However, Departments have had to consider very carefully their own priorities and how to save money. In general, the Treasury and Resources Department has not interfered in the detail of individual Department budgets as it considers that this is the responsibility of the individual Departments concerned."

The Department has taken particular note of the Home Department's comments that the cost of this Scheme will be more than off-set by savings in the court and prison services in pursuing a more traditional route.

The Department also notes the commitment made by the Home Department to monitor and evaluate the pilot project before returning to the States with any recommendations to continue with the Scheme.

The Department therefore supports the Home Department's proposals to establish a three-year pilot project.

Yours faithfully

L S Trott
Minister

The States are asked to decide:

XII.- Whether, after consideration of the Report dated 4th October, 2005, of the Home Department, they are of the opinion:-

1. To approve a three year pilot scheme to be set up through an outsourcing process under the management and supervision of the Probation Service to provide a Community Service Scheme adequate to respond to the sentencing policy and practice of the Courts and to note the Department's intention to report back to the States towards the end of 2008 on the results of the three year pilot.
2. To enact legislation to enable the courts to:
 - (a) make a Community Service order in respect of a person aged 16 or more who is found guilty of an offence punishable by imprisonment;
 - (b) designate the number of hours that a person may be required to work which should normally be not less than 40 hours and not more than 180 hours for an order made in the Magistrate's or Juvenile Courts and not more than 240 hours where the order is made in the Royal Court;
 - (c) require the hours to be worked within a specified period not exceeding 12 months of the order being made; and
 - (d) provide that proven failure to comply with an order may be dealt with by means of continuation of the order with or without a fine, or by revoking the order and dealing again with the original offence.
3. To direct the preparation of such legislation as may be necessary to give effect to their above decision.

ENVIRONMENT DEPARTMENT**INERT WASTE DISPOSAL**

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

7th October 2005

Dear Sir

1.) Executive Summary

- 1.1 Inert Waste disposal is currently achieved through land reclamation at Longue Hougue. This reclamation is considered to be strategically important in order to provide much needed space for construction of waste management infrastructure as well as meeting future needs in respect of ports facilities. However, as reclamation progresses, the recently commissioned floating moorings come under increasing pressure and it is now clear that the moorings will not have the 15 year life originally anticipated. As such either moorings will be lost along with the revenue to the Ports Holding Account or alternatively inert waste disposal must be relocated.
- 1.2 This report identifies potential alternatives for inert waste disposal but concludes that the direction pursued by the States from 1981, namely to reclaim Longue Hougue, should continue to fruition albeit at a cost to the moorings.

2.) Introduction.

- 2.1 Inert waste disposal is currently based on land reclamation at Longue Hougue. In the last three years inert waste volumes have greatly exceeded the predictions set at the time of the construction of the site. As a consequence, the overall tipping life of the site has been significantly reduced and the moorings are being impacted on far sooner than was previously predicted. Whilst the long-term stated objective remains to reclaim land at Longue Hougue for waste and port related activities, it is appropriate to consider the current status of inert waste disposal and the associated implications on previous States resolutions.
- 2.2 It should be noted that inert waste did not feature as an issue during the June 2004 and May 2005 States debates on waste disposal which concentrated on the proposed strategy for dealing with putrescible waste through incineration. The

Independent Panel, appointed by the States following the June debate made no recommendations specific to inert waste management. Further the successful amendment placed by Deputy Parkinson which referred to “complete packages of waste management and disposal solutions” stated, in the explanatory note, that the intent was to “ensure that the States become fully appraised of all the alternatives to mass burn”. As inert waste, which is the subject of this States report and which is currently disposed off at Longue Hougue, did not feature as a waste stream of the then proposed mass burn facility and as nothing in the States resolutions of June 2004 and May 2005 directed action in respect of the disposal of inert waste, this issue has been considered as a separate work stream to the wider search for alternative strategies for the islands mixed and putrescible waste.

3.) Background

- 3.1 In November 1981 the States approved the Board of Administration’s proposals for the reclamation of 10.25 acres of land from the sea at Longue Hougue by means of controlled tipping of noxious waste – Longue Hougue Phase 1 (Billet d’État 1981). It should be noted that disposal of noxious waste in this way is no longer considered to be acceptable.
- 3.2 The Phase 1 Longue Hougue reclamation was completed by 1988 and disposal of noxious waste transferred to Falla’s quarry.
- 3.3 In August 1988 (Billet d’État XX 1988) the Board of Administration presented further proposals to the States for the reclamation of land at Longue Hougue. The Board identified as an option an extension to Longue Hougue (Longue Hougue Phase 2) reclaiming 42.1 verges (17.1 acres) at a cost in the region of £1.8m.
- 3.4 However, the Board also linked the option to extend Longue Hougue for inert waste disposal to the safety issue surrounding the development of St Sampson’s Harbour and this featured as the Board’s alternative proposal. The Board stated that its marine priority was the provision of facilities for modern tankers to be able to discharge in deeper water thus allowing the discharge of volatile fuels outside of St Sampson’s Harbour. One of the options examined for the provision of the deep-water berths involved the construction of reclamation areas at Longue Hougue and Black Rock, i.e. to the North and South of the harbour, along with the construction of two long breakwaters. Development of this option required detailed tide and wave studies if the States approved the scheme in principle.
- 3.5 The Board noted in its policy letter that the deep-water scheme also provided two significant areas of land reclamation, and hence inert waste disposal, and also provided valuable commercial and recreational land.
- 3.6 The works to the North of the harbour would have generated 17.8 acres of reclaimed land at a cost of £4m and provided a disposal site for a period of 5½ years. The reclamation to the South of the harbour comprised the northern end of the current Longue Hougue reclamation and provided 13.5 acres of reclaimed

land at an estimated cost of £5.04m. At 1988 tipping levels the reclaimed area was assumed to provide 7 years of inert landfill space.

- 3.7 The Board also stated that a larger Longue Hougue extension could provide 27.9 acres at a cost of £6.84m. However, the Board noted that such a development might require the importation of rock armour at potentially double the cost. As a consequence, the Board did not support this recommendation.
- 3.8 The Board recommended that the States authorise the Board to investigate further the development of deep-water berths and to authorise the Board to accept tenders for the necessary research and preliminary design work. In addition, the Board recommended the States to either approve the immediate reclamation of 17.8 acres to the northern end of St Sampson's Harbour or approve the immediate reclamation of 17.1 acres at Longue Hougue to the South of St Sampson's Harbour. The States resolved to authorise the Board of Administration to investigate the development of deep water cargo berths, including land reclamation and expanded land reclamation to the South of the harbour. i.e. at Longue Hougue but did not direct the Board to commence the immediate reclamation of either of the options proposed.
- 3.9 The Board reported back to the States in June 1990 (Billet d'État XII 1990) with detailed costings of the various options to extend to the South of the harbour.
- 3.10 The three options presented were: **Option 1:** 27.8 acres with a tipping life of 16 to 20 years at the lowest submitted tender of £10.6m; **Option 2:** 5 acres with a tipping life of 8 to 10 years at the lowest tender price of £8.9m; and **Option 3:** 17.1 acres with a tipping life of 6 to 8 years at a cost of £2.2m. Option 3 constituted the Longue Hougue Phase II development rather than a deep-water berth reclamation area. The Board recommended the adoption of Option 3, however, this recommendation was subject to an amendment which met with the approval of the States and the States resolved to proceed with land reclamation Option 1 at a total cost not exceeding £13 million. This is the Longue Hougue inert site currently being in-filled.
- 3.11 It can be concluded from the Policy Letters, referred to above, that the Board's primary aim was to identify a suitable location for the disposal of non-noxious (inert) waste with a secondary objective of carrying out the land reclamation in such a way as to maximise the resultant commercial value of the reclaimed land. The Board identified that this could be achieved as part of the future development of deep-water berths outside St Sampson's Harbour.
- 3.12 In July 1993 (Billet d'État XIII 1993) the Board reported to the States on the outcome of its investigations for the development of the Harbour, St Sampson's, including land reclamation development of deep-water berths. In that report the Board presented two options to the States. Neither of the options were reliant on full infill of Longue Hougue, as the primary objective was to provide the deep-water berths with additional berths being provided as and when required. The

deep-water berths merely required sufficient infill at Longue Hougue to provide an access road with the greater infill at Longue Hougue being to accommodate the additional berths as required.

- 3.13 In July 1999 (Billet d'État XV 1999) the Board reported back on the issue of the development of St Sampson's Harbour and in that report noted that the requirement for deep water facilities would be realised circa year 2020 but that transfer of freight operations from St Peter Port to an extended St Sampson's Harbour could be required before circa 2020. The Board also reported on its intention to report back with proposals for upgrading Port leisure facilities, including marinas at St Sampson's. The States resolved to approve the carrying out of the further investigations, including laboratory investigations, in association with the extension of St Sampson's Harbour.
- 3.14 In July 2000 (Billet d'État XVIII 2000) the Board of Administration reported to the States with its proposals for the development of a marina within the St Sampson's Harbour and, to facilitate its construction, the opening of Longue Hougue reclamation site for use as a mooring facility for at least 15 years. The budgeted cost of constructing the moorings was £450,000 with an assumed pay back of £43,520 per annum based on 160 twenty five foot boats at £10.88 per foot. The Board's policy letter stated that the site was some 30 Acres and at the then rate of infill indicated that it would be over 50 years before the reclamation site became full. It can be seen from comparison of the 1990 and 2000 predictions that a major discrepancy existed. In 1990 the life of the site was predicted to be 16 to 20 years whilst 10 years later the life was predicted to be 50 years.
- 3.15 Prior to 1999 the tonnage being deposited into Longue Hougue was relatively low, in the order of 2,500 tonnes per month. By 2001 the monthly tonnage was typically between 10,000 and 18,000 whilst the average monthly tonnage over the life of the site to date has been 12,243. However, tonnage deposited is perhaps not the best means of monitoring the life of the site as density of the waste and wash out impacts on the resultant void depletion. Therefore, void depletion is also measured through 6 monthly survey. In 1999 void consumption was in the order of 62 metres cube per day. The average over the life of the site to date has been 208 metres cube per day. With such widely varying inputs it can be seen how projecting future life from a snapshot taken at any given point can present very different results.
- 3.16 Whilst, with current infill rates, the remaining site life is dramatically less than that predicted in 2000, the proposal to maintain the moorings for 15 years from the June 2000 date is consistent with the Board's previous policy letters on the development of St Sampson's Harbour, which indicated additional facilities for port related activities would not be required until circa 2020. However, the policy letter noted that tipping at Longue Hougue could continue unhindered as the area proposed for the marina development was well away from the tipping face and

would be for many years to come and this has clearly now been proven not to be the case.

- 3.17 In 2002 the moorings were opened at an actual capital cost of £260,985 with provision for 160 moorings at a predicted total income of £652,800 over 15 years.

4.) Inert waste disposal and Reclamation rates.

- 4.1 As indicated above, the rate of fill at Longue Hougue has increased dramatically in the intervening period since preparation of the Board's Policy Letter in early 2000.
- 4.2 At the date of the Board's policy letter, the actual infill figures for the first half of 2000 were 39,848 tonnes. Monthly infill had been fairly consistent during the year and, hence, a projected figure of 80,000 tonnes for the year 2000 was assumed. The last two months of 2000 resulted in a virtual doubling of the average monthly figure, resulting in an annual disposal rate of 91,000 tonnes. The annual tonnage figures over the last 4 years are shown in the table below. To date the rate of fill has had very little if any correlation with recycling initiatives as the vast majority of the waste over recent years constitutes "fines" resulting from deep basement excavations. In the future, as these deep excavation projects trail off and the building industry reverts more towards renovation/refit work, it is expected that the waste will return to the more typical form of soil mixed with rubble, blocks concrete etc. Whilst some of this material can be captured, as secondary aggregate, the private sector is already substantially meeting the industry needs for this recycled material. As initiatives are introduced to extract further inert material from the mixed waste entering Mont Cuët then this inert waste, if compliant with the regulator's standards, will be diverted to Longue Hougue. However, the percentage that could be extracted from the Mont Cuët mixed waste could only constitute a minor percentage of the overall inert waste arisings.
- 4.3 As already stated a high degree of caution must be applied in extrapolating past data to generate future life, and future infill rates can, therefore, be little more than best estimates. Nevertheless, by applying the average daily void depletion over the life of the site to date and assuming that the whole of the site is filled to a height of 7m above ordinance datum (the current fill height) the site is calculated to be full by 2015.

Longue Hougue Infill

| DATE | ANNUAL TONNAGE |
|----------------|----------------|
| 2000 | 90,940 |
| 2001 | 144,019 |
| 2002 | 197,451 |
| 2003 | 268,854 |
| 2004 | 166,251 |
| 2005 predicted | 150,000 |

- 4.4 The current intention is for the site to continue to be filled over a number of phases as shown on the attached plan (appendix 1). These phases have been selected to have minimum impact on the loss of moorings whilst taking into account the operational issues of infilling the site. It had also been assumed that the infilling would need to take place alongside construction of waste management facilities. The plans also show the predicted dates of infill and the number of moorings lost in each phase.

5.) Impact on revenue income for the Ports Holding Accounts

- 5.1 It is clear from the above that two States resolutions now cannot both be delivered. If infill is to proceed unhindered and at the rates predicted above the loss of moorings and the impact on lost revenue through mooring fees can be estimated as shown on the attached table. However, it should be noted that these figures are for indicative purposes only and are not absolute.

| <i>Date</i> | <i>Moorings</i> | <i>Years life Predicted</i> | <i>Mooring years</i> | <i>Revenue /mooring year</i> | |
|----------------------------|----------------------------------|-----------------------------|----------------------|------------------------------|------------------------|
| <i>As built April 2002</i> | <i>160</i> | <i>15</i> | <i>2400</i> | <i>272</i> | <i>652,800</i> |
| Date | Number Moorings Available | Years available | Mooring years | Revenue in period | Total revenue £ |
| 2002 – 2004 | 160 | 2 | 320 | 87,040 | 87,040 |
| 2004 – 2005 | 139 | 1 | 139 | 37808 | 124848 |
| 2005 – 2006 | 128 | 1 | 128 | 34816 | 159664 |
| 2006 – 2008 | 100 | 2 | 200 | 54400 | 214064 |
| 2008 – 2009 | 91 | 1 | 91 | 24752 | 238816 |
| 2009 – 2012 | 61 | 3 | 183 | 49776 | 288592 |
| 2012 – 2015 | 31 | 3 | 93 | 25296 | 313888 |
| 2015 onwards | 0 | 0 | 0 | 0 | 0 |

Reduction of Revenue equals £652,800 - £313,888 = £338,912

It should be noted that the rate of loss of moorings is dependent on rate of infill which is dependent on tonnage of inert waste delivered and the depth of the area being filled. As a consequence the reduction in revenue can only be an approximation.

6.) The need for reclamation

- 6.1 Longue Hougue is currently being used to deliver two complimentary and one conflicting identified need. The first need, being the original grounds for construction of the site, is to provide a facility for inert waste disposal. This need can be met, according to the above predictions, until 2015. The second need, which is complimentary and can only be met by continuing infill, is to provide a much needed land base for bad neighbour activities. The conflicting need is to provide low cost protected moorings on a temporary basis.
- 6.2 Should the intention be to accommodate moorings over the originally proposed 15 year period, inert waste disposal would need to be relocated. The following options have been identified:
- 1 Acquire private quarry facilities
 - 2 Infill existing States owned quarries – primarily Guernsey Water quarries
 - 3 Acquire land for land raising at the airport
 - 4 Land raise for other States projects
 - 5 Construct new land reclamation
- 6.3 Of the options outlined above it is considered that only options 2 and 4 could be delivered at a sum less than the lost income from moorings. Owners of private quarry facilities (option 1) are not currently precluded, subject to obtaining necessary development control permission, from offering their quarries for land reclamation should they so desire. Many private quarries have been infilled over recent years without the quarries being managed by the States. As such there are no persuasive grounds on which the States should acquire those sites and operate them as strategically essential land reclamation activities. For option 2, the former Water Board previously expressed the view to the then Board of Administration that in support of its strategy for strategic resilience in water supply it would not be able to release any quarries presently under its control. This remains the view of Guernsey Water and the Public Services Department. Option 3 has been investigated by the former Board of Administration with advice from its consultants BAE. The project is such that the land raising must be treated as an engineering project rather than a waste disposal project and requires batching mixing and stabilisation of the inert waste. This project is only viable as a precursor to a runway extension which, at present, is not considered to be of sufficient priority to command prioritisation of capital investment. Option 5 will require capital investment in the order of £10,000,000 depending on the site chosen.
- 6.4 To date it has been considered that the primary need is for land reclamation at Longue Hougue in order to accommodate essential waste handling facilities. Such facilities included the proposed Energy from Waste facility or some other heat treatment facility, a Materials Recovery (sorting/recycling) Facility, Civic Amenity Site and Scrap Metal Yard. The States approved outline planning brief

for this site located the recovery facilities to the rear and hence screened by the then proposed Energy from Waste plant. With this approach there is currently insufficient reclaimed land at Longue Hougue to commence construction of long-term, permanent, waste recovery facilities and hence Longue Hougue remains the priority area for land reclamation.

- 6.5 The option does exist to divert inert waste to short-term land raising activities (Option 4) such as Les Nicolles School and Bellegreve and Fontaine Vinery. At present only Les Nicolles presents a need within a specified time period. The quantities required for this development would have only minimal impact on prolonging the life of the moorings but would defer the date on which all the requisite land could be handed over for construction of waste management infrastructure. Nevertheless, in view of the delay in procuring Guernsey's long-term waste management solution, resulting from the States requirement to re-examine the waste disposal strategy, diversion of such small quantities of inert material away from Longue Hougue is not considered to be a key concern
- 6.7 The Environment Department intends to closely monitor the rate of infill at Longue Hougue over the next 3 to 5 years and consult at appropriate intervals with other States Departments on the need for land reclamation or land raising projects. In light of this ongoing consultation the Department will bring to the States, as need dictates, proposals for the investigation, funding and construction of future inert waste disposal options.

7.) Summary

- 7.1 In summary, the Board of Administration had indicated that it had no need for the reclaimed land at Longue Hougue prior to circa 2020 for harbour related activities. The States supported the location of moorings at Longue Hougue on the understanding that this would be for 15 years and that the required land would not be needed until 2020. Infill has proceeded at a far greater rate than predicted and the site is expected to be full by 2015. Ongoing infill will result in a gradual loss of moorings equating to a shortfall on projected income in the order of £340,000. Other inert waste disposal options are not considered to offer value for money at this time. As a consequence of the above considerations, and consistent with the original purpose for which Longue Hougue was constructed, the Environment Department recommends that management of inert waste should continue through land reclamation at Longue Hougue with the resultant phased loss of moorings and a predicted shortfall in revenue to the Ports Holding account.

Recommendations

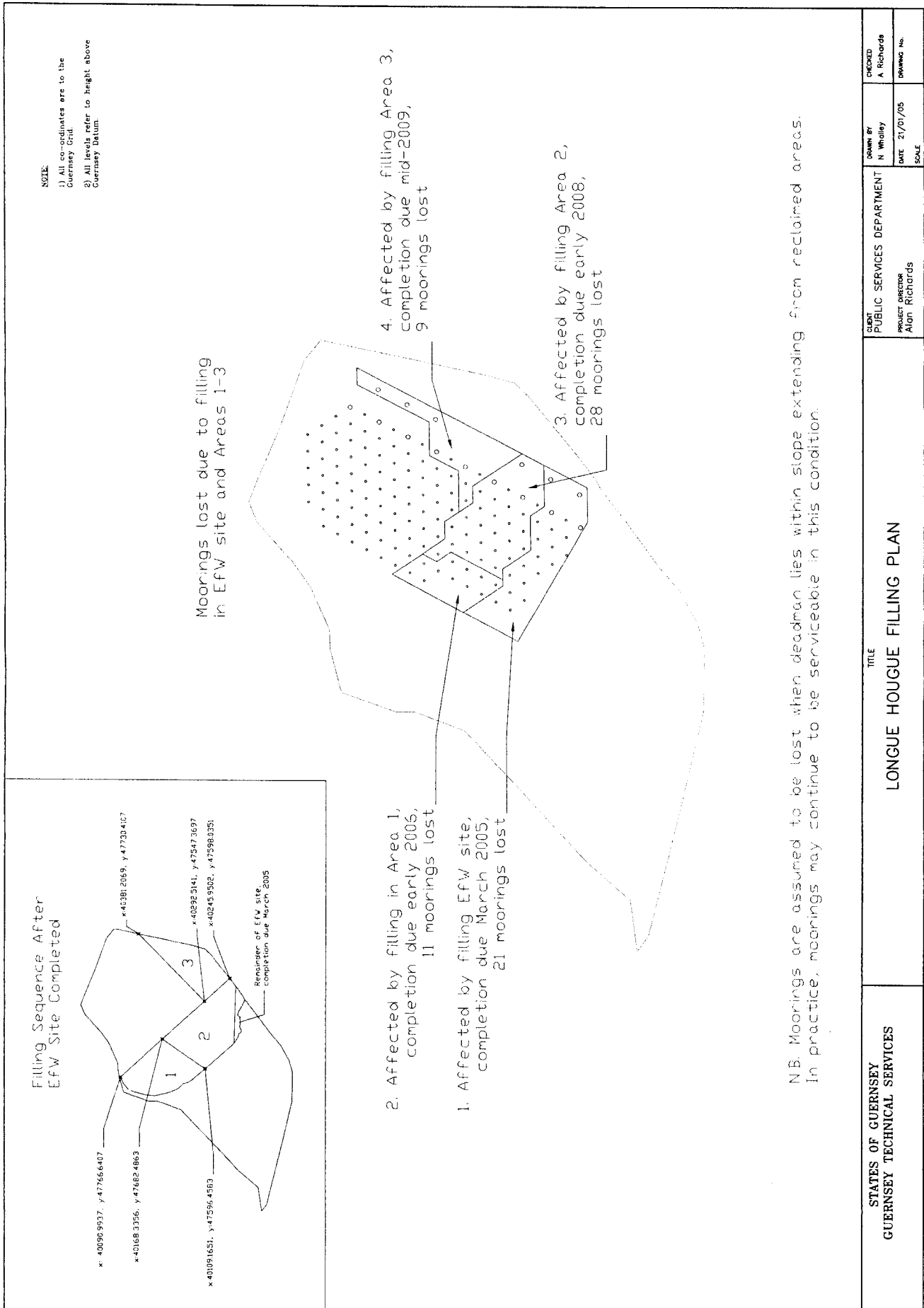
The Environment Department recommends the States to:

- 1.) Confirm its previous resolutions in respect of the reclamation of Longue Hougue by placement of inert waste

- 2.) Direct the Public Services Department to continue to direct inert waste arisings to Longue Hougue

Yours faithfully

B M Flouquet
Minister



(NB By a majority, the Policy Council supports the proposals)

(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 7th October, 2005, of the Environment Department, they are of the opinion:-

1. To confirm their previous resolutions in respect of the reclamation of Longue Hougue by placement of inert waste.
- 2 To direct the Public Services Department to continue to direct inert waste arisings to Longue Hougue

COMMERCE AND EMPLOYMENT DEPARTMENT**ELECTRICITY GENERATION INVESTMENT OPTIONS FOR GUERNSEY**

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

17th October 2005

Dear Sir

Executive Summary

In March 2003 the Office of Utility Regulation (OUR) announced a freeze on the charges made by Guernsey Electricity Limited (GEL) for the supply of electricity. The charges would be frozen until a review had been undertaken of how the Island might meet its future generation requirements and the costs of pursuing the preferred option.

Based on a complex set of assumptions, this report concludes that security of supply and cost considerations could best be met by future investment in a combination of the replacement of on-Island generation plant and re-enforcing the existing cable link to France. Emissions from the resulting electricity generation arrangements can be kept within the existing international and local environmental obligations.

The next major investment in generation plant is not due for five/ten years and this report recommends that, before that investment decision is made, the assumptions that lead to the above conclusion should be re-examined in detail. Predictions of long-term trends in oil prices will be particularly significant.

Practical alternative energy sources for Guernsey, including tidal power, are not yet sufficiently developed to constitute a “firm” source of supply on which the Island could rely. This report recommends that the Policy Council should set up a Group to assess the potential application of such sources in the future and bring forward recommendations to the States on how any research and piloting of any such applications should be funded.

On the basis of the conclusions in this report the OUR has embarked on a statutory consultation process as part its review of electricity charges.

Introduction

In March 2003 the OUR issued a Report and Decision Notice on the price regulation of

electricity services (see **Annex 1**). The effect of the Notice was to freeze the current electricity tariffs until a strategic review of future generation options had been undertaken and the States had determined its future policy in regard to economic, environmental and security of supply trade-offs.

In consultation with the OUR, the Board of Industry commissioned consultants Mott MacDonald (MMD) to undertake a review of this matter. MMD's final report was submitted in December 2004. The final report runs to over 140 pages and contains some information that GEL considers to be commercially sensitive and not suitable for publication. This report refers to MMD's broad conclusions and presents some non-commercially sensitive extracts in the Annexes. A full copy of the report would be made available, in confidence, to individual States members on request.

The review considered the following strategic issues over a 25 year time frame:-

- Security of Supply – Whether or not the Island should depart from its current policy of ensuring that it retained sufficient electricity generation sources¹ to meet its needs should any two of those sources be unavailable at the same time (the n-2 policy);
- Environment – The Best Available Techniques (BAT) approach to pollution control that balances affordable costs and benefits;
- Cost and Price Trade Offs – A number of scenarios (Scenarios) involving various types of on-Island generation plant and additional cable links to France, both direct and via Jersey, were examined taking into account the above considerations and the resulting costs that would have to be passed on to electricity consumers or recouped in some other way.

The Commerce and Employment Department, which succeeded the Board of Industry, undertook a consultation exercise on the findings of the MMD report with various interested parties, including a number of States Departments that have responsibilities touching on this issue (see **Annex 2** for relevant extracts of departmental mandates).

There are many variables to take into account in assessing the “best” investment Scenario for the next 25 years. The assessment has to be based on current assumptions of the possible long term future trend for each variable including oil prices. Even a minor deviation from an assumed trend can have a major impact over the 25 year period.

Each item of new electricity generation plant costs in the order of £10m, cable links cost considerably more. GEL has traditionally funded capital expenditure principally from cash reserves. No party is currently recommending that this practice should change.

¹ Current on-island generation sources consist of five slow-speed diesel driven generators and three gas turbine driven generators.

In order to avoid a situation whereby electricity prices are set so high as to cater for any possible investment Scenario or set so low as to require a sharp increase on borrowing to fund the purchase of a new item of plant, it is necessary to set prices from the perspective of a 25 year time period. Immediate pricing decisions should be based on the best possible information available at the time. Periodic reviews should then be undertaken to assess long term trends and any changes in circumstances, including technological developments. Any necessary adjustment can then be made to investment Scenarios and pricing policies.

The next major investment decision on plant replacement does not have to be taken for some five/ten years. At that time, if not before, all of the assumptions on which the MMD report is based, including predictions of long-term trends in oil prices, will need to be re-visited.

The completion of this investment option review coincides with the timing for a renegotiation of the contract with Electricity de France (EdF) for the supply of electricity through the cable link to France.

Previous terms for supply through the cable were very favourable compared with the costs of on-Island generation using oil. The new terms will no doubt reflect current trends in energy prices generally and may, therefore, heavily impact on the current OUR price review in the short-term and on future plant replacement decisions in the long-term.

Renewable generation sources were covered by the MMD report but were not included in the Scenarios; as such sources are currently not considered as being a source of firm generation capacity.

The Commerce and Employment Department recognises that there is interest within the States in renewable energy, particularly tidal generation sources and is recommending that this interest be pursued separately from the electricity price determination process. The sections of the MMD report dealing with renewable energy are reproduced in full in **Annex 3**.

Conclusions of MMD

The MMD report recommended the continuation of the n-2 policy and concluded that the Scenarios that maintained on-Island generation plant provided the lowest (capital and ongoing) cost option with a Net Present Value (NPV) at 2003/4 prices of £560m over the 25 years.

If the environmental emissions associated with on-Island generation were considered to be unacceptable, the Scenarios that involved reduced investment in on-Island generation capacity and a major upgrading of the cable links to France would be a potential alternative. However, the MMD report estimated that this alternative would cost an additional £60/70m NPV over the next 25 years, an approximate 10% premium. Predictions of long-term oil prices are significant factors in these NPV figures.

The current view of GEL is that it favours maintaining the n-2 policy whilst contributing to the costs of an additional CIEG cable from Jersey to France so as to increase the guaranteed capacity available to Guernsey over that part of the link. The existing Jersey to Guernsey cable has a 65M-Watt capacity, up to 2003 peak demand for the Island was approximately 70M-Watt.

In the context of the 25 year projections, the difference in cost between the option recommended by MMD and the option favoured by GEL has a negligible effect on immediate price determinations. On this basis, the OUR agreed to commence the statutory consultation process as part its review of electricity charges on the assumption that, if the States adopted a different view on investment options, any effects on charges could be addressed at the next review.

Environmental Implications

International Obligations

The Department has consulted with representatives of the Policy Council on the Island's international obligations in respect of future generation policy.

Guernsey has agreed to be included in the UK's commitment to the UN Convention on Climate Change including the "Kyoto" protocol that commits signatories to achieving targeted reductions from 1990 levels of "greenhouse gasses" emissions. By virtue of the Island's constitutional status, its emissions are considered within the total UK emissions although separate inventories will be produced for each of the three Crown Dependencies.

Emissions from electricity generation form only a small proportion of the Island's total greenhouse gas emissions. The major source is traffic. The reduction in horticultural activities burning heavy fuel oil, the recent use of the cable link to France and other factors have all contributed to a significant reduction in total emissions that more than meet the Kyoto commitments.

In addition to Kyoto, the UK has committed itself to a targeted reduction of 20% in carbon emissions by 2010/2015 and a target of 10% generation from renewable sources by 2010. The Island is not bound by these commitments.

Whilst there are currently no international obligations that would impact on the long-term choice of future electricity generation options, it is clear that the thrust of international attitudes is towards cleaner and, where possible, renewable sources of energy. Guernsey could, in future, feel obliged or of its own volition, may wish to take account of these international attitudes.

Local Obligations

The Department has consulted with representatives of the Health and Social Services Department to discuss local obligations in respect of emissions from generating plant.

The current Public Health legislation originally dates from 1934, with more recent amendments - including one in 1999 that updates nuisance provisions. The general thrust of the current legislation is to react to practices that might have an adverse affect on local air quality or the environment in a manner that may be prejudicial to health rather than set emission or other standards for particular activities.

The current legislation enables action to be taken when local air quality or the local environment is affected but not in respect of possible effects in other neighbouring jurisdictions.

An arrangement, directed by States resolution, is currently in place whereby solid waste disposal activities by the Environment Department have to comply with set standards in order to be "licensed" by the Health and Social Services Department. The need for more formal licensing arrangements for solid waste disposal has driven the development of a new 2004 Environmental Pollution Law that has been enacted but not brought into force.

There are currently no local obligations that would rule out any of the Scenarios considered by MMD on the BAT approach, although the emissions emanating from the use of various grades of oil will need to be given careful consideration. There is no reason to believe that once the new 2004 Environmental Pollution Law comes into force, future local generation activities will not be able to comply with any local standard based on contemporary international standards.

Renewable Sources and Tidal Generation

The MMD report concluded that:-

"... we are of the view that throughout the upcoming investment cycle renewables, with the possible exception of Municipal Solid Waste (i.e. a Waste to Energy plant), can only be considered as fringe forms of generation, which will have to be backed up by more reliable sources of energy. As such, it is possible that significant investment in renewables will increase costs which will either have to be passed on through to prices or could be funded by some form of States subsidy which would potentially divert resources from other States projects."

The MMD assessment of renewable generation options is reproduced in full as **Annex 3**.

GEL has taken an equity stake in Marine Current Turbines, a company that is developing tidal generation equipment. At a meeting with representatives of Commerce and Employment and Treasury and Resources, GEL advised that it was considering becoming involved in a pilot project with Marine Current Turbines to install a development unit in local waters.

Whilst the commercial arrangements for this project had not been discussed in detail, GEL considered it likely that the cost of electricity supplied by the project would be in excess of the cost of electricity from other sources. The question, therefore, arises as to

how this particular development project should be funded: by the electricity consumer, by the States as shareholder of GEL or from general revenue?

The Commerce and Employment Department has consulted with representatives of the Environment Department on its responsibilities for environmental policies, including energy and for any “developments” on the seabed surrounding the Island.

The current priority of the Environment Department is to develop waste disposal policies in the light of the States’ decision to suspend progress on an Energy from Waste plant. As a matter of principle, however, the Environment Department would not wish to see a generation Scenario adopted that precluded the possible future exploitation of tidal energy. It also believes that any decision to pilot and exploit the technology should be taken at corporate level following an assessment of options and that it would wish to be involved in such an assessment.

An Environmental Impact Assessment would need to be undertaken before any plant was installed that might have an impact on tidal flows or marine life.

The OUR has advised that as tidal energy is not, in its opinion, considered to be able to provide an economic source of electricity for the foreseeable future and it would not allow GEL to recoup from Guernsey customers any investment in researching or piloting the technology. The OUR does however recognise the benefits of reducing greenhouse gas emissions and, using UK practice as a benchmark, it is prepared to allow GEL to recover from electricity charges, some £100,000 per annum (£3.60 per customer) on the least costly initiatives which offer a more immediate prospect of having a positive impact.

The Commerce and Employment Department concurs with the views of the Environment Department that decisions on the funding of research and piloting of renewable energy sources, including tidal power, should be taken at corporate level. Following consideration of an early draft of this report, the Policy Council has advised that it favours consideration of renewable energy issues as part of a wider review of overall energy policy, also encompassing energy efficiency measures.

The Commerce and Employment Department is pleased to include in this report a recommendation to that effect.

Recommendations

The Commerce and Employment, therefore, recommends the States to:-

- i) Confirm its commitment to the existing policy of retaining sufficient sources of electricity to meet requirements, in any circumstances where two such sources (on-Island generators or the CIEG cable link to France) were unavailable at the same time (the n-2 policy);
- ii) Agree that electricity pricing policies should be based on the assumption that, over the coming 25 years, generation requirements will be met by a

combination of replacing on-Island generation plant and increasing the guaranteed capacity available to Guernsey through the CIEG cable link to France via Jersey;

- iii) Agree that the above assumptions should be reviewed prior to any decision being taken on major expenditure on generating plant and/or increasing the guaranteed capacity available through the CIEG cable link to France via Jersey;
- iv) Agree that the Policy Council should initiate an Energy Policy Review Group to assess energy policy in general and possible future sources of renewable energy, including tidal power;
- v) Agree that the Policy Council should report back to the States on energy policy, including what investment should be made to assess renewable energy sources and how such investment should be funded.

Yours faithfully

Stuart Falla
Minister

Annex 1 - Extract from March 2003 OUR document 03/07: Price Regulation of Electricity Services

Report on the Consultation Paper and Decision Notice

4.3 Conclusion

Given the vital role that secure cost efficient electricity supplies will play in the overall development of Guernsey's economy, it is critical that the economic, environmental and security of supply trade-offs across the various planting strategies available to fulfil Guernsey's future electricity requirements are fully understood and assessed prior to considering the form of any detailed price control.

A review of these options will allow for a quantification of the costs associated with various scenarios, including GE's approach which will in turn allow any price premium associated with the policy considerations that GE believes appropriate to be assessed by the policy makers (the States of Guernsey) in the context of:

Whether this is the preferred policy and

If any premium payable is politically and socially acceptable, particularly with respect to any implications it may have for the competitiveness of Guernsey's economy.

Thereafter, if any premium is considered appropriate, it will be necessary to determine how any such premium will be funded and in particular whether consumers should pay via higher prices. The Director General believes this exercise is an essential prerequisite to the setting of price controls for the future.

5 Price Control on Guernsey Electricity Limited

In the interim period, the Director General considers that prices for electricity should remain at their current levels as no justification has been provided for any increase. Therefore, in accordance with the GE licence, the Director General will impose a price freeze on all of GE's retail electricity products until the conclusion of the above review.

Decision 2

The Director General will freeze prices for all of GE's retail products until the completion of a review of the strategic options available to Guernsey and a subsequent price control review.

In accordance with condition 20.2 of the licence granted to Guernsey Electricity Ltd under section 2(1) of the Electricity (Guernsey) Law, 2001, on 1st October 2001¹, and the Director General's decision² that Guernsey Electricity Ltd has a dominant position in the electricity conveyance, supply and generation markets in Guernsey, the Director General hereby determines that, until further notice, the maximum level of prices for all

¹ Document OUR 02/04: Electricity Licence Conditions

² Decision 1 as set out in Document OUR 02/05; Decisions under the Electricity (Guernsey) Law, 2001, Decision Notice and Report on the Consultation Paper

services provided by Guernsey Electricity Limited in the electricity generation, conveyance and supply markets in Guernsey shall be those prices that were in place on 1st March 2003.

6 Next Steps

Given the wide range of strategic policy issues that this consultation has raised, the Director General believes that it is essential that the review of strategic options for Guernsey's electricity sector involves all key policy making arms of the States including:

The Advisory and Finance Committee as the shareholder of Guernsey Electricity Ltd,

The Advisory and Finance Committee as the island's economic policy making committee, and

The Board of Industry which retains residual responsibility for electricity policy.

The Director General is pleased that these committees have agreed that a strategic review is needed and are participating in establishing a mechanism to achieve the review in a timely fashion. This will enable the OUR to complete its price control review and develop a price control that has regard to wider States policy.

In addition, OUR is charged under section 4(1)(a) of the Regulation Law, with providing advice to the States on utility matters, and will be involved in and support the strategic review. Clearly it is also necessary for GE to be involved in contributing and providing information to assist in the development of the strategic options.

The Director General believes that the necessary investigation and analysis of the options can be carried out during 2003 with a view to preparing any report that is required to go to the States for policy decisions in 2004. In any case, the OUR would anticipate at the latest, being able to conclude a revised price control mechanism in time for a new price control, consistent with States policy, being implemented by 1st January 2005.

Annex 2 - Relevant Extracts from Departmental Mandates

COMMERCE AND EMPLOYMENT DEPARTMENT

To advise the States on matters relating to:

- The strategic approach to, and the regulation of, utilities.

TREASURY AND RESOURCES DEPARTMENT

To advise the States on matters relating to:

- The shareholders' functions and duties in respect of the States Trading Companies and other States owned entities.

ENVIRONMENT DEPARTMENT

To advise the States on matters relating to:

- Environmental policy including transport, energy and waste policy and policy for the conservation, enhancement and sustainable development of the natural and physical environment of the Island in accordance with the strategic economic, fiscal, environmental and social policies of the States;
- Policy on environmental monitoring.

HEALTH AND SOCIAL SERVICES DEPARTMENT

To advise the States on matters relating to:

- Promoting, protecting and improving personal, environmental and public health (*NB includes responsibility for Environmental Health Services and legislation*).

Annex 3 – Extract from MMD Report on Renewable Options

8.6 Renewable Generation Options

Introduction

Renewable generation options have become the focus of attention in recent years as more environmentally friendly means of generating electricity have been sought. There are many potential technologies under consideration for application under UK conditions which, in the first instance, make it a reasonable benchmark from which to assess whether they are suitable in the Guernsey context. These are summarised in Appendix C.

The principal technologies considered are:

- tidal
- wind: onshore and offshore
- biomass
- wave: including tidal barrage
- solar: photo voltaic (PV), thermal and passive.

Although in the UK context geothermal and nuclear are also considered as renewable technologies, we have not reviewed these as they are not considered applicable to Guernsey. Small scale hydro is not identified as currently practical in Guernsey, although reference is made to the technology for completeness.

It is important to emphasise that the renewable technologies that we identify for Guernsey can only be expected to have a minor impact on the supply of energy. This is because there is a limit to the relative size of some renewable installations that can operate in parallel with a system eg wind and tidal, because of their unreliability, impact on the quality of supply due to fluctuating outputs, reactive requirements from the network etc. We believe that a maximum penetration for wind generation, for instance, would be of the order of 20% of Guernsey system peak demand.

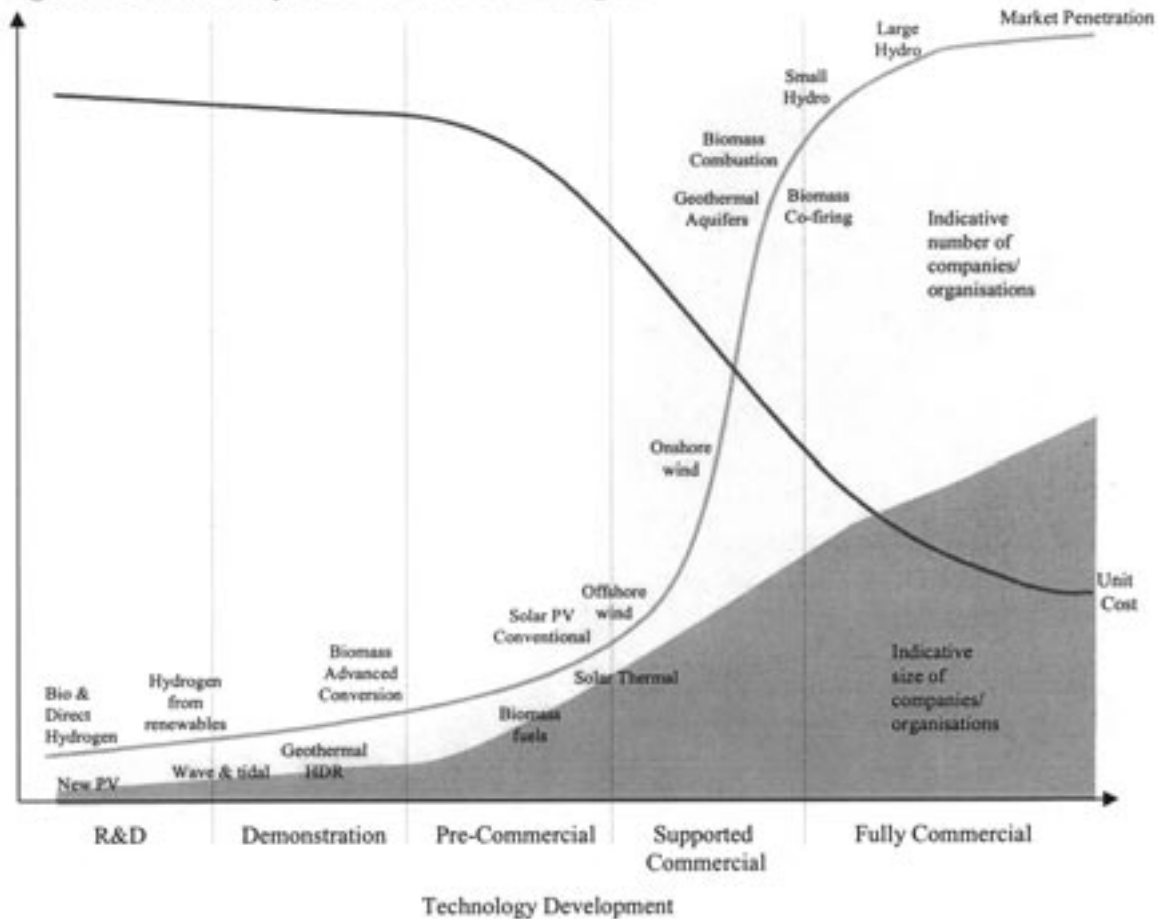
Since in the case of some technologies outputs cannot be guaranteed, additional capacity is needed to meet demand when the renewable resource is not available eg wind, wave. Finally, many renewable schemes owe their existence to government sponsored financial support eg the UK non-fossil fuel obligation, UK ROC (renewable obligation certificates), incentive tariffs (Germany, Portugal), capital grants (UK, Germany) etc, because they are not competitive. Clearly, the States could support renewable schemes financially should it be considered in the public interest.

This Section considers in overview renewable generation options and their applicability to Guernsey. The evolution of the various technologies, their relative dependability and the cost of developments are considered.

Overview of Renewable Options

An overview of the renewable technologies applicable to the UK climatic and physical conditions in terms of maturity, cost and industry involvement is shown in Figure. Curves are also used in the figure to represent the variation in unit costs and to give an indicative impression of the numbers and sizes of companies associated with the technology. This chart provides a relative overview of technology development and does not reflect actual costs and numbers.

Figure 8-3: Maturity of Different Technologies



Technologies that appear as R&D, demonstration and pre-commercial are considered emerging and those that appear as supported-commercial and fully-commercial are considered mature. It can be seen that, of the indicated technologies for Guernsey, biomass and onshore wind are considered mature; offshore wind, wave and tidal, and solar are considered emerging.

Viability of Renewable Options in Guernsey

Viability of renewables in Guernsey rests on their ability to compete with energy from other sources in terms of cost and reliability, together with favourable conditions being available for their implementation. The cost of generation from new diesels operating at 70% capacity factors lies within the range 3.8 p/kWh to 4.6 p/kWh, inclusive of capital and operating costs. If we assume that the States do not wish to subsidise renewable generation, renewable technologies will need to compete at this price level and also be sufficiently proven in technology terms to offer reliable sources of electrical energy. It should also be noted that many renewable technologies do not provide firm capacity eg wind, wave and solar, consequently additional capacity from other sources eg GTs and/or diesels, would be required to ensure secure supplies.

A summary of potential renewable technologies for Guernsey, together with a range of current costs of production (capital and operating costs), is given in Section 0. These costs include both the costs of constructing the installations and the fuel and operating costs. The range of generating costs shown covers variations in the capacity range of installations and the capacity factor ranges over which they are expected to operate.

Table 8-15: Summary of Potential Renewable Technologies for Guernsey

| Technology | Appropriate for Guernsey | Current Cost p/kWh | Unit/module Size | Comment |
|-----------------------------|--------------------------|--------------------|------------------|---|
| Tidal - subsea turbine | Yes | 17.5 | 1MW | Actively being pursued in Guernsey |
| Onshore wind | Yes | 2.8 to 4.6 | 1.5 to 2 MW | Wind farms with large numbers of turbines |
| Offshore wind | Yes | 4.0 to 6.0 | 1.5 to 2 MW | Technology is being proven |
| Municipal solid waste (MSW) | Yes | 2.3 to 2.9 | 2 to 20 MW | Currently proposed for use in Guernsey |
| Wave and tidal barrage | Potentially | 10 to 15 | 0.5 to 3.5 MW | Large barages possible. Wave unproven |
| Biomass-energy crops | Potentially | 8.0 to 9.0 | 2 to 20 MW | Requires large scale cultivation |
| Landfill | Potentially | 2.4 to 2.9 | 0.2 to 2.0 MW | Competes with MSW |
| Photo voltaic (PV) | No | 70 | Small | Used principally in remote areas |
| Small hydro | No | 5.0 to 6.0 | 0.2 to 2 MW | Assume no potential resource in Guernsey |
| Active solar | No | 15 or more | Building use | Not for electricity generation |
| Passive solar | No | Not available | Building use | Not for electricity generation |

Note: "Current Cost" includes both capital and operating costs; it does not include the cost of investing in back-up capacity.

Tidal Power

In Table we indicate that tidal power has a potential for application in Guernsey. Indeed we are aware that this is currently being actively considered. Our view is that the current cost is around 17.5 p/kWh. This technology is as yet unproven but could potentially be a resource that Guernsey could use for the production of electricity. We have included tidal power in our analysis but given the unproven nature of the technology we have modelled this as a sensitivity and not included this form of energy in any of the scenarios.

Our analysis has indicated that the introduction of tidal power will result in higher system costs.

Onshore Wind

Onshore wind is a proven technology, it is considered appropriate for Guernsey since the wind resource is likely to be adequate to allow wind turbines to produce energy in the cost range (capital and operating) 2.8 p/kWh to 4.6 p/kWh. Wind generation suffers from the disadvantage that it is not always available and cannot be relied upon to be available at the time of peak demand. Consequently, alternative generating capacity eg gas turbines, needs to be available to ensure that system peaks can be met. This puts a cost disadvantage on wind technology partly because the overall cost of investing in the technology should also include any additional resources that need to be incurred to install back-up plant because of the intermittent nature of the generation technology.

There is also a practical limit to the amount of wind generation that can be connected to an electricity grid. This is due to wind energy variations, power quality issues, reactive power requirements etc. For Guernsey, with its interconnection to the French grid, an upper limit is possibly around 20% of maximum demand, which currently is about 70 MW. Consequently, we estimate that a wind resource of about 14 MW is possible in Guernsey.

The capacity factor of an onshore resource is likely to be up to about 28%. However, specific calculations, taking account of actual wind conditions in Guernsey are required to provide definitive values. Since Guernsey is geographically small no advantage can be gained from different wind conditions in different areas smoothing the variability of wind generation output. There is also the problem of finding location(s) to site land based turbines on a small island, although if 2 MW machines are used, only seven wind turbine structures would be needed, taking a land space of approximately 90 acres. This could be a concern from a planning and visual impact perspective for Guernsey.

Onshore wind is potentially capable of generating competitively with new diesel units on a pure cost basis. However, benefits of wind generation are essentially restricted to saving of fuel or imported electricity costs since capacity will still need to be provided to ensure demands can be met during calm periods. Suitable sites would need to be identified and their wind potential measured before capabilities and costs can be defined more precisely.

Offshore Wind

Offshore wind is, as yet, an unproven technology although it is considered as appropriate for Guernsey to the extent that it is now developing rapidly and costs are likely to fall. The Guernsey resource is probably sufficient to allow offshore wind to generate currently at 4.0 p/kWh to 6.0 p/kWh (capital and operating costs). Capacity factors for offshore wind are higher than onshore, possibly up to 35%, although Danish experience has been disappointing in this regard. Offshore wind is subject to similar system related comments as onshore.

Offshore wind is currently marginally competitive with new diesel generation and may therefore require some form of States support, although it is likely that siting an installation would be easier than for onshore wind. Benefits and caveats are similar to those for onshore wind.

Municipal Solid Waste

Municipal solid waste (MSW) is already under consideration as a renewable option in Guernsey. We have assumed that a 4 MW installation will be in service in 2006 although this maybe over optimistic. It is clearly a viable option for Guernsey, our view is that such plants are of proven technology, can operate with capacity factors of 70% to 80%. We understand, however, that the proposed Guernsey installation will operate for 89% of a year when it becomes available. Generating costs in the range 2.3 p/kWh to 2.9 p/kWh are possible, which makes them competitive with new diesel generation.

The contribution that this renewable technology can make towards the island's total demand is limited by the amount and calorific value of the municipal waste available. We understand that there is the potential for another such plant at a later date. There are no particularly onerous system implications to using this technology and its principal benefit is that it can provide base load power.

Wave, Biomass and Landfill Gas

In Table we indicate that wave, biomass-energy crops, and landfill gas have potential (in the sense that they are possible) for application in Guernsey, although we do not believe that it is worthwhile considering them in detail because:

- **Wave:** Wave energy is unproven and commercial installations are many years away. Tidal barrages are more proven but very dependent on application. In general both techniques are expected to generate (capital and running costs) within the range 10.0 p/kWh to 15.0 p/kWh. Consideration has been given to a tidal barrage in Guernsey at Grande Havre Bay (States Electricity Board, Billet d'Etat, 1996), the costs were projected to be within the range quoted above, consequently such a barrage is unlikely to prove economic.
- **Biomass-energy crops:** these crops require large growing areas and are thus unlikely to be attractive in Guernsey. With production costs (capital and operating) in the range 8.0 p/kWh to 9.0 p/kWh they are not competitive.
- **Landfill gas:** we are not aware of any plans to develop landfill sites for the production of methane and its combustion in gas engines, although the economics could be attractive since production costs (capital and operating) are in the range 2.4 p/kWh to 2.9 p/kWh and this renewable technology is competitive with diesel generation. However, we assume that the municipal waste resource is used for MSW generation and have therefore discounted this alternative. If this assumption is incorrect, this technology should be considered.

Others

Small hydro, and active and passive solar are not considered appropriate because:

- **Small hydro:** the resource is assumed not to exist in Guernsey.
- **Solar:** active and passive solar in the Guernsey context are only applicable for building/domestic heating considerations. They are included as a reminder that demand side management techniques can be used to reduce demand for electricity.

The Table below indicates expected cost developments by 2020, indicating trends as the technologies are further developed. The table also indicates the drivers that are leading to cost reductions and the limitations associated with future developments.

Table 8-16: Future Expectations for Renewable Technologies

| Technology | Current cost range p/kWh | 2020 Estimated cost range (p/kWh unless otherwise specified) | Comments |
|----------------|-----------------------------|--|--|
| Onshore wind | 2.8-4.6 | 1.5-2.5 | Learning curve extrapolations suggest that low cost wind may be as low as 1 p/kWh by 2020, however this does not align with what is suggested through engineering analyses, hence the range provided. |
| Offshore wind | 4-6 | 2-3 | Offshore wind costs tend to converge with those for onshore. Developments and experience from both the onshore and offshore industry could accelerate the cost reductions in all wind applications. |
| PV | 70 | 6-16 | In the UK PV may not become competitive with end user electricity tariffs until between 2020 and 2025. Depending on a range of assumptions about balance of systems costs and efficiency and discount rates a cost range of 10-16 p/kWh for 2020 appears reasonable. This neglects the potential for offset costs for building cladding, which may be significant and in appropriate buildings has the potential to dramatically improve the economics of BIPV. BIPV is already close to being commercially viable in some circumstances. Economies of scale and market growth rates could be higher than projected and costs could fall to a range of 6-10 p/kWh in the UK by 2025. Sustained development with a view to the long term is of particular importance for PV. Costs in many regions of the world are likely to be much lower around 4 p/kWh by 2020 and 2 p/kWh by 2025. |
| Wave and tidal | 10-17.5 | 5.0 | Some designs may become commercially viable in the period post 2007 however the cost reductions will increase more rapidly once demonstration projects and standardisation of design begins. Some designs offer larger technical potential, but are much further from commercial exploitation |

| Technology | Current cost range p/kWh | 2020 Estimated cost range (p/kWh unless otherwise specified) | Comments |
|---------------------------|--|--|--|
| Biomass – Energy crops | 8-9 | 2.5-4.5 | Uncertainties over market growth rates, and constraints in separate cost strands of conversion technology and crop production may make a continuation of the historic learning rate for biomass electricity inapplicable. A range of plausible scenarios for the development of energy crop fuel costs and BIGCC capital cost curves to 2025 suggest an upper price range of 4-5 p/k Wh in 2020. |
| Landfill | 2.4-2.9 | 1.5-3 | May be limited longer term future as biodegradable waste is prevented from being landfilled under the EU Landfill Directive |
| MSW | 2.3-2.9 | 1.5-3 | Pressures to limit landfill may act to favour energy recovery from MSW |
| Small hydro | 5-6 | 5-6 | The remaining UK hydro that may be commercial and environmentally viable is relatively small. |
| Active solar | 15 or more | Less than 10 | Domestic systems cost from approximately £1,000 - £6,000 depending on the size and function. Installation is currently not likely to be entirely based on cost and payback. Current costs are roughly £700/m this would probably have to reduce to about £450/m to reduce the cost to below 10p/k Wh. |
| Passive solar | There are no real unit costs available for this. Designs are changing and alterations of building regulations would increase the influence for passive solar as building stock is renewed and new stock constructed. | | |

Sources include: (a) PIU Paper on Renewable Energy Cost Modelling, OXERA for PIU, 2001 (b) Working Paper on Technical and Economic Potential for Renewable Energy Generating Technologies, PIU 2001 (c) Long Term Reduction in Greenhouse Gas Emissions in the UK, IAG, 2002 (d) New and Renewable Energy Prospects in the UK ETSU for DTI, 1999. Note: MSW is municipal solid waste. Summary for Renewables Application in Guernsey.

Appendix C - Renewable Generation Options

Wind

Electrical energy from wind has seen rapid growth over the past decade, which has helped deliver technology improvements and driven down costs significantly. The global market has grown at around 35% over the last 5 years and the growth rate during 2002 alone was a considerable 52%, with approximately 32 000 MW currently having been installed worldwide. Increasing attention has been shifting to the offshore industry with over 300 MW currently installed worldwide.

This high growth has meant a large number of onshore wind farms have been installed and the technology is considered to be mature; in many respects wind energy is the most commercially advanced renewables technology other than hydro. With regulatory measures shifting towards supporting the installation of wind, higher confidence is surrounding this renewable resource. Interest in offshore wind is increasing and while this is based on the principles of the onshore industry, installation offshore brings with it a different set of demands and requirements. The success of demonstration projects during the next few years may help to establish a vibrant worldwide offshore wind industry.

Most onshore wind innovation arises from operational experience. Scaling up the size of wind turbines and improving manufacturing efficiency has brought significant cost reductions. Offshore wind, while developed from onshore experience, is not viewed as a mature technology and the success of demonstration or financially assisted projects will be a key factor to this technology becoming mature. In particular, in the deeper and more hostile waters around the UK, offshore wind is considered unproven compared to existing offshore projects around the Netherlands and Denmark.

Despite the growing global nature of the industry the bulk of installations have to date taken place in four countries: Germany, Denmark, Spain and the US. This reflects the presence of effective policies supporting wind development in these countries.

For onshore technology the basic design, based on turbines in the 1.5 MW to 2 MW range, is considered stable with further research concentrating on increasing turbine size and achieving compatibility with increasingly more onerous grid code requirements. Some more novel areas of research such as direct-drive turbines are also being followed.

The focus for offshore technology efforts is on meeting the physical challenges of taking wind offshore eg reducing foundation and installation costs, increasing turbine size, turbine reliability improvements because of its inaccessibility, access techniques etc. Turbine sizes in the 2 MW to 3 MW range are already available. By the end of the decade 5 MW turbines may be available. In addition, there is research activity aimed at investigating the possibilities for novel designs such as vertical axis turbines.

Standardisation of designs across both the onshore and offshore sectors, together with a focus on quality, remain key areas for focus into the future.

Biomass

Direct Combustion: Biomass and Waste to Energy

There are a number of technologies that can be used in the processing of biomass and waste derived fuels for potential use in power generation. These technologies are at different stages of development and have been split here into two categories:

- Combustion or co-combustion: both types use mature technologies adapted from the fossil fuel industry, such as direct combustion in grate type boilers and boiler/steam turbine and gas engine technologies for power generation.
- Advanced conversion: gasification or pyrolysis of biomass or waste prior to combustion of gases in a conventional gas engine for power generation. This process is at the demonstration stage and considered in more detail in Section 0 below.

Current biomass and waste to energy plants rely on conventional combustion technologies with some specialisation in the combustion system. Biomass fuel is based on energy crops, the most advanced of which in northern European conditions is coppice willow. Perennial grasses such as miscanthus and switch grass are also showing promise. Municipal solid waste (MSW) is the principal input to waste to energy plants, although process waste from industry is often used in CHP plant. The future penetration of this type of combustion will largely depend upon the development of advanced combustion conversion techniques, which promise increased efficiency when compared to conventional combustion. Landfill gas projects utilise gas engines as the combustion unit, which are powered by methane produced from the fill site.

Biomass and waste to energy plant are available from various international manufacturers, although the feedstocks are generally sourced locally to the plant. Procurement of the main equipment items such as large boilers, steam turbines and gas engines is generally on an international basis, with countries such as Finland, Norway, Germany, Japan and Sweden having a good track record in these areas. Collectively, issues such as fuel supply, technology reliability and the overall economics present risks that must be overcome to prove this technology in the view of investors and to become a mainstream energy generation option.

Combustion, in general, is technologically mature. However, there remain a number of issues to be addressed in relation to the combustion of biomass and waste. These relate mainly to adapting combustion technologies to deal with the specific physical properties of the biomass or waste fuels, fuel supply, combustion conditions and fuel handling. Large scale waste to energy plants are already proven and operational, with experience from this feeding into the resolution of some of the issues facing this technology.

As biomass combustion unit sizes increase they will need to be proven, especially with regards to economics and fuel supply. This has been seen with the biomass plant at Arbore in North Yorkshire, which was one of the first commercial scale biomass plants. The plant's failure has dented confidence in commercial biomass.

Fuel supply and its transportation are major considerations. As a general industry "rule-of-thumb," biomass and waste fuel should be sourced from within a 50-mile radius of the plant to make it economic. Local logistical issues can cause problems in terms of a reliable fuel supply.

Biomass and waste to energy plant range in size from 2 MW to 20 MW and are operated at capacity factors of 70% to 80% so that the incinerators can be kept hot.

Biofuels

Biofuels have been in use globally for a number of years; they are produced using fermentation techniques, resulting in alcohol-based fuels (bioethanol) or by the extraction of oils from vegetable crops, for example biodiesel from oilseed rape. They can be used for power generation in diesel engines.

In the fermentation process sugars can be changed to ethanol by microbiological process. Progress is being made in the development of technologies aimed at efficient conversion of cellulosic biomass and a breakthrough in this field would provide more opportunities for the production of bioethanol.

The physical-chemical conversion of biomass through pressing and extracting oil can produce vegetable oils suitable for use in special engines, or in diesel engines after an esterification step that leads to oil methyl ester. Oil methyl ester production is a commercial technology, with biofuel from oilseed rape being produced in several EU countries, the largest producer being Germany.

While some technologies are relatively well developed, it is currently the intended end use that determines whether the production and use is commercially viable. For example, diesel blended with 5% biofuel is already commercially available.

Interest has been growing from industry and policy makers in advanced technologies for the production of biodiesel using the Fischer Tropsch process and ethanol (hydrolysis based processes) and in hydrogen from renewable electricity and biomass sources. R&D and demonstration of these novel technologies is underway with systems for the production of ethanol (USA, Canada, Sweden), Fischer-Tropsch diesel and other gasification derived fuels (Germany, Sweden) under development or operation.

A factor in the success of biofuels, and common to all technologies using biomass, is one of a reliable and economic source of biomass. Certain biomass crops for use in biofuels are already under commercial production (eg sugar beet) with the associated

agro-industrial infrastructure and industries such as British Sugar showing interest in developing biofuels.

Biofuels are aimed at displacing other liquid fuels in transportation and potentially in power generation. We are not aware of their use for power generation at present but clearly there is potential for displacement of liquid fuels if the technology becomes economic.

Advanced Conversion: Biomass and Waste to Energy

Advanced conversion of biomass and waste to energy essentially refers to a process that produces a combustible gas from the fuel feedstock through a conversion process. The conversion processes currently under development include gasification, pyrolysis and anaerobic digestion. The gas can then be used for power generation in a gas engine.

Gasification is the partial oxidation of the fuel at elevated temperature, which gives off a gaseous product that can be used to generate heat and electricity after suitable clean-up. Alternatively, the product can be reformed to produce fuels such as methanol or hydrogen (which could be used in fuel cells).

Pyrolysis is the thermal degradation of the fuel in the absence of oxygen, whereby the volatile components are volatilised. This process produces combustible gases, and liquid and solid residues. Liquid fuels can be transported and stored for use in generating heat and electricity.

Anaerobic digestion converts solid or liquid biomass into gas in the absence of oxygen. The gas can be used for the production of electricity. Biogas can also be used in transport applications and could be converted to hydrogen.

The conversion processes are at varying stages of development in the UK and globally. Small-scale gasification systems for heat and power from biomass fuels, and biomass pyrolysis are generally at the demonstration stage, while anaerobic digestion is a commercial technology.

Recent gasification activities, mainly in industrialised countries, have focussed on larger scale systems based on fluidised bed technologies to produce the gas. Gasification systems coupled with gas turbines and combined cycle gas turbines (biomass integrated gasification combined cycle, BIGCC) are at the demonstration stage.

The NFFO-supported Arbre Project was aimed at demonstrating biomass-gasification combined cycle plants in the range of 10-50 MWe. This project saw the first introduction of short rotation coppice at a commercial scale and tackled issues related to production techniques and logistics. The project has not proved successful and its demise could reduce confidence of the agricultural and energy sector in biomass energy schemes. Biomass must still prove that it is able to deal with the risks associated with

the technology (advanced), fuel supply, reliability and economics. Advanced conversion of biomass and waste is therefore seen as a technology for the future.

Wave and Tidal

Wave power technologies have been around for nearly 30 years. Setbacks and a general lack of confidence contributed to slow progress towards proven devices that would have a good probability of becoming commercial sources of electrical power. In recent years the technology scene for wave power has become more vibrant as various techniques and devices continue to be developed and tested.

There are a number of devices in the design phase or under development; these include oscillating or assisted water columns (OWC), buoys and pontoons, flaps, tapered channels and mechanical/hydraulic systems. One promising UK based design is the Pelamis, which is intended for general offshore deployment and is designed around technology already available in the offshore industry. The design is currently in the testing stage of development.

Both wave and tidal are at broadly similar levels of development and therefore share some common barriers to commercial deployment, hence they are considered together here.

The theoretical potential of wave power in the UK is considerable and could be upwards of 2 000 TWh/year. The UK accessible resource offshore is as much as 600-700 TWh/year, near-shore 100-140 TWh/yr and coastal around 2 TWh per year. Considerations of technical potential (with current technologies) and environmental limitations, however, bring this total estimate closer to about 50 TWh/year.

In contrast to the large theoretical figures for wave power, the potential tidal stream resource in the UK is smaller, although still significant, with approximately 20-50 TWh/year being estimated. However, there are currently no commercial designs (other than niche applications) that have been successfully demonstrated.

The diversity and geographical range of activities in wave power can be demonstrated by the diverse types of wave devices under investigation. These include:

- Pneumatic – such as the oscillating water column, where wave motion compresses and decompresses air, from which energy is extracted.
- Shoreline OWC projects include Limpit (UK); other similar devices are being used in Sri Lanka, Australia, Norway, Japan, China and India.
- Nearshore OWC projects include Osprey (UK), Sperbouy (multi-chambered, UK), Mighty Whale (floating, Japan).
- True pneumatic – Sea Clam (UK).

- Float based – use of a buoyant float moving with the waves and reacting against a reference point such as an anchor.
- Danish Wave Power Device.
- Bristol Cylinder (UK).
- Hosepump (Sweden)
- IPS Buoy (Sweden)
- Sloped IPS (UK)
- Spillover – uses wave height to replenish a reservoir of sea water that runs a turbine
- Tapchan (Norway)
- Wave Plane (Denmark)
- Floating Wave Vessel (Sweden)
- Moving body – articulation in the water, the motion of which is used to drive hydraulic motors in order to extract wave energy.
- McCabe Wave Pump (UK).
- Pelamis (UK).
- Edinburgh Duck (UK).
- PS Frog (UK).

Shoreline and near-shore devices are the closest to commercial deployment. Float based devices are already used in some niche applications such as in navigation buoys, however, none of the various technologies is yet sufficiently advanced to permit deployment for long term, secure power generation. Demonstration devices of up to 75 kW have been operating for 10 years. Modules varying in size from 0.5 MW to 3.5 MW are planned, although capacity factors of the order of 25% can be expected.

Tidal energy has a smaller potential resource base world-wide than wave power and is characterised by fewer designs under development. Despite this there is considerable activity in the area of tidal power. The most advanced of all the tidal energy sources are the large estuarine barrages, which are very similar to conventional hydro eg France has a 240 MW device. Technologies for such devices are well established but the capital costs are high and there are significant environmental concerns. Traditional

marine current technologies are similar to that of wind turbines with some fundamental differences that effectively improve the ability of these devices to cope with the marine environment.

Solar

Photo Voltaic (PV)

PV power generation is by direct conversion of sunlight using semi-conductor cells. Currently conventional PV has been developing over a number of years and can generally be considered at the high technology end of renewable energy technologies, with research and development occurring in a broad range of key areas from materials through to integration and monitoring systems.

Technologically, conventional PV is viewed as relatively mature. Conventional PV units are effectively a commodity and the price fluctuates widely with demand. This was demonstrated in Europe where the price recently dropped from around €4.5 to €3 per panel as demand from government “roof” schemes dipped, the price has since started to recover.

PV has been characterised by steady cost reductions brought about by incremental improvement in cell efficiency, materials and manufacturing processes. If this steady learning rate/cost reduction is projected forward then conventional PV may soon become competitive in a broad range of markets. It is noted that conventional PV is already competitive now in some niche markets such as remote islands in mid-latitudes. In recent years, however, the rate of development appears to have slowed; this could perhaps be due to the cost of the silicon feedstock for the crystalline devices, coupled with production difficulties for thin film technologies.

There are currently a relatively small number of recognised specialist suppliers of the various electrical components. Batteries are required only for off-grid installations. Inverters and controllers require high quality electronics and are currently typically sourced in Europe (or the US).

Although PV technology is relatively mature, manufacture and installation costs make it a relatively high cost option especially for on-grid applications. Given the economies of scale in production, unit costs can be expected to reduce as market demand increases. However, for conventional PV manufacture this reduction may be restricted due to the availability of low cost constituent materials, although it can be argued that cost reductions may then occur with further advances in the technology.

The manufacturing process is energy intensive, which makes the panels less advantageous as a means of carbon saving if consideration is given to the lifecycle carbon footprint of energy.

Currently the economies of PV installations do not allow it to compete with conventional generation without the support provided through incentive mechanisms. As costs reduce and incentive mechanisms reduce the application of on-grid installations will require demonstration projects to increase confidence regarding the financial returns.

Much has been made of the potential for technology changes and niche applications in PV, which will in turn aid in the reduction of costs. New technologies will require a period of demonstration in order to develop a track record and make the products marketable.

On a domestic scale, deciding to install PV is currently not purely based on an economic decision. If wide-scale adoption of this technology is to occur incentive mechanisms are likely to play a significant role over the coming years.

Active Solar (Including Solar Thermal and Concentrated Solar)

Active solar heating relates to direct heating by sunlight. The potential for all forms of active solar heating in the UK is limited by the levels of solar radiation available. The fact that direct sunshine is intermittent and unpredictable in the UK makes high-temperature applications and electricity generation impractical. For example, concentrated solar requires significant land space and consistent insulation. However, this does not mean that there are no practical applications of the solar thermal systems in the UK. Currently there are already available technologies that can be bought off the shelf such as solar water heating systems, swimming pool heating, solar-aided district heating, and non-domestic building applications. Solar thermal on this scale is both proven and efficient. However, these applications do not relate to power generation, rather to demand reduction.

To date the penetration of solar thermal heating technologies has been slow in the UK. This is linked primarily to the capital costs. It is noted that with the increased focus on energy efficiency measures from the government the wider scale adoption of this technology could offset part of the electricity demand from a property and result in an overall energy efficiency saving. Therefore this technology could be a useful tool in meeting UK energy efficiency targets.

Currently the relatively high capital costs and low electricity prices results in long payback times on the installed systems. It is possible that this could change with carbon uplift on electricity prices. This is compounded by the general lack of widespread availability of capital for investment in active solar heating systems.

A change in the building regulations would be required to focus on energy efficiency features such as solar water heating for the majority of new house building. This would be constrained by the housing stock renewal. In a larger UK market, the economics of a system could be particularly attractive for new buildings as the marginal cost of installation is relatively low.

Passive Solar

Passive solar relates to the design of buildings to maximise solar benefits. Although passive solar design is now a widely recognised technique this does not mean that it is widely practised. The UK building industry is generally conservative, especially the house building sector. In this sector the marketability of housing is the major influencing factor on its design. There is still a misconception that passive solar houses will look so different to traditional designs that they will be less sellable. The market for passive solar housing would seem to be less conservative in other countries where a wider variation in design is acceptable and where there is a greater tendency to smaller developments and individual designs.

The market for passive solar design can be subdivided into two categories; new-build and refurbishment (covering both the domestic and non-domestic markets). Again, however, this renewable technology is only relevant to energy saving rather than direct generation.

(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:-

XIV.- Whether, after consideration of the Report dated 17th October, 2005, of the Commerce and Employment, they are of the opinion:-

1. To confirm their commitment to the existing policy of retaining sufficient sources of electricity to meet requirements, in any circumstances where two such sources (on-Island generators or the CIEG cable link to France) were unavailable at the same time (the n-2 policy).
2. To agree that electricity pricing policies should be based on the assumption that, over the coming 25 years, generation requirements will be met by a combination of replacing on-Island generation plant and increasing the guaranteed capacity available to Guernsey through the CIEG cable link to France via Jersey.
3. To agree that the above assumptions should be reviewed prior to any decision being taken on major expenditure on generating plant and/or increasing the guaranteed capacity available through the CIEG cable link to France via Jersey.
4. To agree that the Policy Council should initiate an Energy Policy Review Group to assess energy policy in general and possible future sources of renewable energy, including tidal power.
5. To agree that the Policy Council should report back to the States on energy policy, including what investment should be made to assess renewable energy sources and how such investment should be funded.

STATUTORY INSTRUMENTS LAID BEFORE THE STATES

**THE MILK (RETAIL PRICES) (GUERNSEY) (REVOCATION) ORDER, 2005
and THE MILK (RETAIL PRICES) (GUERNSEY) (REVOCATION)
(NO.2) ORDER, 2005**

In pursuance of Section 8 (4) of the Milk (Control) (Guernsey) Ordinance, 1958, as amended, The Milk (Retail Prices) (Guernsey) (Revocation) Order, 2005, made by the Commerce and Employment Department on 20th September, 2005, and The Milk (Retail Prices) (Guernsey) (Revocation) (No.2) Order, 2005 made by the Commerce and Employment Department on 18th October, 2005, are laid before the States.

EXPLANATORY NOTE

The effect of The Milk (Retail Prices) (Guernsey) (Revocation) Order, 2005 would have been to abolish the fixed retail price of milk.

The Milk (Retail Prices) (Guernsey) (Revocation) (No.2) Order, 2005 revoked The Milk (Retail Prices) (Guernsey) (Revocation) Order, 2005 before it came into force.

The effect of this is that the Milk (Retail Prices) (Guernsey) Order, 2004 remains in force and the retail prices specified in it remain in effect.

**THE SOCIAL INSURANCE (CONTRIBUTIONS) (AMENDMENT)
REGULATIONS, 2005**

In pursuance of Section 117 of the Social Insurance (Guernsey) Laws 1978–2004, The Social Insurance (Contributions) (Amendment) Regulations, 2005, made by the Social Security Department on 6th October 2005, are laid before the States.

EXPLANATORY NOTE

In amending the references to the year in which earnings or income arose to reflect changes to the operation of the Income Tax Law, the opportunity has been taken to restructure Regulation 10 in the interests of clarity and to emphasise the Department's duty to consider also the wider interests of all contributors in special cases and where avoidance is suspected. There is also one consequential amendment and a number of references to repealed regulations have been corrected.

**THE SOCIAL INSURANCE (BENEFITS) (TRANSITIONAL) (AMENDMENT)
REGULATIONS, 2005**

In pursuance of Section 117 of the Social Insurance (Guernsey) Laws 1978–2004, The Social Insurance (Benefits) (Transitional) (Amendment) Regulations, 2005, made by the Social Security Department on 6th October 2005, are laid before the States.

EXPLANATORY NOTE

These Regulations are made to avoid doubt about the interpretation of the transitional provisions made to ensure the continuity of benefit to widows in receipt of a widow's pension at the date of the commencement of the reforms to the Social Insurance Law.

Briefly, it provides that a widow whose benefit had ceased or ceases at some future date because of cohabitation is placed in the same position as one who had re-married, and will not again be entitled to receive that benefit.

**THE HEALTH SERVICE (BENEFIT) (LIMITED LIST) (PHARMACEUTICAL
BENEFIT) (AMENDMENT) (NO. 3) REGULATIONS, 2005**

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, 2005, made by the Social Security Department on 12th October 2005, are laid before the States.

EXPLANATORY NOTE

These Regulations add to and remove from 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 HEALTH SERVICE (MEDICAL APPLIANCES) (AMENDMENT) (NO. 3)
REGULATIONS, 2005**

In pursuance of Section 35 of The Health Service (Benefit) (Guernsey) Law, 1990, The Health Service (Medical Appliances) (Amendment) (No. 3) Regulations, 2005, made by the Social Security Department on 12th October 2005, are laid before the States.

EXPLANATORY NOTE

These Regulations further amend the Health Service (Medical Appliances) Regulations, 1990, as amended, by increasing the charges payable to authorised appliance suppliers in Guernsey and Alderney by persons supplied with Part I, II or III medical appliances who are not exempt from such charges.

**THE DRIVING LICENCES (GUERNSEY) THEORY TEST
REGULATIONS 2005**

In pursuance of section 4A (6)(c) of the Driving Licences (Guernsey) Ordinance, 1995, as amended, The Driving Licences (Guernsey) Theory Test Regulations 2005, made by the Environment Department on 31st August, 2005, are laid before the States.

EXPLANATORY NOTE

The regulations replace the Driving Licences (Guernsey) Theory Test Regulations, 2003 and prescribe the procedures and formalities for completing a theory test under the Driving Licences (Guernsey) Ordinance, 1995, as amended.

CULTURE AND LEISURE DEPARTMENT**2004 REPORT ON THE CHANNEL ISLANDS LOTTERY**

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

3rd October 2005

Dear Sir

As Members of the States will be aware, responsibility for the Channel Islands Lottery now rests with the Culture and Leisure Department. The Department has noted that there is a requirement within the provisions of Section 2(5) of the Gambling (Channel Islands Lottery) Ordinance, 1975, as amended, for an annual report on the Lottery to be presented to the States. This is usually in the form of an appendix to a Billet d'Etat. This is the first Lottery report to be presented by the Culture and Leisure Department.

For States Members' information, the Department has established a Lottery Advisory Panel. Its purpose is to maintain an interest in the Lottery by seeking to keep the draws and the prize structure attractive. The panel is chaired by a Board Member. Its membership comprises persons with an interest in the Lottery including the main Lottery Agents.

The Department is pleased to report that Lottery sales continue to grow in popularity as evidenced by an increase in sales from £917,900 in 2003 to £1,328,402 in 2004. It is worth adding that scratch cards in 2005 are showing an improvement over 2004, so 2005 promises to be a good year.

Although Beau Sejour Centre does not directly benefit from the proceeds of the Lottery, as an accounting arrangement profits derived from the Lottery are transferred to the Beau Sejour Account, and as a result of the growing fortunes of the Lottery a considerable increase in transfers is shown, from £50,000 in 2003 to £190,000 in 2004.

LOTTERY FORMAT

Throughout 2004 the Lottery was run on an instant prize scratch card basis, with the exception of Christmas which also includes a draw of winning numbers.

Two separate scratch card games are run side by side. The first being the Lucky Scratch which offers a maximum prize of £5,000. (This replaces the £2,000 prize which was phased out in 2004). The second game is called the Superscratch which offers a maximum prize of £10,000.

SALE OF TICKETS

Five main Agents are appointed to sell Lottery tickets within the Bailiwick of Guernsey, three in Guernsey, one in Alderney and one in Sark. The Agents purchase tickets from the Department who ensure that the tickets are on sale as widely as possible through a chain of sub-agents.

Total ticket sales in 2004 were as follows:-

| | <u>Bailiwick of Guernsey</u> | <u>Jersey</u> | <u>Total Sales</u> |
|----------------|------------------------------|---------------|--------------------|
| Scratch Cards | 972,902 | 1,126,000 | 2,098,902 |
| Christmas Draw | 355,500 | 469,500 | 825,000 |
| Total | 1,328,402 | 1,595,500 | 2,923,902 |

PRIZES UNCLAIMED

Prizes which are not claimed are forfeited after a given period of time. The total value of prizes unclaimed in the Bailiwick of Guernsey amounted to £48,562 in 2004. The sum of £25,725 was transferred to the Christmas Draw. (This is used to support the prize fund for the drawn prizes which included the minimum guaranteed prize of £150,000.) The balance of unclaimed prizes as at 31 December 2004 stood at £133,743.

DONATION TO THE ASSOCIATION OF GUERNSEY CHARITIES

The profits from the Christmas Bumper Draw are paid to the Association of Guernsey Charities for distribution to charitable groups. Whilst the amount paid to the Association was £81,854 the actual profit was £81,803. The discrepancy arose through the late presentation of accounts. As a comparison, £78,631 was paid in 2003.

With the Department's agreement the Association of Guernsey Charities has distributed the funds as detailed in the appendix to this report.

ACCOUNTS

The accounts for the Channel Islands Lottery (Guernsey) Fund for 2004 are attached, these reveal that:

The promotion of the Lottery in the Bailiwick of Guernsey produced a surplus of £277,294, which was shared within the Bailiwick in proportion to the number of tickets sold in each Island as follows:-

| | |
|---------------------|----------|
| Chief Pleas of Sark | £1,087 |
| States of Alderney | £4,078 |
| States of Guernsey | £272,129 |

Finally, the Department would like to thank all those involved for helping to maintain and improve the performance of the Lottery in 2004.

Yours faithfully

P R Sirett
Minister

APPENDIX

ASSOCIATION OF GUERNSEY CHARITIES – PROPOSED LOTTERY ALLOCATION 2004

| CHARITY | PURPOSE | ALLOCATION £ |
|---------------------------------------|--|-----------------|
| Citizens Advice Bureau | Training, broadband, software, part salary | 5,750 |
| Guernsey Mencap | Salary of part-time Befrienders scheme worker | 6,000 |
| Guernsey Welfare Service Limited | Vouchers for the needy, office rent | 6,000 |
| Relate Guernsey Limited | To fund an awareness campaign | 1,268 |
| Guernsey Cheshire Home | Towards heating and fuel costs | 13,000 |
| National Childbirth Trust | Training 2 ante-natal teachers, expand support | 3,000 |
| Sarnia Housing Association Limited | Structural repairs necessitated by dry rot | 10,000 |
| Guernsey Sea Cadets | Purchase of musical instruments | 500 |
| The Guernsey Sailing Trust | Liferaft and lifejackets for new boat | 1,000 |
| Maison St Pierre | Staff salaries | 9,000 |
| Styx Playground | To tarmac a path to car park | 836 |
| Les Bourgs Hospice Charitable Trust | Towards running costs | 11,000 |
| Pre-School Toy Library | Towards rent and insurance (approx ½) | 500 |
| Drug Concern | Rental and maintenance costs | 2,500 |
| You Can Do It Foundation | Holidays for children with special needs | 2,000 |
| Guernsey Bereavement Centre | Tutorials, rent, phone, secretary's honorarium | 3,000 |
| Alzheimer's Society | Training programme for carers | 3,000 |
| Les Naftiaux Youth & Community Centre | Refurbishment of the centre | 2,500 |
| Dads & Mums Against Drugs | Counselling/Holistic training for members | 1,000 |
| Total | | 81,854 |

CHANNEL ISLANDS LOTTERY (GUERNSEY) FUND

| | 2004 £ | 2003 £ |
|---|------------------|------------------|
| <u>FORFEITED PRIZES ACCOUNT</u> | | |
| Balance at 1 January | 110,906 | 69,967 |
| Share of forfeited prizes | 48,562 | 87,812 |
| Transfer to Operating Account | <u>(25,725)</u> | <u>(46,873)</u> |
| Balance at 31 December | <u>133,743</u> | <u>110,906</u> |
| <u>OPERATING ACCOUNT</u> | | |
| Forfeited prizes | 25,725 | 46,873 |
| Sale of tickets | <u>1,328,402</u> | <u>917,900</u> |
| | 1,354,127 | 964,773 |
| Agents' commission | (129,227) | (122,961) |
| Contribution to prize fund including forfeited prizes | (810,603) | (591,539) |
| Printing and stationery | (88,221) | (66,387) |
| Promotion | (14,496) | (20,117) |
| Staff costs | (14,211) | (20,655) |
| States of Jersey administration charges | (20,063) | (13,768) |
| Other expenses | <u>(12)</u> | <u>(2,661)</u> |
| Surplus | 277,294 | 126,685 |
| Chief Pleas of Sark | (1,087) | (856) |
| States of Alderney – share of surplus | (4,078) | (1,573) |
| States of Guernsey – share of surplus transferred to Appropriation Account | <u>(272,129)</u> | <u>(124,256)</u> |
| | <u>£ -</u> | <u>£ -</u> |
| <u>APPROPRIATION ACCOUNT</u> | | |
| Balance at 1 January | 4,940 | 9,315 |
| Share of surplus transferred from Operating Account | <u>272,129</u> | <u>124,256</u> |
| | 277,069 | 133,571 |
| Donation to Association of Guernsey Charities | (81,803) | (78,631) |
| Transfers to Beau Sejour Centre | <u>(190,000)</u> | <u>(50,000)</u> |
| Balance at 31 December | 5,266 | £4,940 |

Notes:

- a) The balance on the Appropriation Account is payable ultimately to the Beau Sejour Centre under States Resolutions I of 27 September 1972 and XXII of 26 February 1998.
- b) In accordance with the States Resolution of 23 February 1995 (Billet D'État V, February 1995), with effect from 2000 any forfeited prize money from expired Draws which remains unused in the current year will be retained for use as a contingency to support the prize funds in future Draws.

PUBLIC SECTOR REMUNERATION COMMITTEE**STATES OF GUERNSEY PUBLIC SERVANTS' PENSION SCHEME:
2006 PENSIONS INCREASE**

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

20th October 2005

Dear Sir

In accordance with the States of Guernsey (Public Servants) (Pensions and other Benefits) (Amendment No. 2) Rules, 1997, approved by the States on the 29th October, 1997 (Article X of Billet d'Etat No. XIX of 1997), I would advise you that the Public Sector Remuneration Committee, after consultation within the Pensions Consultative Committee, has resolved that pensions in payment and preserved pensions and other benefits not yet in payment be increased with effect from 1 January 2006 as follows:

- | | |
|--|--|
| (a) awarded prior to 1 January 2005 | by 4.6% |
| (b) awarded in the period from 1 January 2005 to 31 December 2005 | by 1/365th of 4.6% for each day of entitlement |

(i.e. in line with the change in the Retail Price Index for the twelve months ending on 30 June 2005).

In accordance with the above mentioned Rules, I should be grateful if you would arrange for this letter to be published as an Appendix to a Billet d'Etat.

Yours faithfully

J P Le Tocq
Chairman

GUERNSEY RETAIL PRICES INDEX

3.8% annual change as at 30 September 2005

At the end of September, Guernsey's annual rate of inflation, as measured by changes in the Retail Prices Index, was 3.8%, a decrease from 4.6% at the end of the previous quarter.

RPI X, the rate of inflation that excludes mortgage interest payments stands at 3.6%

Table 1

| Period | % | Period | % |
|-----------|-----|---------|------|
| 3 Months | 0.3 | 2 Years | 9.2 |
| 6 Months | 1.1 | 3 Years | 12.8 |
| 9 Months | 3.1 | 4 Years | 17.2 |
| 12 Months | 3.8 | 5 Years | 20.2 |

The Index Figures at the end of September 2005 were:

124.2 (Dec 99=100)

147.5 (Mar 1994 =100)

199.2 (Dec 1988 =100)

266.3 (Dec 1983 =100)

422.8 (Dec 1978 =100)

**Wednesday
19 October 2005**

Issued by:
Policy and Research Unit
Sir Charles Frossard House
PO Box 43
La Charroterie
St Peter Port
Guernsey
GY1 1FH

Matters affecting the RPI during the last 12 months

The major contributing groups to the September 2005 figure include Housing (1.1%), Fuel Light and Power (0.7%), Motoring (0.4%) and Fares and Other Travel (0.4%).

The Housing group was again the largest contributor at 1.1% out of 3.8%. However, the impact of the Housing group has decreased since the previous quarter (2.3% in June 2005). The impact of the cost of servicing a mortgage has lessened as interest rates decreased in the third quarter of 2005. Elsewhere within the Housing Group, there were increases in occupiers rates and water rates.

The impact of a global increase in the price of oil is reflected in both the Fuel, Light and Power group, which contributes 0.7% to the overall figure and the Motoring group, which contributes 0.4%. The Fuel, Light and Power group includes the cost of heating oil and the Motoring group includes the price of petrol and diesel.

Other increases were observed in the Alcohol group (0.3%), Household Goods such as repair costs, stationary etc (0.2%) and Leisure Services, such as TV licences, educational fees etc (0.2%).

There was a decrease in Leisure Goods (TV's, games consoles etc) by 0.2%.

Matters affecting the RPI during the last three months

The main contributors to inflation over the last three months include oil prices and petrol.

RPI enquiries -
Tel: 01481 717012
Fax: 01481 717157
Internet: www.gov.gg
policy.research@gov.gg

Annual % Changes for each quarter

Table 2

| | March | June | September | December |
|------|-------|------|-----------|----------|
| 1992 | 4.6 | 4.1 | 3.6 | 3.2 |
| 1993 | 2.3 | 1.5 | 1.8 | 1.4 |
| 1994 | 2.9 | 2.3 | 2.0 | 2.4 |
| 1995 | 3.0 | 3.5 | 4.0 | 3.6 |
| 1996 | 2.5 | 2.1 | 2.0 | 2.8 |
| 1997 | 3.1 | 4.0 | 4.4 | 4.7 |
| 1998 | 4.1 | 4.0 | 4.0 | 3.2 |
| 1999 | 2.1 | 2.2 | 1.8 | 2.4 |
| 2000 | 3.8 | 4.4 | 4.5 | 3.9 |
| 2001 | 3.3 | 2.3 | 2.6 | 1.9 |
| 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 | |

GUERNSEY RETAIL PRICES INDEX - SEPTEMBER 2005

PERCENTAGE CHANGES IN GROUP INFLATION AND THEIR CONTRIBUTION TO OVERALL INFLATION

Table 3 **GUERNSEY INFLATION RATE (+3.8%)**

| | Weight | Quarterly %Change | Annual %Change | % Contribution |
|-----------------------|--------|-------------------|----------------|----------------|
| Food | 127 | -0.9 | 0.4 | 0.1 |
| Alcoholic Drink | 52 | 0.0 | 4.7 | 0.3 |
| Tobacco | 19 | 0.0 | 6.7 | 0.1 |
| Housing | 216 | -0.4 | 4.7 | 1.1 |
| Fuel, Light and Power | 41 | 4.3 | 14.4 | 0.7 |
| Household Goods | 79 | 0.9 | 2.5 | 0.2 |
| Household Services | 33 | 0.1 | 2.6 | 0.1 |
| Clothing & Footwear | 56 | -1.0 | 1.0 | 0.1 |
| Personal Goods | 49 | 0.1 | 2.3 | 0.1 |
| Motoring Expenditure | 85 | 2.2 | 4.3 | 0.4 |
| Fares/Other Travel | 33 | -0.4 | 11.5 | 0.4 |
| Leisure Goods | 63 | -0.4 | -2.8 | - 0.2 |
| Leisure Services | 92 | 0.8 | 2.4 | 0.2 |
| Food Away from Home | 55 | 2.5 | 3.9 | 0.2 |
| Overall | 1000 | | | |
| All Items | | | | 3.8 |

Weight is the proportion of the total index represented by each group. **Contribution** shows the effect of price changes in relation to the relative weight of the groups.

Retail Prices Index (RPI)

The RPI is a measure of inflation in Guernsey. It can be defined as "an average measure of change in the prices of goods and services bought for the purpose of consumption by the vast majority of households" (RPI Technical Manual, Office for National Statistics, 1998).

Goods and services that consumers purchase have a price, and these will vary over time. The RPI is designed to measure such changes. Imagine a very large shopping basket (over 2100 items) comprising all the different kinds of goods and services bought by a typical household. As the prices of individual items in this basket vary, the total cost of the basket will vary - the RPI is a measure of the change from quarter to quarter in this total cost.

No two households spend their money in exactly the same way and this basket of goods is compiled using spending pattern data from the Household Expenditure Survey. This is carried out every five years, hence the RPI index base is reset to 100 e.g. Dec 1999 = 100, Mar 1994 = 100 etc. The RPI while not applying precisely to any one household or person, will be close to the experience of inflation for the great majority of households.

GUERNSEY RETAIL PRICES INDEX - SEPTEMBER 2005

Figure 1

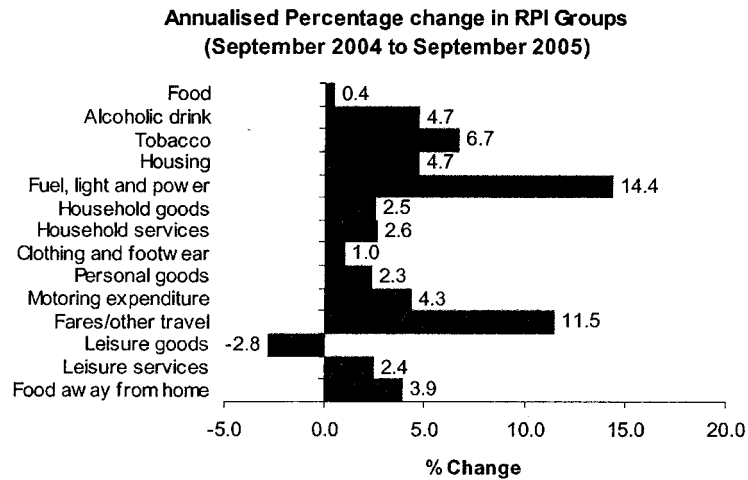


Figure 2

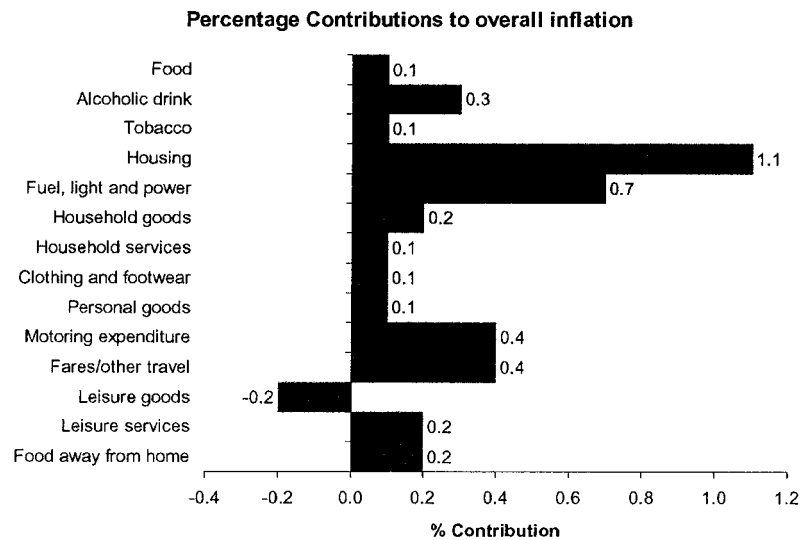
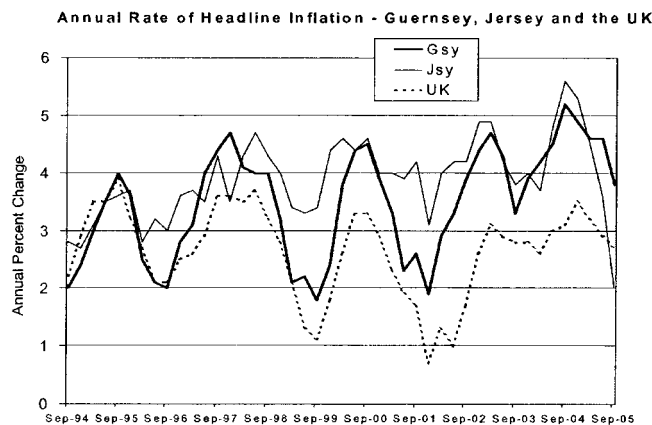


Figure 3



GUERNSEY RETAIL PRICES INDEX - SEPTEMBER 2005

RPI comparison with Jersey and the UK

Guernsey and Jersey tend to run at a higher rate than the UK. The chart on page 3 (Figure 3) shows that inflation in Guernsey followed the general trends of the UK inflation rate, albeit at a higher level. Guernsey and Jersey's inflation rates have been at similar levels over this period.

Table 4

| | | Annual Movements | | | | | | Quarterly Movements | | |
|------|------|------------------|-------|----------|-------|----------|-------|---------------------|------|--------|
| | | Guernsey | | UK | | Jersey | | Guernsey | UK | Jersey |
| | | Headline | RPI X | Headline | RPI X | Headline | RPI X | Headline RPI | | |
| 1998 | Mar | 4.1 | 2.3 | 3.5 | 2.6 | 4.3 | 3.8 | 0.9 | 0.5 | 1.7 |
| | June | 4.0 | 2.3 | 3.7 | 2.8 | 4.7 | 4.1 | 0.9 | 1.6 | 1.2 |
| | Sept | 4.0 | 2.6 | 3.2 | 2.5 | 4.3 | 3.9 | 1.0 | 1.0 | 0.9 |
| | Dec | 3.2 | 2.2 | 2.8 | 2.6 | 4.0 | 3.9 | 0.4 | 0.0 | 0.2 |
| 1999 | Mar | 2.1 | 2.6 | 2.1 | 2.7 | 3.4 | 3.6 | -0.2 | -0.2 | 1.1 |
| | June | 2.2 | 3.1 | 1.3 | 2.2 | 3.3 | 3.6 | 1.0 | 0.9 | 1.1 |
| | Sept | 1.8 | 3.0 | 1.1 | 2.1 | 3.4 | 3.6 | 0.4 | 0.5 | 0.9 |
| | Dec | 2.4 | 2.8 | 1.8 | 2.2 | 4.4 | 4.3 | 1.1 | 0.7 | 1.1 |
| 2000 | Mar | 3.8 | 3.1 | 2.6 | 2.0 | 4.6 | 4.3 | 1.2 | 0.3 | 1.3 |
| | June | 4.4 | 3.6 | 3.3 | 2.2 | 4.4 | 4.0 | 1.6 | 1.6 | 1.0 |
| | Sept | 4.5 | 3.5 | 3.3 | 2.2 | 4.6 | 4.2 | 0.7 | 0.4 | 1.1 |
| | Dec | 3.9 | 3.8 | 2.9 | 2.0 | 4.0 | 3.4 | 0.5 | 0.3 | 0.5 |
| 2001 | Mar | 3.3 | 2.9 | 2.3 | 1.9 | 4.0 | 3.6 | 0.6 | 0.0 | 1.4 |
| | June | 2.3 | 2.7 | 1.9 | 2.4 | 3.9 | 3.8 | 0.8 | 1.3 | 0.9 |
| | Sept | 2.6 | 3.1 | 1.7 | 2.3 | 4.2 | 4.2 | 0.8 | 0.1 | 1.3 |
| | Dec | 1.9 | 2.9 | 0.7 | 1.9 | 3.1 | 3.6 | -0.1 | -0.7 | -0.6 |
| 2002 | Mar | 2.9 | 3.8 | 1.3 | 2.3 | 4.0 | 4.4 | 1.6 | 0.6 | 2.3 |
| | June | 3.3 | 3.6 | 1.0 | 1.5 | 4.2 | 4.4 | 1.0 | 1.0 | 1.1 |
| | Sept | 3.9 | 3.8 | 1.7 | 2.1 | 4.2 | 4.2 | 1.4 | 0.8 | 1.3 |
| | Dec | 4.4 | 3.8 | 2.9 | 2.7 | 4.9 | 4.5 | 0.4 | 0.5 | 0.1 |
| 2003 | Mar | 4.7 | 4.3 | 3.1 | 3.0 | 4.9 | 4.8 | 1.9 | 0.8 | 2.4 |
| | June | 4.3 | 3.8 | 2.9 | 2.8 | 4.2 | 4.6 | 0.6 | 0.8 | 0.4 |
| | Sept | 3.3 | 3.1 | 2.8 | 2.8 | 3.8 | 4.4 | 0.4 | 0.7 | 0.9 |
| | Dec | 3.9 | 3.4 | 2.8 | 2.6 | 4.0 | 4.0 | 1.0 | 0.5 | 0.3 |
| 2004 | Mar | 4.2 | 3.2 | 2.6 | 2.1 | 3.7 | 3.5 | 2.2 | 0.6 | 2.1 |
| | June | 4.5 | 3.1 | 3.0 | 2.3 | 4.8 | 3.4 | 0.9 | 1.2 | 1.5 |
| | Sept | 5.2 | 2.9 | 3.1 | 1.9 | 5.6 | 3.3 | 1.1 | 0.8 | 1.7 |
| | Dec | 4.9 | 2.9 | 3.5 | 2.5 | 5.3 | 3.4 | 0.7 | 1.0 | 0.0 |
| 2005 | Mar | 4.6 | 3.2 | 3.2 | 2.4 | 4.5 | 2.7 | 1.9 | 0.2 | 1.3 |
| | June | 4.6 | 3.3 | 2.9 | 2.2 | 3.6 | 2.5 | 0.9 | 0.9 | 0.6 |
| | Sept | 3.8 | 3.6 | 2.7 | 2.5 | 2.0 | 1.9 | 0.3 | 0.6 | 0.1 |

RPI X

A single measure of inflation may not meet all user's needs. Following the Office for National Statistics' Review of the Island's RPI, one recommendation was for the Policy and Research Unit to publish the RPI X. RPI X literally means RPI **eXcluding mortgage interest payments**; the RPI is calculated again after this item has been removed.

Team:

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Email: gareth.jones@gov.gg

Becky Kendall, Research and Information Analyst Tel 01481 717240

Email: rebecca.kendall@gov.gg

IN THE STATES OF THE ISLAND OF GUERNSEY

ON THE 30th DAY OF NOVEMBER 2005

The States resolved as follows concerning Billet d'État No XX
dated 11th November, 2005

PROJET DE LOI

entitled

**THE TAXATION OF REAL PROPERTY (ENABLING PROVISIONS)
(GUERNSEY AND ALDERNEY) LAW, 2005**

I.- To approve the Projet de Loi entitled ""The Taxation of Real Property (Enabling Provisions) (Guernsey and Alderney) Law, 2005", 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 INCOME TAX (SURCHARGES AND SUPPLEMENTS)
(GUERNSEY) (AMENDMENT) LAW, 2005**

II.-

1. To approve the Projet de Loi entitled "The Income Tax (Surcharges and Supplements) (Guernsey) (Amendment) Law, 2005", and to authorise the Bailiff to present a most humble petition to Her Majesty in Council praying for her Royal Sanction thereto.
2. Considering it expedient in the public interest so to do, to declare, pursuant to section 1 of the Taxes and Duties (Provisional Effect) (Guernsey) Law, 1992, that the said Projet de Loi shall have effect from the 1st January, 2006, as if it were a Law sanctioned by Her Majesty in Council and registered on the records of the Island of Guernsey.

**THE UNREGISTERED DESIGN RIGHTS
(BAILIWICK OF GUERNSEY) ORDINANCE, 2005**

III.- To approve the draft Ordinance entitled “ The Unregistered Design Rights (Bailiwick of Guernsey) Ordinance, 2005” and to direct that the same shall have effect as an Ordinance of the States.

**THE INTELLECTUAL PROPERTY (OFFICE OF REGISTRAR)
(BAILIWICK OF GUERNSEY) ORDINANCE, 2005**

IV.- To approve the draft Ordinance entitled “The Intellectual Property (Office of Registrar) (Bailiwick of Guernsey) Ordinance, 2005” and to direct that the same shall have effect as an Ordinance of the States.

**THE EMPLOYMENT AND DISCRIMINATION TRIBUNAL
(GUERNSEY) ORDINANCE, 2005**

V.- To approve the draft Ordinance entitled “The Employment and Discrimination Tribunal (Guernsey) Ordinance, 2005” and to direct that the same shall have effect as an Ordinance of the States.

**THE SEX DISCRIMINATION (EMPLOYMENT)
(GUERNSEY) ORDINANCE, 2005**

VI.- To approve the draft Ordinance entitled “The Sex Discrimination (Employment) (Guernsey) Ordinance, 2005” and to direct that the same shall have effect as an Ordinance of the States.

POLICY COUNCIL

**EUROPEAN CONVENTION FOR THE PROTECTION OF
HUMAN RIGHTS AND FUNDAMENTAL FREEDOMS**

VII.- After consideration of the Report dated 17th October, 2005, of the Policy Council:-

That Her Majesty’s Government be requested to make a further declaration under the European Convention for Human Rights and Fundamental Freedoms making the right of individual petition permanent and mandatory with effect from 14th January, 2006, in the Bailiwick of Guernsey.

TREASURY AND RESOURCES DEPARTMENT

SUPERANNUATION FUND: REVIEW AND ACTUARIAL REPORT

The States are asked to decide:-

VIII.- After consideration of the Report dated 30th September, 2005, of the Treasury and Resources Department:-

1. To note the Actuarial Valuation for the States of Guernsey Superannuation Fund as at 31 December 2004.
2. To agree that, except for Guernsey Electricity Limited and Guernsey Post Limited, the employer and additional employer contribution rates in respect of the States of Guernsey Superannuation Fund shall remain at the present levels.

3. To agree that the employer contribution rates for Guernsey Post Limited be increased from 9.0% to 14.0% with effect from 1 January 2006 and for Guernsey Electricity Limited be increased from 8.35% to 16.3% with effect from 1 April 2006.
4. To direct the Public Sector Remuneration Committee and the Treasury and Resources Department to review the present arrangements for providing pensions for public sector employees and to report back jointly to the States with their proposals, by no later than September 2006.

COMMERCE AND EMPLOYMENT DEPARTMENT

APPOINTMENT OF THE INDUSTRIAL DISPUTES OFFICER AND THE DEPUTY INDUSTRIAL DISPUTES OFFICER

IX.- After consideration of the report dated 20th September, 2005, of the Commerce and Employment department:-

1. To note the intention of the Commerce and Employment Department to report back to the States during 2006 following a review of the Industrial Disputes and Conditions of Employment (Guernsey) Law 1993.
2. To appoint Mr Richard Stanton Taylor (the current Industrial Disputes Officer) for a period of two years with effect from 1st January 2006 and ending 31st December 2007.
3. To approve the appointment of Mr Michael Allen Fooks as Deputy Industrial Disputes Officer for the same period.

COMMERCE AND EMPLOYMENT DEPARTMENT

DIRECTOR GENERAL – OFFICE OF UTILITY REGULATION

X.- After consideration of the Report dated 26th September, 2005, of the Commerce and Employment Department:-

To appoint Mr John Curran as Director General of Utility Regulation in accordance with the provisions of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001 for a period of one year commencing 1st February 2006.

HEALTH AND SOCIAL SERVICES DEPARTMENT

MEDIATION AND CONCILIATION IN PRIVATE LAW FAMILY DISPUTE

XI.- After consideration of the Report dated 30th September, 2005, of the Health and Social Services Department:-

1. To support the proposal that mediation and conciliation services be provided by the new Safeguarder Service.
2. To request the Royal Court to consider the introduction of such Court Rules as may be necessary to implement the proposed mediation and conciliation services.

HOME DEPARTMENT

COMMUNITY SERVICE A NEW SENTENCING OPTION FOR THE CRIMINAL COURTS

The States are asked to decide:

XII.- After consideration of the Report dated 4th October, 2005, of the Home Department:-

1. To approve a three year pilot scheme to be set up through an outsourcing process under the management and supervision of the Probation Service to provide a Community Service Scheme adequate to respond to the sentencing policy and practice of the Courts and to note the Department's intention to report back to the States towards the end of 2008 on the results of the three year pilot.
2. To enact legislation to enable the courts to:
 - (a) make a Community Service order in respect of a person aged 16 or more who is found guilty of an offence punishable by imprisonment;
 - (b) designate the number of hours that a person may be required to work which should normally be not less than 40 hours and not more than 180 hours for an order made in the Magistrate's or Juvenile Courts and not more than 240 hours where the order is made in the Royal Court;
 - (c) require the hours to be worked within a specified period not exceeding 12 months of the order being made; and
 - (d) provide that proven failure to comply with an order may be dealt with by means of continuation of the order with or without a fine, or by revoking the order and dealing again with the original offence.
3. To direct the preparation of such legislation as may be necessary to give effect to their above decision.

ENVIRONMENT DEPARTMENT

INERT WASTE DISPOSAL

XIII.- After consideration of the Report dated 7th October, 2005, of the Environment Department:-

1. To confirm their previous resolutions in respect of the reclamation of Longue Hougue by placement of inert waste.
- 2 To direct the Public Services Department to continue to direct inert waste arisings to Longue Hougue

COMMERCE AND EMPLOYMENT DEPARTMENT

ELECTRICITY GENERATION INVESTMENT OPTIONS FOR GUERNSEY

XIV.- After consideration of the Report dated 17th October, 2005, of the Commerce and Employment:-

1. To confirm their commitment to the existing policy of retaining sufficient sources of electricity to meet requirements, in any circumstances where two such sources (on-Island generators or the CIEG cable link to France) were unavailable at the same time (the n-2 policy).
2. To agree that electricity pricing policies should be based on the assumption that, over the coming 25 years, generation requirements will be met by a combination of replacing on-Island generation plant and re-enforcement of the existing CIEG cable link to France via Jersey.
3. To agree that the above assumptions should be reviewed prior to any decision being taken on major expenditure on generating plant and/or re-enforcement of the existing CIEG cable link to France via Jersey.
4. To agree that the Policy Council should initiate an Energy Policy Review Group to assess energy policy in general and possible future sources of renewable energy, including tidal power and that at least two members of the Group should be sitting members (other than Ministers) of the States.
5. To agree that the Policy Council should report back to the States on energy policy, including what investment should be made to assess renewable energy sources and how such investment should be funded.

STATUTORY INSTRUMENTS LAID BEFORE THE STATES

THE MILK (RETAIL PRICES) (GUERNSEY) (REVOCATION) ORDER, 2005 and THE MILK (RETAIL PRICES) (GUERNSEY) (REVOCATION) (NO.2) ORDER, 2005

In pursuance of Section 8 (4) of the Milk (Control) (Guernsey) Ordinance, 1958, as amended, The Milk (Retail Prices) (Guernsey) (Revocation) Order, 2005, made by the Commerce and Employment Department on 20th September, 2005, and The Milk (Retail Prices) (Guernsey) (Revocation) (No.2) Order, 2005 made by the Commerce and Employment Department on 18th October, 2005 were laid before the States.

**THE SOCIAL INSURANCE (CONTRIBUTIONS) (AMENDMENT)
REGULATIONS, 2005**

In pursuance of Section 117 of the Social Insurance (Guernsey) Laws 1978-2004, The Social Insurance (Contributions) (Amendment) Regulations, 2005, made by the Social Security Department on 6th October 2005, were laid before the States.

**THE SOCIAL INSURANCE (BENEFITS) (TRANSITIONAL) (AMENDMENT)
REGULATIONS, 2005**

In pursuance of Section 117 of the Social Insurance (Guernsey) Laws 1978-2004, The Social Insurance (Benefits (Transitional) (Amendment) Regulations, 2005, made by the Social Security Department on 6th October, 2005, were laid before the States.

**THE HEALTH SERVICE (BENEFIT) (LIMITED LIST) (PHARMACEUTICAL
BENEFIT) (AMENDMENT) (NO. 3) REGULATIONS, 2005**

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, 2005, made by the Social Security Department on 12th October 2005, were laid before the States.

**THE HEALTH SERVICE (MEDICAL APPLIANCES) (AMENDMENT) (NO. 3)
REGULATIONS, 2005**

In pursuance of Section 35 of The Health Service (Benefit) (Guernsey) Law, 1990, The Health Service (Medical Appliances) (Amendment) (No. 3) Regulations, 2005, made by the Social Security Department on 12th October 2005, were laid before the States.

**THE DRIVING LICENCES (GUERNSEY) THEORY TEST
REGULATIONS, 2005**

In pursuance of section 4A (6) (c) of the Driving Licences (Guernsey) Ordinance, 1995, as amended, The Driving Licences (Guernsey) Theory Test Regulations 2005, made by the Environment Department on 31st August, 2005, were laid before the States.

**K. H. TOUGH
HER MAJESTY'S GREFFIER**