



BILLET D'ÉTAT

WEDNESDAY, 29th OCTOBER, 2014

XXI
2014

LEGISLATIVE BUSINESS

1. The Public Health (Amendment) Ordinance, 2014, p. 2363
2. The Wastewater Charges (Guernsey) Ordinance, 2014, p. 2364

ORDINANCE LAID BEFORE THE STATES

The Russian Federation (Restrictive Measures)(Guernsey) Ordinance, 2014, p. 2365

STATUTORY INSTRUMENTS LAID BEFORE THE STATES

The Income Tax (Approved International Agreements) (Implementation) (United Kingdom And United States Of America) Regulations, 2014, p. 2366

The Companies (Recognition of Auditors)(Amendment) Regulations, 2014, p. 2366

The Aviation Security (Bailiwick of Guernsey) (Amendment) Direction, 2014, p. 2367

The Air Navigation (Bailiwick of Guernsey) (Restriction of Flying) (Small Aircraft) Regulations, 2014, p. 2367

The Air Navigation (Restriction of Flying) (Bailiwick of Guernsey) Alderney Royal Aero Club Air Racing Regulations, 2014, p. 2367

ALL OTHER PARLIAMENTARY BUSINESS

3. Policy Council and Constitutional Investigation Committee – Membership of the Constitutional Investigation Committee, p. 2369
4. Treasury and Resources Department – Double Taxation Arrangement with the Principality of Liechtenstein, p. 2373
5. Social Security Department – Benefit and Contribution Rates for 2015, p. 2399
6. Environment Department – Extension of the Local Planning Brief for the Leale's Yard Mixed Use Redevelopment Area, p. 2473
7. States' Assembly & Constitution Committee - States' Meetings – Simultaneous Electronic Voting, p. 2484

BILLET D'ÉTAT

TO THE MEMBERS OF THE STATES OF THE ISLAND OF GUERNSEY

I hereby give notice that a Meeting of the States of Deliberation will be held at **THE ROYAL COURT HOUSE**, on **WEDNESDAY**, the **29th OCTOBER, 2014** at **9.30 a.m.**, to consider the items contained in this Billet d'État which have been submitted for debate.

R. J. COLLAS
Bailiff and Presiding Officer

The Royal Court House
Guernsey

19th September 2014

THE PUBLIC HEALTH (AMENDMENT) ORDINANCE, 2014

The States are asked to decide:-

I.- Whether they are of the opinion to approve the draft Ordinance entitled “The Public Health (Amendment) Ordinance, 2014”, and to direct that the same shall have effect as an Ordinance of the States.

EXPLANATORY MEMORANDUM

This Ordinance is made under the "Loi relative à la Santé Publique, 1934", the Alderney (Application of Legislation) Law, 1948 and the Reform (Guernsey) Law, 1948

Clauses 1 to 11 amend Articles VI and VII in Part 3 (Infectious and Contagious Diseases) of the Public Health Ordinance, 1936 ("**the principal Ordinance**") to –

- extend the headings and cross-headings to refer to notifiable agents, as well as notifiable diseases,
- authorise the Health and Social Services Department ("**the Department**") to declare notifiable agents (in addition to notifiable diseases) by order,
- require the States Analyst, other laboratory representatives and other persons designated by order of the Department to report notifiable diseases (this is in addition to medical practitioners who are currently obliged to make such reports),
- require medical practitioners, the States Analyst, other laboratory representatives and other persons designated by order of the Department to report notifiable agents,
- authorise the Department to prescribe the form, manner and particulars of these reports, and
- authorise the Department to prescribe by order exemptions to these notification obligations.

As soon as the Ordinance is approved by the States, the Department proposes to make an Order (intended to take effect at the same time as the Ordinance comes into force) to declare notifiable diseases and notifiable agents, prescribe the form, manner and particulars of reports and designate several health and medical professions and occupations which will be required to report notifiable diseases and notifiable agents. In addition, the proprietors of food supply premises, and managers, occupiers and other persons in charge of enclosed public places will also be required to report notifiable diseases and notifiable agents.

Clause 12 inserts a confidentiality provision in Part 5 (Emergency Powers and Miscellaneous) of the principal Ordinance.

WASTEWATER CHARGES (GUERNSEY) ORDINANCE, 2014

The States are asked to decide:-

II.- Whether they are of the opinion to approve the draft Ordinance entitled “The Wastewater Charges (Guernsey) Ordinance, 2014”, and to direct that the same shall have effect as an Ordinance of the States.

EXPLANATORY MEMORANDUM

This Ordinance, made under the Wastewater Charges (Guernsey) Law, 2009 ("**the Law**"), prescribes an additional kind of property which will be liable to wastewater charges and amends the Law.

Clause 1 makes non-domestic properties with a private water supply (e.g. borehole or rainwater) liable to the wastewater charges set out in the Law.

Clause 2, together with the Schedule, amends the Law.

Paragraphs 1 to 3 of the Schedule amend section 3 of the Law (relating to exemptions) to take into account the imposition of wastewater charges on non-domestic properties with a private water supply.

Paragraphs 4 to 10 of the Schedule amend section 5 of the Law in relation to the calculation of the variable charge (Charge C), section 18(1) of the Law (relating to definitions), and the Schedule to the Law. These amendments:

- set out 3 different ways of calculating Charge C, for the different kinds of properties,
- set out Rate 3 (£2,000 per year) as the default rate for properties with a private water supply where no private supply meter is installed,
- provide for owners of non-domestic properties with a private water supply to request the Public Services Department to install a meter to measure the volume of the private water supply (in order for the standard rate to be applied to this volume),
- require the Department to install the meter upon request, and
- allow bill-payers to agree a reduced rate with the Department in respect of non-domestic properties with a metered private water supply, where less than 85% of the water supply is discharged into the public sewerage network.

Clause 3 is the interpretation provision.

Clauses 4 to 8 set out consequential amendments and transitional provisions.

Clauses 9 and 10 are the citation and commencement provisions.

Most provisions of the Ordinance will come into force on the 1st March 2015. However paragraph 5 of the Schedule to the Ordinance (which amends section 5 of the Law to

enable owners of non-domestic properties with a private water supply to request the Public Services Department to install a meter to measure the volume of the private water supply (in order for the standard rate to be applied to this volume)) will come into force as soon as the Ordinance is approved by the States.

ORDINANCE LAID BEFORE THE STATES

**THE RUSSIAN FEDERATION (RESTRICTIVE MEASURES) GUERNSEY
ORDINANCE, 2014**

In pursuance of the provisions of the proviso to Article 66 (3) of the Reform (Guernsey) Law, 1948, as amended, The Russian Federation (Restrictive Measures) (Guernsey) Ordinance, 2014 made by the Legislation Select Committee on the 1st August, 2014, is laid before the States.

EXPLANATORY MEMORANDUM

This Ordinance is made under the European Communities (Implementation) (Bailiwick of Guernsey) Law, 1994 in view of Russia's actions in destabilising the situation in Ukraine and gives effect to EU Regulation 833/2014 of the 31st July, 2014 ("the Regulation") and EU Decision 2014/512/CFSP of 31st July, 2014 ("the Decision").

The Regulation imposes prohibitions on the purchase and sale of bonds, equities and certain other transferable securities and financial instruments issued by certain Russian institutions after 1 August 2014, the direct or indirect sale, supply, transfer, or export of dual-use goods and technology for military use in Russia (or related financing and technical assistance) and the sale, supply or export of certain types of oil exploration technologies.

The Decision imposes prohibitions on the sale, supply, import etc. of arms and related material to Russia from the EU or by EU nationals.

The Ordinance was made by the Legislation Select Committee in exercise of its powers under Article 66(3) of the Reform (Guernsey) Law, 1948, and came into force on the 1st August, 2014. Under the proviso to Article 66(3) of the Reform (Guernsey) Law, 1948, the States of Deliberation have the power to annul the Ordinance.

STATUTORY INSTRUMENTS LAID BEFORE THE STATES

The States of Deliberation have the power to annul any of the Statutory Instruments detailed below.

**THE INCOME TAX (APPROVED INTERNATIONAL AGREEMENTS)
(IMPLEMENTATION) (UNITED KINGDOM AND
UNITED STATES OF AMERICA) REGULATIONS, 2014**

In pursuance of Section 203 of the Income Tax (Guernsey) Law, 1975, as amended, The Income Tax (Approved International Agreements) (Implementation) (United Kingdom and United States of America) Regulations, 2014, made by the Treasury and Resources Department on 19th August 2014, are laid before the States.

EXPLANATORY NOTE

These Regulations implement and enable the administration and enforcement in domestic law of the approved international agreements providing for the obtaining, furnishing and exchanging of information in relation to tax made between the States of Guernsey and the Government of the United Kingdom of Great Britain and Northern Ireland, signed at London on the 22nd October, 2013 (the Agreement to Improve International Tax Compliance) and between the States of Guernsey and the Government of the United States of America, signed at London on the 13th December, 2013 (the Agreement to Improve International Tax Compliance and to Implement FATCA). These Regulations came into operation on 30th June 2014.

**THE COMPANIES (RECOGNITION OF AUDITORS)
(AMENDMENT) REGULATIONS, 2014**

In pursuance of section 537 of the Companies (Guernsey) Law, 2008, The Companies (Recognition of Auditors)(Amendment) Regulations, 2014, made by the Commerce and Employment Department on 15th July 2014, are laid before the States.

EXPLANATORY NOTE

These regulations approve rules of the Institute of Chartered Accountants in England and Wales for the purpose of the regulation of recognised auditors in the conduct of audit work under Part XVIA of the Companies (Guernsey) Law, 2008. These regulations came into force on 16th July 2014.

**THE AVIATION SECURITY (BAILIWICK OF GUERNSEY)
(AMENDMENT) DIRECTION, 2014**

In pursuance of section 178(4) of the Aviation (Bailiwick of Guernsey) Law, 2008 , (by sections 12(1), 13(1), 13A(1), 14(1A), 17(1), 24A and 38(6) of the Aviation Security Act 1982 and all other powers enabling it in that behalf), The Aviation Security (Bailiwick of Guernsey) (Amendment) Direction, 2014 made by the Commerce and Employment Department on 5th August 2014, is laid before the States.

EXPLANATORY NOTE

This Direction updates the measures to be taken to ensure aviation security to ensure that the measures are equivalent to those applied to the UK and in Europe. The directive became operational on 5th August 2014

**THE AIR NAVIGATION (BAILIWICK OF GUERNSEY) (RESTRICTION OF
FLYING) (SMALL AIRCRAFT) REGULATIONS, 2014**

In pursuance of section 151 (4) of Air Navigation (Bailiwick of Guernsey) Law, 2012, The Air Navigation (Bailiwick of Guernsey) (Restriction of Flying) (Small Aircraft) Regulations, 2014 made by the Director of Civil Aviation on 12th August 2014, are laid before the States.

EXPLANATORY NOTE

These regulations prohibit the flight of any small unmanned aircraft 400 feet above the surface or within the Air Traffic Zone around Guernsey and Alderney Airports during the hours of watch, except with the permission of the appropriate air traffic control unit, with effect from 26 August 2014. These regulations came into operation on 26th August 2014.

**THE AIR NAVIGATION (RESTRICTION OF FLYING) (BAILIWICK OF
GUERNSEY) ALDERNEY ROYAL AERO CLUB AIR RACING
REGULATIONS, 2014**

In pursuance of 151 [(4)] section of Air Navigation (Bailiwick of Guernsey) Law, 2012, The Air Navigation (Restriction of Flying) (Bailiwick of Guernsey) Alderney Royal Aero Club Air Racing Regulations, 2014 made by the Acting Director of Civil Aviation - Commerce and Employment Department on 15th July 2014, are laid before the States.

EXPLANATORY NOTE

These regulations prohibit (subject to the granting of exemptions) all flights within eight nautical miles of position:

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from 1025 until 1215 hours (UTC) and 1325 until 1515 (UTC) on Saturday 27th and Sunday 28th September 2014 respectively, by reason of air racing, race practise, and race GPS calibration. They impose other restrictions on flying and the use of Alderney Airport in order to enable the event to be undertaken safely. This regulation came into force on 1st September 2014.

POLICY COUNCIL CONSTITUTIONAL INVESTIGATION COMMITTEE

MEMBERSHIP OF THE CONSTITUTIONAL INVESTIGATION COMMITTEE

1. Introduction

- 1.1. The purpose of this report is to ask the Assembly to change the membership of the Constitutional Investigation Committee ('the CIC'). If the States agree to this change the Chief Minister, in his capacity as chairman of Policy Council and *ex-officio* Chairman of the CIC, will nominate Deputy Peter Harwood as member of the CIC, with the support of the CIC and Policy Council.
- 1.2. On 26th September 2013 the States of Deliberation resolved to ('the States Resolution'):

1... direct that at their January 2014 meeting, and in accordance with Rule 18 of the Rules relating to the Constitution and Operation of States Departments and Committees, the States shall form the Constitutional Investigation Committee as a Special States Committee, the membership of which shall be:-

- a. The Chief Minister (as chairman);*
- b. Four sitting members of the States elected by the States (one of whom the Committee shall elect as vice-chairman); and*
- c. Two non-voting persons who are not sitting members of the States, elected by the States.*

2. Selection of States Members of the Committee

- 2.1. At the States meeting held on 30 January 2014 the Assembly agreed to constitute the CIC with the following members:
 - Deputy Peter Harwood (Chief Minister and ex-officio chairman)
 - Deputy Roger Perrot
 - Deputy Lyndon Trott
 - Deputy Robert Jones
 - Deputy Heidi Soulsby
 - Dr Elina Steinerte (Non-States Member)
 - Col. Richard Graham (Non-States Member)
- 2.2. At the inaugural meeting of the Committee, held on 19 February 2014, pursuant to Rule 9(2) of the Rules relating to the Constitution and Operation of States Departments and Committees, Deputy Roger Perrot was elected as Vice-Chairman of the Committee.

3. Change of Chairmanship of the Committee

- 3.1. Deputy Harwood resigned as Chief Minister on 25 February 2014. Deputy Le Tocq on was elected as Chief Minister on 12 March 2014, giving effect to Deputy Harwood's resignation.
- 3.2. At this point Deputy Le Tocq became chairman of the CIC by virtue of being Chief Minister.
- 3.3. The first meeting of the CIC took place under Deputy Le Tocq's chairmanship on 19 March 2014. At this meeting, pursuant to Rule 9(3) of the Rules relating to the Constitution and Operation of States Departments and Committees it was agreed that Deputy Perrot should remain as Vice-Chairman. The Committee also agreed that Deputy Harwood should be asked to attend as a non-voting member until the CIC's mandate could be amended. The CIC and the Policy Council have both considered this matter and agreed to place the matter before the States. The CIC considered the matter in respect its own membership. The Policy Council considered the matter because it was the States department that recommended the formation of the CIC and because the CIC is exercising part of its mandate. The CIC and the Policy Council agreed to propose that the membership of the CIC be increased by one and that it should propose Deputy Harwood as a full voting member of that committee.
- 3.4. The Rules relating to the Constitution and Operation of States Departments and Committees provide that the chairman of the Committee holds an original vote, and does not hold a casting vote (Rule 6). This means that in the event that the voting members are equally divided in an issue the proposition will be lost. Accordingly, there is no barrier in the rules to any Committee being formed of an even number of voting members and for changing the membership of the CIC in this way.
- 3.5. In the event that the States do not agree to change the mandate of the CIC, or to elect Deputy Harwood to the CIC, then the committee will continue to co-opt Deputy Harwood in order to continue to benefit from his experience during its deliberations. It is the preference of the CIC that Deputy Harwood should be able to participate as a full member of the Committee rather than as a 'non-voting' member.

4. Funding the Review

- 4.1. To date advice and research for the CIC has been provided from expertise in St James Chambers and within the Policy Council. This continues to be the case.
- 4.2. However, given the complexity of the subject matter and the specific legal and constitutional issues that might be raised by the Policy Council, a modest bespoke budget may be required to fund this important work. Accordingly, should it be

necessary the Policy Council will return with a more detailed assessment as to the costs at that stage.

5. Governance

5.1. There are no legislative changes or financial implications as a result of this recommendation. The proposal for change meeting the principles of good governance, in particular ensuring the role of Deputy Harwood on the Committee is clearly defined.

6. Recommendations:

6.1. The States of Deliberation are asked to:

- a. agree that the membership of the Constitutional Investigation Committee shall be:-
 - The Chief Minister (as chairman);
 - Five sitting members of the States elected by the States (one of whom the Committee shall elect as vice-chairman); and
 - Two non-voting persons who are not sitting members of the States, elected by the States.
- b. elect one sitting Member of the States as a member of the Committee.
(N.B. the Chief Minister will be proposing Deputy Peter Harwood as member of the Committee.)

J P Le Tocq

Chief Minister and Chairman Constitutional Investigation Committee

30th June 2014

Policy Council

A H Langlois Deputy Chief Minister

Y Burford
M H Dorey
P L Gillson

M G O'Hara
R W Sillars
K A Stewart

P A Luxon
D B Jones
G A St Pier

Constitutional Investigation Committee

RA Perrot Vice Chairman

R A Jones
Col. R Graham LVO, MBE
Dr E Steinerte LLB, LLM, PhD

H J Soulsby

L S Trott

(N.B. Although there are no resource implications arising from the proposal to change the membership of the Constitutional Investigation Committee, the Treasury and Resources Department notes that the Policy Council has used this opportunity to advise that the Committee may require a budget to progress its work and, if necessary, it would return with a more detailed assessment as to the costs. If a budget is approved, the Treasury and Resources Department anticipates that funding would be made available from the Budget Reserve.)

The States are asked to decide:-

III.- Whether, after consideration of the Report dated 30th June, 2014, of the Policy Council and the Constitutional Investigation Committee, they are of the opinion:-

1. To agree that the membership of the Constitutional Investigation Committee shall be:-
 - The Chief Minister (as chairman);
 - Five sitting members of the States elected by the States (one of whom the Committee shall elect as vice-chairman); and
 - Two non-voting persons who are not sitting members of the States, elected by the States.
2. To elect one sitting Member of the States as a member of the Committee.

TREASURY & RESOURCES DEPARTMENT

DOUBLE TAXATION ARRANGEMENT
WITH THE PRINCIPALITY OF LIECHTENSTEIN

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

31st July 2014

Dear Sir

1. Executive Summary

This Report proposes that the States declare, by Resolution, that a Double Taxation Arrangement (“DTA”) entered into with the Principality of Liechtenstein (“Liechtenstein”) (signed by Liechtenstein on 5 June 2014, and by Guernsey on 11 June 2014) should have effect, with the consequence that the Arrangement shall also have effect in relation to income tax, notwithstanding anything contained in the Income Tax (Guernsey) Law, 1975, as amended (“the Income Tax Law”).

2. Report

- 2.1. The principal purpose of a DTA is for two governments to agree procedures for the prevention of double taxation – that is, taxation under the laws of both territories in respect of the same income.
- 2.2. Prior to 2008, Guernsey had only two DTAs – one with the United Kingdom (which came into force in 1952) and one with Jersey (which came into force in 1955). Since 2008, several DTAs, albeit restricted in nature, have been signed with other countries, such as Australia, Ireland and New Zealand. More recently, further, comprehensive, DTAs have been signed – the first with Malta, in March 2012, and during 2013 with Hong Kong, the Isle of Man, Jersey (a revision of the 1955 agreement), Luxembourg, Mauritius, Qatar and Singapore, and in 2014 with Monaco and Seychelles.
- 2.3. When Guernsey discussed with Liechtenstein negotiation of an Agreement for the exchange of tax information, Liechtenstein suggested that this be achieved through a DTA. DTAs which include an exchange of information Article to the equivalent standard of Article 26 of the OECD’s Model Tax Convention on Income and on Capital are recognised as meeting international standards on exchange of information. Whilst Article 26 permits exchanges of tax information

on request, spontaneously and automatically, paragraph 3(a) of the Protocol to the DTA with Liechtenstein currently restricts exchanges to those which are made on request.

2.4. As a consequence, on 5th and 11th June 2014, Liechtenstein and Guernsey, respectively, signed an Agreement between the States of Guernsey and the Principality of Liechtenstein for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital (“the Agreement”). A copy of the Agreement is appended to this Report.

2.5. Particular points of note, in relation to the Agreement are:

- (i) Article 10 (“Dividends”), prescribes that the general principle is that dividends are taxed in the place of residence of the recipient. This is in accordance with Guernsey’s domestic tax regime under which dividends paid to a non-resident of Guernsey do not suffer deduction of Guernsey tax.
- (ii) Article 11 (“Interest”), prescribes that the general principle is that interest is taxed in the place of residence of the recipient. This accords with Guernsey’s Income Tax Law under which interest paid to a non-resident of Guernsey does not suffer Guernsey tax.
- (iii) Article 12 (“Royalties”), prescribes that the general principle is that Royalties are taxed in the place of residence of the recipient. This accords with Guernsey’s domestic tax regime, the general principle of which is that royalties paid to a non-resident of Guernsey, do not suffer Guernsey tax.
- (iv) Under Article 17 (“Pensions”) the general principle is that pensions are taxable in the territory of residence of the pensioner. However, the Article provides that social security pensions are only taxable in the territory of source, and pensions paid from occupational pension schemes may be taxed in both territories, subject to their respective domestic laws allowing this (and any double taxation that arises as a result may be relieved in accordance with Article 22 - “Elimination of Double Taxation”). It is not considered that the pensions Article in the Agreement will have a material effect on Guernsey’s revenues.

The remainder of the Agreement broadly follows the OECD Model.

2.6. Section 172(1) of the Income Tax Law provides:

“If the States by Resolution declare that arrangements specified in the Resolution have been made with the government of any other territory with a view to affording relief from double taxation in relation to income tax and any tax of a similar character imposed by the laws of that territory, and that it is expedient that those arrangements should have effect, the arrangements shall have effect in relation to income tax notwithstanding anything in any enactment.”

3. Principles of Good Governance

In preparing this Report, the Department has been mindful of the States Resolution to adopt the six core principles of good governance defined by the UK Independent Commission on Good Governance in Public Services (Billet IV of 2011).

4. Resource Implications

- 4.1. Whilst the Agreement with Liechtenstein sets out measures for the avoidance of double taxation, as those obligations extend to both parties to the Agreement, it is not anticipated that the Agreement will give rise to any overall significant loss of, or increase to, the revenues of the States.
- 4.2. Whilst the provisions of the Agreement, relating to the prevention of fiscal evasion, do place obligations on the Parties to obtain and exchange information, the resource implications for Guernsey in complying with those obligations is not expected to be significant and can be managed within the existing resources available to the Director of Income Tax.

5. Recommendations

The Treasury & Resources Department recommends that the States should declare that the Agreement made with the Principality of Liechtenstein, as appended to this Report, has been made with a view to affording relief from double taxation, and that it is expedient that those double tax arrangements should have effect, so that the arrangements have effect in relation to income tax in accordance with section 172(1) of the Income Tax Law.

Yours faithfully

G A St Pier
Minister

J Kuttelwascher
(Deputy Minister)

A H Adam
R A Perrot
A Spruce
Mr J Hollis (Non-States Member)

**Agreement
between
the States of Guernsey
and
the Principality of Liechtenstein
for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion
with respect to Taxes on Income and on Capital**

Preamble

The States of Guernsey and the Principality of Liechtenstein, hereinafter referred to as “Contracting Parties” –

Whereas the Contracting Parties wish to develop their relationship by cooperating to their mutual benefits in the field of taxation;

Whereas the Contracting Parties wish to conclude an Agreement for the avoidance of double taxation and prevention of fiscal evasion with respect to taxes on income and on capital; and

Whereas it is acknowledged that the States of Guernsey has the right, under the terms of the Entrustment from the United Kingdom of Great Britain and Northern Ireland, to negotiate, conclude, perform and subject to the terms of this Agreement terminate a double taxation agreement with Liechtenstein –

have agreed as follows:

**Article 1
Persons covered**

This Agreement shall apply to persons who are residents of one or both of the Contracting Parties.

**Article 2
Taxes covered**

1. This Agreement shall apply to taxes on income and on capital imposed on behalf of a Contracting Party or of its political subdivisions or local authorities, irrespective of the manner in which they are levied.
2. There shall be regarded as taxes on income and on capital all taxes imposed on total income, on total capital, or on elements of income or of capital, including taxes on gains from the alienation of movable or immovable property, taxes on the total amounts of wages or salaries paid by enterprises, as well as taxes on capital appreciation.

3. The existing taxes to which the Agreement shall apply are in particular:

- a) in the Principality of Liechtenstein:
 - (i) the personal income tax (Erwerbssteuer);
 - (ii) the corporate income tax (Ertragssteuer);
 - (iii) the corporation taxes (Gesellschaftssteuern);
 - (iv) the real estate capital gains tax (Grundstücksgewinnsteuer);
 - (v) the wealth tax (Vermögenssteuer); and
 - (vi) the coupon tax (Couponsteuer);
 (hereinafter referred to as ("Liechtenstein tax"));
- b) in Guernsey:
 - (i) income tax;
 (hereinafter referred to as "Guernsey tax").

4. This Agreement shall apply also to any identical or substantially similar taxes that are imposed after the date of signature of the Agreement in addition to, or in place of, the existing taxes. The competent authorities of the Contracting Parties shall notify each other of any significant changes that have been made in their taxation laws which may affect matters covered by the Agreement.

Article 3

General definitions

1. For the purposes of this Agreement, unless the context otherwise requires:

- a) the terms "a Contracting Party" and "the other Contracting Party" mean the Principality of Liechtenstein or Guernsey as the context requires;
- b) (i) the term "Liechtenstein" means the Principality of Liechtenstein, and, when used in a geographical sense, the area in which the tax laws of the Principality of Liechtenstein apply;
- (ii) the term "Guernsey", means the States of Guernsey and, when used in a geographical sense, means Guernsey, Alderney and Herm, and the territorial sea adjacent thereto, in accordance with international law, save that any reference to the law of Guernsey is to the law of the island of Guernsey as it applies there and in the islands of Alderney and Herm;
- c) the term "business" includes the performance of professional services and of other activities of an independent character;
- d) the term "company" means any body corporate or any entity that is treated as a body corporate for tax purposes;
- e) the term "competent authority" means:
 - (i) in Liechtenstein, the Fiscal Authority;
 - (ii) in Guernsey, the Director of Income Tax or his delegate;

- f) the term “enterprise” applies to the carrying on of any business;
- g) the terms “enterprise of a Contracting Party” and “enterprise of the other Contracting Party” mean respectively an enterprise carried on by a resident of a Contracting Party and an enterprise carried on by a resident of the other Contracting Party;
- h) the term “international traffic” means any transport by a ship or aircraft operated by an enterprise that has its place of effective management in a Contracting Party, except when the ship or aircraft is operated solely between places in the other Contracting Party;
- i) the term “investment fund” means:
 - (i) in Liechtenstein, an „Organismus für gemeinsame Anlagen in Wertpapieren (OGAW)“ within the meaning of the Law on Undertakings for Collective Investment in Transferable Securities of 28 June 2011, LGBL. 2011, No. 295 (UCITSG), an “Investmentunternehmen für andere Werte oder Immobilien” within the meaning of the “Gesetz über Investmentunternehmen für andere Werte oder Immobilien” of 19 May 2005, LGBL. 2005, No. 156 (IUG), as well as any other investment fund, arrangement or entity established in either Contracting Party which the competent authorities of the Contracting Parties agree to regard as a collective investment vehicle for the purpose of this paragraph;
 - (ii) in Guernsey, any collective investment scheme or fund, in which the purchase, sale or redemption of shares or other interests is not implicitly or explicitly restricted to a limited group of investors.
- j) the term “national”, in relation to a Contracting Party, means:
 - (i) in the case of Liechtenstein, any individual possessing the nationality or citizenship of Liechtenstein, and any person other than an individual deriving its status as such from the laws in force in Liechtenstein;
 - (ii) in the case of Guernsey, any individual who has a place of abode in Guernsey and possesses British citizenship, and any legal person, partnership or association deriving its status as such from the law of Guernsey.
- k) the term “pension scheme” means:
 - (i) in Liechtenstein, any arrangement within the meaning of the “Gesetz über die betriebliche Pensionsvorsorge” of 20 October 1987, LGBL. 1988, No. 12 (BPVG) including the associated regulations;
 - (ii) in Guernsey, any pension arrangement established in Guernsey the income of which is exempted from Guernsey tax under section 40 of the Income Tax (Guernsey) Law, 1975, as amended;
- l) the term “person” includes an individual, a company, a dormant inheritance and any other body of persons.

2. As regards the application of the Agreement at any time by a Contracting Party, any term not defined therein shall, unless the context otherwise requires, have the meaning that

it has at that time under the law of that Contracting Party for the purposes of the taxes to which the Agreement applies, any meaning under the applicable tax laws of that Contracting Party prevailing over a meaning given to the term under other laws of that Contracting Party.

Article 4

Resident

1. For the purposes of this Agreement, the term “resident of a Contracting Party” means any person who, under the laws of that Party, is liable to tax therein by reason of his domicile, residence, place of management or any other criterion of a similar nature and also includes that Party and any political subdivision or local authority thereof and investment funds. This term, however, does not include any person who is liable to tax in that Party in respect only of income from sources in that Party or capital situated therein.
2. Where by reason of the provisions of paragraph 1 an individual is a resident of both Contracting Parties, then his status shall be determined as follows:
 - a) he shall be deemed to be a resident only of the Party in which he has a permanent home available to him; if he has a permanent home available to him in both Parties, he shall be deemed to be a resident only of the Party with which his personal and economic relations are closer (centre of vital interests);
 - b) if the Party in which he has his centre of vital interests cannot be determined, or if he has not a permanent home available to him in either Party, he shall be deemed to be a resident only of the Party in which he has an habitual abode;
 - c) if he has an habitual abode in both Parties or in neither of them, he shall be deemed to be a resident only of the Party of which he is a national;
 - d) if he is a national of both Parties or of neither of them, the competent authorities of the Parties shall settle the question by mutual agreement.
3. Where by reason of the provisions of paragraph 1 a person other than an individual is a resident of both Parties, then it shall be deemed to be a resident only of the Party in which its place of effective management is situated.

Article 5

Permanent establishment

1. For the purposes of this Agreement, the term “permanent establishment” means a fixed place of business through which the business of an enterprise is wholly or partly carried on.
2. The term “permanent establishment” includes especially:
 - a) a place of management;

- b) a branch;
- c) an office;
- d) a factory;
- e) a workshop; and
- f) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources.

3. A building site or construction or installation project constitutes a permanent establishment only if it lasts more than twelve months.

4. Notwithstanding the preceding provisions of this Article, the term “permanent establishment” shall be deemed not to include:

- a) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;
- b) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;
- c) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;
- d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise or of collecting information, for the enterprise;
- e) the maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any other activity of a preparatory or auxiliary character;
- f) the maintenance of a fixed place of business solely for any combination of activities mentioned in subparagraphs a) to e), provided that the overall activity of the fixed place of business resulting from this combination is of a preparatory or auxiliary character.

5. Notwithstanding the provisions of paragraphs 1 and 2, where a person – other than an agent of an independent status to whom paragraph 6 applies – is acting on behalf of an enterprise and has, and habitually exercises, in a Contracting Party an authority to conclude contracts in the name of the enterprise, that enterprise shall be deemed to have a permanent establishment in that Party in respect of any activities which that person undertakes for the enterprise, unless the activities of such person are limited to those mentioned in paragraph 4 which, if exercised through a fixed place of business, would not make this fixed place of business a permanent establishment under the provisions of that paragraph.

6. An enterprise shall not be deemed to have a permanent establishment in a Contracting Party merely because it carries on business in that Party through a broker, general commission agent or any other agent of an independent status, provided that such persons are acting in the ordinary course of their business.

7. The fact that a company which is a resident of a Contracting Party controls or is controlled by a company which is a resident of the other Contracting Party, or which carries on business in that other Party (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.

Article 6

Income from immovable property

1. Income derived by a resident of a Contracting Party from immovable property (including income from agriculture or forestry) situated in the other Contracting Party shall be taxable only in that other Party.

2. The term “immovable property” shall have the meaning which it has under the law of the Contracting Party in which the property in question is situated. The term shall in any case include property accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting landed property apply, usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources; ships, boats and aircraft shall not be regarded as immovable property.

3. The provisions of paragraph 1 shall apply to income derived from the direct use, letting, or use in any other form of immovable property.

4. The provisions of paragraphs 1 and 3 shall also apply to the income from immovable property of an enterprise.

Article 7

Business profits

1. Profits of an enterprise of a Contracting Party shall be taxable only in that Party unless the enterprise carries on business in the other Contracting Party through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the profits that are attributable to the permanent establishment in accordance with the provisions of paragraph 2 may be taxed in that other Party.

2. For the purposes of this Article and Article 22, the profits that are attributable in each Contracting Party to the permanent establishment referred to in paragraph 1 are the profits it might be expected to make, in particular in its dealings with other parts of the enterprise, if it were a separate and independent enterprise engaged in the same or similar activities under the same or similar conditions, taking into account the functions performed, assets

used and risks assumed by the enterprise through the permanent establishment and through the other parts of the enterprise.

3. Where, in accordance with paragraph 2, a Contracting Party adjusts the profits that are attributable to a permanent establishment of an enterprise of one of the Contracting Parties and taxes accordingly profits of the enterprise that have been charged to tax in the other Party, the other Party shall, to the extent necessary to eliminate double taxation on these profits, make an appropriate adjustment to the amount of the tax charged on those profits. In determining such adjustment, the competent authorities of the Contracting Parties shall if necessary consult each other.

4. Where profits include items of income which are dealt with separately in other Articles of this Agreement, then the provisions of those Articles shall not be affected by the provisions of this Article.

Article 8

Shipping and air transport

1. Profits from the operation of ships or aircraft in international traffic shall be taxable only in the Contracting Party in which the place of effective management of the enterprise is situated.

2. If the place of effective management of a shipping enterprise is aboard a ship, then it shall be deemed to be situated in the Contracting Party in which the home harbour of the ship is situated, or, if there is no such home harbour, in the Contracting Party of which the operator of the ship is a resident.

3. The provisions of paragraph 1 shall also apply to profits from the participation in a pool, a joint business or an international operating agency.

Article 9

Associated enterprises

1. Where

- a) an enterprise of a Contracting Party participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting Party; or
- b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of a Contracting Party and an enterprise of the other Contracting Party;

and in either case conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between independent enterprises, then any profits which would, but for those conditions, have

accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

2. Where a Contracting Party includes in the profits of an enterprise of that Party – and taxes accordingly – profits on which an enterprise of the other Party has been charged to tax in that other Party and the profits so included are profits which would have accrued to the enterprise of the first-mentioned Party if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other Party shall make an appropriate adjustment to the amount of the tax charged therein on those profits. In determining such adjustment, due regard shall be had to the other provisions of this Agreement and the competent authorities of the Contracting Parties shall if necessary consult each other.

Article 10

Dividends

1. Dividends paid by a company which is a resident of a Contracting Party to a resident of the other Contracting Party shall be taxable only in that other Party, provided that the beneficial owner of the dividends is a resident of that other Party.

2. The term “dividends” as used in this Article means income from shares, “jouissance” shares or “jouissance” rights, mining shares, founders’ shares or other rights, not being debt-claims, participating in profits, as well as income from other corporate rights which is subjected to the same taxation treatment as income from shares by the laws of the Party of which the company making the distribution is a resident.

3. The provisions of paragraph 1 shall not apply if the beneficial owner of the dividends, being a resident of a Contracting Party, carries on business in the other Contracting Party of which the company paying the dividends is a resident through a permanent establishment situated therein and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment. In such case the provisions of Article 7 shall apply.

4. Where a company which is a resident of a Contracting Party derives profits or income from the other Contracting Party, that other Party may not impose any tax on the dividends paid by the company, except insofar as such dividends are paid to a resident of that other Party or insofar as the holding in respect of which the dividends are paid is effectively connected with a permanent establishment situated in that other Party, nor subject the company’s undistributed profits to a tax on the company’s undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in such other Party.

Article 11

Interest

1. Interest arising in a Contracting Party and paid to a resident of the other Contracting Party shall be taxable only in that other Party, provided that the beneficial owner of the interest is a resident of that other Party.
2. The term “interest” as used in this Article means income from debt-claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor’s profits, and in particular, income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures. However, the term “interest” shall not include income referred to in Article 10. Penalty charges for late payment shall not be regarded as interest for the purpose of this Article.
3. The provisions of paragraph 1 shall not apply if the beneficial owner of the interest, being a resident of a Contracting Party, carries on business in the other Contracting Party in which the interest arises through a permanent establishment situated therein and the debt-claim in respect of which the interest is paid is effectively connected with such permanent establishment. In such case the provisions of Article 7 shall apply.
4. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the interest, having regard to the debt-claim for which it is paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting Party, due regard being had to the other provisions of this Agreement.

Article 12

Royalties

1. Royalties arising in a Contracting Party and beneficially owned by a resident of the other Contracting Party shall be taxable only in that other Party.
2. The term “royalties” as used in this Article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work including cinematograph films, any patent, trade mark, design or model, plan, secret formula or process, or for information concerning industrial, commercial or scientific experience.
3. The provisions of paragraph 1 shall not apply if the beneficial owner of the royalties, being a resident of a Contracting Party, carries on business in the other Contracting Party in which the royalties arise through a permanent establishment situated therein and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment. In such case the provisions of Article 7 shall apply.

4. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the royalties, having regard to the use, right or information for which they are paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting Party, due regard being had to the other provisions of this Agreement.

Article 13 **Capital gains**

1. Gains derived by a resident of a Contracting Party from the alienation of immovable property referred to in Article 6 and situated in the other Contracting Party shall be taxable only in that other Party.

2. Gains from the alienation of movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting Party has in the other Contracting Party, including such gains from the alienation of such a permanent establishment (alone or with the whole enterprise), may be taxed in that other Party.

3. Gains from the alienation of ships or aircraft operated in international traffic or movable property pertaining to the operation of such ships or aircraft, shall be taxable only in the Contracting Party in which the place of effective management of the enterprise is situated.

4. Gains derived by a resident of a Contracting Party from the alienation of shares deriving more than 50 per cent of their value directly or indirectly from immovable property situated in the other Contracting Party shall be taxable only in that other Party.

5. Gains from the alienation of any property, other than that referred to in paragraphs 1, 2, 3 and 4, shall be taxable only in the Contracting Party of which the alienator is a resident.

Article 14 **Income from employment**

1. Subject to the provisions of Articles 15, 17 and 18, salaries, wages and other similar remuneration derived by a resident of a Contracting Party in respect of an employment shall be taxable only in that Party unless the employment is exercised in the other Contracting Party. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other Party.

2. Notwithstanding the provisions of paragraph 1, remuneration derived by a resident of a Contracting Party in respect of an employment exercised in the other Contracting Party shall be taxable only in the first-mentioned Party if:

- a) the recipient is present in the other Party for a period or periods not exceeding in the aggregate 183 days in any twelve month period commencing or ending in the fiscal year concerned; and
 - b) the remuneration is paid by, or on behalf of, an employer who is not a resident of the other Party; and
 - c) the remuneration is not borne by a permanent establishment which the employer has in the other Party.
3. Notwithstanding the preceding provisions of this Article, remuneration derived in respect of an employment exercised aboard a ship or aircraft operated in international traffic may be taxed in the Contracting Party in which the place of effective management of the enterprise is situated.

Article 15 **Directors' fees**

Directors' fees and other similar payments derived by a resident of a Contracting Party in his capacity as a member of the board of directors or a similar board of a company, a body corporate or of a special asset dedication which is a resident of the other Contracting Party, may be taxed in that other Party.

Article 16 **Artistes and sportsmen**

1. Notwithstanding the provisions of Articles 7 and 14, income derived by a resident of a Contracting Party as an entertainer, such as a theatre, motion picture, radio or television artiste, or a musician, or as a sportsman, from his personal activities as such exercised in the other Contracting Party, may be taxed in that other Party.
2. Where income in respect of personal activities exercised by an entertainer or a sportsman in his capacity as such accrues not to the entertainer or sportsman himself but to another person, that income may, notwithstanding the provisions of Articles 7 and 14, be taxed in the Contracting Party in which the activities of the entertainer or sportsman are exercised.
3. The provisions of paragraphs 1 and 2 shall not apply to income derived from activities exercised in a Contracting Party by an artiste or a sportsman if the visit to that Party is wholly or mainly supported by public funds of one or both of the Contracting Parties or political subdivisions or local authorities or some other legal entity under public law of that Party. In such case, the income shall be taxable only in the Contracting Party in which the artiste or the sportsman is a resident.

Article 17

Pensions

1. Subject to the provisions of paragraph 2 of Article 18, pensions and other similar remuneration (including lump sum payments) paid to a resident of a Contracting Party in consideration of past employment or self-employment shall be taxable only in that Party.
2. Notwithstanding the provisions of paragraph 1, pensions and other payments made under the social security legislation of a Contracting Party shall be taxable only in that Party.
3. Notwithstanding the provisions of paragraph 1, pensions and other similar remuneration (including lump-sum payments) arising in a Contracting Party shall be taxable only in that Party, provided that such payments derive from contributions paid to, or from provisions made under, a pension scheme by the recipient or on his behalf or from contributions made by an employer to a pension scheme and to the extent that such contributions, provisions or the pensions or other similar remuneration (including lump sum payments) have been subjected to tax or have been tax deductible in that Party under the ordinary rules of its tax laws.

Article 18

Government service

1.
 - a) Salaries, wages and other similar remuneration paid by a Contracting Party, a political subdivision or a local authority thereof or some other legal entity under public law of that Party to an individual in respect of services rendered to that Party, subdivision or authority or other legal entity under public law of that Party shall be taxable only in that Party.
 - b) However, such salaries, wages and other similar remuneration shall be taxable only in the other Contracting Party if the services are rendered in that Party and the individual is a resident of that Party who:
 - (i) is a national of that Party; or
 - (ii) did not become a resident of that Party solely for the purpose of rendering the services.
2. Notwithstanding the provisions of paragraph 1, pensions and other similar remuneration (including lump sum payments) paid by, or out of funds created by, a Contracting Party or a political subdivision or a local authority thereof or some other legal entity under public law of that Party to an individual in respect of services rendered to that Party, subdivision or authority or other legal entity under public law of that Party shall be taxable only in that Party.
3. The provisions of Articles 14, 15, 16, and 17 shall apply to salaries, wages, pensions, and other similar remuneration (including lump sum payments) in respect of services rendered in connection with a business carried on by a Contracting Party, a political subdivision or a local authority thereof or some other legal entity under public law of that Party.

Article 19

Students

Payments which a student or business apprentice who is or was immediately before visiting a Contracting Party a resident of the other Contracting Party and who is present in the first-mentioned Party solely for the purpose of his education or training receives for the purpose of his maintenance, education or training shall not be taxed in that Party, provided that such payments arise from sources outside that Party.

Article 20

Other income

1. Items of income of a resident of a Contracting Party, wherever arising, not dealt with in the foregoing Articles of this Agreement shall be taxable only in that Party.
2. The provisions of paragraph 1 shall not apply to income, other than income from immovable property as defined in paragraph 2 of Article 6, if the recipient of such income, being a resident of a Contracting Party, carries on business in the other Contracting Party through a permanent establishment situated therein and the right or property in respect of which the income is paid is effectively connected with such permanent establishment. In such case the provisions of Article 7 shall apply.

Article 21

Capital

1. Capital represented by immovable property referred to in Article 6, owned by a resident of a Contracting Party and situated in the other Contracting Party, shall be taxable only in that other Party.
2. Capital represented by movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting Party has in the other Contracting Party may be taxed in that other Party.
3. Capital represented by ships and aircraft operated in international traffic and by movable property pertaining to the operation of such ships and aircraft shall be taxable only in the Contracting Party in which the place of effective management of the enterprise is situated.
4. All other elements of capital of a resident of a Contracting Party shall be taxable only in that Party.

Article 22
Elimination of double taxation

1. Subject to the provisions of the laws of Liechtenstein regarding the elimination of double taxation, which shall not affect the general principle hereof, double taxation shall be eliminated as follows:

- a) where a resident of Liechtenstein derives income or owns capital which, in accordance with the provisions of this Agreement, may be taxed in Guernsey, Liechtenstein shall, subject to the provisions of subparagraphs b) and c), exempt such income or capital from tax, but may nevertheless, in calculating the amount of tax on the remaining income or capital of such resident, take into account the exempted income or capital;
- b) where a resident of Liechtenstein derives items of income which, in accordance with the provisions of Articles 14, 15, and 16, may be taxed in Guernsey, Liechtenstein shall credit against Liechtenstein tax on this income the tax paid in accordance with the law of Guernsey and with the provisions of this Agreement. The amount of tax to be credited shall not, however, exceed the Liechtenstein tax due on the income derived from Guernsey;
- c) income from dividends within the meaning of Article 10 paid by a company that is a resident of Guernsey to a company that is a resident of Liechtenstein and that are not deductible in determining the profits of the payer, shall not be taxed in Liechtenstein.

2. Subject to the provisions of the laws of Guernsey regarding the allowance as a credit against Guernsey tax of tax payable in a territory outside Guernsey (which shall not affect the general principle hereof):

- a) subject to the provisions of sub-paragraph c), where a resident of Guernsey derives income which, in accordance with the provisions of this Agreement, may be taxed in Liechtenstein, Guernsey shall allow as a deduction from the tax payable in respect of that income, an amount equal to the income tax paid in Liechtenstein;
- b) such deduction shall not, however, exceed that part of the income tax, as computed before deduction is given, which is attributable to the income which may be taxed in Liechtenstein;
- c) where a resident of Guernsey derives income which, in accordance with the provisions of the Agreement shall be taxable only in Liechtenstein, Guernsey may include this income in calculating the amount of tax on the remaining income of such resident.

Article 23
Non-discrimination

1. Nationals of a Contracting Party shall not be subjected in the other Contracting Party to any taxation or any requirement connected therewith, which is other or more burdensome than the taxation and connected requirements to which nationals of that other Party in the same circumstances, in particular with respect to residence, are or may be subjected. This provision shall, notwithstanding the provisions of Article 1, also apply to persons who are not residents of one or both of the Contracting Parties.
2. Stateless persons who are residents of a Contracting Party shall not be subjected in either Contracting Party to any taxation or any requirement connected therewith, which is other or more burdensome than the taxation and connected requirements to which nationals of the Party concerned in the same circumstances, in particular with respect to residence, are or may be subjected.
3. The taxation on a permanent establishment which an enterprise of a Contracting Party has in the other Contracting Party shall not be less favourably levied in that other Party than the taxation levied on enterprises of that other Party carrying on the same activities. This provision shall not be construed as obliging a Contracting Party to grant to residents of the other Contracting Party any personal allowances, reliefs and reductions for taxation purposes on account of civil status or family responsibilities which it grants to its own residents.
4. Except where the provisions of paragraph 1 of Article 9, paragraph 4 of Article 11, or paragraph 4 of Article 12, apply, interest, royalties and other disbursements paid by an enterprise of a Contracting Party to a resident of the other Contracting Party shall, for the purpose of determining the taxable profits of such enterprise, be deductible under the same conditions as if they had been paid to a resident of the first-mentioned Party. Similarly, any debts of an enterprise of a Contracting Party to a resident of the other Contracting Party shall, for the purpose of determining the taxable capital of such enterprise, be deductible under the same conditions as if they had been contracted to a resident of the first-mentioned Party.
5. Enterprises of a Contracting Party, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting Party, shall not be subjected in the first-mentioned Party to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which other similar enterprises of the first-mentioned Party are or may be subjected.
6. The provisions of this Article shall, notwithstanding the provisions of Article 2, apply to taxes of every kind and description.

Article 24

Mutual agreement procedure

1. Where a person considers that the actions of one or both of the Contracting Parties result or will result for him in taxation not in accordance with the provisions of this Agreement, he may, irrespective of the remedies provided by the domestic law of those Parties, present his case to the competent authority of the Contracting Party of which he is a resident or, if his case comes under paragraph 1 of Article 23, to that of the Contracting Party of which he is a national. The case must be presented within three years from the first notification of the action resulting in taxation not in accordance with the provisions of this Agreement.

2. The competent authority shall endeavour, if the objection appears to it to be justified and if it is not itself able to arrive at a satisfactory solution, to resolve the case by mutual agreement with the competent authority of the other Contracting Party, with a view to the avoidance of taxation which is not in accordance with this Agreement. Any agreement reached shall be implemented notwithstanding any time limits in the domestic law of the Contracting Parties.

3. The competent authorities of the Contracting Parties shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of this Agreement. They may also consult together for the elimination of double taxation in cases not provided for in this Agreement.

4. The competent authorities of the Contracting Parties may communicate with each other directly, including through a joint commission consisting of themselves or their representatives, for the purpose of reaching an agreement in the sense of the preceding paragraphs.

5. Where,

- a) under paragraph 1, a person has presented a case to the competent authority of a Contracting Party on the basis that the actions of one or both of the Contracting Parties have resulted for that person in taxation not in accordance with the provisions of this Agreement; and
- b) the competent authorities are unable to reach an agreement to resolve that case pursuant to paragraph 2 within two years from the presentation of the case to the competent authority of the other Contracting Party;

any unresolved issues arising from the case shall be submitted to arbitration if the person so requests. These unresolved issues shall not, however, be submitted to arbitration if a decision on these issues has already been rendered by a court or administrative tribunal of either Party. Unless a person directly affected by the case does not accept the mutual agreement that implements the arbitration decision, that decision shall be binding on both Contracting Parties and shall be implemented notwithstanding any time limits in the domestic laws of the Parties. The competent authorities of the Contracting Parties shall by mutual agreement settle the mode of application of this paragraph.

Article 25
Exchange of information

1. The competent authorities of the Contracting Parties shall exchange such information as is foreseeably relevant for carrying out the provisions of this Agreement or to the administration or enforcement of the domestic laws concerning taxes of every kind and description imposed on behalf of the Contracting Parties, or of their political subdivisions or local authorities, insofar as the taxation thereunder is not contrary to this Agreement. The exchange of information is not restricted by Articles 1 and 2.

2. Any information received under paragraph 1 by a Contracting Party shall be treated as secret in the same manner as information obtained under the domestic laws of that Party and shall be disclosed only to persons or authorities (including courts and administrative bodies) concerned with the assessment or collection of, the enforcement or prosecution in respect of, the determination of appeals in relation to the taxes referred to in paragraph 1, or the oversight of the above. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions.

3. In no case shall the provisions of paragraphs 1 and 2 be construed so as to impose on a Contracting Party the obligation:

- a) to carry out administrative measures at variance with the laws and administrative practice of that or of the other Contracting Party;
- b) to supply information which is not obtainable under the laws or in the normal course of the administration of that or of the other Contracting Party;
- c) to supply information which would disclose any trade, business, industrial, commercial or professional secret or trade process, or information the disclosure of which would be contrary to public policy (*ordre public*).

4. If information is requested by a Contracting Party in accordance with this Article, the other Contracting Party shall use its information gathering measures to obtain the requested information, even though that other Party may not need such information for its own tax purposes. The obligation contained in the preceding sentence is subject to the limitations of paragraph 3 but in no case shall such limitations be construed to permit a Contracting Party to decline to supply information solely because it has no domestic interest in such information.

5. In no case shall the provisions of paragraph 3 be construed to permit a Contracting Party to decline to supply information solely because the information is held by a bank, other financial institution, nominee or person acting in an agency or a fiduciary capacity or because it relates to ownership interests in a person.

Article 26
Members of diplomatic missions and consular posts

Nothing in this Agreement shall affect the fiscal privileges of members of diplomatic missions or consular posts under the general rules of international law or under the provisions of special agreements.

Article 27
Protocol

The attached Protocol shall be an integral part of this Agreement.

Article 28
Entry into force

1. The Contracting Parties shall notify each other in writing, through appropriate channels, that the procedures required by its law for the entry into force of this Agreement have been satisfied. This Agreement shall enter into force on the date of receipt of the last notification.
2. This Agreement shall have effect:
 - a) in respect of taxes withheld at source, to income derived on or after 1 January of the calendar year next following the year in which this Agreement enters into force; and
 - b) in respect of other taxes on income and taxes on capital, to taxes chargeable for any taxable year beginning on or after 1 January of the calendar year next following the year in which this Agreement enters into force.

Article 29
Termination

This Agreement shall remain in force until terminated by a Contracting Party. Either Contracting Party may terminate this Agreement, through appropriate channels, by giving notice of termination at least six months before the end of any calendar year beginning after the expiration of a period of five years from the date of its entry into force. In such event, this Agreement shall cease to have effect:

- a) in respect of taxes withheld at source, to income derived on or after 1 January of the calendar year next following the year in which the notice is given; and
- b) in respect of other taxes on income and taxes on capital, to taxes chargeable for any taxable year beginning on or after 1 January of the calendar year next following the year in which the notice is given.

IN WITNESS WHEREOF the undersigned, being duly authorised thereto, have signed this Agreement.

DONE at Vaduz this 5 day of June 2014 and at St Peter Port this 11 day of June 2014, in duplicate, in the English and German languages, each text being equally authentic. In case of any divergence in interpretation, the English text shall prevail.

For the States of Guernsey



For the Government of the
Principality of Liechtenstein



Protocol

At the signing today of the Agreement between the States of Guernsey and the Principality of Liechtenstein for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital, the undersigned have agreed that the following provisions shall form an integral part of the Agreement.

1. With reference to Article 4 (Resident):

For the avoidance of doubt, it is understood that for the purposes of the Agreement;

- a) a Liechtenstein foundation (“Stiftung”) or establishment (“Anstalt”) taxable in Liechtenstein by virtue of paragraph 1 of Article 44 of the Liechtenstein Tax Act is considered as a resident of Liechtenstein;
- b) a Guernsey foundation created under the Foundations (Guernsey) Law, 2012, and taxable in Guernsey by virtue of the Income Tax (Guernsey) Law, 1975, as amended, is a resident of Guernsey;
- c) an organisation that is established and is operated exclusively for religious, charitable, scientific, cultural, or educational purposes (or for more than one of those purposes) and that is a resident of a Party according to its laws, notwithstanding that all or part of its income or gains may be exempt from tax under the domestic law of that Party, is considered as a resident of that Party.

2. With reference to Article 15 (Director’s fees) it is understood that the expression “special asset dedication” has the meaning given to it under Article 65 of the Liechtenstein Tax Act.

3. With reference to Article 25 (Exchange of information):

It is understood that for the purposes of the Agreement;

Entry into force

- a) this Article only obliges the Contracting Parties to exchange information upon request and only in respect of taxable periods beginning on or after 1 January of the calendar year next following the year in which this Agreement enters into force;

Object and scope of the agreement

- b) exchange of information according to paragraph 1 of Article 25 refers to information that is foreseeably relevant to the determination, assessment and collection of taxes covered by paragraph 1 of Article 25 with respect to persons subject to such taxes, or the investigation of tax matters or prosecution of criminal tax matters in relation to such persons;

Confidentiality

- c) all information provided and received by the competent authorities of a Contracting Party shall be kept confidential. In particular, the information exchanged:
 - (i) may not be used for any purpose other than for the purposes stated in paragraph 1 of Article 25 without the express written consent of the competent authority of the requested Contracting Party; and
 - (ii) must not be disclosed to any other territory not party to this Agreement;
- d) personal data may be transmitted to the extent necessary for the exchange of information according to Article 25 and subject to the provisions of the law of the supplying Contracting Party;

Possibility of declining a request

- e) in addition to the circumstances described in paragraph 3 of Article 25, a request for exchange of information can be declined, if:
 - (i) the information is requested by the applicant Contracting Party to administer or enforce a provision of the tax law of the applicant Party, or any requirement connected therewith, which discriminates against a national of the requested Contracting Party as compared with a national of the applicant Contracting Party in the same circumstances;
 - (ii) the applicant Contracting Party has not pursued all means available in its own territory to obtain the information, except where recourse to such means would give rise to disproportionate difficulty;

Exchange of information upon request

- f) any request for information shall be formulated with the greatest detail possible and in all cases shall specify in writing:
 - (i) the identity of the person under examination or investigation; it is understood that it is not necessary to provide the name of the person in order to define its identity, if this identity can be deduced from equivalent elements;
 - (ii) the taxable period for which the information is sought;
 - (iii) the nature of the information sought and the form in which the applicant Contracting Party would prefer to receive it;
 - (iv) the tax purpose for which the information is sought;
 - (v) grounds for believing that the information requested is foreseeably relevant to the administration and enforcement of the domestic tax laws of the applicant Contracting Party with regard to the person specified in subparagraph (i);
 - (vi) grounds for believing that the information requested is held in the requested Contracting Party or is in the possession or control of or obtainable by a person within the jurisdiction of the requested Party;
 - (vii) to the extent known, the name and address of any person believed to be in possession or control of or able to obtain the requested information;
 - (viii) a statement that the request is in conformity with the law and administrative practices of the applicant Contracting Party, that if the requested information

was within the jurisdiction of the applicant Party then the competent authority of the applicant Party would be able to obtain the information under the laws or in the normal course of administrative practice of the applicant Party and that it is in conformity with this Agreement; and

- (ix) a statement that the applicant Contracting Party has pursued all means available in its own territory to obtain the information, except where that would give rise to disproportionate difficulties.

IN WITNESS WHEREOF the undersigned, being duly authorised thereto, have signed this Protocol.

DONE at Vaduz this 5 day of June 2014 and at St Peter Port this 11 day of June 2014, in duplicate, in the English and German languages, each text being equally authentic. In case of any divergence in interpretation, the English text shall prevail.

For the States of Guernsey

For the Government of the
Principality of Liechtenstein

(N.B. The Policy Council supports the proposal to ratify the Agreement made with the Principality of Liechtenstein. The Policy Council is of the view that the proposal complies with the Principles of Good Governance.)

The States are asked to decide:-

IV.- Whether, after consideration of the Report dated 31st July, 2014, of the Treasury and Resources Department, they are of the opinion to declare that the Agreement made with the Principality of Liechtenstein, as appended to that Report, has been made with a view to affording relief from double taxation, and that it is expedient that those double tax arrangements should have effect, so that the arrangements have effect in relation to income tax in accordance with section 172(1) of the Income Tax Law, 1975, as amended.

SOCIAL SECURITY DEPARTMENT

BENEFIT AND CONTRIBUTION RATES FOR 2015

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

11th August 2014

Dear Sir

Executive summary

1. The Social Security Department ('the Department') has undertaken its annual review of the social security and health benefits paid under the various schemes for which it is responsible and, with the exception of family allowance, will recommend increases in all benefit rates in line with the June 2014 RPIX figure of 2.1%.
2. The Report includes, amongst other things, an update on the income and expenditure of the Guernsey Insurance Fund for 2013; updates on the actual costs in 2013 and the expected costs in 2014 of the various benefits, grants and allowances administered by the Department; updates on the financial sustainability of the Guernsey Insurance Fund, the Health Service Fund and the Long-term Care Fund; and proposed rates of contributory and non-contributory benefits and contribution rates and limits to take effect from January 2015.

Key recommendations

3. This report contains the following key recommendations:
 - (a) the States to note, that the Department intends to propose that the percentage contribution rate for employers be increased by 0.5%, from 6.5% to 7.0% from 1 January 2016, unless in its opinion the measures approved by the States following consideration of proposals arising from the Personal Tax, Pensions and Benefits Review are adequate to secure the long-term financial sustainability of the Guernsey Insurance Fund (paragraphs 4 to 15);

- (b) the States to note, that in the event that the percentage contribution rate for employers is increased by 0.5% from 1 January 2016, the Department is also likely to propose that the grant from General Revenue to the Guernsey Insurance Fund be decreased from 15% to 14% of contribution income, from that date (paragraphs 16 to 20);
- (c) to increase the upper earnings limit for employed and self-employed people and employers and the upper income limit for non-employed people from £132,444 to £135,252, from 1 January 2015, in line with the June 2014 RPIX figure of 2.1% (paragraphs 64, 71 and 76);
- (d) to increase the lower earnings limit from £128 per week to £131 per week, from 1 January 2015 (paragraph 69);
- (e) to increase the lower income limit at which non-employed contributions become payable from £16,640 per year to £17,030 per year, from 1 January 2015 (paragraph 79);
- (f) to increase the non-employed allowance, which is subtracted from the annual income figure before liability is calculated, from £7,059 to £7,223, from 1 January 2015 (paragraph 80);
- (g) to increase the prescription charge by 10p, taking the cost of a prescription to £3.40 per item, from 1 January 2015 (paragraph 99);
- (h) to increase supplementary benefit requirement rates as set out in tables 15 and 16, from 9 January 2015 (paragraph 144);
- (i) to not increase the supplementary fuel allowance of £30.00 per week for the 26 week period commencing from the last week in October 2014, in line with the change in the cost of fuel light and power in the year to June 2014, pending a review of the appropriateness of the flat rate fuel allowance (paragraph 162);
- (j) to transfer responsibility for making the annual grant towards the running of the Guernsey Women's Refuge, from the Social Security Department to the Home Department, with effect from 1 January 2015 (paragraphs 229 to 233);
- (k) to authorise the Social Security Department to make an annual grant to the Guernsey Early Years Foundation, towards the running of Daisy Chain Pre-School, with effect from 1 January 2015 (paragraphs 234 to 240).

REPORT

PART I SOCIAL INSURANCE

Financial sustainability of Guernsey Insurance Fund

4. Last year's Uprating Report (Billet d'État XX of 2013, volume 2) included a detailed assessment of the financial sustainability of the Guernsey Insurance Fund. The position remains unchanged since then, save for the fact that the operating deficit has worsened, as set out in table 1 below:

Table 1 - Guernsey Insurance Fund operating deficit 2009 – 2013

	2009	2010	2011	2012	2013
Income from contributions	£83.67m	£88.49m	£92.32m	£94.87m	£96.47m
Income from States Grant	<u>£12.55m</u>	<u>£13.26m</u>	<u>£13.84m</u>	<u>£14.22m</u>	<u>£14.44m</u>
Total income (excluding investment income)	£96.22m	£101.75m	£106.16m	£109.09m	£110.91m
Total benefit expenditure and administration	£100.22m	£104.26m	£108.95m	£117.87m	£124.60m
Operating deficit	£-4.01m	£-2.51m	£-2.79m	£-8.78m	£-13.69m
Depreciation (mainly IT systems)	£1.15m	£1.14m	£1.16m	£1.21m	£0.86m
Total operating deficit	£-5.15m	£-3.65m	£-3.95m	£-9.99m	£-14.55m

5. It is estimated that there will be an operating deficit in 2014 in the order of £16.70m and, if the proposals set out in Part 1 of this Report are approved, there will be an operating deficit in 2015 in the order of £20.03m. Although these figures are of concern, the Department recognises that the Personal Tax, Pensions and Benefits Review (PTBR) will seek to address the long-term financial sustainability of the Fund and secure the future of pensions provision in the Island. The Social Security and Treasury and Resources Departments expect to be in a position to report the results of the PTBR to the States by the end of the year.

6. In last year's Upating Report, the Department proposed that, from 1 January 2014, the contribution rate for employers be increased by 0.5%, from 6.5% to 7.0%, as an interim measure aimed at moderating the annual deficit of the Guernsey Insurance Fund pending the development of proposals through the PTBR to secure the long-term sustainability of the Fund. That proposal was rejected by the States. An amendment placed by Deputy Laurie Queripel, proposing that the Department's proposition to increase the percentage contribution rate for employers by 0.5% be deleted and replaced with a proposition to increase the percentage contribution rate for employees by 0.5%, from 6% to 6.5%, with effect from 1 January 2014, was also rejected. These decisions resulted in the loss of additional annual contribution income of approximately £5.3m and £5.0m respectively. The Department has interpreted these decisions as meaning that the States does not wish to see contribution rates increase prior to the outcome of the PTBR.
7. The Department has consulted with the Commerce and Employment Department regarding the possibility of increasing the employers' contribution rate by 0.5% from 1 January 2015. A copy of the response received from the Deputy Minister of the Commerce and Employment Department is provided in Appendix 1 of this Report.
8. Although the Commerce and Employment Department acknowledges that measures need to be put in place to moderate the annual deficit of the income and expenditure account of the Guernsey Insurance Fund, it is of the view that it would be inappropriate to make any changes to current funding arrangements prior to the completion of the PTBR.
9. In view of the above, the Department has decided not to recommend any increase in the contribution rates for 2015. However, the Department is intending to propose that the percentage contribution rate for employers be increased by 0.5%, from 6.5% to 7.0%, from 1 January **2016**, if in its opinion the measures approved by the States following consideration of proposals arising from the PTBR do not secure the long-term financial sustainability of the Guernsey Insurance Fund. This would raise an additional £5.3m of contribution income per annum which would be wholly allocated to the Guernsey Insurance Fund. The Department is not recommending an increase in the contribution rates for employees, self-employed persons or non-employed persons.
10. The Department believes that it would be appropriate to apply this possible future 0.5% increase to the employers' contribution rate, rather than the employees' rate, in order to address an imbalance which arose in July 2009 when the Social Security Department reported to the States on the financial sustainability of the Guernsey Insurance Fund (Billet d'État XXI of 2009, volume 2). At paragraph 114 of that report, the Department explained that, in arriving at its proposed package of proposals, it had been mindful of the financial pressures being felt by individuals, in particular those on low

incomes, the pressures on employers and also the pressures on States revenues. Accordingly, the Department proposed what it considered to be the minimum measures required for sustainability of the funds.

11. Table 2 below, sets out the Department's 2009 recommendations, who/what these recommendations would impact upon and whether they were approved or rejected by the States.

Table 2 – Recommendations made by the Social Security Department in its report entitled “Financial Sustainability of the Guernsey Insurance Fund” (Article 10 of Billet d’État XXI of 2009, volume 2)

Recommendation	Impacts on...	Approved/ rejected by the States
a. That pension age should gradually be increased to 67 through increases of 2 months per year, starting in 2020.	Individuals (employed, self-employed and non-employed) who will reach the age of 65 after 2020.	Approved
b. That, over a 5 year phasing-in period, the upper earnings limit or upper income limit for employed, self-employed and non-employed people, including people over 65 years of age, be increased from £69,108 per annum (2009 terms) to £115,128 per annum (2009 terms), being the upper earnings limit applicable to employers' contributions.	Individuals (employed, self-employed and non-employed) with annual earnings over £69,108 (2009 terms).	Approved
c. That, from 1 January 2010, the percentage contribution rate for employers be increased by 0.5%.	Employers	Rejected
d. That, from 1 January 2010, an allowance of £6,177 per annum (2009 terms) be applied to income assessed for non-employed contributions.	All non-employed persons	Approved
e. That, from 1 January 2010, the contribution rate for non-employed persons over 65 be increased from 2.6% of income to 2.9% of income.	Non-employed persons over 65	Approved
f. That the grant from General Revenue to the Guernsey Insurance Fund should remain on a formula-led basis, but the current 15% of contribution receipts to that Fund be reduced from 1 January 2010 to a percentage which, with the	General Revenue	Rejected

grant to the Guernsey Health Service Fund, resulted in the same overall cost to General Revenue as in 2009.		
g. That the grant from General Revenue to the Guernsey Health Service Fund should remain on a formula-led basis, continuing at 12% of contribution receipts to that Fund.	General Revenue	Approved

12. The package of measures proposed by the Department was intended to share the burden of ‘balancing the books’ of the Guernsey Insurance Fund. But, the only measure which would have impacted on employers (i.e. the proposal to increase the employers’ contribution rate by 0.5%), was rejected by the States, while the proposals which would have impacted on individuals (i.e. gradually increasing pension age to 67 through increases of 2 months per year, starting in 2020 and increasing the Upper Earnings/Income Limits for employed, self-employed and non-employed people, including people over 65 years of age from £69,108 per annum (2009 terms) to £115,128 per annum (2009 terms)), were approved. Any proposal to increase the percentage contribution rate for employers by 0.5%, from 1 January 2016, if the measures approved by the States following consideration of proposals arising from the PTBR do not secure the long-term financial sustainability of the Guernsey Insurance Fund, would simply seek to address this imbalance.
13. The Deputy Minister of the Commerce and Employment Department notes in his consultation response (see Appendix 1) that remaining competitive with Jersey and other business jurisdictions is fundamental to the success of the economy, although he does not explicitly state that the proposed contribution rise would adversely affect Guernsey’s competitive position. The Department is of the view that the social insurance contribution is just one small part of the cost of running a business locally and a 0.5% increase in the rate of the employers’ contribution would have no significant bearing on whether or not a company decides to remain in or relocate from Guernsey, and indeed, whether a company would seek to expand if sufficient business were available.
14. Furthermore, the Deputy Minister states that the Commerce and Employment Board resolved that increasing costs to business at this time, when certain areas of the market remain under pressure and operating costs are escalating, would not be appropriate. However, the Social Security Department suspects that it will never be ‘the right time’ to increase costs to business.
15. While the Deputy Minister notes that the Commerce and Employment Board does recognise the wider strategic issue of the deficit, the Board’s comments are specifically made from a commerce and employment perspective and fail to address the issue. If the Department were to propose an increase in the employers’ contribution rate by what is a relatively small amount, and only in

the event that the measures approved by the States following consideration of proposals arising from the PTBR do not secure the long-term financial sustainability of the Guernsey Insurance Fund, the States will need to decide whether that is likely to adversely affect Guernsey's business environment and/or competitive position. The Commerce and Employment Department has provided no evidence to support these assertions.

States Grants to Contributory Funds

16. The Guernsey Insurance Fund currently receives a grant from General Revenue equal to 15% of the total amount collected in contributions. The Guernsey Health Service Fund receives a grant equal to 12% of the contributions collected for that Fund. No changes to the levels of the grants are proposed for 2015.
17. The estimated cost to General Revenue of the States grants to the two Funds in 2014 and 2015 is shown in table 3 below:

Table 3 – Estimated cost to General Revenue of the States grants – 2014 and 2015

Fund	Estimated cost of States grant - 2015	Estimated cost of States grant – 2014
Guernsey Insurance Fund	£15.05m	£14.71m
Guernsey Health Service Fund	£4.60m	£4.49m
Total	£19.65m	£19.20m

18. If the employers' contribution rate were increased by 0.5%, from 1 January 2016, the value of the grant from General Revenue would increase by £0.8m (i.e. 15% of the £5.3m extra contribution income expected to be raised per annum by increasing the employers' contribution rate by 0.5%).
19. In view of the severe constraints on General Revenue expenditure, if decisions are taken by the States that result in the employers' contribution rate increasing to 7.0%, from 1 January 2016, the Department is likely to recommend that the grant from General Revenue to the Guernsey Insurance Fund be reduced from 15% to 14% of total contributions income, from 1 January 2016. This will reduce the States grant that would otherwise be paid, by £1.0m, and will more than offset the potential increase of £0.8m caused by increasing the employers' contribution rate by 0.5%.
20. If from 1 January 2016 the employers' contribution rate is increased by 0.5% and the States grant were reduced to 14% of total contribution income, it is estimated that the net increase in income to the Guernsey Insurance Fund would be £5.1m.

Number of pensioners

21. As at 7 June 2014, the Department was paying pensions to 16,830 pensioners, 5,395 of whom were not resident in the Bailiwick. Overseas pensioners will have resided in Guernsey, Alderney, Herm or Jethou and paid social insurance contributions to Guernsey for all or part of their working lives and, therefore, are entitled to a full or partial pension, depending on their insurance records.
22. In 2013, benefit expenditure on old age pensions amounted to £100.99m and constituted approximately 84% of the total expenditure of £120.25m on social insurance benefits.

Investigating the feasibility of a second pillar pension scheme

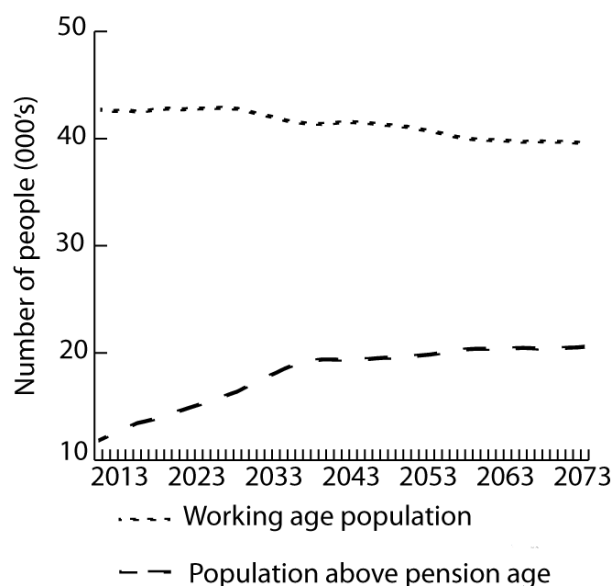
23. The Guernsey state pension was never intended to provide more than de-minimus financial support for old age, and yet a survey conducted on behalf of the Policy Council in 2012¹ revealed that only 45% of Guernsey's working age population were contributing to a private or workplace pension²; and many of those that were contributing might not be contributing enough to provide themselves with sufficient income for a comfortable retirement.
24. Male respondents (49%) were more likely than female respondents (41%) to be contributing to a private pension. The likelihood of contributing to a private pension increased with age, peaking at around 70% of the 40 to 44 year age group, before falling among older age groups. Younger residents were the least likely to be contributing to a private pension.
25. The likelihood of contributing to a private pension also varied by income level. Those earning less than £20,000 per annum were least likely to be contributing to a private pension. Individuals with higher incomes tended to be more likely to contribute to a private pension, particularly once their income was above £30,000.
26. The sector in which an individual worked also influenced the likelihood of the individual contributing to a private pension. There was a greater likelihood for an individual to be contributing to a private pension scheme if working in the finance, utilities, IT and legal sectors. Those employed in transport, construction, retail and hostelry were least likely to be contributing to a private pension.
27. For those whose personal income in retirement is not sufficient to meet their basic needs, the supplementary benefit scheme is available to provide extra support. However, this presents a major risk to public finances as the number

¹ Source: States of Guernsey Policy Council Pensions Survey undertaken by Island Analysis, February 2012.

² Island Analysis surveyed a representative sample of 1,000 Guernsey residents to determine the extent of private pension provision among Guernsey's working age population (age 15 – 64) and a quantification of contributions and benefits. Employees working in the public sector who would be members of the public sector pension schemes were not included in the survey.

of pensioners is projected to increase significantly in future years, as shown in figure 1 below:

Figure 1 – Projected population: Working age and those above pensionable age assuming net immigration of 200 people per annum, including increase in pension age to 67 by 2031³



28. The promotion of positive outcomes, such as economic and social independence and the taking of personal responsibility, were set as objectives in the 2013 Social Policy Plan. One of the guiding principles of the PTBR is that people should be encouraged to take responsibility for their own financial wellbeing in later life.
29. The provision of private pensions is outside the scope of the PTBR, but in view of the evidence from the 2012 Pensions Survey which clearly demonstrates that many of the next two generations of retirees are not making adequate financial provision for the future, and given the objectives and principles outlined above, the Social Security and Treasury and Resources Departments consider that this is a priority workstream. As a result, the Social Security Department has recently commenced a project to assess the feasibility of introducing a second pillar (or secondary) pension scheme in Guernsey.

³ Source: UK Government Actuary's Department, April 2014.

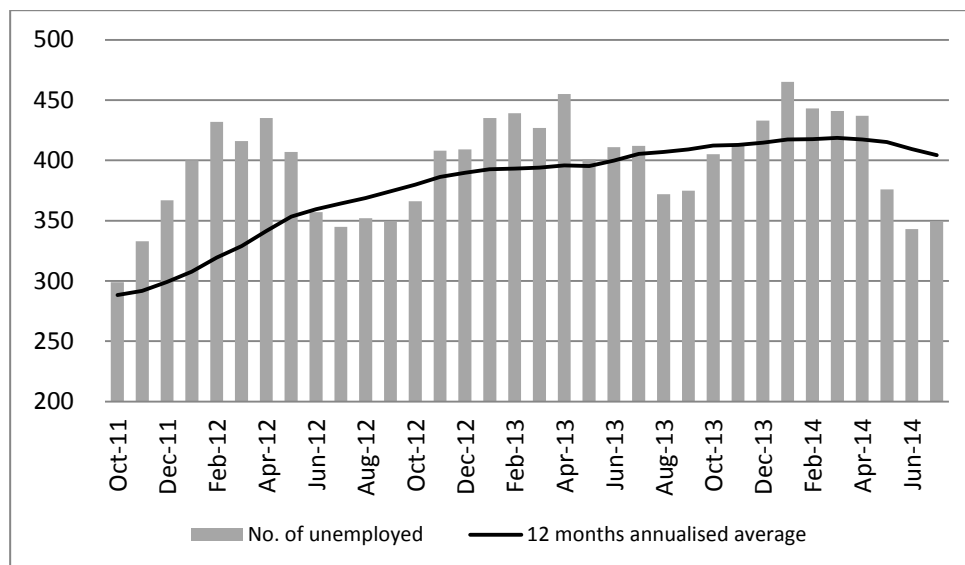
30. Although the detail of such a scheme for Guernsey has yet to be developed, secondary pension schemes in other jurisdictions typically:
- target people who could save, but do not do so;
 - provide a cost effective and transparent way of saving;
 - provide attractive fiscal incentives.
31. A Project Board has been established including the Minister and Chief Officer of the Department, other members of the Department's senior management team and Mr Mel Carvill. Mr Carvill is well known in the local and European financial services industry, having worked across a range of sectors in a variety of different capacities. He is currently a director of financial services companies operating in Europe, Asia and the US.
32. Phase 1 of the project is to investigate the feasibility of establishing a secondary pension scheme in Guernsey. Given the complex and technical nature of this issue, the Department has commissioned a former Director of the Pensions Policy Institute⁴ to prepare an initial scoping report into the feasibility of establishing a secondary pension scheme in Guernsey. The Department is aiming to report back to the States on this matter before the end of this term of government.

Number of people unemployed

33. The number of unemployed persons at the end of July 2014, excluding anybody on a government training scheme and anybody who carries out at least one hour's paid work in a week (which could be the case for someone claiming supplementary benefit as a jobseeker), was 349, or 1.1% of the working population. This included 130 people claiming contributory unemployment benefit only, 84 people claiming contributory unemployment benefit and a supplementary benefit top up and 135 people without entitlement to the contributory unemployment benefit but receiving supplementary benefit. Figure 2 overleaf, shows the total number of unemployed persons, excluding anybody on a government training scheme and anybody who carries out at least one hour's paid work in a week, during the last week of the month, and the annualised average, from October 2011 to July 2014.

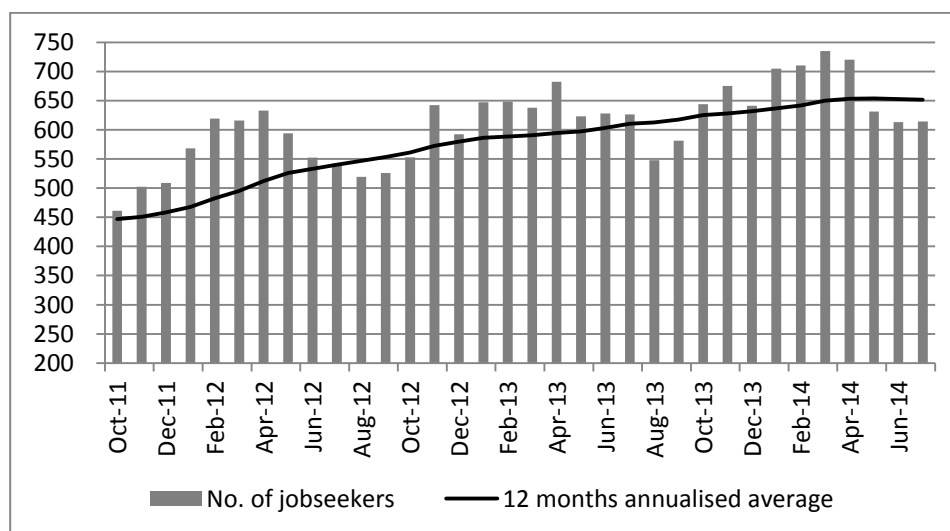
⁴ An educational research charity that produces research and analysis on all aspects of pension and retirement income policy in the UK.

Figure 2 – Total number of unemployed persons (excluding anybody on a government training scheme and anybody who carries out at least one hour's paid work in a week) and annualised average – October 2011 to July 2014



34. The total number of jobseekers at the end of July 2013, including people in part time or casual employment or on a government training scheme, was 614, which is approximately 2% of the working population. 246 of these were in part-time or casual employment and 19 of these were temporarily employed on the Community and Environmental Projects Scheme or other training scheme. Figure 3 below, shows the total number of jobseekers during the last week of the month, and the annualised average, from October 2011 to July 2014.

Figure 3 – Total number of jobseekers (including people in part time or casual employment or on a government training scheme) and annualised average – October 2011 to July 2014



35. The Department continues to develop and expand the range of initiatives that it offers to assist and support jobseekers to secure employment, as set out in table 4 below:

Table 4 – Employment initiatives run by the Social Security Department

Initiative	Description	Does benefit remain in payment?
Work trial	Chance to demonstrate capability to an employer where a real job is on offer.	Yes
Work experience	Extended work experience with learning goals.	Yes
Gradual return to work	Phased return to work following long-term sickness.	Partial payments
Kick start	On the job training with employers aimed at people at risk of long-term unemployment.	Minimum wage rates apply
Basic skills training	Help with basic I.T., literacy and numeracy skills.	Yes
Short-term training	Help for the long-term unemployed or those requiring retraining following illness.	Yes
Back to work bonus	One-off lump sum payable following a return to work and claim closure in cases of long-term unemployment and long-term sickness.	N/A
Job start expenses	Help with some of the costs associated with starting work, such as tools, boots, clothing, etc.	N/A
GOALS	Motivational course aimed at tackling barriers to employment by improving self-esteem and developing a positive mental attitude.	Yes
Community and Environmental Projects Scheme (CEPS)	Paid work and training opportunities for people who are not working due to unemployment or long-term illness.	Minimum wage rates apply
Recruitment grant	Staged payments to an employer to recognise the extra training and support required when recruiting someone who has been long-term unemployed or long-term sick.	N/A
The “Get into...” range of training course	Short courses aimed at unemployed young people to help identify their skills and aptitude.	Yes
Job Centre Support Contract	Professional recruitment consultants working with employers and jobseekers to improve recruitment opportunities.	N/A
Food and Retail Skills Shop	Promoting work opportunities within the food and retail sectors and provision of advice, support and training. Venue for Job Fair events and for training courses delivered to jobseekers.	N/A

Job Fairs	A targeted means of bringing employers and jobseekers together to fill vacancies and secure employment respectively.	N/A
“Stepping In” Scheme	On the job training in low skilled roles which will become vacant when short-term housing licences expire.	Minimum wage rates apply

36. In last year’s Uprating Report, the Department reported on the launch of the “Stepping In” scheme on a pilot basis, which was a joint initiative between the Social Security, Housing and Commerce and Employment Departments with the aim of matching jobseekers to future vacancies. Participating employers undertook to train up local jobseekers in some of their lower skilled roles so that the trainees could step into the vacant roles when short-term housing licences expired.
37. During the pilot period, which ended on 30 June 2014, 10 employers provided ‘Stepping In’ placements for a total of 29 jobseekers and 6 secured permanent contracts, which meant that 6 fewer housing licences were issued. In addition to those that secured permanent contracts, 18 jobseekers closed their claims following referral to the pilot scheme or during their placement and 13 sanctions were imposed on jobseekers for non-compliance with the scheme.
38. The net cost of the pilot to the Department was £4,800, taking account of benefit savings arising through the imposition of sanctions. This was more than offset by benefit savings of £3,200 per week achieved through closed claims.
39. While the number of jobseekers and employers involved in the pilot scheme was relatively small, the Social Security Department sees merit in the scheme continuing and has, therefore, added it to the range of initiatives offered through the Job Centre.
40. The Department continues to outsource a significant proportion of its job placement activities to a local recruitment agency. From 1 July 2013 to 30 June 2014, the agency placed 284 jobseekers into employment.
41. A number of jobseekers are now benefiting from the additional support provided through the Department’s Progress to Work initiative, which was launched in 2014. Detailed information about this new initiative is set out in paragraphs 180 to 184.

Sanctions applied to jobseekers

42. The Department provides jobseekers in receipt of supplementary benefit and/or unemployment benefit with a range of training opportunities and specialised individual support in order to help them secure sustainable

employment. While the majority of claimants meet the Department's expectations and want to work to improve their circumstances, in some cases it is necessary to apply appropriate sanctions in order to encourage individuals to comply with requirements and engage fully in the jobseeking process. Some of the more common circumstances which may result in the imposition of sanctions include:

- Leaving employment voluntarily;
- Losing employment through misconduct;
- Failure to take up a reasonable training opportunity;
- Failure to demonstrate that they are actively seeking work;
- Failure to accept a job without good cause.

43. In 2013, approximately 650 sanctions were imposed on jobseekers. Sanctions are applied in accordance with relevant legislation and range from making a deduction from benefit for one or more weeks in the case of supplementary benefit claims, to disqualifying an individual from benefit for a period of up to 10 weeks in the case of supplementary benefit and unemployment benefit claims. Written warnings are issued before sanctions are imposed. The personal circumstances of the claimant and their family are always taken into account by the Administrator or his delegate when imposing sanctions on supplementary benefit claimants given that this is the benefit of last resort. Claimants may appeal against the imposition of a sanction if they wish. No such appeals were made in 2013.
44. If a person fails to demonstrate that they are available for work or actively seeking work claims are disallowed, rather than sanctioned. As such, it is then the responsibility of the individual to evidence that they are available and actively seeking employment.
45. A change in behaviour of some jobseekers, linked to the application of sanctions, has been observed. The Department expects that the forthcoming changes to the eligibility criteria for supplementary benefit, whereby all claimants under pensionable age and any dependents of claimants who are over school leaving age and under pensionable age and who have left full time education, must either be in full time remunerative work or acting in compliance with work requirements relating to them, will serve to encourage further positive behavioural change.

Update on the number of people receiving invalidity benefit

46. The Department has reported in recent years on trends in the number and composition of invalidity benefit claims based on snapshot claim data. The Department is of the view that snapshot data is not particularly helpful in this regard as it places emphasis on the number of claims on a particular day in the year, when, in fact, claim numbers fluctuate throughout the year. For this reason, the Department has decided to report on trends in this year's report.

47. Figure 4 below, shows the number of active invalidity benefit claims for the period from January 2009 to the end of June 2014, including the 12-month rolling average. This shows that claim numbers rose steadily from early 2009 to a peak of 952 in early 2011. Claim numbers then decreased gradually, bottoming out at around 840 during the second half of 2013. Unfortunately, claim numbers started to increase again in late 2013, peaking at 894 in week 9 of 2014 and then reducing again since that time. While it is disappointing that claim numbers have increased since late 2013, the Department is hopeful that this was a short term anomaly and that the general downward trend in claim numbers will continue.

Figure 4 – Number of active invalidity benefit claims – January 2009 to June 2014



Supporting Occupational Health and Wellbeing

48. Earlier in the year, the Social Security Department started work on a project relating to incapacity benefit claims aimed at improving health outcomes and controlling benefit expenditure. The project, known as 'Supporting Occupational Health & Wellbeing', principally relates to claims for Social Insurance based sickness and invalidity benefits, however, changes will also positively reflect on some supplementary benefit claims, which are funded from General Revenue.
49. The Department recognises that there will always be people whose ill-health means that they are unable to do any work. However, for some people it is possible that, with the right support, their health condition could be managed within the workplace, even if there are some work restrictions or limitations.

50. The Supporting Occupational Health & Wellbeing project is based on the principle that, in many cases, it is better for a person's long-term health to be in work. Therefore, this project aims to provide early support to people so that, at the right time in their recovery, they can make a successful return to employment.
51. Throughout the project, the Department will be engaging the expertise of Dr Les Smith, a Consultant Occupational Physician and Accredited Specialist in Occupational Medicine. Dr Smith will play an important role in advising the Department practically throughout the project, and looking for opportunities to work with medical practitioners to develop and offer training.
52. Dr Smith will be working closely with medical practitioners, particularly on the redesign of the current medical certificate and examining the way incapacity for work should be assessed in future.
53. The Department is confident that the improvements in the claim process will lead to a reduction in the duration of some claims and an increasing number of people making a return to work after a period of ill health.

Proposed benefit rates for 2015

54. On annual recommendations from the Social Security Department, the States has, over time, approved increases in the level of old age pension, and other contributory benefits, which have been ahead of the increase in RPIX. While there has been no explicit formula for benefit uprating in the legislation, the customary uprating has been at the mid-point of the increase in prices (RPIX) and the increase in earnings. Based on the Government Actuary Department's assumption that, over the long-term earnings will exceed prices by approximately 2% per year, the mid-point between prices and earnings is assumed to be RPIX plus 1%. In some years, in particular the five-year period from 2002 to 2006, pensions were increased above the mid-point. In other years, including in 2013 and 2014, increases have been closer to RPIX.
55. In 2013, in view of the fact that old age pension uprating from 2005 to 2011 had actually exceeded the movement in earnings, and taking into account the economic circumstances at the time, benefit rates were uprated by 3.6%, just 0.5% more than the June 2012 RPIX figure.
56. In 2014, benefit rates were increased by 2.1%, in line with the published RPIX figure for June 2013, because the Guernsey Insurance Fund was in a deepening deficit situation and the PTBR was ongoing.
57. Given that the annual operating deficit of the Guernsey Insurance Fund is worsening and pending consideration and implementation of proposals arising from the PTBR aimed at addressing the funding deficit, the Department is of the view that benefits financed from contributions should be

increased by RPIX only in 2015. Therefore, the Department is recommending increases in the rates of pension and all other contributory benefits of approximately 2.1%, in line with the published RPIX figure for June 2014⁵, this increase to take effect from 5 January 2015.

58. In making this recommendation, the Department is mindful of the fact that if pensions are not increased in line with the increase in earnings, then pensioners do not share the generally increasing prosperity of the community. The buying power of the pension may well keep pace with the items against which RPIX is measured, but the lifestyles and social inclusion of pensioners falls relative to that of the working age population.
59. However, the data shown in table 5 below, demonstrates that the increase in the rate of the single old age pension over the period from 2005 to 2013 has actually exceeded the increase in nominal median earnings. From 2005 to 2013, nominal median earnings increased from £22,620 to £29,640 (i.e. 31.0%) and the rate of the full single person's old age pension increased from £139.00 to £192.85 (i.e. 38.7%). Therefore, the Department believes that it is appropriate to link the proposed uprating of benefits for 2015 to RPIX, rather than recommending an increase in benefit rates in real terms.

Table 5 – Increase in nominal median earnings and rate of the full single old age pension - 2005 to 2013 (inclusive)

Year	Nominal median earnings⁶	Nominal percentage change	Rate of full single old age pension	Percentage change
2005	£22,620	-	£139.00	-
2006	£23,660	4.6%	£146.50	5.4%
2007	£24,960	5.5%	£151.50	3.4%
2008	£26,130	4.7%	£160.75	6.1%
2009	£27,040	3.5%	£171.25	6.5%
2010	£27,430	1.4%	£174.65	2.0%
2011	£28,340	3.3%	£179.69	2.9%
2012	£29,250	3.2%	£186.13	3.6%
2013	£29,640	1.3%	£192.85	3.6%
Change from 2005 to 2013	£ 7,020	31.0%	£ 53.85	38.7%

⁵ Source: Guernsey Quarterly Inflation Bulletin - 30 June 2014.

⁶ Source of nominal median earnings data - 2013 Guernsey Annual Earnings Bulletin, published by the Policy Council's Policy and Research Unit.

60. The proposed new weekly rates of pension and other contributory social insurance benefits are shown in table 6 below:

Table 6 – Proposed weekly benefit rates for contributory social insurance benefits for 2015

Weekly paid benefits	2015	2014
Old Age Pension -		
Insured person	£201.03	£196.90
Increase for dependant wife or pension for wife over 65 based on husband's record (for men/women, as appropriate, whose marriages were before 01-01-04 and who reached pension age before 01-01-14)	<u>£100.70</u> £301.73	<u>£98.63</u> £295.53
Widow's/Survivor's Benefits -		
Widowed Parent's Allowance	£211.40	£207.05
Bereavement Allowance/Widow's Pension	£181.77	£178.03
Unemployment, Sickness, Maternity and Industrial Injury Benefit	£147.91	£144.90
Invalidity Benefit	£177.80	£174.16
Industrial Disablement Benefit -		
100% disabled	£162.00	£158.67
One-off grants		
Maternity Grant	£370.00	£362.00
Death Grant	£577.00	£565.00
Bereavement Payment	£1,825.00	£1,787.00

61. These rates of weekly benefit and grants apply to persons who have fully satisfied the contribution conditions. Reduced rates of benefit are payable on incomplete contribution records, down to threshold levels.
62. The proposed 2.1% increase in old age pension will add £4.13 per week to the full rate single pension, will add £2.07 per week to the so called 'married woman's pension' and will mean a £6.20 per week increase for a pensioner couple on full rate pension. The joint increase will be £8.26 per week in cases where both spouses were paying full-rate contributions throughout their working lives as they will receive two full pensions totalling £402.06 per week.

Social insurance contributions

63. The current contribution rates and the proposed contribution rates for 2015 are shown in table 7 overleaf:

Table 7 – Current contribution rates and proposed contribution rates for 2015

Contribution rates for employed persons	2015	2014
Employer	6.5%	6.5%
Employee	6.0%	6.0%
Total	12.5%	12.5%

Contribution rates for self-employed persons	10.5%	10.5%
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Contribution rates for non-employed persons under 65	9.9%	9.9%
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Contribution rates for non-employed persons over 65	2.9%	2.9%
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2015 upper earnings limit for employed persons and employers

64. The Department recommends that, from 1 January 2015, the upper earnings limit for employed persons and employers be increased from £132,444 per year to £135,252 per year. For people paid weekly, this means an increase of £54 per week, taking it from £2,547 per week to £2,601 per week. For people paid less frequently than weekly, this means an increase of £234 per month, taking it from £11,037 per month to £11,271 per month.
65. This represents an increase in the upper earnings limit of 2.12% - slightly above the June 2014 RPIX figure of 2.1%. The reason for this is because the annual upper earnings limit needs to be divisible by 52, for people paid weekly, and by 12, for people paid monthly.
66. The effect of the proposed new upper earnings limit on employees and employers who pay a contribution at the new upper earnings limit are set out in table 8 below:

Table 8 - Maximum 2015 contributions for employees and employers (2014 in brackets)

	Employer	Employee	Total
Contribution rate	6.5%	6.0%	12.5%
	(6.5%)	(6.0%)	(12.5%)
Upper weekly earnings limit	£2,601	£2,601	
	(£2,547)	(£2,547)	
Maximum payable per week	£169.06	£156.06	£325.12
	(£165.55)	(£152.82)	(£318.37)

67. For an employee with earnings of £135,252 per year or more, the additional contribution is £3.24 per week, which equates to £0.46 per day. For their employer, the additional contribution is £3.51 per week, which equates to £0.50 per day.

Number of contributors paying at upper earnings limits

68. In 2014, with an upper earnings limit of £132,444 per year, there were 2.5% of employed persons and 12% of self-employed persons paying on earnings at or above that level.

2015 lower earnings limit for employed people

69. The Department recommends that the lower earnings limit be increased from £128 per week to £131 per week. The corresponding monthly limit would be £567.67.
70. The effect of the foregoing changes on a contribution at the lower earnings limit is set out in table 9 below:

Table 9 - Minimum 2015 contributions for employees and employers (2014 in brackets)

	Employer	Employee	Total
Contribution rate	6.5%	6.0%	12.5%
	(6.5%)	(6.0%)	(12.5%)
Lower weekly earnings limit	£131	£131	
	(£128)	(£128)	
Minimum payable per week	£8.51	£7.86	£16.37
	(£8.32)	(£7.68)	(£16.00)

2015 upper and lower earnings limits for self-employed people

71. The Department recommends that the upper earnings limit for self-employed persons be increased, from 1 January 2015, from £132,444 to £135,252 per year.
72. The effect of the proposed new upper earnings limit on self-employed people who pay a contribution at the upper earnings limit is set out in table 10 overleaf:

Table 10 - Maximum 2015 contributions for self-employed persons (2014 in brackets)

Annual earnings from self-employment	Contributions per week
	10.5%
£135,252 or more	£273.10
(£132,444 or more)	(£267.43)

73. For a self-employed person with earned income of £135,252 per year or more, the additional contribution is £5.67 per week, which equates to £0.81 per day.
74. Self-employed people who have applied to pay earnings-related contributions, and whose earned income from self-employment is less than £135,252 per year, will pay less than the maximum contribution.
75. The proposed increase in the lower earnings limit from £128 to £131 per week would mean that the lower annual earnings limit for self-employed persons in 2015 would be increased from £6,656 to £6,812 (£131 x 52). The minimum self-employed (Class 2) contribution in 2015 would be £13.75 per week (£13.44 in 2014).

2015 upper and lower income limits for non-employed people

76. The Department recommends that, from 1 January 2015, the upper income limit for non-employed persons be increased from £132,444 per year to £135,252 per year.
77. As with the self-employed, non-employed contributors are liable to pay non-employed, Class 3 contributions, at the maximum rate unless an application is made to the Department and authorisation given for the release of the relevant information by the Director of Income Tax. This allows an income-related contribution to be calculated.
78. There are two categories of non-employed contributions:
- Full percentage rate contributions to cover social insurance, health service and long-term care insurance liabilities. This is the rate of contribution that non-employed adults under the age of 65 are liable to pay, based on their personal income. The contribution rate is 9.9% of income, after the deduction of an allowance, up to the upper income limit;
 - Specialist health insurance and long-term care insurance contributions. These contributions, which are payable by people aged

65 and over, go towards funding the specialist health insurance scheme and the long-term care insurance scheme. The contribution rate is 2.9% of income, after the deduction of an allowance, up to the upper income limit.

79. The Department recommends that the lower income limit at which non-employed contributions become payable be increased from £16,640 per year to £17,030 per year from 1 January 2015.

Non-employed person's allowance

80. There is an allowance for non-employed people, which is subtracted from their annual income figure with liability being calculated on the balance. The Department recommends increasing the allowance from £7,059 to £7,223.
81. Table 11 below, shows the minimum and maximum weekly contributions payable in 2015 by non-employed people. People with income at some point between the upper and lower income limits will pay pro-rata.

Table 11 – 2015 non-employed weekly contributions (2014 in brackets)

Annual income	Full rate (under 65)	Specialist health and long-term care only (over 65)
	9.9%	2.9%
Less than £17,030	Zero	Zero
(Less than £16,640)	(Zero)	(Zero)
£17,030	£18.67	£5.47
(£16,640)	(£18.24)	(£5.34)
£135,252	£243.75	£71.40
(£132,444)	(£238.71)	(£69.93)

Voluntary contributions

82. As shown above, where a non-employed person's annual income is below £17,030, that person will be exempted from the payment of contributions. However, this could affect old age pension entitlement. A voluntary contribution which counts towards old age pension can be paid by or on behalf of non-employed people, resident in Guernsey and under pension age, with personal income below the lower income limit.
83. The voluntary contribution in 2014 is £18.24 per week. The rate is calculated by applying the social insurance element of the non-employed contribution rate, being 5.7% of the total 9.9%, to the lower income limit. With a

proposed lower income limit of £17,030 per annum in 2015, the voluntary contribution will increase to £18.67 per week.

Overseas voluntary contributions

84. People living outside of the Island are able to pay contributions in order to maintain their entitlement to old age pension. The rate payable in 2014 is £87.11 per week for the non-employed and £96.30 for the self-employed. It is recommended that, from 1 January 2015, the overseas voluntary contribution should be increased in line with the general 2.1% increase. This means that from 1 January 2015 the voluntary overseas contributions would rise from £87.11 to £88.94 per week for non-employed people and from £96.30 to £98.32 per week for self-employed people.

Special (minimum) rate Class 3 contributions

85. A special rate non-employed contribution is payable by insured persons who would normally rely upon employed contributor's employment for their livelihood, but have a small gap in their record where they were neither employed nor receiving an unemployment contribution credit. The rate of this contribution is aligned with the rate of the voluntary contribution. The special rate Class 3 contribution will, therefore, be £18.67 per week in 2015.

Maternity and paternity provisions and the United Nations Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW)

86. The States considered the Policy Council's report on Maternity and Paternity Provisions and the United Nations Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) in February 2012 (Billet d'État No IV of 2012). States Members resolved, among other things, to direct the Social Security Department to report back to the States, at the same time it reports on funding other benefits, with proposals for funding and requesting the preparation of the necessary legislation to provide for:-
- changes to the maternity grant to make it available to all new mothers;
 - changes to maternity allowance to split it into a maternal health allowance, available only to mothers, and a new born care allowance, available to either parent;
 - a new adoption grant at the same rate as maternity grant;
 - a new benefit of parental allowance available to adoptive mothers or fathers.
87. The enhanced package of parental benefits will cost in the order of an additional £1.9m per annum (2012 levels) and require an increase in social insurance contributions of up to 0.2%. Funding is being considered in the wider context of the PTBR and the Department expects to bring forward

specific proposals regarding how the new package of benefits will be funded during 2015.

88. In view of the relatively long lead-in period for the implementation of new benefits due to the need to amend primary and secondary legislation and make system (IT) changes, the Department has recently commenced work on this project in advance of a States decision regarding funding. Due to the high level of complexity of individual workstreams, the earliest practical date for implementation of the new benefits is estimated to be January 2017.

Estimated operating surplus/deficit on Guernsey Insurance Fund

89. Taking into account all of the foregoing, including the proposed revised rates of contributions and benefits, for the Guernsey Insurance Fund, it is estimated that:
- 1) there will be an operating deficit in 2014 in the order of £16.70m; and
 - 2) there will be an operating deficit in 2015 in the order of £20.03m.
90. The estimated operating deficits in 2014 and 2015 will be partially covered by investment income, which would otherwise have been re-invested in the Guernsey Insurance Fund. Further drawdowns from the Fund will be required to cover the shortfall.

PART II
HEALTH SERVICE BENEFITS

91. The health service benefits and administration, costing £36.04m in 2013, were financed by £36.55m from contributions allocated to the Health Service Fund and £4.39m from the States' grant from General Revenue. There was an operating surplus, before investment income, of £4.90m.

Medical Benefit Grants

92. The total benefit expenditure on consultation grants in 2013 was £3.49m. This represented a decrease of around 4.4% on the 2012 cost. The consultation grants remained unchanged at £12 towards a consultation with a doctor and £6 towards a consultation with a nurse.
93. The Department will not be recommending any change in the level of the consultation grants for 2015.

Pharmaceutical Service

94. Prescription drugs cost a total of £15.55m in 2013, before netting off the prescription charges paid by patients. This was a decrease of 1.7% from the previous year.
95. The total cost to the Health Service Fund of the drugs dispensed was reduced by £1.85m collected in prescription charges.
96. The number of items prescribed under the pharmaceutical service decreased by 0.3% in 2013 to 1.48 million items. By way of context, the five year and ten year average increases were 2.9% and 4.1% respectively.

Prescription charge

97. The prescription charge for 2014 is £3.30 per item. Persons over the age of 65 and persons in receipt of supplementary benefit or severe disability benefit are currently exempt from paying the prescription charge. In December 2013, 62.5% of prescriptions were issued to people who were exempt from the prescription charge.
98. For a number of years, the States has approved annual increases of 10p in the charge. However, in light of the average cost of prescription medicines in Guernsey and the significantly higher prescription charge in England, the Department signalled its intention in last year's Uprating Report, to review the level of the prescription charge with a view to possibly increasing it in 2015 by more than the usual annual rise of 10p.
99. The Department has not, to date, undertaken such a review because the availability of free prescriptions to all persons over the age of 65, along with other universal benefits, is under consideration as part of the PTBR. Pending the outcome of this Review, the Department recommends a 10p increase in the prescription charge for 2015, taking the charge to £3.40 per item, effective from 1 January 2015. This is an increase of 3.1%.

Specialist Health Insurance Scheme

100. The cost of the specialist health insurance scheme, which funds the services provided through the Medical Specialist Group ('MSG'), was £14.56m in 2013 and is expected to cost £15.46m in 2014.
101. The contract with the Guernsey Physiotherapy Group cost £1.99m in 2013 and is expected to cost £2.01m in 2014.
102. The contract between the States and the Medical Specialist Group is in the last five-year segment of its overall 15 year term, and is due to expire on 31 December 2017. At the request of the Chief Executive, a formal project has been established with an appropriate governance structure, to investigate the

options for the provision and financing of secondary medical care from 2018 onwards. Political oversight of the project is provided by the Ministers of the Health and Social Services Department (HSSD) and the Social Security Department. Both Ministers sit on the project board, which also includes chief officers and senior officers of the Health and Social Services, Social Security and Treasury and Resources Departments.

103. Whatever arrangements are to follow the current arrangement, from 2018, will require the approval of the States. A report will be brought to the States on this matter during 2015.

Primary Care Review

104. The HSSD indicated, in its 2014 Operational Plan, that it planned to focus on reviewing and developing the role of primary care services within the health and social care system during 2015. Any review of the role of primary care is of significant interest to the Social Security Department, and the Department anticipates that it will be closely involved with HSSD in planning and undertaking this work over the coming months.

Funding of visiting medical specialists

105. In last year's Uprating Report (Billet d'État No. XX of 2013, volume 2), the Department recommended that an Ordinance be made under the Health Service (Benefit) (Guernsey) Law, 1990 to amend the conditions under which entitlement to specialist medical benefit arises in order to allow the Department to fund the costs associated with visiting medical specialists from the Guernsey Health Service Fund. It was estimated that this transfer would reduce General Revenue expenditure by in the order of £700,000.
106. The Health Service (Specialist Medical Benefit) (Amendment) Ordinance, 2013 was approved by the States on 11 December 2013 and entered into force on 1 January 2014.

Primary Care Mental Health and Wellbeing Service

107. The Department has previously reported on a pilot scheme known as the Primary Care Mental Health and Wellbeing Service ('the Service'). The pilot, which is scheduled to end in February 2015, is funded by the Department from the Guernsey Health Service Fund and is administered by the HSSD. The Service provides free access to psychological therapies for people with mild to moderate common mental health problems, using a stepped-care model, at a Primary Care level.
108. Prior to the development of the Service, there was no 'free to access' service provision for people with mild to moderate common mental health problems. The Service aims to provide early intervention, thereby helping to prevent further deterioration into more complex and severe mental health disorders.

The full Service Specification is detailed in Appendix 2 of this report. The Service is aligned with the Mental Health and Wellbeing Strategy, which was approved by the States in February 2013 (Billet d'État III of 2013), in particular the core themes of Living and Working Well.

109. The estimated cost of operating the pilot Service from September 2011 to February 2015 (based upon actual costs from September 2011 to December 2013 and budgeted costs from 1 January 2014 to 31 January 2015) is £1.03m.
110. Evaluation of the pilot scheme has demonstrated that there has been an overall recovery rate⁷ for patients threatened through the Service, during a two year period from 5 September 2011 to 5 September 2013, of 44%. This exceeds that which is currently being achieved through the UK's Improving Access to Psychological Therapies (IAPT) service on which the Guernsey Service is modelled. Overall patient satisfaction levels with the Service have remained high and feedback from GPs has demonstrated that they highly rate the importance of the service practitioners being based in the surgery setting, which has been of benefit to both patients and GPs.
111. During the pilot period, the net annual saving to the community as a whole has been calculated to be approximately £64,900 (see table 12). It should be noted that the actual savings could well be much higher and that the savings shown in table 12 are recurring.

Table 12 - Summary of annual savings arising through the operation of the pilot Primary Care Mental Health and Wellbeing Service

Item	Amount (£,000s)
Reduction in short-term sickness benefit claims	135
Reduction in prescribing costs	88.4
Reduction in medical benefit grants	14.7
Total	238.1
Cost of service in 2015 terms	330
Total	-91.9
Estimated saving to employers ⁸	156.8
Net annual saving to the community	64.9

⁷ 'Recovery rate' refers to the change in the number of people who were scoring above the clinical cut-off on either the validated anxiety or depression symptom measures pre-treatment as compared to those scoring above the clinical cut-off range on either measure post-treatment.

⁸ The estimated annual saving to employers has been calculated by multiplying the average cost of mental health problems per UK employee (i.e. £1,035) (source: Policy Paper 8 – 'Mental Health at Work: Developing the business case', the Sainsbury Centre for Mental Health) by the number of people, during the two year assessment period from 5 September 2011 to 4 September 2013, who were in work at the time of referral to the Service and who recovered following treatment through the Service (i.e. 303 people), divided by 2.

112. Over the long-term, the introduction of early intervention approaches, such as those offered through this type of service, prevent or reduce the level of intervention required by other agencies, such as the Police, the Accident and Emergency Department and Child and Family Services. These avoidance costs are not included in table 12.
113. Some people who experience mild to moderate anxiety and depression go on to experience chronic conditions. This is more likely where anxiety or depression has been left untreated for a prolonged period. Mental health problems which become more chronic and complex require intensive intervention from secondary mental health services. Early intervention can, therefore, prevent long-term costs and this has been estimated at approximately £400 per person, per week (i.e. £20,800 per person, per annum) in the two years following primary care psychological intervention alone. In the longer term, early intervention can play a significant role in preventing in-patient admissions and some off-Island placements. These avoidance costs are also not included in table 12.
114. Having evaluated the outcomes of the pilot scheme and considered a business case for establishing a permanent Service, both the HSSD and the Social Security Department agree that the Service should be established on a permanent basis following the end of the pilot period.
115. Subject to States approval of the necessary legislation changes, the Service will be funded by the Department from the Guernsey Health Service Fund. Increasingly, social security institutions around the world are investing in prevention measures to avoid and reduce future benefit expenditure. This initiative seeks, amongst other things, to reduce expenditure on incapacity benefits, prescription medicines and medical benefit grants by providing early intervention and treatment for people suffering from mild to moderate mental health problems. Therefore, the Department considers this to be a prudent and legitimate investment of the Guernsey Health Service Fund.
116. An annual budget of £330,000 has been agreed [2015 terms], which includes a 10% contingency. This budget is based on the anticipated cost of running the Service outlined in the Service Specification (see Appendix 2) with referrals only being accepted from GPs. The cost of the Service may increase if self-referral is introduced at a later date.
117. Although the scope of the pilot programme excluded access for young people in full-time education (16-18 year olds in employment have access) and people over state pension age, the positive outcomes reported by patients during the pilot suggest that, in future, there may be merit in exploring the benefits to patients and the potential cost avoidance to the States of extending the scope of the Service to include young people and over 65s.

118. The Department recommends that the Schedule to the Health Service (Specialist Medical Benefit) Ordinance, 1995 be amended, in order to allow the Department to fund the costs associated with the Primary Care Mental Health and Wellbeing Service from the Guernsey Health Service Fund.

Financing of Guernsey Health Service Fund

119. The actuarial review of the Guernsey Health Service Fund for the years 2006 to 2009, inclusive, appeared in the appendix to Billet d'État XV of 2011. The review indicated that the Guernsey Health Service Fund will maintain an operating surplus, with the reserves of the Fund increasing to more than two years' annual expenditure by 2014. In fact, the reserves of the Fund increased to two years' annual expenditure by 2010 and, by 2013, expenditure cover had increased to 2.6 years. Based on current assumptions, there is, therefore, no need for any increases in the rates of contributions to the Guernsey Health Service Fund at this time. The longer-term position will be influenced by the progression of the developments mentioned in the foregoing paragraphs.

PART III
LONG-TERM CARE INSURANCE

120. The Long-term Care Insurance Scheme pays benefits to assist with fees in private residential and nursing homes. The Department is recommending increases of 2.1% in the benefit rates, in line with the published RPIX figure for June 2014.
121. Contribution income to the Long-term Care Insurance Fund was £18.07m in 2013. With benefit and administration expenditure of £17.38m for the year, the Fund had an operating surplus of £0.69m.

Co-payment by person in care

122. It is a condition of entitlement to benefit under the long-term care insurance scheme that the person in care should make a co-payment. The 2014 co-payment is £186.83 per week. The Department recommends a co-payment of £190.75 per week from 5 January 2015.
123. It should be noted that the co-payment to the long-term care insurance scheme also sets the level of fees to be charged for accommodation in States-run homes/long-stay wards including the Duchess of Kent, the Corbinerie (or

Lighthouse) Wards, and the long-stay beds at the Mignot Memorial Hospital, Alderney.

Nursing care benefit

124. The maximum nursing care benefit, which also applies to the Guernsey Cheshire Home, is currently £772.87 per week. The Department recommends that it should be increased to £789.11 per week from 5 January 2015.

Residential care benefit

125. The maximum residential care benefit is currently £413.98 per week. The Department recommends that it should be increased to £422.66 per week from 5 January 2015.

Elderly Mental Infirm (EMI) benefit

126. The maximum EMI rate of benefit is currently £545.44 per week. The Department recommends that it should be increased to £556.92 per week from 5 January 2015.

Respite care benefit

127. Persons needing respite care in private sector residential or nursing homes are not required to pay a co-payment. The long-term care fund pays instead. This is to acknowledge the value of occasional investment in respite care in order to allow the person concerned to remain in their own home as long as practicable. It also acknowledges that persons having respite care also continue to bear the majority of their own household expenditure. The respite care benefits, therefore, are the sum of the co-payment and the residential care benefit or nursing care benefit, as appropriate. The Department, therefore, recommends a nursing care respite benefit of up to £979.86 per week, an EMI rate of up to £747.67 per week and a residential care respite benefit of up to £613.41 per week from 5 January 2015.

Financing of Long-term Care Insurance

128. The actuarial review of the Long-term Care Insurance Fund for the years 2006 to 2009, inclusive, and projections to 2070, appeared in the appendix to Billet d'État XV of 2011. The review showed that the current rate of contribution for the Long-term Care Insurance Fund, which is 1.3% of earnings for an employed person, is unsustainable. Based on the assumptions used in the review, if the rate remained unchanged, the reserves of the Fund would be exhausted by around 2027.

129. On 26 September 2012, the States approved an amendment to the Department's report regarding Contribution Rates for 2013 (Billet d'État XX of 2012), proposed by Deputy Fallaize. The Amendment directed the Department to report to the States, by no later than October 2014, with proposals setting out any structural reforms and changes to contribution rates and/or benefit rates which it considered necessary in order to ensure the long-term sustainability of the Long-term Care Insurance Fund.
130. At the request of the Department, the Government Actuary's Department (GAD) has recently provided estimates of the constant contribution rate⁹ required to achieve a fund balance for the Long-term Care Insurance Fund equal to one times annual expenditure at the end of the projection period (i.e. 2070) for six different scenarios, based on the same underlying assumptions.
131. As this was not a full actuarial review of the Fund, the GAD aligned modelled contribution income and benefit expenditure with actual experience, as recorded in the accounts. This showed that actual contribution income has been lower in recent years than projected by the GAD's models – potentially reflecting smaller proportions of the population contributing to the scheme and lower earnings increases in recent years – and that expenditure on permanent nursing benefits in recent years has also been lower than that predicted by the GAD's models. The GAD has made a specific adjustment of 0.9 to the modelled contribution figures and an adjustment of 0.85 to the modelled permanent nursing benefit expenditure figures to bring these in line with the accounts, that is, the projections provided are based on 90% and 85% of modelled contribution income and nursing benefit expenditure respectively.
132. The estimates incorporate updated population projections and a revised assumption for real earnings growth of 1.5% a year, rather than 2% a year as adopted for the 2009 Actuarial Review. The estimates provided are based on the current pension age arrangements, including the agreed increases in pension age to 67 between 2020 and 2031.
133. Table 13 below, shows the estimated constant contribution rates required from January 2015 for six different scenarios, reflecting three different benefit uprating scenarios. In each case, estimates are provided based on 85% and 100% of modelled expenditure on permanent nursing benefit. The Department requested projections reflecting 100% of modelled expenditure on permanent nursing benefit (i.e. with no adjustment made to align the projections with recent experience), because recent experience may reflect shortages in availability of nursing beds, rather than reduced demand.

⁹ The estimated constant contribution rates provided have been assessed in terms of the Class 1 contribution rate paid by employees. It is assumed that contribution rates for self-employed and non-employed contributors would be changed pro-rata to the Class 1 rate.

Table 13 – Constant contribution rate calculated assuming 90% of modelled contribution income¹⁰

Adjustment to modelled permanent nursing benefit expenditure	Assumed uprating policy		
	RPIX	RPIX + 0.5%	Earnings
85%	1.9%	2.2%	3.0%
100%	2.0%	2.4%	3.2%

134. These estimates show that the current contribution rate of 1.3% for an employed person is unsustainable. The GAD has calculated that even if benefit rates are uprated by prices only, the contribution rate would need to increase by 0.6% if expenditure on permanent nursing benefits continues at recent levels, or by 0.7% if it increases to 100% of modelled expenditure. If benefit rates are uprated by earnings, the contribution rate would need to increase by 1.7% if expenditure on permanent nursing benefits continues at recent levels, or by 1.9% if it increases to 100% of modelled expenditure.
135. It should be noted that this exercise does not constitute a full actuarial review of the Fund. A full review of the Fund could suggest assumptions and produce projections that are materially different from those provided above. The next full actuarial review of the Long-term Care Insurance Fund, for the five-year period from 2010 to 2014, will provide an up to date assessment of the financial sustainability of the Long-term Care Insurance Fund and greater certainty regarding the constant contribution rate required to ensure a sustainable financial position based on the *current* model of provision. However, it is likely that this model will change in the future.
136. As noted in the Policy Council's Report regarding the co-ordination of related policy projects, which, at the time of writing was due to be laid before the States in September 2014, the Policy Council has established a Supported Living and Aging Well Strategy Working Party. The Working Party has been mandated by the Social Policy Group to answer the following questions:
- What care, support and supported accommodation services are needed?
 - Who should provide them?
 - How should they be paid for?
137. The challenge of providing sustainable funding for the provision of long-term care to meet the needs of the ageing population is also being considered as part of the PTBR, currently being progressed by the Treasury and Resources and Social Security Departments.
138. The Department recognises the importance of Deputy Fallaize's amendment and, in particular, its aim to help expedite the important task of ensuring the

¹⁰ Source: UK Government Actuary's Department, July 2014.

sustainability of the Fund. The Department did not oppose the amendment and was happy to see it carried. However, the Department is not in a position to be able to make any recommendations regarding structural reforms and changes to contribution rates and/or benefit rates until the future model of care provision and funding has been agreed by the States as part of the Supported Living and Aging Well Strategy. Current expectations are that the Policy Council will present a report to the States in the final quarter of 2015, setting out a recommended Supported Living and Ageing Well Strategy, including consideration of how it is to be sustainably funded.

139. The Department recommends that the Department be directed to report to the States of Deliberation after the conclusion of the PTBR and the publication of the Supported Living and Aging Well Strategy, with proposals to achieve the long-term sustainability of the Long-term Care Insurance Fund.

PART IV

NON-CONTRIBUTORY SERVICES FUNDED FROM GENERAL REVENUE

140. For the non-contributory benefits contained in this part of the report, which are funded entirely from General Revenue, the Department recommends general increases of 2.1%, in line with the published RPIX figure for June 2014, with some small variations for roundings.

Supplementary benefit

141. Supplementary benefit expenditure amounted to £20.64m in 2013. The expected outturn for 2014 is £20.61m.
142. As at 7 June 2014, there were 2,376 active supplementary benefit claims, as set out in table 14 below. These claims also support 1,484 dependants, thereby giving a total supplementary benefit population of 3,860.

Table 14 - Supplementary benefit claims and expenditure - 2013 and 2014

Classification	Claims at 7 June 2014	Claims at 1 June 2013	2013 expenditure (£m)	2014 latest forecast (£m)	2015 budget (£m)
Pensioner	719	714 ¹¹	2.31	2.49	2.84
Incapacitated	543	513	4.23	4.52	4.62
Jobseeker or low earner	485	421	3.66	4.45	4.62
Single parent	322	453	5.11	3.93	4.07
Disabled	216	208	1.89	1.70	1.74

¹¹ Includes 167 pensioners covered solely for their medical expenses.

Incapable of self-support	59	66	0.67	0.66	0.67
Carer	25	28	0.29	0.30	0.31
Pregnant	1	3	0.05	0.04	0.05
Prisoner's spouse	4	4	0.08	0.05	0.05
Partner in hospital	0	0	-	-	-
Total (excluding dependants)	2,376	2,410	18.29	18.14	18.97
Special Grants (e.g. medical, disability, funeral) and other miscellaneous expenses			2.35	2.47	2.57
Total			20.64	20.61	21.54

Supplementary benefit requirement rates

143. The Department recommends that supplementary benefit requirement rates be increased by approximately 2.1%, in line with the published RPIX figure for June 2014, with effect from 9 January 2015.
144. The recommended short and long term requirement rates, to take effect from 9 January 2015, are set out in tables 15 and 16 overleaf:

Table 15 – Proposed long-term supplementary benefit requirement rates for 2015

Long-term supplementary benefit (after payment of short-term rates for 6 months)	2015	2014
Married couple	£246.06	£241.00
Single householder	£170.24	£166.74
Non-householder:		
18 or over	£132.15	£129.43
16 – 17	£71.73	£70.26
Member of a household -		
18 or over	£132.15	£129.43
16 – 17	£111.93	£109.63
12 – 15	£69.25	£67.83
5 – 11	£50.20	£49.17
Under 5	£37.00	£36.24

Table 16 – Proposed short-term supplementary benefit requirement rates for 2015

Short-term supplementary benefit rates (less than 6 months)	2015	2014
Married couple	£199.43	£195.33
Single householder	£138.50	£135.65
Non-householder:		
18 or over	£105.44	£103.27
16 – 17	£71.74 ¹²	£70.26
Member of a household -		
18 or over	£105.44	£103.27
16 – 17	£89.53	£87.69
12 – 15	£55.46	£54.32
5 – 11	£40.28	£39.45
Under 5	£29.33	£28.73

A rent allowance, on top of the above short-term or long-term rates, will apply to people living in rented accommodation.

Benefit limitation - community

145. The benefit limitation is the maximum level of income that a person in receipt of supplementary benefit is allowed from all sources, excluding family allowances and the £30.00 earnings disregard.
146. On 14 November 2013, following consideration of an Amendment placed by Deputy Le Lièvre to the Department's report entitled 'Benefit and Contribution Rates for 2014 and Modernisation of the Supplementary Benefit Scheme' (Billet d'État XX of 2013, volume 2), the States resolved, amongst other things, that the benefit limitation for a person living in the community be increased to £600.00, with effect from 1 January 2015, unless it could be demonstrated that it would be impossible to introduce such an increase without contravening the States policy of a real terms freeze in aggregate revenue expenditure, in which case the limitation should be increased to as close to £600.00 as was possible without contravening that policy.
147. If the benefit limitation was increased by 2.1% to £526.00 per week (based on the June 2014 RPIX figure), the Social Security Department estimates the increase in cost for current claimants to be in the order of £12,000 per annum. The cost of increasing the benefit limitation from £526.00 per week to

¹² When the Supplementary Benefit (Guernsey) (Amendment) Law, 2014 comes into force, supplementary benefit will only be available to *new* claimants under the age of 18 by exception. Existing claimants who do not fall into one of the exception categories will receive this rate until their claim closes or they reach the age of 18, whichever is the sooner. This rate will be varied upwards in relation to 16 and 17 year olds who qualify by exception. This footnote also applies to the long-term supplementary benefit rate for 16 - 17 year old non-householders.

£600.00 per week is estimated to be in the order of a further £46,000 per annum for current claimants (i.e. £58,000 in total).

148. However, this estimate does not include the additional cost arising from new claims from people whose requirement rates exceed the benefit limitation but who do not currently qualify for benefit because their incomes exceed the current benefit limitation of £515.00 per week, but who could be entitled to a supplementary benefit top-up if the benefit limitation is increased. Based on previous experience, the Department expects the cost of new claims which may arise from the potential increase in the benefit limitation to £600.00 per week to be less than £20,000 per annum (a proportion of this £20,000 will relate to new claims resulting from the 2.1% increase in the benefit limitation to £526). So, the Department has estimated that the total additional cost of increasing the benefit limitation to £600.00 per week, is £78,000 (£12,000 plus £46,000 plus £20,000).
149. At the Department's request, the Policy Council's Policy and Research Unit has provided an estimate of the potential cost of new claims arising from increasing the benefit limitation to £600.00 per week using the model which was developed as part of the Department's overall review of the supplementary benefit scheme. This has given an estimated total annual increase in cost of £292,000 (including the £58,000 for existing claimants referred to in paragraph 147). This includes the cost of fringe benefits, such as medical cover and free TV licences for 65 to 74 year olds. The Department believes that the results arising from the model should be treated with caution as the model is based on income tax data from year of charge 2009, which has been uprated, and housing data from October 2011, which has also been uprated.
150. There is a wide range in estimates of the total cost of increasing the benefit limitation to £600.00 per week, from the Department's estimate of £78,000, to the model-derived estimate of £292,000. This wide range relates specifically to the cost of potential new claims and is due to the absence of up to date information about the financial and family circumstances of people who are not in receipt of supplementary benefit and uncertainty about whether people who may qualify for supplementary benefit in the event that the benefit limitation is increased, will choose to make a claim.
151. The Department recommends that the benefit limitation for a person living in the community be increased to £600.00 per week, with effect from 9 January 2015 (i.e. the date that supplementary benefit rates will increase, as opposed to 1 January 2015 as stated in Deputy Le Lièvre's Amendment), as agreed by the States.
152. In consultation with the Treasury and Resources Department, the Social Security Department has included a provision of £185,000 (i.e. the approximate midway point between the two estimates of £78,000 and

£292,000) in its formula led budget estimate for 2015, of which approximately £15,000 to £30,000 relates to the RPIX increase from £515.00 per week to £526.00 per week, with the balance of £155,000 to £170,000 relating to the real terms increase from £526.00 per week to £600.00 per week. The Treasury and Resources Department will take these estimates into account when formulating General Revenue expenditure proposals for inclusion in the 2015 Budget Report. If the actual expenditure exceeds the estimate, it would be funded in 2015 from the Budget Reserve and, in future years, be taken into account by the Treasury and Resources Department when formulating General Revenue expenditure proposals for inclusion in Budget Reports.

153. If this recommendation is rejected by the States, the Department recommends that the benefit limitation for a person living in the community be increased by 2.1% to £526.00 per week from 9 January 2015. This is in line with the general uprating policy for 2015.

Benefit limitation - residential homes

154. Notwithstanding the existence of the long-term care insurance scheme, there needs to remain a benefit limitation applicable to a person residing in a residential home who does not satisfy the residence requirements for long-term care benefit and may, therefore, need to rely on financial support from supplementary benefit. The benefit limitation is currently £512.00 per week. The Department recommends an increase to £523.00 per week from 9 January 2015. It should be noted that this particular benefit limitation, and that in the following paragraph, are very seldom called into effect.

Benefit limitation - nursing homes, elderly mental infirm residents (EMI) and Guernsey Cheshire Home

155. Being necessary for the reason explained in paragraph 154, the Department recommends that the benefit limitation applicable to a person residing in a nursing home or a residential home with EMI care needs or the Guernsey Cheshire Home be increased from £735.00 per week to £750.00 per week from 9 January 2015.

Personal allowance for residents of residential or nursing homes

156. The amount of the personal allowance for supplementary beneficiaries in residential or nursing homes is currently £29.30 per week. It is intended to allow modest purchases of, say, newspapers, confectionery, toiletries, small family presents and so on. The Department recommends that the personal allowance be increased to £29.92 per week from 9 January 2015.

Personal allowance for Guernsey residents in UK hospitals and care homes

157. The HSSD pays for Guernsey and Alderney residents to be placed in UK hospitals and specialized institutions if their mental or physical health needs cannot be met on-Island. While the HSSD meets the cost of accommodation and care, residents are expected to pay for items of personal expenditure from their own resources. Residents who cannot afford these things can apply to the Social Security Department for a personal allowance.
158. There is a need for this particular personal allowance to be higher than the rate which applies in Guernsey residential and nursing homes, because the people living temporarily off-Island tend to be a much younger age group, more active and with more opportunities for using a personal allowance in the course of their supervised activities and outings.
159. The personal allowance is currently £49.36 per week and the Department recommends that the allowance be increased to £50.40 per week from 9 January 2015.

Supplementary fuel allowance

160. A supplementary fuel allowance is paid from General Revenue to all householders in receipt of supplementary benefit for 26 weeks from the last week in October until the last week in April of the year following. The fuel allowance was £30.00 per week for the 2013 to 2014 period.
161. In last year's Uprating Report, it was noted that the Department had identified the winter fuel allowance as an issue that might be reviewed as part of the supplementary benefit modernisation project. In particular, the Department noted that it was keen to explore whether its flat rate for all strategy still held good given that claimants' fuel bills vary depending, in part, on whether their accommodation is energy efficient. This work has not yet commenced but the Department remains committed to review the fuel allowance, particularly in view of the fact that Guernsey Housing Association developments, such as La Nouvelle Maraitaine and Le Grand Courtil, are constructed to very high standards of energy efficiency in order to reduce emissions and minimise residents' fuel bills.
162. Pending the outcome of this review, and in light of the fact that the cost of fuel, light and power did not change in the year to June 2014¹³, the Department is not recommending an increase in the fuel allowance for the winter of October 2014 to April 2015.
163. In October 2013, following consideration of the Department's Uprating Report for 2014 (Billet d'État XX of 2013, volume 2), the States resolved that the Department be authorised to make the first payment of the

¹³ Source: Guernsey Quarterly Inflation Bulletin – 30 June 2014.

supplementary fuel allowance at the proposed new rate in 2014 and in future years, on the last Friday in October, noting that this might be prior to approval of the rate of the allowance by the States.

164. The fuel supplement will cost in the region of £1.06m over the 26 week payment period referred to in paragraph 160.

Maximum rent allowances

165. Maximum rent allowances were introduced for new claims from single people and couples with no children (tenancy group 1) and for people living in shared accommodation (tenancy group 5) with effect from 4 January 2013. Maximum rent allowances are upper limits of rental support, rather than fixed amounts, given to all people within the two groups. The actual rent allowance paid never exceeds the rent of the property occupied and indeed, in accordance with legislation, the Administrator often awards a lower rent allowance if he considers that this is reasonable having regard to the circumstances of the claimant and the nature and standard of the accommodation.
166. The maximum rent allowances for 2014 are set out in table 17 overleaf. These rates are based on the highest rents charged in social housing for appropriately sized properties.

Table 17 – Maximum rent allowances for 2014

Tenancy Group	Description	Maximum rent allowance – 2014
Group 1	Single or couple with no children	£201.00
Group 5	Living in shared accommodation	£161.79

167. It is proposed that the maximum rent allowances for people in tenancy groups 1 and 5 be increased in 2015 in line with rents charged by the Housing Department or the Guernsey Housing Association once these have been set.
168. The Department proposed in its report entitled ‘Benefit and Contribution Rates for 2014 and Modernisation of the Supplementary Benefit Scheme’ (Billet d’État XX of 2013, volume 2), that maximum rent allowances for families (i.e. tenancy groups 2, 3 and 4) be introduced from January 2015. However, this proposition, along with all other propositions pertaining to the section of the report regarding the modernisation of the supplementary benefit scheme, were deleted and replaced with alternative propositions concerning the formation and mandate of the Social Welfare Benefits Investigation Committee following a successful Amendment placed by Deputy Le Lièvre.
169. The Department remains of the view that maximum rent allowances for families should be introduced, but considers that it is not appropriate to

recommend their introduction while the Social Welfare Benefits Investigation Committee is in the process of developing proposals for a single, comprehensive social welfare benefits model, as explained in a little more detail in the following paragraphs.

A Review of Social Welfare Benefits

170. In November 2013, the States considered proposals from the Social Security Department to modernise the Supplementary Benefit system to create a single, comprehensive social welfare benefits system incorporating relevant aspects of the statutory Rent Rebate Scheme for social housing tenants of the Housing Department and the Guernsey Housing Association (Billet d'État XX October 2013).
171. The States recognised that modernisation was desirable but the model proposed by the Social Security Department was not supported by the States. Instead, the States decided to establish a special States Committee, the Social Welfare Benefits Investigation Committee (SWBIC), to consider the matter afresh.
172. The Policy Council's report regarding the co-ordination of related policy projects, which, at the time of writing, was expected to be laid before the States for consideration in September 2014, sets out the mandate of the SWBIC, provides a brief update on progress and explains why the Committee intends to report back to the States in two stages.

Provision of supplementary benefit for residents of the new extra care housing developments

173. In May 2011, the States agreed *inter alia* that the Housing Department's two residential homes – Longue Rue House and Maison Maritaine – should be replaced by extra care housing to be built and managed by the Guernsey Housing Association; and in April 2012, the Treasury and Resources Department gave the necessary approvals to enable development work to commence.
174. The first occupants of the new flats at each scheme will comprise most of the existing residents of Maison Maritaine and Longue Rue House, some persons with a learning disability currently accommodated in residential homes by the HSSD, plus some persons living in the community whose needs can be met by extra care housing.
175. In accordance with the business case for the projects approved by the Treasury and Resources Department, there will be additional costs to supplementary benefit arising from these two developments. The primary reason for the additional supplementary benefit expenditure is because the residents of Maison Maritaine and Longue Rue House currently pay a heavily

subsidised fee to the Housing Department for their care, accommodation, food, etc. However, upon becoming tenants in extra care housing they will be responsible for paying rent and a service charge for their accommodation to the Guernsey Housing Association. They will also be responsible for paying for their food and other day-to-day expenses associated with independent living. Based on an initial assessment of their means, more of the existing residents of the two care homes are anticipated to require supplementary benefit assistance in extra care housing. The care and support service for the residents of the extra care housing scheme is to be provided by the Housing Department and funded from its General Revenue budget.

176. 37 of the 54 flats at La Nouvelle Maraitaine were completed at the end of July 2014, and, at the time of writing, care home residents had commenced their move into the extra care housing scheme. The remaining flats are due to be completed by the end of August 2014. 8 people referred by HSSD have been allocated flats at La Nouvelle Maraitaine, some of whom currently reside in the care home for rehabilitation prior to moving into their flats. The remaining people referred by HSSD, who currently reside at Shotley Villa (a care home run by the HSSD), are expected to move in before Christmas 2014.
177. The 63 flats at Le Grand Courtil are due to be completed by November 2014, and 23 care home residents will be moving from Longue Rue House in November 2014. 10 people referred by HSSD, who currently reside at Beauville, Jessant (group homes run by the HSSD) and in the community, have been allocated flats at Le Grand Courtil. It is likely that most of the HSSD referrals will move into their flats during the first quarter of 2015. A further 6 flats are due to be let in March 2015 to members of the community who are eligible for extra care housing.
178. Arising from the transfer of residents from Housing and Health and Social Services' accommodation, it is estimated that the net additional cost to supplementary benefit will be in the order of £104,000 in 2014 and £404,000 in 2015.
179. The Supported Living and Aging Well Strategy Working Party will be working with the aforementioned Departments on the broader question of how extra care housing should be funded in the future.

Progress to Work

180. In March 2012, following consideration of the Department's report regarding the modernisation of the supplementary benefit scheme – phase 1 (Billet d'État V of 2012, volume 1) the States approved a number of propositions which would introduce new approaches to incentivise work within the supplementary benefit scheme. While the new legislation required to introduce some of these new approaches will not come into effect until late

2014, the Department has already taken steps to work with individuals to increase their chances of moving into employment.

181. The 'Progress to Work' initiative was launched in May 2014 and is aimed at working age people in receipt of supplementary benefit, including non-working partners living in the same household. People are now being called in for work focused meetings to establish what training and support is required to help them move into work or increase their current hours of work. Work focused meetings are also offered to working age people who may not be able to work in the medium or long-term due to sickness, disability or care responsibilities. This is to help these individuals to actively plan for and return to work when appropriate.
182. The Progress to Work initiative opens up opportunities for parents in receipt of supplementary benefit to work or engage in training. Parents who need to attend approved training courses, but have pre-school age children might be able to have their childcare costs paid by the Department.
183. During 2014, the Department has taken steps to introduce a mandatory work scheme to provide a small number of short-term work placements within the community. These placements re-introduce a work routine for some people who have been out of work for a long time. No wage is paid, but benefit remains in payment.
184. Through the Progress to Work initiative, the Department will be in discussion with third sector organisations to encourage the development of new return to work initiatives with potential access to grant assistance through the Social Insurance Fund.

Increase in the minimum age of entitlement to supplementary benefit

185. In March 2012, the States also agreed that the minimum age of entitlement for supplementary benefit should be increased from school leaving age to 18, but that benefit would be payable to some under 18s by exception. This change means that young people aged 16 and 17 will not be able to claim supplementary benefit, unless there are exceptional circumstances and the claims are supported by the Education Department or the HSSD. The proposed criteria for paying supplementary benefit to under 18s were set out in the aforementioned Report and are provided for ease of reference in Appendix 3 of this Report.
186. This law change, which is expected to come into effect later this year, is consistent with the introduction of the new Children Law in 2008, which underlined the importance of parental responsibility for young people under 18.

187. A 16 or 17 year old who has ceased full time education and is unemployed and being supported by a parent in receipt of supplementary benefit will be treated as a dependant in that family. This means that the cash benefit for that young person will be paid direct to their parents. But, the young person will be expected to register with the Job Centre and actively seek work or prepare for work, as appropriate. Normal sanctions will be applied if the young person does not engage.
188. A 16 or 17 year old who has ceased full time education and is unemployed and who is part of a household which is not in receipt of supplementary benefit will not get a cash benefit but will be encouraged to use the Job Centre services to help them find work.
189. The Department has written to all families currently claiming supplementary benefit with children who could leave school or college this summer to make them aware of this forthcoming legislation change.

Payment of a series of payments, loans and conditional payments

190. Section 6(1) of the Supplementary Benefit (Guernsey) Law, 1971 (“the Law”) provides that the Department may make a “*grant in money by way of a single payment*” to a person to whom the Law applies, to meet an exceptional need. This provision is currently commonly used to fund the medical costs of claimants and their dependants, although, when the Supplementary Benefit (Implementation) (Amendment) Law, 2014 enters into force later in the year, medical expenses will be funded under a new explicit provision of the Law.
191. Section 6(1) is also used to fund childcare costs for parents in receipt of supplementary benefit to facilitate their attendance at approved training courses. These payments tend to be regular in nature. Under the Interpretation (Guernsey) Law, 1948 “*words in the singular shall include the plural and words in the plural shall include the singular*”. Therefore, it is possible to make a series of payments under Section 6 of the Law, but the Department believes that it would be helpful to amend Section 6(1) to explicitly provide for single payments or a series of payments in order to make it more transparent.
192. Parents in receipt of supplementary benefit who wish to undertake training in order to improve their chances of finding employment, are required to sign a formal agreement with the Department undertaking to repay their training and childcare costs if they leave the course without good cause. However, there are currently no specific powers under the Law to impose conditions on a grant of money made under Section 6(1) of the Law or to require repayment if the claimant fails to comply with any such conditions. In these circumstances, the Department can pursue the repayment of course and childcare costs via the Petty Debts court provided that the parent has signed

an agreement to this effect at the outset. However, it would be beneficial if Section 6 of the Law were amended to enable a grant of money made under subsection (1) to be subject to conditions as determined by the Department; and, in the event of failure to comply with any such conditions, recoverable as a civil debt due to the Department or by way of a deduction made from any benefit payable under or by virtue of the Supplementary Benefit (Guernsey) Law, 1971, or any other Law under or by virtue of which a benefit or payment administered by the Department is made or available.

193. In some circumstances, it would be helpful if the Department could make a loan, rather than a grant, under Section 6(1) of the Law, repayable in accordance with the terms and conditions of the loan agreed with the Department; and, in the event of non-payment, or breach of any such terms and conditions, recoverable as a civil debt due to the Department.
194. The Department recommends that Section 6 of the Supplementary Benefit (Guernsey) Law, 1971, be amended to enable the payment of a series of payments, loans and conditional payments, as set out in the above paragraphs.

Use of rent allowance

195. In March 2012, following consideration of the Department's Report regarding the modernisation of the supplementary benefit scheme – phase 1 (Billet d'État V of 2012, volume 1), the States approved a number of legislative changes as set out in Appendix 3 of that Report, one of which was a proposal to include a duty on claimants to use the rent allowance element of their supplementary benefit payment for the purpose of paying their rent/mortgage interest and to make it an offence not to do so.
196. However, following further consultation with the Law Officers of the Crown, the Department is now obliged to recommend that this specific part of Resolution 2 of Article VI of Billet d'État V of 2012, volume 1, be rescinded.
197. In making an assessment of entitlement to benefit, the Administrator takes into account a number of things, including rent or the interest (but not the capital) on a mortgage. The claimant, however, may have a number of other financial commitments that the Department does not take into account when assessing entitlement, for example, bank loans, life assurance policies, credit card debts, a payday loan or similar
198. Although it could be argued that the Department has a moral duty to ensure that the money it distributes by way of welfare benefits is spent in the way intended, the Department's legal responsibility is merely to provide financial assistance to people who meet the necessary criteria as set out in the supplementary benefit legislation. The Department has been advised that if

this proposal was enacted, it would, in effect, be seeking to prioritise the debts of claimants without knowing the full facts.

199. Notwithstanding the merits or otherwise of such an offence, the Department has been advised that such an offence would be virtually impossible to prosecute because defendants would very easily be able to construct a “reasonable excuse” defence (for example, “if I didn’t pay X, I would lose my possessions and I knew the landlord would wait”). Most “excuses” would be difficult to disprove, and it would be costly to try to do so. In addition, it is not always clear to recipients of benefit precisely what proportion of any money received by them actually consists of rent allowance.
200. The Administrator has the power, under Section 2 of the Supplementary Benefit (Implementation) Ordinance, 1971, to reduce payments of supplementary benefit in appropriate circumstances, so if he becomes aware that the benefit is being used inappropriately he has the power to act.
201. Section 5(2) of the Supplementary Benefit (Guernsey) Law, 1971 allows the Department to pay the whole or part of a person’s supplementary benefit to some other person than the applicant where it appears that it is necessary for protecting the interests of an applicant. This section is used to enable the Department to pay rent direct to a claimant’s landlord where it is considered to be in the claimant’s best interests. Although this mechanism can result in large rent arrears accumulating if the landlord does not notify the Department of a claimant’s failure to pay their rent in a timely manner, it is considered a more proportionate and appropriate solution to the problem than criminalising the non-payment of a civil debt.
202. Therefore, the Department recommends that the decision to include a duty on claimants to use the rent allowance element of their supplementary benefit payment for the purpose of paying their rent/mortgage interest and to make it an offence not to do so, as set out as proposal number iii in table 2 of Appendix 3 of Billet d’État V of 2012, volume 1, which was approved by the States by Resolution 2 of Article VI of Billet d’État V of 2012, as one of a number of proposed legislative changes, be rescinded.

Cost of proposals for supplementary benefit

203. The expected outturn for supplementary benefit expenditure for 2014 is £20.61m. It is estimated that benefit expenditure in 2015, taking account of the above proposals and allowing for current trends, will increase by £0.93m to £21.54m.

Family Allowance

- 204. Expenditure on family allowance amounted to £9.80m in 2013. The allowance is paid at £15.90 per week per child. The expected outturn for 2014 is £9.80m.
- 205. Family allowance is a universal benefit that is paid to all families with qualifying children, irrespective of the level of their household income. Given the current constraints on States expenditure, the Department will not be recommending any increase in the rate of family allowance for 2015. This will save in the order of £206,000 in 2015, when compared to the proposed 2.1% increase in all other benefit rates.
- 206. The Department is considering, as part of the PTBR, the appropriateness of continuing to pay universal benefits, including family allowance, free TV licences for all persons over the age of 75 and for persons over 65 in receipt of supplementary benefit, and free prescriptions for all over 65s, or whether they should be means tested.
- 207. It is estimated that expenditure on family allowance in 2015 will be the same as 2014 (i.e. £9.80m) with no projected increase or decrease in demand.

Severe Disability Benefit and Carer's Allowance

- 208. On 1 May 2014, the Severe Disability and Carer's Allowance (Guernsey) Law, 2013 and the Carer's Allowance (Guernsey) (Amendment) Regulations, 2014 entered into force. This legislation implemented the various policy changes approved by the States on 26 October 2011 (Billet d'État XVII of 2011).
- 209. Attendance allowance has been renamed 'severe disability benefit' and invalid care allowance has been renamed 'carer's allowance'.
- 210. The qualifying rules for the severe disability benefit remain the same as they were for attendance allowance, but the application form and the way the Department reviews claims from time to time has become simpler, making it easier for people with substantial care needs to get the financial support that they are entitled to.
- 211. Carer's allowance is paid to a person providing care to a person receiving severe disability benefit. As part of the changes, the earnings limit which applied to invalid care allowance has been removed. This means that, from 1 May 2014, carers of working age who wish to work or increase their hours of work, have been able to do so while still being entitled to carer's allowance. There is no limit on the amount that they can earn, as long as their total annual household income does not exceed the 2014 limit of £90,000.

212. In addition, the rule which debarred carers over the age of 18 in full time education from receiving invalid care allowance has been changed so that it now only applies to carers who are attending an educational establishment located outside the Bailiwick of Guernsey. This means that, from 1 May 2014, carers over the age of 18 who are receiving full time education at an educational establishment located in the Bailiwick of Guernsey may receive carer's allowance.
213. As part of the changes, carers will continue to receive benefit for four weeks if the person they are caring for has to move into permanent care at any stage after 1 May 2014. Also, the carer's benefit will continue to be paid for 8 weeks following the death of a person being cared for, to allow the carer a period of adjustment.
214. The Department recommends that severe disability benefit and carer's allowance and the annual income limit for both benefits be increased, with effect from 5 January 2015, as shown in table 18 below:

Table 18 – Current and proposed annual income limit and weekly rates of severe disability benefit and carer's allowance

	2015	2014
Severe disability benefit - weekly rate	£98.98	£96.95
Carer's allowance - weekly rate	£80.08	£78.40
Annual income limit for both allowances	£92,000	£90,000

215. The annual income limit is the upper limit of income that a family may have, while still being entitled to receive either severe disability benefit or carer's allowance.
216. Benefit expenditure on attendance allowance and invalid care allowance in 2013 was £4.12m. The expected outturn for the renamed benefits for 2014 is £4.40m. It is estimated that expenditure in 2015 will be £4.60m.

Eligibility of residents of extra care housing developments for Severe Disability Benefit

217. The provision of long-term care in Guernsey is changing. The Supported Living and Ageing Well Strategy Working Party is reviewing the Island's care, support and accommodation needs. As referred to in paragraphs 176 and 177 of this Report, the new extra care housing developments, La Nouvelle Maraitaine and Le Grand Courtil, are due to open this year and will start receiving their first residents in August 2014 and November 2014 respectively.

218. Residents will pay the Guernsey Housing Association a subsidised, 'sub-market' rent for the extra care units, equivalent to the amount charged for one- and two-bed units of social housing. As explained in paragraph 175 of this Report, financial assistance will be available from supplementary benefit for those who need it. Some residents will also be able to opt to buy between 40% and 80% of the prevailing value of their flats.
219. Residents will be able to access 24/7 care and support, on a flexible basis depending upon their levels of need, but with a view to promoting a level of independence. This will include the provision of trained domiciliary staff to help people with functions including dressing, feeding, washing and toileting, as required. The States will wholly fund the provision of care and support services to residents from the Housing Department's General Revenue budget.
220. Currently, Section 9 of the Severe Disability Benefit and Carer's Allowance (Guernsey) Law, 1984 provides that "*Regulations may provide that an allowance [in this case severe disability benefit] shall not be payable in respect of a person for any period when he is a person for whom accommodation is provided in a hospital or elsewhere wholly or partly out of public funds.*" Hospital in-patients and residents of nursing and residential care homes are excluded from entitlement to severe disability benefit where the cost of their accommodation is borne wholly or partly out of public funds under Regulations 4 and 5 of the Severe Disability Benefit (Guernsey) Regulations, 2003.
221. It is envisaged that some people moving from Maison Maritaine and Longue Rue House into flats in the new extra care housing developments may become eligible to claim severe disability benefit now or in the future. Some residents may already be receiving the benefit whilst living in the community. However, if the Department pays severe disability benefit to people accommodated in extra care housing, in recognition of the extra cost of disability, there would be at least some degree of double payment from public funds as they will receive subsidised accommodation and they will have their care and support needs provided for at no cost to themselves. Therefore, it could be argued that they will be treated preferentially to hospital in-patients and residents of nursing and residential care homes, who are currently excluded from receiving the benefit if the cost of their accommodation is borne wholly or partly out of public funds.
222. At this stage, the Department is not proposing to exclude residents of extra care housing from receipt of severe disability benefit. However, the Department is intending to carry out a review and would like to have the option, in future, to be able to exclude people accommodated in extra care housing and, potentially, other types of accommodation, where the cost of accommodation or care services are funded wholly or partly out of public funds, via a minor amendment to the legislation.

223. The Department recommends that Section 9 of the Severe Disability Benefit and Carer's Allowance (Guernsey) Law, 1984 be amended to provide that Regulations may provide that an allowance (in this case, severe disability benefit) shall not be payable in respect of a person for any period when he is a person for whom accommodation *or care services* are provided *at locations prescribed by Regulation*, wholly or partly funded out of public funds.
224. This proposed amendment will allow the Department to exclude people accommodated in extra care housing by Regulation if it is considered appropriate to do so having regard to all the circumstances and, in particular, the level of publicly funded support available to residents of the developments.

Community and Environmental Projects Scheme

225. The Department administers the Community and Environmental Projects Scheme (CEPS), which offers short-term employment opportunities for unemployed people. The Department contracts with States Works for the necessary supervision of the work teams and also for the provision of transport, equipment and tools.
226. The hourly wage rates for the CEPS scheme are set by the Department and do not require a resolution of the States. From 1 October 2010 the rates payable were brought into line with minimum wage rates. From 1 October 2014, the rates payable will mirror the minimum wage rates set by the Commerce and Employment Department.

Free TV licences

227. In accordance with the resolutions of the States on the 2001 budget (Billet d'État XXIV of 2000), the Department administers a scheme to provide free TV licences for Guernsey and Alderney residents aged 75 or over and residents aged 65 or over and in receipt of supplementary benefit. Benefit expenditure under this scheme was £590,000 in 2013. The scheme is expected to cost £605,000 in 2014. The standard charge per TV licence made by the UK Department of Culture, Media and Sport has been frozen for six years from 2011.
228. The appropriateness of continuing to provide universal benefits, such as the provision of free TV licences, is being considered as part of the PTBR.

Grants to charities

- Guernsey Women's Refuge

229. In December 1997, following consideration of a Report from the former Guernsey Social Security Authority (Billet d'État XXII of 1997), the States authorised the Guernsey Social Security Authority to make an annual grant to the Guernsey Women's Refuge Ltd. The States further agreed that the amount of the grant be £15,000 in 1998 and, *"for subsequent years, be of such amount as the Authority may deem appropriate within its budget allocation for grants to charitable organisations."* The annual grant for 2014 is £20,890.
230. In future, the grant will need to be made to Safer LBG, rather than the Guernsey Women's Refuge Ltd. because the running of the Guernsey Women's Refuge Ltd. passed, through a Business Transfer Agreement, to Safer LBG on 1 May 2014. Safer is an independent, Guernsey-registered company limited by guarantee (LBG). The overarching role of Safer LBG is to encourage and promote the provision of domestic abuse services within all relevant statutory and voluntary agencies.
231. Given that the Home Department is responsible for the implementation of the Domestic Abuse Strategy, the Social Security Department and the Home Department are of the view that responsibility for making the annual grant towards the running of the Guernsey Women's Refuge should be transferred, with effect from 1 January 2015, from the Social Security Department to the Home Department. Safer LBG already receives an annual grant from the Home Department towards the running of an Independent Domestic Violence Advisors' Service.
232. Transferring responsibility to the Home Department for the making of the annual grant will ensure that the Guernsey Women's Refuge receives the same degree of monitoring and evaluation as the other local domestic abuse services funded by the States and will foster closer working between the various agencies and States Departments delivering domestic abuse services in the Bailiwick.
233. Subject to States approval of the above recommendation, the budgeted amount of the 2014 grant to the Guernsey Women's Refuge will be transferred from the Social Security Department's budget for charitable grants to the Home Department's Domestic Abuse Strategy budget for 2015.

- Daisy Chain Pre-School

234. Daisy Chain Pre-School Trust was established in 2006 in order to provide subsidised pre-school education at Daisy Chain Pre-School ('Daisy Chain'). Until July 2014, Daisy Chain was based at the Styx Western Parish Community Centre. Daisy Chain offers places for up to 32 children between

the ages of 2 and 5. Children are referred to Daisy Chain by health visitors and social workers who are able to identify families and children where the provision of a safe and secure learning environment would be of benefit for the children's educational and social skills. Daisy Chain is entirely funded from charitable donations.

235. In May 2014, the Manager of Daisy Chain announced that the Pre-school would close in July 2014 due to a lack of long-term funding. The Health and Social Services, Education and Social Security Departments agree that Daisy Chain provides a valuable service for families whose children would probably not otherwise have access to the opportunities that attendance at a pre-school can provide. The two other pre-schools supported by grants from General Revenue, Wesley Pre-School and Happy Days Pre-School, are unable to absorb the demand created by the closure of Daisy Chain. In recent months, the three Departments have worked closely together to develop a plan to enable the continued operation of Daisy Chain.
236. The Guernsey Early Years Foundation has taken over responsibility from the Daisy Chain Pre-School Trust for operating Daisy Chain. The Foundation has made an application for funding for two years from a local charitable foundation. This application is expected to be successful.
237. During the summer holidays, Daisy Chain relocated to La Houquette Primary School to substantially reduce rental costs. Minor alterations to La Houquette Primary School building and the physical relocation of the Pre-school were undertaken by the Community & Environmental Projects Scheme, operated by the Social Security Department, at no cost to the Pre-school. The children who attend Daisy Chain will be transported to and from La Houquette Primary School through the Education Department's existing school bus service at no cost to the Pre-school.
238. Taking account of the anticipated charitable funding and the reduction in costs achieved through the move to La Houquette Primary School, the forecasted shortfall in funding is relatively modest. It is proposed that this shortfall in funding be covered by way of an annual grant from General Revenue.
239. It is proposed that, with effect from 1 January 2015, the Social Security Department be authorised to make an annual grant to the Guernsey Early Years Foundation, towards the running of Daisy Chain Pre-School, in the sum of £6,000 in 2015 and, in future years, of such amount as the Social Security Department may deem appropriate within its budget allocation for grants to charitable organisations.
240. The provision of grants to Wesley Pre-School, Happy Days Pre-School, and, subject to approval, Daisy Chain Pre-School, will need to be reviewed as part of the implementation of universal entitlement to quality pre-school provision

of 15 hours per week for the equivalent of 38 weeks per year for all 3-4 year olds, which was approved by the States in May 2014 (Billet d'État X of 2014).

Consultation

241. The Department has consulted with the Commerce and Employment Department regarding the possibility of increasing the rate of the employers' contribution by 0.5%; with the Treasury and Resources Department regarding its proposal to increase the weekly benefit limitation for supplementary benefit to £600.00 for a person living in the community; with the Home Department regarding its proposal to transfer responsibility for making the annual grant towards the running of the Guernsey Women's Refuge to the Home Department; and with the Education Department and the HSSD regarding its proposal that the Social Security Department be authorised to make an annual grant to the Guernsey Early Years Foundation, towards the running of Daisy Chain Pre-School.
242. The Law Officers have been consulted and have not identified any legal difficulties with the recommendations contained in this Report.

Compliance with the Principles of Good Governance

243. The proposals made in this States Report are in accordance with the Principles of Good Governance, as outlined in Billet d'État IV of 2011, particularly Principle 1 "focusing on the organisation's purpose and on outcomes for citizens and service users", Principle 2 "performing effectively in clearly defined functions and roles" and Principle 6 "engaging stakeholders and making accountability real".

PART V RECOMMENDATIONS

244. The Department recommends:
 - (i) the States to note, that the Department intends to propose that the percentage contribution rate for employers be increased by 0.5%, from 6.5% to 7.0% from 1 January 2016, unless in its opinion the measures approved by the States following consideration of proposals arising from the Personal Tax, Pensions and Benefits Review are adequate to secure the long-term financial sustainability of the Guernsey Insurance Fund;
(paragraphs 4 to 15)

- (ii) the States to note, that in the event that the percentage contribution rate for employers is increased by 0.5% from 1 January 2016, the Department is also likely to propose that the grant from General Revenue to the Guernsey Insurance Fund be decreased from 15% to 14% of contribution income, from that date;
(paragraphs 16 to 20)
- (iii) that, for employed persons and employers, the upper weekly earnings limit, the upper monthly earnings limit and the upper annual earnings limit, from 1 January 2015, shall be £2,601, £11,271 and £135,252 respectively;
(paragraph 64)
- (iv) that, for employed persons and employers, the lower weekly earnings limit and the lower monthly earnings limit, from 1 January 2015, shall be £131.00 and £567.67 respectively;
(paragraph 69)
- (v) that, for self-employed persons, the upper and lower annual earnings limits, from 1 January 2015, shall be £135,252 and £6,812 per year respectively;
(paragraphs 71 to 75)
- (vi) that, for non-employed persons, the upper and lower annual income limits, from 1 January 2015, shall be £135,252 per year and £17,030 per year, respectively;
(paragraphs 76 and 79)
- (vii) that the allowance on income for non-employed people from 1 January 2015, shall be £7,223 per year;
(paragraph 80)
- (viii) that the voluntary contribution from 1 January 2015, shall be £18.67 per week for non-employed people;
(paragraphs 82 to 83)
- (ix) that the overseas voluntary contribution from 1 January 2015, shall be £88.94 per week for non-employed people and £98.32 for self-employed people;
(paragraph 84)
- (x) that, from 5 January 2015, the standard rates of pension and contributory social insurance benefits shall be increased to the rates set out in table 6 in this Report;
(paragraph 60)

- (xi) that, from 1 January 2015, the prescription charge per item of pharmaceutical benefit shall be £3.40;
(paragraph 99)
- (xii) that the Schedule to the Health Service (Specialist Medical Benefit) Ordinance, 1995 be amended, in order to allow the Department to fund the costs associated with the Primary Care Mental Health and Wellbeing Service from the Guernsey Health Service Fund;
(paragraphs 107 to 118)
- (xiii) that, from 5 January 2015, the contribution (co-payment) required to be made by the claimant of care benefit, under the long-term care insurance scheme, shall be £190.75 per week;
(paragraph 122)
- (xiv) that, from 5 January 2015, nursing care benefit shall be a maximum of £789.11 per week for persons resident in a nursing home or the Guernsey Cheshire Home and residential care benefit shall be a maximum of £422.66 per week for persons resident in a residential home;
(paragraphs 124 to 125)
- (xv) that, from 5 January 2015, elderly mentally infirm (EMI) care benefit shall be a maximum of £556.92 per week for qualifying persons resident in a residential home;
(paragraph 126)
- (xvi) that, from 5 January 2015, respite care benefit shall be a maximum of £979.86 per week for persons receiving respite care in a nursing home or the Guernsey Cheshire Home, an elderly mental infirm rate of £747.67 for persons receiving respite care in a residential home and a maximum of £613.41 per week for persons receiving respite care in a residential home;
(paragraph 127)
- (xvii) that the Department be directed to report to the States of Deliberation after the conclusion of the Personal Tax Pensions and Benefits Review and the publication of the Supported Living and Aging Well Strategy, with proposals to achieve the long-term sustainability of the Long-term Care Insurance Fund;
(paragraphs 128 to 139)
- (xviii) that, from 9 January 2015, the supplementary benefit requirement rates shall be as set out in tables 15 and 16 of this Report;
(paragraph 144)

- (xix) that, from 9 January 2015, the weekly benefit limitations for supplementary benefit shall be:
- (a) £600.00 for a person living in the community;
(paragraphs 145 to 152)
 - (b) £523.00 for a person who is residing in a residential home; and
(paragraph 154)
 - (c) £750.00 for a person who is residing as a patient in a hospital, nursing home, the Guernsey Cheshire Home or as an elderly mental infirm resident of a residential home;
(paragraph 155)
- (xx) that, if recommendation (xix)(a) is not approved, the weekly benefit limitation for supplementary benefit shall be £526.00 for a person living in the community, with effect from 9 January 2015;
(paragraph 153)
- (xxi) that, from 9 January 2015, the amount of the personal allowance payable to persons in Guernsey and Alderney residential or nursing homes who are in receipt of supplementary benefit shall be £29.92 per week;
(paragraph 156)
- (xxii) that, from 9 January 2015, the amount of the personal allowance payable to persons in UK hospitals or care homes who are in receipt of supplementary benefit shall be £50.40 per week;
(paragraphs 157 to 159)
- (xxiii) that a supplementary fuel allowance of £30.00 per week be paid to supplementary beneficiaries who are householders from 31 October 2014 to 30 April 2015;
(paragraph 162)
- (xxiv) that Section 6(1) of the Supplementary Benefit (Guernsey) Law, 1971, be amended to explicitly enable the payment of a series of payments;
(paragraphs 190 to 191)
- (xxv) that Section 6 of the Supplementary Benefit (Guernsey) Law, 1971 be amended to enable a grant of money made under subsection (1) to be subject to conditions as determined by the Department; and, in the event of failure to comply with any such conditions, recoverable as a civil debt due to the Department or by way of a deduction made from any benefit payable under or by virtue of the Supplementary Benefit (Guernsey) Law, 1971, or any other Law under or by virtue of which a benefit or payment administered by the Department is made or available;
(paragraph 192)

- (xxvi) that Section 6 of the Supplementary Benefit (Guernsey) Law, 1971 be amended to enable the Department to make a loan of money, repayable in accordance with the terms and conditions of the loan agreed with the Department; and, in the event of non-payment, or breach of any such terms and conditions, recoverable as a civil debt due to the Department;
(paragraph 193)
- (xxvii) that the decision to include a duty on claimants to use the rent allowance element of their supplementary benefit payment for the purpose of paying their rent/mortgage interest and to make it an offence not to do so, as set out as proposal number iii in table 2 of Appendix 3 of Billet d'État V of 2012, volume 1, which was approved by the States by Resolution 2 of Article VI of Billet d'État V of 2012, as one of a number of proposed legislative changes, be rescinded;
(paragraphs 195 to 202)
- (xxviii) that, from 5 January 2015, the rates of severe disability benefit and carer's allowance and the annual income limits shall be as set out in table 18 of this Report;
(paragraph 214)
- (xxix) that Section 9 of the Severe Disability Benefit and Carer's Allowance (Guernsey) Law, 1984 be amended to provide that Regulations may provide that an allowance shall not be payable in respect of a person for any period when he is a person for whom accommodation or care services are provided at locations prescribed by Regulation, wholly or partly funded out of public funds;
(paragraphs 217 to 224)
- (xxx) that the resolutions taken on Article X of Billet d'État No. XXII of 1997 shall be rescinded;
(paragraphs 229 to 233)
- (xxxi) that, from 1 January 2015, the Home Department be authorised to make an annual grant to Safer LBG towards the running of the Guernsey Women's Refuge, of such amount as the Department may deem appropriate within its budget allocation for the Domestic Abuse Strategy;
(paragraphs 229 to 233)
- (xxxii) that, from 1 January 2015, the Social Security Department be authorised to make an annual grant to the Guernsey Early Years Foundation, towards the running of Daisy Chain Pre-School, in the sum of £6,000 in 2015 and, in future years, of such amount as the Social Security Department may deem appropriate within its budget allocation for grants to charitable organisations;
(paragraphs 234 to 240)

(xxxiii) that such legislation as may be necessary to give effect to the foregoing shall be prepared.

Yours faithfully

A H Langlois, Minister

S A James, Deputy Minister

J A B Gollop

D A Inglis

M K Le Clerc

S M Andrade (Non-States Member)

M J Brown (Non-States Member)

APPENDIX 1


COMMERCE AND EMPLOYMENT
A STATES OF GUERNSEY GOVERNMENT DEPARTMENT

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Your Ref:

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21 July 2014

Dear Deputy Langlois

Consultation Regarding 0.5% Increase in Employer's Contribution Rate

I refer to Social Security Department's letter of 8th July 2014 setting out that your Department is considering recommending an increase of 0.5% in the Employer's Contribution Rate, taking it from 6.5% to 7% of earnings, with effect from 1st January 2015.

The Commerce and Employment Board would like to express its thanks for the opportunity to comment and considered the proposal, as presented, at its Board meeting of 15th July 2014.

Whilst all members were mindful of the annual deficit of the Guernsey Insurance Fund and the fact that measures need to be put in place to moderate the annual deficit, it was felt that it was not the appropriate time to see a stepped increase in Employer's Contribution Rate.

It was felt that any proposed increase prior to the outcome of recommendations on the Personal Tax Pensions and Benefits Review (PTR) would be premature. The Commerce and Employment Board felt it would not be appropriate to make any changes to the current funding arrangements until the completion of the ongoing joint Social Security Department and Treasury and Resources Department review.

Furthermore, remaining competitive with respect to Jersey and other business jurisdictions is fundamental to the success of our economy. The business environment continues to be fragile and whilst there are signs of returning confidence, certain areas of the market remain under pressure. The Board resolved that fostering further costs to business at this time, when operating costs are escalating in other areas, would not be an appropriate or sensible measure.

The Commerce and Employment Board's comments are specifically made from a commerce and employment perspective. The Board does recognise the wider strategic issue of the deficit and pressures of the fund as set out in your letter.

Yours sincerely

Al Brouard
Deputy Minister

POLITICAL RESPONSIBILITIES

Primary Industries, Industry and Commerce, Financial Services, Visitor Economy, External Transport, Health and Safety, Employment Relations, Trading Standards

APPENDIX 2

PROPOSED SERVICE SPECIFICATION

Service	Primary Care Mental Health & Wellbeing Service- Guernsey
Commissioner	Social Security Department
Provider Lead	Health and Social Services - Colin Vines/Sara Johnson
Period	From February 2015

1. Purpose

1.1 Aims

The aims of this service are:

- To provide low and high intensity psychological therapy services at steps 2 and 3 of the relevant NICE model of care for people presenting in Primary Care with mild to moderate anxiety and depression.
- Provide early access to and delivery of psychological therapies in primary care and community settings.
- Provide a service that is evidence based and value for money.
- Provide access to information and other supports for people who are referred, but who may not at present be eligible for the service.
- Provide a service which works with relevant partners to help prevent new cases of prolonged sickness benefit arising from anxiety and/or depression.

1.2 Evidence Base

NICE Guidelines for Anxiety and Depression.

IAPT (Improving Access to Psychological Therapies) Programme national guidelines.

1.3 General Overview

Mental Health services in Guernsey are funded to provide a secondary care assessment and treatment service for people with serious mental health problems. Secondary care services provide support to people with acute or recurring mental health problems of a serious nature, where there is a likelihood of or current risk to themselves or others.

GP led services traditionally target people with mild to moderate mental health problems where there is an absence of, or low, risk of harm to self or others.

There has been a significant gap in services for many years, at a primary care level, where psychological support and treatment has not been available for lower level problems. In 2011 a pilot was established to develop a primary care style of service, based on the UK Improving Access to Psychological Therapies (IAPT) initiative. This targeted access to psychological interventions for people with mild to moderate anxiety and depression, who would not meet the threshold for secondary care services. The core aim of the project was to focus on people who were not fit to work, or at risk of becoming unfit for work because of low to moderate levels of anxiety or depression. As such, while means-testing and a service fee were considered as part of the service model, it was concluded that introducing a fee for the service could potentially exclude a group who would otherwise seek access to the therapies. In financial terms, it was also concluded that the administration costs of processing some form of means testing would potentially outweigh any income generation to fund the service.

This Psychological Wellbeing Service, which has been running as a pilot since 2011, provides psychological or talking therapies for people with mild to moderate anxiety or depression symptoms. It is a tri-partite program, including commitment from HSSD (providing and delivering the service), SSD (funding commissioners) and the Primary Care Groups, who provide some accommodation, in order that where practicable therapy can be provided in the non-stigmatised setting of the GP surgery.

1.4 Objectives

The PCMHWS model is based on the IAPT model developed in the UK. The IAPT programme aims to increase the availability of evidence based psychological therapies for anxiety and depression by suitably qualified therapists using a stepped care model. This care model has been developed in accordance with the NICE guidelines for the most effective treatments for anxiety and depression. The IAPT model has been developed and rolled out in the UK over the last five years and is demonstrating positive results in terms of clinical and employment outcomes.

1.5 Expected Outcomes

The key characteristic of IAPT services is their ability to ensure routine data collection. The incorporation of the routine use of outcomes measures at every session, in conjunction with electronic patient management systems. This enables the collection of patient data, encompassing clinical and employment outcomes.

Expected outcomes of the PCMHWS:

- Improved mental health of clients accessing the service.
- Positive user feedback on service received
- Positive feedback from GPs and other related professionals/agencies
- Continued ease of accessibility of service
- Decreased short-term sickness claims (in frequency/duration) with a mental health diagnosis of anxiety or depression.

2. Scope

2.1 Service Description

The service incorporates a stepped-care model of psychological therapies for mild to moderate anxiety and/or depressive disorders. This will provide an early intervention function, helping to prevent further deterioration into more complex and severe mental health disorders, and enabling improvement in functioning for those accessing the service.

Step 1. GP Practices /Primary care	Step 2	Step 3	Step 4
	PCMHWS	PCMHWS	Secondary Care
	Psychological Well Being Practitioners	High Intensity Therapist s	Duty and Brief Intervention Team, Psychiatric Services, Psychological Therapies and Intervention Service, Recovery and Wellbeing Service, START Team, CAMHS, CDAT
	Other voluntary sector and community services (including Phillipi Counselling, Guernsey Bereavement Service, Relate, Action for Children, GADAC, Drug Concern etc)		

2.2 Accessibility/acceptability

The service is open to referrals from GPs only. The service will work towards self-referrals and receiving referrals from HR departments within organisations/local businesses.

3. Service Delivery

3.1 Service Model

The service model to be provided will offer:

Key elements at low intensity (Step 2):

- Guided cognitive-behavioural self-help: including the key low intensity interventions of: Behavioural activation, guided self-directed exposure therapy, cognitive restructuring, and problem-solving.
- Signposting and introduction to relevant services –this will require the worker to accompany the client to the required service if support is needed but working within a guided self help framework.

- Referring to various services including exercise schemes such as LifeFit.
- Education
- Bibliotherapy
- Educate and involve family members and others in treatment as necessary
- Access to group work

Key elements at high intensity (Step 3):

- Cognitive-Behavioural Therapy for anxiety and depressive disorders of moderate to moderately severe severity, where functioning has been impaired, but no risk to self or others is present.
- Short-term Psychodynamic Counselling/Cognitive-Analytic Therapy for depression disorders and particularly those where interpersonal factors are significant in cause/maintenance of the problems.
- Access to group work

The provider will be responsible for case management and communication with the service users GP when required, including referral to other steps and specialist services outside the IAPT service.

Core and Specialist Staff Skills and Competencies

The service will be provided by a team of qualified staff, who are appropriately registered through the IAPT workforce registration route of a Low Intensity training course (Post Graduate Certificate Level); and practitioners who fulfil the IAPT qualification/experience criteria for providing High Intensity Psychological Therapies.

The service staff will receive regular outcome supervision to monitor general caseload activity. CBT and psychodynamic process supervision will be provided on a regular basis.

Continuing Professional Development

All clinical staff will have regular training and professional development in line with performance appraisal and development practice to ensure staff are familiar with current best practice.

Benefits to Service Recipients

Demonstrated and evidenced through:

- Recovery and/or reliable and significant improvement in symptoms/functioning.
- Service satisfaction.
- Easily accessible services provided through a range of modes.
- Employment support where relevant.

Through the proposed self referral route to the service, there will be increased accessibility to mental health services that will promote wellbeing, recovery, social inclusion and an early intervention approach.

Links/Benefits to other Services

The Provider shall work in partnership developing and maintaining links with other relevant statutory and voluntary services and in particular:

- The Secondary Care Mental Health Services;

- The voluntary sector;
- The return to work rehabilitation team (SSD).

3.2 Care Pathways

The Clinical Lead will work with the Single Point of Access philosophy and relevant Secondary Care teams in order to triage referrals to the appropriate intervention as part of the stepped care model.

Source of Referrals

The Provider may receive referrals from

- Primary care
- Secondary care
- Self referral (*pathway to be developed*)
- HR/Occupational Health Teams/Professionals (*pathway to be developed*)

4. Referral, Access and Acceptance Criteria

4.1 Geographic coverage/boundaries

The service will be available throughout Guernsey, but due to travel issues it may not be practical to provide services to Alderney. We will explore options for telephone support or Skype style support to Alderney in the future. The service will not be available to residents of Sark.

4.2 Location(s) of Service Delivery

The service will primarily be based centrally, delivered from within GP surgeries and in a range of other community and locality settings to cover the area required.

4.3 Days/Hours of operation

The core hours of service will be 8am – 5pm, Monday to Friday.

Some weekend and evening work will be necessary to meet the needs of service users in a responsive and accessible manner.

4.4 Referral criteria

Referrals suitable for the PCMHWS are:

- Common Mental Health problems – Anxiety and Depression
- Short to medium term duration (usually less than 2 years, with the exception of Anxiety Disorders such as Social Anxiety, Obsessive Compulsive Disorder and Generalised Anxiety Disorder)
- Low level of risk (no recent past history of significant self-harm or suicide attempts), limited risk to others
- Limited co-morbidity (particularly with personality factors)
- A degree of motivation to address difficulties

4.5 Referral route

Referrals will be made via a single point of access to mental health services, ensuring ease of access to risk assessment and immediate referral on to secondary care services where appropriate.

Service users will be handed a self assessment form by the GP that will be sent directly to the Duty and Brief intervention team at the Castel Hospital for logging and screening. All referrals will be screened and allocated to a service provider at the weekly referral meeting.

4.6 Exclusion criteria

The following groups are not suitable for the PCMHWS:

- Children under the age of 16 years.
- Patients who have complex problems, presentations other than anxiety and depression and those who present with greater than moderate clinical risk.
- Patients who have significant primary use of alcohol or substances.

4.7 Response time & detail and prioritisation

- The service is required to meet an access standard of 1 to 5 working days from Referral to Decision to Treat.
- The service is required to meet an access standard of 1 -20 working days from referral to treatment commencing.

The service is required to meet an access standard of same day for those people presenting as high risk patients (i.e. suicidal ideations, severe self injurious behaviour, psychotic symptomatology) identified through clinical judgment and/or objective risk outcome tools should be urgently discussed with the Duty and Brief Intervention Team within the Secondary Care Mental Health Services and the referring agent informed without delay.

5. Discharge Criteria & Planning

The average number of sessions at low intensity are between 3 and 6 sessions, and between 8 and 16 sessions at high intensity. If the patient shows a reduction in symptomatology (using validated assessment tools) then the patient is referred back to the GP. If the patient does not show signs of improvement at the end of treatment with the PCMHWS, or deteriorates during therapy either because of an exacerbation of clinical symptoms or clinical risk then the patient will be referred on to the Secondary Care Mental Health Service.

6. Self-Care and Patient and Carer Information

Patients are provided with a leaflet on the service which can also be given to carers as required.

7. Quality and Performance Standards

As HSSD staff, PCMHWS practitioners will be expected to adhere to the policies and procedures of the HSSD department. In addition, they will be expected to attend mandatory HSSD training. Where practitioners are required as an essential criterion of their post to be members of professional bodies, they will also need to adhere to professional guidelines (e.g. Health & Professions Council, British Psychological Society, British Association of Behavioural and Cognitive Psychotherapies).

Activities which constitute continued professional development will be identified via appraisal and provided by the training needs analysis process of the Institute of Health and Social Care Studies.

Quality Performance Indicator	Threshold	Method of measurement	Consequence of breach	Report Due
Access	< 5 days decision to treat < 20 days treatment begins	Six monthly contract monitoring meetings	Action plan put in place	Six monthly
Outcomes	As identified	Six monthly contract monitoring meetings	Action plan put in place	Six monthly
Staff turnover rates	To be agreed	Six monthly contract monitoring meetings	Action plan put in place	Six monthly
Sickness levels	To be agreed	Six monthly contract monitoring meetings	Action plan put in place	Six monthly
Agency and bank spend	To be agreed	Six monthly contract monitoring meetings	Action plan put in place	Six monthly

8. Activity

Activity Performance Indicators	Threshold	Method of measurement	Consequence of breach	Report Due
Contacts per month - low intensity	315 per month at low intensity level.	Quarterly reporting through the IT system	Discussions at Director Level HSSD/SSD	Quarterly
Contacts per month - high intensity	150 per month at high intensity level.	Quarterly reporting through the IT system	Discussions at Director Level HSSD/SSD	Quarterly
Number of referrals by practice – low intensity				
Number of referrals by practice – high intensity				
Numbers of people entering therapy – low intensity	Actual value report	Quarterly reporting through the IT system	Discussions at Director Level HSSD/SSD	Quarterly
Numbers of people entering therapy – high intensity	Actual value report	Quarterly reporting through the IT system	Discussions at Director Level HSSD/SSD	Quarterly
Waiting time for 1 st appointment – low intensity	Actual value report	Quarterly reporting through the IT system	Discussions at Director Level HSSD/SSD	Quarterly
Waiting time for 1 st appointment – high intensity	Actual value report	Quarterly reporting through the IT system	Discussions at Director Level HSSD/SSD	Quarterly
Number of people completing therapy – low intensity	Actual value report	Quarterly reporting through the IT system	Discussions at Director Level HSSD/SSD	Quarterly
Number of people completing therapy – high intensity	Actual value report	Quarterly reporting through the IT system	Discussions at Director Level HSSD/SSD	Quarterly
Number of people declining therapy – low intensity	Actual value report	Quarterly reporting through the IT system	Discussions at Director Level HSSD/SSD	Quarterly
Number of people declining therapy – high intensity	Actual value report	Quarterly reporting through the IT system	Discussions at Director Level HSSD/SSD	Quarterly
Number of people dropping out of	Actual value report	Quarterly reporting through	Discussions at Director Level	Quarterly

therapy – low intensity		the IT system	HSSD/SSD	
Number of people dropping out of therapy – high intensity	Actual value report	Quarterly reporting through the IT system	Discussions at Director Level HSSD/SSD	Quarterly
Number of people reporting being employed	Actual value report	Quarterly reporting through the IT system	Discussions at Director Level HSSD/SSD	Quarterly
Number of people reporting being in study	Actual value report	Quarterly reporting through the IT system	Discussions at Director Level HSSD/SSD	Quarterly
Number of people reporting being unemployed	Actual value report	Quarterly reporting through the IT system	Discussions at Director Level HSSD/SSD	Quarterly
Number of people reporting being on sick leave	Actual value report	Quarterly reporting through the IT system	Discussions at Director Level HSSD/SSD	Quarterly
Number of people reporting being at work	Actual value report	Quarterly reporting through the IT system	Discussions at Director Level HSSD/SSD	Quarterly

Service performance and activity levels will be reported on a quarterly basis to commissioners. A template for reporting the data will be provided based on the above activity and performance data, this will also include:

- 1. Staff Analysis:** Further broken down by whole time equivalent, number of contacts and minutes of therapy time delivered.
- 2. Quarterly Risk Register:** Any risks within the service should be reported to commissioners with an explanation, the likelihood, impact and any mitigation.
- 3. Any additional comments/progress issues.** This should include any additional information the service wishes to report in regards to non quantifiable activity. For example recruitment, engagement with other organisations or projects.

9. Continual Service Improvement Plan

Contract Monitoring meetings

These meetings will take place six monthly. Each meeting will analyse activity and finance issues, quality matters and other matters of contract compliance.

Service variations can be submitted to the contract monitoring meetings by either party.

10. Prices & Costs

WTE	Grade	Pay	Enhance 0.2 @36%	Oncosts @ 20.6 %	Totals
0.6	SO3	£ 39,181		£ 8,071	£ 47,252
2.00	Band 7	£ 41,813	£ 3,011	£ 9,234	£ 108,114
3.00	Band 5	£ 28,281	£ 2,036	£ 6,245	£ 109,688
					£ 265,054

Pay

Salaries £265,054

Non Pay

Training £ 4,000
 Travel £ 9,000
 Phones £ 2,520
 Room Hire £ 1,050
 IT £ 11,000
 Self Help materials £ 5,000
 Supervision £ 1,500

£299,124

Monthly invoices of 1/12 of the annual cost will be issued £24,927. A contingency fund of 10% needs to be established to cover the risks associated with long-term sickness and staff turnover.

Capacity Per Worker

Worker	Clinical sessions	Clients/ session	Clients/ week	Weeks available	Total contacts/ annum	Cycle (weeks)
PWP	8	3	24	45	1080	6
HI	8	2.5	20	45	900	12

3 Psychological Wellbeing Practitioners will have the capacity to conduct 3,240 contacts per annum which equates to 540 completed treatments.

2 High Intensity therapists will have the capacity to conduct 1,800 contacts per annum which equates to 150 completed treatments.

APPENDIX 3

Extract from the Social Security Department's report regarding the modernisation of the supplementary benefit scheme – phase 1 (Billet d'État V of 2012, volume 1)

Criteria for paying supplementary benefit to young people aged under 18

Circumstances				
Home Situation	AND	Parental Support	AND	Government Support
(One of these must apply)		(One of these must apply)		(One of these must apply)
No fixed abode		SSD are satisfied and NGO (e.g. Action for Children) confirms that parental support is absent		Classified as “at risk” by HSSD according to the definition within the Children Law*
Temporary arrangements – e.g. living with a friend’s parents		SSD are satisfied that parents are unable to provide support due to changes in their own circumstances		Classified as “in need” by HSSD according to the definition within the Children Law
Living independently		Considered to be an independent family unit (i.e. teenage parent[s] or care-leaver)		Leaving care with the assistance of a social worker
Moving from care into alternative accommodation		Parents unwilling~ to provide support due to a child returning to education, who has formerly supported himself through employment		As part of a case conference SSD, HSSD and/or Education recommend support together with an agreed action plan
Pregnant (expecting to give birth within 12 weeks) - living alone or with parents		-		-
Caring for a dependent child – living alone, with a partner or with parents		-		-
Has severe disabilities and is unable to work or is continuing in full-time education – living alone or with parents		-		-

* Children classified as "at risk" will be able to receive supplementary benefit in all circumstances, unless they are taken into care.

~ The Department intends to explore the possibility of placing a legal obligation on parents who are unwilling, but financially able, to support a child (under 18), where relevant.

(N.B. The Treasury and Resources Department notes that the Social Insurance Fund has recorded operating deficits for the past five years albeit that, over this period, substantial investment returns have meant that the overall value of the Fund has increased. It is fully recognised that, in the absence of other proposals, the Social Security Department feels obliged to recommend measures that will seek to ensure the Fund receives sufficient income in order to fund future old age pensions and other benefits. The Treasury and Resources Department notes the approach that the Social Security Department is taking by clearly signalling the need to take action by increasing employers' contributions by 0.5% with effect from January 2016, if the package of measures to secure the long-term financial sustainability of the Social Insurance Fund following consideration of the Personal Tax, Benefits and Pensions Review does not receive the support of the States. However, whilst the Social Security Department is recommending that the increase in contributions is borne entirely by employers, it is noted that the same quantum could be raised by increasing employees' contributions or by sharing the burden between employees and employers. Therefore, the Treasury and Resources Department believes that if any increase is still required following consideration of the Personal Tax Benefits and Pensions Review, this matter should be considered again at the time of the 2016 Uprating Report in light of prevailing conditions at the that time.

In respect of the proposal to increase the benefit limitation to £600 per week, a real terms increase of 14% at a cost of between £63,000 and £262,000, the Treasury and Resources Department is not able to demonstrate that it is impossible to introduce such an increase without contravening the States policy of a real terms freeze in aggregate revenue expenditure. However, this would inevitably mean that there is a small real terms decrease in the amount of funding available to be allocated to other States Departments.)

(N.B. The Policy Council supports the proposals in this States Report and confirms that the Report complies with the Principles of Good Governance as defined in Billet d'État IV of 2011.)

The States are asked to decide:-

V.- Whether, after consideration of the Report dated 11th August, 2014, of the Social Security Department, they are of the opinion:-

1. To note that the Department intends to propose that the percentage contribution rate for employers be increased by 0.5%, from 6.5% to 7.0% from 1 January 2016, unless in its opinion the measures approved by the States following consideration of proposals arising from the Personal Tax, Pensions and Benefits Review are adequate to secure the long-term financial sustainability of the Guernsey Insurance Fund.
2. To note that in the event that the percentage contribution rate for employers is increased by 0.5% from 1 January 2016, the Department is also likely to propose that the grant from General Revenue to the Guernsey Insurance Fund be decreased from 15% to 14% of contribution income, from that date.
3. That, for employed persons and employers, the upper weekly earnings limit, the upper monthly earnings limit and the upper annual earnings limit, from 1 January 2015, shall be £2,601, £11,271 and £135,252 respectively.
4. That, for employed persons and employers, the lower weekly earnings limit and the lower monthly earnings limit, from 1 January 2015, shall be £131.00 and £567.67 respectively.
5. That, for self-employed persons, the upper and lower annual earnings limits, from 1 January 2015, shall be £135,252 and £6,812 per year respectively.
6. That, for non-employed persons, the upper and lower annual income limits, from 1 January 2015, shall be £135,252 per year and £17,030 per year, respectively.
7. That the allowance on income for non-employed people from 1 January 2015, shall be £7,223 per year.
8. That the voluntary contribution from 1 January 2015, shall be £18.67 per week for non-employed people.
9. That the overseas voluntary contribution from 1 January 2015, shall be £88.94 per week for non-employed people and £98.32 for self-employed people.
10. That, from 5 January 2015, the standard rates of pension and contributory social insurance benefits shall be increased to the rates set out in table 6 in this Report.
11. That, from 1 January 2015, the prescription charge per item of pharmaceutical benefit shall be £3.40.

12. That the Schedule to the Health Service (Specialist Medical Benefit) Ordinance, 1995 be amended, in order to allow the Social Security Department to fund the costs associated with the Primary Care Mental Health and Wellbeing Service from the Guernsey Health Service Fund.
13. That, from 5 January 2015, the contribution (co-payment) required to be made by the claimant of care benefit, under the long-term care insurance scheme, shall be £190.75 per week.
14. That, from 5 January 2015, nursing care benefit shall be a maximum of £789.11 per week for persons resident in a nursing home or the Guernsey Cheshire Home and residential care benefit shall be a maximum of £422.66 per week for persons resident in a residential home.
15. That, from 5 January 2015, elderly mentally infirm (EMI) care benefit shall be a maximum of £556.92 per week for qualifying persons resident in a residential home.
16. That, from 5 January 2015, respite care benefit shall be a maximum of £979.86 per week for persons receiving respite care in a nursing home or the Guernsey Cheshire Home, an elderly mental infirm rate of £747.67 for persons receiving respite care in a residential home and a maximum of £613.41 per week for persons receiving respite care in a residential home.
17. That the Social Security Department be directed to report to the States of Deliberation after the conclusion of the Personal Tax Pensions and Benefits Review and the publication of the Supported Living and Aging Well Strategy, with proposals to achieve the long-term sustainability of the Long-term Care Insurance Fund.
18. That, from 9 January 2015, the supplementary benefit requirement rates shall be as set out in tables 15 and 16 of that Report.
19. That, from 9 January 2015, the weekly benefit limitations for supplementary benefit shall be:
 - (a) £600.00 for a person living in the community;
 - (b) £523.00 for a person who is residing in a residential home; and
 - (c) £750.00 for a person who is residing as a patient in a hospital, nursing home, the Guernsey Cheshire Home or as an elderly mental infirm resident of a residential home.
20. That, if proposition 19 (a) is not approved, the weekly benefit limitation for supplementary benefit shall be £526.00 for a person living in the community, with effect from 9 January 2015.

21. That, from 9 January 2015, the amount of the personal allowance payable to persons in Guernsey and Alderney residential or nursing homes who are in receipt of supplementary benefit shall be £29.92 per week.
22. That, from 9 January 2015, the amount of the personal allowance payable to persons in UK hospitals or care homes who are in receipt of supplementary benefit shall be £50.40 per week.
23. That a supplementary fuel allowance of £30.00 per week be paid to supplementary beneficiaries who are householders from 31 October 2014 to 30 April 2015.
24. That Section 6(1) of the Supplementary Benefit (Guernsey) Law, 1971, be amended to explicitly enable the payment of a series of payments.
25. That Section 6 of the Supplementary Benefit (Guernsey) Law, 1971 be amended to enable a grant of money made under subsection (1) to be subject to conditions as determined by the Social Security Department; and, in the event of failure to comply with any such conditions, recoverable as a civil debt due to the Social Security Department or by way of a deduction made from any benefit payable under or by virtue of the Supplementary Benefit (Guernsey) Law, 1971, or any other Law under or by virtue of which a benefit or payment administered by the Social Security Department is made or available.
26. That Section 6 of the Supplementary Benefit (Guernsey) Law, 1971 be amended to enable the Department to make a loan of money, repayable in accordance with the terms and conditions of the loan agreed with the Social Security Department; and, in the event of non-payment, or breach of any such terms and conditions, recoverable as a civil debt due to the Social Security Department.
27. That the decision to include a duty on claimants to use the rent allowance element of their supplementary benefit payment for the purpose of paying their rent/mortgage interest and to make it an offence not to do so, as set out as proposal number iii in table 2 of Appendix 3 of Billet d'État V of 2012, volume 1, which was approved by the States by Resolution 2 of Article VI of Billet d'État V of 2012, as one of a number of proposed legislative changes, be rescinded.
28. That, from 5 January 2015, the rates of severe disability benefit and carer's allowance and the annual income limits shall be as set out in table 18 of that Report.
29. That Section 9 of the Severe Disability Benefit and Carer's Allowance (Guernsey) Law, 1984 be amended to provide that Regulations may provide that an allowance shall not be payable in respect of a person for any period when he is a person for whom accommodation or care services are provided at locations prescribed by Regulation, wholly or partly funded out of public funds.

30. That the resolutions taken on Article X of Billet d'État No. XXII of 1997 shall be rescinded.
31. That, from 1 January 2015, the Home Department be authorised to make an annual grant to Safer LBG towards the running of the Guernsey Women's Refuge, of such amount as the Home Department may deem appropriate within its budget allocation for the Domestic Abuse Strategy.
32. That, from 1 January 2015, the Social Security Department be authorised to make an annual grant to the Guernsey Early Years Foundation, towards the running of Daisy Chain Pre-School, in the sum of £6,000 in 2015 and, in future years, of such amount as the Social Security Department may deem appropriate within its budget allocation for grants to charitable organisations.
33. To direct the preparation of such legislation as may be necessary to give effect to their above decisions.

ENVIRONMENT DEPARTMENT**EXTENSION OF THE LOCAL PLANNING BRIEF FOR THE LEALE'S YARD
MIXED USE REDEVELOPMENT AREA**

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

8th August 2014

Dear Sir

1. Executive Summary

- 1.1 This report recommends that the States extends, for a period of 3 years subject to further extension by resolution of the States, the Local Planning Brief ("LPB") for the Leale's Yard Mixed Use Redevelopment Area ("Leale's Yard MURA").
- 1.2 The Land Planning and Development (Plans) Ordinance, 2007 provides that an LPB shall have effect for 10 years from the date of its adoption unless extended by resolution of the States or altered or replaced. As the Leale's Yard LPB will have been in force for 10 years on 24th November 2014, it has been necessary to review the Brief and to determine whether an amendment or replacement plan is necessary by virtue of changed circumstances since its adoption in 2004.
- 1.3 The Environment Department has carried out the review and has concluded that although one initial descriptive section of the Leale's Yard LPB is out of date in relation to its references to previous strategic policy which was in force at the time that the Brief was originally prepared, this is not fatal to the substantive policy in the Brief and there is no compelling reason arising from this or from any other relevant change in circumstances to now require alteration or replacement of the LPB.
- 1.4 The Department is therefore recommending to the States that the Leale's Yard LPB be extended for a further period in order to continue to provide the detailed policy framework for the development of the MURA. The Department believes that it would be prudent to extend the LPB by three years to align with the current Development Plan Review and allow some further time for flexibility, and this is recommended.

2. Background

- 2.1 The current Urban Area Plan, approved in 2002, designates three Mixed Use Redevelopment Areas (MURAs), at Leale's Yard, Le Bouet and Glatigny Esplanade. An Outline Planning Brief (OPB) for the Leale's Yard MURA was approved by the States on 24th November 2004. This Brief defines for the guidance of prospective developers the basic planning parameters that are needed to achieve the optimum beneficial use of land within the MURA. At that time, in 2004, the 1966 Island Development Law was in force.
- 2.2 The 2005 Land Planning and Development Law, commenced in 2009, deems OPBs to be Local Planning Briefs (LPBs). The Land Planning and Development (Plans) Ordinance, 2007 provides that an LPB shall have effect for 10 years from the date of its adoption unless extended by resolution of the States or altered or replaced; in the latter case a planning inquiry would be required in relation to such alteration or replacement.
- 2.3 As the Leale's Yard LPB will have been in force for 10 years on 24th November 2014, it has been necessary to review the Brief and to determine whether an amendment or replacement plan is necessary by virtue of changed circumstances since its adoption in 2004. Circumstances may potentially have changed in particular as a result of amendments to policies of the Urban Area Plan, the coming into force of the 2005 Law and associated Ordinances in 2009 and the introduction of the current Strategic Land Use Plan (SLUP) in November 2011. Since the LPB was originally approved various other strategies have also been introduced, including the Coastal Defence Strategy and Transport Strategy as recently approved by the States, and the publication of the Visions for Town and The Bridge, which may also be of relevance. Any change in factual circumstances relating to the site or its surroundings which may have relevance for the detail of the policy within the LPB must also be assessed.
- 2.4 The Environment Department has carried out a review of the Leale's Yard LPB in the light of these potential changes in circumstances in order to determine whether it will be necessary to alter or replace the Brief, or alternatively to recommend to the States that it be extended for a further period in order to continue to provide the detailed policy framework for the development of the MURA. If the latter, it would be prudent to extend the LPB by three years to align with the current Development Plan Review and allow some further time for flexibility.
- 2.5 In this respect, although the current Urban Area Plan and Rural Area Plan will expire without further extension in early December 2015, it is likely that proposals for a limited further extension of these Development Plans will be submitted to the States in 2015 to enable completion of the current Development Plan Review.

3. **The Leale's Yard Local Planning Brief**

- 3.1 The States approved an Outline Planning Brief (OPB) for the Leale's Yard Mixed Use Redevelopment Area as an amendment to the Urban Area Plan Review No1 (2002) on 24th November 2004 (Billet d'État No XIX of 2004 p 2083), following a public planning inquiry.
- 3.2 The Brief defines for the guidance of prospective developers the basic planning parameters that are needed to achieve the optimum beneficial use of land within the MURA. It presents robust site specific guidance, focussing particularly on the part of the MURA with the greatest development potential (referred to in the Brief as the Main Development Site) but applying to all development proposals within the MURA.
- 3.3 The Brief was written explicitly with the intention of taking a robust, pragmatic approach and maintaining adequate flexibility to respond to unforeseen changes in circumstances.
- 3.4 In order to balance successfully the competing demands for land use and at the same time secure a high-quality urban environment, the Brief has 4 key objectives:-
 - Create a linked and integrated extension to the commercial centre of The Bridge comprising retail, commercial, housing and other uses
 - Generally provide for a substantial amount of new homes of mixed tenure
 - Increase the permeability of the area
 - Create an attractive place with a strong identity and a critical mass.
- 3.5 After dealing with its purpose and objective, the Brief outlines the policy framework which applied when it was originally prepared and describes the site and land ownership. These sections of the Brief provide background information only and together form Part 1.
- 3.6 Part 2 of the Brief sets out the key development objectives and principles that would guide the future redevelopment of the area. Key elements include the following:-
 - The MURA is expected to provide new homes of a reasonable mix and balance of types and sizes to cater for different needs, including encouragement of homes above other lower floor uses to establish a diverse mix of uses and help design out crime; a substantial element of housing is expected on the MURA
 - The MURA is also expected to provide a level of new retail facilities to revitalise the Bridge shopping area without creating an overprovision to the detriment of Town
 - New retail uses should be located near to the existing retail uses of The Bridge and designed to work with them and not turn their back on them

- Service trades such as professional offices, doctor's surgeries, hair salons and other similar facilities are encouraged, especially on upper floors, and new office accommodation can be provided as part of mixed use schemes
 - Leisure related developments, especially cafes, bars and restaurants, and community uses such as library and other parish facilities are encouraged
 - The existing stock of industrial premises is to be protected, where compatible with other Brief objectives; accommodation of appropriate, support industries is encouraged on upper floors
 - Car parking should be provided; service yards should be carefully located and designed
 - Development which is incompatible with neighbouring land uses will generally not be permitted unless amenity issues can be resolved
 - High standard public spaces and facilities are required in line with the objective of creating a vibrant town centre
 - The inclusion of squares and a network of streets within the site should create a clear framework for the development and provide the opportunity for retail, residential and other uses to interrelate; mixing of uses vertically is encouraged
 - Other recognised key design principles should also be followed to help achieve a high-quality, safe, sustainable and integrated urban environment, including detailed consideration of views and enclosure, frontages and edges, building design and building heights; where appropriate these principles are illustrated within the Brief
 - Maximum acceptable building heights are specified within the Brief, rising to a maximum of 4 to 5 residential storeys (each of 2.6-3m) within the centre of the site
 - The design principles and frameworks set out in the Brief for pedestrian and vehicular movement and guidance regarding provision of car parking should be followed.
- 3.7 Remaining sections of the Brief relate to phasing, drainage, guidance on potential land contamination and responses from utility consultees.
- 3.8 A copy of the Leale's Yard LPB can be obtained from the Department's website – www.gov.gg/article/5309/Local-Planning-Brief.
- 4. Legal Background and Requirements**
- 4.1 The Outline Planning Brief (OPB) for Leale's Yard MURA was approved by the States on 24th November 2004 as an amendment to the Urban Area Plan Review No1 (2002). At that time, the 1966 Island Development Law was in force. The Urban Area Plan cross-refers to the policy contained in the outline planning briefs for the MURAs in a number of key policies. The original intention stated in the current revision of the Urban Area Plan was for the Briefs to remain valid during the life of the Urban Area Plan.

- 4.2 The Land Planning and Development (Guernsey) Law, 2005 came into effect on 6th April 2009 and contains transitional provisions in section 7(2) and Part II of Schedule 1 deeming the OPBs to be Local Planning Briefs under the new Law. Local Planning Briefs are statutory development plans, the examination and adoption of which is subject to a full inquiry process, relating to a particular locality; they carry forward the function of OPBs but on a statutory basis. Under section 12(1) of the 2005 Law there is a duty on the States by Ordinance to make such provision as they consider appropriate in connection with the duration and revision of Local Planning Briefs.
- 4.3 Such provision was made in sections 13 and 14 of the Land Planning and Development (Plans) Ordinance, 2007, which also came into force on 6th April 2009. Section 13 specifies that a Local Planning Brief has effect for 10 years from its date of adoption by the States subject to extension of that period at any time by resolution of the States in which case it shall have effect until the date specified in that resolution. Section 14 of the Plans Ordinance requires that a Local Planning Brief must be reviewed at least once every 10 years but an alteration or replacement is only required if it appears necessary following the review.
- 4.4 In the event that alteration or replacement of the LPB is considered necessary, then this must be subject to the normal public inquiry process and approval by the States in the same manner as an amendment or replacement to a Development Plan.

5. **Planning History**

- 5.1 Permission in Principle was granted for the redevelopment of the main Leale's Yard development site to provide retail and residential units on 22nd February 2011. This application was registered prior to the introduction of the 2005 Law and was therefore considered under the 1966 Law. Under transitional provisions, the Permission in Principle became an Outline Planning Permission under the 2005 Law. Reserved matters (further details) were not, however, submitted within the relevant timescale of two years from this approval and the outline permission expired on 21st February 2013.
- 5.2 No further planning application has been received to date, although informal indications currently are that the main landowner has interest in submitting a revised mixed use scheme with a higher residential content and less retail space than that previously approved. The main landowner has been advised by the Department that any future application for the redevelopment of the site is likely to constitute development requiring an Environmental Impact Assessment (EIA) in which case a full, as opposed to an outline, planning application would be required under the 2005 Law.

6. **Potential Changes in Circumstances**

- 6.1 From a statutory and policy perspective, the main changes in planning circumstances that have occurred since November 2004 when the LPB was approved by the States are:-
- States approval and commencement of the 2005 Land Planning and Development Law and associated Ordinances, replacing the 1966 Island Development Law (as amended),
 - States approval of interim amendments to the Urban Area Plan, and
 - States approval and introduction of the 2011 Strategic Land Use Plan (“SLUP”), which is a statutory Plan replacing previous Strategic and Corporate Plans/SLUPs.
- 6.2 In addition, the States has approved the Coastal Defence Strategy and the Transport Strategy, both being within the mandate of the Environment Department. These are non-statutory documents but will have implications for the planning process as they may be relevant to other relevant material planning considerations.
- 6.3 A number of other non-statutory strategies and documents have also been published recently, including the Ports Master Plan produced by the Public Services Department, which was noted by the States, the Commerce and Employment Department’s Retail Strategy and Economic Development Framework, and the Vision for Town and The Bridge. The latter was drafted in response to the 2011 SLUP and whilst it reflects discussions with Environment Department planners it is not issued by the States or any other public body.
- 6.4 In addition, the review must consider whether there have been any significant factual changes in relation to the site and surrounding area that could be relevant in terms of the detail of the policy within the LPB.

7. **Assessment of changes**

2005 Law and associated Ordinances, and interim amendments to Urban Area Plan

- 7.1 The introduction of the 2005 Land Planning and Development Law and associated Ordinances in 2009 significantly changed the status of outline planning briefs prepared under the 2002 Urban Area Plan as noted above by deeming them to be LPBs. The Law and Ordinances specify amongst other things what the Development Plans and Local Planning Briefs should contain and how they are prepared and reviewed.
- 7.2 As the LPB is deemed to be a brief made under the Law it must comply with the provisions in the Law applying to Briefs which include requirements for consistency with the SLUP and conformity with the objectives of the relevant development plan (the UAP). The LPB, is in effect an ‘inset’ Plan to the main Development Plan (in this case the Urban Area Plan) with the function of providing further specific policy guidance as a primary material planning

consideration to be taken into account by developers when preparing and submitting their planning applications and by the Department when determining those applications under the terms of the Law. The Law specifically requires the provisions of any relevant LPB to be taken into account when the Department determines a planning application.

- 7.3 The Law also requires additional considerations, as well as Development Plans and LPBs to be taken into account; for example, requirements relating to EIA under the 2005 Law and 2007 EIA Ordinance also apply regardless of the policy content of the LPB.
- 7.4 Interim amendments were made to the Urban Area Plan in 2010, since commencement of the 2005 Law. However, these amendments related to specific aspects of the Plan and have no impact on the detail of the LPB. The Introduction to the published Addenda to the Urban Area Plan Written Statement makes clear that the interim amendments were brought about by changing circumstances and requirements relating to specific forms of development, not by the change in legislation. All planning decisions are made in accordance with the Law which requires the Department to have regard to the Urban Area Plan, and there has been no change in circumstances as a result of approval or implementation of development since 2004 which would affect the validity of the LPB.
- 7.5 Therefore, in relation to the Leale's Yard Local Planning Brief, it is concluded that no alteration or replacement of the Brief is required as a result of the introduction of the 2005 Law and Ordinances, or as a result of amendments to policies within the Urban Area Plan, since that Brief was originally published.

Strategic Land Use Plan

- 7.6 The Strategic Land Use Plan (SLUP) is prepared by the Strategic Land Planning Group and is one of four Island Resource Plans that form part of the States Strategic Plan. The SLUP has a 20 year horizon and was adopted by the States in November 2011. This was the first SLUP to be prepared under the terms of the 2005 Law.
- 7.7 Core objectives of the SLUP are to improve the quality of life of Islanders and to support a successful economy while protecting the Island's environment, unique cultural identity and rich heritage through spatial planning policies that enable, amongst other things, wise management of Island resources, a diversified, broadly balanced economy, levels of housing availability, quality and affordability to be improved, protection of local biodiversity and the countryside, enhancement of the culture and identity of Guernsey by protecting local heritage and promoting high standards of new development, the management of solid and liquid waste and the maintenance and enhancement of modern key strategic infrastructure.

- 7.8 The SLUP sets the high level agenda for land use planning within the Island and a spatial strategy for the distribution of development within the Island as well as setting out other core strategic objectives. It promotes a co-ordinated, proactive, flexible approach to the management of development. The spatial strategy for the Island is for *“development to be concentrated within and around the edges of the urban centres of St Peter Port and St Sampson/Vale, with some limited development within and around the edges of local centres to enable community growth and the reinforcement of sustainable centres.”*
- 7.9 The SLUP provides general guidance and specific directions to the Environment Department when preparing the more detailed planning policies in the Island’s Development Plans and LPBs. The existing Development Plans, the Urban Area Plan (2002) and Rural Area Plan (2005) are currently being reviewed and it is proposed that the Department will recommend their replacement by a single Development Plan covering the whole island.
- 7.10 At the time of writing of the 2011 SLUP, outline permission for development of Leale’s yard was still extant and the SLUP specifically recognises this.
- 7.11 Although the SLUP contains some specific strategic policies, for example relating to flood management, which deal with matters of relevance to the development of this site, these are designed to inform the preparation of the new Island Development Plan and in advance of conclusion of that process it is not considered necessary or appropriate to revise the Leale’s Yard LPB to incorporate specific references to these policies. Aspects such as flood risk and alleviation are in any case mentioned in the LPB and would be taken into account in considering any significant planning application for the site which will need to be accompanied by an EIA.
- 7.12 Section 3.1 of the LPB contains a description of ‘relevant strategic policies’ which were in force at the time that it was prepared. This is now out of date but this section is descriptive and contextual, with no direct implications for the remainder of the Brief or the development guidelines set out therein. It is, therefore, considered that it is not necessary to amend the brief, with the requirement for a public inquiry, merely in order to update this section. Also, when the draft IDP is prepared it must set out any consequential or incidental amendments of any LPB which may be appropriate, which would enable non-material points such as this to be updated at that time.
- 7.13 Consequently, in relation to the Leale’s Yard Local Planning Brief, it is concluded that no alteration or replacement of the Brief is required as a result of the introduction of the 2011 Strategic Land Use Plan since that Brief was originally published.

States approved strategies

- 7.14 The States approved, in 2007 and 2014 respectively, the Environment Department's Coastal Defence Strategy and its Integrated on-Island Transport Strategy. Flood risk assessment studies associated with the Coastal Defence Strategy were approved in 2013.
- 7.15 Although these strategies could potentially be relevant at the planning application stage when considering applications against the material considerations set out in the Law, they are not statutory plans and are not mentioned in any of the policies in the Urban Area Plan so that compliance with them is not required for conformity of the LPB with the UAP objectives for the locality as required under the Law. However, they will be taken into account in the preparation of the new Development Plan which will replace the current Urban Area Plan and Rural Area Plan in due course.
- 7.16 Consequently, in relation to the Leale's Yard Local Planning Brief, it is concluded that no alteration or replacement of the Brief is required as a result of the States approval of the Coastal Defence Strategy and the Transport Strategy since that Brief was originally published.

Other non-statutory strategies and documents

- 7.17 Other non-statutory strategies and documents published recently include the Ports Master Plan by the Public Services Department, which was noted by the States, the Commerce and Employment Department's Retail Strategy and Economic Development Framework, and the Vision for Town and The Bridge, which was drafted in response to the 2011 SLUP but is not issued by the States.
- 7.18 As with the Coastal Defence Strategy and the Transport Strategy, these documents will, where relevant, be taken into account in the preparation of the new Development Plan which will replace the current Urban Area Plan and Rural Area Plan in due course.
- 7.19 Notwithstanding this, there is no obvious conflict between these documents and the matters set out in the current LPB for Leale's Yard. Indeed, the Retail Strategy was developed in the knowledge of and with specific reference to the approved proposals for Leale's Yard and the Vision for The Bridge also acknowledges the likely development of this site and supports the urban design principles set out in the LPB.
- 7.20 Consequently, in relation to the Leale's Yard Local Planning Brief, it is concluded that no alteration or replacement of the Brief is required as a result of the various non-statutory strategies and documents mentioned above that have been produced since that Brief was originally published.

Factual circumstances

- 7.21 In relation to factual changes affecting the site and surrounding area that could be relevant in terms of the detail of the policy within the LPB, whilst a number of planning permissions have been granted since 2004 for development on and within the vicinity of the site, including the outline permission granted for the redevelopment of the site to provide retail and residential units on 22nd February 2011, there have been no changes in factual circumstances which are considered to have a material bearing on the detail of the policy within the LPB.

8. Conclusion

- 8.1 It has been concluded by the Environment Department, as a result of carrying out this review process, that although one initial descriptive section of the Leale's Yard LPB is out of date in relation to its references to previous strategic policy which was in force at the time that the Brief was originally prepared, this is not fatal to the substantive policy in the Brief and there is no compelling reason arising from this or from any other relevant change in circumstances to now require alteration or replacement of the LPB.
- 8.2 It is however necessary to seek States approval for extension of the Brief as it will shortly expire having regard to the 10 year life provided by section 13 of the Plans Ordinance. The LPB is required to provide the detailed policy framework for the development of the MURA as intended in the Urban Area Plan.
- 8.3 A three-year extension would be sufficient to ensure that the current LPB remains in force until adoption of the new Island Development Plan in 2016, subject to further extension within this period, if required, by resolution of the States. This is consistent with the approach taken in respect of the other LPBs, for Le Bouet and Glategny MURAs, which were reinstated by the Land Planning and Development (Local Planning Briefs) (Guernsey) Law, 2013.

9. Costs/Resources

- 9.1 As the proposal is to extend the existing Leale's Yard LPB, there will be no implications for costs or resources arising from this proposal.

10. Consultation

- 10.1 The Law Officers have been consulted both in relation to the preparation of this report and in relation to the Department's review of the LPB, and have raised no objection to the proposals.

11. **Recommendations**

11.1 The Environment Department recommends the States to:

Agree to the extension of the current Local Planning Brief for the Leale's Yard Mixed Use Redevelopment Area for a period of three years, with effect from 24th November 2014.

Yours faithfully

Y Burford
Minister

B L Brehaut
Deputy Minister

J A B Gollop
P A Harwood
A R Le Lièvre

(N.B. As there are no resource implications in this report, the Treasury and Resources Department has no comments to make.)

(N.B. The Policy Council supports the proposals in this States Report and confirms that the Report complies with the Principles of Good Governance as defined in Billet d'État IV of 2011.)

The States are asked to decide:-

VI.- Whether, after consideration of the Report dated 8th August, 2014, of the Environment Department, they are of the opinion to agree to the extension of the current Local Planning Brief for the Leale's Yard Mixed Use Redevelopment Area for a period of three years, with effect from 24th November 2014.

STATES' ASSEMBLY & CONSTITUTION COMMITTEE

STATES' MEETINGS - SIMULTANEOUS ELECTRONIC VOTING

The Presiding Officer,
The States of Deliberation,
The Royal Court House,
St. Peter Port

20th August 2014

Dear Sir,

EXECUTIVE SUMMARY

1. On 25th July 2012, after consideration of the requête submitted by Deputy Lowe and 17 other Members of the States, and having accepted an amendment moved by Deputy Fallaize and seconded by Deputy Dorey, (Article 2 of Billet d'État XIX of 2012), the States resolved:

“To direct the States Assembly and Constitution Committee, in consultation with the Treasury and Resources Department on aspects relating to capital expenditure, to prepare a balanced and comprehensive report setting out –

- arguments for and against Simultaneous Electronic Voting in the States of Deliberation (SEV);
- the costs of different systems of SEV;
- the practical and procedural effects of establishing SEV.”

2. This policy letter is based on the premise that a competent voting system in the States should have the two attributes of transparency and efficiency. The policy letter presents four options in turn: the status quo and three options for how simultaneous electronic voting might be used. Of the three electronic voting options, one would increase transparency, another would increase efficiency, and the final one would more or less mirror the systems used in the other Crown Dependencies. The anticipated costs of simultaneous electronic voting are considered as well as the practical and procedural effects of introducing it.
3. The Committee acknowledges that there are arguments in favour of introducing simultaneous electronic voting in the States. However, no system of simultaneous electronic voting can fulfil the twin objectives of greater transparency and greater efficiency; and therefore simultaneous electronic voting cannot be considered superior to the present voting system. On balance, and especially during a period of considerable financial restraint, the Committee is unanimous that it cannot reasonably recommend committing the States to additional expenditure to install such a system.

REPORT

The twin objectives – transparency and efficiency

4. Transparency in this context is the knowledge and dissemination of how each Member of the States voted on a particular item. The present system is fully transparent when votes are held by *appel nominal* (a division) because each Member in turn votes by calling out his or her vote – anyone present in the Royal Court Chamber or listening on the radio can hear the votes as they are cast. Such votes are published on the States' website afterwards. The immediate transparency of the present voting system will become even more advantageous should the proceedings of the States come to be streamed online following broadcasting reforms proposed by the Committee and approved by the States at their July meeting. Knowledge of how Members voted is an integral part of the democratic process: it contributes to accountability and informs the public's choices at elections.
5. Efficiency in this context is the speed and ease with which a vote is conducted. At present the voting system is efficient because most votes are held *de vives voix* where Members proclaim their choice simultaneously and the Presiding Officer decides which side has the majority. Such votes take only a few seconds each and on many of the items for which they are used the voting is unanimous. Although an *appel nominal* takes longer it is more efficient than it might otherwise be because in effect two stages (the casting of votes and the announcing of each Member's vote) happen simultaneously. Clearly several votes *de vives voix* can be held in the time it takes to hold a recorded vote, irrespective of which system of recorded voting is used.

History

6. In 2002, the States directed the preparation of a policy letter on simultaneous electronic voting along the lines of the present policy letter. In 2006, after consideration of that policy letter, the States resolved not to introduce simultaneous electronic voting and instead to retain the present voting system. Prior to the requête referred to in paragraph 1, simultaneous electronic voting was last considered by the States in December 2011 (Billet d'État XIX of 2011) when they resolved once again to retain the present voting system.

Present voting system

Option 1 – the present system

7. At present there are two methods used in the States when a vote is required on an item of procedure or business: a vote *de vives voix* or a vote by *appel nominal* (a division). *De vives voix* is the name for the procedure when the Presiding Officer asks all those in favour of a proposition to call out *pour* and then all those who

oppose it to call out *contre*. He then decides which side has the majority. Votes *de vives voix* take less than 10 seconds. Typically votes *de vives voix* are on non-contentious matters.

8. There are three reasons why an *appel nominal* is held: if the Presiding Officer is not clear which side is in the majority after a vote *de vives voix*; if a Member exercises his or her right under Rule 14(2) of the Rules of Procedure to claim a division; and when a motion is put – for example pursuant to Rule 14(1) – which requires the support of a specific number of Members in order to succeed. An *appel nominal* involves H.M. Greffier reading out the names of every Member of the States. Each in turn then answers *pour* or *contre*. Any Member who is present but wishes to abstain says *je ne vote pas*. The votes are counted and the Presiding Officer then announces the result. The results of all such recorded votes are published on the States' website shortly afterwards and those for 2014 can be accessed at <http://www.gov.gg/article/111109/2014-Voting-Records>.
9. It takes under three minutes for the Greffier to carry out an *appel nominal*. Typically up to a further minute is then required for the votes to be counted and checked before the result is presented to the Presiding Officer for him to announce. However, unless the result must be known in order to proceed, the business of the States often continues while the votes are being counted. In the latter case, the time taken to count the votes does not need to be reckoned in the length of time taken to hold an *appel nominal* vote.
10. In the last few years there have been the following numbers of recorded votes (*appels nominaux*) (excluding elections).
 - 2008 – 28
 - 2009 – 70
 - 2010 – 52
 - 2011 – 65
 - 2012 – 83
 - 2013 – 62
 - 2014 – 52 (to end of July).

Based on each *appel nominal* taking three minutes, the total time spent by the States on recorded votes in the full years above was as follows:

- 2008 – 1 hour 24 minutes
- 2009 – 3 hours 30 minutes
- 2010 – 2 hours 36 minutes
- 2011 – 3 hours 15 minutes
- 2012 – 4 hours 9 minutes
- 2013 – 3 hours 6 minutes.

11. It should be noted that in addition there is generally at least one vote *de vives voix* on every item of States' business and sometimes several on a single policy letter if there are multiple propositions. There will also be votes on procedural matters such as the order of business. The Committee estimates that there are

approximately 200 votes *de vives voix* each year, taking around half an hour between them. Therefore, it can be assumed that in total the States spend around three and a half hours per year voting – around 2% of the time normally set aside for meetings of the States. The Committee considers that it is perfectly reasonable for the States to spend 2% of their time voting on legislation and matters of policy when voting is perhaps their most important function.

12. Clearly the present voting system achieves a balance between transparency and efficiency. Voting *de vives voix* on items which are not contentious and where the outcome is indisputable is quick and straightforward. Removing the provision to vote *de vives voix* in order that every vote was recorded could not possibly reduce and would most likely add to the time taken for voting in the States. The present system provides for full transparency on any item which is in any way contentious because voting by *appel nominal* allows every Member's vote to be heard in the Assembly and broadcast on radio simultaneously and on the website soon after.
13. Of course maintaining the present voting system would incur no additional expenditure.
14. Votes held in order to elect a person to a position on a committee are *de vives voix* if there is a single candidate and by using personalised voting slips if the election is contested. Those slips are counted by a Deputy Greffier outside the Chamber and the result announced by the Bailiff on receipt of the tally slip. Again, depending on the nature of the vacant post, the States continue with business while the votes are being counted. The lists of how Members voted in elections are also published on the States' website afterwards.

Simultaneous Electronic Voting system

General introduction

15. The simultaneous electronic voting process would be largely automated. When a vote was required the Greffier would activate the computerised voting programme and call up an electronic record for the vote which was about to be held. Usually at least the basic identification details would have been put in that voting record in advance. This would apply to all the items listed in the Billet d'État and any known amendments. However, in respect of matters which were not known in advance, such as procedural motions and amendments lodged *séance tenante*, although some blank records could be pre-prepared for that day, the Greffier would need to insert at least some of the details before the vote could take place. The Greffier would then announce that Members could vote.
16. After a specified amount of time (the Committee suggests that 30 seconds would be appropriate), during which all Members would be presumed to have voted, the Greffier would close the vote and the programme would automatically count up the votes cast. The Presiding Officer would then announce whether the

Proposition was carried or not. The meeting would then move on to the next item of business.

17. Members would vote by pressing the relevant button on an individual panel or handset, which would be identified with each individual so that the system could identify who had voted in which way. As Members can vote for, against or abstain, the system would be set up with those three options. If a Member pressed more than one button during the voting period, only the button pressed last would count as the vote cast by that Member.
18. An argument sometimes put forward in favour of simultaneous electronic voting is that it would remove any possibility of one Member's vote influencing another's. The Committee disputes the legitimacy of this argument on several grounds. First, it doubts that a person who has successfully fought an election campaign is likely to spend four years casting scores of votes based not on the substance of arguments put before them or on the interests of their parishioners but rather entirely on the votes cast by one or more of their fellow deputies. Second, if the Committee is wrong in that assumption, the possibility of one Member's vote influencing another's must have been reduced by the change made some years ago whereby the voting order in the States is rotated each month, although of course Members are still able to discuss their voting intentions with each other outside the Chamber, which importantly could occur just as frequently with a system of simultaneous electronic voting. Third, and perhaps most importantly, the Committee doubts whether there is necessarily anything wrong with a Member being influenced by another Member: the whole purpose of debate, after all, is to persuade colleagues to one's own view. Fourth, it might also be useful for a Member who is contemplating laying an amendment *séance tenante* to know which Members had voted which way on related Propositions.
19. A simultaneous electronic voting system could allow the process of putting votes on the States' website to be automated to a greater or lesser extent. This would reduce the possibility of error as, at present, the votes are transcribed manually and also reduce the amount of staff time taken to produce, check and upload them. Transferring the voting record information electronically into the Official Report (Hansard) might also be possible. It should also be easier to make votes fully searchable.

Option 2 (Increased transparency) - Full electronic voting on every Proposition individually with individuals' votes always being read out afterwards.

20. Simultaneous electronic voting could be introduced in a form which would provide for maximum possible transparency instantaneously and for the historic record and of course the Committee appreciates that maximising transparency in voting is a perfectly solid objective.

21. First, every individual Proposition – those currently held *appel nominal* and those currently held *de vives voix* – would need to be put as a recorded vote cast electronically. Then, on every occasion once voting had closed the votes cast by each Member would need to be read out in order that anyone in the Chamber (in the public gallery and Members) or listening to the debate elsewhere would know immediately afterwards who had voted in which way. Grouping Propositions together, as is often done at present, would not be permitted under this option because it would obviously limit the objective of maximising transparency, i.e. knowing every Member's vote on every item.
22. It is only by following such a procedure that transparency could be maximised or indeed strengthened at all but it is indisputable that such a procedure would maximise voting transparency.
23. However, this 'maximum transparency' option for simultaneous electronic voting would be less efficient and more time consuming than the current voting system since every single vote, regardless of its purpose, would take nearly as long as a current *appel nominal*. Many votes which currently take fewer than 10 seconds (*de vives voix*) would take about two minutes. On the other hand, the time taken to hold recorded votes could be reduced by around 60 to 90 seconds. In total, under this option, voting in the States would most likely take around five and a half hours per year longer than it does at present, an increase in the voting time of around 150%.
24. In order to address the obvious inefficiency inherent in this option, there could be limitations placed on the types of votes held using simultaneous electronic voting or the occasions when Member's votes are announced during the meeting, although such limitations would of course immediately reduce the transparency gains desired by some proponents of simultaneous electronic voting.

Option 3 (Increased efficiency) – electronic voting used only when an *appel nominal* would have been held, with individual votes not being read out afterwards.

25. Alternatively, simultaneous electronic voting could be introduced in a form which would provide for maximum possible efficiency. In order to achieve maximum efficiency, simultaneous electronic voting would be used only in circumstances where an *appel nominal* is held under the current voting system. The overall result would be announced but the votes cast by individual Members would not be read out afterwards (although they would be published later on the States' website). The States would proceed straight to the next item of business.
26. This form of simultaneous electronic voting would be more efficient and less time consuming than the current voting system. All votes held *de vives voix* would continue to be held by that method – in other words they would remain unrecorded votes where it is not possible to identify how each individual Member has voted. Recorded votes using simultaneous electronic voting would take less

time than using *appel nominal*, so long as each Member's vote is not read out once the voting has closed. The time taken would be that needed to set up and activate the voting record plus the time allowed for Members to vote using their electronic devices and the time for the result to be announced – perhaps around one minute per vote as opposed to around three minutes per vote at present.

27. The Committee estimates that in total this form of simultaneous electronic voting (i.e. maximum efficiency) would save around two hours per year – an average of eleven minutes per States' meeting.
28. The Committee believes that an average saving of 11 minutes per States' meeting does not amount to a very solid reason to spend thousands of pounds of taxpayers' money on an electronic voting system, especially when the time could be saved only by reducing the immediate transparency of the voting system. Under this system, recorded votes would be published by the States, as they are at present, but, unlike at present, people in the Royal Court Chamber (in the public gallery and Members) or listening elsewhere would not hear how their representatives had voted.
29. In order to address the deficiency in transparency under such an option, the States could introduce simultaneous electronic voting for some of the votes currently held *de vives voix* or in a limited number of cases permit the reading out of each Member's vote immediately after voting had closed, but of course that would reduce the average time saving of 11 minutes per meeting under this form of simultaneous electronic voting.

Option 4 (the system used in the other Crown Dependencies) – The default position would remain voting *de vives voix*. In any circumstances where at present an *appel nominal* could or must be held then simultaneous electronic voting would be used. Members could ask for the detailed results to be read out.

30. Jersey – The Members of the States of Jersey vote by standing in their places. If the Presiding Officer cannot decide the result or a member requests it, a recorded vote is held using an electronic voting system. Members can only vote from their designated seat and are given a short time to return to their seats before the vote is opened. Generally 30 seconds are allowed for voting. Members are permitted to request that some or all of the detailed results are read out immediately afterwards by the States' Greffier and that is what usually happens.

Isle of Man – the Isle of Man has electronic voting in the House of Keys, Legislative Council and Tynwald Court. Again voting is carried out *de vives voix* by default, but an electronic vote can be requested. About 30 seconds are allowed for voting. A request can be made for the results to be read out in detail.

31. Of course this option is essentially the same as option 3 but with the added provision that after an electronic vote any Member may request each Member's

vote to be read out in detail. When the previous States' Assembly & Constitution Committee investigated simultaneous electronic voting in 2011 they were advised by the States' Greffier in Jersey that requests to read out Members' votes were made in about 80% of cases.

32. Option 4 – in other words more or less copying the systems used in Jersey and the Isle of Man – would be no more transparent than the present voting system; indeed, there would be a loss of immediate transparency in the circa 20% of cases where Members' votes may not be read out once the voting had closed. However, option 4 would secure minor efficiency gains: on the basis of the average number of *appels nominaux* held in recent years and the experience of the number of times the details of recorded votes are read out in Jersey, a net saving of around an hour and a half per year (or eight minutes per States' meeting) could be achieved. In the opinion of the Committee this sort of efficiency saving alone – with no additional transparency achieved – cannot justify the costs of purchasing an electronic voting system.

Possible costs

33. In mid-2013 the Committee obtained indicative cost estimates from possible suppliers of simultaneous electronic voting systems. The basic cost estimate received for a fixed, wired-in system was £22,000. The basic cost estimate for a wireless system was £17,000.
34. The above figures include the actual voting equipment and its installation. They also include provision of about £3,000 for software for storage of the results, displaying them and having them searchable online. The estimates also contain an allowance for a site visit with travel and expenses.
35. On top of the above estimates a contingency sum of 15 to 20% should be added. In addition, if television screens were required to display the results in the Royal Court Chamber they could cost a further £1,000.
36. It is important to note that these figures were indicative only and obtained in mid-2013 so they may need to be increased to allow for the effluxion of time since then. Should the States decide that they do want a simultaneous electronic voting system to be introduced then the exact specification on matters such as how and when the results will be published may need to be refined which could also increase the costs given above. Therefore, if the States decide that a system of simultaneous electronic voting should be installed, it would perhaps be wise for the maximum cost to be set at £30,000 and to seek tenders using the normal tendering process.

Practical and procedural issues

37. In addition to the issues of how a simultaneous electronic voting system would operate there are various practical issues which need consideration and they are set out below.

Choice of device

38. There are two options for how the voting buttons could be installed. A wired-in system would use a small fixed panel, in which would be the three buttons, inserted into the desk space of each Member. A wired system has the advantage that the device cannot be removed from the Royal Court Chamber. However, it has several disadvantages. Desk space for Members is restricted and would be reduced further if space had to be found for the voting console. It would be more expensive because of the greater installation costs. There could be difficulties installing the necessary wires. Environment Department approval would need to be sought because of the work necessary to install all the panels. In addition, the Royal Court Chamber is used more often for sittings of the Royal Court, which would have no use for the voting equipment. A wireless system, as set out below, would probably, therefore, be preferable.
39. A wireless system would use a small handset with the Member's vote sent by a wireless transmission to a receiving unit. That would have less effect on the fabric of the Royal Court Chamber in which States' meetings are held – little wiring would be required and the furnishings of the room should not be compromised. The handsets can be moved or stored when not required, thus minimizing clutter.

Dissemination of results

40. Once a vote was complete the result would need to be made public. At present, as set out above, the Presiding Officer announces the result of whichever type of vote has just been held. In an *appel nominal* the way each Member has voted has been heard as the vote is taken so does not need to be read out and the list is published soon afterwards on the States' website.
41. With an electronic system there are several options. The Presiding Officer could be given the overall result on a voting record slip as now. Alternatively, the Presiding Officer could be given access to a copy of the voting system so that he could announce the result from his own terminal once it had been calculated.
42. There could be television screens set up in the Royal Court Chamber to display the result for all Members to see. However, given the layout of the Chamber and the fact that Members' seats face in all directions, there would need to be more than one screen and they would need to be of sufficient size to be seen by all Members and those in the public gallery. Consideration would need to be given

to the practicalities of having mobile screens and/or the implications for the listed status of the Chamber of having fixed ones.

43. As the new system would be electronic it would be possible to automate some or all of the process of uploading the results to the States' website and including them in the Official Report (Hansard). The cost estimates which were obtained in 2013 did include some provision for automation of the publication of the results.

Practicalities

44. Should the States resolve to introduce electronic voting there are several other practical and procedural issues which would need to be considered.
45. At present, Members are only permitted to vote (and participate in any way) if they have been marked as present, either by being present at the roll call or having subsequently been *relevé/e* (admitted as present after a request to the Presiding Officer). By convention, Members are allowed to vote only from their seats in the Chamber. As indicated above, if a wireless system were adopted, potentially Members would be able to vote from outside the Chamber, provided that the handset was within range of the receiving unit.
46. If Members were permitted to take their handsets out of the Royal Court Chamber they could be mislaid or accidentally swapped with another Member's. In that case, the vote cast by the user would be attributed to the handset's "owner". Although the Committee is not suggesting that any Member would do so, it would also theoretically be possible for another person to vote instead of the Member. Therefore, the Committee believes that Members should not be permitted to vote except when in their own seats and they should keep their handsets at their seats. (This issue is also considered at paragraph 51 below.)
47. The entire Royal Court Chamber is listed and permission would need to be sought from the Environment Department for any works. A fixed system would require the voting equipment to be physically attached to or inserted into the desks. A wireless system would have less impact on the structure of the Chamber. A separate computer would probably be needed to run the system and any ancillary equipment would take up some space. If the States decide that the results should be displayed on television screens then those would also need to be accommodated.

Procedural effects

48. The introduction of simultaneous electronic voting would require amendments to parts of the Rules of Procedure of the States of Deliberation to reflect the fact that some (or all) voting was carried out by means of an electronic voting system. The new Rules would need to set out when an electronic vote was held; other circumstances in which one could be requested (if such votes were not automatic); the time allowed for the voting; rules regarding which vote counted if a Member

pressed more than one button; the procedure to be followed if the simultaneous electronic voting system failed when the States were in session; and the announcement of the result. The exact changes which would need to be made to the Rules of Procedure would depend on which of the options set out in paragraphs 20 to 32 was chosen but they would not be significant.

49. Under the maximum efficiency option the total time taken for voting during States' meetings would be broadly similar to at present. Under the maximum transparency option it would be significantly greater.

Other proposals

50. The Committee believes that this is an opportune time to suggest a minor change to the Rules of Procedure to clarify the present situation regarding voting.
51. The Committee believes that the requirement for Members to be in their seats in order to be able to vote should be enshrined in the Rules.
52. In addition, the Committee believes that it should be mandatory for Members to switch on their microphones prior to voting and off again immediately afterwards. Although Members do generally observe that practice, there are a few occasions when they do not. That impairs the ability of other Members and officials and members of the public listening on the radio to know how the Member voted. It would secure maximum transparency for voting on contentious items by *appel nominal*. The wording of the suggested new Rule to cover both these points is set out in recommendation 1.

COMPARISON WITH OTHER JURISDICTIONS

53. Westminster – The House of Lords and House of Commons vote in essentially the same manner as each other. The question is put and voted on *de vives voix*. If Members disagree with the (Lord) Speaker's judgment as to the result then a division is called and the division bells are rung. The question is put again after a few minutes. If the opinion of the (Lord) Speaker after the question has been put the second time is not challenged then the division is called off and the result declared. If it is still challenged then a formal division occurs which takes at least 10 minutes per division, because peers and MPs are given time (to return) to vote and voting takes place by walking through the lobbies rather than in the Chambers themselves. There is no electronic voting.

Scotland – the Scottish Parliament uses an electronic voting system. Votes are generally held one after another at the end of the day.

Wales – the Welsh Assembly uses an electronic voting system. Votes are generally held one after another at the end of the day.

USA – the Senate votes by alphabetical roll call (*appel nominal*). This is of course the system employed for recorded votes in the States of Deliberation. There is no electronic voting.

The House of Representatives votes *de vives voix*. A formal division is held if the Speaker is in doubt as to the result or if one is demanded. If so, Representatives rise in their seats, firstly all those in favour and then all those opposed to the question. There is also provision for a recorded vote to be held if supported by at least one-fifth of the quorum. Such recorded votes are taken by electronic device. The minimum time which must be given for such a vote is 15 minutes. The Speaker may also direct that a recorded vote be held by roll call.

EU parliament – the European Parliament generally votes by show of hands. If the President decides that the result is doubtful, a vote is taken using the electronic voting system. A Member may ask for the result to be verified using the electronic voting system. Only the overall result is recorded. Electronic voting is also used if a request has been made in advance by a political group or at least 40 Members. In that instance the vote cast by each Member is recorded. If the electronic system is not working, the vote is taken by standing.

France – the Senate votes by show of hands, or by sitting and standing, or by ordinary public ballot, or by public ballot at the rostrum. Sitting and standing is only used if the result from the show of hands is unclear. An ordinary public ballot is only held if the result is still unclear and voting is by means of coloured slips. There is no electronic voting.

The Assemblée Nationale votes by show of hands, or by sitting and standing, or by ordinary public ballot, or by public ballot at the rostrum. Sitting and standing or an ordinary public ballot is only held if the result is unclear. Electronic voting is used for ordinary public ballots only. In those votes, Members are given at least five minutes to return to their seats before the ballot is opened.

CONCLUSIONS

54. As demonstrated above no system of simultaneous electronic voting can provide both greater transparency and greater efficiency than the present system. Those two objectives cannot be reconciled. If the States were to decide to introduce simultaneous electronic voting they would need to direct the Committee to favour either transparency or efficiency because it is not possible for any simultaneous electronic voting system to deliver more of both at once.
55. Therefore, having carefully weighed the options, the Committee has concluded that the present method of voting in meetings of the States of Deliberation should be retained as the best compromise between transparency and efficiency. A simultaneous electronic voting system cannot be justified and so should not be introduced. During a period of considerable financial restraint the Committee cannot reasonably recommend committing the States to additional expenditure to

install a system which would be used, on its calculations, for under three per cent of the time set aside for States' meetings. Therefore, the Committee unanimously lays recommendation 2 before the States.

56. The Committee believes that this is an opportune time to make the minor amendments to the Rules of Procedure proposed in paragraphs 51 and 52 above. The precise wording of the proposed new Rule is set out in recommendation 1.

CONSULTATION / RESOURCES / NEED FOR LEGISLATION

57. The Bailiff has been consulted and has advised that he has no comments on the proposals. The Law Officers of the Crown have been consulted and have no substantive comments on the proposals. The Committee should like to thank the IT sections of the Treasury & Resources Department and the Royal Court for the assistance provided in compiling some of the more technical aspects of this policy letter.

Resources

58. The indicative financial costs of introducing simultaneous electronic voting are set out in paragraphs 33 to 36 above.
59. The use of any simultaneous electronic voting system would mean that preparing for States' meetings would take more staff time in order to set up the votes. In addition, depending on which simultaneous electronic voting system was chosen and which votes were held using it, there could be additional staff time to operate it during the meeting. On the other hand, depending on the degree of automation and the form of electronic voting used, electronic voting could save some of the work undertaken after States' meetings.

Legislation

60. The changes proposed in this policy letter do not require any legislation but would require changes to the Rules of Procedure.

RECOMMENDATIONS

61. The States' Assembly & Constitution Committee recommends the States of Deliberation to resolve:
 1. To amend the Rules of Procedure by inserting in Rule 14 after paragraph (1):

“(1A) A Member may only vote from his or her seat in the States' Chamber. Immediately before announcing his or her vote in a division (*appel nominal*), a Member of the States must switch on his or her microphone and switch it off again immediately after he or she has voted.”

2. To continue the present system of voting during meetings of the States of Deliberation.

Yours faithfully,

M J Fallaize

Chairman
States' Assembly & Constitution Committee

R Conder (Vice-Chairman)
E G Bebb
A H Adam
P A Harwood

(N.B. The Treasury and Resources Department has noted that, as the proposal is to retain the present system of voting during meetings of the States of Deliberation, there are no resource implications arising from the recommendations in this States Report.

Notwithstanding the above, the Department has noted that the Report identifies the indicative capital costs of simultaneous electronic voting systems, albeit it does not set out how these capital costs would be met. In the event that an amendment is placed which proposes the introduction of Simultaneous Electronic Voting, the Department would like to stress that firm costs and an appropriate funding mechanism would need to be identified. Furthermore, in accordance with the provisions of Rule 15(2) of the Rules of Procedure of The States of Deliberation, any such amendment would need to identify any associated increases in revenue expenditure, how such increases would be funded and set out any effect on the States Fiscal and Economic Plan.)

The States are asked to decide:-

VII.- Whether, after consideration of the Report dated 20th August, 2014, of the States' Assembly & Constitution Committee, they are of the opinion:-

1. To amend the Rules of Procedure by inserting in Rule 14 after paragraph (1):

“(1A) A Member may only vote from his or her seat in the States' Chamber. Immediately before announcing his or her vote in a division (*appel nominal*), a Member of the States must switch on his or her microphone and switch it off again immediately after he or she has voted.” .

2. To continue the present system of voting during meetings of the States of Deliberation.