



BILLET D'ÉTAT

WEDNESDAY, 29th APRIL, 2015

VII
2015

LEGISLATIVE BUSINESS

1. The Pilotage (Amendment) Ordinance, 2015, p. 614
2. The Machinery of Government (Transfer of Functions) (Guernsey) (Amendment) Ordinance, 2015, p. 614
3. The Criminal Justice (Sex Offenders and Miscellaneous Provisions) (Bailiwick of Guernsey) Law, 2013 (Commencement) Ordinance, 2015, p. 615
4. The Guernsey Financial Services Commission (Transfer of Functions) (Fees) (Bailiwick of Guernsey) Ordinance, 2015, p. 615
5. The Income Tax (Guernsey) (Approval of Agreement with the British Virgin Islands) Ordinance, 2015, p. 616

ORDINANCES LAID BEFORE THE STATES

The Yemen (Restrictive Measures) (Guernsey) Ordinance, 2014, p. 616
The Crimea and Sevastopol (Restrictive Measures) (Guernsey) (Amendment) Ordinance, 2014, p. 617
The Cremation (Longue Hougue Facility) Ordinance, 2015, p. 617
The Financial Services Ombudsman (Bailiwick of Guernsey) Law, 2014 (Commencement and Amendment) Ordinance, 2015, p. 618
The Aviation Registry (Interests in Aircraft) (Guernsey) Ordinance, 2015, p. 619
The Côte d'Ivoire (Restrictive Measures) (Guernsey) Ordinance, 2015, p. 620
The Sark General Purposes and Advisory and Finance and Commerce Committees (Transfer of Functions) (Guernsey) Ordinance, 2015, p. 621

STATUTORY INSTRUMENTS LAID BEFORE THE STATES

The Fees, Charges and Penalties (Airport Fees) (Guernsey and Alderney) Regulations, 2015, p. 622
The Harbour Dues and Facilities Charges (Guernsey) Regulations, 2014, p. 622
The Mooring Charges (Guernsey) Regulations, 2014, p. 622

CONTINUED OVERLEAF

The Health Service (Benefit) (Limited List) (Pharmaceutical Benefit)
(Amendment) Regulations, 2015, p.623
The Land Planning and Development (Plans Inquiry) (Amendment) Regulations,
2014, p. 623
The Public Highways (Al Fresco Licences) (Fees) Regulations, 2014, p. 624
The Liquor Licensing (Fees) Regulations, 2015, p. 624
The Boarding Permit Fees Order, 2015, p. 624
The Health and Safety (Fees) Order, 2015, p. 625
The Offences (Fixed Penalties) (Guernsey) Order, 2015, p. 625

ALL OTHER PARLIAMENTARY BUSINESS

6. Policy Council – Review of Public Sector Pension Schemes, p. 626
7. Health and Social Services Department – Guernsey and Alderney Tobacco
Control Strategy 2015-2020, p. 778
8. Health and Social Services Department – 115th Medical Officer of Health
Annual Report, p. 868
9. Housing Department – Housing (Control of Occupation) (Guernsey) Law, 1994
Variation to the Housing Register, p. 935

APPENDIX

1. Home Department – Data Protection Commissioner’s Annual Report 2012-
2013, p. 939

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 APRIL, 2015** 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

20th March 2015

THE PILOTAGE (AMENDMENT) ORDINANCE, 2015

The States are asked to decide:-

I.- Whether they are of the opinion to approve the draft Ordinance entitled “The Pilotage (Amendment) Ordinance, 2015”, and to direct that the same shall have effect as an Ordinance of the States.

EXPLANATORY MEMORANDUM

This Ordinance amends the Pilotage Ordinance, 1967 in the following ways –

- (1) by repealing the age and nationality requirements for the issue of pilotage licences,
- (2) by updating the qualifications requirement for the issue of pilotage licences,
- (3) by providing for the Chief Officer of the Public Services Department to act as Acting President of the Pilotage Examination Committee in the absence of the President or during a vacancy in that office,
- (4) by updating the description of a pilot signal,
- (5) by repealing the First Schedule, which relates to the forms of Pilot Boarding Notes, and by amending section 37 so that provision is made instead for such Notes to be in the form required by the Pilotage Board from time to time, and
- (6) by correcting a typographical error.

THE MACHINERY OF GOVERNMENT (TRANSFER OF FUNCTIONS) (GUERNSEY) (AMENDMENT) ORDINANCE, 2015

The States are asked to decide:-

II.- Whether they are of the opinion to approve the draft Ordinance entitled “The Machinery of Government (Transfer of Functions) (Guernsey) (Amendment) Ordinance, 2015”, and to direct that the same shall have effect as an Ordinance of the States.

EXPLANATORY MEMORANDUM

This Ordinance corrects an anomaly in the Machinery of Government (Transfer of Functions) (Guernsey) Ordinance, 2003 by amending two paragraphs of Schedule 2 to that Ordinance. The effects of the amendments are to make clear all functions and duties under the Boats and Vessels (Registration, Speed Limits and Abatement of Noise) Ordinance, 1970 shall be performed by the Public Services Department, with the exception of granting permission under section 8(1) for a vessel to exceed a speed of six knots in the coastal restricted zones, which function shall be performed by the Environment Department.

**THE CRIMINAL JUSTICE (SEX OFFENDERS AND MISCELLANEOUS PROVISIONS) (BAILIWICK OF GUERNSEY) LAW, 2013
(COMMENCEMENT) ORDINANCE, 2015**

The States are asked to decide:-

III.- Whether they are of the opinion to approve the draft Ordinance entitled “The Criminal Justice (Sex Offenders and Miscellaneous Provisions) (Bailiwick of Guernsey) Law, 2013 (Commencement) Ordinance, 2015”, and to direct that the same shall have effect as an Ordinance of the States.

EXPLANATORY MEMORANDUM

This Ordinance commences some of the provisions of the Criminal Justice (Sex Offenders and Miscellaneous Provisions) (Bailiwick of Guernsey) Law, 2013 ("the 2013 Law") on the 29th April 2015. The provisions to be commenced include those relating to the use of a pre-recorded interview as the complainant’s evidence-in-chief during a trial, the introduction of anonymity for complainants, the prohibition of cross-examination based on a complainant's previous sexual history without leave of the court, the prohibition on unrepresented defendants from cross-examining complainants and the prosecution for extra-territorial offences in cases of dual criminality.

The Ordinance also commences a provision of the 2013 Law amending the Sexual Offences (Incitement, Jurisdiction and Protected Material) (Bailiwick of Guernsey) Law, 2009 with effect on the date that the 2009 Law is registered on the Records of the Island.

THE GUERNSEY FINANCIAL SERVICES COMMISSION (TRANSFER OF FUNCTIONS) (FEES) (BAILIWICK OF GUERNSEY) ORDINANCE, 2015

The States are asked to decide:-

IV.- Whether they are of the opinion to approve the draft Ordinance entitled “The Guernsey Financial Services Commission (Transfer of Functions) (Fees) (Bailiwick of Guernsey) Ordinance, 2015”, and to direct that the same shall have effect as an Ordinance of the States.

EXPLANATORY MEMORANDUM

This Ordinance transfers the functions of the Guernsey Financial Services Commission relating to the enactment of regulations or orders which prescribe or specify fees or charges payable to the Commission to the Policy Council (in the case of fees charged under the seven regulatory laws specified in section 4 of the Ordinance) and the Commerce & Employment Department (in the case of fees charged under the Companies (Guernsey) Law, 2008 and the Limited Liability Partnerships (Guernsey) Law, 2013).

**THE INCOME TAX (GUERNSEY) (APPROVAL OF AGREEMENT WITH
THE BRITISH VIRGIN ISLANDS) ORDINANCE, 2015**

The States are asked to decide:-

V.- Whether they are of the opinion to approve the draft Ordinance entitled “The Income Tax (Guernsey) (Approval of Agreement with the British Virgin Islands) Ordinance, 2015”, and to direct that the same shall have effect as an Ordinance of the States.

EXPLANATORY MEMORANDUM

This Ordinance specifies an agreement providing for the obtaining, furnishing and exchanging of information in relation to tax as an approved international agreement for the purposes of the Income Tax (Guernsey) Law, 1975.

The agreement specified is a Protocol to a Tax Information Exchange Agreement previously made between the States of Guernsey and the Government of the British Virgin Islands in April 2013. The Protocol was signed on behalf of Guernsey on the 25th November, 2014 and on behalf of the British Virgin Islands on the 11th December, 2014.

ORDINANCES LAID BEFORE THE STATES

THE YEMEN (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 Yemen (Restrictive Measures) (Guernsey) Ordinance, 2014” made by the Legislation Select Committee on the 22nd December, 2014, is laid before the States.

EXPLANATORY MEMORANDUM

This Ordinance is made under the European Communities (Implementation) (Bailiwick of Guernsey) Law, 1994 and, subject to certain modifications, gives effect in Guernsey to Council Regulation (EU) No. 1352/2014 of the 18th December, 2014, concerning restrictive measures in respect of natural or legal persons, entities and bodies identified by the United Nations as engaging in or providing support for acts that threaten the peace, security or stability of Yemen.

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 22nd December, 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.

**THE CRIMEA AND SEVASTOPOL (RESTRICTIVE MEASURES)
(GUERNSEY) (AMENDMENT) ORDINANCE, 2014**

In pursuance of the provisions of the proviso to Article 66 (3) of the Reform (Guernsey) Law, 1948, as amended, “The Crimea and Sevastopol (Restrictive Measures) (Guernsey) (Amendment) Ordinance, 2014” made by the Legislation Select Committee on the 22nd December, 2014, is laid before the States.

EXPLANATORY MEMORANDUM

This Ordinance is made under the European Communities (Implementation) (Bailiwick of Guernsey) Law, 1994 and amends the Crimea and Sevastopol (Restrictive Measures) (Guernsey) Ordinance, 2014 (made by the Legislation Select Committee on the 10th July 2014 and laid before the States on 24th September, 2014). The Ordinance, subject to certain modifications, gives effect in Guernsey to Council Regulation (EU) No. 1351/2014 of the 18th December, 2014. This Regulation amends Council Regulation (EU) No. 692/2014 to strengthen and extend the restrictive measures which were enacted in response to the annexation of Crimea and Sevastopol by the Russian Federation and which were implemented by the Crimea and Sevastopol (Restrictive Measures) (Guernsey) Ordinance, 2014.

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 22nd December, 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.

THE CREMATION (LONGUE HOUGUE FACILITY) ORDINANCE, 2015

In pursuance of the provisions of the proviso to Article 66 (3) of the Reform (Guernsey) Law, 1948, as amended, “The Cremation (Longue Hougue Facility) Ordinance, 2015” made by the Legislation Select Committee on the 29th January, 2015, is laid before the States.

EXPLANATORY MEMORANDUM

This Ordinance is made under Article IV of the Law entitled "Loi relative à la Crémation". The Ordinance makes provision enabling a Law Officer of the Crown to authorise the cremation facility operated by the States at the Longue Hougue to be used as a crematorium for the purposes of the Law referred to above.

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 29th January, 2015. Under the proviso to Article 66(3) of the Reform (Guernsey) Law, 1948, the States of Deliberation have the power to annul the Ordinance.

**THE FINANCIAL SERVICES OMBUDSMAN (BAILIWICK OF GUERNSEY)
LAW, 2014 (COMMENCEMENT AND AMENDMENT) ORDINANCE, 2015**

In pursuance of the provisions of the proviso to Article 66 (3) of the Reform (Guernsey) Law, 1948, as amended, “The Financial Services Ombudsman (Bailiwick of Guernsey) Law, 2014 (Commencement and Amendment) Ordinance, 2015”, made by the Legislation Select Committee on the 29th January, 2015, is laid before the States.

EXPLANATORY MEMORANDUM

This Ordinance is made under sections 6(1), 27 and 29(2) of the Financial Services Ombudsman (Bailiwick of Guernsey) Law, 2014 ("the Law"). The Law establishes the Office of the Financial Services Ombudsman ("OFSO") which, in conjunction with a similar Office in Jersey, will allow eligible complainants (such as individual consumers, micro-enterprises and charities) to make complaints about non-exempt financial services providers in the Bailiwick without having to commence legal proceedings.

Section 1 of the Ordinance commences certain parts of the Law in order to permit *inter alia*:

- the appointment of the OFSO Board (which will in turn appoint the Principal Ombudsman of OFSO and other staff members),
- the calculation of levies in relation to financial services providers within the scope of the OFSO scheme, and
- the raising of a loan to fund the activities of OFSO.

The relevant equivalent provisions of the Financial Services Ombudsman (Jersey) Law 2014 have already been brought into force in Jersey.

Section 2 of the Ordinance amends Paragraph 2 of Schedule 2 to the Law by adding a further subparagraph to allow references in relation to the OFSO budget to include the Jersey equivalents for the financial years 2015 and 2016. This will permit the proper uniting of the finances of the two Bailiwick schemes and appropriate allocation of expenses between the jurisdictions, thereby allowing the schemes to function efficiently.

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 30th January, 2015. Under the proviso to Article 66(3) of the Reform (Guernsey) Law, 1948, the States of Deliberation have the power to annul the Ordinance.

**THE AVIATION REGISTRY (INTERESTS IN AIRCRAFT) (GUERNSEY)
ORDINANCE, 2015**

In pursuance of the provisions of the proviso to Article 66 (3) of the Reform (Guernsey) Law, 1948, as amended, “The Aviation Registry (Interests in Aircraft) (Guernsey) Ordinance, 2015”, made by the Legislation Select Committee on the 23rd February, 2015, is laid before the States.

EXPLANATORY MEMORANDUM

This Ordinance gives effect to the Convention on International Interests in Mobile Equipment ("the Cape Town Convention") and the Protocol to the Convention on International Interests in Mobile Equipment on Matters Specific to Aircraft Equipment ("the Aircraft Protocol"), otherwise known as the Cape Town Convention as applied to aircraft objects (or for the purposes of this note, "the Convention").

The Cape Town Convention relates to security in mobile objects/equipment. It has a number of Protocols for particular types of high value, cross jurisdictional, mobile objects: an aircraft protocol, a rail protocol and a space protocol. The UK is in the process of ratifying the Cape Town Convention as applied to aircraft objects and has asked Guernsey if it wishes the Convention to be extended to it at the same time. The External Relations Group has considered this and resolved that the Convention should be so extended because of the benefit this will have for the Guernsey Aviation Registry; indeed it has always been intended that the Convention should be extended to Guernsey, as the States so resolved in October 2012 when considering the scope of the Registry.

The Convention aims to reduce the cost of aircraft finance by reducing the risk to creditors of lending to airlines and leasing companies. That risk arises because helicopters, airframes and aircraft engines are expensive to purchase and/or lease, and as moveable assets a creditor cannot be sure in which jurisdiction the object will be located should possession need to be taken. Creditors want to repossess assets quickly in cases of default so that they can be put to use and generate an income, as the depreciation rate is extremely high on idle aircraft which have a limited lifespan.

The Convention establishes an international legal framework for the creation and registration of international interests (e.g. mortgages and leases) in helicopters, airframes and aircraft engines over a certain size, provides a framework to deal with disputes such as the ability of creditors to recover the object should there be a default on repayments and creates an international security regime with an International Registry of security interests. Under the Convention, an interest registered on the International Registry has priority over an unregistered interest or over any subsequently registered interest. By ratification of the Convention, interests on the International Registry will be recognised under Guernsey law. It is not mandatory to register interests with the International Registry, just as it is not mandatory to register interests on the Guernsey register of aircraft charges.

The Convention contains a number of optional provisions for adoption in the form of declarations, and each Contracting State must decide what declarations to make. The Commerce & Employment Department has considered the appropriate declarations for Guernsey, in discussion with the UK Department for Business, Industry and Skills, and these declarations are implemented by the Ordinance.

Due to the cross jurisdictional nature of the Convention, the text of the Convention gives weight to the importance of uniform interpretation and application. For this reason the Ordinance has been drafted so as to give effect to the actual text of the Convention, whilst also providing a consolidated text for ease of reference given the highly technical and very complex nature of the subject area. This approach mirrors the approach that the UK intends to take in its implementing regulations.

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 will come into force on the first day of the month which falls three months after the date on which the United Kingdom, on behalf of Guernsey, deposits the instrument of accession to the Cape Town Convention with the depositary, which commencement date shall be specified by regulations of the Department. Under the proviso to Article 66(3) of the Reform (Guernsey) Law, 1948, the States of Deliberation have the power to annul the Ordinance.

THE CÔTE D'IVOIRE (RESTRICTIVE MEASURES) (GUERNSEY) ORDINANCE, 2015

In pursuance of the provisions of the proviso to Article 66 (3) of the Reform (Guernsey) Law, 1948, as amended, "The Côte d'Ivoire (Restrictive Measures) (Guernsey) Ordinance, 2015", made by the Legislation Select Committee on the 23rd February, 2015, is laid before the States.

EXPLANATORY MEMORANDUM

This Ordinance is made under the European Communities (Implementation) (Bailiwick of Guernsey) Law, 1994 and, subject to certain modifications, gives effect in Guernsey to Council Regulation (EU) No. 192/2015 of the 9th February, 2015 ("the 2015 Regulation"), concerning the provision of assistance to the Côte d'Ivoire in respect of military activities. The 2015 Regulation amended Regulation (EC) No. 174/2005 of 31st January, 2005, which has already been implemented in Guernsey by the Ivory Coast (Restrictive Measures) (Guernsey) Ordinance, 2005 which, together with the Ivory Coast (Freezing of Funds) (Guernsey) Ordinance, 2006 and the Ivory Coast (Freezing of Funds) (Guernsey) (Amendment) Ordinance, 2011, are all repealed and replaced by this new Ordinance.

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 23rd February, 2015. Under the proviso to Article 66(3) of the Reform (Guernsey) Law, 1948, the States of Deliberation have the power to annul the Ordinance.

**THE SARK GENERAL PURPOSES AND ADVISORY AND FINANCE AND
COMMERCE COMMITTEES (TRANSFER OF FUNCTIONS) (GUERNSEY)
ORDINANCE, 2015**

In pursuance of the provisions of the proviso to Article 66 (3) of the Reform (Guernsey) Law, 1948, as amended, “The Sark General Purposes and Advisory and Finance and Commerce Committees (Transfer of Functions) (Guernsey) Ordinance, 2015”, made by the Legislation Select Committee on the 26th February, 2015, is laid before the States.

EXPLANATORY MEMORANDUM

At their meeting on the 21st January, 2015 the Chief Pleas of Sark transferred the functions of their General Purposes and Advisory Committee and Finance and Commerce Committee to 2 newly established Sark committees called the Policy and Performance Committee and the Finance and Resources Committee. The transfer was achieved through enactment of an Ordinance of the Chief Pleas made under the Public Functions (Transfer and Performance) (Bailiwick of Guernsey) Law, 1991 ("the 1991 Law"). That Ordinance transferred relevant statutory functions created under Sark legislation. In order to transfer other relevant statutory functions arising under Bailiwick-wide Laws which the Chief Pleas have not approved, the States of Deliberation must enact a similar Ordinance under the 1991 Law.

This Ordinance makes provision, consistent with that already enacted by the Chief Pleas of Sark, transferring the functions of the 2 former Sark Committees mentioned above, arising under non-exclusively Sark legislation, to the 2 new Sark Committees mentioned above.

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 26th February, 2015. 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 the Statutory Instruments detailed below.

THE FEES, CHARGES AND PENALTIES (AIRPORT FEES) (GUERNSEY AND ALDERNEY) REGULATIONS, 2015

In pursuance of Section 1 (1)(d) of the Fees, Charges and Penalties (Guernsey) Law, 2007, “The Fees, Charges and Penalties (Airport Fees) (Guernsey and Alderney) Regulations, 2015”, made by the Public Services Department on 30th January 2015, are laid before the States.

EXPLANATORY NOTE

These Regulations prescribe the dues and charges payable at Alderney Airport and Guernsey Airport.

These Regulations will come into force on the 1st of April, 2015.

THE HARBOUR DUES AND FACILITIES CHARGES (GUERNSEY) REGULATIONS, 2014

In pursuance of Sections 1 and 5 of the Fees, Charges and Penalties (Guernsey) Law, 2007, “The Harbour Dues and Facilities Charges (Guernsey) Regulations, 2014”, made by the Public Services Department on 18th December 2014, are laid before the States.

EXPLANATORY NOTE

These Regulations prescribe the dues and charges payable at St Peter Port Harbour and St Sampson’s Harbour.

These Regulations came into force on 1st January, 2015.

THE MOORING CHARGES (GUERNSEY) REGULATIONS, 2014

In pursuance of Sections 1 and 5 of the Fees, Charges and Penalties (Guernsey) Law, 2007, “The Mooring Charges (Guernsey) Regulations, 2014”, made by the Public Services Department on 18th December 2014, are laid before the States.

EXPLANATORY NOTE

These Regulations prescribe the mooring charges payable at St Peter Port Harbour and St Sampson’s Harbour.

These Regulations came into force on 1st January, 2015.

THE HEALTH SERVICE (BENEFIT) (LIMITED LIST) (PHARMACEUTICAL BENEFIT) (AMENDMENT) REGULATIONS, 2015

In pursuance of Section 35 of the Health Service (Benefit) (Guernsey) Law, 1990, “The Health Service (Benefit) (Limited List) (Pharmaceutical Benefit) (Amendment) Regulations, 2015”, made by the Social Security Department on 27th January 2015, are laid before the States.

EXPLANATORY NOTE

These Regulations add to the limited list of drugs and medicines available as pharmaceutical benefit which may be ordered to be supplied by medical prescriptions issued by medical practitioners. These Regulations came into operation on 27th January 2015.

THE LAND PLANNING AND DEVELOPMENT (PLANS INQUIRY) (AMENDMENT) REGULATIONS, 2014

In pursuance of Sections 12(3) and 89 of the Land Planning and Development (Guernsey) Law, 2005 made by the Environment Department on 7th October 2014, “The Land Planning and Development (Plans Inquiry) (Amendment) Regulations, 2014” are laid before the States.

EXPLANATORY NOTE

These Regulations amend the Land Planning and Development (Plans Inquiry Regulations), 2008 by adding a new regulation 16A.

The new regulation gives a planning inquiry inspector power to arrange for a preliminary meeting or inquiry hearing held under the Regulations to be recorded in writing or electronically.

If the inspector arranges for such a recording to be made, a person may apply in writing for a copy or digital copy of the transcript to the inspector before the close of the inquiry hearing or to the Policy Council after the close of the inquiry hearing. A copy must be supplied on payment of such reasonable fee as the inspector or Policy Council may determine except that the Policy Council is not required to provide a copy if it receives an application more than one year after the close of the inquiry hearing.

The Regulation also gives the inspector a power to charge a reasonable fee for supplying a document, or a copy document, to a person for which the inspector does not already have the power to charge a fee under any other provision of these Regulations.

The Regulations also take two minor amendments to regulations 2(2) e and 13(4) to clarify the intended meaning of those provisions.

These Regulations came into force on the 1st November, 2014.

**THE PUBLIC HIGHWAYS (AL FRESCO LICENCES)
(FEES) REGULATIONS, 2014**

In pursuance of Sections 1 and 5 of the Fees, Charges and Penalties (Guernsey) Law, 2007 made by the Environment Department on 7th October 2014, “The Public Highways (Al Fresco Licences) (Fees) Regulations, 2014”, are laid before the States.

EXPLANATORY NOTE

These Regulations increase the fees payable to Her Majesty’s Greffier on applications made to the Royal Court in respect of an application for the grant, variation of the conditions or renewal of an al fresco licence under the Public Highways (Temporary) (Closure) Ordinance, 1999.

These Regulations came into force on the 24th November, 2014.

THE LIQUOR LICENSING (FEES) REGULATIONS, 2015

In pursuance of Section 99(3) of the Liquor Licensing Ordinance, 2006, “The Liquor Licensing (Fees) Regulations, 2015”, made by the Home Department on 2nd March 2015, are laid before the States.

EXPLANATORY NOTE

These Regulations amend Schedule 4 of the Liquor Licensing Ordinance, 2006, which sets the relevant fees for the liquor licences etc. These Regulations will come into force on the force on 1st June 2015.

THE BOARDING PERMIT FEES ORDER, 2015

In pursuance of Section 17 of the Tourist Law, 1948, “The Boarding Permit Fees Order, 2015”, made by the Commerce and Employment Department on 5th February 2015, is laid before the States.

EXPLANATORY NOTE

This Order prescribes the fees payable by an applicant for a boarding permit from 1st April 2015. This Order comes into force on the 1st April, 2015 and replaces the Boarding Permit Fees Order, 2014.

THE HEALTH AND SAFETY (FEES) ORDER, 2015

In pursuance of section 3(1)(c) of the Health and Safety (Fees) (Guernsey) Law, 1993, “The Health and Safety (Fees) Order, 2015”, made by the Commerce and Employment Department on 8th January, 2015, is laid before the States.

EXPLANATORY NOTE

This Order specifies, for the purposes of the Health and Safety (Fees) (Guernsey) Law, 1993, the fees to be payable to the Commerce and Employment Department under and for the purposes of the Explosives (Guernsey) Law, 1905, the Law entitled “Loi relative aux Huiles ou Essences Minerales ou autre substances de la meme nature, 1924”, the Health and Safety at Work etc. (Guernsey) Law, 1979 (including the Ordinance thereunder), the Poisonous Substances (Guernsey) Law, 1994 and the Public Highways Ordinance, 1967.

The Order comes into operation on 1st February 2015.

THE OFFENCES (FIXED PENALTIES) (GUERNSEY) ORDER, 2015

In pursuance of section 7(5) of The Offences (Fixed Penalties) (Guernsey) Law, 2009, “The Offences (Fixed Penalties) (Guernsey) Order, 2015”, made by the Home Department on 26th February 2015 is laid before the States.

EXPLANATORY NOTE

This Order specifies the manner in which, and the place at which, a fixed penalty is to be paid. This Order provides for the online payment of a fixed penalty, and removes the payment facility at the Post Office. This Order revokes the Offences (Fixed Penalties) (Guernsey) Order, 2012.

This Order came into force on the 1st March 2015.

POLICY COUNCIL

REVIEW OF PUBLIC SECTOR PENSION SCHEMES

Executive Summary

1. This report explains:

- the current public sector pension provision;
- the reasons why change is required;
- the procedure for the review;
- the employer's proposals which arise from the review;
- the pension benefits payable under the proposals.

The report also:

- compares the proposals with those for UK public sector employees;
- details a forum for considering the implications of an older workforce;
- estimates resourcing requirements; and
- includes the comments from staff representatives.

2. The report explains that because the schemes are largely unreformed the investment, salary, inflation and longevity risks continue to be borne entirely by the States (taxpayers). The Policy Council's proposals are specifically designed to provide a balanced deal for scheme members and taxpayers. Scheme members would have a good quality pension providing adequate income in retirement within an arrangement where risks are managed and shared and costs controlled.

3. Regrettably, it has not proved possible to achieve agreement with scheme members on revised arrangements to apply to their future service. The Policy Council is convinced that it is both necessary and appropriate that revised arrangements apply not only to new members but also to the future service of current members. Failure to achieve this objective would result in costs, over and above those for the proposed arrangements, of some £70 million – a figure the Policy Council considers unjustified and unaffordable. Therefore, after taking independent legal advice, the Policy Council is proposing that an application should be made to the Royal Court seeking a declaration that, as employer/former employer, the States has the implied right to vary the terms of the schemes in a manner which adversely affects members' rights without their consent.

4. The States are recommended to endorse the proposals to enable revised arrangements to be implemented for new members with effect from 1 May 2015 and for current members subject to obtaining a declaration from the Royal Court.

Introduction

5. An occupational pension scheme (distinct from and additional to the State “old age” pension) has long formed an integral part of the pay and conditions package of employees of the States of Guernsey, “Associated Bodies”, Crown Appointments and holders of certain offices.
6. There are at present two separate – albeit similar – public sector schemes i.e. the Public Servants’ Pension Scheme and the Teachers’ Superannuation Scheme. The latter is closed to new members and the majority of teachers and lecturers have chosen to transfer to the Public Servants’ Pension Scheme. The schemes encompass approximately 4,975 currently active, 3,600 retired and 500 deferred members. Of these just 105 currently active and 267 retired or deferred remain members of the Teachers’ Superannuation Scheme.
7. The members in active service can be described broadly as follows:

States employees:

Teachers	650	
Nurses	800	
Prison Officers	75	
Public Service Employees	797	
Established Staff	1,750	
Police Officers	175	
Firefighters/Airport Firefighters	100	
	<hr/>	4347

“Associated Bodies”

Post	210	
Electricity	205	
Colleges, Libraries etc	200	
	<hr/>	615

Office holders and statutory officials 13

4,975

8. In 2013 the total employer contributions in respect of current members was £27.25 million and the total contributions by those members was £13 million.

9. In undertaking this review the Policy Council is acutely aware that this is arguably the single most significant change in terms and conditions of employment of States employees in the last half century. This is because it affects all members of the schemes (to a greater or lesser extent) across all bargaining groups and those who have chosen not to be members of staff organisations.
10. The Policy Council has been conscious of the underlying legal advice which has remained consistent throughout the earlier reviews (in the 1980s and 2006-7) and which can be summarised as follows:
 - (i) the States would be free to close the existing scheme (or existing arrangements) to new members. It would then be up to potential new employees to enter into a contract of employment with whatever new pension arrangements were then on offer.
 - (ii) the benefits which retired members and current employees have already accrued in accordance with Rules cannot be changed without their consent. Furthermore, there could be no expectation that any person would agree to a reduction in benefits already accrued.

NB. The proposals which follow will not change any benefits already accrued.

 - (iii) It would be possible to change the benefits in respect of the future service of current members by agreement with those members. However, the prospect of gaining agreement from every single member who may be affected is somewhat illusory. Attempting to change without agreement is difficult from both legal and industrial relations angles.
11. It is for the important reason detailed in paragraph 10 that strenuous attempts have been made to reach agreement and only after this has not proved possible the Policy Council is submitting its own proposals. The Policy Council has taken independent legal advice on the procedure it has followed and believes it has done as much as reasonably practicable to minimise the risk of losing any legal challenge to that procedure.
12. The Policy Council is convinced that it is both necessary and appropriate to propose changes in respect of the future service of current members (noting that this is also the approach in both the UK and elsewhere). In the light of the comments at paragraph 10 the Policy Council is aware that this may result in legal challenge and the recommendations of the Policy Council set out in the report have been made after taking independent legal advice.

The current public sector pension provision

13. The objectives for the schemes originally adopted by the States in 1988 and re-affirmed in 2006 with the support of all parties are as follows:
 - “(i) The scheme should provide adequately for the needs of employees and of their immediate families for their retirement and in the case of their early death or disability.
 - (ii) Benefits and terms should in general approximate to those available in the UK and elsewhere for equivalent groups, but this should be tempered by any special considerations applicable to Guernsey. Regard should be had to salary and wage levels, to other benefits provided, and to security of employment.
 - (iii) In determining the levels of benefits, the States should regard itself as an employer of people, and interpret the above objectives in that light¹.
 - (iv) The financial arrangements for securing the benefits should aim to minimise the cost of the scheme in the long term while providing an acceptable level of security for members.”
14. In line with the above objectives, the schemes are currently the final salary form of defined benefit. In such schemes the benefit to be received by the member is defined as a proportion of final salary² multiplied by years of service. The future cost of the benefit is uncertain and is met by a contribution from the member (set as a percentage of pensionable earnings) with the employer required to meet the balance of the costs.
15. In a final salary defined benefit scheme with the cost uncertain the major risk is that there will be insufficient assets to provide all the benefits promised. The key risks can be summarised as follows:
 - investment – the risk that lower than expected investment returns result in insufficient assets to pay benefits as they fall due with the employer having to pay the shortfall;

¹ The States is responsible for public sector pension arrangements in its capacity as an employer. The States is also responsible for the social security pension arrangements but that is in its capacity as the State.

² The ‘final salary’ used in the calculation is the better of the total pensionable pay in the last year of service or the average of total pensionable pay in the best three consecutive years of reckonable service within the last ten each of the three years pensionable pay being revalued before averaging.

- salary – the risk that higher than expected salary increases result in higher than expected pensions;
- inflation – the risk that higher than expected price inflation increases the cost of providing pensions;
- longevity – the risk that members live longer than expected.

The risks are currently borne entirely by the States (taxpayers).

16. Although the public sector does not necessarily have to make provision for the liabilities accruing under the scheme (the majority of UK public sector schemes are not funded), as long ago as 1965 the States of Guernsey decided it would be prudent to establish a Superannuation Fund. This serves a dual purpose: (a) to set aside funds from current revenue to meet the cost of benefits as they accrue (instead of such costs being met by future taxpayers); and (b) to provide more security for members than if they relied on their (former) employer to pay them directly. There is a triennial formal valuation of the Fund and an approximate funding update at the intervening year ends. In the course of discussions with employee representatives the valuation at 31st December 2010 and the funding updates at 31st December 2011 and 31st December 2012 were available.
17. The results of valuations serve to illustrate the potential difficulties which can arise due to the risks inherent in a final salary defined benefit scheme described above. The funding position that is relevant for this review is that for States employees (known as the “Combined Pool” within the Superannuation Fund). The funding position and contribution requirements for the Combined Pool revealed as at 31st December 2010 were as follows:
 - 100% funding target, shortfall = £77.3m;
 - employer contributions required for 100% funding target = 18.6% of pensionable pay.
18. The approximate funding update as at 31st December 2011 indicated a worsening of the position as follows:
 - 100% funding target, shortfall = £150m;
 - employer contributions required for a 100% funding target = 22.8% of pensionable pay.
19. The approximate funding update as at 31st December 2012 indicated a position as follows:
 - 100% funding target, shortfall = £140m;
 - employer contributions required for a 100% funding target = 21.8%.

20. The results of the valuation at 31st December 2013 were released in December 2014. This revealed the position for the Combined Pool was as follows:
- 100% funding target, shortfall = £82.1 million;
 - employer contributions required for 100% funding target = 18.3%;
- i.e. the position was broadly the same as in December 2010.
21. The most recent valuation report (Billet D'Etat V1, 2015) comments on two particular issues which are highly relevant. Firstly, since 2008 the funding target for the Combined Pool has been set at 90% of accrued benefits to 31st December 2007 and 100% thereafter. In a government backed scheme 100% funding is not necessary at all times because pensions could be paid out of revenue and taxes could be raised to pay pensions. Thus part of members' pensions could be met by a pay as you go system. The funding target of 90% is not sustainable over the long term. The States (taxpayers) is still responsible for paying 100% of the benefits from States funds. However, this target was the affordable target at the time and the Treasury and Resources Department felt unable to recommend that the States increase the employer contribution rate to the level necessary to fund at the 100% level which had always previously been the aim. Instead it recommended the new target and the employer contribution rate was set at the 14.1% which still applies. An additional sum of £7 million per annum for the next 20 years would be required to restore the Combined Pool to a fully funded position. The valuation report indicates how the shortfall is expected to increase if contributions are not made to eliminate it even if the anticipated investment return is achieved.
22. Secondly, the valuation report and the accompanying States report from the Treasury and Resources Department highlights the significance of the investment return assumption on which the expected cost of the benefits is based. The deficit on the whole scheme (not just the Combined Pool) at 31st December 2013 indicated by the valuation was £76 million. The deficit in the States Accounts at the same date in accordance with the accounting standard FRS17 was £524 million. This difference is in large part due to the different discount rate, ie. the assumed investment return. The valuation assumes an investment return of UK RPI + 3.25% each and every year. In contrast FRS17 had an effective assumed return of UK RPI + 1.05% at 31 December 2013. Ultimately the cost of providing the benefits will depend upon the actual experience of the Fund (e.g. the actual investment return achieved). In the event of the assumed investment return not being achieved a deficit arises which has to be made up by the States. The current assumed investment return is challenging and is not met. The shortfall against the investment return assumption in respect of the Combined Pool was £40 million over the three years to 31st December 2013 and £130 million in the preceding three years.

23. The results of the valuations (and the indicative figures from FRS17) highlight how important it will be to cost revised arrangements on a less optimistic investment return assumption to reduce the risk of a further deficit arising in respect of that future service to try to ensure new arrangements are sustainable.

The Reasons Why Change is Required

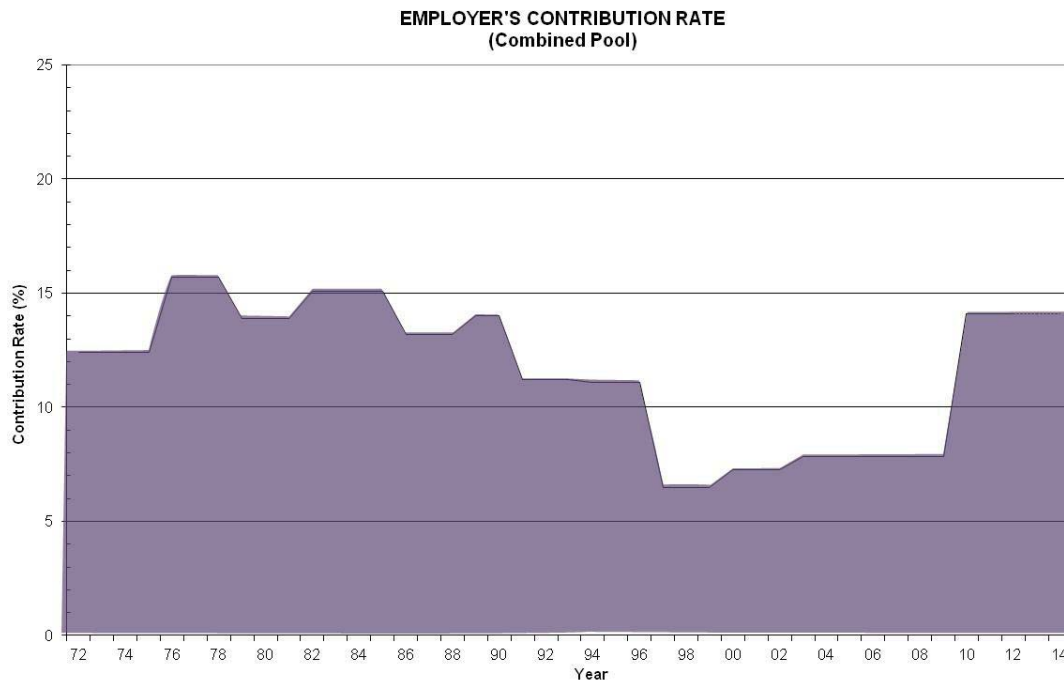
24. The requirement to review Guernsey public sector pension arrangements results from changes which are affecting our society in common with those across the developed world. These changes have required individuals and companies and, now, the public sector to rethink their approach to pensions.
25. In recent decades there has been a significant increase in life expectancy and this is predicted to continue. This welcome increase has driven up the cost of providing pensions and healthcare services. The increase in expenditure associated with an ageing population is likely to be large. In 2013 total public spending (States revenue expenditure and spending on pensions and welfare) was estimated to be around 29% of GDP (Personal Tax, Pensions and Benefits Public Consultation document). There are indications that the cost of providing the same services will increase.
26. In response to the increase in life expectancy, and the increased cost arising from providing the State pension over a longer period, both the UK and Guernsey have already approved an increase in the State pension age (SPA). In Guernsey SPA will increase from age 65 to age 67 in stages commencing in 2020 and completed in 2031; and, at the time of writing, the States is due to consider the 'Personal Tax, Pensions and Benefits Review' report which proposes that the SPA be further increased in stages to age 70 by 2049.
27. The agreed increase in the retirement age will have some impact on the projected increase in pension costs but will not reduce the additional burden on the health and long-term care systems.
28. The increase in life expectancy which has prompted the States to increase SPA also impacts significantly on the cost of public sector pensions. The tables published by the Institute and Faculty of Actuaries and currently adopted for the Schemes imply the following life expectancy for those who retire in normal health at age 65:

Life expectancy at age 65	Males	Females
Current 65 year old	21.8	24.6
Current 45 year old, assuming survival to age 65	24.0	26.9
Current 25 year old , assuming survival to age 65	26.3	29.2

29. This compares with the life expectancy tables used 20 years ago for the Schemes which implied that males aged 65 would live for a further 16 years and females for a further 20 years.

30. There were some reforms of the Guernsey public sector pension arrangements effective from 1 January 2008. These reforms were in line with those introduced in UK public sector schemes and can be summarised as follows:
 - a Normal Pension Date (NPD) of 65 for new members but offset to a considerable extent by a higher accrual rate;
 - a general increase in member contribution rates from 6% to 6.5% accompanied by some improvement in benefits.
31. As the schemes are largely unreformed the employer has borne an increasing share of the increase in future service contribution rate arising from increased longevity enjoyed by members. As the schemes remain final salary defined benefit the employer continues to bear all the risks detailed at paragraph 15.
32. It is the open ended, uncertain and long term liability that makes the current pension arrangement unsustainable in the present form. In order to be sustainable schemes must be able to manage and share risks effectively and the anticipated employer costs must be at a level which is affordable in the long term.
33. The requirement for a review, therefore, is not in response to Guernsey's short to medium-term fiscal pressures but rather a response to increasing pressures built up over decades and predicted to continue. In undertaking the review it is necessary to ensure that arrangements exist that will be affordable and sustainable not only now but for the foreseeable future.
34. Taxpayers finance a proportion of public service pensions, which is entirely reasonable since taxpayers are recipients of the services that are provided by public sector employees. However, what is key is that the balance is right. The taxpayer cannot be expected to fund increased expenditure on public service pensions if such costs could be funded only through restricting (reducing) other public expenditure or increasing taxation particularly if this were for a benefit out of line with that available elsewhere.
35. The Policy Council notes that the current future service contribution rate (after deduction of the member rate of 6.5%) is 14.2% and that the States has been contributing at a rate of 14.1% since 2010. In any review it is necessary to consider the appropriate rate for the States to contribute and to consider the risks that might result in it having to contribute more.
36. Finally, in this section it is appropriate to comment on suggestions that the States has previously taken a "pensions holiday" and that this has resulted in the deficiency in the Superannuation Fund and/or justifies the States paying a higher rate for a period.

37. The fluctuation in the States contribution rate over the last 40 years is illustrated on the graph below :



38. It should be noted that the employer rate is dependent on the assumptions made, the target for funding and whether there is any surplus/shortfall in the funding position. However, as explained at paragraph 21 until the 2007 valuation the funding target had always been 100%.
39. It can be seen that throughout the period 1997–2010 the employer's contribution rate was lower than at present. This was because the Fund was in surplus between the valuations at 31st December 1995 and 31st December 2004. However, to the extent that the lower employer contribution rate has led to any deficiency in the Fund this simply means that the States is liable to meet such costs from General Revenue. The deficiency in respect of benefits already accrued which the States is contractually obliged to pay and, in any event, would not suggest not paying.
40. Furthermore, the fluctuation in the required employer's contribution rate serves only to illustrate the risks inherent in such schemes i.e. that they can result in volatile and unanticipated costs.

The Procedure for the Review

41. In the summer of 2011 the Public Sector Remuneration Committee (PSRC) which was then responsible for the pay and conditions including pensions for all public sector employees considered the current pension arrangements.

42. The PSRC noted the position as described above. It also noted that the UK Government had commissioned and received a detailed report from the Independent Public Service Pensions Commission chaired by Lord John Hutton. This was significant because the terms and benefits of Guernsey public sector schemes had long been broadly comparable to those of UK public sector schemes as explained at paragraphs 13 and 30.
43. The PSRC concluded that it was appropriate to undertake a review of Guernsey public sector pension arrangements.
44. The terms and benefits of the public sector pension schemes are determined through a process of consultation and discussion between the employer and elected employee representatives through the forum known as the Pensions Consultative Committee (PCC) originally established by the States in 1988. The PCC consists of an Employer's Side – then the five elected members of the PSRC – and a Staff Side which consists of five members elected by the Association of States Employees' Organisations (ASEO) plus one retired member elected by the Retired States Employees' Association.
45. In the autumn of 2011 the Employer's Side of the PCC proposed a review of the pension provisions currently applicable to employees of the States of Guernsey. The Staff Side of the PCC agreed to participate in the review. There was agreement to establish a Joint Working Group (JWG) with a mandate to undertake the review and to make recommendations to the PCC regarding future pension provision. Each Side nominated three representatives to serve on the JWG and the JWG itself, after an open and transparent recruitment process, appointed an independent chair agreed by both Sides.
46. In May 2012 the responsibility for pay and conditions, including pensions, transferred from the PSRC to the Policy Council. At that time five Ministers took the five Employer's Side seats on the PCC.
47. In December 2012 following extensive research, consultation and negotiation the JWG reached agreement on recommendations for future pension arrangements. The recommendations were released for the information of scheme members and the full report was submitted for consideration by the PCC in February 2013.
48. From early March 2013 the PCC held several meetings to consider the report of its own JWG and to advance the review. In order to assist the deliberations the PCC had not only the report of the JWG but also several further detailed documents. Attached to this States Report are the following documents:
 - the report of the JWG (Appendix 1);
 - the Employer's Side's document entitled "The Case for Change" (Appendix 2);

- the Employer's Side's response to a number of specific questions from the Staff Side (Appendix 3);
 - the Employer's Side's comments on further questions/comments from the Staff Side (Appendix 4).
49. The Policy Council was advised that the Employer's Side was prepared to endorse the recommendations of the JWG. However, the Staff Side was reluctant to accept that there was a case for change from the current arrangements.
 50. In the course of discussions over several meetings within the PCC and a sub-group of the PCC the Employer's Side made proposals which improved on the recommendations of the JWG. Those improved proposals which were not endorsed by the Staff Side were then released to members in September 2013 for formal consultation with the membership as a whole. The full details are attached to this Report as Appendix 5.
 51. It should be noted that a considerable number of members of the schemes are not members of the Unions/Associations who elect the Staff Side of the PCC – some because they choose not to be members, a few because they are holders of an office, and some because they are employees of the Associated Bodies. The Policy Council provided details of the proposals to such members either direct or through their own employer.
 52. The information for all members included: details of the proposals; a pension projector so that members could assess the impact of the proposals on their own particular circumstances; answers to frequently asked questions; and further information on the reasons for change (including Appendix 2 of this report). Members were provided with the opportunity to comment on the proposals either through their union or direct to the Policy Council (or their own employer). The Policy Council was advised by the Staff Side representatives that the proposals had not been accepted and, following further discussions within the PCC, it became quite clear that it would not be possible to reach a negotiated agreement on reform through direct discussions with the Staff Side.
 53. Once it became clear that there was no prospect of reaching agreement on reform through further direct discussions the Policy Council had to consider the possible alternative means of achieving the necessary reform such that pension arrangements for the future service of both current and new members would be sustainable and affordable.
 54. The Staff Side's view is that no changes can be made to the public sector pension schemes which adversely affect current members' rights without the members' consent. HM Procurer has previously advised that the legality of attempting to change benefits in respect of future service is questionable. Whether the Staff Side's view is correct is clearly an issue of critical importance in the context of the current proposals regarding pensions and generally. The Policy Council has received independent legal advice that it would be

appropriate to apply to the Guernsey Court for declaratory relief, that is, to seek a declaration of the Court on this issue, which, if the application is granted, would be determinative as between those who were parties to the application. Clearly, although the precise details of who would need to be notified of the application would need further legal input, it would be necessary to convene sufficient persons to represent the interests of the different classes of member affected by the issue. An explanation of the process of seeking declaratory relief is detailed in Appendix 6.

55. However, in a final attempt to resolve matters in an amicable manner the Policy Council, after advising and receiving support from States Members, proposed to the Staff Side that assistance be sought from an independent third party. The Policy Council initially proposed independent binding arbitration but agreed to the Staff Side's counter proposal of mediation.
56. The Policy Council advised the Staff Side that in the event of mediation not proving successful it would recommend to the States that its proposals from 2013 be introduced for new members and that declaratory relief be sought from the Royal Court with a view to then introducing the arrangements for current members.
57. The Policy Council and the Staff Side jointly agreed to engage an appropriate, highly experienced, mediator and after an initial meeting the substantive meetings took place over three days in late June and mid July 2014. In advance of the substantive meetings the parties were required to provide to the mediator the relevant information and correspondence concerning all the issues. Further, each side was required to advise the mediator in confidence of the absolute maximum to which it could move i.e. for the employer the most it could offer whilst achieving its core objectives, for the Staff Side the minimum which would enable it to recommend the proposals to its members.
58. The employer representatives obtained endorsement from both the Policy Council and the Treasury and Resources Department for a paper detailing the absolute maximum position to which it would be prepared to go to achieve agreement. The paper was provided to the mediator in advance of the mediation hearing.
59. The proceedings within a mediation are, of course, confidential – to enable free flowing discussion without prejudicing either side's position. Importantly, however, at the conclusion of three days of discussion, representatives of both the employer and the Staff Side signed the Memorandum of Understanding which is attached as Appendix 7.
60. In accordance with the Memorandum of Understanding the representatives of the Policy Council undertook to recommend that the Policy Council should approve the mediated proposals. (NB. The representatives of the Policy Council had, of course, acted in accordance with the mandate provided by the Policy Council and Treasury and Resources and forwarded to the mediator in advance

of the hearing.) The representatives of the Staff Side undertook to recommend to the constituent members of ASEO that each recommend to their members that they vote in favour of the mediated proposal. Mediation had proved successful – at least to the extent that there was an understanding on appropriate arrangements between employer representatives and three full time national officials from three of the largest employee organisations.

61. Unfortunately, the signing of the Memorandum of Understanding on 21st July 2014 proved to be a false dawn. The constituent members of ASEO chose not to accept the recommendation from the three full time national officials. Instead they chose to submit the mediated proposals to their membership without recommendation. Eventually, in ballots at the end of 2014 the membership of all organisations, except the Royal College of Nursing, rejected the proposals which had arisen from mediation. The decision was taken by members in the full knowledge that it was the last opportunity to reach a negotiated settlement and that rejection of the proposals would result in the Policy Council submitting a report to the States as detailed at paragraph 56 above.
62. In summary, after consultation, discussion and negotiation with ASEO within the established forum of the PCC – first through the JWG and then within the PCC itself – it became clear that there was no possibility of achieving agreement through direct discussions on revised arrangements which would be sustainable and affordable in respect of both new joiners and the future service of current members. Furthermore, following members rejecting the proposals which arose through mediation, it is abundantly clear that there is no prospect of reaching agreement through any means.
63. The Policy Council, therefore, believes it is imperative for the States to now consider this issue in respect of employees, statutory officials and members of associated bodies as detailed at paragraph 56 above and as well understood by employees who rejected the mediated proposals in their ballots. The Policy Council believes that having the issue dealt with in this way will achieve certainty and influence how things move forward. If the Court agrees to make the declaration requested but declares that there is no right to vary adversely without consent the proposals in this report will, at least for now, apply only to members recruited from 1 May 2015 whereas if the decision is that the States may vary adversely they would apply also to the future service of current members.

Crown Officers and Judges

64. As noted in paragraphs 5 and 7 the Crown Officers and Judges are Scheme members. Following States consideration of this report, it will be the responsibility of the Treasury and Resources Department to consult with the Crown Officers and Judges about any changes in the pension arrangements for those posts in the light of changes for other members.

The Employer's Proposals

65. This section details the central points of the Employer's proposals formulated following discussions within the PCC and released to scheme members in September 2013. These are the proposals recommended for approval by the States. As explained above, the Policy Council entered into mediation with the Staff Side in a final attempt to reach a negotiated settlement. In order to achieve a negotiated settlement the Policy Council was prepared to improve on its preferred proposals – it places a 'premium' on achieving a negotiated settlement. The mediated proposals are detailed in full in Appendix 7 but for ease of reference the significant differences to the employer proposals are highlighted as appropriate.

Type of Scheme

66. The central points to address in the review are the risks inherent in the schemes and the expected cost which the States believes to be appropriate to ensure the schemes remain affordable and sustainable over the long term.
67. In essence there are two types of pension schemes:
- defined benefit – the benefit which the member will receive is known, but the cost to the employer is uncertain;
 - defined contribution – the contribution is known, but the benefit to the member is uncertain.
68. In the former the risk rests with the employer whereas in the latter the risk rests with the member.
69. As the JWG notes in its report private sector employers have increasingly transferred the risk to employees through the introduction of defined contribution schemes.
70. Nonetheless, the Policy Council agrees with the JWG that it remains appropriate to retain a type of defined benefit pension arrangement for public sector employees up to a certain level of pensionable earnings. In reaching this conclusion the Policy Council has noted the following advantages for this type of arrangement:
- the predictability of income in retirement assists the employee and can thereby reduce a burden on the States;
 - it is attractive for employees and, therefore, can be helpful for recruitment and retention, for delivering positive HR policies and in reducing the costs of turnover.

The Policy Council has also noted that, following the recommendations of Lord Hutton, defined benefit arrangements are to be retained for UK public sector employees.

Proposal 1: A type of defined benefit arrangement should be retained.

71. The Policy Council also agrees with the conclusion of the JWG that a defined benefit arrangement should apply only up to a certain level of pensionable earnings. It is appropriate for those whose earnings will deliver a comfortable income in retirement to assume a greater responsibility for risk in respect of pension benefits above a certain level. Earnings above a certain level should be pensionable in a defined contribution arrangement. There are approximately 150 members who have pensionable earnings in excess of the limit proposed.

Proposal 2: Pensionable earnings above the rate applicable to the maximum of the civil service senior officer grade six (currently £85,552 p.a.) should be pensionable in a defined contribution section.

Investment Risk

72. In deciding that a type of defined benefit arrangement should be retained the Policy Council is concerned to ensure that the risks inherent in the current final salary arrangement are addressed.
73. The States will continue to bear all the investment risk. However, the risk can be addressed by basing the expected cost of any new arrangements on more prudent assumptions for the investment return than are used to cost the current arrangements. The Policy Council has noted the advice from both the Treasury and Resources Department and the scheme actuary and has decided on an appropriate investment return assumption.

Proposal 3: The costings for revised arrangements should be based on an investment return assumption of UK RPI + 2.5%.

Limit on Employer's Cost

74. Aside from the investment return assumption, the other significant factor in the design of pension arrangements is the amount which the employer is prepared to pay. The Policy Council endorses the view of the JWG that it is appropriate to have an upper limit on employer contributions to ensure that public service pensions remain affordable and sustainable. This fixed cost ceiling will include the future service contribution rate and any past service costs relating to improving longevity of active members. The ceiling would not include any past service costs relating to investment return as that risk remains with the employer.
75. In the event of the costs of the new arrangement exceeding the ceiling, discussions would take place within the PCC to either reduce future accrual or increase member contributions, or a mixture, with the accrual being reduced in the event of failure to agree. In order to reduce the risk of an early breach of this ceiling the benefits have been formulated with an initial cost which leaves a 1% margin to the ceiling.

76. The Policy Council also believes it is reasonable for there to be a floor to the employer's contribution rate equal to the (standard) member contribution rate. As this is mirroring the ceiling it would be calculated in relation to future service benefits and any saving in relation to reduced longevity for active members' past service benefits.
77. In respect of the ceiling the Policy Council notes the advice provided by Treasury and Resources that costs above the current 14% of pensionable pay would be difficult to sustain without an increase in taxation and/or reduction in other public expenditure. It also notes that such a level of employer contribution is not incompatible with anticipated employer contribution rates in the UK public sector and is higher than the average employer contribution rate in the local private sector.

Proposal 4: There should be a fixed cost ceiling i.e. an upper limit on employer contributions of 14% of pensionable earnings and a floor equal to the standard member contribution rate.

N.B. The mediated proposals provided a fixed cost ceiling of 14.5% of pensionable pay. Furthermore, the mediated proposals were formulated without the margin to the ceiling explained above. This additional sum (1.5% of pensionable pay) allowed the difference in contribution rates detailed under paragraph 101 below.

Scheme Design

78. The Policy Council notes that under a final salary scheme a risk is that salaries rise faster than expected, thus increasing the cost of the scheme, or a member receives a large salary increase in the years shortly before retirement, thus increasing the amount of their pension significantly. The pension is thereby increased significantly since the salary increase applies to the whole period of pensionable service. The higher level of pension would then be payable throughout the member's period of retirement together with any spouse benefits.
79. The Policy Council agrees with the recommendation of the JWG that it is appropriate to transfer part of the salary risk to the member through the introduction of a Career Average Revalued Earnings (CARE) scheme. A member's pension would be based on their salary (revalued) throughout their career rather than on their salary close to their retirement date.
80. Such an arrangement would also be fairer than the current arrangement which favours those with career progression.

Proposal 5: That the new defined benefit arrangement be based on Career Average Revalued Earnings (CARE) up to the salary cap.

Inflation Risk

81. A risk in the current scheme is that inflation will be higher than expected thus increasing the cost of the scheme as benefit increases are linked to inflation.
82. The Policy Council supports the recommendation of the JWG that the inflation risk in the new arrangements be shared by employer and member through a limit on benefit increases during both the accumulation and payment stages but with discretion for the Policy Council above this level.
83. However, the Policy Council is prepared to recommend a limit higher than that recommended by the JWG and has also detailed a procedure which would ensure it would exercise the discretionary power in an open and transparent manner.

Proposal 6: That future service benefits in the new structure would increase in respect of both the accumulation and payment stages in line with RPIX subject to a maximum of 6% per annum but with discretion for the Policy Council to consider whether an increase above 6% could apply in any year in the event of RPIX exceeding 7.5%.

N.B. The mediated proposals provided for the Policy Council to consider whether an increase above 6% could apply in any year in the event of RPIX exceeding 6%. Furthermore, in the event of the Staff Side disagreeing with that decision there would be provision for binding arbitration.

Longevity Risk

84. One of the major uncertainties in relation to pension costs relates to how long pensioners will live and hence how long their benefits will be paid. Improvements in longevity mean that pensioners are in receipt of pension payments for longer making the scheme significantly more expensive than when it was set up. The cost of pension provision has been steadily increasing due mainly to people living longer. Although greater longevity is a positive development, the unprecedented rise in life expectancy since the schemes were set up has meant that providing pensions has become significantly more expensive than had been anticipated. Rising life expectancy has led to a substantial increase in the proportion of adult life that a person can expect to spend in retirement. Accordingly, pensions are having to be paid for much longer relative to the working lifetime than was previously predicted, so costs have risen.
85. Further improvements in longevity are expected, but the rate of improvement is uncertain. In the past improvements have generally been underestimated. In order to have a sustainable scheme over the long term there needs to be included in the design a mechanism to manage these uncertainties in future costs.

86. The Policy Council notes that in response to the increase in life expectancy both the UK and Guernsey have approved an increase in SPA. Further, UK public sector pension schemes have linked the NPD in public sector schemes to SPA.
87. In order to share the longevity risk with members, the JWG recommended that the NPD in the schemes be linked to SPA. If the SPA increases, due to rising longevity, the NPD would automatically increase. If however life expectancy increases but the government does not increase the SPA, the taxpayer would have to pay additional contributions to meet the cost of pensions being paid for longer.
88. The Policy Council agrees with the recommendation of the JWG that it is appropriate to link the NPD in the revised arrangements to SPA. In making this recommendation the Policy Council is conscious that it will be necessary to consider the implications of employing an older workforce. A proposal in this respect is detailed later in this report.

Proposal 7: That the longevity risk be shared with members through linking the scheme Normal Pension Date (NPD) to the State pension age (SPA). If the States increases SPA to reflect increasing longevity, NPD will automatically increase for all benefits under the new structure

N.B. The mediated proposals provided for the NPD for current members to be linked to the currently announced SPA i.e. the increase to 67 by 2031. There would be no automatic link to any further increase in SPA for current members.

Police Officers and Firefighters

89. Under the current arrangements Police Officers and Firefighters have an NPD lower than that of other scheme members to reflect the nature of their jobs – this reflects the position of their UK counterparts.
90. The JWG recommended that Police Officers and Firefighters have an NPD which would be SPA less five years i.e. age 62 for those with a SPA of 67.
91. The Policy Council, however, considers that it is appropriate to recommend an NPD of 60 for Police Officers and Firefighters for so long as SPA is intended to be 67. In the event of SPA increasing beyond 67 the NPD for Police Officers and Firefighters should increase accordingly.

Proposal 8: That the Normal Pension Date for Police Officers and Firefighters should be age 60 or State pension age less 7 years, whichever is the higher.

N.B. As under proposal 7, under the mediated proposals for current members there would be no automatic link to any further increase in SPA.

Current Members

92. After determining the fundamental structure for the future of public service pensions it is necessary to consider whether this new structure should apply only to new members or whether it should apply also to the future service of current members.
93. On the one hand it could be argued that current members have been recruited on the basis of current arrangements and that these arrangements should continue throughout their careers. It should be noted, however, that, apart from those who have joined since 2008, the current arrangements are not those which applied when members joined – the scheme has been amended on many occasions and generally to the members' advantage. These amendments to members' advantage have been made in order to maintain alignment with UK public sector schemes in accordance with the principle detailed at paragraph 13 above which until now has been supported by all parties. Those schemes are now changing for the future service of current members. It would seem quite wrong for members to expect changes in line with the UK when it was to their advantage but to be treated differently to their UK counterparts now. If permanent protection were agreed all current members would continue to accrue service on a final salary basis with current pension age and such accrual would not cease entirely for a further 45 years or more. The risks to the employer described earlier would remain. The additional cost, over and above the cost of those proposals, would total an estimated £70 million the majority of which would occur in the first ten years. Furthermore, a divisive situation would exist in which members would accrue different benefits for the same period of working depending on when they joined the scheme.
94. On the other hand, it can be argued that the new structure should apply to both new members and the future service of current members. In this arrangement members would accrue the same pension benefits for service undertaken at the same time irrespective of when they joined. This is the approach (subject to certain protection) which has been applied in UK public sector schemes.
95. The JWG recommended that in the interests of fairness and equality members should accrue the same benefits in respect of future service irrespective of when they joined the scheme. The Policy Council strongly endorses this approach.

Proposal 9: The new structure for pension accrual should apply to the future service of all members irrespective of when they joined the Scheme.

N.B. For mediated proposal see under proposal 10 below.

Protection

96. Following the above proposal consideration has to be given to whether any particular “protection” should be afforded to current members.
97. As the proposed new structure would apply only to the future service of current members and all benefits accrued up until the proposed change would be fully protected (and based on final salary at date of leaving) it follows that those closest to retirement are the least affected by the proposals. The effect of the proposed changes is proportionate to the length of time before the member reaches normal pension age. The proposed changes impact most on the youngest members. It is for this reason that the UK Independent Public Service Pensions Commission said that special protections for members over a certain age should not be necessary.
98. Notwithstanding the above comments, the Policy Council has noted that the proposed changes in UK public sector pension schemes include certain protections for those nearest to pension age. The JWG, on balance, recommended that those within 5 years of current NPD should retain their current NPD within the new structure. Furthermore, through discussions within the PCC the Employer’s Side was prepared to extend the proposed protection to those within 10 years of current NPD (and aged 45 or over) at 31st December 2013.
99. The Policy Council believes it to be illogical to provide protection to those who will be least affected by the proposed changes. However, as this is clearly a sensitive matter of considerable importance to members the Policy Council, albeit reluctantly, is prepared to endorse the proposal put forward by the Employer’s Side of the PCC.

Proposal 10: Members who are within a period of 10 years before current NPD (but no younger than age 45) at 31 December 2013 should retain their current NPD in the new structure.

N.B. The mediated proposals provided that these members could be protected by remaining in the final salary section of the scheme for the remainder of their service. Furthermore, they could choose to move to the CARE section if they believed in their circumstances that would be more advantageous.

Details

100. Once the framework of the scheme has been established the precise details of the rate at which pension accrues, for member and dependants, the contribution rate for members and the other ancillary benefits can be determined. These factors are inter-related and cannot be considered in isolation. For example, for a given member contribution rate only a certain accrual of pension can be afforded within the employer ceiling. The precise details of all the proposed arrangements are included in Appendix 5 of this Report.

101. In order to highlight the difference between the employer proposals (Appendix 5) and the mediated proposals (Appendix 7) two further aspects should be mentioned:

- Under the employer proposals the initial member contribution rate is 7.5%, whereas the mediated proposals provided an initial member contribution rate of 6%. (The corresponding figures for Police Officers/Firefighters are 9.75% and 8.25%.)
- Under the employer proposals the redundancy provisions would be removed from the schemes to be replaced by the redundancy payments which currently apply to those not entitled to a redundancy pension. The mediated proposals left the redundancy provisions in the schemes but subject to a separate review to be concluded by 31st December 2015.

The Pensions Benefits payable under the Proposals

102. One of the long-standing objectives for the scheme is that the scheme should provide adequately for the needs of employees and of their immediate families for their retirement. This is reflected in the terms of reference for the JWG and the Employer's Side has expressed this objective as follows: taken together with the full State pension this should deliver, on average, at least two thirds of pre-retirement salary for those below median salary who have a full career in public service (median earnings were just under £30,000 p.a. in 2012).

103. The Employer's Side document "The Case for Change", attached as Appendix 2, includes detailed examples of the level of pension which can accrue under the proposals judged against this objective. The examples (which anticipate a full career) can be summarised as follows:

Final Pay £ / a	Total Pension (Scheme plus State) £ / a	Total Pension as % of Pre-Retirement Income
18,000	20,896	116%
28,000	26,296	94%
45,000	35,923	80%
85,000	53,917	63%
100,000	60,364	60%

104. The Policy Council is convinced that the proposals as demonstrated by the examples in the table above would result in pension provision across a broad range of salary levels which has to be considered as adequate if not verging on generous.

105. The Policy Council fully appreciates that employees do not necessarily have a full career in the public service, but pension arrangements cannot be arranged on the basis of members having only a part career.

How does the proposed scheme compare with those offered in the public sector in the UK?

106. The Policy Council is making recommendations which it considers appropriate to Guernsey. However, it may also be helpful to make comparisons with UK public sector schemes. This is in part because the current position endorsed and supported by the PCC unless and until altered by States resolution is that benefits and terms should be generally in line with those applicable to public sector workers in the UK. Furthermore, it is for the Side that does not want to follow a particular UK change to set out detailed reasons why not.
107. The public sector schemes in the UK are all under various stages of review, but the following should be noted :
- (1) the indexation of benefits (accrued and future) during the payment stage has already been changed for all members;
 - (2) member contribution rates have been increased in all schemes; and
 - (3) other than those close to retirement, current members are transferring to new arrangements for their future service.

Furthermore, it is proposed that all such schemes move to a CARE basis of accrual and that the final salary schemes are closed.

108. The public sector CARE schemes in the UK are all different so it is difficult to make a direct comparison with the JWG proposals for the Guernsey arrangement. Certain elements of the pension structures can be compared but it is the whole package of the scheme taken together which makes up the benefits that will be received and the costs that will be borne. It is the package as a whole which it is important to consider, rather than individual elements in isolation.
109. The Policy Council has taken careful note of UK developments, but it has made recommendations appropriate for Guernsey rather than attempting to copy UK developments. However, the broad headline UK changes have been followed in the proposals i.e.:
- the retention of a defined benefit arrangement;
 - a move to a CARE scheme structure;
 - an automatic link of the NPD to SPA;
 - an increase in member contributions;

- a cap on the employer contribution rate;
- protection of members within a specified period of their current NPDs.

110. The proposed UK public sector schemes accrual rates and revaluations are set out below:

Pension Scheme	Accrual rate	Revaluation in the period to retirement	Revaluation post retirement
Civil Service	1/43.1	UK CPI	UK CPI
Local Government	1/49	UK CPI	UK CPI
NHS	1/54	UK CPI + 1.5%	UK CPI
Teachers	1/57	UK CPI + 1.6%	UK CPI
Police Officers	1/55.3	UK CPI + 1.25%	UK CPI
Firefighters	1/58.7	UK average earnings	UK CPI

111. The UK arrangements do not provide a separate retirement lump sum. The proposal in Guernsey is for a 1/80th pension accrual together with a lump sum of 3 times the pension. This structure could be precisely replicated through commutation from a 1/64 accrual rate. The CARE revaluation to retirement is at Guernsey RPIX capped at 6% pa but with discretion for the Policy Council to award higher increases in the event of RPIX exceeding 7.5%.
112. However, the schemes are different in many ways. The UK schemes have already changed the measure of inflation which is used to calculate increases and have moved to UK CPI based increases both before and after retirement rather than RPI based increases. This is expected to significantly reduce the cost of UK public sector pensions as CPI increases are typically below RPI increases. In November 2011 the UK Office for Budget Responsibility analysed that a plausible range for the long-run difference between UK RPI and CPI is around 1.3% to 1.5% pa. In addition, average Guernsey RPI increases have been around 0.5% pa higher than average UK RPI increases over the past 30 years. Consequently Guernsey public sector pensions are expected to receive significantly higher increases than UK public sector pensions.
113. In the past, the Superannuation Fund has followed the UK public sector schemes in the accrual rate and revaluation in the period to retirement, as this has been in line with salaries. As can be seen, the accrual rate and revaluation is proposed to be different for each UK public sector scheme. It would not be possible to follow the benefit structure of each scheme, without disproportionately increasing the complexity and hence cost, as the Superannuation Fund is one scheme and so the same accrual rate and revaluation is applied to all participants.
114. In the UK, NPD will increase in line with UK SPA. This will be age 66 by 2020, age 67 by 2028 and age 68 by 2046. (The age 68 change is likely to be brought forward as there are plans to review SPA during every parliament.) In

Guernsey, SPA and hence NPD will increase to age 67 by 2031. At the time of writing it is being proposed that the SPA be further increased in stages to age 70 by 2049.

115. Member contributions to UK public sector schemes are to increase by 3.2% of pay, on average. The proposed increase for Guernsey public servants is only 1% of pay. In some of the UK schemes there is a tiered approach to member contributions. For example, it is proposed that senior staff within the NHS scheme will pay contributions of 14.5% of pay from 2014/15.
116. Rather than require the higher paid to pay a higher contribution rate, the proposal is to cap the defined benefit accrual at pay grade S06 (currently £85,552). Contributions on income above this level will be paid on a defined contribution basis. Members earning above this level can reasonably be expected to assume greater responsibility for risk in relation to pensions above this level.
117. In summary, the Policy Council proposals follow the broad headline changes proposed for UK public sector schemes but a structure has been proposed, including a lower average member contribution rate increase, which the Policy Council believes is appropriate for Guernsey. The details of the changes take into account what the Policy Council believes is appropriate and affordable both for Guernsey members and taxpayers. The Policy Council is convinced that overall public sector employees in Guernsey will not be disadvantaged in comparison to their UK counterparts.

Impact of working longer

118. The proposals include the provision that for pension accruals under the new arrangements the NPD in the schemes should be set equal to the SPA. If there are further changes to SPA there will be an automatic change in the NPD of the Scheme.
119. Members within 10 years of current NPD but no younger than 45 at 31 December 2013 will have their current NPD protected and, of course, members are not required to work until NPD (they can leave early and access their pension benefits albeit at a reduced rate). However, in due course it can be expected that members will be working until a later age than at present. This will occur not only because the Scheme NPD will be higher but perhaps more importantly because the State pension will not be available until later than sixty five.
120. The Policy Council is conscious that the increase in the SPA and the proposed scheme changes will in due course result in the employment by the States (and other employers) of an older workforce. This is an important change for society as a whole with considerable implications. This change may impact more on certain categories of employment than others. This change needs to be considered from the point of delivering services as well as addressing the needs of employees.

121. In order to consider and address these wide ranging issues a tripartite forum will be established consisting of representatives from Central HR, Departmental managers and unions/associations. The aim of the forum will be to agree the strategies and policies that will need to be established to support the extension of working lives.

Resources

122. The proposed new arrangements will have a certain limited impact on administrative resources for the processing of pension benefits. Under the current final salary arrangements in the case of some members only one calculation is made and that at the point of retirement. For others estimates or other calculations may be provided at various points during their career. In contrast, in a CARE arrangement it is necessary to calculate at the end of each calendar year the benefit accrued by each member during that year. This requires an extended pension administration system at a capital cost in the region of £150,000 - £200,000. Furthermore, it may be necessary to increase the current pensions team from four to five. Each of these costs would be met through the Superannuation Fund i.e. costs are shared between all employers with members in the scheme. (This does not require any adjustment to the States annual expenditure.)
123. The Treasury and Resources Department intends to reprioritise the use of existing resources in order to undertake the detailed work of considering the best way of establishing, administering and investing the defined contribution scheme to be established for the member and employer contributions in respect of higher earners and additional voluntary contributions from any members.
124. It is also necessary to mention the potential costs in respect of the application to the Royal Court for a declaration as detailed previously in this report. The estimated cost for representation for the States by independent legal advisors is in the region of £150,000 to £175,000, if matters proceed as anticipated. The Policy Council is advised that it would be appropriate for the States to meet the reasonable costs of the other parties, because what is being sought is certainty about a particular situation and it is in the public interest that the matter be determined. The Policy Council considers it prudent at this stage to make provision for an estimated total cost of £500,000. It is proposed this would be met from the Budget Reserve, if it has sufficient funding available therein; otherwise by a transfer from the General Revenue Account Reserve. This figure must, of course, be considered in the context of the potential liability in respect of the future service of current members if no action is taken to address the inherent risks in the current arrangements. The inherent risks are illustrated by the results of valuations (see paragraphs 16 to 23). This future service would be until the last member employed under the current arrangements had retired and the risk would not be finally extinguished until benefits in respect of this service ceased to be paid i.e. approximately 75 years from now. As explained in paragraph 93 the estimated additional cost is £70 million.

Comments from the Association of States Employees' Organisations

125. As mentioned earlier, it has not been possible to reach a negotiated agreement on reform and the membership did not endorse the proposal which emerged through mediation. The Staff Side have provided a lengthy letter of comment which is included as Appendix 8 to this report. The Policy Council believes it is appropriate to provide detailed comments on that document which misrepresents the procedure which has been followed and is in other areas both inaccurate and misleading. The comments are at Appendix 9 to this report.
126. The Staff Side's position is that no change can be made to the public sector pension schemes which adversely affects members' rights without the members' consent.

Principles of good governance

127. The Policy Council is satisfied that the proposals in this report accord with the six principles of good governance.

Summary

128. In summarising this report the Policy Council considers it appropriate to echo the comments of the JWG. It is acutely aware that the occupational pension scheme for States employees plays an important role in ensuring a comfortable retirement for a significant proportion of the Island's population. The funding of the arrangements is of importance to the whole population.
129. It has been necessary to review the current arrangements to reduce or mitigate the risks within the current structure which are all borne by the States (taxpayers) to ensure the arrangements are sustainable and because the large increase in life expectancy which our society, in common with the rest of the developed world, has seen in recent decades has driven up the cost of providing pensions. Under the current arrangements the increased cost is borne to a disproportionate extent by the employer.
130. The review of pension arrangements has been undertaken jointly between employer and elected employee representatives through the proper established procedures over a considerable period of time. That process has resulted in proposals which the Policy Council is convinced will provide a balanced deal for scheme members and taxpayers. Scheme members will receive a good quality, defined benefit pension providing them with an adequate retirement income. Taxpayers can be confident that costs in relation to future service benefits will be controlled and, therefore, the arrangements will be sustainable.
131. The Policy Council is disappointed that members of the schemes have not recognised the case for the extent of the changes and thus have not been prepared to endorse the proposals notwithstanding the concessions made in an attempt to secure agreement. Nonetheless, the Policy Council is convinced that

the proposals are entirely appropriate and, therefore, recommends that they be endorsed by the States, subject in the case of current members to the appropriate declaration being applied for and obtained from the Royal Court.

Conflicts of Interest

132. Deputies Jones, Sillars and Burford, given their declarations of interest in this matter under Rule 15(1) of the Constitution and Operation of States Departments and Committees Rules, did not participate in the Policy Council discussions relating to this Report.

Recommendations

133. The Policy Council recommends that the States:
- (1) endorse the proposed new pension arrangements detailed in Appendix 5 of this Report and as explained in this Report in so far as they apply to members joining from 1st May 2015;
 - (2) agree that an application be made to the Royal Court of Guernsey for a declaration to determine the following issues:
 - (a) whether the States of Guernsey, as employer (or former employer) of members of the public sector pension schemes has the implied right to vary the terms of the schemes in a manner which adversely affects members' rights without the members' consent; and
 - (b) if the Court declares such a right to exist, what (if any) constraints apply to the exercise of that right;
 - (3) subject to the terms of any declaration made by the Court in respect of the issues set out at recommendation (2) above, endorse the application of the proposed new pension arrangements detailed in Appendix 5 of this Report and as explained in this Report in respect of current members within six months of such declaration being received;
 - (4) direct the preparation of revised Rules for approval by the States to give effect to recommendations (1) and (3) above;
 - (5) direct that the necessary work be undertaken to implement the revised arrangements for new members with effect from 1st May 2015; and
 - (6) (a) note that the Treasury and Resources Department will, following consideration of a suitably detailed business case, approve a capital vote to extend the pension administration system, to be charged to the Superannuation Fund;

- (b) note that the Superannuation Fund Administration Budget, which is submitted for approval as part of the annual Budget Report, will, if required, include provision for increasing the pensions administration team by one person;
- (c) authorise the Treasury and Resources Department to make transfer(s) from the Budget Reserve or General Revenue Account Reserve to the revenue expenditure budget of the Policy Council to fund the States costs and the reasonable costs of other parties in respect of the application to the Royal Court detailed at recommendation (2) above and currently estimated at £500,000.

J P Le Tocq
Chief Minister

2nd March 2015

A H Langlois
Deputy Chief Minister

Y Burford
P L Gillson
S J Ogier

R W Sillars
M G O'Hara
K A Stewart

P A Luxon
D B Jones
G A St Pier

REPORT OF THE PUBLIC SECTOR PENSION REVIEW JOINT WORKING GROUP
TO THE
PENSIONS CONSULTATIVE COMMITTEE

The Chairman
Pensions Consultative Committee
Sir Charles Frossard House
La Charroterie
St Peter Port
Guernsey
GY1 1FH

21 February 2013

Dear Deputy Langlois

REVIEW OF PUBLIC SECTOR PENSION SCHEMES

Executive Summary

The Joint Working Group (JWG) was established by the Pensions Consultative Committee (PCC) in the autumn of 2011 to review the pension provisions currently applicable to employees of the States of Guernsey and to make recommendations regarding future pension provision.

The JWG was required to undertake the review of existing provisions in the light of:

- * life expectancy;
- * changes to the age at which the State pension will become payable;
- * the general state of the Island's public finances;
- * changes which are currently being considered for comparator schemes in the UK;
- * occupational pensions available elsewhere in Guernsey; and
- * the role that pension provision plays in the recruitment and retention of employees.

After consultation with the interested parties listed in Appendix B, considerable discussion in closed sessions of the JWG, a period of widespread consultation with member groups has resulted in the JWG being able to make recommendations in respect of future pension provisions which it believes to be:

- * affordable and sustainable;
- * adequate and fair;
- * supporting of productivity ; and
- * transparent and simple.

The JWG is making these recommendations by addressing the risks identified for the employer in the current arrangements whilst providing for members a certainty of income in retirement up to a defined level but with those on the highest earnings having provision above this level within a defined contribution arrangement.

Introduction

An occupational pension scheme (distinct from and additional to the State “old age” pension) has long formed an integral part of the pay and conditions package of employees of the States of Guernsey. The terms and benefits of the Scheme are determined through a process of consultation, discussion, and negotiation between the employer (the States of Guernsey) and elected representatives from the various employee organisations within the forum of the Pensions Consultative Committee (PCC) which was established by States Resolution in 1988 for this express purpose. The PCC consists of an Employer’s Side and a Staff Side. Until 30 April 2012 the Employer’s Side was the five elected members of the Public Sector Remuneration Committee and since 1 May 2012 it is five members of the Policy Council (which assumed responsibility for pay and conditions at that point). The Staff Side consists of five members elected by the Association of States Employees’ Organisations plus one retired member elected by the Association of Retired States Employees. Each Side of the PCC appoints an officer and they act as Joint Secretaries to the Committee.

In the autumn of 2011 the PCC agreed to establish a Joint Working Group (JWG) to review the pension provisions currently applicable to employees of the States of Guernsey and to make recommendations regarding future pension provision.

The JWG was advised and acknowledged that the JWG (in particular the Staff Side) had no power to bind or agree to any terms on behalf of the employee organisations, it could only make recommendations which had to be submitted to the PCC, for the formal processes outlined above.

The Employer's Side and the Staff Side each nominated three representatives to serve on the JWG and the JWG itself, after an open and transparent recruitment exercise, appointed an independent chair. The membership of the JWG, therefore, consists of the following:

- | | |
|----------------------------------|--|
| Independent Chair | – Mr Rodney Benjamin, retired actuary with extensive pensions experience at senior level |
| Representing the Employer's Side | – Deputy Allister Langlois, Member, Policy Council (and former Chairman, Public Sector Remuneration Committee)

– Mrs Diana Simon, actuary, BWCI Consulting Limited, Actuaries for the States

– Mr Terry Harnden, Employer's Side Secretary |
| Representing the Employees' Side | – Mr Ed Freestone, Chair of Staff Side of PCC

– Mr Chris Torode, Member of Staff Side of PCC

– Mr Calvin Allen, Research Officer for Prospect specialising in pensions |

The Employer's Side provided secretarial support and BWCI Consulting Ltd, Actuaries to the Scheme, provided all detailed estimates of costs.

The Terms of Reference for the JWG are detailed in Appendix A and the JWG met its self-imposed target of reaching agreement and publishing recommendations before the end of 2012. 11 meetings were held totalling some 30 hours.

In the course of its deliberations the JWG was pleased to receive information and comments from various interested parties as listed in Appendix B.

Scheme Membership

There are at present two separate – albeit similar – public sector schemes i.e. the Public Servants' Pension Scheme and the Teachers' Superannuation Scheme. The recommendations apply to both schemes. The latter is closed to new members and the majority of teachers and lecturers have chosen to transfer to the Public Servants' Pension Scheme. The schemes encompass approximately 4,900 currently employed and 3,600 retired members.

The currently employed members can be described broadly as follows:

Crown Officers/Magistrates	7
----------------------------	---

States employees:

Teachers	650	
Nurses	780	
Prison Officers	75	
Public Service Employees	770	
Established Staff	1,593	
Police Officers	175	
Firefighters/Airport Firefighters	<u>100</u>	4,150

“Associated Bodies”

Post	260	
Electricity	220	
GFSC	70	
Colleges, Libraries etc	<u>200</u>	750
		<u>4,900</u>

In 2011 the total employer contributions in respect of current members was £27 million and the total contributions by those members was £12 million.

A profile of the level of annual pension payments to retired members is attached as Appendix C.

Background

There are two main forms of occupational pension arrangements:

- * defined benefit – in such schemes the benefit which the employee will receive is defined, typically calculated as a proportion of average or final salary multiplied by years of service. The cost of the benefit is not defined but typically is met through a fixed contribution (if any) from the employee with the employer required to meet the balance of the costs.
- * defined contribution – in such schemes the contribution is defined but the benefit which the employee will receive is unknown as it depends on the rate of return on investment of the contribution and the cost of annuities to be bought at the time an employee retires.

It should be noted that, in theory at least, there could be no difference in average cost for an employer between the two types of scheme. However, in the former there is certainty of benefit for employees with the employer bearing the risk. In the latter there is certainty of cost for the employer with employees bearing the risk.

All pension arrangements have elements of risk within them, due to the uncertainty of predicting the future. A fundamental difference between the two types of scheme is who bears the risk within the arrangement.

In a defined benefit scheme, the major risk is that, as the cost of the arrangement is uncertain, there will be insufficient assets within the arrangement to provide all the benefits promised. For example, this could occur because investment returns have been lower than anticipated. This risk is borne by the employer as the employer will have to pay increased contributions if the assets are insufficient.

In a defined contribution scheme, the major risk is that, as the level of benefits from the arrangement is uncertain, there will be insufficient assets at retirement to provide a reasonable level of pension. For example, this could occur because investment returns on the contributions paid have been poor. This risk is borne by the member, as the member may not receive a pension large enough to provide a reasonable standard of living in retirement if assets are insufficient at retirement.

The key risks in defined benefit arrangements can be summarised as follows:

- * investment – the risk that lower than expected investment returns result in insufficient assets to pay benefits as they fall due with the employer having to pay the shortfall;
- * salary – the risk that higher than expected salary increases result in higher than expected pensions;
- * inflation – the risk that higher than expected price inflation increases the cost of providing pensions;
- * longevity – the risk that higher than projected longevity results in providing a defined benefit for a longer period.

The preceding section describes the general situation but there is a significant difference between company and public sector defined benefit schemes. In each the cost of current pensions need to be met and liabilities are accruing in respect of current employees. Whereas companies have to make provision for the accruing liabilities (because there can be no guarantee that the companies will continue to exist) the public sector does not necessarily have to do so. Thus in the UK a majority of public sector schemes are not funded – the cost of paying current pensioners (i.e. retired employees) is met from the contributions of current employees and from current employer revenue. The Local Government Pension Scheme is, however, funded.

The States of Guernsey decided as long ago as 1965 that it would be prudent to establish a Superannuation Fund to meet the cost of pensions as and when they fell due for payment. Every three years an actuarial valuation is undertaken to determine the employer rate (the employee rate being fixed) necessary to meet the cost of the future accrual of benefits, this being adjusted as necessary to reflect any surplus or deficit in the funding position in respect of benefits already accrued. There remains a fundamental difference with the private sector. The pension schemes form part of the contract of employment and the employer (the States) is ultimately responsible for payment of pensions irrespective of whether there is sufficient in the Fund to meet the liability. Thus the major consideration is not the current state of the Superannuation Fund, but the future open ended liabilities of the schemes and the impact on States finances.

Attached to this report as Appendix D is a graph which indicates the fluctuation in the overall employer rate over the last 40 years. It should be noted that the employer rate is dependent on the assumptions made, the target for funding and whether there is any surplus/shortfall in the funding position and, therefore, the most recent actuarial valuation should be studied for details.

Current Terms and Benefits

The current objectives for the Public Servants' Pension Scheme endorsed by the States in October 2006 are reproduced in full in Appendix E. In essence the principle is that pension benefits for public sector employees should be broadly comparable to those of their UK counterparts. (The term "broadly" to be considered within the context of a common scheme in Guernsey but many separate and similar but not identical schemes for UK public sector employees.)

In accordance with these objectives major reforms were introduced with effect from 1 January 2008 which can be summarised as follows:

- * retention of the final salary arrangement;
- * a normal pension date (NPD) of 65 for new members whilst protecting the (NPD) of 60 for existing members;
- * a pension accrual rate of $\frac{1}{60}$ for new members and retention of the $\frac{1}{80}$ pension accrual rate plus $\frac{3}{80}$ lump sum accrual rate for existing members;
- * an option for all members to take a lump sum or increased lump sum in exchange for part of annual pension;
- * a general increase in member contribution from 6% to 6.5% of pensionable pay for standard employees.

In addition there were some further changes to modernise the arrangements to reflect social changes and different employment patterns since the contributory scheme had been introduced in 1972.

These changes taken together were estimated to have a favourable impact on the employer's cost in respect of both accrued liabilities and future service. The former was estimated as a reduction of £13 million and the latter at £2.1 million p.a. when fully implemented by about 2020.

Current Review

In this section of the Report concise comments are made on the factors which the JWG is required to take into account in the review.

(a) Life expectancy

The JWG has noted that the report by Lord Hutton, on UK public sector pensions, quotes the life expectancy of a 60 year old in the early 1970s as 18 years and this has now risen to around 28 years.

There has been a similar level of increased life expectancy in Guernsey.

Since the early 1970s life expectancy for men has improved by a greater rate than for women although women still have greater life expectancy.

The most recent tables published by the Institute and Faculty of Actuaries and adopted for the Scheme imply the following life expectancy for those who retire in normal health at age 65:

Life expectancy at age 65	Males	Females
Current 65 year old	22.2	24.5
Current 45 year old, assuming survival to age 65	24.0	26.4

(See Appendix G page 5)

This compares with the life expectancy tables used 20 years ago for the Scheme which implied that males aged 65 would live for a further 16 years and females for a further 20 years.

(b) Changes to the age at which the State pension will become payable

In response to the increase in life expectancy, and the increased cost arising from providing the State pension over a longer period, both the UK and Guernsey have approved an increase in the State pension age. In Guernsey the State pension age will increase from age 65 to age 67 in stages commencing in 2020 and completed in 2031. (The UK State pension age is increasing from an earlier date and is already scheduled to increase to 68.)

(c) The general state of the Island's public finances

The Island's public finances are primarily dependent on tax revenues from personal income tax and corporate sources of taxation. In turn, it is those tax revenues on which the salaries and employer contribution for States employees are dependent.

A pension arrangement is, of course, a long-term arrangement – a pension asset accrued/liability incurred can be in payment some 80 years later – so a short-term view should not be taken. It is important, therefore, to take into account not only the current financial position and prospects, which are less favourable than in recent decades, but also to exercise judgement on what level of employer contribution can be afforded and sustained over the long-term.

The JWG has taken advice from the Treasury and Resources Department prior to reaching its judgement. That advice is that resources cannot fund an employer contribution rate above the current 14.1% of pensionable pay and a reduced rate would be preferable.

(d) Changes which are currently being considered for comparator schemes in the UK

When making comparisons with UK public sector schemes it is necessary to be extremely careful because:

- * the situation in the UK is developing so a comparison today could be different even in the near future;
- * direct comparisons are complicated; benefits may not compare "like for like" and unfunded schemes complicate issues;
- * comparison has to be over the whole range of benefits rather than "cherry picking" to suit a particular line of argument;
- * different tax rates (and tax relief on contributions) in the UK further complicate comparisons.

Although, in line with one of our objectives, the JWG has taken careful note of UK developments, the JWG is making recommendations appropriate for Guernsey rather than attempting to slavishly copy UK developments (which would be a challenging and ultimately futile task).

Notwithstanding the above the JWG has noted that the UK government has implemented one major change, is in the process of implementing another, and, in the light of those, following Lord Hutton's two reports are intending to restructure arrangements in all public sector schemes from April 2015.

Firstly, the inflation measure on which UK public sector pension increases are now based is CPI rather than the traditional RPI. This measure, which was the subject

of challenge through judicial review, impacts on the value of both accrued benefits and benefits accrued in respect of future service.

Secondly, commencing in April 2012 member contributions are being increased in stages by an average of 3.2% p.a. of pensionable pay. Consultation has taken place over the method of implementation which in most cases is tiered with lowest earners having no increase and the highest earners contributing significantly more.

Finally, but by no means least important, changes in the structure of all schemes are due to be implemented in April 2015. Whilst the details vary between schemes, common features include:

- * the retention of defined benefit arrangements; but
- * the replacement of final salary by career average re-valued earnings (CARE);
- * an automatic link of scheme pension age with State pension age;
- * a cap (or ceiling) on employer contribution rates;
- * protection of members within a specified period of pension age in April 2012.

The JWG has noted in particular these changes not only because of the long-standing objectives for the Public Servants' Pension Scheme (and similar position for the Teachers' Scheme) but also because for certain occupations (e.g. Teachers, Nurses), Departments rely significantly on recruitment from the UK.

(e) Occupational pensions available elsewhere in Guernsey

The JWG has noted advice that most large employers in Guernsey provide an occupational pension scheme. The most recent survey, conducted by BWCI in May 2010, indicated that:

- * 68% of employers provided a defined contribution scheme;
- * 4% of employers provided a defined benefit scheme which remained open to new members;
- * the average employer contribution is 10% of salaries in respect of defined contribution schemes.

The largest trend in recent years in the private sector has been away from defined benefit schemes towards defined contribution schemes – thereby transferring the investment, salary, inflation and longevity risk from employer to member.

(f) The role that pension provision plays in the recruitment and retention of employees

The JWG recognises that an occupational pension scheme forms an integral and important part of pay and conditions and as such will be taken into account by employees when differentiating between prospective employers. It is vital for the States to remain competitive in the labour market particularly as it remains the sole provider of many essential services.

The JWG has taken into account the views of the major States Departments which regularly and of necessity recruit a significant number of employees from the UK public sector i.e. Health, Education and Home. The view expressed succinctly is that they would not want Guernsey's overall package to be less favourable as that could make recruitment difficult.

Considerations

Against the background described above the JWG is required to make recommendations in respect of future pension provisions that are: affordable and sustainable; adequate and fair; supporting of productivity; and transparent and simple.

The JWG has noted that the current provisions provide certainty of benefit for employees but at the risk of unknown and rising costs to the employer. Private sector employers have increasingly transferred this risk to employees through the introduction of defined contribution schemes.

The JWG is satisfied that it remains appropriate to retain a defined benefit arrangement for public sector employees. Defined benefit schemes have many advantages, including as a recruitment and retention tool for valuable members of staff, in assisting with the delivery of positive HR policies and in reducing the costs of labour turnover, as well as in terms of providing clear security and predictability of income in retirement which helps to reduce the burden on the State. Nevertheless, it recognises that the risks for the employer, which are an inherent factor in final salary schemes, do need to be addressed such that the taxpayer faces a lesser risk of unknown and rising costs.

The JWG is satisfied that a defined benefit arrangement remains appropriate up to a certain earnings level. At the same time, those in employment and earning an income sufficient, in the context of a pension scheme based on defined benefits, to deliver a comfortable income in retirement might reasonably be expected to assume greater responsibility for risk in respect of pensions above this level.

As explained earlier in the report the key risks in the current final salary arrangements which need to be addressed are: investment, salary, inflation and longevity.

The JWG is making recommendations which reduce or manage each of these risks thereby enabling it to recommend the continuation of a defined benefit arrangement.

The JWG is recommending that membership of the pension scheme remains compulsory for all eligible, permanent full-time States employees and be compulsory for all new eligible States employees, including part-timers, excluding only temporary employees. The JWG believes that it is an important matter of public policy for those who have access to an occupational pension scheme to take advantage of this opportunity such that in retirement they are not dependent solely on the State old age pension and such other benefits as are available through the social security system.

The Recommendations

The JWG is required to make recommendations in respect of future pension provisions. It wishes to emphasise, therefore, that benefits already accrued (for pensioners, for deferred pensioners or in respect of the past service of those still employed) are fully protected and not affected by these proposals.

The JWG makes the following recommendations in respect of future service:

1. that the existing final salary arrangements close and that new arrangements apply not only for new members but also for the future service of current members. In the interests of fairness and equality members should accrue the same benefits in respect of future service irrespective of when they joined the Scheme.
2. that the employer continue to bear all the investment risk. However, in order to attempt to reduce and to assist the management of the investment risk the costings for the new structure are based on prudent assumptions for the investment return (a discount rate of RPI + 2.5% p.a.).
3. that the salary risk is borne by the member through the introduction of a CARE arrangement up to a salary cap. Such arrangements not only place the risk on the member but are also fairer than the current arrangement which favours those with career progression. Above the salary cap provision would be in a defined contribution arrangement.
4. that the inflation risk be shared by employer and member through a limit on benefit increases during both the accumulation and payment stages. Thus future service benefits in the new structure would increase in respect of both the accumulation and payment stages in line with RPIX subject to a maximum of 5% but with discretion for the Policy Council to consider whether an increase above 5% could apply in any year in the event of RPIX exceeding 7.5%.
5. that the longevity risk be shared with members through linking the (Scheme) NPD to the State pension age (SPA). The SPA is due to rise to 67 by 2031 and, if the States increases SPA to reflect increasing longevity, NPD will automatically increase for all benefits under the new structure.
6. that Police Officers and Firefighters, as now, have a lower NPD which would be SPA less five years.

7. that members who are within 5 years of their current NPD at the date of the report to the States be protected by retaining their current NPD within the new structure. The reason for this protection is that those closest to NPD would have the least time to adjust to the effect of change to their retirement plans arising from the proposals. However, it should also be noted that those closest to NPD would be least affected by the proposals as they concern only future service. The cost of this protection for those who would be least affected by the proposals is borne in part by those younger members who are most affected through increased member contributions. On balance, the JWG is recommending this element of protection but it recognises that there are valid reasons for there to be no protection.
8. that there be an overriding mechanism to ensure that public service pensions remain affordable and, therefore, sustainable. This is a fixed cost ceiling which is an upper limit on employer contributions. However, it should be noted that, because the investment risk remains with the employer, past service shortfall costs are excluded from the fixed cost ceiling (other than any cost arising from improving life expectancy for active members). Recognising the symmetry that extends from this, if the employer's contribution rate calculated in relation to future service benefits (and the saving arising from reduced life expectancy for active members) falls below the member contribution rate, then discussions will take place within the PCC to consider whether the benefit structure and contribution structure remain appropriate.

It is proposed that the implementation date is 1 January 2014.

The full details of the proposals are detailed in Appendix F and the detailed costings of the proposals in Appendix G.

Summary

The JWG which was established in the autumn of 2011 has met throughout 2012 to consider and discuss appropriate pension arrangements to apply to Guernsey public sector employees. In so doing it is acutely conscious that the arrangements (together with the State old age pension) are of great importance to ensuring a comfortable retirement for a significant proportion of the Island's population, with knock-on effects on the health of the local economy, and that the funding of the arrangement is of importance to the whole population.

In undertaking its work the JWG has reviewed the current arrangements in the light of: the increase in life expectancy which has already been reflected in changes to the State pension age; the changes (and proposed changes) in UK public sector schemes to which the Guernsey public sector scheme(s) have long been broadly aligned; changes in private sector occupational schemes in Guernsey; the importance of occupational pension schemes in the recruitment and retention of staff; and the level of pension which the Island's finances will be able to sustain.

In undertaking its review the JWG has requested and received the views of many interested parties for which it is most grateful.

The JWG has had to reconcile the competing requirement of the employer (the States) to address the risks inherent in the traditional final salary arrangement with the aspiration for employees for a level of certainty of income in retirement related to their earnings in employment. The JWG has reached a point where it is able to make the recommendations which fulfil this requirement.

The JWG wishes to stress that its recommendations form a package and need to be considered as a whole. There cannot be a change to one element without a compensatory change elsewhere. Any attempt to make a change to a single variable without a change in another variable would result in a change to the overall estimated cost.

The JWG's recommendations are outlined above and detailed in Appendix F. The JWG is convinced that these recommendations taken as a whole provide a firm and solid basis for pension arrangements which will be affordable and sustainable for the foreseeable future.

Yours sincerely

R M Benjamin
Chairman

CONSTITUTION AND TERMS OF REFERENCE FOR THE PENSIONS REVIEW GROUP

The Pensions Consultative Committee (PCC) has agreed to the formation of a Joint Working Group to review the pension provisions currently applicable to States of Guernsey employees.

The constitution of the Joint Working Group will be 6 members (3 from each Side) under an independent Chair.

The terms of reference for the review will be as follows:

1. To review existing pension provisions for States employees in the light of:
 - life expectancy;
 - changes to the age at which the State pension will become payable;
 - the general state of the Island's public finances;
 - changes currently being considered for comparator schemes in the UK;
 - occupational pensions available elsewhere in Guernsey; and
 - the role that pension provision plays in the recruitment and retention of employees*

2. To make recommendations regarding future pension provisions that are:
 - affordable and sustainable;
 - adequate and fair;
 - supporting of productivity;
 - transparent and simple.

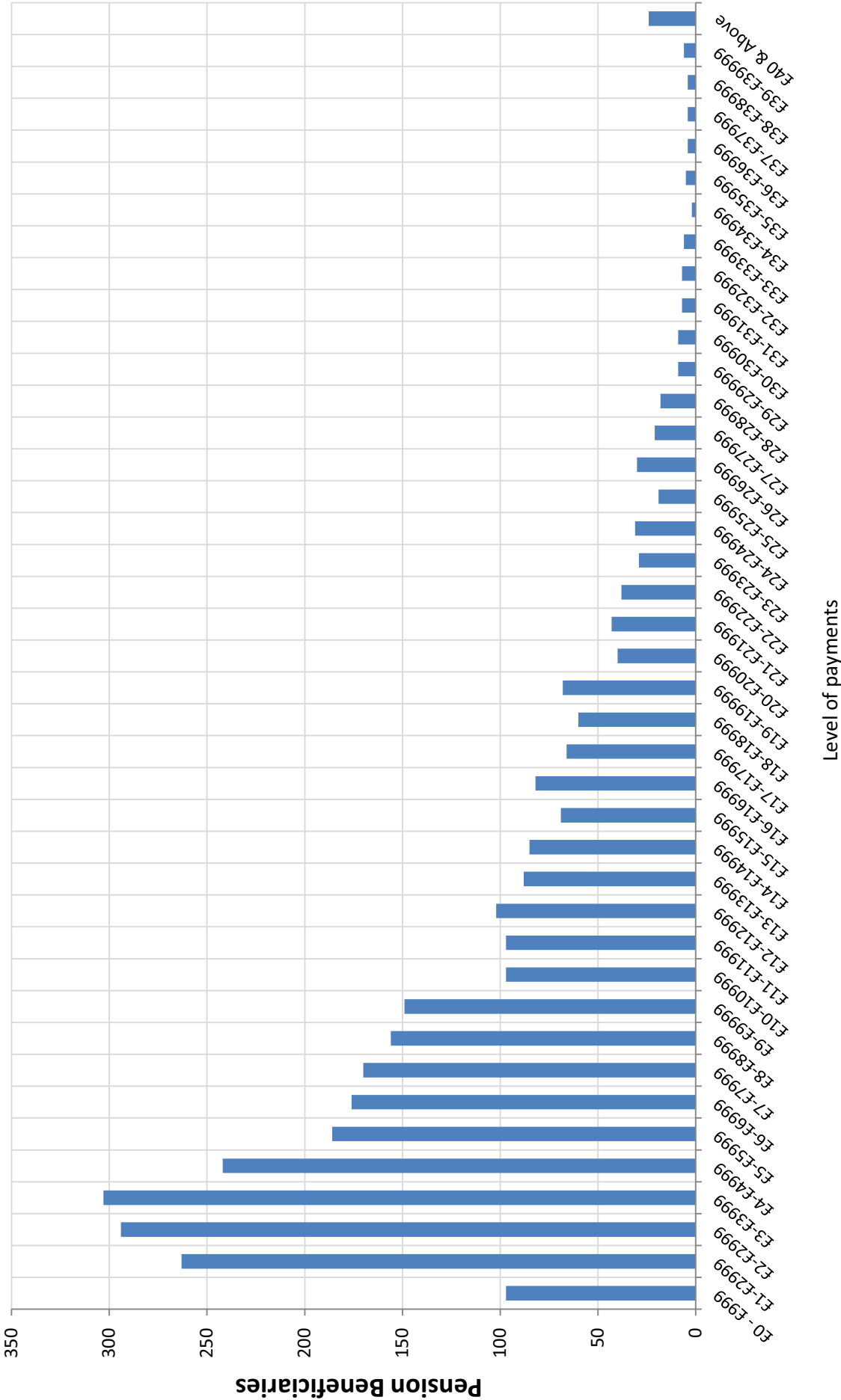
The Independent Chair will write to both the Chair and Vice-Chair of the PCC detailing progress at no less than 3 monthly intervals.

*employee groups within the scheme(s) include: (1) Standard Groups – Established Staff ('Civil Servants'), Nurses, Prison Officers, Public Service Employees, Teachers; (2) "Special benefit" groups – Crown Officers, Firefighters/Airport Firefighters, Police Officers; and (3) employees of the 'Associated Bodies' e.g. Guernsey Electricity, GFSC, Guernsey Post, the Colleges and Libraries.

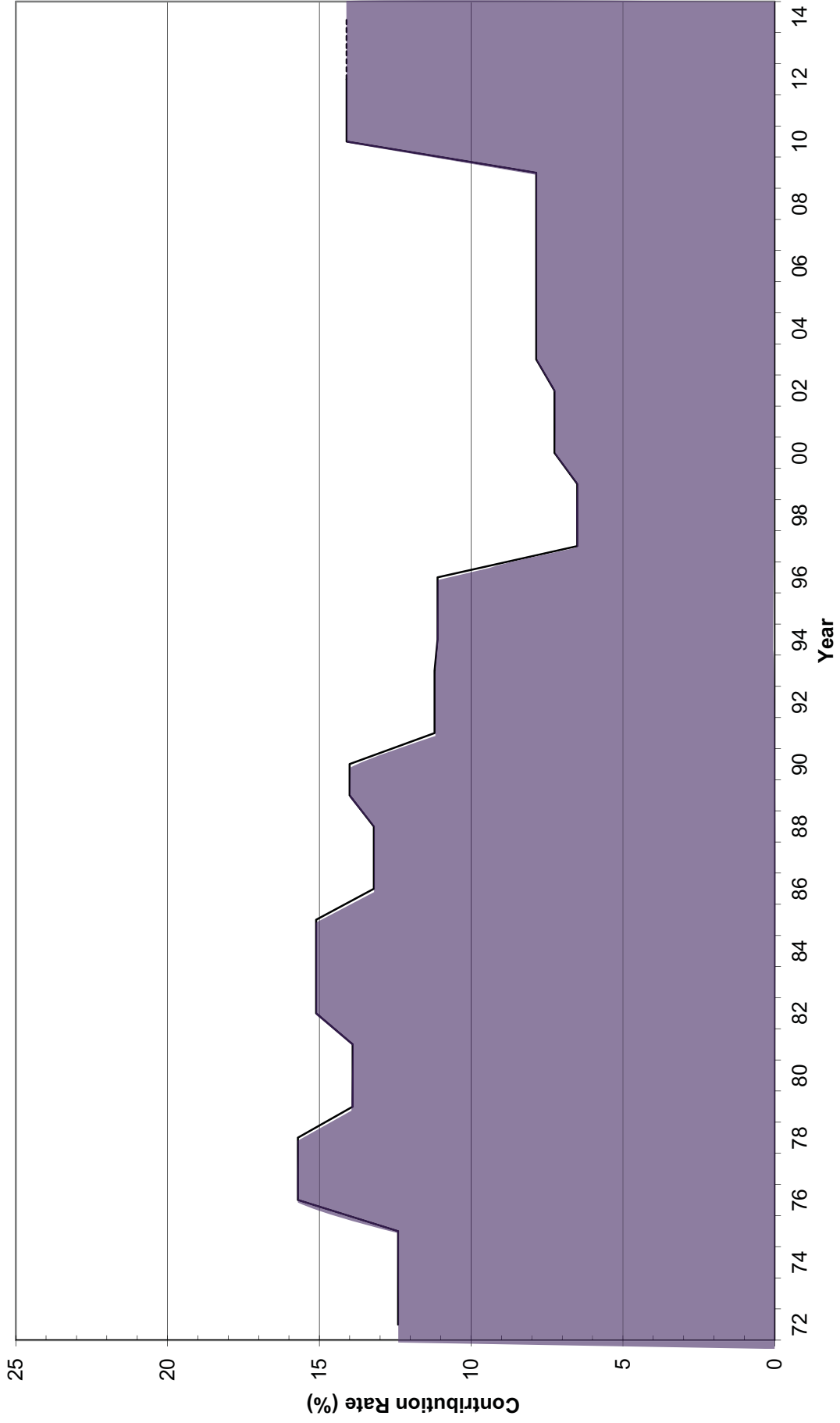
List of Interested Parties who provided information and comments

Health & Social Services Department
Education Department
Home Department
States Treasurer
States Economist
Guernsey Post Limited
Guernsey Electricity Limited
Guernsey Financial Services Commission
Communication Workers' Union
Communications Managers Association
Guernsey Association of Pension Providers
Guernsey Chamber of Commerce
Guernsey Institute of Directors
Guernsey International Business Association
Guernsey Growers Association
Guernsey Bulk Mail Association
The Association of Guernsey Banks

Pensions in payment from Guernsey Public Sector Pension Schemes 2011



EMPLOYER'S CONTRIBUTION RATE (Combined Pool)



- "
- (i) *The scheme should provide adequately for the needs of employees and of their immediate families for their retirement and in the case of their early death or disability.*
 - (ii) *Benefits and terms should in general approximate to those available in the UK and elsewhere for equivalent groups, but this should be tempered by any special considerations applicable to Guernsey. Regard should be had to salary and wage levels, to other benefits provided, and to security of employment.*
 - (iii) *In determining the levels of benefits, the States should regard itself as an employer of people, and interpret the above objectives in that light.*
 - (iv) *The financial arrangements for securing the benefits should aim to minimise the cost of the scheme in the long term while providing an acceptable level of security for members. "*

PUBLIC SECTOR PENSION REVIEW JOINT WORKING GROUP

Proposal for future pension provision

1. Introduction

This paper sets out in detail the proposal for the future pension provision for States' employees.

This paper sets out the proposal both for accrued benefits to the date of the change and for future service arrangements. In this paper the proposed arrangements for future service benefits are referred to as the new structure.

It is proposed that the new structure would apply from a given implementation date (called the implementation date in this paper) to new members on or after that date and to the future service of members already in the scheme on that date, subject to the protection arrangements agreed, as detailed in section 2.5.

2. Accrued benefits

2.1 Pensioners and deferred pensioners

It is proposed that the accrued benefits of pensioners and deferred pensioners should be unaffected by the proposed changes. This includes benefits potentially payable on death.

It is proposed that future pension and deferred pension increases from the implementation date will be based on the increases in RPIX rather than the increases in the RPI.

2.2 Active members

Active members are employees who are in the service of the States and members of the Scheme on the day before implementation date.

The proposal is that active members' accrued benefits up to the day before implementation date would continue to be linked to their salary up until the date they leave the service of the States, leave the Scheme, die or retire (whichever is the earlier) ie members' accrued benefits would retain the final salary link while the member remains in the States' employ and as a member of the Scheme.

The proposal is that members' accrued benefits up to the day before implementation date could be received in full from the member's current Normal Pension Date if the member retires at that date.

For example, consider a pre 2008 active member who has a current Normal Pension Date of age 60. If he/she retires at age 60, accrued benefits earned up to the day before implementation date would be payable in full ie would not be reduced. If he/she retires prior to age 60, these accrued benefits would be reduced for early payment (based on years before age 60).

For the avoidance of doubt, it is not proposed that a current active member will be able to start to receive their accrued benefits at their current Normal Pension Date whilst remaining in service and accruing benefits under the new structure, unless the arrangements for flexible retirement apply.

2.3 Death benefits/ill health benefits

If an active member were to die in service, in deferment or after retirement, a spouse/qualifying partner/children's pension would be paid based on the accrued benefit only. (Any enhancement to benefits would be paid from the new structure.)

For example if an active member has accrued 10 years of service at implementation date and dies in service 5 years later when his/her final salary has increased to £30,000, a spouse's pension of

$$10/160 \times £30,000 = £1,875 \text{ pa}$$

would be paid. (The pension to a qualifying partner would be based on service qualifying for this benefit.)

A similar calculation would apply on death in deferment or death in retirement.

For the avoidance of doubt, any enhancement to the death in service benefits and the lump sum payable on death in service would be available from the new structure, together with a benefit based on service under the new structure.

The calculation of a pension on ill health would follow similar principles. The benefit would be based on accrued service only whatever the level of incapacity, any uplift would be provided through the new structure, together with a benefit based on service under the new structure.

2.4 Pension and deferred pension increases

It is proposed that pension and deferred pension increases to active members' accrued benefits to the date of implementation will be based on increases in the RPIX.

2.5 Protection for members approaching Normal Pension Date

It is proposed that protection will be given to active members who are within a period of 5 years before Normal Pension Date at the date the new structure is reported to the States, at a date specified in the report. For the avoidance of doubt, this date is expected to be earlier than implementation date.

It is proposed that active members who are within a period of 5 years before their current Normal Pension Date will retain their current Normal Pension Date within the new structure ie these members will accrue benefits as set out in section 3 below, however their Normal Pension Date will not increase from its current date.

3. **New structure**

3.1 Hybrid arrangement

The new structure is proposed to be a hybrid arrangement. This would be made up of a Career Average Revalued Earnings Scheme (CARE scheme) for earnings up to a cap.

Employer pension contributions on pensionable pay above the cap will be paid into a new defined contribution section within the new structure. This defined contribution section would be established as part of the Superannuation Fund. Employees will have the option of paying pension contributions on pensionable pay above the cap. The new defined contribution section will be available to enable all members to pay additional voluntary contributions.

3.2 The details

The details are as follows:

- the CARE accrual rate is proposed to be 1/80th for pension and 3/80th for a separate lump sum.
- the earnings cap is proposed to be £85,000. This will increase in line with civil service pay (grade SO6).
- the CARE indexation both in the period to retirement and once in payment is proposed to be the increase in the Guernsey RPIX, subject to a maximum increase in any year of 5%. However, if the increase in the RPIX for the 12 months ending on the preceding 30 June on which the increase is to be based has exceeded 7.5%pa and the increases for the 12 months ending on the preceding 31 December and 31 March have also exceeded 7.5%pa, the Policy Council on advice from Treasury and Resources will have the authority to consider whether the increase to be awarded for that year should exceed 5%. They will take into account, amongst other matters, the funding position of the scheme and the general position of the States' finances. For the avoidance of doubt, separate decisions would be made regarding the indexation in the period to retirement for current employees, the indexation in the period to retirement for deferred members and the increase to be awarded to pensioners.
- Normal Pension Date (NPD) is proposed to be linked directly to the Guernsey State Pension Age (SPA). If SPA is amended in the future, this would automatically trigger a change to NPD for all members for all benefits earned from the implementation date. In conjunction with this members would have a right to work up until the SPA.
- NPD will be SPA less 5 years for members of the police force and fire fighters, who remain in service to NPD. Deferred members of these groups will have an NPD of the SPA.
- no other special terms will apply to any other groups of members.
- there will be no cap on the maximum number of years of pensionable service.

- if members retire before NPD their benefits will be actuarially reduced for early payment.
- members will retain the current option to take flexible retirement, if their pensionable pay reduces. The earlier accrued benefits would be paid first.
- spouse/qualifying partner pension death benefits will accrue on a CARE basis at an accrual rate of $1/160^{\text{th}}$ (the current accrual rate) and children's pensions at the current accrual rate also.
- an enhancement will apply to death in service pensions and Total Incapacity pensions based on one half of the remaining prospective reckonable service to NPD (the same as the current enhancement).
- a death in service lump sum of 3 times annual pay would be paid.
- on death in retirement, the level of the member's pension would continue to be paid for 3 months following death, if death occurs 5 years or more after retirement.
- on death in retirement within 5 years of retirement, a lump sum would be paid equal to the balance of the pension payments that would have been made to the end of the 5 year period, at the rate in force at the date of death.
- standard member contributions of 8% of pensionable pay would be paid.
- additional contributions of 1.5% of pensionable pay would be paid by members of the police force and fire fighters to reflect their earlier NPD.
- the definition of pensionable pay will be unchanged from the current definition (ie basic pay plus shift pay plus certain allowances; overtime is not included).
- redundancy benefits would be based on the accrued pension within the CARE arrangement (and within the current arrangement). The member would be treated as a normal leaver and special terms would not apply.
- members would be able to commute part of their pension to receive an additional lump sum. A total lump sum of up to 30% of the value of their retirement benefits would be available. The commutation would be at a rate of £1 pa of pension for £12 lump sum (the current commutation rate).
- deferred benefits would be available after 2 years' service; a refund of member contributions or a transfer value would be available for less than 2 years' service. A refund or transfer value would be available at any time. For the avoidance of doubt, pensionable service to the implementation date will count towards the 2 years' qualifying service.
- transfers in on the Transfer Club basis would be permitted for members who used to work in the UK public sector. These transfers would follow Club rules and would purchase added years of service. Members may pay contributions to make up "lost" service

caused by part of their UK pension being a Guaranteed Minimum Pension. All other transfers in from non-Club schemes would be paid into the defined contribution section.

- the new structure would be compulsory for all new staff including part timers who are employed after the implementation date, excluding temporary workers.
- the employer contribution paid on pensionable pay above the cap is 12% of pensionable pay.
- no new Additional Voluntary Contributions (AVCs) contracts will be permitted for added pension. All new AVCs would be paid to the new defined contribution section.
- the benefit structure as set out above would apply to the Actuarial Accounts, ie to Guernsey Electricity Limited, Guernsey Post Limited and Guernsey Financial Services Commission. The fixed cost ceiling would not apply.

3.3 How a CARE scheme would operate

The proposed CARE scheme would operate on a calendar year basis. A member's pensionable pay would be determined for each calendar year. If the pay award is late, the basic pay would be assumed to be effective from the backdated date of the award. Pensionable pay supplements will be counted in the year they are received.

For example, a pay award due on 1 October 2014 is settled in February 2015. Back payments of basic pay and pensionable supplements are made in March 2015. For the purposes of calculating pensionable pay for 2014, the basic pay award would be counted from October 2014. The increased pensionable supplements would be counted in the 2015 calculation of pensionable pay.

Pensionable pay will be determined for each calendar year and the accrued CARE pension calculated for that year. The first increase will apply from the 31 December of the year following the accrual based on the RPIX for the previous June. For example, considering pension accrual:

Year	:	2014
Pensionable pay	:	£30,000
CARE accrual	:	$1/80 \times £30,000 = £375$
First increase	:	31 December 2015, based on June 2015 RPIX (capped at 5%)

3.4 How the defined contribution section would operate

Employer contributions on pensionable pay above the cap (initially £85,000) will be paid into a new defined contribution section. For example, consider a person who earns £100,000 pa. The employer contribution into the defined contribution section would be:

12% of (£100,000 - £85,000)

= 12% of £15,000

= £1,800

The member would have the option of paying pension contributions on salary above the cap into the defined contribution section. All members will have the option of paying voluntary contributions into the defined contribution section.

There will be a range of investment funds available within the defined contribution section. Members will have the option to select how their contributions are invested, otherwise there will be a default investment selection, determined by Treasury and Resources.

A member's contributions will accumulate with the investment returns of the selected funds, up until retirement. At that time a member will use the accumulated funds to purchase an additional pension and/or provide an additional lump sum.

3.5 Fixed cost ceiling

A fixed cost ceiling of 14% of pensionable pay will apply to the employers' contribution. The cost of the new structure would be reviewed at each triennial valuation. If the cost of the new structure exceeds this, then negotiations will take place to either reduce future accrual or increase member contributions (or both). If agreement is not reached then the accrual rate will be reduced to limit the employers' contribution to 14% of pensionable pay. The fixed cost ceiling will include

- the future service contribution rate
- any past service costs (within the new structure) relating to improving longevity of active members

All other past service costs including any additional costs if investment return is lower than anticipated will be met by the employer.

If the employer's contribution rate calculated in relation to future service benefits (and the saving within the new structure arising from reduced longevity for active members' past service benefits) falls below the member contribution rate, then discussions will take place within the PCC to consider whether the benefit structure and contribution structure remain appropriate.

3.6 Benefit statements

Benefit statements in relation to benefits accrued under the new structure would be available in May each year and will show benefit accrual over the previous calendar year and total accrued benefit at the previous 31 December.

3.7 Implementation date

The target implementation date for the new structure is 1 January 2014.

States of Guernsey Superannuation Fund ("the Fund")

Date: 20 November 2012

Prepared for: States of Guernsey Treasury and Resources Department

Prepared by: BWCI Consulting Limited

Reference: C1324675.2

Employer's proposal for future pension provision Costings for the Combined Pool section

1. Introduction

We have considered the future cost of the Employer's revised proposal for future pension provision for States' employees.

The cost will depend upon three key factors:

- the benefit structure proposed
- the actuarial basis adopted for the calculation
- whether the actuarial assumptions are borne out in practice, in particular whether the assets produce the return assumed within the valuation basis

It should be noted that the actual cost of providing pensions depends upon the actual experience of the Fund; the increases awarded to benefits, when members retire, how long they live etc.

2. Assumptions

The assumptions used have been based upon the 2010 actuarial valuation basis, but with two significant changes.

For the valuation the discount rate used to calculate the liabilities was set equal to the rate of UK inflation over the appropriate mean term of the liabilities at the valuation date plus 3.25% pa. This assumption reflects the investment strategy currently adopted. For the costing exercise we have reduced the discount rate to be equal to the rate of UK inflation plus 2.5%

pa, again, based on the investment strategy currently adopted by Treasury and Resources. This change reflects a more prudent funding basis.

A more prudent funding basis for the new structure has been recommended for the following reasons:

- the investment strategy for the new structure may be more prudent
- even if the new investment strategy of the new structure is the same as the current scheme, Treasury and Resources may wish to adopt more prudent valuation assumptions and to be more cautious, to reduce the likelihood of a shortfall arising
- as a fixed cost ceiling is to be introduced, Treasury and Resources may fund on a prudent basis so it is less likely that the cost ceiling will be reached
- if high investment returns are assumed and not produced, this will create a shortfall within the new structure. Treasury and Resources will not wish to establish a new structure that is only viable if ambitious investment returns are achieved.
- if the new structure requires high investment returns, this will require an aggressive investment strategy over the long term. This can lead to volatile returns and funding levels.
- the funds to pay for the benefits from the new structure will come from investment returns, employee contributions, and employer contributions. To the extent that the funds are not achieved from investment returns, they would need to be met from employer contributions. At present, any shortfall arising from lower than expected investment returns is not proposed to be part of the fixed cost ceiling cap and would need to be met by the employer.
- it is important the cost of the new structure is based upon appropriate assumptions which are compatible with the investment approach adopted so that the new structure is sustainable.

Our assumptions for future salary increases include an age based allowance for future promotional increases. After discussion, it was felt that these assumptions included excessive allowance for promotional increases for older members, who would for the most part have already reached the top of their relevant salary scales. We have therefore capped these increases at age 50, such that no further promotional salary increases are assumed from that age onwards.

In addition, we have updated the post retirement mortality basis to include the latest improvement factors.

Full details of the assumptions used are set out in Schedule 2.

3. **Proposal for new structure**

We have based our calculations on the following proposed benefit structure for future service for all employees:

- a Normal Pension Date equal to State Pension Age (SPA), except for Police and Fire Officers, who will retain a Normal Pension Date of SPA minus 5 years.

- accrual of benefits in line with a Career Average Revalued Earnings structure, such that the salary used to calculate benefits is averaged over each member's remaining service. Each salary used in the calculation is revalued in line with Guernsey RPIX (capped at 5% pa) up to retirement.
- the rate of accrual of members' pensions will be $1/80^{\text{th}}$ for each year of service.
- there is an attaching terminal grant on retirement with an accrual rate of $3/80^{\text{th}}$ for each year of service, and members may commute additional pension to receive an additional lump sum benefit.
- the rate of accrual of spouses' and qualifying partners' pensions will be $1/160^{\text{th}}$ for each year of service, unchanged from the current rate.
- the employee contribution rate would be 8.0% of salary for all members other than police/fire
- members who are currently within 5 years of their Normal Pension Date will retain their Normal Pension Date. The cost of this protection would be met by the Employer.

4. Cost of Current Benefit Structure

At the last valuation the base employer future service contribution rate for the Combined Pool section was calculated as 13.9% of salaries. Additional contributions are payable in respect of members of certain sections who have enhanced benefits.

Based on the revised assumptions detailed above the updated base employer future service contribution rate for the Combined Pool section is 16.2% of salaries. The increase from the current rate is caused by the reduction in the discount rate, reflecting the more cautious approach being taken to fund the new structure.

5. Cost of Proposed Benefit Structure

Based on the proposed structure detailed above, we have calculated that the initial base employer future service contribution rate for the Combined Pool section would be 12% of salaries. The rate will change over time as the age/sex profile of the membership changes and the proportion of the membership affected by the guarantee reduces. This rate reflects the effect of the guarantee to members who are within 5 years of normal retirement age on 1 January 2013.

Schedule 1**Summary of Results**

The costs below reflect the initial employer future service contribution rate, costed using the assumptions set out in Schedule 2.

	Combined Pool	
Benefit Structure	Standard Contribution Rate Employer	Standard Contribution Rate Employee
<i>Final Salary</i>		
Current structure (Final Salary)	16.2%	6.5%
<i>Proposed CARE Structure</i>	12.0%	8.0%

Schedule 2 Assumptions for Costing Calculations

The assumptions used for assessing the funding target are summarised below.

Financial Assumptions

Discount rate	
- before retirement	6.1% pa
- after retirement	6.1% pa
Rate of UK price inflation	3.6% pa
Rate of Guernsey price inflation (RPIX)	3.85% pa
Rate of CARE revaluation	3.85% pa
Rate of pay increases (excluding promotional increases)	4.35% pa
Rate of pension increases – Teachers Scheme	2.9% pa
Rate of pension increases – Public Servants Scheme	3.85% pa
Rate of deferred pension increases – Teachers Scheme	2.9% pa
Rate of deferred pension increases – Public Servants Scheme	3.85% pa

Demographic Assumptions

Post-retirement mortality

S1 “Light” base tables for teachers allowing for future improvements in line with CMI_2011 Core Projections assuming a long-term annual rate of improvement in mortality rates of 1.25% for men and women

S1 “All” base tables for all other members and for dependants allowing for future improvements in line with CMI_2011 Core Projections assuming a long-term annual rate of improvement in mortality rates of 1.25% for men and women

Using these tables implies the following life expectancies for a non-teacher who retires in normal health at age 65:

Life expectancy at age 65	Males	Females
Current 65 Year Old	22.2	24.5
Current 45 Year Old, assuming survival to age 65	24.0	26.4

Pre-retirement mortality

Males: Standard table AMC00

Females: Standard table AFC00

Early retirements

Allowance has been made for retirements before the age of normal retirement by means of age related scales where members retain their current normal retirement age. Members on the new proposed benefit structure are assumed to retire at their State Pension Age (SPA), or at SPA minus 5 years for Police and Fire Officers.

Schedule 2 Assumptions for Costing Calculations (continued)

III-Health retirements

Allowance has been made for ill-health retirements before the age of normal retirement by means of age related scales. It has been assumed that 80% of ill health retirements will relate to total incapacity.

Withdrawals

Allowance has been made for withdrawals from service by means of age related scales.

On withdrawal, for public servants 25% of members are assumed to leave a deferred pension in the Fund and 75% are assumed to take a refund of their member contributions to the Fund. For Teachers, 50% of members are assumed to leave a deferred pension in the Fund and 50% are assumed to take a refund.

Members are not assumed to exercise their option to take a transfer value.

Family details

Male members are assumed to be three years older than their spouses. Female members are assumed to be three years younger than their spouses.

85% of males and 80% of females are assumed to be married at retirement or earlier death.

Commutation

No additional commutation assumed.

Promotional salary increases

Allowance made for age-related promotional increases up to the age of 50.

Expenses

0.25% of Pensionable Pay added to the value of future benefit accrual.

Death benefits

There are no separate insurance arrangements for the Fund. The cost of providing death benefits from the Fund is included in the contribution rates payable.

APPENDIX 2

GUERNSEY PUBLIC SECTOR PENSION SCHEMES**The Case for Change****Introduction**

The proposal for reform of Guernsey public sector pension arrangements arises from the changes affecting our society in common with those across the developed world. These changes require individuals, companies and the public sector to rethink their approach to pensions.

In recent decades there has been a significant increase in life expectancy and this is predicted to continue. This welcome increase has driven up the cost of providing pensions and healthcare services. The increase in expenditure associated with an ageing population is likely to be large. At present total public spending is around 29% of GDP. However, it is estimated that continuing to provide welfare, pensions and public services similar to those provided today could cost an extra 6% of GDP.

While much of this increase is due to the increased cost of the public old-age pensions (for which there is a reserve that can be used to mitigate some, but not all the projected increase), around 40% is due to increased costs of healthcare for an ageing population. The agreed increase in the retirement age from 65 to 67 between 2020 and 2032 will have some impact on the projected increase in pension costs but will not reduce the additional burden on the health and long-term care systems.

In the public sector, pension arrangements have remained essentially the same “final salary” framework designed decades ago. Given the uncertainty over future longevity these largely unreformed arrangements are not sustainable.

The proposal for reform, therefore, is not in response to Guernsey’s short to medium-term fiscal pressures but rather a response to increasing pressures built up over decades and predicted to continue. It is necessary and appropriate for any proposals to be affordable not only now but also in the foreseeable future such that they are sustainable.

In considering any proposals it is necessary to judge: whether they will provide an adequate level of income in retirement; fairness between scheme members, fairness between the generations, and fairness between members and other taxpayers; and whether, as part of the total remuneration package, they are sufficient to recruit and retain from within and off-Island a sufficient number of quality staff to provide the essential services for the Island.

This paper is intended to address many of these issues.

Affordable and sustainable

In ensuring that any arrangements are sustainable for the foreseeable future affordability is key. It is, therefore, necessary to reach a decision on the “cost envelope” and here the Employer’s Side believes that the appropriate measure is the future service cost of accruing benefits expressed as a percentage of pensionable pay. (It should be noted, therefore, that under this approach proposals would not take into account the current funding level and the investment risk would remain with the employer/taxpayer.)

As pointed out elsewhere, taxpayers finance a proportion of public service pensions. This is entirely reasonable since taxpayers are also recipients of the services that are provided by public sector employees. However, what is key is that the balance is right. It would not be right for the taxpayer to fund increased expenditure on public service pensions when such costs could be funded only through restricting (reducing) other public expenditure or increasing taxation and for a benefit out of line with that available elsewhere.

Increases in longevity have increased the cost of pension provision significantly. For example, in the early 70s a 60 year old male was expected to live until age 78. If his pension was £10,000 pa then a total of £180,000 would be paid from the Scheme over his expected lifetime. A 60 year old male retiring now is expected to live until age 88 which would require a total payout of £280,000. However, there has been only a marginal increase in member contribution rates over this period. The member contribution rate (standard benefits) was 6% in 1972 and is now 6.5%. The employer has borne an increasing share of the increase in future service contribution rate arising from increased longevity enjoyed by members.

The current future service contribution rate, after deduction of the member rate of 6.5%, is 13.9%. (The employer is actually contributing 14.1%.)

The Policy Council, after consultation with Treasury and Resources, therefore, believes that it is appropriate to set a cost ceiling for the future service contribution rate at 14%.

In determining this rate the employer notes that it is not incompatible with anticipated employer contribution rates in either the local private sector or the UK public sector.

The employer also notes, importantly, that such a cost ceiling will assist budgeting as, unlike now, the States would not encounter unanticipated increases in pension costs due to improvements in mortality.

(It should be noted that each 1% increase in employer contribution rate increases General Revenue expenditure by approximately £1.5m p.a.)

Funding Position for past service

The latest published funding position is set out in the report on the actuarial valuation of the Superannuation Fund as at 31 December 2010, dated 27 September 2011, which was included in Volume 2 of the Billet d'Etat XIX 2011.

The report considers the funding positions of all the entities that participate in the Superannuation Fund. However, for the purposes of the information to be considered to support the need for review of pension provision, it is the funding position of the Combined Pool which is relevant as this includes public service employees, established staff, teachers, nurses, police officers, fire fighters, prison officers and crown officers. The funding positions of the Actuarial Accounts for Guernsey Post Limited, Guernsey Electricity Limited and Guernsey Financial Services Commission are not relevant for the purposes of the support for the review of pension provision as the funding of the Actuarial Accounts is independent of the funding for the Combined Pool and borne by the employing entity.

The funding target for the Combined Pool is 90% of accrued benefits to 31 December 2007 and 100% thereafter. This target was set by the States on the recommendation of Treasury and Resources as part of the 31 December 2007 actuarial valuation.

It was decided that in a government backed scheme, such as the Superannuation Fund, 100% funding at all times is not necessary as the employer ie the government will always be in existence to pay pensions out of tax revenue, and taxes could be raised to pay pensions. Thus, part of members' pensions could be met by a pay-as-you-go system.

It is not intended to retain the 90% funding target long term. If the funding target remains at 90% over time, then broadly 10% of the pension benefits should be paid from general revenue ie not from the Superannuation Fund but from other government funds. If the whole of the benefit is paid from the Fund, then the funding level is expected to worsen over time as benefits would be paid out of the Fund for which no provision had been made within the Fund. At some stage in the future, the Fund would be severely depleted, and more of the pensions would need to be paid from general revenue. Accordingly, targeting below 100% of accrued benefits on a long term basis would mean that at some stage pension benefits would need to be paid from general revenue, unless additional funds were received into the Fund (eg from investment return that is higher than expected).

This arrangement would introduce significant variations in States expenditure patterns over the long term as benefit expenditure varied which would create planning difficulties for the States. Accordingly paying a significant proportion of pension benefits from general revenue rather than through the Superannuation Fund would not be sustainable in the long term.

Thus, a funding target of 90% for the Fund is not sustainable over the long term. The government (ie the taxpayer) is still responsible for paying 100% of the benefits from States' funds and so responsible over the long term for the funds which make up a funding target of 100%, even if some of the benefits have to be paid from general revenue.

Accordingly, for the purposes of the information provided to support a review of the benefit provisions of the Superannuation Fund, the focus should be on the position to attain 100% funding over the long term, in order to achieve a sustainable position. Continued funding for only 90% of accrued benefits is not sustainable over the long term.

The funding positions and contribution requirements revealed as at 31 December 2010 for the Combined Pool were as follows:

- 90% funding target, surplus = £6.2m
- 100% funding target, shortfall = £77.3m
- employer contributions required for a 90% funding target = 13.5% of pensionable pay
- employer contributions required for a 100% funding target = 18.6% of pensionable pay.

In both cases, in order to eliminate the surplus or shortfall, contributions are spread over the average future working lifetime of current active members, which was around 12 years, rather than over a shorter period.

The contributions required under the 90% funding target were affordable, the contributions to achieve 100% funding were not affordable. The target of 90% enables the States to try to lessen the contribution burden through good investment returns over time.

Formal valuations are undertaken every 3 years and details released publicly. For the purposes of this exercise an approximate funding update as at 31 December 2011 has been undertaken and this indicates a worsening position as follows:

- 90% funding target, shortfall = £63m
- 100% funding target, shortfall = £150m
- employer contributions required for a 90% funding target = 17.7% of pensionable pay
- employer contributions required for a 100% funding target = 22.8% of pensionable pay.

The above figures indicate that, on a long term funding target of 100%, the contributions required would be above the current level of 14.1% of pensionable pay, and so not affordable. The funding position has deteriorated to such an extent that the contributions required on a 90% funding target are no longer affordable.

Long term sustainability

Within the terms of reference for the Joint Working Group (JWG) established by the Pensions Consultative Committee (PCC) was the requirement to make recommendations regarding future pension provision that are affordable and sustainable. For the scheme to be sustainable, it must be affordable over the long term.

As set out in the JWG report to the PCC, a major risk in a defined benefit scheme is that, as the cost of the arrangement is uncertain, there will be insufficient assets within the arrangement to provide all the benefits promised. This risk is currently borne entirely by the government ie the taxpayer, as the taxpayer will have to pay increased contributions if the assets are insufficient.

It is this open ended, uncertain, and long term liability that makes the current pension arrangement unsustainable in its present form. In order to be sustainable, a scheme must be able to manage and share risks effectively and the anticipated employer costs must be at a level that is affordable in the long term.

The proposal set out in the JWG report identifies four key risks in the current pension arrangement and addresses these risks so that the taxpayer would face a lesser risk of unknown and rising costs. The proposal reduces or manages each of the key risks, thus allowing a defined benefit arrangement to continue.

Investment risk

The taxpayer will continue to bear all the investment risk ie the risk that the return on investments is lower than expected is borne entirely by the taxpayer, and not at all by the members. The investment return assumption within the actuarial basis used to cost the proposed arrangement is more prudent than that used to fund the current arrangement, in order to reduce the risk that investment returns will be lower than expected, and so contribute to making the proposed structure sustainable. If high investment returns are anticipated but not produced, this would create a shortfall within the proposed arrangement, which would have to be met by further funds from the taxpayer. It is important that the cost of the proposed arrangement is based upon appropriate assumptions so that a new structure is sustainable.

A further feature of the current arrangement is that the costs can be very volatile, which makes budgeting difficult and can lead to very large contributions being required at times. By using a more prudent investment return assumption, reflecting a

more prudent investment strategy, it is expected that funding costs would become less volatile.

The funds to pay for the benefits from the proposed arrangement will come from employer contributions, employee contributions and investment returns. To the extent that anticipated investment returns are not achieved, they would need to be met from additional employer (ie taxpayer) contributions.

The more prudent assumption for future investment returns leads to a lower level of benefits being afforded than if a less prudent assumption were made.

Salary risk

The risk in the current scheme is that salaries rise faster than expected, thus increasing the cost of the scheme, or a member receives a large salary increase in the years shortly before retirement, thus increasing the amount of their pension significantly. The pension is increased significantly since the salary increase applies to the whole period of pensionable service. The higher level of pension would then be payable throughout the member's period of retirement together with any spouse benefits.

The proposal is to transfer part of the salary risk to the member through the introduction of a Career Average Revalued Earnings (CARE) scheme. A member's pension would be based on their salary (revalued) throughout their career rather than on their salary close to their retirement date.

Inflation risk

The risk in the current scheme is that inflation will be higher than expected, thus increasing the cost of the scheme as benefit increases are linked to inflation.

In order to share the risk with members, the proposed scheme would have a cap to the increases that would be awarded, of 5% pa.

Thus, the employer would bear all the inflation risk up to 5% and the member thereafter.

However, the proposed scheme would include a mechanism for the Policy Council to award increases above 5%, if RPIX exceeded 7.5%, and if the scheme and/or the States could afford to award the increase. Thus, the part of the risk the member is being asked to bear is mitigated by this arrangement.

It would have been possible to reduce the risk of inflation to the taxpayer through investing the assets of the scheme in index linked gilts so that an increase in the value of the liabilities would have been matched by a corresponding increase in the value of assets. However, if this option was followed it would not have been possible to offer such a generous scheme to members, as the cost of providing benefits using this

investment strategy would have been significantly increased (due to a far lower expected return on such assets), and the proposed structure would not have been affordable.

Longevity risk

One of the major uncertainties in relation to pension costs relates to how long pensioners will live and hence for how long their benefits will be paid. Improvements in longevity mean that pensioners are in receipt of pension payments for longer making the scheme significantly more expensive than when it was set up. The cost of pension provision has been steadily increasing due mainly to people living longer. A member of the scheme who reaches age 65 is now expected to live on average for a further 24 years, rather than 14 years when the scheme was first established, an increase in the years in retirement of around 70%. Although greater longevity is a positive development, the unprecedented rise in life expectancy since the scheme was set up has meant that providing pensions has become significantly more expensive than had been anticipated. Rising life expectancy has led to a substantial increase in the proportion of adult life that a person can expect to spend in retirement. Accordingly, pensions are having to be paid for much longer relative to the working lifetime than was previously predicted, so costs have risen.

Further improvements in longevity are expected, but the rate of improvement is uncertain. In the past improvements have been underestimated. In order to have a sustainable scheme over the long term, there needs to be included in the design a mechanism to manage these uncertainties in future costs.

In order to share the longevity risk with members, the proposal is to link the Normal Pension Date (NPD) in the scheme to the State Pension Age (SPA). If the SPA increases, due to rising longevity, the NPD will automatically increase. If however life expectancy increases but the government does not increase the SPA, the taxpayer would have to pay additional contributions to meet the cost of pensions being paid for longer.

How does the proposed scheme compare with those offered in the public sector in the UK?

The JWG has made recommendations which it considers appropriate to Guernsey. However, it may also be helpful to make comparisons with UK public sector schemes. This is in part because the current position endorsed and supported by the PCC (unless and until altered by States resolution) is that benefits and terms should be generally in line with those applicable to public sector workers in the UK. Furthermore, (see attached) it is for the Side that does not want to follow a particular UK change to set out detailed reasons why not.

The public sector schemes in the UK are all under various stages of review, with Heads of Agreement/Final Agreements reached for several schemes.

It is proposed that all such schemes move to a Career Average Revalued Earnings (CARE) basis of accrual and that the final salary schemes are closed.

The public sector CARE schemes in the UK are all different so it is difficult to make a direct comparison with the JWG proposals for the Guernsey arrangement. The majority of UK public sector schemes are unfunded which complicates the comparisons. However, certain elements of the pension structures can be compared although it should be appreciated that it is the whole package of the scheme taken together which makes up the benefits that will be received and the costs that will be borne and which it is important to consider.

As stated in the JWG report to the PCC, the JWG has taken careful note of UK developments, but it has made recommendations appropriate for Guernsey rather than attempting to slavishly copy UK developments. However, the broad headline UK changes have been followed in the proposals ie:

- the retention of a defined benefit arrangement
- a move to a CARE scheme structure
- an automatic link of the NPD to SPA
- an increase in member contributions
- a cap on the employer contribution rate
- protection of members within a specified period of their current NPDs

As an example, the accrual rate for teachers' pensions in the UK will be 1/57th of earnings with the CARE pension revalued to retirement at UK CPI +1.6%. The accrual rate for the Local Government Scheme will be 1/49th of earnings with the CARE pension revalued to retirement at UK CPI. The UK arrangements do not provide a separate retirement lump sum. The proposal in Guernsey is for an 1/80th pension accrual together with a lump sum of 3 times the pension. This structure is effectively equivalent to a pension accrual of 1/64th. The CARE revaluation to retirement is at Guernsey RPIX (capped at 5% pa.)

However, the schemes are different in many ways. The UK schemes have already changed the measure of inflation which is used to calculate increases and have moved to UK CPI based increases both before and after retirement rather than RPI based increases. This is expected to significantly reduce the cost of UK public sector pensions as CPI increases are typically below RPI increases. In November 2011 the UK Office for Budget Responsibility analysed that a plausible range for the long-run difference between UK RPI and CPI is around 1.3% to 1.5% pa. In addition, average Guernsey RPI increases have been around 0.5% pa higher than average UK RPI increases over the

past 30 years. Consequently Guernsey public sector pensions are expected to receive significantly higher increases than UK public sector pensions.

The proposed UK public sector schemes accrual rates and revaluations are set out below:

Scheme	Accrual rate	Revaluation in the period to retirement	Revaluation post retirement
Principal Civil Service Pension Scheme	1/43.1	UK CPI	UK CPI
Teachers' Pension Scheme	1/57	UK CPI + 1.6%	UK CPI
NHS Pension Scheme	1/54	UK CPI + 1.5%	UK CPI
LGPS	1/49	UK CPI	UK CPI
Firefighters Pension Scheme	1/58.7	UK average earnings	UK CPI
Police Pension Scheme	1/57	UK average earnings	UK CPI

In the past, the Superannuation Fund has followed the UK public sector schemes in the accrual rate and revaluation in the period to retirement, as this has been in line with salaries. As can be seen, the accrual rate and revaluation is proposed to be different for each UK public sector scheme. It would not be possible to follow the benefit structure of each scheme, without disproportionately increasing the complexity and hence cost, as the Superannuation Fund is one scheme and so the same accrual rate and revaluation is applied to all participants.

In addition, there is no local equivalent to UK CPI.

A structure has therefore been proposed, including a lower average member contribution rate increase, which the JWG believe is appropriate for Guernsey.

If this is not agreed, then the fallback position is to follow the UK structure. The Employer would need to propose one of the schemes to follow, including basing benefit increases on UK CPI increases, and the higher member contribution rate.

In the UK, Normal Pension Date (NPD) will increase in line with UK State Pension Age (SPA). This will be age 66 by 2020 and age 67 by 2028 (with plans to raise it further to age 68). In Guernsey, SPA and hence NPD will increase to age 67 by 2031, ie later than in the UK with no current plans to increase it further.

Member contributions to UK public sector schemes are to increase by 3.2% of pay, on average. The proposed increase for Guernsey public servants is less than half of this, at 1.5% of pay. In some of the UK schemes there is a tiered approach to member contributions. For example, it is proposed that senior staff within the NHS scheme will pay contributions of 14.5% of pay from 2014/15.

The JWG has proposed an across the board increase to contribution rates. As the Superannuation Fund includes a range of occupations such as nurses, teachers, police,

each with their own pay bands, it would be difficult to draw up a tiered contribution scheme that was appropriate for all employments.

Rather than require the higher paid to pay a higher contribution rate, the proposal is to cap the defined benefit accrual at pay grade S06 (currently £85,000). Contributions on income above this level will be paid on a defined contribution basis. As was explained in the JWG report, members earning above this level might reasonably be expected to assume greater responsibility for risk in relation to pensions above this level.

Accordingly, the JWG proposals follow the broad headline changes proposed for UK public sector schemes, but the detail of the changes take into account what the JWG believe is appropriate and affordable both for Guernsey members and taxpayers.

Examples of adequacy of pension provision

The terms of reference of the JWG include the making of a recommendation for future pension provisions that are adequate and fair. (This is in line with the explicit longstanding objective for the Scheme.)

One of the Employer's objectives, stated in consideration of the "adequacy" requirement at the start of the JWG discussions, was that any new pension arrangement should provide a level of pension that meets adequate standards of income. Taken together with the full state pension this should deliver, on average, at least two-thirds of pre-retirement salary for those below median income who have a full career in public service.

The Policy Council has published the 2012 edition of Guernsey Facts and Figures. This showed that the median average earnings in Guernsey in 2011 was £28,340.

The current (single) full States Old Age Pension is £10,028.20 pa (£192.85 pw).

The examples below are simplified examples. They assume that pay scales will increase at a rate of 0.5% above RPIX increases. They also allow for promotional increases over an appropriate period, where applicable.

The examples convert the lump sum at retirement into a pension using the scheme's current factors for purchasing Added Pension. This broadly equates £1 pa of pension to £20 of lump sum.

The examples are based on retirement after 47 years of service (ie service from age 20 to age 67).

Example 1

Final pay	= £18,000 pa
Career average revalued earnings	= £16,086 pa
Scheme pension based on 1/80th accrual	= $47/80 \times £16,086 = £9,450$ pa
Scheme lump sum	= $3 \times £9,450 = £28,350$
This lump sum converts into a pension of	= $£28,350 / 20 = £1,418$ pa
Total pension	= $£9,450 \text{ pa} + £1,418 \text{ pa} + £10,028 \text{ pa}$ = £20,896 pa = 116% of pre-retirement income

Example 2

Final pay	= £28,000 pa
Career average revalued earnings	= £24,078
Scheme pension based on 1/80th accrual	= $47/80 \times £24,078 = £14,146$ pa
Scheme lump sum	= $3 \times £14,146 = £42,438$
This lump sum converts into a pension of	= $£42,438 / 20 = £2,122$ pa
Total pension	= $£14,146 + £2,122 + £10,028$ = £26,296 pa = 94% of pre-retirement income

Example 3

Final pay	= £45,000 pa
Career average revalued earnings	= £38,326
Scheme pension based on 1/80th accrual	= $47/80 \times £38,326 = £22,517$ pa
Scheme lump sum	= $3 \times £22,517 = £67,551$
This lump sum converts into a pension of	= $£67,551 / 20 = £3,378$ pa
Total pension	= $£22,517 + £3,378 + £10,028$ = £35,923 pa = 80% of pre retirement income

Example 4

Final pay	= £85,000 pa
Career average revalued earnings	= £64,960
Scheme pension based on 1/80th accrual	= $47/80 \times £64,960 = £38,164$ pa
Scheme lump sum	= $3 \times £38,164 = £114,492$
This lump sum converts into a pension of	= $£114,492 / 20 = £5,725$ pa
Total pension	= $£38,164 + £5,725 + £10,028$ = £53,917 pa = 63% of pre-retirement income

The total retirement/post-retirement benefits as a proportion of pre-retirement income appears adequate in all cases considered above.

Summary

The requirement for reform of Guernsey public sector pension arrangements arises from the long term changes affecting all societies across the developed world ie the significant increase in life expectancy which is predicted to continue. Whilst this is to be welcomed it does result in increased pension costs which can no longer be borne entirely by the taxpayer rather than , at least in part, the beneficiaries.

It should be noted that the requirement for change does not arise from the Island's current fiscal pressures which are being addressed through the entirely separate Financial Transformation Programme.

Whilst it is the long term trend that requires change, it should also be noted that the Superannuation Fund is currently in deficit to an extent that the required employer contribution rate would be significantly above that which is considered affordable.

The JWG proposals, which are broadly welcomed by the Employer's Side , are designed to ensure long term sustainability through addressing the four major risks inherent in the current arrangements as detailed above and in the JWG report.

Whilst the JWG proposals are designed specifically for Guernsey, there are many features in common with the proposed arrangements for UK public sector employees and the Employer's Side is satisfied that there would be no disadvantage for Guernsey employees that would result in any recruitment or retention difficulties.

Finally, and importantly, the Employer's Side is convinced that the proposals of the JWG, as illustrated by the examples above, would result in pension provision across a broad range of salary levels which has to be considered as adequate if not verging on the generous.

April 2013

TH/jrs/748

PENSIONS CONSULTATIVE COMMITTEE

AGREEMENT ON CONDUCT OF BUSINESS

The Employer's Side and the Staff Side affirm their continuing commitment to the following objective for the Public Servants' Pension Scheme which was originally endorsed by the States of Deliberation in 1988:

- “(ii) Benefits and terms should in general approximate to those available in the UK and elsewhere for equivalent groups, but this should be tempered by any special considerations applicable to Guernsey. Regard should be had to salary and wage levels, to other benefits provided, and to security of employment.”

In conducting its business the PCC shall observe the above objective as detailed below:

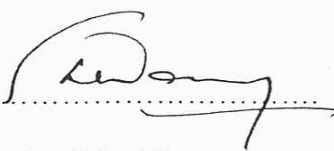
- (1) the Employer's Side Secretary shall monitor developments in comparator schemes in the UK and provide such information to the Staff Side Secretary (for distribution) at the earliest opportunity.
- (2) in the normal course of events, **and only after consultation within the PCC**, the Board would be expected to recommend to the States that the Scheme be amended as necessary to reflect the benefits and terms generally applicable* in comparator schemes.

BUT

- (3) in the event of either the Employer's Side or the Staff Side being of the opinion that it may not be appropriate for the Scheme to reflect a particular change which had occurred in comparator schemes it would fall to that Side to submit a report with detailed reasons for consideration by the PCC at the earliest opportunity.
- (4) in the event of the PCC failing to reach a consensus of opinion the Staff Side's views may be incorporated, at its request, in any policy letter submitted by the Board for consideration by the States of Deliberation.

*The Public Servants' Scheme encompasses disparate groups who are in entirely separate schemes in the UK. Thus it is necessary to refer to benefits generally applicable throughout all of the schemes as opposed to those which may be confined at a particular time to, say, only one comparator scheme.


 Deputy J Kitts
 for
 Employer's Side


 Mr G Le Noury
 for
 Staff Side

APPENDIX 3

Employer's Side response to Staff Side questions

1. **What is the current financial status of the scheme, including the current funding levels in both cash and percentage terms, and what assumptions have been used in arriving at the determination (longevity, investment returns etc). Can historic valuations for the last 20 years be provided?**

The recent history of the financial status of the scheme was set out in The Case for Change paper. A full actuarial valuation is carried out every 3 years, the last full actuarial valuation being carried out as at 31 December 2010. Treasury and Resources have received funding updates for 2011 and 2012. The 2011 position was also summarised in The Case for Change paper and the results of the 2012 update were reported verbally at our meeting on 25 April 2013.

The reports on the full actuarial valuations are on public record as they are published in Billet d'Etats (generally appended to a report from Treasury and Resources published in a Billet in the Autumn following the valuation date).

At each full actuarial valuation, the assumptions used for the valuation are reviewed and updated if appropriate, based on actual scheme experience and current economic conditions. Thus, the assumptions used for the 2010 actuarial valuation would not be the same as the assumptions adopted for earlier valuations and the method of carrying out the actuarial valuations would have changed over time. The valuation reports set out the method and assumptions adopted.

A summary of the financial position of the scheme over the past 20 years (as requested) is set out below:

Valuation date	Funding surplus (shortfall) £'m	Funding level %
31 December 2012 (update)	(140.0)	86
31 December 2011 (update)	(150.0)	84
31 December 2010	(77.3)	92
31 December 2007	(44.0)	95
31 December 2004	(102.1)	86
31 December 2001	61.5	112
31 December 1998	46.7	111
31 December 1995	43.8	113

Valuation date	Funding surplus (shortfall) £'m	Funding level %
31 December 1992	(14.6)	95

It is also important to note the actuarial basis on which the proposed new pension arrangement has been costed.

The estimated cost of the proposed new pension arrangement will depend upon three key factors:

- the benefit structure proposed
- the actuarial basis adopted for the calculation
- the age, sex and salary profile of the membership

It should be noted that the actual cost of providing pensions depends upon the actual experience of the scheme; the increases awarded to benefits, when members retire, how long they live etc.

The assumptions used to estimate the cost of the benefits have been based upon the 2010 actuarial valuation basis, but with two significant changes.

For the valuation the discount rate used to calculate the liabilities was set equal to the rate of UK inflation over the appropriate mean term of the liabilities at the valuation date plus 3.25% pa. This assumption reflects the investment strategy currently adopted. For the costing exercise we have reduced the discount rate to be equal to the rate of UK inflation plus 2.5% pa. This change reflects a more prudent funding basis. As explained in both the report of the Joint Working Group and the Employer's Side paper on The Case for Change, a more prudent investment return assumption has been adopted in order to attempt to reduce and to assist the management of the investment risk, which continues to be borne entirely by the employer (ie the taxpayer).

A more prudent funding basis for the new structure has therefore been adopted for the following reasons:

- if high investment returns are assumed and not produced, this will create a shortfall within the new structure. Treasury and Resources do not wish to establish a new structure that is only viable if ambitious investment returns are achieved.
- if the new structure requires high investment returns, this will require an aggressive investment strategy over the long term. This can lead to volatile returns and funding levels.
- the funds to pay for the benefits from the new structure will come from investment returns, member contributions, and employer contributions. To the extent that the funds are not achieved from investment returns, they would need to be met from employer contributions. At present, any shortfall arising from lower than expected investment returns is not proposed to be part of the fixed cost ceiling cap and would need to be met by the employer.

- it is important the cost of the new structure is based upon appropriate assumptions which are compatible with the investment approach adopted so that the new structure is sustainable.

The 2010 valuation assumption for future salary increases includes an age based allowance for future promotional increases. After discussion, it was felt that these assumptions included excessive allowance for promotional increases for older members, who would for the most part have already reached the top of their relevant salary scales. These increases were therefore capped at age 50, such that no further promotional salary increases are assumed from that age onwards.

In addition, the post retirement mortality basis was updated to include the latest improvement factors at the time the costings were produced.

Full details of the assumptions used are set out in Schedule 1.

2. Can the full valuation, due this year, be brought forward and issued prior to any final agreement being reached?

It is not necessary to carry out a full actuarial valuation prior to any final agreement being reached on a revised pension structure.

Treasury and Resources have received a funding update produced as at 31 December 2012, the results of which were reported at the meeting on 25 April 2013 and are set out above. This update produces the relevant funding information that a full actuarial valuation would produce.

3. What is the level of contributions paid into the scheme (ie member and employer contributions) compared to the current level of pension payments? Can you provide 20 year historic data?

The level of contributions paid by the members and the employer compared to the benefit outgo is set out in schedule 2 for the years 1993 - 2012 (as requested). The figures shown are for the Consolidated Superannuation Fund and are, again, on public record as they are published in the Billet d'Etat each year (the States Accounts).

The Superannuation Fund is a funded defined benefit arrangement, unlike the majority of UK public sector schemes. Accordingly, it is the actuarial valuation funding position of the scheme, and the future service contribution requirements, which is of importance, rather than the annual cashflow position.

4. We would like to see the economic detail of the financial case which demonstrates that 14% is the maximum that the employer can afford to contribute. If 14% is the maximum affordable contribution why is a rate of 12% proposed?

As stated in The Case for Change paper, the Policy Council, after consultation with Treasury and Resources, set the ceiling for the future service contribution rate at 14%, broadly the current rate being paid.

If higher regular contributions were required to be paid into the scheme than the current rate, then savings would have to be made elsewhere within the States' budget to afford the

additional contributions, for example, by reducing services or head count. The alternative would be to raise taxes in order to afford the additional contributions.

The Policy Council, after consultation with Treasury and Resources, did not believe either of these two options were appropriate, particularly in view of Guernsey's short to medium term fiscal pressures. Accordingly, the cap was set at 14%.

The cost of the benefit structure proposed by the Joint Working Group, based on the assumptions in Schedule 1, was an initial contribution rate of 12% of pensionable salaries (together with a member contribution rate of 8% of pensionable salaries). This rate will change over time as the age, sex profile of the membership changes and the proportion of the membership affected by the guarantee reduces.

It was thought important to have a buffer between the estimated cost of the proposed new structure and the fixed cost ceiling (14% of pensionable salaries) to ensure that the ceiling was not breached shortly after the structure was introduced, which would then necessitate a change to the new structure. The buffer will attempt to ensure that the new structure is sustainable in its present form. We understand that, for a similar reason, in the UK public sector schemes, the fixed cost ceiling will be set 2% above the employer contribution rate calculated ahead of the introduction of the new schemes.

However, it should be noted that the employer's contribution may at times be above 14% as the employer is retaining all the investment risk and other risks. If investment return is lower than expected, additional employer contributions may be required. There are also additional risks which the employer is retaining (which are outside the fixed cost ceiling) for example the risk that members commute less pension than assumed or the risk that members retire earlier than expected, which may impact upon the contribution rate paid by the employer.

5. What savings have been achieved by the changes made in 2008 to the pension scheme? What savings have been achieved to date and what are the predicted savings over the next 40 years?

In 2006, the PCC agreed to continue the arrangement whereby the terms and benefits of the pension scheme were broadly comparable to those applicable to UK public sector employees. The Pensions Review Panel therefore did not consider what was sustainable for Guernsey. Despite raising the pension age to age 65 for new members, the 2008 changes did not enable the costs of increasing longevity to be managed fairly or sustainably. The 2008 changes allowed Existing Members to remain on their existing arrangements with a pension age of 60 (or lower for special groups), despite the improvements in longevity from which they had benefited. The employer (through the taxpayers) would have to pay for the increasing time Existing Members can expect to spend in retirement, with only a limited contribution made by members in the form of slightly higher contributions before retirement.

A key element of the 2008 changes was that New Members would have a pension age of age 65, but this was offset by an improvement in their accrual rate. Existing Members would retain a pension age of 60. All scheme members paid a slightly higher contribution rate.

Calculations at the time the 2008 changes were implemented indicated that the future service contribution rate could reduce by 1.6% pa over time, as Existing Members were replaced by New Members. However, this very much depended upon how much pension New Members commuted at retirement for a lump sum. If New Members received a full pension (and no

lump sum), the cost of providing the new style of benefits would actually increase from the rate that was being paid. This added a new risk into the scheme.

The proposals made by the Joint Working Group are intended to result in affordable and sustainable pension provision, by tackling the risks inherent in the current scheme. The 2008 changes did not attempt to tackle any of these risks. The ways in which the risks have been addressed are set out in the report of the Joint Working Group and in The Case for Change paper.

The report of the Pensions Review Panel on the 2008 changes indicated that the revised benefit provisions would have the following impact on scheme costs:

- there would be an immediate reduction in the expected liability in respect of past service benefits for Existing Members. This arose because Existing Members were given a new option to be able to exchange (commute) part of their pension at retirement for an additional lump sum. It was envisaged that some members would take up this facility, and an assumption of how much additional pension would be commuted was built into the valuation assumptions. The effect of including this assumption was to reduce the expected past service liabilities by around £13m. This assumption remains built into the 2010, 2011 and 2012 valuation assumptions. The shortfalls revealed by these valuations would be higher without the inclusion of that assumption. It should be noted however, that if Existing Members do not opt to commute part of their pension for a lump sum, this saving due to a reduction in the liabilities, will not materialise and additional Employer contributions would be required.
- there would be a reduction in costs in respect of the future service benefits of Existing Members, due to the same reason as stated above. This reduction was estimated to be equal to 0.6% of pensionable salaries. The current contribution rate payable by the employer would be higher if this assumption had not been included. It should be noted that if Existing Members do not opt to commute part of their pension for a lump sum, additional shortfalls will arise as the current contributions being paid by the employer will not be sufficient to provide the resulting benefits.
- there would be a reduction in costs for New Members, so that over time, the overall reduction in costs would be 1.6% of pensionable salaries. This reduction was expected to take around 15 years to fully come into effect. Again, if New Members do not commute their pensions for a lump sum, shortfalls will arise.

The estimated savings will change over time as the actuarial basis used for the valuation calculations change.

The current position is that the current employer contribution rate would be 0.8% higher if the 2008 changes had not been made (this is due to the introduction of commutation). However, as a result of changes made to the actuarial assumptions since 2004, there is not expected to be any further reduction in the employer contribution rate over time, as a result of the 2008 changes (ie the cost of benefits for Existing Members is now expected to be the same as for New Members).

6. What is the average retirement age, in terms of years beyond NRA, of employees who are working for the States when they reach NRA?

In order to carry out the actuarial valuation of the scheme the actuary must make a number of assumptions. One of the assumptions is the age at which Existing Members will retire.

Existing Members are able to retire and receive their benefits in full from age 60. They may remain in service, accruing benefits, until age 65 (or later with the agreement of their employer).

The assumptions are reviewed at each actuarial valuation, having regard to the actual incidence of retirements.

The assumptions consist of an assumption regarding the proportion of members who will retire at age 60, together with an age related scale to allow for retirements from age 61-64.

The current (2010) assumptions regarding the proportion of members retiring at age 60 are as follows:

	Proportion of members retiring at age 60
Male established	40%
Female established	30%
Male un-established	20%
Female un-established	50%
Teachers	75%

An age related scale is adopted to allow for retirements of Police Officers and Fire Fighters from ages 50-54.

The actual average ages at retirement over the period 2007-2010 were as follows:

	Average age at retirement
Male established	61.8
Female established	61.8
Male un-established	63.1
Female un-established	61.1
Male Teachers	61.4
Female Teachers	60.8

	Average age at retirement
Male Police/Fire	53.2
Female Police/Fire	-

7. **The case for change document contains worked examples up to the proposed salary cap. Can we be provided with examples for those above the salary cap?**

An additional example is attached as Schedule 3.

8. **We would welcome sight of the employer's economic impact assessment. On a small island with population control, if the population continues to get older then the state will be relying more and more on those retired for tax revenues and spending in the local economy. What will be the impact of this proposed reduction in pensions on the wider economy?**

The employer did not carry out an economic impact assessment. However, the following points should be considered:

- the pension a member receives at retirement under the proposals may not be lower than the pension they would currently expect to receive. If the member carries on working to their new Normal Pension Date, dependent upon individual circumstances, the pension they receive at retirement could be equal to or higher than the pension they would otherwise have received if they retired at their current Normal Pension Date on current terms. In this scenario, the member would receive a salary (ie a higher income) for a longer period and then, possibly, a higher pension. This will be positive for the wider economy.
- if the current scheme continues unchanged, the employer may have to raise taxes to pay the increasing cost of pension provision. This would affect the amount of disposable income that the population in general has available. This will be negative for the wider economy.

- 9 **Please provide the figures supporting the assertion that above inflation salary rises are a real problem for the future and that earnings are expected to rise faster than expected, especially given the 2011 accounts showed a £3.3 million underspend in this area?**

As part of the actuarial valuation, the actuary has to make an assumption regarding how pensionable salaries will increase. This assumption is generally made up of 3 component parts:

- increases in line with salary scales to reflect promotional increases
- increases in line with Guernsey inflation
- an additional allowance above inflation to reflect the fact that salaries tend to increase at a faster rate than inflation, over the long term.

The addition to inflation generally reflects economic conditions and is a long term assumption reflecting the period until members retire.

The current assumption for general salary increases was set as part of the 2010 actuarial valuation and was reduced from the level of the assumption at the previous valuation. It was set as 0.5% pa above Guernsey inflation.

There is past evidence that pay awards have been higher than inflation.

The employer has not stated that it expects salaries to increase faster than expected. However, over the long term, salaries are expected to increase on average at a rate higher than inflation.

If at any actuarial valuation earnings have increased at a higher rate than allowed for at the previous actuarial valuation, then this will have created a shortfall in the final salary scheme, as accrued pensions will be higher than expected.

If at any actuarial valuation, future earnings increases are expected to be higher than the increase allowed for at the previous valuation, then the allowance can, of course, be increased. However, this will increase the projected amount of the pensions for active members, and create a shortfall within the final salary scheme, compared to the previous assumption.

The proposal transfers part of the risk that salaries will increase faster than expected to the member, thus reducing the risk that shortfalls will arise due to higher than expected salary increases.

The total pay budget underspent the authorised budget by £3.3m in 2011 as a result of vacancies and pay awards provision not required. This however relates to States' budgets and not to how actual pay awards relate to the expected pay awards assumed in the actuarial valuation. The actuarial valuation assumptions take a long term view rather than a short term view.

10. How many part time workers are employed by the States of Guernsey and what equality impact assessment has been carried out on the effect a change to a CARE scheme might have on minority groups?

There are currently 4348 members of the scheme, broken down as follows.

Pensionable Members			
	Male	Female	Total
Full-time	1,770	1,784	3,554
Part-time	75	719	794
Total	1,845	2,503	4,348

An equality impact assessment has not been carried out. However, it should be pointed out that final salary schemes are unfair between scheme members. Those members who experience more rapid wage growth benefit disproportionately from a final salary scheme. This is exacerbated when the salary increases significantly shortly before retirement. In a

Career Average Revalued Earnings (CARE) scheme, members accrue a proportion of their salary earned in each year of service. In these schemes, future earnings do not affect past years' pension accrual so the unfairness of large benefits to high flyers is removed. CARE schemes are therefore fairer to members who have slower salary growth over their career. A CARE scheme provides a fairer approach to the accrual of pension over the whole of an individual's career and the final benefits paid will ensure that all members are treated equally.

If it is thought that the majority of part-timers are women and that part-timers are less likely to be "high flyers", then a move to a CARE scheme would produce a fairer outcome for this group of members, both between men and women, and between full-time and part-time members.

There can also be discrepancy between "high flyers" which a CARE scheme addresses. It avoids the circumstances of two individuals, one of whom reaches the higher salary grades at an early age and one who has a change in grade near the end of their career and therefore pays minimal contributions on the higher grade salary, but receives the same level of pension.

11. What assessment has been carried out on the viability of workers such as police officers and fire fighters working until 62?

The Normal Pension Date of current fire fighters set in 2008 is 5 years before States Pension Age ie Normal Pension Date is age 60 and the States Pension Age is aged 65.

The proposal is to retain the same differential between Normal Pension Date and States Pension Age and to bring police officers in line with fire fighters.

It should be pointed out that the States Pension Age will not increase from age 65 until 2020, and will then only increase gradually, and will not reach age 67 until 2031.

12. In the Treasury and Resources bulletin for the fourth quarter 2011, it was stated that the new investment policy for the superannuation fund had produced annual returns in excess of 11.4%. What changes in investment have there been since then which have affected the current position?

The 11.4% return quoted in the Treasury and Resources Bulletin for the fourth quarter of 2011 was the annual average return over the last 3 years, not the return for 2011. It included the recovery from the low point of the market in the first quarter of 2009. The return for 2011 was approximately -2.6%. The annual average returns over 2011 and 2012, ie since the last full actuarial valuation, were approximately 3.2%, below the expected return assumed in the actuarial valuation, and a major contributing factor to the worsening financial position of the scheme since the last full actuarial valuation.

The investment policy for the Superannuation Fund has not changed in any material respect since 2011.

Schedule 1 Assumptions for Costing Calculations

The assumptions used for assessing the funding target are summarised below.

Financial Assumptions

Discount rate

- before retirement 6.1% pa

- after retirement 6.1% pa

Rate of UK price inflation 3.6% pa

Rate of Guernsey price inflation (RPIX) 3.85% pa

Rate of CARE revaluation 3.85% pa

Rate of pay increases (excluding promotional increases) 4.35% pa

Rate of pension increases – Teachers Scheme 2.9% pa

Rate of pension increases – Public Servants Scheme 3.85% pa

Rate of deferred pension increases – Teachers Scheme 2.9% pa

Rate of deferred pension increases – Public Servants Scheme 3.85% pa

Demographic Assumptions

Post-retirement mortality

S1 “Light” base tables for teachers allowing for future improvements in line with CMI_2011 Core Projections assuming a long-term annual rate of improvement in mortality rates of 1.25% for men and women

S1 “All” base tables for all other members and for dependants allowing for future improvements in line with CMI_2011 Core Projections assuming a long-term annual rate of improvement in mortality rates of 1.25% for men and women

Using these tables implies the following life expectancies for a non-teacher who retires in normal health at age 65:

Life expectancy at age 65	Males	Females
Current 65 Year Old	22.2	24.5
Current 45 Year Old, assuming survival to age 65	24.0	26.4

Pre-retirement mortality

Males: Standard table AMC00

Females: Standard table AFC00

Schedule 1 Assumptions for Costing Calculations (continued)

Early retirements

Allowance has been made for retirements before the age of normal retirement by means of age related scales where members retain their current normal retirement age. Members on the new proposed benefit structure are assumed to retire at their State Pension Age (SPA), or at SPA minus 5 years for Police and Fire Officers.

Ill-Health retirements

Allowance has been made for ill-health retirements before the age of normal retirement by means of age related scales. It has been assumed that 80% of ill health retirements will relate to total incapacity.

Withdrawals

Allowance has been made for withdrawals from service by means of age related scales.

On withdrawal, for public servants 25% of members are assumed to leave a deferred pension in the Fund and 75% are assumed to take a refund of their member contributions to the Fund. For Teachers, 50% of members are assumed to leave a deferred pension in the Fund and 50% are assumed to take a refund.

Members are not assumed to exercise their option to take a transfer value.

Family details

Male members are assumed to be three years older than their spouses. Female members are assumed to be three years younger than their spouses.

85% of males and 80% of females are assumed to be married at retirement or earlier death.

Commutation

No additional commutation assumed.

Promotional salary increases

Allowance made for age-related promotional increases up to the age of 50.

Expenses

0.25% of Pensionable Pay added to the value of future benefit accrual.

Death benefits

There are no separate insurance arrangements for the Fund. The cost of providing death benefits from the Fund is included in the contribution rates payable.

Schedule 2 Cashflow summary - Consolidated Superannuation Fund

	Member contributions £m	Employer contributions £m	Total contributions £m	Benefit outgo £m
2012	12.5	27.1	39.6	46.4
2011	12.1	27.5	39.6	42.7
2010	11.7	26.3	38.0	42.1
2009	11.5	19.7	31.2	37.7
2008	10.9	16.6	27.5	36.3
2007	9.6	16.5	26.1	31.6
2006	9.4	16.7	26.1	29.6
2005	9.1	14.7	23.8	26.8
2004	8.2	12.8	21.0	24.0
2003	7.6	11.9	19.5	22.8
2002	7.1	10.8	17.9	21.3
2001	6.9	10.5	17.4	20.0
2000	6.4	9.8	16.2	18.7
1999	6.1	8.7	14.8	18.0
1998	5.7	8.3	14.0	16.0
1997	5.4	8.0	13.4	13.8
1996	5.0	11.6	16.6	13.1
1995	4.7	11.3	16.0	12.1
1994	4.5	10.7	15.2	11.3
1993	4.3	10.6	14.9	10.1

Schedule 3 Example benefits - above salary cap case

Final pay	= £100,000 pa
Career average revalued earnings	= £64,960 pa
Scheme pension based on 1/80th accrual	= $47/80 \times £64,960 = £38,164$ pa
Scheme lump sum	= $3 \times £38,164 = £114,492$
This lump sum converts into a pension of	= $£114,492 / 20 = £5,725$ pa
Pension from pay above salary cap	= £5,593 pa
Lump sum from pay above salary cap	= £16,778
This lump sum converts into a pension of	= $£16,778 / 20 = £839$ pa
Total pension	= $£38,164 + £5,725 + £5,593 + £839 + £10,028$
	= £60,349 pa
	= 60% of pre-retirement income

APPENDIX 4

COMMENTS ON THE JWG PROPOSALS

Attached is an extract from the Staff Side letter with comments on the Joint Working Group proposals – these are numbered for reference.

1. **Revaluation during period to retirement**
3. **Accrual Rates**
4. **Protection Period**

These points should be considered together.

In respect of each of these points the Staff Side make comparisons with UK schemes.

Whilst the JWG has chosen not to “slavishly follow” UK developments it is understandable and legitimate to make such comparisons. However, it is important that such comparisons take into account the full range of relevant factors and not to “cherry pick”.

It should first be noted that the proposed arrangements for future service in both the UK and Guernsey are CARE benefits with Normal Pension Age linked to State Pension Age. Leaving aside the UK State Pension Age increasing earlier and further than the Guernsey State Pension Age these features are common.

In the calculation and comparison of benefits the central factors are:

- * the accrual rate;
- * the revaluation during the period to retirement;
- * the revaluation post retirement;
- * the contribution made by members for the benefit; and
- * the protection of existing members.

The JWG took all these factors into account in formulating its proposals.

The Staff Side mention the factors which they consider compare unfavourably with those in the UK scheme.

The Staff Side do not mention the factors where the UK schemes compare unfavourably with the Guernsey proposals. In particular:

- * revaluation post retirement;

The UK has changed from RPI to CPI revaluation. This change impacts significantly on both accrued benefits (for retired members and those still in employment) and for future service under the CARE arrangements.

The significance of this change should not be underestimated – which is no doubt why UK unions including Prospect, NASUWT, FBU and the Police Federation challenged (unsuccessfully) through judicial review.

A similar move in Guernsey could reduce the value of accrued benefits by approximately 15% - thereby eliminating the £150m deficit – and impact on future service.

- * member contribution rates;

The JWG proposals include an increase in member contribution rates of 1.5%.

The UK changes include an increase in average member contribution rates of 3.2%.

Our view is that taking all factors into account the JWG proposals are not, overall, less favourable than the UK proposals.

In the event of the Staff Side wishing to adjust the JWG proposals based on UK comparisons it would be equally valid for the Employer's Side to expect the cost of any change to be met by a reduction in the value of accrued benefits or increased member contribution rates based on UK comparisons.

2. Revaluation cap

The UK public sector schemes are pay-as-you-go (PAYG) schemes, as no advance funding has been made (i.e. benefits are paid for out of general revenue, rather than from a scheme's assets). The Superannuation Fund is not a PAYG scheme, as the States have made advance provision for paying future benefits, before the benefits actually become payable. This has helped to avoid some of the problems that the UK is experiencing due to their PAYG approach. However, the Fund is currently mismatched with the nature of the liabilities, i.e. the Fund is not invested fully in matching assets such as index-linked gilts but is invested in higher risk assets such as equities, in an attempt to gain higher investment returns and reduce the cost of the scheme. This means that there is a significant inflation risk in the scheme because the value of the liabilities could rise significantly (if expectations of inflation were to rise) without a corresponding rise to the value of the assets. In order to reduce this risk, the States of Guernsey have limited the rate of CARE revaluation (ie increases above the cap are not guaranteed). An alternative way for the States to reduce this inflation risk would be to invest in index-linked gilts. However, this would significantly reduce the expected return on assets and hence significantly increase the expected cost of the scheme.

5. The Public Sector Transfer Club

The central purpose and benefit of membership of the Public Sector Transfer Club is to enable members to transfer between schemes whilst retaining the final salary link.

The suggestion appears to be that our scheme may not be able to be a member of the Club because as a general rule CARE schemes cannot belong. However, that clearly will not remain the case – if it did there wouldn't be any public sector schemes in the Public Sector Club because they are all going to be CARE schemes.

The Club Rules are currently under review. Given that the framework proposed by the JWG (CARE, NPA linked to SPA etc) are similar to those for UK Public Sector Schemes there seems no reason why we couldn't retain membership.

What should be noted, however, is that the importance of Club membership will diminish over time. As explained above, Club membership facilitates the retention of the final salary link. Under CARE arrangements there is no final salary link to retain!

6. Employer Contribution Rate

As stated in The Case for Change paper, the Policy Council, after consultation with Treasury and Resources, set the ceiling for the future service contribution rate at 14%, broadly the current rate being paid.

If higher regular contributions were required to be paid into the scheme than the current rate, then savings would have to be made elsewhere within the States' budget to afford the additional contributions, for example, by reducing services or head count. The alternative would be to raise taxes in order to afford the additional contributions.

The Policy Council, after consultation with Treasury and Resources, did not believe either of these two options were appropriate, particularly in view of Guernsey's short to medium term fiscal pressures. Accordingly, the cap was set at 14%.

The cost of the benefit structure proposed by the Joint Working Group was an initial contribution rate of 12% of pensionable salaries (together with a member contribution rate of 8% of pensionable salaries). This rate will change over time as the age, sex profile of the membership changes and the proportion of the membership affected by the guarantee reduces.

It was thought important to have a buffer between the estimated cost of the proposed new structure and the fixed cost ceiling (14% of pensionable salaries) to ensure that the ceiling was not breached shortly after the structure was introduced, which would then necessitate a change to the new structure. The buffer will attempt to ensure that the new structure is sustainable in its present form. We understand that, for a similar reason, in the UK public sector schemes, the fixed cost ceiling will be set 2% above the employer contribution rate calculated ahead of the introduction of the new schemes.

However, it should be noted that the employer's contribution may at times be above 14% as the employer is retaining all the investment risk and other risks. If investment return is lower than expected, additional employer contributions may be required. There are also additional risks which the employer is retaining (which are outside the fixed cost ceiling) for example the risk that members commute less pension than assumed or the risk that

members retire earlier than expected, which may impact upon the contribution rate paid by the employer.

7. Funding Risks

There is not a highly competitive market in Guernsey for the buy in of pensioner liabilities; there are only 2 providers willing to provide quotations. However, using the annuity market to transfer the longevity risk to a third party (and as a result, transfer the post retirement investment risk as well) would significantly increase the expected cost of providing benefits and lead to a significant worsening of the current funding position. This is because insurance companies are providing guarantees and are required to invest in low risk assets such as gilts. These low risk assets have much lower expected investment returns than the assets that the Superannuation Fund is currently invested in and therefore the expected cost of using the annuity market is significantly higher due to the effective change in investment strategy from the current higher risk/return Superannuation Fund investment strategy to the lower risk/return insurance company investment strategy. Annuity providers will also take into account increased longevity and expected increasing longevity of pensioners in their pricing structures.

T Harnden
Employer's Side Secretary

EXTRACT FROM STAFF SIDE LETTER OF 31 MAY 2013

The 'economic case' for change, and indeed the recent Report of the Public Sector Pension Review Joint Working Group to the Pensions Consultative Committee dated 21 February 2013, which was not fully endorsed by the Staff Side, both make references to consideration being made to comparative pension schemes in the UK.

- 'Inflation 1 - the UK basis of CARE revaluation was based on replicating average earnings growth, for which CPI + 2.25% was accepted as a proxy. The 2.25% was derived from assumptions that earnings would grow by 1.5% above RPI and RPI would be 0.75% above CPI (a much lower margin than the 1.3% to 1.5% set out in the 'economic case'). The Guernsey proposal of RPIX revaluation is deemed equivalent to RPI + 0.5% which is clearly a much lower rate (i.e 1% less) than the rate from which the UK proposals are derived'. 1
- Inflation 2 – few, if any, revaluation caps apply in comparative UK Schemes, yet a cap is to apply in Guernsey which both experiences and targets higher inflation (measured on an RPI) basis. This means that the Guernsey cap is more likely to be engaged and where it is, will affect members not only in the application of the cap but in the salary increase risk sharing mechanism as proposed. 2
- Accrual rates – whilst the proposed rates in the UK differ as between the comparator schemes, the rates are all variations on a specified cost basis which was not intended to reduce accrual below current levels. The Guernsey proposals reduce the current accrual rates, which in turn are materially lower than those in the UK. 3
- 'Protection period for those close to retirement- the Guernsey proposal is to protect only the pension age for those within five years of their normal pension date when the new scheme is introduced. The UK proposal is that those within seven years of their current normal pension date when the new scheme is introduced in 2015 would retain membership of their current scheme and not be subject to any aspect of the new scheme and a further tranche of people would be subject to tapered protection whereby they would retain membership on current terms for a limited period. The Guernsey proposals offer less extensive protection to a much smaller group of people' 4
- The Public Sector Transfer Club – the extent to which the proposed Guernsey provisions would entitle continued membership of the Transfer Club, without membership of which the PSRC states in its 13 September 2006 Review of Public Sector Pension Schemes "*it would be difficult to recruit key workers from the UK*", appears not to have been considered, and in particular paragraph 7.22 of the March 2012 Club Rules which states: 5

"As a general rule, schemes that provide benefits on a 'career average revalued earnings' (CARE) basis cannot belong to the Club."

Whilst it is possible that amendments to the Club Rules may be made, it would be prudent to explore what features Guernsey may need to adopt in any revised scheme to retain membership.

- Employer contribution rate – the economic case does not indicate that the scheme is currently unaffordable, rather that it may become so and therefore it should be questioned why the employer contribution rate at approximately 14% of pensionable salary should be reduced to 12%. 6
- Funding risks – the economic case states that “*given the uncertainty over future longevity these largely unreformed arrangements are not sustainable*” and gives this as the reason for the proposed changes. A highly competitive market in the UK for the buy-in of pension benefit risk has developed, yet no consideration of this has been undertaken as an alternative to making the proposed structural changes to the scheme. Longevity, and other risks, may be transferred to third parties removing the requirement for such wide ranging proposals to the benefit structure of the scheme depending on the costs involved and exploration of this may be merited. 7

APPENDIX 5

Without Prejudice**PUBLIC SECTOR PENSION REVIEW****Proposal for future pension provision****1. Introduction**

This paper sets out in detail the proposal for the future pension provision for States' employees.

This paper sets out the proposal both for accrued benefits to the date of the change and for future service arrangements. In this paper the proposed arrangements for future service benefits are referred to as the new structure.

It is proposed that the new structure would apply from 1 January 2015* (called the implementation date in this paper) to new members on or after that date and to the future service of members already in the scheme on that date (*Proposal 9***), subject to the protection arrangements agreed, as detailed in section 2.5. (*Proposal 10***)

2. Accrued benefits**2.1 Pensioners and deferred pensioners**

It is proposed that the accrued benefits of pensioners and deferred pensioners should be unaffected by the proposed changes. This includes benefits potentially payable on death.

It is proposed that future pension and deferred pension increases from the implementation date will be based on the increases in RPIX rather than the increases in the RPI.

2.2 Active members

Active members are employees who are in the service of the States and members of the Scheme on the day before implementation date.

The proposal is that active members' accrued benefits up to the day before implementation date would continue to be linked to their salary up until the date they leave the service of the States, leave the Scheme, die or retire (whichever is the earlier) ie members' accrued benefits would retain the final salary link while the member remains in the States' employ and as a member of the Scheme.

The proposal is that members' accrued benefits up to the day before implementation date could be received in full from the member's current Normal Pension Date if the member retires at that date.

For example, consider a pre 2008 active member who has a current Normal Pension Date of age 60. If he/she retires at age 60, accrued benefits earned up to the day before implementation date would be payable in full ie would not be reduced. If he/she retires prior

to age 60, these accrued benefits would be reduced for early payment (based on years before age 60).

For the avoidance of doubt, it is not proposed that a current active member will be able to start to receive their accrued benefits at their current Normal Pension Date whilst remaining in service and accruing benefits under the new structure, unless the arrangements for flexible retirement apply.

2.3 Death benefits/ill health benefits

If an active member were to die in service, in deferment or after retirement, a spouse/qualifying partner/children's pension would be paid based on the accrued benefit only. (Any enhancement to benefits would be paid from the new structure.)

For example if an active member has accrued 10 years of service at implementation date and dies in service 5 years later when his/her final salary has increased to £30,000, a spouse's pension of

$$10/160 \times £30,000 = £1,875 \text{ pa}$$

would be paid. (The pension to a qualifying partner would be based on service qualifying for this benefit.)

A similar calculation would apply on death in deferment or death in retirement.

For the avoidance of doubt, any enhancement to the death in service benefits and the lump sum payable on death in service would be available from the new structure, together with a benefit based on service under the new structure.

The calculation of a pension on ill health would follow similar principles. The benefit would be based on accrued service only whatever the level of incapacity, any uplift would be provided through the new structure, together with a benefit based on service under the new structure.

2.4 Pension and deferred pension increases

It is proposed that pension and deferred pension increases to active members' accrued benefits to the date of implementation will be based on increases in the RPIX.

2.5 Protection for members approaching Normal Pension Date (Proposal 10**)

It is proposed that protection will be given to active members who are contributing members of the scheme and within a period of 10 years before Normal Pension Date (but no younger than age 45) at 31 December 2013.

It is proposed that active members who are within a period of 10 years before their current Normal Pension Date (but no younger than age 45) will retain their current Normal Pension Date within the new structure ie these members will accrue benefits as set out in section 3 below, however their Normal Pension Date will not increase from its current date.

3. **New structure**

3.1 Hybrid arrangement

The new structure is proposed to be a hybrid arrangement. This would be made up of a Career Average Revalued Earnings Scheme (CARE scheme) for earnings up to a cap. (*Proposal 1 and Proposal 5***)

Employer and member pension contributions on pensionable pay above the cap will be paid into a new defined contribution section within the new structure. (*Proposal 2***) This defined contribution section would be established as part of the Superannuation Fund. The new defined contribution section will be available to enable all members to pay additional voluntary contributions.

3.2 The details

The details are as follows:

- the CARE accrual rate is proposed to be 1/80th for pension and 3/80th for a separate lump sum.
- the earnings cap is proposed to be £85,552. This will increase in line with civil service pay (grade SO6). (*Proposal 2***)
- the CARE indexation both in the period to retirement and once in payment is proposed to be the increase in the Guernsey RPIX, subject to a maximum increase in any year of 6%. However, if the increase in the RPIX for the 12 months ending on the preceding 30 June on which the increase is to be based has exceeded 7.5%pa and the increases for the 12 months ending on the preceding 31 December and 31 March have also exceeded 7.5%pa, the Policy Council on advice from Treasury and Resources will have the authority to consider whether the increase to be awarded for that year should exceed 6%. They will take into account, amongst other matters, the funding position of the scheme and the general position of the States' finances. For the avoidance of doubt, separate decisions would be made regarding the indexation in the period to retirement for current employees, the indexation in the period to retirement for deferred members and the increase to be awarded to pensioners. (*Proposal 6***)
- Normal Pension Date (NPD) is proposed to be linked directly to the Guernsey State Pension Age (SPA). If SPA is amended in the future, this would automatically trigger a change to NPD for all members for all benefits earned from the implementation date. In conjunction with this members would have a right to work up until the SPA. (*Proposal 7***)
- NPD will be age 60 or SPA less 7 years, if higher, for members of the police force and fire fighters, and nurses and mental health officers who currently have an NPD below age 60, who remain in service until age 55. At this age or above members may defer payment of

benefits until NPD or draw benefits actuarially reduced with reference to NPD. Other deferred members of these groups will have an NPD of the SPA. The employer will be able to determine that a police officer or firefighter who is at least age 55 but less than NPD should be retired from the service having regard to the economical, effective and efficient management of the service and the costs likely to be incurred in that particular case. In such a case the pension awarded would be the accrued pension. (*Proposal 8***)

- no other special terms will apply to any other groups of members.
- there will be no cap on the maximum number of years of pensionable service.
- if members retire before NPD their benefits will be actuarially reduced for early payment.
- members will retain the current option to take flexible retirement, if their pensionable pay reduces. The earlier accrued benefits would be paid first.
- spouse/qualifying partner pension death benefits will accrue on a CARE basis at an accrual rate of 1/160th (the current accrual rate) and children's pensions at the current accrual rate also.
- an enhancement will apply to death in service pensions and Total Incapacity pensions based on one half of the remaining prospective reckonable service to NPD (the same as the current enhancement).
- a death in service lump sum of 3 times annual pay would be paid.
- on death in retirement, the level of the member's pension would continue to be paid for 3 months following death, if death occurs 5 years or more after retirement.
- on death in retirement within 5 years of retirement, a lump sum would be paid equal to the balance of the pension payments that would have been made to the end of the 5 year period, at the rate in force at the date of death.
- standard member contributions of 7% of pensionable pay would be paid from 1 January 2015 and 7.5% of pensionable pay from 1 January 2016.***
- additional contributions of 2.25% of pensionable pay (ie a total of 9.75%) would be paid by members of the police force and fire fighters to reflect their earlier NPD. Those currently contributing 9.5% or 11% will contribute 9.75% with effect from 1 January 2015 and those currently contributing 6.5% or 8.5% will contribute 8.5% with effect from 1 January 2015 and 9.75% with effect from 1 January 2016.***
- the definition of pensionable pay will be unchanged from the current definition (ie basic pay plus shift pay plus certain allowances; overtime is not included).
- redundancy benefits would be based on the accrued pension within the CARE arrangement (and within the current arrangement). The member would be treated as a normal leaver and special terms would not apply.

- members would be able to commute part of their pension to receive an additional lump sum. A total lump sum of up to 30% of the value of their retirement benefits would be available. The commutation would be at a rate of £1 pa of pension for £12 lump sum (the current commutation rate).
- deferred benefits would be available after 2 years' service; a refund of member contributions or a transfer value would be available for less than 2 years' service. A refund or transfer value would be available at any time. For the avoidance of doubt, pensionable service to the implementation date will count towards the 2 years' qualifying service.
- transfers in on the Transfer Club basis would be permitted for members who used to work in the UK public sector. These transfers would follow Club rules. Members may pay contributions to make up "lost" service caused by part of their UK pension being a Guaranteed Minimum Pension. All other transfers in from non-Club schemes would be paid into the defined contribution section.
- the new structure would be compulsory for all new staff including part timers who are employed after the implementation date, excluding temporary workers.
- the employer contribution paid on pensionable pay above the cap is 12% of pensionable pay. The member contribution is at the standard rate.
- no new Additional Voluntary Contributions (AVCs) contracts will be permitted for added pension. All new AVCs would be paid to the new defined contribution section.
- the benefit structure as set out above would apply to the Actuarial Accounts, ie to Guernsey Electricity Limited, Guernsey Post Limited and Guernsey Financial Services Commission. The fixed cost ceiling would not apply.

3.3 How a CARE scheme would operate

The proposed CARE scheme would operate on a calendar year basis. A member's pensionable pay would be determined for each calendar year. If the pay award is late, the basic pay would be assumed to be effective from the backdated date of the award. Pensionable pay supplements will be counted in the year they are received.

For example, a pay award due on 1 October 2015 is settled in February 2016. Back payments of basic pay and pensionable supplements are made in March 2016. For the purposes of calculating pensionable pay for 2015, the basic pay award would be counted from October 2015. The increased pensionable supplements would be counted in the 2016 calculation of pensionable pay.

Pensionable pay will be determined for each calendar year and the accrued CARE pension calculated for that year. The first increase will apply from the 31 December of the year following the accrual based on the RPIX for the previous June. For example, considering pension accrual:

Year	:	2015
Pensionable pay	:	£30,000
CARE accrual	:	$1/80 \times £30,000 = £375$
First increase	:	31 December 2016, based on June 2016 RPIX (capped at 6%)

3.4 How the defined contribution section would operate

Employer and member contributions on pensionable pay above the cap (initially £85,552) will be paid into a new defined contribution section. For example, consider a person who earns £100,000 pa. The employer contribution into the defined contribution section would be:

12% of (£100,000 - £85,552)

= 12% of £14,448

= £1,734

The member contribution would be:

7.5% of (£100,000 - £85,552)

= 7.5% of £14,448

= £1,084

All members will have the option of paying voluntary contributions into the defined contribution section.

There will be a range of investment funds available within the defined contribution section. Members will have the option to select how their contributions are invested, otherwise there will be a default investment selection, determined by Treasury and Resources.

A member's contributions will accumulate with the investment returns of the selected funds, up until retirement. At that time a member will use the accumulated funds to purchase an additional pension and/or provide an additional lump sum.

3.5 Fixed cost ceiling (Proposal 4**)

A fixed cost ceiling of 14% of pensionable pay will apply to the employer's contribution for standard employees. The cost of the new structure would be reviewed at each triennial valuation. If the cost of the new structure exceeds this, then negotiations will take place to either reduce future accrual or increase member contributions (or both). If agreement is not reached then the accrual rate will be reduced to limit the employer's contribution to 14% of pensionable pay. The fixed cost ceiling will include

- the future service contribution rate
- any past service costs (within the new structure) relating to improving longevity of active members

All other past service costs including any additional costs if investment return is lower than anticipated will be met by the employer.

There will be a floor to the employer's contribution rate for standard employees calculated in relation to future service benefits (and the saving within the new structure arising from reduced longevity for active members' past service benefits) equal to the member contribution rate.

3.6 Benefit statements

Benefit statements in relation to benefits accrued under the new structure would be available in May each year and will show benefit accrual over the previous calendar year and total accrued benefit at the previous 31 December.

**Now intended from 1 May 2015*

***Refers to the Proposals in the Policy Council's report (paragraphs 65 – 101)*

****As, initially, only new members will be affected and current members will be unaffected by the changes in 2015, the staging of contribution rates will not apply ie new members will pay contributions of 7.5% of pensionable pay (9.75% for members of the police force and fire fighters).*

States of Guernsey Superannuation Fund ("the Fund")

Date: 8 November 2013

Prepared for: States of Guernsey Treasury and Resources Department

Prepared by: BWCI Consulting Limited

Reference: C1324675.3

Employer's proposal for future pension provision Costings for the Combined Pool section

1. Introduction

We have considered the future cost of the Employer's final proposal for future pension provision for States' employees.

The cost will depend upon three key factors:

- the benefit structure proposed
- the actuarial basis adopted for the calculation
- whether the actuarial assumptions are borne out in practice, in particular whether the assets produce the return assumed within the valuation basis

It should be noted that the actual cost of providing pensions depends upon the actual experience of the Fund; the increases awarded to benefits, when members retire, how long they live etc.

2. Assumptions

The assumptions used have been based upon the 2010 actuarial valuation basis, but with two significant changes.

For the valuation the discount rate used to calculate the liabilities was set equal to the rate of UK inflation over the appropriate mean term of the liabilities at the valuation date plus 3.25% pa. This assumption reflects the investment strategy currently adopted. For the costing exercise we have reduced the discount rate to be equal to the rate of UK inflation plus 2.5% pa, again, based on the investment strategy currently adopted by Treasury and Resources. This change reflects a more prudent funding basis.

A more prudent funding basis for the new structure has been recommended for the following reasons:



- the investment strategy for the new structure may be more prudent
- even if the new investment strategy of the new structure is the same as the current scheme, Treasury and Resources may wish to adopt more prudent valuation assumptions and to be more cautious, to reduce the likelihood of a shortfall arising
- as a fixed cost ceiling is to be introduced, Treasury and Resources may fund on a prudent basis so it is less likely that the cost ceiling will be reached
- if high investment returns are assumed and not produced, this will create a shortfall within the new structure. Treasury and Resources will not wish to establish a new structure that is only viable if ambitious investment returns are achieved.
- if the new structure requires high investment returns, this will require an aggressive investment strategy over the long term. This can lead to volatile returns and funding levels.
- the funds to pay for the benefits from the new structure will come from investment returns, employee contributions, and employer contributions. To the extent that the funds are not achieved from investment returns, they would need to be met from employer contributions. Any shortfall arising from lower than expected investment returns is not proposed to be part of the fixed cost ceiling cap and would need to be met by the employer.
- it is important the cost of the new structure is based upon appropriate assumptions which are compatible with the investment approach adopted so that the new structure is sustainable.

Our assumptions for future salary increases include an age based allowance for future promotional increases. After discussion, it was felt that these assumptions included excessive allowance for promotional increases for older members, who would for the most part have already reached the top of their relevant salary scales. We have therefore capped these increases at age 50, such that no further promotional salary increases are assumed from that age onwards.

In addition, we updated the post retirement mortality basis to include more up-to-date improvement factors.

Full details of the assumptions used are set out in Schedule 2.

3. Proposal for new structure

We have based our calculations on the following proposed benefit structure for future service for all employees:

- a Normal Pension Date equal to State Pension Age (SPA), except for Police and Fire Officers, who will retain a Normal Pension Date of age 60 or SPA minus 7 years, if higher.
- accrual of benefits in line with a Career Average Revalued Earnings structure, such that the salary used to calculate benefits is averaged over each member's remaining service.



Each salary used in the calculation is revalued in line with Guernsey RPIX (capped at 6% pa) up to retirement.

- the rate of accrual of members' pensions will be $1/80^{\text{th}}$ for each year of service.
- there is an attaching terminal grant on retirement with an accrual rate of $3/80^{\text{th}}$ for each year of service, and members may commute additional pension to receive an additional lump sum benefit.
- the rate of accrual of spouses' and qualifying partners' pensions will be $1/160^{\text{th}}$ for each year of service, unchanged from the current rate.
- the employee contribution rate would be 7.0% of salary for all members other than police/fire from 1 January 2015, increasing to 7.5% from 1 January 2016.
- members who are within 10 years of their Normal Pension Date (but no younger than age 45) at 31 December 2013 will retain their Normal Pension Date. The cost of this protection would be met by the Employer.

4. Cost of Current Benefit Structure

At the last valuation the base employer future service contribution rate for the Combined Pool section was calculated as 13.9% of salaries. Additional contributions are payable in respect of members of certain sections who have enhanced benefits.

Based on the revised assumptions detailed above the updated base employer future service contribution rate for the Combined Pool section is 16.2% of salaries. The increase from the current rate is caused by the reduction in the discount rate, reflecting the more cautious approach being taken to fund the new structure.

5. Cost of Proposed Benefit Structure

Based on the proposed structure detailed above, we have calculated that the initial base employer future service contribution rate for the Combined Pool section from 1 January 2015 would be 13.5% of salaries (reducing to 13% of salaries from 1 January 2016). The rate will change over time as the age/sex profile of the membership changes and the proportion of the membership affected by the guarantee reduces. This rate reflects the effect of the guarantee to members who are within 10 years of Normal Pension Date on 31 December 2013.

Schedule 1**Summary of Results**

The costs below reflect the initial employer future service contribution rate, costed using the assumptions set out in Schedule 2.

Benefit Structure	Combined Pool	
	Standard Contribution Rate Employer	Standard Contribution Rate Employee
<i>Final Salary</i>		
Current structure (Final Salary)	16.2%	6.5%
<i>Proposed CARE Structure</i>	13.5%	7.0%

Schedule 2 Assumptions for Costing Calculations

The assumptions used for assessing the funding target are summarised below.

Financial Assumptions

Discount rate	
- before retirement	6.1% pa
- after retirement	6.1% pa
Rate of UK price inflation	3.6% pa
Rate of Guernsey price inflation (RPIX)	3.85% pa
Rate of CARE revaluation	3.85% pa
Rate of pay increases (excluding promotional increases)	4.35% pa
Rate of pension increases – Teachers Scheme	2.9% pa
Rate of pension increases – Public Servants Scheme	3.85% pa
Rate of deferred pension increases – Teachers Scheme	2.9% pa
Rate of deferred pension increases – Public Servants Scheme	3.85% pa

Demographic Assumptions

Post-retirement mortality

S1 “Light” base tables for teachers allowing for future improvements in line with CMI_2011 Core Projections assuming a long-term annual rate of improvement in mortality rates of 1.25% for men and women

S1 “All” base tables for all other members and for dependants allowing for future improvements in line with CMI_2011 Core Projections assuming a long-term annual rate of improvement in mortality rates of 1.25% for men and women

Using these tables implies the following life expectancies for a non-teacher who retires in normal health at age 65:

Life expectancy at age 65	Males	Females
Current 65 Year Old	22.2	24.5
Current 45 Year Old, assuming survival to age 65	24.0	26.4

Pre-retirement mortality

Males: Standard table AMC00

Females: Standard table AFC00

Early retirements

Allowance has been made for retirements before the age of normal retirement by means of age related scales where members retain their current normal retirement age. Members on the new proposed benefit structure are assumed to retire at their State Pension Age (SPA), or at age 60 or SPA minus 7 years, if higher, for Police and Fire Officers.

Schedule 2 Assumptions for Costing Calculations (continued)

III-Health retirements

Allowance has been made for ill-health retirements before the age of normal retirement by means of age related scales. It has been assumed that 80% of ill health retirements will relate to total incapacity.

Withdrawals

Allowance has been made for withdrawals from service by means of age related scales.

On withdrawal, for public servants 25% of members are assumed to leave a deferred pension in the Fund and 75% are assumed to take a refund of their member contributions to the Fund. For Teachers, 50% of members are assumed to leave a deferred pension in the Fund and 50% are assumed to take a refund.

Members are not assumed to exercise their option to take a transfer value.

Family details

Male members are assumed to be three years older than their spouses. Female members are assumed to be three years younger than their spouses.

85% of males and 80% of females are assumed to be married at retirement or earlier death.

Commutation

No additional commutation assumed.

Promotional salary increases

Allowance made for age-related promotional increases up to the age of 50.

Expenses

0.25% of Pensionable Pay added to the value of future benefit accrual.

Death benefits

There are no separate insurance arrangements for the Fund. The cost of providing death benefits from the Fund is included in the contribution rates payable.

Our Ref: PB//S00007-0003/PB/L4

By email and post

**Strictly Private and Confidential
For Attention of Addressee Only**

The Chief Minister
c/o Policy Council
The States of Guernsey
Sir Charles Frossard House
La Charroterie
St Peter Port
Guernsey
GY1 1FH

18 February 2015

Dear Sir

Re: Review of Public Sector Pensions

Introduction

1. This letter outlines the action which we suggest the Policy Council must now recommend should be taken by the States in connection with its proposals to make changes to the Public Servants' Pension Scheme and the Teachers Superannuation Scheme, given the failure to agree any satisfactory compromise with ASEO representatives at the recent mediation. If no compromise could be reached, the Policy Council has previously confirmed that it is minded to recommend that the States approve a move to initiate forthwith legal action in the Royal Court of Guernsey to establish whether it has power to implement changes to the Scheme even in the event of failure to secure agreement to those changes.
2. Accordingly, this letter describes the process which will be adopted and explains why we believe that an application to the Guernsey Court is appropriate in this case. It will also address the important practical matters of how much we estimate the application would cost, and who should meet the cost, as well as who should (and how they should) be represented before the Court and how that can best be achieved. We are aware that this advice will be attached to the Report to be presented to States members ahead of the States meeting to take place on 28 April 2015. One essential point to make clear from the outset is that what this letter is concerned with is the position for current members of the Schemes only. As is made clear from paragraph 4 of the Report, the intention is that from 1 May 2015 new members will be engaged on the Schemes' revised terms, that is, on terms that incorporate the ten proposals set out in paragraphs 66 – 101 of the Report. States members will of course need to approve the measure for new members as well as for current ones, but to repeat, the process

described in this letter applies only to current members.

The proposed Court application for declaratory relief

3. The proceedings contemplated would be for what is known as declaratory relief, that is, for the Royal Court to declare conclusively whether or not a particular state of affairs exists. For reasons which are explained below, the changes to the Pension Schemes amount to changes to States employees' terms and conditions of employment. There is, however, again for reasons which will be explained below, a doubt as to whether or not the changes may be made. That doubt will be resolved by the application for declaratory relief. The specific declaration to be sought will have two distinct parts, which are, first, that the States has the implied right (or power) as an employer to make a unilateral change to an employee's terms of employment (that is, a change without the consent of the employee concerned) which adversely affects those terms; and then secondly, if it can, what (if any) constraints there are which will act as limitations on the way in which that power may be exercised. In other words, the declaration will decide whether any change to an employee's terms can be made without the agreement of that employee, which is clearly an essential first stage in the process of effecting the proposed changes to the Schemes. Crucially, however, what the application will not deal with, is whether the proposed changes themselves can be made. Instead, the intention is that if the declaration is obtained, then provided the proposed changes are not prevented by any constraints found by the Court to limit the States power to change its employees' terms of employment (on which we will advise), the changes will be implemented within six months.

Why the need for the declaratory relief application?

4. It is important to understand why to approach the matter in this way is both necessary and advisable.
5. The reason is that the States Schemes are not, as is usually the case for occupational pension schemes, written as trusts. Hence, there is (as would usually be the case) no specific trust power to vary them. Instead the Schemes are contractual in nature, with their terms forming part of the terms and conditions which each employee has with the States as his or her employer. The ability of the States to amend the Schemes' terms is therefore decided by its ability to amend its' employees' contractual terms of employment. Subject to certain limitations, the usual way in which an employer would make any such changes would be to exercise an express power in the contract itself, but the States employees' contracts do not contain such a power. Historically, changes to States employees' terms have been undertaken by a process of negotiation and hence broadly, by consent, which is an alternative way to proceed. That process works well when any such changes are positive, such as increases to pay, but not where they are negative, in the sense that they worsen the existing terms, as few if any employees or their representatives would willingly agree to that.
6. But the matter does not stop there, as a power to vary contractual terms can also be implied in favour of an employer, even if it does not appear expressly in the contract. The declaratory relief is directed

at establishing whether or not the States employees' contracts contain such a power. If the Guernsey Court granted a declaration saying the States can unilaterally vary its employees' terms, it would be saying in effect that the power to do so is implied into the employees' contracts. Whether that will be the case will be decided by looking at all the circumstances, and asking whether, broadly, it would be appropriate to find that the implied power should exist. It is our view that there is a good case for the implication of a power to enable the States to vary the terms of its employees' contracts, even without their consent, because, for one thing, to find there was no such power would have serious fiscal implications for the Guernsey public, and would prevent proper budgeting of public finances.

7. In our view there are a three clear advantages of proceeding in this way, which are
 - Any uncertainty surrounding the States' ability to make unilateral changes (that is, to make changes without the consent of employees or their representatives) to terms and conditions of employment is removed
 - If a declaration is obtained, the next step will be simply for us to say whether the proposed changes fall within the scope of the power and any limitations found by the Court to exist on the power
 - Applying for a declaration avoids the need (and saves the expense) of having the whole matter, including the merits of the proposals themselves, litigated before the Court, as the only matter for the Court will be whether there is unilateral power to make changes to members' terms and conditions of employment

What if the application does not succeed?

8. The Court application is therefore the first stage in the process of bringing the proposed pension changes into effect. The flow chart, which is **attached** to this letter, shows the process in its entirety, and the various possible outcomes at the various stages. It will be obvious from the chart that as we have already indicated, whether the States has the power unilaterally to effect the changes is central to how matters develop. To repeat, we believe there is a good chance the Court will find that there is an implied power to vary. It is important, however, to have an alternative approach in the event that the Court decides the States has no such power, as in that event a "Plan B" is needed for current members¹. The flow chart shows that Plan B will be either to maintain the status quo for the current members, to undertake further negotiation with the members and their representatives, or to make the proposed changes unilaterally and notwithstanding the Court will have denied that the States has power to do so. That third alternative is in our view, inherently unattractive, because the unions have made it clear throughout that they do not believe the States can make unilateral changes. If the States tries to make any such changes, the unions will surely regard any attempt to do so as a prima facie breach of contract, and will almost certainly therefore try to prevent the changes by an application to Court for an injunction preventing the States from making the changes or by threatening or undertaking industrial action.

¹ Not for new members joining on or after 1 May 2015, as if the States so approve, they will be entering on the new terms in any event – see paragraph 2 above;

9. We can appreciate that uncertainty as to the result of the Court application is something which States members will take into account when deciding whether to vote in favour of or against it. No Court application is ever certain. However, in addition to the points already made, the following points may assist States members in their consideration of the matter;
- A matter is a proper one appropriate for declaratory relief if there is a real and present dispute. That test is met following the failure of the mediation process, especially as ASEOS have said they do not accept the States has power to make unilateral variations of contract which worsen employees' terms of employment. It can also be used to seek resolution of a matter which remains long unresolved. Equally, however, someone cannot force an unwilling or unprepared claimant to Court to seek a declaration which may be prejudicial to that person's rights, if there are other means available to ensure no further delay in resolving the issue. Given the failure of the mediation process, it is not apparent that any better means of resolving the current deadlock exists.
 - The Royal Court can grant declaratory relief either where other relief is being sought of the Court, or (more rarely, and as the case here) in isolation in free standing proceedings.
 - The declaration (which is legally binding) can be on a matter of law (and sometimes fact) or as to the rights of the parties.
 - Declaratory relief is available in a public and a private law context. That private law context includes employment matters, where it can be an effective means for an employer to determine employment law rights.
 - The declaratory relief procedure can also be used to determine the proper construction of a contract. That would be what the States would be seeking in this case, as if granted, the declaration would clarify the extent of the States' rights to vary the contracts of employment with their staff.
 - There is no automatic right to declaratory relief. It is in the discretion of the Court whether to grant it or not, and even to reject an application as being inappropriate for declaratory relief. For the reasons given above, we doubt that will be the case here.

Summary

10. In summary then, the need for clarity on the fundamental question whether the States have power at all to vary employees' contracts without their or their representatives' consent will be obvious. If there is such a power, and the Court also clarifies what (if any) constraints there are upon its exercise, the States will be in a very strong position to decide whether their proposals for reforming the States Pension Schemes should be implemented, as it will be simply a question of us then advising on whether the proposals fall within the power. If on the other hand, the Court's decision is that it will not make a declaration or that there is no power to vary without consent, then clearly, for current members, it will be necessary to embark upon Plan B. However, any danger of an immediate breach of contract by the States will have been avoided.

Procedural matters

11. In procedural terms, the application for declaratory relief is potentially complex. However, in the next few paragraphs, we highlight some areas where we hope that there will be scope to reduce the complexities and the associated costs.
12. The first area is to do with who will be a necessary party. For the Court application to have value, it needs to achieve certainty, and certainty will only arise if those affected by the States' proposed pension changes all are bound by the Court's decision. For them to be bound, they must be present in person or properly represented before the Court in order that they are able to present their arguments for or against the declaration being sought. In short, a Court will never grant a declaration purporting to bind someone who is not before it. Here then, it is essential that anyone affected by the grant of the declaration sought is either present or properly represented by someone who can do so independently. The persons affected is a wide class, which includes all the States employees, many of whom are represented through the 14 current trades unions, and whether they are members of the main States Scheme or the Teachers Scheme, but also others such as the States Trading companies and the so-called Rule 7 members, and senior members of the judiciary.
13. The idea of having all trades unions, as well as any groups they do not represent, present and separately represented is distinctly unattractive from a costs perspective and procedurally cumbersome, if not wholly impractical. However, to confirm all that is needed is that each person is either present or is properly and independently represented. If then, a number of the individual unions or a particular group of non-unionised employees had a common voice on the issue, then they would not all have to attend and someone could appear as their class representative. The same might also be said of ASE0 if they properly could represent one or more of the unions. Essentially, what must be done is to ensure the most cost and legally effective way of conducting the proceedings, is arrived at from the outset. This is doubly important, because, as is explained later, it will most likely be the States who pays the costs of the proceedings, such costs even to extend to the reasonable costs of the other parties.
14. The way in which we would advise the States to proceed to ensure procedural effectiveness, is that once the application is lodged with the Court, the first stage would be to have an initial hearing at which the States could agree with the Court whom to join as a party, as well as a way of dealing with other matters such as service of documents and timescales, which are likely to arise in the course of the proceedings. Ahead of that hearing it will be useful for there to be dialogue between the States and say, ASE0, and any other interested parties, to try to agree as many of the issues as possible in advance. The aim would in effect be to agree so far as is possible some form of protocol, to dictate how the proceedings will be run, with a view to ensuring the fullest possible fairness to all affected, but also a proportionate costs budget.
15. The issues to be covered by the protocol could extend to agreement as to the relevant facts. In most cases, the usual course would be that detailed factual documents are served by all parties. But here, the essential facts (which concern only the terms of States' employees' contracts, and the means of amending them historically ought not to be much if at all in dispute), so that what the Court is being asked to do is to make a decision largely as a matter of law. It will not be the case, as we said above,

that the declaratory proceedings will involve (as did the mediation) a full blown debate as to whether the actual proposals to amend the Schemes are reasonable². All the Royal Court is being asked is can, as a matter of law, the States amend the Schemes at all? A statement of facts agreed between the parties would therefore assist considerably, as would any other pre-agreed means of dealing with matters such as the submission of legal arguments and disclosure of any relevant documents. These matters, once agreed, could all be included in the Court approved protocol for dealing with the matter in the fairest and yet most cost efficient way. An agreed timescale for the various stages within the protocol will also reduce the scope for further delay in a matter which public opinion might quite fairly see as having taken far too long to resolve. Indeed, whilst it is hard to be definite as to when exactly a hearing of the matter could take place, if (as we would very much hope) a workable and efficient protocol could be agreed in short time, it would not be unreasonable to expect the matter to be heard and decided by the end of 2015.

Costs

16. To have a protocol agreed is also vital in connection with costs. An application for declaratory relief is treated for costs purposes like any other litigation, so that in the ordinary course, the loser will pay the winner's costs. However, in this case it is somewhat artificial to think in terms of winners and losers, because what is being sought is certainty about a particular situation, and more importantly because whatever the result, the Policy Council is minded (rightly in our view) to recommend to the States that they fund the action, including the reasonable costs of the other parties, on the basis that it is in the public interest that the matter be determined one way or another.
17. There will, however, need to be some limit placed upon the extent to which the States will be prepared to fund other parties' costs. The commitment should be to fund reasonable costs, which in this context means the reasonable costs of taking advice upon, participating and appearing whether in person or through a representative in the Court process and presenting argument and making submissions on the matters in issue. Those matters will be solely the matters to which the declaratory relief sought relates, so that for instance, it will not be reasonable to widen the scope of the matter to include the entire debate about whether the proposed pension changes themselves are reasonable or not, as no declaration is sought about that. In other words, there has to be a funding cap, or at least clarity as to what will and what will not be funded, something which can hopefully be agreed by consent and incorporated in the protocol. It is important to note, however, that even if any party exceeds the funding cap imposed, or takes steps in the proceedings which were not within the scope of what the States agreed to cover, that does not mean the States could never be liable for any excess costs, because costs are always in the Court's discretion, so that if for example, the Court considers that the excess costs were reasonably incurred, then the States could find itself having to pay some or all of them.
18. As to the amounts involved, we have advised that our costs for preparing for and pursuing the matter through the hearing (including agreeing any advance protocol) are likely to be in the order of

² Paragraph 3 above;

£150,000 to £175,000, assuming the matter progresses in an orderly way. Estimates from anyone instructed for other interested parties should be sought at the earliest opportunity.

Yours faithfully,

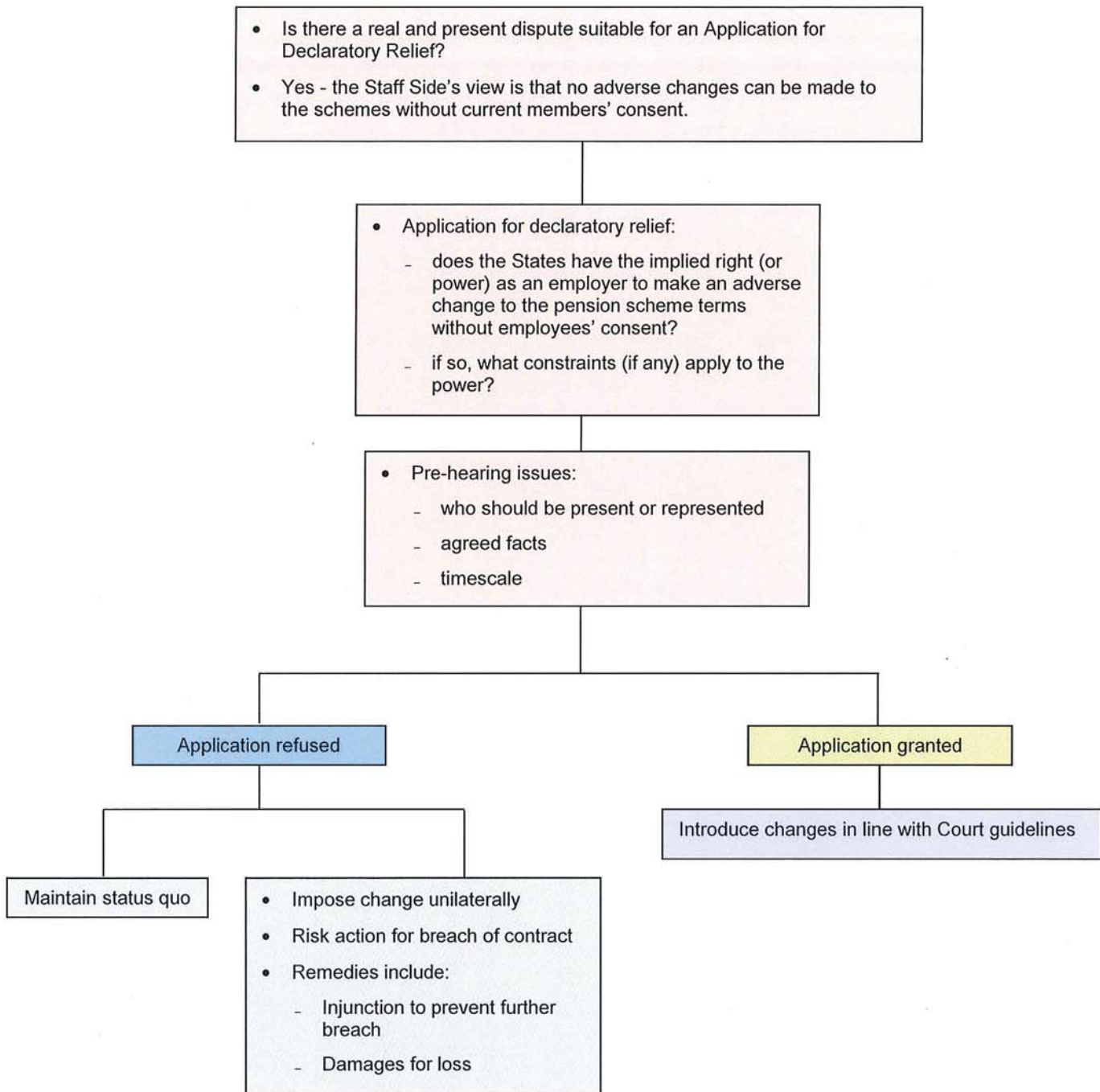
A handwritten signature in blue ink, appearing to be 'AOK' followed by a long, sweeping flourish.

AO Hall

Enc

FLOW CHART

APPLICATION FOR DECLARATORY RELIEF IN RESPECT OF CURRENT MEMBERS' RIGHTS



APPENDIX 7

MEMORANDUM OF UNDERSTANDING

The States of Guernsey Policy Council and The Association of States Employees' Organisations (ASEO) representing Public Sector Employees in Guernsey ("the parties") have since 2011 been in discussion concerning Pension provision for all Guernsey Public Sector Employees.

No agreement having been reached, the parties on 25th June 2014 agreed by the Mediation Agreement of that date to participate in a mediation.

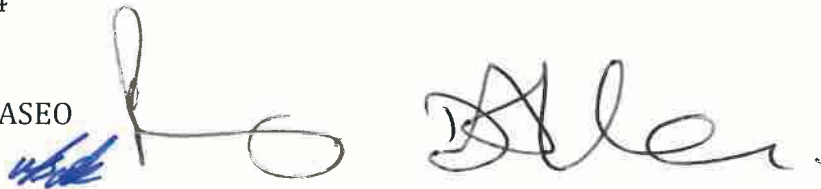
Following Mediation meetings, discussions and negotiation in Guernsey pursuant to the Mediation Agreement the parties and their representatives present today agree:

The Representatives of ASEO present today undertake to recommend to all the constituent members of ASEO at a meeting of ASEO presently scheduled for Thursday 31st July 2014 (and in the case of the NASUWT to the National Officers of that Union) that each should recommend to their members that they should vote in favour of the Proposal for Future Pension Provision in the form attached ("the Proposal").

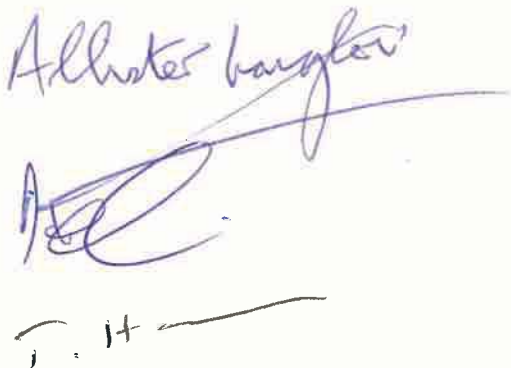
The representatives of The States of Guernsey Policy Council present today undertake to recommend to the Policy Council at a meeting of the Council presently scheduled for Monday 28th July 2014 that the Council should approve the Proposal.

Dated 21st July 2014

Signed on behalf of ASEO



Signed on behalf of The States of Guernsey Policy Council



Without prejudice within the Mediation process

PUBLIC SECTOR PENSION REVIEW

Proposal for future pension provision

1. Introduction

This paper sets out in detail the proposal for the future pension provision for States' employees.

This paper sets out the proposal both for accrued benefits to the date of the change and for future service arrangements. In this paper the proposed arrangements for future service benefits are referred to as the new structure.

It is proposed that the new structure would apply from 1 January 2015 (called the implementation date in this paper) to new members on or after that date and to the future service of members already in the scheme on that date, subject to the protection arrangements agreed, as detailed in section 2.5.

2. Accrued benefits

2.1 Pensioners and deferred pensioners

It is proposed that the accrued benefits of pensioners and deferred pensioners should be unaffected by the proposed changes. This includes benefits potentially payable on death.

It is proposed that future pension and deferred pension increases from the implementation date will be based on the increases in RPIX rather than the increases in the RPI.

2.2 Active members

Active members are employees who are in the service of the States and members of the Scheme on the day before implementation date.

The proposal is that active members' accrued benefits up to the day before implementation date would continue to be linked to their salary up until the date they leave the service of the States, leave the Scheme, die or retire (whichever is the earlier) ie members' accrued benefits would retain the final salary link while the member remains in the States' employ and as a member of the Scheme.

The proposal is that members' accrued benefits up to the day before implementation date could be received in full from the member's current Normal Pension Date if the member retires at that date.

For example, consider a pre 2008 active member who has a current Normal Pension Date of age 60. If he/she retires at age 60, accrued benefits earned up to the day before implementation date would be payable in full ie would not be reduced. If he/she retires prior to age 60, these accrued benefits would be reduced for early payment (based on years before age 60).

For the avoidance of doubt, it is not proposed that a current active member will be able to start to receive their accrued benefits at their current Normal Pension Date whilst remaining in service and accruing benefits under the new structure, unless the arrangements for flexible retirement apply.

2.3 Death benefits/ill health benefits

If an active member were to die in service, in deferment or after retirement, a spouse/qualifying partner/children's pension would be paid based on the accrued benefit only. (Any enhancement to benefits would be paid from the new structure.)

For example if an active member has accrued 10 years of service at implementation date and dies in service 5 years later when his/her final salary has increased to £30,000, a spouse's pension of

$$10/160 \times £30,000 = £1,875 \text{ pa}$$

would be paid. (The pension to a qualifying partner would be based on service qualifying for this benefit.)

A similar calculation would apply on death in deferment or death in retirement.

For the avoidance of doubt, any enhancement to the death in service benefits and the lump sum payable on death in service would be available from the new structure, together with a benefit based on service under the new structure.

The calculation of a pension on ill health would follow similar principles. The benefit would be based on accrued service only whatever the level of incapacity, any uplift would be provided through the new structure, together with a benefit based on service under the new structure.

2.4 Pension and deferred pension increases

It is proposed that pension and deferred pension increases to active members' accrued benefits to the date of implementation will be based on increases in the RPIX.

2.5 Protection for members approaching Normal Pension Date

It is proposed that protection will be given to active members who are contributing members of the Scheme and within a period of 10 years before Normal Pension Date (but no younger than age 45) at 31 December 2013. They would remain in the final salary section of the Scheme under its current terms and conditions including paying the same level of contributions as they do now.

Those members who would receive the above protection to remain in the final salary section of the Scheme would have the option of foregoing that protection and opting to move to the new structure. Such decision would need to be made within 3 months prior to the implementation date.

3. **New structure**

3.1 Hybrid arrangement

The new structure is proposed to be a hybrid arrangement. This would be made up of a Career Average Revalued Earnings Scheme (CARE scheme) for earnings up to a cap.

Employer and member pension contributions on pensionable pay above the cap will be paid into a new defined contribution section within the new structure. This defined contribution section would be established as part of the Superannuation Fund. The new defined contribution section will be available to enable all members to pay additional voluntary contributions.

3.2 The details

The details are as follows:

- the CARE accrual rate is proposed to be 1/80th for pension and 3/80th for a separate lump sum.
- the earnings cap is proposed to be £85,552. This will increase in line with civil service pay (grade SO6).
- the CARE indexation both in the period to retirement and once in payment is proposed to be the increase in the Guernsey RPIX, subject to a maximum increase in any year of 6%. However, if the increase in the RPIX for the 12 months ending on the preceding 30 June on which the increase is to be based has exceeded 6.0% pa, the Policy Council on advice from Treasury and Resources will have the authority to consider whether the increase to be awarded for that year should exceed 6%. They will take into account, amongst other matters, the funding position of the scheme and the general position of the States' finances. For the avoidance of doubt, separate decisions would be made regarding the indexation in the period to retirement for current employees, the indexation in the period to retirement for deferred members and the increase to be awarded to pensioners.
- Normal Pension Date (NPD) is proposed to be linked directly to the Guernsey State Pension Age (SPA). In conjunction with this members would have a right to work up until the SPA.
- NPD will be age 60 or SPA less 7 years, if higher, for members of the police force and fire fighters and nurses and mental health officers who currently have an NPD below age 60, who remain in service until age 55. At this age or above members may defer payment of benefits until NPD or draw benefits actuarially reduced with reference to NPD. Other deferred members of these groups will have an NPD of the SPA. The employer will be able to determine that a police officer or firefighter who is at least age 55 but less than NPD should be retired from the service having regard to the economical, effective and efficient management of the service and the costs likely to be incurred in that particular case. In such a case the pension awarded would be the accrued pension.

- For those joining from the implementation date, if SPA is amended in the future, this would automatically trigger a change to NPD for all benefits (subject to SPA less 7 years being higher than age 60 for members of the police force and fire fighters, who remain in service until age 55). For those joined before the implementation date, all benefits earned from the implementation date will be linked to the SPA currently approved (eg SPA of age 67 by 2031) but any future amendments to the SPA could be the subject of discussion within the Pensions Consultative Committee.
- no other special terms will apply to any other groups of members.
- there will be no cap on the maximum number of years of pensionable service.
- if members retire before NPD their benefits will be actuarially reduced for early payment.
- members will retain the current option to take flexible retirement, if their pensionable pay reduces. The earlier accrued benefits would be paid first.
- spouse/qualifying partner pension death benefits will accrue on a CARE basis at an accrual rate of 1/160th (the current accrual rate) and children's pensions at the current accrual rate also.
- an enhancement will apply to death in service pensions and Total Incapacity pensions based on one half of the remaining prospective reckonable service to NPD (the same as the current enhancement).
- a death in service lump sum of 3 times annual pay would be paid.
- on death in retirement, the level of the member's pension would continue to be paid for 3 months following death, if death occurs 5 years or more after retirement.
- on death in retirement within 5 years of retirement, a lump sum would be paid equal to the balance of the pension payments that would have been made to the end of the 5 year period, at the rate in force at the date of death.
- standard member contributions of 6% of pensionable pay would be paid from the implementation date.
- additional contributions of 2.25% of pensionable pay (ie a total of 8.25%) would be paid from the implementation date by members of the police force and fire fighters to reflect their earlier NPD.
- the definition of pensionable pay will be unchanged from the current definition (ie basic pay plus shift pay plus certain allowances; overtime is not included).
- redundancy benefits would be subject to a separate review, with all reasonable efforts being made to complete the review by 31 December 2015.
- members would be able to commute part of their pension to receive an additional lump sum. A total lump sum of up to 30% of the value of their retirement benefits would be

available. The commutation would be at a rate of £1 pa of pension for £12 lump sum (the current commutation rate). This change would apply to the final salary section of the Scheme as well.

- deferred benefits would be available after 2 years' service; a refund of member contributions or a transfer value would be available for less than 2 years' service. A refund or transfer value would be available at any time. For the avoidance of doubt, pensionable service to the implementation date will count towards the 2 years' qualifying service.
- transfers in on the Transfer Club basis would be permitted for members who used to work in the UK public sector. These transfers would follow Club rules. Members may pay contributions to make up "lost" service caused by part of their UK pension being a Guaranteed Minimum Pension. All other transfers in from non-Club schemes would be paid into the defined contribution section.
- the new structure would be compulsory for all new staff including part timers who are employed after the implementation date, excluding temporary workers.
- the employer contribution paid on pensionable pay above the cap is 12% of pensionable pay. The member contribution is at the standard rate.
- no new Additional Voluntary Contributions (AVCs) contracts will be permitted for added pension. All new AVCs would be paid to the new defined contribution section.
- the benefit structure as set out above would apply to the Actuarial Accounts, ie to Guernsey Electricity Limited, Guernsey Post Limited and Guernsey Financial Services Commission. The fixed cost ceiling would not apply.

3.3 How a CARE scheme would operate

The proposed CARE scheme would operate on a calendar year basis. A member's pensionable pay would be determined for each calendar year. If the pay award is late, the basic pay would be assumed to be effective from the backdated date of the award. Pensionable pay supplements will be counted in the year they are received.

For example, a pay award due on 1 October 2015 is settled in February 2016. Back payments of basic pay and pensionable supplements are made in March 2016. For the purposes of calculating pensionable pay for 2015, the basic pay award would be counted from October 2015. The increased pensionable supplements would be counted in the 2016 calculation of pensionable pay.

Pensionable pay will be determined for each calendar year and the accrued CARE pension calculated for that year. The first increase will apply from the 31 December of the year following the accrual based on the RPIX for the previous June. For example, considering pension accrual:

Year	:	2015
Pensionable pay	:	£30,000
CARE accrual	:	$1/80 \times £30,000 = £375$
First increase	:	31 December 2016, based on June 2016 RPIX (capped at 6%)

3.4 How the defined contribution section would operate

Employer and member contributions on pensionable pay above the cap (initially £85,552) will be paid into a new defined contribution section. For example, consider a person who earns £100,000 pa. The employer contribution into the defined contribution section would be:

12% of (£100,000 - £85,552)

= 12% of £14,448

= £1,734

The member contribution would be:

6.0% of (£100,000 - £85,552)

= 6.0% of £14,448

= £867

All members will have the option of paying voluntary contributions into the defined contribution section.

There will be a range of investment funds available within the defined contribution section. Members will have the option to select how their contributions are invested, otherwise there will be a default investment selection, determined by Treasury and Resources.

A member's contributions will accumulate with the investment returns of the selected funds, up until retirement. At that time a member will use the accumulated funds to purchase an additional pension and/or provide an additional lump sum.

3.5 Fixed cost ceiling

A fixed cost ceiling of 14.5% of pensionable pay will apply to the employer's contribution for standard employees. The cost of the new structure would be reviewed at each triennial valuation. If the cost of the new structure exceeds this, then negotiations will take place to either reduce future accrual or increase member contributions (or both). If agreement is not reached then the accrual rate will be reduced to limit the employer's contribution to 14.5% of pensionable pay. The fixed cost ceiling will include

- the future service contribution rate
- any past service costs (within the new structure) relating to improving longevity of active members

All other past service costs including any additional costs if investment return is lower than anticipated will be met by the employer.

There will be a floor to the employer's contribution rate for standard employees calculated in relation to future service benefits (and the saving within the new structure arising from reduced longevity for active members' past service benefits) equal to the member contribution rate.

3.6 Benefit statements

Benefit statements in relation to benefits accrued under the new structure would be available in May each year and will show benefit accrual over the previous calendar year and total accrued benefit at the previous 31 December.

APPENDIX 8

(Numbers in margin are referred to in Appendix 9)

ASSOCIATION OF STATES EMPLOYEES' ORGANISATIONS

C/o AGCS
 New Jetty
 White Rock
 St Peter Port
 Guernsey

Members of the States of Guernsey

Sir Charles Frossard House

La Charroterie

St PeterPort

30 January 2015

Dear Deputies

Association of States Employees Organisations

Response to the Proposed Changes to impose the September 2013 proposals on new and current scheme members

1. General Comments

1.1. The Policy Council is recommending changes to the current public sector pension scheme which are opposed by States employees and all their 14 unions as represented by the Association of States Employees Organisations (ASEO). This document aims to address some of the myths that have been perpetuated during this process and to question what little evidence the Policy Council has provided to justify such substantial changes. There are elements in the proposed changes that could see the pensions of States employees eroded to such an extent that many might fall back onto the state for assistance.

1

1.2. ASEO is very disappointed that the Policy Council is seeking to impose an inferior set of proposals (the September 2013 proposals) to those that were

recently balloted upon (the 2014 proposals). Notwithstanding that the 2014 proposals were rejected by 10 of the 11 reporting constituent unions, imposing inferior proposals is not only unfair to the members of the union which voted to accept, but it also demonstrates the Policy Council is uninterested in maintaining industrial relations, preferring instead to punish employees for not accepting the offer.

2

1.3. ASEO is further disappointed that the 2013 valuation was delayed by such an extent that it was not released until after most unions had completed their balloting processes. Of any of the valuations since 2001, this was by far the most important in respect of making any changes to the scheme at this point. The report is usually released in the summer. It should be noted that, contrary to the picture that was being painted, the valuation report failed to show a rapidly deepening deficit.

3

1.4. It is important to emphasise that despite being in a strong position both contractually and in terms of European Convention property rights, all unions have been willing to sit down with the States to discuss possible changes, and concessions have already been made. However, all unions remain totally unconvinced by the case put forward for the extent of these changes and believe that the main driver is purely political i.e. not related to the scheme itself, and taking advantage of the UK changes. The UK economy is in a totally different place compared to Guernsey, having significantly higher levels of unemployment, annual public sector borrowing requirements and an accumulating deficit as a result of this. In comparison, Guernsey has low unemployment, a plan for a balanced budget within three years (Financial Transformation Programme) and no national debt. The UK Governments employee pensions include unfunded schemes where pensions are paid from general taxation, whereas the Guernsey scheme possesses a fund which at the last actuarial valuation in 2013 showed a surplus of £492,000 based on the funding targets of 90% for benefits accrued to 31 December 2007 and 100%

4

thereafter. On a 100% funded basis, the funding ratio was 92.2% funded, with the fund standing at £970m, considerably improved since 2010.

5

1.5. We remain convinced that the best way to bring about change is by agreement.

It is unfortunate, therefore, that the Policy Council representatives say there is no further room for discussion, despite serious concerns over some of these proposals. Since the last review of the pension scheme in 2008 there has been no evidence provided of any significant changes to life expectancy, with the latest figures published by the Policy Council¹ suggesting that, at best, life expectancy in Guernsey has plateaued. This is further exemplified by the downgrading of expected life expectancy in the latest actuarial valuation compared to the 2010 valuation.

6

7

1.6. The global financial crisis led to a reduction in the returns that are being achieved by pension funds and a reduction in the long-term predictions for real rates of return for the funds. Indeed, in 2011 there was a planned move of strategic assets to less risky alternatives as part of the superannuation fund management strategy. Against this background we are told that the fund has performed adequately, although it might be expected that, at the bottom of a recession, the fund value would be below the long-term trend line, in the same way as it will be above the line in periods of prosperity. This happened in the late 1990s and early 2000s when, coincidentally, the Employer took the opportunity to reduce its contributions whilst employees continued to pay in full. Despite the value of investments shrinking by £36m in 2011, the States accounts and actuarial valuation show that the small increase in the deficit since 2010, only £4m, has occurred, indicating the fund has returned to health which is likely to continue as the world economy continues to recover. This is further exemplified by a reduction in the deficit of approximately £60m since the interim valuation in 2012.

8

¹Guernsey Facts and Figures 2013

1.7. ASEO believes that this demonstrates excellent long-term performance during this period of relative global turmoil. With this in mind, and given that pensions are reliant on long-term rather than short-term trends, we fail to see the need for the dramatic changes that the Policy Council is recommending. It should also be noted that the role of keeping staff informed about the changes and their potential impact has been left in the main to ASEO. The Policy Council has done little to inform its States employees directly.

9

1.8. In the past, the States has supported its workers and valued what they do. The impression that is now being created is that some politicians may wish to break the unwritten covenant between the States and its employees in a bid to pander to what is essentially a political stereotype of public sector workers. Some press reporting has been extremely inaccurate and inflammatory, yet very rarely, if at all, has any member of the Policy Council sought to defend States employees or openly value their contribution to the success of this Island we live on. The most productive and efficient workforce is a valued and content one. What has happened so far is in danger of destroying all goodwill between employer and employee which, once lost, will be difficult to retrieve. At a time where the public sector is seeking improved efficiency with less staff, it is important that the remaining staff are motivated, efficient and appropriately rewarded. Governments should set an example in the fair treatment of the workforce for others to follow and not be drawn into a race to the bottom. Likewise, Governments have to show a clear and thorough process before changes of this magnitude take place, and that simply has not happened, irrespective of what the Policy Council may claim about the Joint Working Group. That report was formally rejected by ASEO nearly one year ago, due to the lack of information available to support the employer's case for change.

1.9. ASEO would ask all States members to take these issues very seriously and to remember at all times that they will have a profound effect on employees and their livelihoods, not merely numbers on a balance sheet. We are also talking about the future of public services in Guernsey. If Guernsey offers an

uncompetitive package, this will affect our ability to recruit the best teachers, nurses, police officers and other key public sector employees, and indeed some difficulties are already arising. ASEO has no doubt that these proposed changes will have a detrimental effect on Guernsey's public services for many years to come and will make us uncompetitive in terms of recruitment, both when compared to the UK and our sister Islands; Jersey and The Isle of Man. Our members have echoed a belief that private business will be better placed to poach public service staff that will be less likely to stay with the States if the Pension is not perceived to be valuable. This has the potential to leave the States vulnerable to increased recruitment and training costs and a reduction in experience levels currently enjoyed.

- 1.10. The public debate has not been about facts or the value States employees add to the Island. The employer as represented by the Policy Council has not sought to correct these errors or defend its staff in any way. ASEO firmly believes that the ill-informed debate that has taken place outside of the Pensions Consultative Committee (PCC) has suited the employers' ends and has therefore never been corrected or mitigated even to its own employees via the bridge or other communication. The demonisation of public servants has been allowed to continue unchecked and this is having a detrimental effect on morale.
- 1.11. ASEO is extremely concerned that changes are being proposed to further political objectives without any regard to the best interests of States Employees or Guernsey Public Services. A clear example of the approach that has been adopted is that when the first proposal for change was made, it contained an accrual rate of 1/100 with no lump sum, five-year protection of NPA and a salary cap at £70,000. This would have made the Guernsey scheme the worst public sector scheme in Western Europe and betrays the thinking behind these changes. This was and is nothing more than an attempt to cut contribution rates and pass risk to employees rather than share it. Any concessions have been hard won by employee representatives but, given the low starting point, they have still not reached a scheme acceptable to members. If this had been a genuine

effort to secure a workable and sustainable scheme then it would never have started at such a low point, as States employees would have been given more respect and made to feel valued. 15

1.12. There has been no economic impact assessment of these changes on Guernsey, nor any assessment of how forcing public servants to work until 67 will affect job prospects for the young and encourage them to stay on Guernsey, to avoid a whole economy reliant on elderly workers. This also applies to the failure to have any proper assessment of how certain employee groups could perform effectively in old age. 16

1.13. All the worked examples of pension provision in the Policy Council's 'case for change' document make some misleading assumptions. In fact of the five examples provided by the States the only case that shows that someone would be better off in the 2014 proposals was where they had a working life of nearly 50 years. It was the removal of the service cap alone that provided better benefits – no other aspect of the scheme was beneficial. The States assume that all retired members will have worked for 47 years and therefore receive a full pension. Evidence shows that few workers receive a full pension under the current scheme as few will have time to work the full 40-year maximum in States employment. In addition, and unacceptably, in reaching their figures of what members will receive, they have included a full state pension. Many Guernsey residents do not get a full Guernsey old age pension. The state pension should not be included in the calculations, in ASEO's view. The state pension is a separate right that all Islanders pay for separately. Private sector entities are not allowed to include the old age pension as part of their pension calculations so States employees should not have this pension used as a justification for reducing their occupational pension. Again, ASEO believes that the use of such tactics paints an unrealistic picture of pension provision and is designed to make the proposals much more attractive than they are in reality. In addition, Policy Council members have spoken publicly about the prospect of 17 18

means testing the state pension, so to include it in their own calculations to their staff could be considered misleading.

- 1.14. The employer has failed, from day one, to convince the ASE0 that we were part of an honest approach to solve a real problem. We are disappointed with the conduct and approach, which we see as an attempt to satisfy the requirement for consultation. Our member organisations are unanimous that they do not agree with the proposals and furthermore they do not trust the process that has gone before. ASE0 urges the duly elected Deputies of Guernsey to do the right thing and take your public sector workers with you on an honest, well-meaning process: A more honest process which promotes transparency in a bid to reduce the risk of distrust and fallout from an employee-perceived, agenda driven bullying approach.

2. Myths about public sector pensions

- 2.1. ASE0 would like to address some myths that have accompanied this process and have been perpetuated by some politicians both during the private discussions and in public.

2.2. Myth: The taxpayer has a say in public sector pensions which it does not have in private sector pensions.

- 2.2.1. Public sector employees enjoy exactly the same contractual rights as any other employee. Each public sector employee has a contract of employment with their employer that cannot be changed unilaterally, nor can persons not a party to that contract change its contents, nor should it be changed for the benefit of a third party. It must also be remembered that the pension benefits for public sector workers, when combined with pay, represents their total remuneration package. This is in contrast to the private sector where remuneration could include other benefits such as free medical insurance, non-contributory pension, company car, travel vouchers, subsidised mortgage rates etc, benefits which are not available in the public sector.

2.3. Myth: The taxpayer pays public sector wages and pays for their pensions

2.3.1. Although money to pay States employees' wages comes from tax revenue (any government's main source of income) that does not mean that taxpayers should have any direct influence on contracts of employment. This parallels the private sector where purchasing goods at a specific retailer would not give the right to influence the pay and conditions of that retailer's employees, despite providing the funds for said remuneration.

2.3.2. The taxpayer pays for an infrastructure of roads, schools, essential services, transport etc. The States are tasked to provide these essential services without which the private sector could not operate. To do this, the States have to employ, train and develop a wide variety of staff, many of whom are on low wages.

2.3.3. When employing staff, the States have to train, develop and remunerate them at a rate that will motivate them to perform at the required level and encourage them to stay so that their experience can be enjoyed. Where this can be done on low pay, there is a moral responsibility on the States to ensure that this package is sufficient to enable staff to provide for themselves in old age, without the need to rely on the benefit system.

21

2.3.4. The States also need to remember that without the infrastructure provided for it, the private sector would be unable to operate and public servants are essential in providing that infrastructure. Public sector employees should be highly valued and rewarded in a way that encourages loyalty, career progression and productivity. It should also be remembered that the biggest single group of taxpayers on the Island are public servants themselves.

2.4. Myth: Nobody in the private sector gets a pension like this

2.4.1. This is a sweeping generalisation and, like all such statements, is not accurate. Whilst it is true to say that during the recession some private sector

pensions have been reduced, particularly as regards final salary schemes, this is not a good thing and could leave increasing numbers of pensioners reliant on social security support. ASEO rejects the concept of equity of misery. As with all employment-related matters, the States should set the example for others to follow, and if the States engage in a race to the bottom, this will only cause further detriment in the private sector, which in turn will force more people into old-age poverty, leading to a substantially higher social security bill for the States.

- 2.4.2. This argument also assumes that we should be comparing private sector pensions with public sector ones on a like-for-like basis. This ignores the fact that, as stated above, private sector workers often have better overall remuneration packages than public sector workers. It also ignores the fact that some private sector pension schemes are non-contributory for the employee. Pay in the public sector is generally lower than in the private sector, and in some cases, e.g. professionals, considerably lower. In times of economic growth, private sector packages can far outstrip anything in the public sector, but business, by its very nature, is affected during economic recession. These changes are being proposed during a time of recession, and public sector employees are being asked to suffer the bad times but not benefit from the good times.

2.5. Myth: They are Gold plated pensions.

- 2.5.1. The average (median) public service pension in payment in Guernsey is little more than £7,000. In December 2009 the payment band with the most pensioners was £3,000 to £3,999 with over 250 members. This cannot be described as gold-plated, and any suggestion along these lines does nothing but inflame the situation. These already low figures would reduce significantly under the current proposals as we move from a final salary to career average without any improvement in accrual rates.

2.5.2. As in the private sector, there are higher paid public servants who get very good pensions, but the whole reason for change should not be based on the pensions of the small minority of staff. The political motives behind this change are shown by the constant use of higher-paid public servants, as an example, or those who it is claimed progress dramatically during the last few years of their working lives. Guernsey has to accept that to employ people at any level it has to provide an attractive overall package, and these proposals will not do that. Pensions are not a ‘perk’ but are a key element to retention and recruitment of talented staff, and contribute to the commitment of current staff. 23

2.5.3. As alluded to above, it should be remembered that one of the clear benefits which is to the clear advantage of the States are payments from the fund which would otherwise have to be met by the States, in the form of a drain on the Social Security reserves.

2.6. **Myth: These changes are not connected to FTP**

2.6.1. In its own document entitled ‘The Case for Change’ the Policy Council states that its ceiling for employer contributions of 14.1% was reached after consultation with Treasury and Resources. A report was prepared for this purpose and that report clearly states that one of the reasons why the States needs to control its expenditure on pensions is FTP. This again leads ASE0 to believe that fear of failure to deliver FTP is a key driver in this process. 24

2.6.2. It seems inconsistent that at a time the Policy Council would have you believe the pension fund is in crisis, they are proposing a reduction in the States contribution by 1% to 13%, while at the same time saying Treasury and Resources have told them a maximum of 14.1% can be afforded and stated that employee contributions should increase.

2.7. Myth: FRS 17 shows there is a £500m deficit in the fund

2.7.1. The last actuarial valuation of the fund stated that it was 93% funded. Up until 2008 this would have been above the funding target of 90% although it was then increased, as a target, to 100%. The reality of a pension fund is that all the liabilities will never be called upon at once and when the good and bad years are evened out, the Guernsey fund is still increasing in value. In other words, the value of contributions and investment returns exceeds the cost of pensions paid and is therefore sustainable.

2.7.2. The employer has used and, correctly in our view, intends to continue to use the triennial valuations of the pension fund, including its assets and liabilities, to set their contribution rates. This has in the past included periods of significantly reduced contributions. The publicity given to the FRS17 methodology is seen as a mechanism to scare the public and the States into agreeing change significantly greater than that needed to adjust the scheme to reflect the predicted real investment returns. The FRS17 methodology was also used to report that the deficit was growing at a rate of £334,246 per day, which the 2013 valuation shows is ludicrous.

2.7.3. The following is a quote from the recent UK Local Government Pension Scheme Review: ‘In particular, the calculated surplus, or deficit, will likely be different from that published in the triennial valuation. In terms of the contributions that need to be paid into the Fund, FRS17 valuations have no effect.’

2.7.4. It is generally recognised that FRS17 is a very blunt tool and one year’s deficit can become the next year’s surplus as the risk is not spread out over the employees’ lifetime but goes on the accounts as a full liability in that year.

2.7.5. Not once have any member of the Policy Council sought to correct any of the false impressions that the FRS17 calculations presents but have frequently sought to overplay its significance. When the Guernsey Press claimed that the deficit would cost each taxpayer over £12000 and was increasing by thousands every day, the silence from the Policy Council was deafening, despite the wholly inaccurate nature of the claims.

2.7.6. The inconvenient truth is the deficit in the fund shrank by £10m between 2011 and 2012 and again by £60million between 2012 and 2013 and this trend is likely to continue with the recovery. ASEO believe this to be a reason why there is such a rush to force through this change. 27

3. **Specific comments on the proposed changes**

3.1. **Normal Pension Age should move to 67 and change in line with State Pension Age**

3.1.1. ASEO opposes the linking of Normal Pension Age (NPA) and State Pension Age (SPA). SPA is not something that can be discussed via the agreed channels for pension discussions within the PCC. Further changes in the SPA will be driven by the priorities of the department that sets the SPA, which are totally different and outside of the public sector pension scheme. This could mean that States employees would have been forced to work longer just because priorities and targets for the Social Security department have led to an increase in SPA. This totally removes the employee's right to have no change to his/her pension without agreement or consultation. 28

3.1.2. The impact of this change will also impact disproportionately on those with a contractual retirement age of 60, especially those who fall outside the currently proposed protection arrangements. For them it will mean working for seven additional years and drawing a pension for seven fewer years. Their only comfort is that since they started before 2009 they will have a 29

number of years of final salary pension, although this will not be paid in an actuarially fair manner. The proposal is that, if someone retires before their new NPA, the CARE part of their pension will be actuarially reduced to reflect the increased length it will be paid, whilst the Final Salary part will not be actuarially enhanced to reflect the reduced length it will be paid.

- 3.1.3. The initial proposals suggested that even the special groups such as fire and police officers should work until 62, a totally unworkable proposal. It has only been due to the insistence of Union representatives that this has now been reduced to 60, but it is still not based on any kind of viability assessment. ASEO says that this approach once again betrays the political motivation for these changes and to suggest in the case of fire and police officers that they could work to 62 or even 60 on an operational level without an impact assessment is totally unrealistic and needs much more thought.
- 3.1.4. There are also other groups such as teachers and nurses who feel strongly that working until 67 is an unrealistic and ill-thought-out proposal and are disappointed not to have been consulted about their concerns.
- 3.1.5. These groups feel strongly that any provision for their colleagues in the UK should be carefully considered against the unique challenges to our community, in particular the lack of resources and the lack of opportunity to relocate personnel unable to maintain capability. This raises the very real prospect of many workers in their 60s being dismissed through lack of capability, unable to find alternative employment and becoming a drain on Social Security funds. ASEO believes that any assessment of NPA for staff should be a separate and detailed exercise, not an automatic linking to SPA. The impact of these changes varies from group to group. ASEO will seek to get each individual member organisation to identify and quantify the concerns surrounding this change on their specific member groups, such as fire, nursing, police, teachers etc.

3.1.6. Raising the NPA will also mean people continuing to occupy positions at a time when they would have normally retired. This will in turn prevent younger workers entering States employment, thus potentially increasing unemployment levels and/or leading to a ‘brain drain’ off the Island. It should be noted that shortly after his election, Francois Hollande cut the French retirement age by two years as a method to reduce youth unemployment. It stands to reason therefore that increasing retirement age will indeed have the opposite effect.

3.2. ‘Protection’ Period

3.2.1. Unlike all other public sector schemes, the Guernsey proposal is that only the NPA of staff within ten years of retirement should be protected. All other schemes protect the full pension of those in this group; this puts Guernsey at a disadvantage in recruiting senior experienced staff.

3.2.2. ASEO contends that what is being offered is not proper protection and again suggests a political imperative to the change. The detailed report of Lord Hutton in the UK recognised that those within ten years of NPA were those most unable to make any real financial preparations or alternative arrangements for the change.

3.2.3. The UK also introduced tapered protection to avoid the cliff-edge-type change that is being proposed for Guernsey. In effect, the tapered protection runs for 13 years in the UK in an effort to help those who fall just outside the full ten year protection period.

3.2.4. Notwithstanding this, our members believe that they have a contractual element that is unique in the protection that should be afforded, as they are contracted in a compulsory scheme and the employer has made a commitment and a precedent for protecting existing members’ conditions.

3.3. Move to a CARE scheme and Accrual Rates

- 3.3.1. In principle, ASEO does not oppose the move to a CARE scheme, but it does oppose the scheme proposed by members of the Policy Council. Without exception, the move to CARE in other public sector pension schemes has been accompanied by a much-improved accrual rate. Guernsey proposes a $1/80^{\text{th}}$ accrual scheme with a $3/80^{\text{th}}$ lump sum. This looks far inferior to the $1/49^{\text{th}}$ accrual rate offered in the Local Government Pension Scheme (LGPS), the only funded UK public sector scheme. This is the case even when taking into account the lump sum part of the Guernsey Scheme. No other UK scheme has such a low accrual rate. The NHS accrual rate for CARE is $1/54^{\text{th}}$. Under the current Guernsey final salary scheme, the accrual rate is $1/80^{\text{th}}$ and $3/80^{\text{th}}$ lump sum (equivalent to $1/64^{\text{th}}$ overall) and for members joining after 2008 it is $1/60^{\text{th}}$ with no automatic lump sum.

3.4. Salary Cap

- 3.4.1. It has been openly admitted during discussions that the inclusion of a salary cap is purely a politically motivated change to attack the public's perception of 'fat cat' public servant pensions. No other scheme operates a salary cap on pension rights. Pension is an essential element of the overall package to employ senior staff. Why would a member of staff leave an uncapped scheme to join a capped one in Guernsey?
- 3.4.2. In addition, the proposal is that the 13% the employer would have put in the current superannuation fund will be paid to the employee in compensation for the cap, but the employee will be forced to pay this into a new defined contribution scheme set up by the employer. This means that administration costs will be incurred on a totally new fund when there is a perfectly good fund in existence, and will also mean more of the pension fund used up to pay external administrators. It is logical that with the might of the larger superannuation fund, this 13% would grow much more, but instead will be invested in a new, far smaller fund which will incur further fees and thus reduce returns. ASEO believes this shows that the salary cap is little more

than political grandstanding to appease ill-informed opinion expressed in the local press and has nothing to do with the best interests of the staff involved, who are only a small number of employees and therefore much easier to target.

3.4.3. This will mean that employees paid above Senior Officer Band 6 level will have three pensions - their preserved rights under the current scheme, the proposed new CARE scheme and a defined contribution scheme, all of which complicates the process and increases cost.

3.4.4. No economic evidence has been put forward to justify this change in employees' contracts of employment and it is admitted that it is a purely politically driven change. Contracts of employment cannot and should not be changed on this basis.

3.5. Redundancy Provisions

3.5.1. We believe that redundancy provisions been agreed to by the employer and will not form part of the proposal. But as we have not had sight of the final version of the report going to the States, we wish to set our position out below.

3.5.2. ASEO firmly believes that this complex area should remain unaltered until separate discussions have taken place in the correct collective bargaining forums. This is too complex an issue to be rushed through on the back of proposed pension changes. All member organisations believe this has been negotiated as a separate item in their normal discussions with the employer. ASEO believes it is no coincidence that this has been raised now, at a time when the question of redundancies is a very live concern.

3.5.3. The lack of access to their pension for older members made redundant would simply mean them relying on state benefits if suitable alternative employment could not be gained. It must be remembered that the skills

required for many public sector jobs may not always be competitive in an employment market dominated by the finance industry. In the view of ASEO this is a separate issue which is totally unacceptable to its members as it stands.

3.6. Indexation cap of 7.5%

- 3.6.1. ASEO believes that the indexation cap is potentially one of the most pernicious and damaging aspects of the proposals. Although in some cases lower inflation measures are being used in UK schemes, no scheme has a cap on inflationary increases like that proposed in Guernsey.
- 3.6.2. This proposal has real potential to seriously devalue members' pensions such that their real-world value is eroded to the extent that some members will require access to far more state benefits in old age. It is not beyond the realms of possibility that inflation will return to levels experienced in the 1970s and 1980s as some economies will inevitably seek to inflate their way out of government debt. It also begs the question as to why someone would choose to work in Guernsey on a less favourable pension package and with a real risk that the pension will be devalued further by inflation.
- 3.6.3. The proposals refer to a situation where if inflation exceeds 7.5% there would be a mechanism for the Unions to consider the referral to arbitration should the unions not agree with a case made by the Policy Council not to match any indexation over the cap. To propose such a mechanism again suggests political rather than economic decision making. If any such scheme was more than a political proposal there would need to be put in place a joint employer and employee body with binding arbitration if agreement could not be reached, rather than a handful of members on a Policy Council having the final say.
- 3.6.4. The proposals also fail to take account of the fact that in times of high inflation investment returns are usually very good and therefore the pension

fund should be growing faster than anticipated. ASEO believes that the reality is that the Policy Council will in fact recommend that the States reduce its contribution rate when investment is doing well (as has been done in the past) and members will suffer the effects of the high inflation without receiving the benefits from increased investment growth. This belief was reinforced during talks by the employers' reluctance to introduce a floor to their contribution rate.

3.7. Managing Older Staff in the Workplace

3.7.1. Management have reiterated their commitment to start work on a longer-term strategy for dealing as an employer with staff working longer and some not being able to do so. This is inevitably a long-term problem and realistically doesn't have short-term answers, but is a very key commitment to the proposed age at which a pension can be accessed without actuarial reductions. The lack of a clear plan at this stage does cause ASEO some real concerns, particularly for those services where high levels of physical prowess and/or mental acuity are required. This uncertainty on how they will be treated, what employment opportunities will be open to them, and the impact of these opportunities on their final pension are as yet unresolved. ASEO, because of the way the pension change process has been handled by the employer, is very reluctant to accept the assurances of the employer at face value, especially as the employer refuses to offer any guarantee for existing members to remain in employment up to NPA. The employer has reluctantly accepted that a capability management strategy is needed and whilst they have committed to one, work has yet to begin and therefore members are being asked to make a huge leap of faith.

4. The legal position

4.1. The States has been consistently advised by legal advisors, over many years, that change to the public sector pension scheme cannot take place without the consent of its members.

- 4.2. In Billet XVIII of 1988 it was said about public sector pensions, ‘The board cannot envisage any circumstances in which the States of Guernsey would unilaterally abrogate benefits which it has undertaken to provide’, yet this is exactly what the States are now being invited to do.
- 4.3. Billet XVII of 2006 also has an interesting section on the scheme as does the report by Deputy Parkinson dated 14 September 2011. The 2006 billet clearly sets out the legal position at paragraphs 23-24. To quote that report, *‘any attempt to change without agreement would be a legal minefield and an industrial relations disaster.’* ASEO fails to understand why it is felt the States should be invited to take this serious risk without even a full analysis of the option of protecting existing scheme members’ rights, while implementing changes for new members, in a similar way to the 2008 pension review. The employer's current proposals are not agreed changes and are likely to cause industrial relations difficulties if they remain in their current form.
- 4.4. ASEO has sought independent legal advice and is satisfied that these changes, if they proceed without agreement, constitute a substantial breach of contract and Article 1 (European Convention) property rights, allowing employees an action in damages against the States. However, ASEO is equally sure that court proceedings in these circumstances are not in anyone’s best interest and the best way forward is by way of agreed change. Agreement has yet to be reached but the matter is still being put before the States by the Policy Council. If forced to take legal action to protect its members’ rights ASEO will do so but can only reiterate that this is not in the best interest of good employer and employee relations when other options are still available to reach an agreed settlement. Indeed, all past changes that have been reached via agreement include the substantial changes in 2008. The Employee representatives have always engaged constructively in such discussions but on this occasion the approach of the employer representatives has been totally different. Ongoing, talks particularly in the

smaller sub groups were regularly frustrated by ‘non-negotiable’ comments from the employer, which somewhat hindered the process when those comments could not be justified.

4.5. As reported in the Press recently, an attempt to use the courts to impose the changes is very likely to lead to years of legal wrangling, possibly all the way to the Privy Council. This will incur huge expense for the States, sums which should be used to provide public services, not fight their own employees.

4.6. The States has debated and rejected on a number of occasions closing the current scheme to new members. ASEO therefore feels it is iniquitous to now expect members of the Scheme to pay the price for those decisions by such drastic changes to current members. Seen in light of these previous decisions, the proposed changes to current members seem unjustified. Changes took place in 2008 which were sold to the members on the basis that they would ensure the long-term viability of the scheme, especially with regards to increased longevity without the need to close it to new members. ASEO believed they were ‘doing their bit’ to subsidise the increased costs due to longer living and also maintaining an attractive scheme for new employees. It is therefore of deep concern that less than four years later substantial changes are again being proposed, even though the States’ own statistics show no increase in life expectancy over the same period.

43

Yours faithfully

Ed Freestone

Chair

ASEO January 2015

APPENDIX 9

COMMENTS ON THE ASEO PAPER
(Numbers refer to those in the margin of Appendix 8)

The comments from ASEO were initially submitted in a letter dated 5 December 2013. That letter has been revised in January. The passage of time has resulted in some lack of clarity in the text. This is commented upon where necessary below.

1. The level of pension that would be provided under the proposals is detailed in “The Case for Change” (Appendix 2). There is no justification for such claim. There would be little point in the States proposing arrangements which would simply result in expenditure by the States through an alternative arrangement.
2. The process at mediation is explained in full at paragraphs 55-61 of the Report. The Policy Council is not “seeking to punish employees for not accepting the offer”. Members chose not to endorse the joint proposals from three national union representatives and three employer representatives in the full knowledge that the only proposals left on the table would be those from the employer in September 2013 (those proposals being an improvement on those recommended by the Joint Working Group which included the author of this letter).
3. The review undertaken jointly by employer representatives and Staff Side representatives commenced immediately after the release of the last (2010) valuation. The 2013 valuation came into focus only because the review has proceeded at almost glacial pace. The Employer’s Side has not painted a picture of a rapidly deepening deficit. The deficit is in respect of accrued benefits - the proposals are in respect of future service. The proposals are designed to ensure arrangements in respect of future service are sustainable and affordable.
4. The Staff Side has not actually confirmed acceptance of any element of the proposals.
5. The formal valuation at 31 December 2013 indicated that the position was broadly the same as at 31 December 2010. The Fund has increased in value from £840 million to £970 million. However the Fund has to increase significantly in value every single year just to ensure the funding position does not deteriorate – the liabilities increase in value every year.
6. The statement was in the letter dated 5 December 2013. One year later, after the mediation process, surely even ASEO accept there is no prospect of a negotiated settlement?
7. The 2008 review did not address the issue of increasing life expectancy of members who joined the Scheme before 2008 and the increase in pension age for new members was partially offset by a higher accrual rate. The life

expectancy figures mentioned here have been explained in detail (see attached which has been provided to the Staff Side). Furthermore the 2008 review did not address the key issue of fairer arrangements through sharing risk.

8. This section explains the volatility and risk inherent in the current arrangements. The return on investments over the period was £40m below the investment return assumption. The Policy Council's proposals are intended to address these risks.
9. The States, as employer, has posted various documents on the internal intranet informing staff of the proposed changes and reasons for changes, invited comments either directly from staff or through the representative organisations, and made available a benefit calculator so members can estimate the effects of the proposed changes on their individual benefits. Copies have been made available for those without access to the intranet.
10. For a fairer view see attached statement published in full in the Press prior to the review.
11. The same comment applies to "a race to the bottom" (both here and at 2.4.1) as to the claim referred to in 1 (above). The employer is not engaging in a "race to the bottom" and strongly refutes such suggestions. A race to the bottom would be either no pension provision or a defined contribution scheme for all.
12. The proposals are not those recommended by the Joint Working Group. It is now more than two years since the Joint Working Group completed its work. The proposals are significantly improved for members' benefit following discussions in the PCC.
13. There is no evidence to suggest that the Policy Council's proposals would result in the Guernsey public sector being uncompetitive in comparison to either the UK public sector or the local private sector. (It would be difficult to find pension arrangements in the private sector as good as those proposed.)
14. The Employer's Side representatives on the Joint Working Group improved the initial proposals following confirmation that Treasury and Resources were prepared to accept greater risk ie. a higher discount rate. It is rather odd for employee representatives to complain about an employer demonstrating flexibility in negotiations. At no point has the employer proposed a defined contribution scheme (except for salaries in excess of £85,000, which impacts on only 150 members) which is where the risk is passed to the member.
15. ASEO maintains (this part of the letter is unchanged from December 2013) that there was no genuine effort to secure a workable and sustainable scheme. Quite clearly this was not the view of the three national officers who represented them at the mediation or they would not have signed the Memorandum of Understanding.

16. Public servants will not be ‘forced’ to work until age 67. That is the proposed pension age in respect of future service for those not covered by the proposed protection arrangements and born from 1 March 1964 onwards. It is one of the factors in the determination of the amount of pension paid. (Benefits can be drawn from as early as age 50.) 67 is, of course, the age considered appropriate for the payment of the State pension – though this may rise.
17. The examples in the case for change are not misleading. They are explicitly stated to be examples of the level of pension which would be provided for those with a full career in the public sector. Those with a less than full career in the public sector would receive benefits proportionate to their length of service. It would not be appropriate to target pension arrangements on the basis of part careers.
18. The two sentences beginning “In fact ...” and ending “...was beneficial” have been inserted into the original letter of December 2013 and are entirely misleading. They do not refer to the five examples in the “case for change” document (Appendix 2) but to five examples provided to ASEO in advance of their ballots in November 2014. Under the proposals a significant number of staff would be unaffected. Quite why ASEO thinks anyone would be better off is difficult to understand. The central point is whether the benefits under the proposed arrangements are adequate and appropriate – the Policy Council is convinced they are.
19. The State pension is provided through insurance contributions from employee and employer (in this case the States). It is difficult to understand what is meant by “private sector entities are not allowed”. The examples set out clearly the level of pension income which an employee can expect in retirement.
20. The conduct and approach is, of course, the approach to which the Staff Side of the PCC agreed and has participated in since the autumn of 2011. The author of these comments is the senior Staff Side representative who agreed to and participated in the process and reached agreement on the recommendations arising from the process (The Joint Working Group). The mediation process was proposed by the Staff Side.
21. The package will be sufficient to enable staff to provide for themselves in old age – see examples in the Case for Change.
22. There is no evidence provided to support such sweeping generalisations as “private sector workers often have better overall remuneration packages” and “pay in the public sector is generally lower than in the private sector”. Indeed, in pay negotiations no such evidence has been produced by employee groups. Furthermore, during pay negotiations the employer has been able to demonstrate the competitive position of our remuneration package.

23. The reason for change is not based on the pensions of a small minority of staff – there is nothing in any of the papers or examples circulated by the employer which would give any credibility to any such assertion.
24. This misrepresents the views outlined by the States Treasurer. The views expressed were that restraint of expenditure could be undermined if it were necessary to increase the employer contribution rate above the current 14.1% (for standard employees). There is no suggestion that the cost of pensions should be reduced to meet any FTP target. The term FTP has never been used by any employer representatives at any point in any of these discussions. The employer ceiling in respect of benefits in the proposed CARE section is 14% and that does not include the investment risk which remains with the employer. The initial proposed employer rate is 13% of pay. The expression of “fear of failure of FTP” was, of course, written in December 2013 ie. one year before the schedule for FTP and has not been updated.
25. Until 2008 the funding target had always been 100%. It is only since 2008 that the funding target has been 90% in respect of benefits accrued until 31 December 2007 and 100% thereafter – the affordable target at the time. At 2010 it was 92% funded. It is the funding level which is paramount when assessing the financial sustainability of a pension scheme, not its immediate cashflows. If the funding level is below 100% this implies that there are not expected to be sufficient assets within the scheme to meet all the accrued benefits, so unless action is taken assets are predicted to be used up before all benefits are paid.
26. The Staff Side appear to misunderstand the FRS17 and valuation figures. It is not that the former is wrong and the latter right. For an explanation see paragraphs 17-23 of the Report. The change in funding levels illustrates the risks inherent in the current arrangements. The proposals for future service are designed to address and manage such risks thereby reducing volatility.
27. The funding position will not necessarily improve with the “recovery” – it will depend upon many factors as well as investment returns achieved, such as the level of inflation, pay awards and life expectancy changes etc.
28. The change (and any future change) in State Pension Age are not for reasons totally different to those for the public sector pension schemes – a common factor is increasing life expectancy.
29. This section misrepresents the proposals – notwithstanding the proposals having been explained in detail to the elected representatives. Firstly, the change in normal pension age will not affect those covered by the protection arrangements at all (broadly 40% of members). Secondly, those outside the protection arrangements will not necessarily be working an additional 7 years. The proposals relate to future service only – all accrued benefits are protected. For example, a member just outside the protection arrangements (49) with 25 years’ service could expect to receive an equivalent level of benefits (compared to

retiring at 60 under the current arrangements) by retiring at age 63. Furthermore, during the additional period of working, their income would be higher than had they retired. Taking this into account, the member could expect to retire at age 61.5 and be able to replicate the income (pay and pension) that they would have received by retiring at age 60 under the current arrangements.

The Final Salary section will not be enhanced for working beyond the normal pension age for that section, but that is no different to the arrangements which currently apply. For example, public service employees (manual workers) who joined before 2008 have a normal pension age of 60 but routinely work until age 65 – the benefit is not enhanced for ‘late’ payment. The benefit is based on their higher final salary on retirement.

30. The ‘special’ pension ages for Police Officers and Firefighters are now and always have been broadly in line with those for their UK counterparts and that would continue. The pension age for Firefighters appointed since 2008 is already 60.
31. Teachers and nurses representatives are included on ASEO and the Staff Side of the PCC. The proposed pension age for future service is no less favourable than that for their UK counterparts. There is no particular reason to think there are unique challenges facing Guernsey and the Policy Council will establish a forum for addressing the implications of an older workforce.
32. The entire section in respect of protection is misleading by comparison with the UK. Firstly, the UK Government changed the indexation arrangements for public sector pensions – that reduced the value of accrued benefits by approximately 15%. The protection is then for those within 10 years of pension age, with some tapering thereafter, as at April 2012. In contrast, in Guernsey all accrued benefits are fully protected and the protection of pension age is for those within 10 years of pension age (and at least 45) as at 31 December 2013.

Lord Hutton did not propose protection for those within 10 years of normal pension age. Lord Hutton’s report points out that those closest to pension age are least affected by the proposals (which are for future service, of which they have little) and therefore special protection for members over a certain age should not be necessary.

Finally, it is difficult to envisage a circumstance in which the protection arrangements would place Guernsey at a disadvantage for recruitment. In general, protection is for current members not new recruits.

33. The proposals have to be considered and comparisons made across the range of factors not by one selective example.
34. The ‘political’ decision has to be looked at as a whole. A question was whether to retain a defined benefit arrangement or to move to a defined contribution

arrangement. The proposal is to retain a defined benefit arrangement up to a certain level.

‘Why would someone leave an uncapped scheme to join a capped one in Guernsey?’ Staff come to Guernsey for a variety of reasons. Our remuneration package is competitive not least a significantly lower member contribution rate for many.

35. The defined contribution arrangement will simply form a separate section of the Superannuation Fund, the employer will not set up a new scheme (the employer contribution rate is 12%). In addition it will enable all members to pay AVCs to enhance their pension benefits.
36. The current redundancy arrangements were negotiated as part of the 2008 pension reforms. Furthermore, the employer is not proposing any changes in the redundancy payments which will remain 5 weeks pay for each year of service up to a maximum of 100 weeks. The employer is simply proposing that all employees will receive such compensation in the event of redundancy rather than some receiving compensation through the pension scheme instead. The Policy Council considers the PCC is the appropriate forum for discussion of this particular issue.

Older members would not have lack of access to their pension if made redundant. Apart from a very few cases, those who currently could receive a redundancy pension could under the revised proposal access their pension benefits, actuarially reduced.

37. It is not a question of “in some cases lower inflation measures are being used in UK schemes”. Indexation in retirement for all UK public sector schemes in respect of all service (accrued and future) is now linked to CPI instead of RPI, with CPI expected to be below RPI by around 1.3% to 1.5% pa in the long run. It is difficult to overstate the importance of this change – it accounts for the majority of cost savings in UK schemes.
38. The cap is being proposed in order to share the inflation risk with members. There is a mechanism proposed where increases higher than the cap could be awarded if they can be afforded. The open and transparent manner in which any such decision will be made has been set out in a detailed procedural arrangement as part of the proposals. [Binding arbitration was an element in the mediated proposal.]
39. The relevant full extract from Billet D’Etat XVIII 1988, plus the States resolution are as follows:

<p>“<u>Conclusion</u> <u>Two</u></p>	<p><u>The States should adopt specific termination rules securing the rights of members should the present benefit rules be rescinded, or the fund be dissipated.</u></p>
--	---

18. Peat Marwick comment that the 1972 Pension Scheme is governed by Rules adopted by the States. They consider that, in legal terms, the States could terminate the scheme by revoking the Rules.
19. Peat Marwick point out that, in the event of the scheme being terminated, there are no rules governing the consequences of such action. For example, there is no requirement that benefits accrued in respect of service prior to termination should be secured for members, nor that pensions should continue to be paid to current pensioners, nor that existing funds should be used for securing benefits.
20. Peat Marwick therefore recommend that termination rules should be introduced to define the rights of members and pensioners in the event that the scheme is terminated.
21. The Board cannot envisage any circumstances in which the States of Guernsey would unilaterally abrogate benefits which it has undertaken to provide.
22. Indeed HM Procureur has advised that, in view of the contractual and fiduciary aspects of the 1972 Pension Scheme, it is not as clear as it might at first appear that the States are so free to terminate the scheme without the members agreement (although the States would be able to decide not to admit new members to the scheme). The questions raised by Peat Marwick would have to be an integral part of termination discussions.
23. Peat Marwick themselves point out that the States have a fiduciary duty to use the assets of the Superannuation Fund for the benefits of the members.
24. The Board does not therefore feel that there is a need to introduce termination rules. The Board does, however, recommend that the States give an undertaking that if, at some future time, termination of the scheme is contemplated members of the scheme will be consulted before proposals are considered by the States.”

And (resolution)

- “2. To undertake that if, at some future time, termination of the 1972 Pension Scheme is contemplated, members of the scheme will be consulted before proposals are considered by the States.”

The current proposal is to close the final salary section for future accrual with members accruing future service in a CARE arrangement. However, it can be noted that:

- Members have been consulted.

- All accrued benefits are fully protected.
- Pensions will continue to be paid to pensioners.
- The Superannuation Fund will be used for the payment of benefits.

It is therefore quite incorrect to claim that the States is being asked to act in contravention of what was stated in 1988.

40. There has been analysis of the option of retaining existing members on the current arrangements. This amounts to the same question as: “Could future service under the current arrangements be accommodated within the proposed employer ceiling of 14% with the proposed level of risk for employer and current member contribution rates” – to which the answer is clearly “No”.
41. The phrase “when other options are still available to reach an agreed settlement” was written in December 2013 ie. before the mediation process proposed by the Staff Side. Now that members have not endorsed the proposals detailed in the Memorandum of Understanding signed by the three national union representatives even ASEO must, surely, accept that after three years of discussions all avenues to achieve an agreed settlement have been exhausted.
42. Earlier in the paper ASEO are extremely critical of Press coverage. For some reason at this point it speaks favourably of something published in the Press. (It happens to be remarks attributed to a former senior member of ASEO.)
43. The Policy Council knows of no occasion when the States of Deliberation has actually debated closing the current scheme to new members. The most recent changes (2008) were to maintain alignment with UK public sector schemes – the wish of the Staff Side (indeed all sides).

It is difficult to understand what point is being made. For example, is the Staff Side suggestion that the proposed arrangements are acceptable for new members, but all current members should be exempt? If so, why do they suggest that the proposed arrangements are so poor it would not be possible to recruit staff?

From: DSimon@bwciigroup.com [mailto:DSimon@bwciigroup.com]
Sent: 09 December 2013 14:11
To: Harnden, Terry
Subject: Re: FW: Items for clarification

Dear Terry

We have the following comments on Wayne's life expectancy figures.

BWCI assumptions

The base mortality tables that BWCI have used are derived from the latest UK Self-Administered Pension Schemes (SAPS) tables. These are industry standard tables which are based on an analysis of data relating to members of pension schemes in the UK (ie not from general population data). These base tables have then been fitted to the actual experience of the States of Guernsey Public Sector Pension Scheme ("the Scheme") to ensure that they are suitable and that they best reflect the current mortality of the Scheme (life expectancies in Guernsey are currently higher than those in the UK as a whole).

In addition, mortality rates have improved over recent history and these improvements are expected to continue into the future. These improvements have been allowed for in the mortality assumptions and life expectancy figures produced by BWCI.

Differences to HSSD figures

The key difference between the HSSD figures and BWCI figures are that the HSSD figures use the current mortality rates experienced locally but do not allow for any improvements to these mortality rates. For example, considering a current 65 year old, HSSD have derived the mortality rate to apply at age 90 (ie in 25 years' time) from the deaths of current 90 year olds. The mortality rates that are expected to apply to current members (over their remaining lifetimes) are expected to improve from the current rates. Therefore, current members are expected to live for longer than those currently dying. Therefore, the HSSD figures do not represent a good estimate of the future life expectancy for a current 65 year old and should not be used as a comparison to the BWCI figures.

In addition, there are other factors which could lead to differences between life expectancy figures produced by both HSSD and BWCI, as follows:

- HSSD figures cover only Guernsey mortality experience over a short time period (3 years). Therefore, the sample size is quite low (for statistical purposes) and is subject to statistical variation (this variation increases with age, as sample size falls). BWCI figures have been derived from UK pension schemes and have a far larger sample size.
- HSSD figures are based on the entire population of Guernsey, whereas BWCI figures are based on members of UK pension schemes only (ie not general population) and have been adjusted for the actual experience of the Scheme.

I hope this helps explain the difference but let me know if you wish to discuss.

Kind regards

Diana

"Harnden, Terry" <Terry.Harnden@gov.gg>

09/12/2013 11:14

To <DSimon@bwciigroup.com>

cc

Subject FW: Items for clarification

BWCI Company BWCI Group

PUBLIC SECTOR PENSIONS NEED A BALANCED AND REASONED DEBATE

The Opinion column on Saturday 12 March made a number of comments and comparisons about pension arrangements for the public sector in Guernsey. This followed publication of the Hutton report in the UK and the Guernsey Press chose to comment using somewhat immoderate language and extreme anecdotal examples. The Editor also challenged the integrity and motives of both elected Members and Public Servants involved in consideration of future plans.

Speaking as two individual Deputies, we wish to make a plea for forthcoming consideration of public sector occupational pensions to be carried out in an atmosphere of balance and reason in order to tackle what is and will continue to be a complex challenge for the Island. All of those involved in ongoing work on this matter are very aware of the demographic, financial and administrative pressures that will become progressively more difficult with an ageing population representing an ever greater proportion of the total population.

The Public Servants Pension Scheme has always been part of the employment contract made between the States and its employees and this contract must be respected. It is rightly considered to be very significant by taxpayers because of both the present costs and future liabilities involved as with any occupational pension scheme. Both politicians and Civil Servants charged with responsibility for the scheme are also very aware of their duties towards Guernsey taxpayers who include the significant number of stakeholders who benefit from the pension scheme often as a result of a working lifetime of service to the island. Balanced against this, considerably increased life expectancy and somewhat reduced global financial certainty make the ongoing funding of the scheme much more difficult to manage and therefore of special significance to the taxpayer.

In view of the importance of changes that will no doubt take place in the UK and the widely differing opinions of many people locally about the future of public sector occupational pensions, we believe that the debate must not lead to polarization and controversy that can have no long-term benefit for Guernsey taxpayers, public servants, pensioners or any of their families.

For our part as Deputies with a role to play, we undertake to do everything we can to move consideration of the future forward using proper and due process once sufficient information is available and carefully balanced consultation has been completed. In the meantime, we urge everybody to contribute to the debate using sound evidence and having proper respect for the interests of all stakeholders including taxpayers, scheme members and beneficiaries so that a fair, equitable and sustainable solution can be found.

Allister Langlois
Deputy for St Peter Port South

Robert Sillars
Deputy for the South East



TREASURY AND RESOURCES

A STATES OF GUERNSEY GOVERNMENT DEPARTMENT

The Chief Minister
Policy Council
Sir Charles Frossard House
La Charroterie
St Peter Port
GUERNSEY
GY1 1FH

25 February 2015

Dear Chief Minister

POLICY COUNCIL – REVIEW OF PUBLIC SECTOR PENSION SCHEMES

As noted in the recently published Personal Tax, Pensions and Benefits Review, the Treasury and Resources Department recognises the importance of making adequate provision for retirement. The failure of employers to do so and to act on it inevitably leads to a greater call on tax payer funding by way of supplementary benefit. In the absence of any States facilitated secondary pension scheme which would allow individuals to make provision for their retirement, the Department welcomes the Policy Council's recommendations which balance the need for adequate pension provision for employees with scheme affordability.

The Treasury and Resources Department noted that the proposals in respect of new employees are marginally more generous (and therefore, more expensive) than those set out in the February 2013 Report of the Public Sector Pension Review Joint Working Group to the Pensions Consultative Committee (Appendix I of the States Report).

Whilst some Members are of the view that the revised pension arrangements being put forward by the Policy Council are more generous than they would consider desirable and that moving to a defined contribution scheme would be preferable, it is accepted that these proposals are pragmatic, realistic and importantly, broadly in line with that offered in the United Kingdom public sector. Whilst the States of Guernsey will retain the investment risk, the risks associated with changes to salary increases, inflation and longevity will largely pass to the employee as the proposals limit the overall employer contribution rate to 14%, which is in line with the current budgeted level of contributions.

Budgeted pay costs for the States of Guernsey amount to over 55% of the overall General Revenue budget in 2015. Therefore, any changes in the levels of employment cost can have a significant impact on the fiscal position of the States. For example, each 1% change in the employer contributions in respect of the public sector pension schemes has a cost (or benefit) to General Revenue of approximately £1.6m. Given that the States currently has an agreed Policy, as part of its Fiscal and Economic Policy Plan of no real growth in aggregate revenue expenditure, this means that any increase in these contributions would necessitate reductions elsewhere in the overall budget. Therefore, the greater level of cost

Treasury and Resources

Sir Charles Frossard House
La Charroterie
St Peter Port, Guernsey
GY1 1FH
Tel +44 (0) 1481 717000
Fax +44 (0) 1481 717321
www.gov.gg

certainty afforded by the Policy Council's proposals is welcomed by the Treasury and Resources Department.

The Treasury and Resources Department is responsible for investment of the Superannuation Fund and does so to ensure appropriate diversification and balance of risk versus return with regard to the need to fund liabilities as they fall due. The Department has set an overall long term target for investment return on the fund of UK RPI plus 4% against which it monitors actual investment performance. The investment return, or discount rate, assumption is critical in the design of the scheme and to its overall affordability. It is therefore prudent to assume a lower level of return, especially given the deficit previously accumulated, than the target rate of return when modelling the future scheme and the Department supports the conservative assumption adopted within the review of UK RPI plus 2.5%.

It is noted that failure to implement the revised arrangements in respect of the future service of current members would have a cost of approximately £70million. Therefore, the Treasury and Resources Department supports the use of the Budget Reserve or General Revenue Account Reserve to meet the costs incurred (estimated at up to £500,000) in respect of the application to the Royal Court for a declaration to enable the revised arrangements to be implemented in respect of the future service of current members.

The Department welcomes that the proposals contained within the report will reduce the employer contributions required to fund future service. It is estimated that the changes over the first two years of operation of the new scheme would then yield an estimated £1.6m per annum in savings to General Revenue. However, it is important to note that these proposals relate only to the future service of current and new members. The benefits accrued to date by existing members are preserved and therefore the liabilities which already exist in the current scheme remain. The last triennial actuarial valuation calculated the deficit in the current scheme as being £82m. Therefore, any savings from reduced contributions in respect of future service could contribute to funding the past service deficit.

Finally, the department notes the recommendation that a defined contribution scheme be established for the employee and employer contributions in respect of higher earners and additional voluntary contributions from any members. The Treasury and Resources will undertake detailed work to consider the best way providing such a scheme, including in respect of the administration arrangements and investment of contributions.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'G St Pier', with a stylized flourish at the end.

Gavin St Pier
Minister

The States are asked to decide:-

VI.- Whether, after consideration of the Report dated 2nd March, 2015, of the Policy Council, they are of the opinion:-

1. To endorse the proposed new pension arrangements detailed in Appendix 5 of that Report and, as explained in that Report, in so far as they apply to members joining from 1st May 2015.
2. To agree that an application be made to the Royal Court of Guernsey for a declaration to determine the following issues:
 - (a) whether the States of Guernsey, as employer (or former employer) of members of the public sector pension schemes has the implied right to vary the terms of the schemes in a manner which adversely affects members' rights without the members' consent; and
 - (b) if the Court declares such a right to exist, what (if any) constraints apply to the exercise of that right.
3. To endorse, subject to the terms of any declaration made by the Court in respect of the issues set out at proposition 2 above, the application of the proposed new pension arrangements detailed in Appendix 5 of that Report and, as explained in that Report, in respect of current members within six months of such declaration being received.
4. To direct the preparation of revised Rules for approval by the States to give effect to propositions 1 and 3 above.
5. To direct that the necessary work be undertaken to implement the revised arrangements for new members with effect from 1st May 2015.
6. To note that the Treasury and Resources Department will, following consideration of a suitably detailed business case, approve a capital vote to extend the pension administration system, to be charged to the Superannuation Fund.
7. To note that the Superannuation Fund Administration Budget, which is submitted for approval as part of the annual Budget Report, will, if required, include provision for increasing the pensions administration team by one person.
8. To authorise the Treasury and Resources Department to make transfer(s) from the Budget Reserve or General Revenue Account Reserve to the revenue expenditure budget of the Policy Council to fund the States costs and the reasonable costs of other parties in respect of the application to the Royal Court detailed at proposition 2 above and currently estimated at £500,000.

HEALTH AND SOCIAL SERVICES DEPARTMENT

GUERNSEY AND ALDERNEY TOBACCO CONTROL STRATEGY 2015-2020

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

9th February 2015

Dear Sir

1. **EXECUTIVE SUMMARY**

1.1 In 2008, the States of Guernsey adopted a five-year Tobacco Control Strategy, (“the 2008 Strategy”) to reduce smoking-related premature deaths and avoidable ill-health caused to Guernsey and Alderney residents of all ages. In practice, the 2008 Strategy relates mainly to Guernsey and Alderney, as health services in Sark have not been transferred to the States of Guernsey. In addition, legislative proposals relating to smoking and tobacco products are usually Island-specific: for example the Tobacco Products (Enabling Provisions) (Guernsey) Law, 2010, the Tobacco Products (Guernsey) Law, 2010 and the Smoking (Prohibition in Public Places and Workplaces) (Guernsey) Law, 2005 only apply to the islands of Guernsey and not to Alderney. This Strategy will be subject to similar constraints.

1.2 The 2008 Strategy, in combination with predecessor resolutions, has enabled the States to:-

- protect the general public (and specifically employees who work in enclosed public places) from the effects of second-hand smoke through legislation, notably establishing one of the first Smoke Free prisons in the UK and Crown Dependencies;
- control access to cigarettes and tobacco by young people and monitor more closely through regulation of the retail of tobacco;
- provide education in schools and public health campaigns in the community to raise awareness of the risks of smoking tobacco and exposure to second-hand smoke; and
- provide support and assistance to those Islanders who wish to quit smoking.

- 1.3 This evidence-based approach, aligned to national and international action, has contributed to preserving the health and wellbeing of Islanders. It has also contributed to meeting the States' government objectives to maintain a healthy Guernsey and Alderney and a competitive workforce.
- 1.4 This report proposes the continuation of the 2008 Strategy for the period 2015-2020 (the New Strategy), setting out the principal priorities during this time. It has been formulated with key partnership agency representatives at strategic and operational level in the Tobacco Control Strategy Management Group. This followed close examination of the most recent research of highest quality and initial engagement with the public, political representatives and other States Departments. Reports on these exercises are attached as Appendices 1 and 2. The proposed New Strategy was then made widely available to the public, partner Departments and other interested parties in a final comprehensive consultation exercise in summer 2014. The consultation report appears as part of Appendix 2 and shows a high level of public support for the measures that were proposed.
- 1.5 The New Strategy aims to build upon the successes of the 2008 Strategy, in which government, public services, healthcare professionals, businesses and individuals worked together to control the use of tobacco in ways appropriate to the Guernsey and Alderney setting. The following are the areas of outcome focus in the New Strategy:
 - Reducing preventable mortality from cancer, cardiovascular disease, and respiratory disease.
 - Reducing the numbers of adults and children who smoke.
 - Reducing the ready availability of cheap cigarettes and tobacco.
 - Increasing the number of smoke-free environments, particularly areas where children are present.
 - Increasing the number of people recorded by Quitline as moving towards a smoke-free future.
- 1.6 The New Strategy will aim to achieve this through three priority areas of focus:
 - preventing uptake of smoking and encouraging smokers to try to quit;
 - helping people who want to stop smoking to do so successfully; and
 - protecting adults and children from second-hand smoke.

2. CONTEXT

- 2.1 The Health and Social Services Department ("HSSD") is mandated to advise the States on matters relating to the mental, physical and social wellbeing of the people of Guernsey and Alderney. This mandate gives HSSD responsibility for:-
 - promoting, protecting and improving personal, environmental and public health and
 - preventing or diagnosing and treating illness, disease and disability.

- 2.2 Smoking is the primary cause of preventable illness and premature death in Guernsey, as in the UK. Smoking has been proven to raise the risk of deaths through numerous subsidiary causes in cancer, cardiovascular disease, respiratory disease, and digestive disease. In Guernsey, it is estimated that of all deaths of individuals aged 35 and over registered during 2010–2012, 16% were caused by smoking. This equates to 261 over the three-year period, or approximately 87 per year. Smoking-attributable deaths were more common among males than females; there were an estimated 51 male deaths per year compared with 36 female deaths¹.
- 2.3 The States of Guernsey has supported the development of a Guernsey and Alderney Tobacco Control strategy since 1997, and this is essential to continue to improve the health of the population. It makes an important contribution to:
- meeting government objectives through coordinated service delivery;
 - encouraging individuals to take personal responsibility and adopt healthy lifestyles; and
 - maintaining a healthy, competitive workforce.
- 2.4 Smoking-related illnesses result in absence from the workplace and from school, reducing productivity in the workforce and affecting learning in children. The societal cost of smoking-related disease and environmental impact in Guernsey has been estimated at £14.25 million a year in costs of healthcare, sickness and other benefits, and States services such as cleaning up cigarette butts in the street. This and other data appears in the Tobacco control profile at Appendix 3.

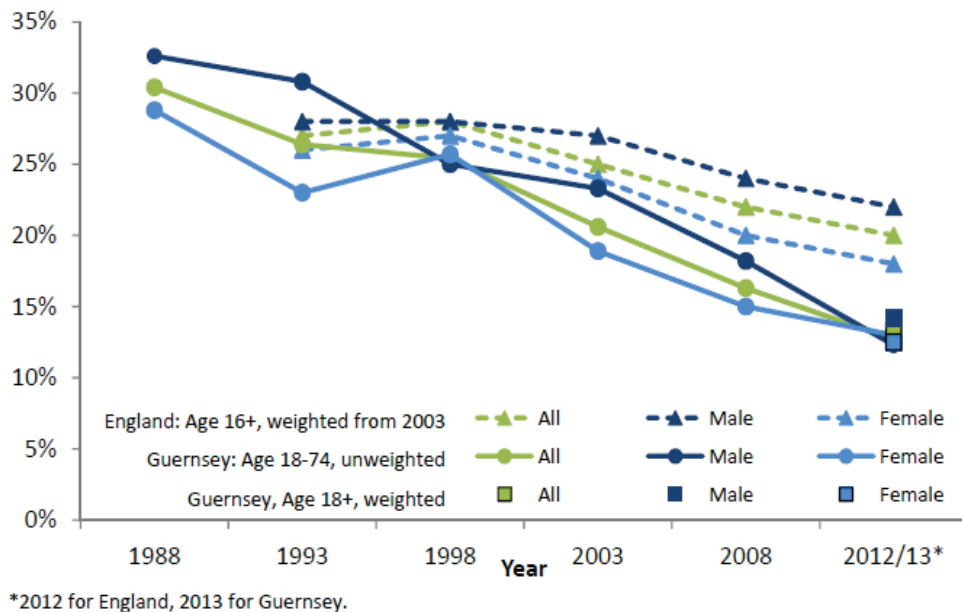
3. TOBACCO CONTROL STRATEGY 2008-2013

- 3.1 The 2008 Strategy (2008-2013) has been driven forward by HSSD with partners. It has achieved most of its objectives for action over the five year period, and work has continued into 2014, refining and reviewing initiatives and completing the final legislative requirements to fully implement the 2008-2013 strategy.
- 3.2 The principal aim of the strategy was to reduce the burden of death and ill-health that tobacco causes in the islands of Guernsey and Alderney. Guernsey life expectancies at birth for men and women have improved by 4-5% over the last 15-20 years and are now among the highest in Europe.
- 3.3 The prevalence of smoking in Guernsey and Alderney has decreased from 30.4% in 1988 to 12.7% in 2013². The reduction over the course of the 2008 Strategy is demonstrable.

¹ Health Profile for Guernsey and Alderney 2010-2012 available at <http://www.gov.gg/publichealth>

² 6th Guernsey and Alderney Healthy Lifestyle Survey 2013 available at <http://www.gov.gg/publichealth>

Figure 1: Trends in smoking in UK and Guernsey 1988 – 2013.



- 3.4 The prevalence of smoking in young people in secondary school has also reduced over the term of the 2008 Strategy³. Of year 8 and 10 children, 21% of boys and 26% of girls responded in 2013 that they had tried smoking in the past or smoke now. This compares with 32% of boys and 35% of girls who responded in 2010. 6% of boys (10% in 2010) and 8% of girls (14% in 2010) responded that they smoke occasionally or regularly. Of those who smoke 'regularly', 67% would like to give up.
- 3.5 Despite the reduction in prevalence of adult smoking, 32% of secondary school pupils have a parent or carer who smokes. 30% of primary school pupils surveyed have a parent or carer who smokes (a reduction from 33% in 2010). There is variation across the Guernsey and Alderney Secondary schools in the percentage of parents or carers who smoke⁴.
- 3.6 National and local research tells us that smokers are more likely to be in lower socio-economic groups^{5,6}.

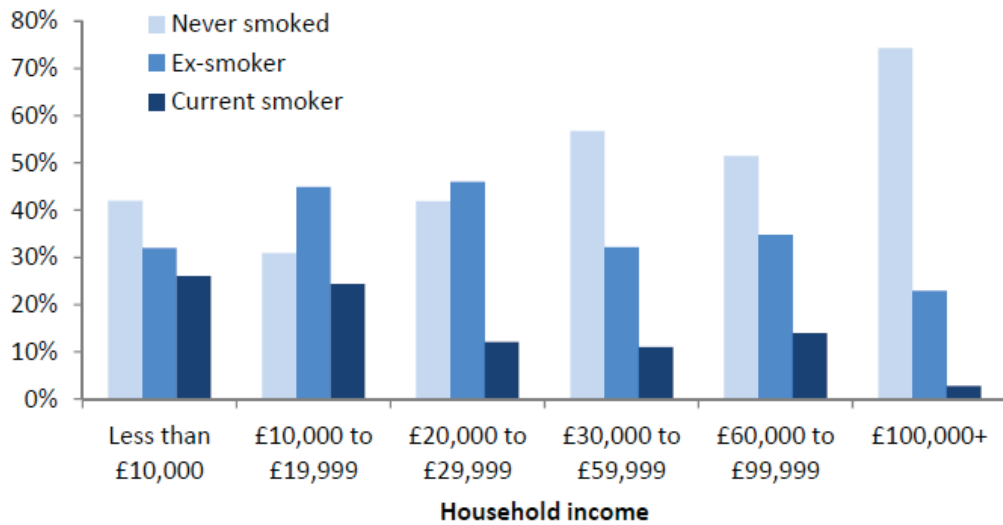
³ Young People in Guernsey Schools 2013 (Secondary). Available at <http://www.education.gg/ypsurvey>

⁴ Young People's Survey 2013 presentation. Available at <http://www.education.gg/ypsurvey>

⁵ 6th Guernsey and Alderney Healthy Lifestyle Survey 2013. Available at <http://www.gov.gg/publichealth>

⁶ Guernsey Household Expenditure Survey 2012-3 <http://www.gov.gg/hes>

Figure 2: Percentage reporting being a current smoker, by household income.



- 3.7 The Healthy Lifestyle Survey also shows that, of those who continue to smoke, 87.6% agree or strongly agree that smoking in the home can affect the health of a smoker's family and 73% indicated that they would like to stop smoking either soon or in the future. Older smokers and those in less well-off households were less likely to want to give up. Giving additional help to adults, young people and families in those communities where we know more people are smokers, and designing help to be more accessible and acceptable to them, can therefore contribute to reducing health inequalities. This will be a feature of smoking cessation delivery which is strengthened under the New Strategy.

4. NEW TOBACCO CONTROL STRATEGY

- 4.1 The long-term vision of the new Strategy is for "Guernsey and Alderney as jurisdictions where smoke-free lifestyles are the norm" (smoke free lifestyles are considered to be 'the norm' when prevalence of adult smoking is reduced to 5% or less). The New Strategy covers actions and initiatives from 2015 to 2020, as steps towards achieving this vision by 2025.
- 4.2 The New Strategy uses evidence-based initiatives to further reduce smoking prevalence and increase the protection of non-smokers from second-hand smoke by coordinating and focusing government, public services and business partners' efforts to further control tobacco use in ways appropriate to the Guernsey and Alderney setting. The New Strategy (appended as Appendix 4) has been developed through public engagement and working with key partnership agency representatives, followed by a comprehensive public consultation on the final draft document in 2014, following which a small number of additions were agreed by the Board of HSSD.

4.3 The New Strategy is aligned to the States Strategic Plan, aiming to improve the quality of life of Islanders and encouraging individuals to take personal responsibility to adopt healthy lifestyles. The New Strategy has been designed to achieve the following strategic outcomes for individuals and the wider community:-

- A reduction in preventable mortality from cancer, cardiovascular disease and respiratory disease.
- A reduction in numbers of adults and children who smoke.
- A reduction in the ready availability of cheap cigarettes and tobacco.
- An increase in the number of smoke-free environments.
- An increase in the number of people recorded by Quitline as moving towards a smoke-free future.

4.4 The New Strategy will aim to achieve this through three priority areas of focus:

- preventing uptake of smoking and encouraging smokers to try to quit;
- helping people who want to stop smoking to do so successfully; and
- protecting adults and children from second-hand smoke.

4.5 Our objectives are intended to contribute to the achievement of the strategic outcomes. All objectives will have an “end milestone”, or an indication of how we will know the objective has been achieved. These objectives will be shown within our action plan and will be monitored on a quarterly basis. The current basic Action Plan is included as Appendix 5. Work-streams shown will require further development and consultation in order to ensure that the manner of work reflects local concerns, local needs and evolving trends and developments.

4.6 The Strategy commits to a mid-term review, as other priorities may emerge during the term of the Strategy, and service delivery may need to be refined as more high quality research becomes available. In addition, other jurisdictions’ actions may enable progress on actions which would be best achieved in tandem with others.

4.7 The key work-streams which the New Strategy will look to progress under the three priority areas of focus are described below:

Preventing uptake of smoking and encouraging smokers to try to quit

4.8 Recent Young People’s Surveys have shown that the 2008 Strategy’s education programme in schools has been effective, and this has been highlighted in Schools Health Education Unit reports. This work will continue under the New Strategy, promoting effective tobacco control education through supporting mainstream Personal Social Health and Economic Education (PSHE) in schools, delivering peer-led programmes in secondary schools, and monitoring their effectiveness. The Healthy Lifestyles Worker for Children and Young People will continue to support the programme of tobacco education in schools and

outside school and will work closely with voluntary sector partners who engage regularly with young people, to allow them to give accurate information to the young people they work with.

- 4.9 The New Strategy recognises as best evidence that increasing the cost of tobacco products encourages people who smoke to go smoke-free, especially young people and those who are less well-off⁷. Increased tobacco prices via tax is the tobacco control intervention which has been proven to have a greater effect on more disadvantaged smokers at population level and so contribute to reducing health inequalities⁸ (Appendix 1). Increasing cost deters young people from starting to smoke, or moving from experimentation to regular smoking. Increases in taxes on and prices of tobacco products are by far the best buys in tobacco control⁹. The New Strategy therefore intends to make cigarettes more expensive to deter people from starting to smoke, and to encourage adults and children to stop. This will be done by increasing the duty on cigarettes by Retail Price Index (RPIX) plus 5% year on year from 2016 to 2020. Since rolling tobacco is less expensive than cigarettes, previous year on year percentage increases have opened up the cost differential between cigarettes and rolling and other forms of tobacco, resulting in many young people using 'cheap tobacco' (loose rolling tobacco). The New Strategy will therefore work to make rolling tobacco proportionately more expensive to help to deter children and young people from starting to smoke. The differential will be closed by increasing duty on other tobacco products to more closely reflect that levied on cigarettes: increasing by RPIX plus 7.5% year on year from 2016 to 2020.
- 4.10 The New Strategy will also work closely with regulated suppliers of tobacco in Guernsey to provide advice and assistance to encourage responsible sales practice, to identify the source of under-age smokers' supplies and to move to cut off the sources of these supplies. This work will include awareness campaigns to warn of the consequences of proxy purchasing and to discourage tobacco smuggling and exceeding duty-free tobacco allowances.
- 4.11 The New Strategy will also look at evolving good practice in other jurisdictions in respect of reducing duty-free allowances and introducing plain packaging of cigarettes. These are areas where success can only be achieved by moving at the same pace as our near neighbours, Jersey and the UK, and working closely with our partners in the Home and Treasury and Resources Departments. The Strategy which was proposed at consultation did not consult specifically on the introduction of plain packaging, but consultation raised this as an issue of concern for a number of respondents, and the UK Government has recently proposed to introduce this evidence based measure. In response to the consultation, the Strategy therefore intends to include movement towards the

⁷ The World Bank. Curbing the epidemic: governments and the economics of tobacco control. May, 1999

⁸ Amos A, Bauld L, Clifford D, et al. Tobacco control, inequalities in health and action at a local level. York, Public Health Research Consortium, 2011.

⁹ IARC Handbooks of Cancer Prevention, Vol. 14 *Effectiveness of tax and price policies in tobacco control*. Lyon, International Agency for Research on Cancer Available at <http://www.iarc.fr/en/publications/pdfs-online/prev/handbook14/handbook14-0.pdf>

introduction of plain packaging as a work stream in the action plan, the exact timing of which will depend on external factors. A similar work-stream will look at the potential for a reduction in duty-free allowances with partners in Jersey and elsewhere. In this regard, the New Strategy will endeavour to maintain and develop its relationship with other States' strategies, such as the Criminal Justice Strategy and the Drug and Alcohol Strategy.

- 4.12 The New Strategy will work to ensure that legislation has been prepared and submitted to the States, in accordance with the States Resolution, to allow Police to confiscate tobacco from children without criminalising them^{10,11}.
- 4.13 The New Strategy will seek to maximise referrals to the Quitline service from any service user contact with Health and Social Care services in any context, including Primary Care. HSSD staff will be trained in Identification and Brief Advice at induction, so that effective referrals are made quickly and easily to the Quitline service to maximise clients' chances of success, through the use of a recognised tool, while respecting (in a non-judgemental way) the clients' right to refuse referral. It is hoped that this service will be further developed across primary, acute and community care settings and potentially in the workplace.
- 4.14 These initiatives will contribute to achieving the following outcomes in the New Strategy:
 - Reducing preventable mortality from cancer, cardiovascular and respiratory disease.
 - Reduction in the availability of cheap cigarettes and tobacco.
 - Reduction in the numbers of adults and children who smoke.

Helping people who want to stop smoking to do so successfully

- 4.15 Evidence shows that the introduction of increasing numbers of smoke-free environments and the increase in prices of tobacco products as described in the previous sections will encourage more smokers to attempt to go smoke-free. It is therefore essential to provide an effective Quitline service to meet their needs in the right way and the right place at the right time. The New Strategy therefore intends to increase the numbers of people recorded by Quitline as moving towards a smoke-free future.
- 4.16 As smoking prevalence falls, many of the remaining smokers are those who have tried but not been able to go smoke-free, or for whom the addiction feels essential to daily life and they feel unable to attempt change. Despite this, we know that 75.3% of all current smokers responding to the Guernsey and Alderney Healthy Lifestyle Survey said that they would like to give up either soon or in the future.

¹⁰ <http://www.gov.gg/CHttpHandler.ashx?id=90456&p=0>

¹¹ <http://www.gov.gg/CHttpHandler.ashx?id=79772&p=0>

- 4.17 The 2013 Healthy Lifestyle Survey analysis was designed to establish which groups were disproportionately represented among smokers, in order to provide services that best meet those people's needs. Smoking rates in Guernsey are highest among 18-24 year olds and 35-44 year olds, and survey participants living in lower income households were more likely to be current smokers. This data enables Quitline to plan for delivery of services in the way that is most helpful and effective for them, while maintaining professional, evidence-based practice. One example is possible development of family group smoking cessation therapy in schools with a high proportion of children whose parents or carers smoke. Focus will continue on providing help to quit for pregnant smokers, assessing new evidence of effectiveness and implementing new initiatives where they are appropriate to the Guernsey context.
- 4.18 Success in this regard will be monitored by audit of equity of access to services, identifying those groups who are under-represented in services and developing and delivering interventions to meet their needs. The New Strategy will also seek to obtain feedback from service users in order to ensure that provision best meets the need of the individual and is fit for purpose.
- 4.19 As in the UK¹², a high proportion of people going into prison in Guernsey are smokers, who enter an obligatory smoke-free environment. They can access smoking cessation support, including Nicotine Replacement Therapy in the same way that this is provided in the community, and electronic cigarettes are also available for purchase. The New Strategy intends to proactively offer Quitline support on release, to help these ex-smokers to maintain the positive achievement of being smoke-free on release, monitoring their smoke-free status and contributing to reduction in health inequalities. In this way, wider social networks and peer groups may also be influenced to reduce their harmful smoking behaviours¹³.
- 4.20 Current smokers are more likely to rate their health as poor than those who are ex-smokers or have never smoked¹⁴. Smokers also reported higher levels of stress and lower levels of mental wellbeing. 36.8% of current smokers responded that they had been told by a doctor or a nurse that they had depression at some point in their lives, compared with 20% of ex-smokers and 17.3% of those who had never smoked. The Quitline service will continue to work closely with all Health and Social Care services in any context, including Primary Care to promote referral to the service. Current smoking is also more common in adults who were unemployed and seeking work (22.2%) or sick or disabled and unable to work, than in those who were employed or retired. It is hoped that referral Pathways may be developed over the course of the Strategy from other States Departments.

¹² Nationally around 80% of prisoners smoke compared with around 20% in the general population with similar levels recorded across the offender journey in police custody and probation services. British Medical Journal 2014;349:g4542 available at <http://www.bmj.com/content/349/bmj.g4542/rr/763157>

¹³ British Medical Journal 2014;349:g4542 (ibid)

¹⁴ 6th Guernsey and Alderney Healthy Lifestyle Survey 2013. Available at <http://www.gov.gg/publichealth>

- 4.21 Although smokers feel that will-power is the most helpful source of support for giving up smoking, evidence shows that quit attempts are four times more likely to succeed when supported by evidence-based professional support. Moving from wanting to go smoke-free to making a quit attempt can be a difficult step. In addition to population level campaigns such as *Stoptober* and *National No-Smoking Day*, the New Strategy intends to provide Health Trainer support for people who need help to reach readiness to change, and to make and maintain those positive changes.
- 4.22 These initiatives will contribute to achieving the following outcomes in the New Strategy:
- Reducing preventable mortality from cancer, cardiovascular and respiratory disease.
 - Increasing the number of people recorded by Quitline as moving towards a smoke-free future.
 - Reduction in the numbers of adults and children who smoke.

Protecting Adults and Children from Second-hand Smoke

- 4.23 Second-hand smoke causes and contributes to a wide range of diseases and there are no safe levels of second-hand smoke, or safe cigarettes. Smoke-free environments have been shown to help people who are trying to quit and stay smoke-free. It has been clearly evidenced that legislation and regulation are the most cost-effective ways of reducing tobacco use¹⁵. Building upon the success of the smoke-free ordinance of 2006¹⁶ which stopped smoking in enclosed public places by law, the New Strategy now proposes to develop a proposal to submit to the States to prepare and implement legislation to prevent smoking in vehicles carrying children. The New Strategy will also work with relevant partner Departments and catering businesses to develop appropriate proposals to submit to the States to prepare and implement legislation to prevent smoking in children's playgrounds and designated outdoor eating areas.
- 4.24 In order to reduce the exposure of children to second-hand smoke in the home, the New Strategy plans to work with families to break the cycle of intergeneration smoking. The New Strategy will continue to promote a range of awareness campaigns to ensure that all Islanders, parents and carers in particular, are aware of the risks and harms of second-hand smoke. We will also continue to explore evidence-based ways to encourage pregnant smokers to go smoke-free.

¹⁵ World Health Organisation (2010) Global status report on non-communicable diseases: chapter four accessed at http://www.who.int/nmh/publications/ncd_report_chapter4.pdf

¹⁶ Smoking was restricted in all enclosed public, including workplaces, bars, clubs and restaurants by ordinance, on 2 July 2006, under the "Smoking (Prohibition in Public Places and Workplaces) (Guernsey) Law 2005"

- 4.25 Smoke-free laws are shown to have popular support and high levels of compliance when properly implemented, providing an additional message that smoking is not socially acceptable. The New Strategy therefore also plans to develop a unified approach to bringing States properties (Departmental and cultural) to becoming smoke-free environments in their grounds. First steps will be the campaigns to raise awareness of the effects of second-hand smoke outside and introducing smoke-free children's playgrounds. The New Strategy will audit current practice in all States properties and work with partner Departments to introduce a phased programme of making all States properties into smoke-free environments over the life of the Strategy. If necessary, HSSD will develop a proposal to submit to the States to prepare and implement legislation to give effect to this objective. In this regard, the Strategy will endeavour to maintain and develop its relationship with other States' partners, such as the Home Department, the Environment Department, healthcare staff, the voluntary sector, and the business community.
- 4.26 These initiatives will contribute to achieving the following outcomes in the New Strategy:
- Increase in the number of smoke-free environments, particularly areas where children are present.
 - Reduction in preventable mortality from cancer, cardiovascular and respiratory disease.
- 4.27 A feature of the New Strategy is to regularly monitor key performance indicators, assessing the success of the New Strategy locally, and linking into States Strategic Plan indicators. Ongoing health surveillance through the Health Profile for Guernsey and Alderney, the Healthy Lifestyle Survey for Guernsey and Alderney and the Guernsey Young People's Survey allows these indicators to be used for benchmarking health outcomes and New Strategy effectiveness both nationally and internationally and measure performance against those of other jurisdictions, not only across the Crown Dependencies, nor simply the UK, but making comparisons and sharing learning where appropriate, across Europe. Key performance indicators for each areas of outcome focus are detailed in the proposed New Strategy, pages 15-19 (Appendix 4).
- 4.28 Progress on the New Strategy will be reported annually to the Tobacco Control Strategy group and the Board of HSSD.

5. CONSULTATION

- 5.1 In addition to reviewing the best evidence for effective actions, HSSD undertook three preliminary engagement exercises to gather and test public views before responses were carefully considered and incorporated as appropriate to prepare the New Strategy. HSSD then undertook a full extensive consultation with stakeholders including partners and the public in Summer 2014 on this proposed strategy.

- 5.2 In the consultation of Summer 2014, the New Strategy received 182 responses from a range of organisations and individuals, including GPs, hospital clinicians, Deputies, retailers and importers of tobacco, and charities. The consultation showed strong support for the vision of the New Strategy (88% of individual respondents and the majority of the corporate responses who commented). Reducing premature death from smoking, and helping smokers to quit were supported as objectives by over 90% of individual respondents. More than 90% of respondents supported all three of the objectives that related to reducing harm from smoking and supporting people to give up smoking. Emphasis was given to the need for continued flexible and effective support, encouragement and advice to help people quit smoking.
- 5.3 The consultation showed strong support for creating more smoke-free environments in outside public spaces around children and where people eat. Additions requested for inclusion in the New Strategy included a work-stream to develop regulation and control of electronic cigarettes, and a work-stream to move towards implementation of standardised (plain) packaging of cigarettes, which have now been included: although additional consultation will be required should actions relating to these aspects be proposed over the course of the New Strategy. The New Strategy recognises that evidence concerning the harms and benefits of electronic cigarettes is evolving, and there is a concern that they might be a gateway to tobacco use, therefore including a workstream in the tobacco control strategy will facilitate Guernsey regulating and controlling electronic cigarettes, if and when appropriate, in parallel with our neighbours in the UK or as appropriate, given Guernsey and Alderney's circumstances.
- 5.4 HSSD recognises the importance of engaging with individuals and organisations across the Island in preparing a multi-agency social policy of this kind and is pleased that the New Strategy has received the support of so many stakeholders. The full consultation report is appended as Appendix 2.
- 5.5 The Law Officer's have been consulted, and have commented on the aspects of this Strategy relating to proposals for legislation.

6. **FUNDING**

- 6.1 Because of the constraints and financial pressures being placed on budgets across the States, and because it is unlikely that additional funding will be made available to fund new service developments, HSSD is not requesting any additional funding for service developments. HSSD recognises that budgetary constraints are the greatest limitation on the New Strategy's further development over the next five years, and will consider what steps can be taken as a Department to ensure that adequate funding is prioritised for this work stream, since the benefit to health is so clearly demonstrable.

7. CONCLUSION

- 7.1 Premature death and avoidable illness caused by smoking can have a fearful effect on the lives of individuals and their families. Working together to change attitudes and enable healthy choices within the community is fundamental to working towards HSSD's vision of "Guernsey as a jurisdiction where smoke-free lifestyles are the norm".
- 7.2 The New Strategy seeks to build upon the successes of the 2008 Strategy's work streams, further reducing the availability of tobacco, ensuring that a responsive and effective Quitline service is available, providing increasingly targeted and tailored solutions for smokers and protecting adults and children from the effects of second-hand smoke. This will improve health and quality of life for all Islanders as smoking prevalence continues to reduce over the next five years.

8. RECOMMENDATIONS

The Health and Social Services Department recommends that the States agree:

- 1) To work towards the vision of Guernsey and Alderney becoming jurisdictions where smoke-free lifestyles are the norm (prevalence of adult smoking 5% or less);
- 2) To increase the rate of excise duty on cigarettes at a minimum of RPIX plus 5% annually for the five years 2016 to 2020;
- 3) To increase the rate of excise duty on other tobacco products at a minimum of RPIX plus 7.5% annually for the five years 2016 – 2020, subject to the rate of excise duty on each tobacco product not exceeding the rate of excise duty on cigarettes;
- 4) To request the Law Officers to draft legislation in due course to give effect to the recommendations in paragraphs 2) and 3) above;
- 5) To instruct HSSD to develop a work programme to move towards the regulation and control of electronic cigarettes;
- 6) To instruct HSSD to develop a specific proposal to submit to the States to seek approval to prepare legislation to prevent smoking in vehicles carrying children, in consultation with relevant departments and agencies;
- 7) To instruct HSSD to develop specific proposals to submit to the States to seek approval to prepare legislation to prevent smoking in children's playgrounds and designated outside eating areas, in consultation with relevant departments and agencies;
- 8) To work towards plain packaging of cigarettes; and if HSSD considers it appropriate, for HSSD to develop specific proposals to submit to the States to seek approval to prepare legislation to require plain packaging of cigarettes, in consultation with relevant departments and agencies;
- 9) To work towards smoke-free grounds in States properties; and if HSSD considers it appropriate, for HSSD to develop specific proposals to submit to the States to seek approval to prepare legislation to achieve this objective, in consultation with relevant departments and agencies;

- 10) To approve the Guernsey and Alderney Tobacco Control Strategy 2015-2020 and affirm the States' commitment to minimising the harm caused by tobacco to Guernsey and Alderney residents of all ages.

Yours faithfully

P A Luxon
Minister

H J R Soulsby
Deputy Minister

M P J Hadley
M K Le Clerc
S A James

R H Allsopp
A Christou
(Non States Members)

Appendices:

Appendix 1	Evidence base for action
Appendix 2	Public consultation report
Appendix 3	Tobacco control data summary
Appendix 4	New strategy document (revised following consultation)
Appendix 5	Draft action plan



HEALTH AND SOCIAL SERVICES DEPARTMENT TOBACCO CONTROL STRATEGY 2015-2020 EVIDENCE BASE FOR ACTION

Proposed Actions: evidence base: comparison to other jurisdictions.

This table summarises the most relevant, high quality qualitative and quantitative evidence available and research findings from a variety of disciplines and sectors relevant to tobacco control. High quality evidence includes: systematic reviews of primary research, peer-reviewed studies, studies which track large numbers of people over a long period of time, reports published by the World Health Organisation, the Royal College of Physicians and leading universities worldwide.

Recommended Action	Evidence base underpinning this proposed action	Who else is doing this?
Smoke-free zones in outside eating areas and children's playgrounds	<p><u>Second hand smoke does affect others outside.</u> Klepeis NE, Ott WR, Switzer P. (2007) Real-time measurement of outdoor tobacco smoke particles. <i>J Air Waste Management Association</i>. 2007 May; 57(5):522-34. Stanford, California: Department of Civil and Environmental Engineering, Stanford University, http://www.ncbi.nlm.nih.gov/pubmed/17518219?dopt=Abstract&access_num=17518219&link_type=MED</p> <p><u>Having a parent who smokes makes it more likely that children will be smokers.</u> Loureiro M, Sanz-de-Galdeano A, and Vuri D. (2010). "Smoking Habits: Like father, Like son, Like Mother, Like daughter?" in <i>Oxford Bulletin of Economics and Statistics</i>, 72(6), pp.717–743. http://onlinelibrary.wiley.com/doi/10.1111/j.1468-0084.2010.00603.x/abstract</p> <p><u>There is extensive scientific evidence to support smoke free zones being effective in protecting non-smokers from second-hand smoke (SHS) and in contributing to advancing tobacco control in other ways.</u> Licht AS, Hyland A, Travers MJ, Chapman S (2012) Secondhand smoke exposure levels in outdoor hospitality venues: a qualitative and quantitative review of the research literature <i>Tobacco Control</i> 2013;22:3 172-179 Published Online First: 5 December 2012 http://tobaccocontrol.bmj.com/content/22/3/172.full.pdf+html</p> <p>IARC: <i>IARC Handbooks of Cancer Prevention, Tobacco Control: Volume 13: Evaluating the</i></p>	<p>Australia, Canada, New Zealand, USA.</p> <p>States of Jersey are actively considering this.</p>

	<p><i>effectiveness of smoke-free policies</i> Lyon, France: International Agency for Research on Cancer (IARC), World Health Organization 2009.</p> <p>Hopkins DP, Briss PA, Ricard CJ, Husten CG, Carande-Kulis VG, Fielding JE, Alao MO, McKenna JW, et al: <i>Reviews of evidence regarding interventions to reduce tobacco use and exposure to environmental tobacco smoke</i>. Am J Prev Med 2001, 20:16-66.</p> <p>Wakefield MA, Chaloupka FJ, Kaufman NJ, Orleans CT, Barker DC, Ruel EE: <i>Effect of restrictions on smoking at home, at school, and in public places on teenage smoking: cross sectional study</i>. BMJ 2000, 321:333-337.</p> <p>Johansson A, Halling A, Hermansson G. (2003) Indoor and outdoor smoking: impact on children's health. <i>European Journal of Public Health</i> 13:61e6.</p> <p>In New Zealand, even smokers were found to support new smoke free areas: Wilson N, Weerasekera D, Blakely T, Edwards R, Thomson G, Gifford H (2010) <i>What is behind smoker support for new smokefree areas? National survey data</i>. http://www.biomedcentral.com/content/pdf/1471-2458-10-498.pdf</p>	
Working with partner departments to increase smoke free environments and leading by example with a smoke free HSSD	<p>In hospital, patients are more likely to recover well after surgery if they are smokefree. Mills. E, Eyawo.O, Lockhart.I, Kelly.S, Wu.P, Ebbert.JO (2011). Smoking Cessation reduces Postoperative Complications: A Systematic Review and Meta-analysis. http://www.sciencedirect.com/science/article/pii/S000293431000906X</p> <p><u>Implementing a Smokefree hospital site (buildings and grounds) helps employees to quit smoking.</u> Longo DR, Brownson RC, Johnson JC, Hewett JE, Kruse RL, Novotny TE, Logan RA (1996). <i>Hospital Smoking Bans and Employee Smoking Behaviour: Results of a National Survey 1996</i> http://jama.amanetwork.com/article.aspx?articleid=401057</p> <p><u>Smokefree hospital sites have been implemented successfully elsewhere and are now recommended by the National Institute for Clinical Excellence (NICE)</u></p> <p>Van Heest L, Thomas L.A, Peterson T, Brown K, Hathaway P. (2009). Leading by example-</p>	UK, Australia, Canada, New Zealand, USA

	<p>leading Michigan hospitals smokefree campus initiative. <i>American Journal of Respiratory Care</i>. www.rcjournal.com/abstracts/2009/?id=666460</p> <p>National Institute for Clinical Excellence (2013) (see above)</p> <p><u>Systematic review finds no increase in patient aggression in 90 per cent of Psychiatric Inpatient sites imposing a total smoking ban and in 75 per cent of all study sites (some with partial or other types of ban. However, many issues remain to be resolved.</u></p> <p>Lawn S, Pols R (2005). 'Smoking bans in psychiatric inpatient settings? A review of the research'. <i>Australian and New Zealand Journal of Psychiatry</i>, vol 39, pp 866–85. http://www.ncbi.nlm.nih.gov/pubmed/16168014</p> <p>Lawn S, Campion J. (2013) Achieving smoke-free mental health services: lessons from the past decade of implementation research <i>Int J Environ Res Public Health</i>. 2013 Sep 10;10(9):4224-44. doi: 10.3390/ijerph10094224. http://www.ncbi.nlm.nih.gov/pmc/articles/PMC3799524/</p> <p>Totally smoke-free workplaces are associated with a decrease in smoking prevalence of 3.8%: Fichtenberg CM, Glantz SA: <i>Effect of smoke-free workplaces on smoking behaviour: systematic review</i>. BMJ 2002, 325:188-191. http://www.exeter.gov.uk/ignl/CHttpHandler.ashx?id=6920&p=0</p> <p><u>Research also demonstrates that where smoke-free workplaces and enclosed public places are the norm, parents are more likely to try and prevent smoking in the home.</u></p> <p>Borland R, Mullins R, Trotter L, White V. (1999) Trends in environmental tobacco smoke restrictions in the home in Victoria, Australia. <i>Tobacco Control</i> 8(3): 266-271 http://www.ncbi.nlm.nih.gov/pmc/articles/PMC1763956/pdf/v008p00266.pdf</p> <p>Mons U, Nagelhout GE, Allwright S, Guignard R, van den Putte B, Willemssen MC, Fong GT, Brenner H, Pötschke-Langer M, Breiting LP. (Feb 2012) Impact of national smoke-free legislation on home smoking bans: findings from the International Tobacco Control Policy Evaluation Project Europe Surveys. <i>Tobacco Control</i> doi:10.1136/tobaccocontrol-2011-050131</p>
--	---

<p>Preventing people from smoking in any vehicle carrying children.</p> <p>(It would be an offence to smoke in a private vehicle with someone under age 18 present; and an offence to fail to prevent smoking in a private vehicle with someone under age 18 present.</p> <p>If approved, the regulations would apply to enclosed private vehicles and would not apply to anyone driving alone.</p>	<p>http://www.ncbi.nlm.nih.gov/pubmed/22331456</p> <p>The Royal College of Physicians estimate that passive smoking causes around 20,500 new cases of lower respiratory tract infection in children under the age of 3 years, and 121,400 new cases of middle ear disease in children of all ages in the UK each year. They also estimate that passive smoking causes 22,600 new cases of wheeze and asthma in UK children each year, and around 40 sudden infant deaths in the UK each year. These cases of disease result in over 300,000 UK general practice consultations, and about 9,500 hospital admissions in the UK each year.</p> <p>Royal College of Physicians (2010) <i>Passive smoking and children: A report by the Tobacco Advisory Group of the Royal College of Physicians</i>. London: Royal College of Physicians http://www.rcplondon.ac.uk/sites/default/files/documents/passive-smoking-and-children.pdf</p> <p>All of the harms caused by passive smoking, including the direct health effects and effects on smoking uptake summarised above, are preventable by protecting children from exposure not just to cigarette smoke, but from exposure to smokers. There are two broad approaches to this objective. The first, and by far the most effective, is to reduce the number of people, particularly parents, family members and other carers, who smoke. The second is to maximise the number of homes, and places that children visit, in which smoking does not occur.</p> <p>Royal College of Physicians. <i>Passive smoking and children</i>. London: RCP, 2010. http://www.rcplondon.ac.uk/sites/default/files/documents/passive-smoking-and-children.pdf</p> <p><u>Exposure to tobacco smoke harms adolescents</u> Kallio K, Jokinen E, Saarinen M, Hämäläinen M, Volanen I, Kaitosaari T, Rönnemaa T, Viikari J, Raitakari O T, and Simell O (2010) Arterial Intima-Media Thickness, Endothelial Function, and Apolipoproteins in Adolescents Frequently Exposed to Tobacco Smoke <i>Circ Cardiovasc Qual Outcomes</i> published online Mar 2, 2010; http://www.nigasp.org/Kallio_2009_study-SHS_increasing_risk_of_childhood_arterial_blockage.pdf</p> <p><u>The health risks of exposure to secondhand smoke (SHS) are well established</u> International Agency for Research on Cancer (IARC) 2002. <i>IARC Handbooks of Cancer</i></p>	<p>The States of Jersey are taking this forward.</p> <p>In the UK, draft regulations have been put before parliament.</p> <p>Subject to agreement in both Houses, they will come into force from 1 October 2015.</p> <p>Australia, Canada, New Zealand, USA (Arkansas, Louisiana, California, Michigan: and introduced but not yet finally passed or</p>
---	---	--

	<p><i>Prevention, Tobacco Control: Volume 83: Evaluating the effectiveness of smoke-free policies</i> Lyon, France: World Health Organization http://monographs.iarc.fr/ENG/Monographs/vol83/volume83.pdf</p> <p><u>Researchers have found that secondhand smoke concentrations in vehicles are often greater than in any other micro-environment. Sendzik T, Fong GT, Travers MJ, and Hyland A. (2009) An experimental investigation of tobacco smoke pollution in cars. <i>Nicotine Tob Res.</i> 2009 June; 11(6): 627–634. Published online 2009</u> http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2688598/</p> <p><u>Residual products of smoking in cars can cause harm, even when smoking is not taking place.</u> Mohamad Sleiman et al.(2010) <i>Formation of Carcinogens Indoors by Surface-Mediated Reactions of Nicotine with Nitrous Acid, Leading to Potential Thirdhand Smoke Hazards</i>, 107 Proceedings of the National Academy of Science of the U.S. 6576 (2010), available at http://www.pnas.org/content/107/15/6576.full.pdf+html.</p> <p><u>Children may have little control over their environment and may not be in a position to remove themselves from second-hand smoke exposure, for example in the home or in the family car.</u> Ashley, M.J. and Ferrence, R. (1998) Reducing children's exposure to environmental tobacco smoke in the home: issues and strategies. <i>Tobacco Control</i> 7(1): pp61-65, 1998 http://tobaccocontrol.bmj.com/content/7/1/61.abstract</p> <p><u>Restricting smoking in private spaces is an ethically complex issue; however promoting a norm of unacceptability of childhood exposure to secondhand smoke poses no threat to adult autonomy.</u> Jarvie.JA, Malone.RE (2008). Children's Secondhand Smoke Exposure in Private Homes and Cars: An Ethical Analysis <i>American Journal of Public Health.</i> 2008 December; 98(12): 2140–2145. http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2636518/</p>	<p>signed into law, in the District of Columbia, Kansas, Maryland, Massachusetts, New Jersey, Pennsylvania, Rhode Island, South Carolina and Tennessee).</p>
Providing effective support	<p><u>Smoking affects the amount of oxygen a child receives as it develops in the womb.</u> Cole PV, Hawkins LH, Roberts D. (1972) Smoking during pregnancy and its effects on the fetus. <i>BJOG: An</i></p>	UK among

to help pregnant smokers to quit	<p><i>International Journal of Obstetrics & Gynaecology</i> Volume 79 Issue 9 pp 782–787 Sept 1972 http://onlinelibrary.wiley.com/doi/10.1111/j.1471-0528.1972.tb12920.x/abstract</p> <p>Having a parent who smokes makes it more likely that children will be smokers. Loureiro M, Sanz-de-Galdeano A, and Vuri D. (2010). "Smoking Habits: Like father, Like son, Like Mother, Like daughter?" in <i>Oxford Bulletin of Economics and Statistics</i>, 72(6), pp.717–743. http://onlinelibrary.wiley.com/doi/10.1111/j.1468-0084.2010.00603.x/abstract</p> <p>There are many barriers that should be considered carefully when implementing programmes to reduce smoking in pregnancy, to gain maximum chance of success. Baxter S, Blank L, Guillaume L, Messina J, Everson-Hock E, and Burrows J. (2009) <i>Systematic review of how to stop smoking in pregnancy and following childbirth</i>. Sheffield: School of Health and Related Research (SchARR) University of Sheffield http://www.nice.org.uk/nicemedia/live/13023/49420/49420.pdf</p> <p>A brief cessation counselling session of 5–15 minutes, when delivered by a trained provider with the provision of pregnancy specific, self help materials, significantly increases rates of cessation among pregnant smokers. There are five components of the recommended method—"ask, advise, assess, assist, and arrange". Melvin.C.L, Dolan-Mullen.P, Windsor.RA, Pennington Whiteside.H Jr, Goldenberg.RL (2000) Recommended cessation counselling for pregnant women who smoke: a review of the evidence <i>Tob Control</i> 2000;9:iii80–iii84 doi:10.1136/tc.9.suppl_3.iii80 http://tobaccocontrol.bmj.com/content/9/suppl_3/iii80.short</p>	others
Targeting awareness raising	<p><u>Evaluation after a mass-media campaign about the hazards of passive smoking and to reduce the number of people smoking around children showed that the number of respondents reporting that secondhand smoke was a hazard to children's health increased from 28% before to 50% after the</u></p>	UK, USA California, Australia

campaigns to parents and carers	<p><u>campaign.</u></p> <p>Royal College of Physicians (2010) <i>Passive smoking and children: A report by the Tobacco Advisory Group of the Royal College of Physicians</i>. London: Royal College of Physicians http://www.rcplondon.ac.uk/sites/default/files/documents/passive-smoking-and-children.pdf</p> <p>In evaluation of campaigns targeted to parents and carers in New Zealand, three-quarters of those surveyed (73.0%) reported that smoking had not occurred in the home in the last month, compared to 46.9% in the baseline survey. This represented a 55.7% increase in the number of smoke free homes within the primary target audience. The Environmental Tobacco Smoke and Children Project NSW (2005). <i>Car and Home: Smokefree Zone</i>. New South Wales: The Environmental Tobacco Smoke and Children Project http://www.health.nsw.gov.au/tobacco/Publications/ETS-children-report.pdf</p> <p><u>All of the harms caused by passive smoking, including the direct health effects and effects on smoking uptake summarised above, are preventable by protecting children from exposure not just to cigarette smoke, but from exposure to smokers. There are two broad approaches to this objective. The first, and by far the most effective, is to reduce the number of people, particularly parents, family members and other carers, who smoke. The second is to maximise the number of homes, and places that children visit, in which smoking does not occur.</u></p> <p>Royal College of Physicians. <i>Passive smoking and children</i>. London: RCP, 2010. http://www.rcplondon.ac.uk/sites/default/files/documents/passive-smoking-and-children.pdf</p> <p>Buller, D. et al. (2003). "Understanding factors that influence smoking uptake" in <i>Tobacco Control</i>, 12 (supplement 4), pp.iv16–iv25. http://tobaccocontrol.bmj.com/content/12/suppl_4/iv16.full.pdf+html</p>	UK
Working with partner departments to signpost effectively to	<p><u>NICE guidance recommends that Community workers should refer people who smoke to an intensive support service (for example, NHS Stop Smoking Services, or in Guernsey, Quitline)</u></p> <p>National Institute for Clinical Excellence (2006). <i>Brief interventions and referral for smoking cessation</i>. London: National Institute for Clinical Excellence http://publications.nice.org.uk/brief-interventions-and-referral-for-smoking-cessation-ph1/recommendations</p>	

Quitline	<p><u>As smoking prevalence decreases, so the need for targeted marketing, treatment and medicinal support increases, in order to reach those who find it harder to access services and to quit, practice should include referral to Smokefree support from the range of services that come into regular contact with smokers, e.g. social services, housing services, citizen's advice bureau and voluntary services.</u></p> <p>London Regional Tobacco Policy Team (2010) <i>Tobacco Control Alliances Toolkit</i> page 52.</p> <p>London: Chartered Institute of Environmental Health</p> <p>http://www.cieh.org/uploadedFiles/Core/Policy/Publications and information services/Policy publications/Publications/NHS - Tobacco Control Alliances - A toolkit for London - Mar 2010.pdf</p>	England Scotland Wales
Integrating offer of Quitline services into all clinical contacts with patients (Primary and Secondary care) who are smokers	<p><u>High quality evidence directly applicable to UK health care settings supports the efficacy of physician advice as a brief intervention for smoking cessation.</u></p> <p>National Institute for Clinical Excellence (NICE) (2006) <i>Brief intervention and referral for smoking cessation.</i></p> <p>http://www.nice.org.uk/nicemedia/live/11375/31864/31864.pdf</p> <p><u>National Institute for Health and Clinical Excellence (NICE) guidance recommends very brief interventions as cost effective.</u></p> <p>National Institute for Health and Clinical Excellence (2006) <i>Brief interventions and referral for smoking cessation in Primary care and other settings.</i> London: National Institute for Health and Clinical Excellence</p> <p>http://eap.evidence.nhs.uk/brief-interventions-and-referral-for-smoking-cessation-ph1</p> <p><u>Advice from doctors helps people who smoke to quit. Even when doctors provide brief simple advice about quitting smoking this increases the likelihood that someone who smokes will successfully quit and remain a non-smoker 12 months later.</u></p> <p>Stead LF, Bultrago D, Preciado T, Sanchez G, Hartmann-Boyce J and Lancaster T (2013) Physician advice for smoking cessation. The Cochrane Collection: John Wiley & Sons, Ltd</p>	England Scotland Wales

	<p>http://onlinelibrary.wiley.com/doi/10.1002/14651858.CD000165.pub4/abstract</p> <p><u>Secondary care providers have a duty of care to protect the health of, and promote healthy behaviour among, people who use, or work in, their services.</u></p> <p>National Institute for Clinical Excellence (2013). <i>Smoking cessation in secondary care: acute, maternity and mental health services</i>. London: National Institute for Clinical Excellence http://www.nice.org.uk/nicemedia/live/14306/65863/65863.pdf</p> <p><u>Thirty-one studies comparing a nursing intervention to a control or to usual care found the intervention to significantly increase the likelihood of quitting.</u> Rice VH and Stead LF (2008) 'Nursing interventions for smoking cessation.' Cochrane Database of Systematic Reviews 2008(1):CD001188</p> <p>www.thecochranelibrary.com/.../World%20No%20Tobacco%20Day/CD001188.pdf</p>	
<p>Introducing plain packaging and increasing the prominence of written and pictorial health warnings</p>	<p>Australia introduced standard packs in 2012: the number of smokers calling quit lines grew, the number of smokers fell and according to the Australian government there's been no increase in smuggling. The findings of this study suggest that the new packs are decreasing smokers' identification with their packs and making them think more closely about the health warnings contained on them, potentially moving them closer to cessation.</p> <p>Dunlop SM, Dobbins T, Young JM, et al. Impact of Australia's introduction of tobacco plain packs on adult smokers' pack related perceptions and responses: results from a continuous tracking survey. <i>BMJ Open</i> 2014;4:e005836. doi:10.1136/bmjopen-2014-005836 http://bmjopen.bmj.com/content/4/12/e005836.full.pdf+html?sid=9d59dc43-80ff-4d04-a748-1dc064a82997</p> <p><u>Since standardised packaging was introduced in Australia, smokers' support for the measure has risen sharply from 28.2% prior to its introduction to 49% after implementation.</u></p> <p>Swift E, Borland R, Cummings K M, Fong G T, McNeill A, Hammond D, Thrasher J F, Partos T R and Yong H-H. (2014) <i>Australian smokers' support for plain or standardised packs before and after implementation: findings from the ITC Four Country Survey</i></p> <p><i>Tob Control</i> doi:10.1136/tobaccocontrol-2014-051880 Available at http://tobaccocontrol.bmj.com/content/early/2014/10/27/tobaccocontrol-2014-051880</p>	<p>Australia in 2012. New Zealand and France have pledged to follow suit, while Ireland has recently introduced primary legislation to do the same. Other countries examining the option of introducing standardised packaging include Canada,</p>

	<p><u>The body of research on the effectiveness of plain packaging is small but growing – Industry candour in internal documents and trade literature shows that tobacco product packaging is seen to be a persuasive form of advertising.</u></p> <p>Freeman B, Chapman S & Rimmer M (2008) The case for the plain packaging of tobacco products <i>Addiction</i> doi:10.1111/j.1360-0443.2008.02145.x Australia: School of Public Health, University of Sydney and Australian Centre for Intellectual Property in Agriculture, Australian National University College of Law</p> <p><u>The case for the plain packaging of tobacco products</u></p> <p><u>There is strong evidence to support the view that plain packaging would reduce the attractiveness and appeal of tobacco products: it would increase the noticeability and effectiveness of health warnings and messages, and it would reduce the use of design techniques that may mislead consumers about the harmfulness of tobacco products. Plain packaging is perceived by both smokers and non-smokers to reduce initiation among non-smokers and cessation-related behaviours among smokers.</u></p> <p>Moodie C, Stead M, Bauld L, McNeill A, Angus K, Hinds K, Kwan I, Thomas J, Hastings G and O'Mara-Eves A. (2011) <i>Plain Tobacco Packaging: A Systematic Review</i>. Scotland: University of Stirling.</p> <p><u>Packaging has never been mentioned in the peer-reviewed literature as a key factor for smuggling.</u></p> <p>Cancer Research UK Cambridge Institute (2012). <i>Smuggling, the tobacco industry, and plain packs</i>. Cambridge: University of Cambridge</p> <p><u>http://www.cancerresearchuk.org/prod_consump/groups/cr_common/@nre/@pol/documents/genelcontent/smuggling_fullreport.pdf</u></p> <p><u>Under the terms of the revised EU Tobacco Products Directive, Member States will be permitted to introduce standardised tobacco packaging.</u></p> <p>European Commission. Proposal for a Directive of the European Parliament and of the Council</p>	<p>Finland and Turkey.</p> <p>The UK has carried out consultation and the public support this initiative.</p> <p>However, the UK government have decided to wait for more evidence from Australia before progressing this initiative.</p>
--	---	---

	<p>on the approximation of the laws, regulations and administrative provisions of the Member States concerning the manufacture, presentation and sale of tobacco and related products. COM(2012) 788 (pdf). December 2012</p> <p>Available at http://ec.europa.eu/health/tobacco/docs/com_2012_788_en.pdf</p>	
<p>Increasing the duty on cigarettes by RPI plus 10% year on year from 2014 to 2020</p>	<p><u>Increasing the price of tobacco through higher taxes is the single most effective way to encourage tobacco users to quit and prevent children from starting to smoke. Taxes need to be increased regularly to correct for inflation and consumer purchasing power. Tobacco taxes are generally well accepted by the public and raise government revenues.</u></p> <p>World Health Organisation www.who.int/tobacco/mpower/raise_taxes</p> <p><u>Significant increases in tobacco taxes are a highly effective tobacco control strategy and lead to significant improvements in public health. The positive health impact is even greater when some of the revenues generated by tobacco tax increases are used to support tobacco control, health promotion and/or other health-related activities and programmes. In general, oppositional arguments that higher taxes will have harmful economic effects are false or overstated.</u></p> <p>Chaloupka FJ, Yurekli A, Fong GT. Tobacco taxes as a tobacco control strategy. <i>Tobacco Control</i> 2012; 21: 172-180. CrossRef PubMed</p> <p>http://tobaccocontrol.bmj.com/content/21/2/172.full.pdf+html</p> <p><u>Increasing the price of tobacco products is arguably the most effective method of curbing the prevalence and consumption of tobacco products. Price increases would reduce the global burden of disease brought about by tobacco consumption.</u></p> <p>World Bank. 1999. <i>Curbing the epidemic - governments and the economics of tobacco control</i>. Development in practice. Washington DC; World Bank.</p> <p>http://documents.worldbank.org/curated/en/1999/05/437174/curbing-epidemic-governments-economics-tobacco-control</p> <p><u>Cigarettes have become less affordable in most EU member states. The average annual percentage change in per-capita cigarette consumption was negative in all existing member states</u></p>	<p>Tobacco prices are being increased across Europe in all EU member states.</p>

	<p>and in 9 of 12 new member states between 2004 and 2010, indicating declining per-capita cigarette consumption.</p> <p>Evan Blecher E¹, Ross H and Leon M E (2013) Cigarette affordability in Europe <i>Tob Control</i> 2013;22:e6 doi:10.1136/tobaccocontrol-2012-050575 http://tobaccocontrol.bmj.com/content/22/4/e6.abstract</p> <p><u>There do not appear to be any documented cases of reduced tax revenues when tobacco taxes were increased. Using indicators of corruption levels based on the Transparency International's Index, the World Bank observed that the level of tobacco contraband tends to increase with the degree of corruption in a country.</u></p> <p>Guindon G E, Tobin S and Yach D (2002) Trends and affordability of cigarette prices: ample room for tax increases and related health gains <i>Tobacco Control</i> 2002;11:35–43 http://tobaccocontrol.bmj.com/content/11/1/35.short</p> <p><u>Recent research on illicit tobacco in 18 European countries, conducted in 2010 through the Pricing Policies and Control of Tobacco in Europe (PPACTE) project, showed that the illicit tobacco trade had no significant association with the duty-paid cigarette price.</u></p> <p>Joossens L, Lugo A, La Vecchia C, Gilmore A B, Clancy L and Gallus S. (2012) Illicit cigarettes and hand-rolled tobacco in 18 European countries: a cross-sectional survey. <i>Tob Control</i> doi:10.1136/tobaccocontrol-2012-050644 http://tobaccocontrol.bmj.com/content/early/2012/11/14/tobaccocontrol-2012-050644.abstract</p> <p>Royal College of Physicians (2012). Fifty years since <i>Smoking and health</i>. Progress, lessons and priorities for a smoke-free UK. Report of conference proceedings. London: RCP, 2012. http://www.rcplondon.ac.uk/sites/default/files/fifty-years-smoking-health.pdf</p> <p><u>Increased tobacco price via tax is the intervention with the greatest potential to reduce socioeconomic inequalities in smoking. Other measures studied appear unlikely to reduce inequalities in smoking without specific efforts to reach disadvantaged smokers.</u></p> <p>Hill, S, Amos, A, Clifford, D, Platt, S (2013) Impact of tobacco control interventions on</p>
--	---

	<p>socioeconomic inequalities in smoking: review of the evidence. <i>Tobacco Control</i> doi:10.1136/tobaccocontrol-2013-051110 http://tobaccocontrol.bmj.com/content/early/2013/09/17/tobaccocontrol-2013-051110.abstract</p>	
<p>Levelling up duty on tobacco products such as rolling tobacco to more closely approach that on cigarettes (Increasing the duty on rolling tobacco by RPI plus 15% year on year from 2014 to 2020)</p>	<p><u>Taxes on inexpensive tobacco products should be equivalent to higher-priced products, such as premium-brand cigarettes, to prevent substitution in consumption. Studies find that the reduction in use of one tobacco product will be offset by increased use of another tobacco product if the prices of those products are not also increased</u> Chaloupka FJ, Yurekli A, Fong GT. Tobacco taxes as a tobacco control strategy. <i>Tobacco Control</i> 2012; 21: 172-180. <u>CrossRef PubMed</u> http://tobaccocontrol.bmj.com/content/21/2/172.full.pdf+html</p>	New Zealand
<p>Educating tobacco retailers post regulation to reduce underage sales and proxy sales</p>	<p><u>Interventions with retailers can lead to large decreases in the number of outlets selling tobacco to youths.</u> Stead L and Lancaster T. (2000) A systematic review of interventions for preventing tobacco sales to minors. <i>Tobacco Control</i>. 2000 June; 9(2): 169–176. http://www.ncbi.nlm.nih.gov/pmc/articles/PMC1748321/</p> <p><u>Frequent exposure to tobacco marketing in retail settings is associated with increased odds of adolescents starting smoking, especially those less prone to risk-taking.</u> Johns M, Sacks R, Rane M, Kansagra S M (2012). Exposure to tobacco retail outlets and smoking initiation among New York City Adolescents. <i>Journal of Urban Health</i>. 2013 Dec;90(6):1091-101. USA: New York Academy of Medicine.</p>	

	<p>http://www.ncbi.nlm.nih.gov/pubmed/23700202</p> <p><u>Enabling law has been passed in Guernsey to regulate the display and sales of tobacco. It is the retailer's responsibility to ensure that the correct changes are made by the date the law comes into effect. Non compliance with the legislation is a criminal offence. Retailers need to be supported to ensure new legislation is properly understood and implemented correctly.</u></p>	
Monitoring the source of young smokers' supplies and moving to tackle these	<p><u>Guernsey schoolchildren who smoke are most likely to be supplied by shops (under-age sales) by friends (proxy sales) or being given cigarettes.</u></p> <p>The Schools Health Education Unit (2013) <i>Young People in Guernsey Schools: The Health-Related Behaviour Survey 2013. A report for Guernsey Secondary</i>. Exeter: School Health Education Unit http://www.education.gg/CHttpHandler.ashx?id=85006&p=0</p> <p><u>Interventions with retailers can lead to large decreases in the number of outlets selling tobacco to youths. Successful interventions include enforcement, personal visits and mobilising community support.</u></p> <p>Stead L and Lancaster T. (2000) A systematic review of interventions for preventing tobacco sales to minors. Tobacco Control. 2000 June; 9(2): 169–176.</p> <p>http://www.ncbi.nlm.nih.gov/pmc/articles/PMC1748321/</p>	England, New South Wales
Continuing to promote effective tobacco control education in schools and supporting mainstream PSHE	<p><u>National Institute for Clinical Excellence (NICE) guidance updated in August 2013 recommends interventions and actions that will be effective in reducing the uptake of smoking in children and young people, including the following. Information on smoking should be integrated into the curriculum: anti-smoking activities should be delivered as part of personal, social, health and economic (PSHE) and other activities related to Healthy Schools or Healthy Further Education status: anti-smoking activities should aim to develop decision-making skills and include strategies for enhancing self-esteem.</u></p>	

<p>Rolling out peer-led programmes in secondary schools and monitoring their success (ASSIST for reducing smoking uptake)</p>	<p>National Institute for Clinical Excellence (NICE) guidance updated in August 2013 recommends <u>interventions and actions that will be effective in reducing the uptake of smoking in children and young people, including that students could be trained to lead some of these programmes. In a critical review of comparative research the identified studies indicated that peer leaders were at least as effective, or more, effective than adults.</u></p> <p>Mellanby A R, Rees J B, Tripp J H (1999). Peer-led and adult-led school health education: <i>in Health Education Research Volume 15, Issue 5 pp. 533-545.</i> http://her.oxfordjournals.org/content/15/5/533.short</p> <p>Carefully designed and developed peer-led interventions have potential for delivering effective smoking prevention among adolescents. <u>Although students and staff expressed doubts about the suitability of some young people recruited as peer supporters, the intervention achieved a 22% reduction in the odds of being a regular smoker in intervention compared with control schools.</u></p> <p>Starkey F, Audrey S, Holliday J, Moore L, Campbell R (2009) Identifying influential young people to undertake effective peer-led health promotion: the example of A Stop Smoking in Schools Trial (ASSIST) in <i>Health Education Research Volume 24, Issue 6 Pp. 977-988.</i> http://her.oxfordjournals.org/content/24/6/977.short</p> <p>Information about the ASSIST programme: http://www.decipher-impact.com/wp-content/uploads/PDFWebsitept1.pdf</p>	Wales
<p>Working with voluntary sector partners who engage regularly with young people</p>	<p><u>Some evidence is available to suggest that multi-component community interventions are effective in influencing smoking behaviour and preventing the uptake of smoking in young people. These interventions use co-ordinated, widespread, multi-component programmes to try and influence young people's behaviour. Community members are often involved in determining and/or implementing these programmes. These include education of tobacco retailers about age restrictions, programmes for prevention of smoking-related diseases, mass media, school and family-based programmes.</u></p> <p>Carson K V, Brinn M P, Labiszewski N A, Esterman A J, Chang A B and Smith B J. (2011) <i>Community Interventions for preventing smoking in young people</i> (review). The Cochrane</p>	

<p>Strengthening the Quitline Service and monitoring its effectiveness</p>	<p>Collaboration: John Wiley & sons http://onlinelibrary.wiley.com/doi/10.1002/14651858.CD001291.pub2/abstract</p> <p><u>Helping smokers stop is effective. Most smokers want to stop but their chances of success are low unless they are offered support and treatment. Brief advice, pharmacotherapies and more intensive behavioural support have all been shown to increase a smoker's chance of stopping.</u> NHS / WHO Europe (July 2001) The case for commissioning smoking cessation services. http://www.ash.org.uk/files/documents/ASH_414.pdf</p> <p><u>Helping smokers stop is extremely cost-effective. The cost per life year saved of a comprehensive treatment service is about £900, which is very good value for money.</u> NICE (2008) <i>Matrix evidence Economic analysis of interventions to improve the use of smoking cessation interventions in the general public.</i> http://www.nice.org.uk/media/CD1/8C/EconomicAnalysisInterventionsImproveUseSmokingCessationGeneralPopulation.pdf</p> <p><u>If 8 or more hours per year are lost due to smoking, then all smoking cessation programmes delivered in the workplace will be cost saving for an employer</u> York Health Economics Consortium (2007) <i>Cost-impact analysis of workplace-based interventions for smoking cessation: sensitivity analysis of time lost due to smoking.</i> London: National Institute for Clinical Effectiveness (NICE). http://www.nice.org.uk/nicemedia/live/11375/31864/31864.pdf</p>	<p>UK –NHS / World Health Organisation Europe</p>
<p>General campaigns to raise awareness of Quitline support</p>	<p><u>Population-based socially marketed campaigns can bring more people into smoking cessation services and increase the number of quits achieved. This is a cost-effective approach.</u> Brown J, Kotz D, Michie S, Stapleton J, Walmsley M, West R. (2013). How effective and cost-effective was the national mass-media campaign 'Stoptober'. <i>Drug and Alcohol dependency</i> Nov 20 2013 pii: S0376-8716(13)00470-5. doi: 10.1016/j.drugalcdep.2013.11.003. [Epub ahead of print] http://www.ncbi.nlm.nih.gov/pubmed/24322004</p> <p><u>Increased frequency of negative thoughts about smoking and an increase in quitting related thoughts and actions followed the onset of the National Tobacco campaign in Australia. There</u></p>	

	<p>was also evidence of sustained increase in cessation activity for a month following onset of the campaign. <u>This all occurred in the context of considerable naturally occurring smoking cessation activity, suggesting that the challenge of campaigns ... is to induce progress toward quitting among people who are generally engaged with the issue at some level, rather than attempt to stimulate fundamentally new consideration of smoking.</u></p> <p>Borland R. And Balmford J. (2003) Understanding how mass media campaigns impact on smokers. <i>Tobacco Control</i> 2003;12:ii45-ii52 doi:10.1136/tc.12.suppl_2.ii45 http://tobaccocontrol.bmj.com/content/12/suppl_2/ii45.full</p> <p>Critical review demonstrated that information/motivation programs/campaigns generally produced changes in awareness, knowledge, and attitudes. <u>Extensive national campaigns also produced meaningful behavioural change.</u></p> <p>Flay B.R (1987) Mass media and Smoking Cessation: A critical review http://ajph.aphapublications.org/doi/pdf/10.2105/AJPH.77.2.153</p>	
<p>Targeted campaigns to promote equity of access to Quitline service</p>	<p>Socio-economic status has been found to be a predictor of smoking rates, <u>with high rates of smoking associated with unemployment, poor housing, overcrowding, lone parenthood, low income and homelessness. Quit attempts are less likely to be successful in these groups.</u> Akhtar, P. C., Haw, S. J., Levin, K. A., Currie, D. B., Zachary, R. and Currie, C. E. (2009) Socioeconomic differences in secondhand smoke exposure among children in Scotland after introduction of the smoke-free legislation. <i>Journal of Epidemiology and Community Health</i> 64:341-346 http://www.ncbi.nlm.nih.gov/pubmed/19679709</p> <p>Bolte G, Fromme H, GME Study Group. (2009) Socioeconomic determinants of children's environmental tobacco smoke exposure and family's home smoking policy. <i>European Journal of Public Health</i> 19:52– 8. http://www.ncbi.nlm.nih.gov/pubmed/19033356</p> <p>Targeted campaigns are needed to reduce socioeconomic inequalities in smoking. <u>Evidence on the equity impact of interventions other than tax increases is inconclusive, with the exception of non-targeted smoking cessation programmes which have a negative equity impact due to higher quit rates among more advantaged smokers.</u></p> <p>Hill S. Amos A. Clifford D. And Platt S. (2013) Impact of tobacco control interventions on socioeconomic inequalities in smoking: review of the evidence. <i>Tobacco Control</i></p>	

	<p>doi:10.1136/tobaccocontrol-2013-051110 http://tobaccocontrol.bmj.com/content/early/2013/09/17/tobaccocontrol-2013-051110.abstract</p> <p><u>Providing cessation services in different settings appeared to improve access, and some interventions appear to increase quitting behaviour in disadvantaged groups, for example, in pharmacies or in the workplace for manual workers.</u></p> <p>Murray R.L., Hackshaw L.E and McNeill A. (2009). Improving access to smoking cessation services for disadvantaged groups: A systematic review. <i>Journal of Public Health</i> Volume 31, issue 2 pp258-277. Oxford: Oxford Journals. http://jpubhealth.oxfordjournals.org/content/31/2/258.short</p> <p><u>Some population-level tobacco control interventions have the potential to benefit more disadvantaged groups and thereby contribute to reducing health inequalities. There is no strong evidence of differential effects for smoking restrictions in workplaces and public places, although those in higher occupational groups may be more likely to change their attitudes or behaviour. Smoking restrictions in schools may be more effective in girls. Restrictions on sales to minors may be more effective in girls and younger children. Increasing the price of tobacco products may be more effective in reducing smoking among lower-income adults and those in manual occupations, although there was also some evidence to suggest that adults with higher levels of education may be more price-sensitive. Young people aged under 25 are also affected by price increases, with some evidence that boys and non-white young people may be more sensitive to price.</u></p> <p>Thomas S. Fayter D. Misso K. Ogovlie D. Petticrew M. Sowden A. Whitehead M. and Worthy G. (2008). Population tobacco control interventions and their effects on social inequalities in smoking: systematic review. <i>In Tobacco Control</i> 2008;17:230-237 doi:10.1136/tc.2007.023911. http://tobaccocontrol.bmj.com/content/17/4/230.short</p>
<p>Continuing to support the Smoke Free Prison</p>	<p><u>The prison service appears to provide a favourable context for development of smoking cessation support and a means of accessing hard-to-reach groups.</u></p> <p>Eadie D, MacAskill S, McKell J, Baybutt M (2012) <i>Barriers and facilitators to a criminal justice tobacco control coordinator: an innovative approach to supporting smoking cessation among offenders</i> http://onlinelibrary.wiley.com/doi/10.1111/j.1360-0443.2012.04083.x/full</p>

	<p><u>Laws banning tobacco use in prisons could have a substantial impact in terms of health outcomes and long-term costs among inmates, visitors and staff if they can effectively reduce exposure to secondhand smoke. They can also potentially lead to reduced tobacco use.</u></p> <p>Proescholdbell S.K, Foley K.L and Johnson J. (2007) Indoor air quality in prisons before and after implementation of a smoking ban law. <i>Tobacco Control</i> 2008;17:123-127 doi:10.1136/tc.2007.022038 http://tobaccocontrol.bmj.com/content/17/2/123.short</p>
<p>Providing a Health Trainer service that supports people to make positive changes in their lives</p>	<p><u>The role of Health Trainer is a significant development for the Public Health workforce. Health trainers are recruited from local communities and provide support to enable individuals to adopt healthy lifestyles.</u></p> <p>South.J, Woodward.J, Lowcock.D (2007) New beginnings: stakeholder perspectives on the role of health trainers. <i>Perspectives in Public Health</i> September 2007 vol. 127 no. 5 224-230 http://rsh.sagepub.com/content/127/5/224.short</p> <p><u>Health trainers did reach people from disadvantaged groups and attempted to identify the belief characteristics of the clients in order to identify useful psychological targets to facilitate behaviour change</u></p> <p>Wilkinson et al (2011) Targeting those in need: Baseline data from the first English National Health Service (NHS) Health Trainer Service in <i>Psychology and Health</i> Vol 16 (6) pp. 736-748. http://www.tandfonline.com/doi/abs/10.1080/13548506.2011.564191</p> <p><u>Social disadvantage is associated with being overweight, a poor diet and physical inactivity. The NHS Health Trainer Service (HTS) is a national initiative designed to promote behaviour change among socially disadvantaged people in England and Wales. Findings of this study suggest that the NHS HTS has the potential to improve population health and reduce health inequalities through behaviour change.</u></p> <p>Gardner et al (2012) "Behaviour change among overweight and socially disadvantaged adults: A longitudinal study of the NHS Health Trainer Service" in <i>Psychology and Health</i> Oct; 27 (10) pp. 1178-93 at http://www.tandfonline.com/doi/abs/10.1080/08870446.2011.652112</p> <p><u>The evidence base from health trainer programmes is limited by the relative recentness of the</u></p>

	<p><u>initiative and a lack of robust analytic studies. Emerging evidence suggests that it has been well received and may lead to improvements in some health related behaviour in the short term.</u></p> <p>Price S and Lester C (2012) Health trainers; a rapid review of evidence. http://www2.nphs.wales.nhs.uk:8080/HealthServiceQDTDocs.nsf/61c1e930f9121fd080256f2a004937ed/f0b241c0bcb462b080257a0e0036fde6/\$FILE/health_trainers_rapidreview_250112_1.doc</p>	
--	---	--

APPENDIX 2



HEALTH AND SOCIAL SERVICES DEPARTMENT

TOBACCO CONTROL STRATEGY 2015-2020

Public Consultation Report, 2014

Tobacco Control Strategy - Public consultation report 2014

Executive Summary

This was a carefully conducted and valid consultation exercise over a total of six weeks which enjoyed a good level of response from a variety of individual and corporate respondents, 182 in total.

The consultation showed strong support for the vision of the strategy (88% of individual respondents and the majority of the corporate responses who commented) and reducing premature death from smoking, and helping smokers to quit were supported as objectives by over 90% of individual respondents. The lowest level of support for any of the Strategy's stated objectives is 74%. More than 90% of respondents supported all three of the three objectives that related to reducing harm from smoking and supporting people to give up smoking. Emphasis was given to the need for continued flexible and effective support, encouragement and advice to help people quit smoking.

There is variation in levels of support for the specific initiatives proposed under the strategy, although the broad spread of actions is applauded and generally supported. This was reflected in corporate responses too. This consultation therefore demonstrates strong support for the overarching strategy. Negative comments came from a very small proportion of respondents, and from the Tobacco Industry. These related principally to potential legal, financial and operational challenges.

67% was the lowest level of approval of a proposed action (for increasing the price of cigarettes year on year through increases in duty of RPI+10%), although 71% agreed that gap in duty between cigarettes and rolling tobacco should be reduced by higher increase in tax on the latter. There was 94% support for making it illegal to smoke in a vehicle carrying children, although reservations were expressed about enforcement. There is support (74%) for carefully exploring options for change to duty free allowances with an awareness of the potential pitfalls, some of which have been identified.

The consultation shows strong support for creating more smoke-free environments in outside public spaces around children and where people eat. Principal concerns expressed in this area revolve around implementation and enforcement. It will be essential to work with partner Departments: restaurateurs: café owners: publicans: and the public (smokers and non-smokers) to find solutions that meet the wishes of the majority while being workable, proportionate and cost-effective to implement. Consultation responses suggest that small designated smoking areas may be part of the solution, in an incremental approach.

There are three additions requested for inclusion in the strategy, these are a work stream to develop regulation and control of e-cigarettes: a work stream to move towards implementation of standardised packaging of cigarettes: and exploration of a fuller understanding of the importance of a power to confiscate tobacco products from persons under the age of 18 in public places, with consideration of options for enforcement of the

confiscation powers while ensuring that children are not criminalised. It should be noted that these were not specifically consulted upon in the current exercise.

The consultation shows the strategy to be broadly very well-supported, although the HSSD Board may wish to review the least popular measures, and take account of the potential barriers to implementation which have been identified in the consultation when finalising a proposed action plan for delivery of the proposed strategy.

Tobacco Control Strategy - Public consultation report 2014

Introduction and method

The draft Tobacco Control strategy 2015-2020 has been drawn up following a scoping exercise in 2012 (29 responses) and additional exercises (316 responses) undertaken to re-test the popularity of public views expressed in the initial engagement exercise.

The draft Strategy was released for Public consultation for a period of five weeks in July and August 2014. It was circulated to a wide range of stakeholders including States members, States Officers, Healthcare staff and the general public. It was also made available on the HSSD and States website. Circulation of the document was supported by press releases and a radio interview. A response pro-forma was provided to facilitate easy, fast response. Comments were accepted for a further ten days after the official closing date.

There were six public consultation 'cafe conversation' events held in a variety of public venues including Beau Sejour, Fresh Friday market, the Salvation Army Community Centre and the Western Parishes Youth and Community Centre.

Who responded?

There were 168 individual responses to the Strategy proposals, using the response pro-forma. Of these responses, 8% came from smokers: 65% from non-smokers: and 22% from ex-smokers. 5% of respondents did not give their smoking status. 8% of respondents were smokers, compared with 12% of islanders who smoke; smokers may therefore be slightly under-represented in the consultation.

39% of respondents said they work in Health services: 2% said they work in promoting, selling or distributing cigarettes or tobacco products. 60% of respondents replied 'no' or did not reply to this question. There was a high proportion of responses from people who work in Health services; this may reflect the high levels of awareness of healthcare professionals of the harm caused by smoking and second-hand smoke. However, 5% of the respondents who worked in health services were also smokers.

Basic response data from the 168 individual respondents, who used the consultation response pro-forma, is shown in the following table.

Response data from individuals

Table 1 – Response data: Consultation pro-forma responses (individuals)

Vision: “Guernsey as a place where smoke-free lifestyles are the norm”. This means a future where only 5% of people in Guernsey and Alderney, or less, are smokers. Do you think this is a good vision to aim for?			
Agree	Disagree	Don't know	Did not answer
88%	4%	1%	8%
<u>Additional</u> comments: Vision should be 0% smokers (4). Should ban all tobacco and prescribe for addicts (1). Approaching Nanny state (1). Those who do smoke should not be stigmatised or penalised (1)			
Objective 1: Focus on reducing the number of people who die from cancer and respiratory disease before they reach age 75			
Agree	Disagree	Don't know	Did not answer
94%	3%	1%	1%
<u>Additional</u> comments: More focus on cardiovascular disease (3). Age should be younger (1). People in senior positions should be role models especially doctors and nurses (1).			
Objective 2: Focus on reducing the numbers of adults and children who smoke			
Agree	Disagree	Don't know	Did not answer
92%	3%	0	5%
<u>Additional</u> comments: Focus on children and education (2). Doctors and nurses should be more pro-active in encouraging people to give up (1). We should have choice to do what we like and not be bullied by laws (1)			
Objective 3: Focus on reducing easy access to cheap cigarettes and tobacco			
Agree	Disagree	Don't know	Did not answer
77%	12%	6%	5%
<u>Additional</u> comments: Cost will not stop tobacco addicts smoking (5). Prices are high already (3). No such thing as cheap tobacco outside the home environment (1).			
Objective 4: Focus on creating more smoke-free environments in outside public spaces			
Agree	Disagree	Don't know	Did not answer
74%	14%	5%	7%
<u>Additional</u> comments: Non-smokers have a right to fresh air in public spaces (8). We can't eat outside because of smokers; it's not pleasant (6). Designate outside smoking areas / shelters away from restaurant entrances (3). Smokers have a right to smoke outside (2). Nasty for non-smokers to have to walk past smokers in doorways (1). Should be smoke-free outside especially where children are: beach, parks, town (1).			
Objective 5: Continue to focus on helping people to stop smoking			
Agree	Disagree	Don't know	Did not answer
92%	1%	1%	6%
<u>Additional</u> comments: Essential to give effective support, encouragement and advice (5). Not everyone will stop in the end it's up to them (2). Increase help for pregnant women who smoke (1). Smoking has a bad effect on people's teeth and mouths - advertise Quitline at Dental Practices (1). Advertise Quitline at tobacco retail outlets (1).			
Proposed Action 1: We should increase the price of cigarettes year on year through increases in duty of RPI+10%. (Evidence shows that making cigarettes more expensive encourages people to smoke less or give up, and discourages children and young people from starting to smoke regularly.)			
Agree	Disagree	Don't know	Did not answer
67%	21%	10%	2%
<u>Additional</u> comments: Risk of additional negative impact on low-income smokers (7). Cost will not stop tobacco addicts smoking (5). Increase to same prices as UK (3). Increase it more than 10% (3). Does this work? (3). I don't think this will work (2). Step			

too far (2). Only if extra revenue pays for smokers' healthcare (1). Only education works (1). Increased price will encourage smuggling and duty-free purchasing (1). Why not tax fat as higher health risk (1).			
Proposed Action 2: We should increase the price of loose tobacco more quickly so that it becomes closer in cost to smoking cigarettes, by year on year increases in loose tobacco duty of RPI+15%. (Evidence shows that young people use loose tobacco to roll-up cigarettes because they are cheaper than buying cigarettes. Making rolling tobacco more expensive discourages children and young people from starting to smoke regularly.)			
Agree	Disagree	Don't know	Did not answer
71%	20%	6%	3%
<u>Additional</u> comments: Tax level on cigarettes and rolling tobacco should be the same (8). Cost will not stop tobacco addicts smoking (4). Only if extra revenue pays for smokers' healthcare (2) / street cleaning (1). No, rolling tobacco is less harmful than regular cigarettes (1). Rolling tobacco is used more by young people for mixing with cannabis (1). Little loose tobacco available (1). Why not tax fat as higher health risk (1).			
Proposed Action 3: We should explore options for reducing duty-free allowances of cigarettes and tobacco with our neighbour island Jersey			
Agree	Disagree	Don't know	Did not answer
74%	19%	5%	2%
<u>Additional</u> comments: Must act on this alongside tax increases or people will just buy more duty-free as islanders travel so much (3). Ban duty-free altogether (2). Travel operators encourage buying in excess of allowances, we need to change the law (2). Need to act in tandem with other jurisdictions (2) and with alcohol duty-free allowance (1). Extra customs staff to enforce duty-free allowances (2) and fine offenders (1). Risk of additional negative impact on low-income smokers (1). May increase smuggling of rolling tobacco and reduce tax take, increase crime (1). May harm the economy (1).			
Proposed Action 4: We should make it unlawful to smoke in vehicles carrying children. (Evidence shows that children's short and long-term health is harmed by exposure to smoke in cars.)			
Agree	Disagree	Don't know	Did not answer
95%	1%	2%	2%
<u>Additional</u> comments: Very strongly agree (10). Will be impossible/hard to enforce (9). It's wrong as children have no choice about exposure (2). Should ban in all vehicles (3) homes (1). Overuse of law (1) not many people do it (1) 'Big brother going too far' (1).			
Proposed Action 5: We should make it unlawful to smoke in children's playgrounds and some parts of some outside eating areas. (Evidence shows that children who live in an environment with people who smoke are more likely to become smokers themselves.)			
Agree	Disagree	Don't know	Did not answer
90%	6%	2%	2%
<u>Additional</u> comments: Yes to smoke-free playgrounds, no to smoke-free eating areas (5) Ban it everywhere non-smokers go especially where children are (3), good role models paramount (1). Make ALL outside eating areas smoke-free (4). Make some outside eating areas smoke-free, not all (3). Non-smokers can't eat outside because of smokers; it's not pleasant (2). No need to legislate (2), some eating places already have smoke-free areas (1). Overuse of law, not many people smoke around children (1): request but not insist (1). Provide smoking shelters / areas and limit outside smoking to these (1).			
Proposed Action 6: We should deliver campaigns in the grounds of States properties (work and leisure) to raise awareness of the effects of second-hand smoke. (Evidence shows that children's and adults' long-term health can be harmed by exposure to smoke, even outside.)			

Agree	Disagree	Don't know	Did not answer
84%	10%	4%	3%
<u>Additional</u> comments: All States properties should be smoke-free zones, States should lead in these initiatives (4). People are already aware (2) but many smokers are in denial about the impact of smoking (1). All employers should educate employees (1). Prioritise education in schools (1). 'Dictatorship' (1). It should be unlawful to smoke in any outdoor eating places (1). Other sources of pollution can be harmful, chimneys, cars (1).			
Proposed Action 7: We should work towards introducing smoke-free grounds in States properties for living, working and visiting. (Evidence shows that smokers who work in smoke-free environments are more likely to quit smoking than those who don't.)			
Agree	Disagree	Don't know	Did not answer
79%	12%	6%	3%
<u>Additional</u> comments: Keep smoking contained; provide small and out of the way smoking shelters on large sites (5). People will not comply (3), difficult to police (1). Yes to smoke-free for working and visiting but not States housing (2). Cost will not stop tobacco addicts smoking (2); what about prison, hospital, Castel (1). Get rid of the smoking shelters (1). Stop people smoking in doorways (1); reduce the environmental impact of cigarette butts (1). We should be allowed to refuse employment to smokers if it has a detrimental effect on the workplace i.e. increased sickness and managing staff smoke breaks (1). Need to work with staff and representative groups to get understanding and buy-in (1); what about prison, hospital, Castel (1). Infringes our rights (1); smoke-free workplaces increase stress and depression (1). States properties belong to the people, including smokers (1).			
Proposed Action 8: Quitline should find out which groups do not use Quitline services but would like help to quit, and design help that works for them.			
Agree	Disagree	Don't know	Did not answer
87%	3%	5%	5%
<u>Additional</u> comments: Doesn't Quitline do this already? (4); helped me (1). Should be personal choice to decide when to quit (2). I know nothing about Quitline (1); how can this be done? (1). Youngsters don't think Quitline is cool (1). Expense? (1).			
Proposed Action 9: Quitline should offer help to people who have stopped smoking in prison, to help them stay smoke-free after release.			
Agree	Disagree	Don't know	Did not answer
86%	4%	5%	5%
<u>Additional</u> comments: Doesn't this happen already? (3). This should be available for everyone (3); should be offered after stay in hospital or Castel (2). They've had enough help already (2). Need more evidence on e.g. relapse rate (1), evidence on effect on prison discipline (1). Needs to be someone on prisoners' wavelength (1). A reward system would generate better response (1). Yes if not too costly (1). Help fund e-cigarettes for quitters (1).			
Proposed Action 10: We should continue to provide a free Health Trainer service to help people to get ready to change and make positive small healthy changes in their lifestyle. Health Trainers should refer people to Quitline when they are ready and continue to support them.			
Agree	Disagree	Don't know	Did not answer
85%	3%	10%	2%
<u>Additional</u> comments: How effective are they? (3) Not free (3) unless medical reason (1); not fair when disabled people don't get free services (1). Should be a free service as cost prevents people accessing services (1). I don't know enough about this service but sounds sensible (1). Yes if kept low-cost (1). Referral won't work if people don't want to stop (1).			

Figures may not add up to 100%, due to rounding.

In the following analysis, additional ideas expressed by four or more people are noted. The vision was supported by 88% of respondents. Four people wanted Guernsey to aim to be completely smoke-free.

More than 90% of respondents supported all three of the three objectives that related to reducing harm from smoking and supporting people to give up smoking. In response to proposed actions under these objectives, five people emphasised that it is essential to give effective support, encouragement and advice to help people quit smoking. 85% supported the Health Trainer service; 86% the follow-up help for ex-prisoner 'quitters'; and 87% supported the idea that Quitline should focus on providing even more targeted, personalised and flexible services to meet individuals' needs. Four people felt that Quitline already provides a good and flexible service; constructive comments were made about further improving services to support people to try to quit and to stay quit.

An objective that received less support was increasing the price of tobacco products (77% in favour). In response to proposed actions in this regard, eight people felt that the tax level on cigarettes and rolling tobacco should be the same. Five people felt that raising cost will not stop tobacco addicts from smoking. Seven people expressed concern about the risk of additional negative impact on low-income smokers.

Introducing more smoke free outdoor places was supported by 74% of respondents. Five people felt that a fairer, more proportionate approach would be to keep smoking contained by providing 'small and out of the way' smoking shelters on large sites. In response to proposed actions under this objective, legislating against smoking in cars carrying children was supported most strongly (95% of respondents) and ten people added very strong agreement with it, although nine felt that it would be difficult for police to enforce it.

90% of respondents supported legislating for provision of smoke-free playgrounds and outside eating areas, although five noted that they agreed with legislating for smoke-free playgrounds, but not smoke-free eating areas. Eight people said that non-smokers have a right to fresh air in public spaces but this is curtailed at present as an unintentional consequence of banning smoking indoors. Six respondents said that they can't eat outside because of unpleasant smoke. 84% of respondents supported a staged move towards smoke-free States properties and grounds. Four added that all States properties should be smoke-free zones, and the States should lead in these initiatives.

Corporate responses

Corporate responses were received from States Departments for Commence and Employment, Culture and Leisure, Education, Home, Housing, Public Services, and Social Security. The Boards of Commerce and Employment and Social Security reserved the right for members to reply individually and made no comment on the strategy. Responses were received from Constables of three of the Island Parishes (one had no comments to make and reserved the right for members to reply individually). Island Health responded, as did a member of the Guernsey Dental Community (through

an individual response included above). The Office for Environmental Health and Pollution Regulation and The Community Small Homes Association also responded.

Responses were also received from the Channel Islands Tobacco Retailers' Association (CITRA): the Channel Islands Tobacco Importers and Manufacturers' Association (CITIMA): Japan Tobacco International: and Imperial Tobacco.

Data from corporate responses

The Housing Department were supportive of the strategy, but members will decide whether they support individual aspects of it when it is presented to the States. Culture and Leisure Department were supportive of the strategy in principle, but suggested that additional revenues from tax increase could be hypothecated to promote healthy lifestyles further.

Comprehensive responses were received from the Home Department, the Education Department and Public Services Department. Principal themes in these responses (in descending order of volume of support) include:

- The principles of the strategy are universally applauded and supported: notably the health benefits, child welfare measures, reduction of social and financial harms associated with tobacco use. It proposes a good mix of measures.
- There is a paradox / conflict for the States in duty-free tobacco supporting an unhealthy lifestyle choice (NB effects on duty-free could be cushioned by diversification of duty-free goods)
- There is potential (through duty increases) for increasing smuggling and import of counterfeit tobacco.
- There is no provision in the strategy for funding an increase in the costs of enforcing legislative proposals and policing more stringent control of tobacco goods at the border. Enforcement of these could not be prioritised without additional funding to support this.
- Although there is agreement in principle for more smoke free environments; reservations include practicalities of implementation, the difficulty of enforcement, and possible impact on local commerce and employment.
- There should be no provision of the strategy which results in criminalisation of children.
- Recognition of the key role of the Education Department in prevention of uptake of smoking in children and the importance of maintaining support for joint initiatives in Personal Social Health and Economic Education (PSHE), tobacco education and peer support initiatives in schools.
- Further legislation may not be required, as education is working well – propose review in another five years.
- Within organisations there is a range of personal opinions about appropriate fines and penalties especially in relation to smoking in vehicles carrying children.

- Reducing smoking supports community safety e.g. by reducing incidence of house fires.
- There may be resistance to legislation against smoking in vehicles carrying children as the car is seen as a 'personal space'.

The following additional proposals emerged from convergent work streams or from further discussion at the multiagency Tobacco Control Strategy group.

- The Police power to confiscate tobacco products from persons under the age of 18 in public places has been withdrawn from the draft Tobacco Products Ordinance 2014. Further research and consultation should take place to ensure a full understanding for the issue and its importance in preventing children from taking up smoking. The options for enforcement of the confiscation powers should also be considered so that children are not criminalised. This piece of work should be added to the actions for the Tobacco Control Strategy.
- There is strong evidence and support for standardised (plain) packaging as demonstrated in Public Health England's response to the UK Government consultation. The strategy should therefore seek to ensure that Guernsey implements plain packaging; this should be a key target / action in the strategy.
- There is uncertainty around safety and evidence for smoking cessation around vaping and e-cigarettes, especially in relation to sales and marketing to minors and the use of nicotine products around children. Regulation and control of e-cigarettes should therefore be included to ensure that targets aimed at de-normalising and protecting children are met.

Additional themes summarised from responses of Tobacco Producers, Retailers, and Importers

- Smoking is legal; smokers have a right to smoke and should not be unfairly penalised or stigmatised for smoking, retailers should be allowed to sell without unnecessary restrictions.
- This is not a sufficient public consultation on implementation of standardised (plain) packaging, and our view is that this would contravene Guernsey and international law. A proper consultation on introduction of regulations for standardised packaging would need to take place.
- All smokers should show consideration to those around them, but tobacco smoke is easily dispersed in the atmosphere and smoking should therefore not be restricted outdoors.
- The regulation of smoking in private spaces such as cars is disproportionate, unjustified and unnecessary.
- The proposed tax escalator is disproportionate and we believe it will have negative (unintended) financial consequences.
- We welcome the review of duty-free allowances in principle, but would prefer to see the current duty-free limits applied. Travellers buy very significant levels of duty-free tobacco, without restraint.

Additional comments

The following themes were each mentioned by a very small number out of the total of 181 responses.

- 'Nanny State' / 'Dictatorship' / 'We should have choice to do what we like and not be bullied by laws' (three people).
- Be careful about costs, there is no appetite to spend additional funds on this agenda (three people).
- A call for the people's voice to be heeded by the States and the States to take strong leadership on this agenda (three people).
- Hypothecated funding - tobacco tax should fund healthcare of smokers (two people) and other active healthy lifestyle initiatives (one response).
- What about other health behaviour issues – obesity, alcohol, why pick on smokers? (two people).
- Legislation cannot deliver a vision e.g. banning use of mobile phones in cars has not stamped this out (two people).
- Smoking is a major contributing factor to oral cancers, gum disease and oral health problems. The effect of carcinogens are exacerbated by drinking alcohol while smoking, so reducing smoking in eating areas is important (one person).
- Discarded cigarette butts have a negative environmental effect on the environment (one response) and on wildlife (one person), this should be addressed.

Conclusion

This was a carefully conducted and valid consultation exercise which enjoyed a good level of response from a variety of individual and corporate respondents.

There is strong support for the vision of the strategy (88%) and reducing premature death from smoking, and helping smokers to quit were supported as objectives by over 90% of respondents. The lowest level of support for any of its stated objectives is 74%. This consultation therefore demonstrates strong support for the overarching strategy. Negative comments came from a very small proportion of respondents.

There is variation in levels of support for the specific initiatives proposed under the strategy, although the broad spread of actions is applauded and generally supported.

67% was the lowest level of approval of a proposed action (for increasing the price of cigarettes year on year through increases in duty of RPI+10%) although 71% agreed that the gap in duty between cigarettes and rolling tobacco should be reduced by higher increase in tax on the latter.

The consultation shows strong support for creating more smoke-free environments in outside public spaces around children and where people eat. Principal concerns expressed in this area revolve around implementation and enforcement. It will be essential to work with partner Departments: restaurateurs: café owners: publicans and

the public (smokers and non-smokers) to find solutions that meet the wishes of the majority but are workable and cost-effective to implement. Consultation responses suggest that small designated smoking areas may be part of the solution, in an incremental approach.

APPENDIX 3



HEALTH AND SOCIAL SERVICES DEPARTMENT

TOBACCO CONTROL DATA SUMMARY

Tobacco Control Data Summary for Guernsey updated in 2014/2015

In England, Tobacco Control Profiles were developed to provide a snapshot of the extent of tobacco use, tobacco related harm, and measures being taken to reduce this harm at a local level. The profiles were designed to help local government and health services to assess the effect of tobacco use on their local populations. These principles are equally applicable to Guernsey, where Tobacco control data can inform local Tobacco Control strategy and planning decisions to tackle tobacco use and improve the health of Guernsey and Alderney.

The English profiles have developed considerably over the last three years, and are now administered by Public Health England (PHE). Not all data used in England is available for Guernsey and Alderney. Often the time periods used for measurement are not equivalent. Data may not always be compared on a strict 'like for like' basis. Small figures mean that Island data should often be viewed with caution and confidence intervals applied. Nevertheless, using Guernsey and Alderney data from the Health Profile (2010-2012) and the Healthy Lifestyle Survey (2013), we are able to make some useful comparisons between Guernsey and Alderney's position and the England or South West regional averages. In some instances comparable data is also available from Jersey. We may also use these figures to track the achievement of local strategy and local work over time. The summary data which is most recently available is shown below for some of the principal indicators used in the English Tobacco Control Profiles.

Table 1 Summary data for key indicators from the Tobacco Control Profile.

Sources of comparison data: Jersey Public Health, Health Profile for Jersey 2014, PHE and NHS Health and Social Care Information Centre.

Tobacco Profiles at <http://www.tobaccoprofiles.info/profile/tobacco-control/data>

	Guernsey & Alderney	Jersey	SW region	England
Smoking Prevalence in 2013	13.3% (weighted)	16% (2012)	17.3%	18.4%
Smoking prevalence in the less affluent 2013	26% (in household income <£10,000) 24.3% (in household income <£10,000 to £19,999)	Not known	28.1% (in routine and manual workers)	28.6% (in routine and manual workers)
Smoking status at delivery as a % of mothers whose smoking status is known	14.9% (2011)	Not known	13.5% (2010/11) 12% (2013/14)	13.5% (2010/11) 13% (2013/14)
Low birthweight of term babies	5.8% (2010-12)	6.8% (2010-12)	6.2% (2011)	7.4% (2011)
Smoking prevalence at age 15 years (regular smokers)	11% of boys and 10% of girls smoke occasionally or regularly	Not known	Not known	8%
Smoking prevalence at age 15 years (occasional smokers)		Not known	Not known	10%
Lung cancer registrations per 100,000 population	70.7 per 100,000 (2010-12)	Not shown	62.8 per 100,000 (2011-13)	75.5 per 100,000 (2011-13)
Oral cancer registrations per 100,000	21.4 per 100,000 (2010-12)	Not shown	12.6 (2011-13)	12.8 (2011-13)
Deaths from lung cancer per 100,000	71.3 (2010-2012)	Not known	49.7 (2011-13)	60.2 (2011-13)
% deaths attributable to smoking aged 35+	16%	17%	Not known	18%

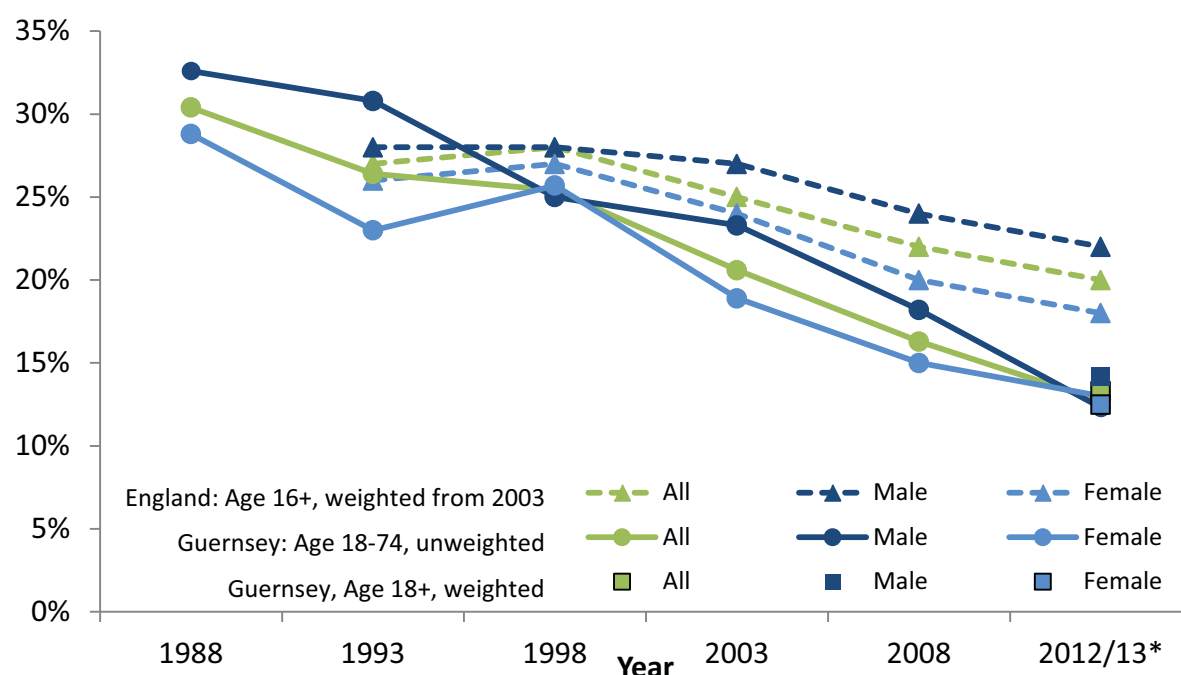
NB. All values are age standardised rates per 100,000 all age population.

What does this data tell us?

1. Smoking prevalence 2013 in adults aged 18 or over

Smoking prevalence in Guernsey and Alderney as measured by the 2013 Healthy Lifestyle Survey was estimated at 13.3%. This suggests that Guernsey and Alderney has one of the lowest smoking rates in Europe. This was the first time the Healthy Lifestyle data had been analysed using weighting to represent the age and gender of the general population; this is a method to correct for demographic differences between the sample and the population it intends to represent.¹ Unweighted data for 2013 showed an estimated prevalence of 12.7%.

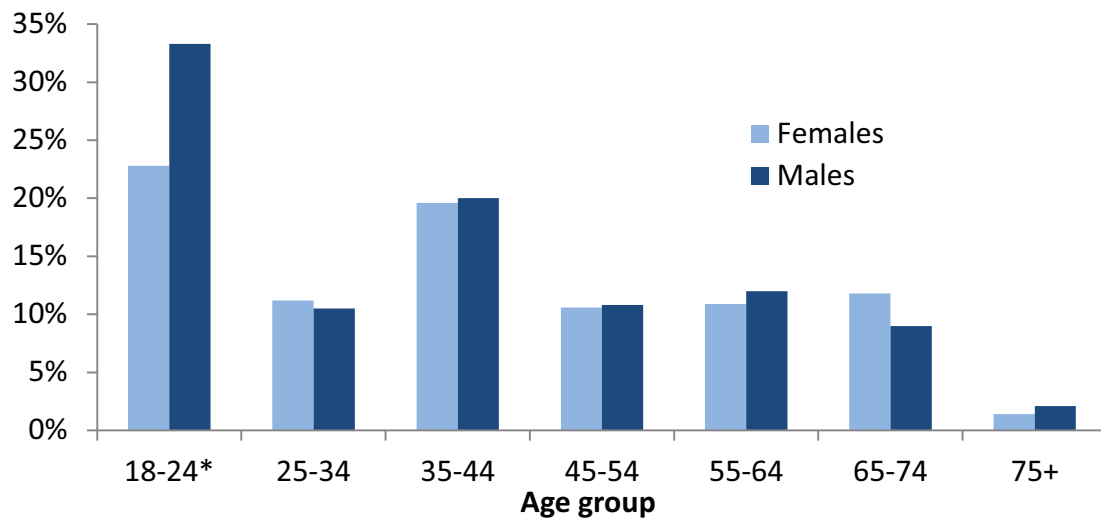
Figure 1 Trends in current smoking, Guernsey and England



*2012 for England, 2013 for Guernsey.

The overall prevalence of current smoking was slightly higher for males (14.2%) than females (12.5%). For both genders, current smoking varied by age and was highest among 18-24 year olds and 35-44 year olds; however the small number of 18-24 year olds participating in the survey means these findings should be treated with caution.

¹ See Chapter 6 of United Nations Department of Economic and Social Affairs. *Designing household survey samples: practical guidelines*. New York, 2008.

Figure 2 Percentage of adults reporting current smoking, by age and gender

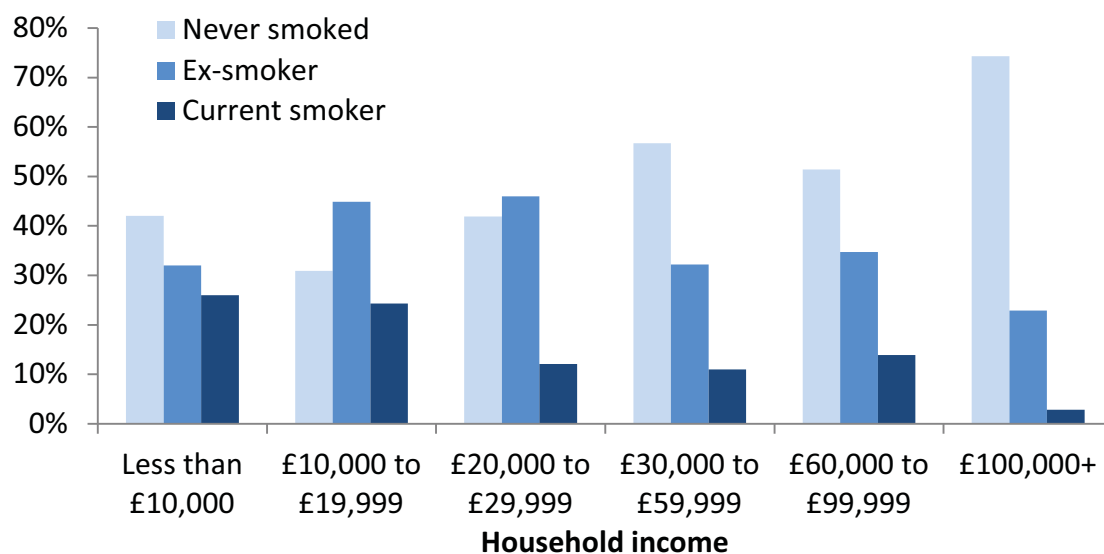
*The number of 18-24 year olds participating in the survey was very low

2. Smoking prevalence 2013 in less affluent adults aged 18 or over

For the first time in the 2013 Healthy Lifestyle Survey, analysis was also made to establish whether the socio-demographic trends in smoking that have been observed in England were also relevant in Guernsey and Alderney. English data shows that people in routine and manual jobs are much more likely to be smokers than people in managerial and professional roles. This is measured through analysis combining the answers from a number of Office of National Statistics household surveys which are not available in Guernsey. Instead our survey looked at household income and comparison between those who rent their homes and those who own them.

The 2013 Healthy Lifestyle Survey found that 25.2% of people in low income households (less than £20,000 per year) smoked compared to 2.8% in high income households (more than £100,000 per year). The proportion of adults that smoked was lower among those that owned their own home (8.4%) than those who rented their home privately (25.4%), through the States Housing Department or Guernsey Housing Association (26.7%), or had other living arrangements (26.7%). Although these figures do not directly compare with English data, for the first time we have data that demonstrate local socio-economic groups of people who we can target help for.

Our data therefore shows that, like in England, a higher percentage of less well-off people in Guernsey and Alderney are smokers and a lower percentage of those who are well-off are smokers.

Figure 3 Percentage reporting being a current smoker, by household income

3. Smoking status at time of delivery

Smoking in pregnancy has well known detrimental effects for the growth and development of the baby and health of the mother. On average, smokers have more complications during pregnancy and labour, including bleeding during pregnancy, placental abruption and premature rupture of membranes and an increased risk of miscarriage, premature birth, stillbirth, low birth-weight and sudden unexpected death in infancy. Encouraging pregnant women to stop smoking during pregnancy may also help them kick the habit for good, thus providing health benefits for the mother and also reducing exposure of the infant to second-hand smoke.

Data recording smoking status at delivery is available for 649 (96%) of the 674 women whose babies were born in the Princess Elizabeth Hospital in 2011. Ninety-seven women were smokers at delivery which equates to 14.9% of those whose smoking status was known. During the UK financial year 2010/11 (covering the period April 2010 to March 2011) the percentage of women smoking at delivery was 13.5% for both the South West region and the England average.² This means that there was a slightly increased percentage noted for Guernsey and Alderney compared to the South West/England percentages. This may be a real difference or may be simply a random fluctuation. The percentage of smoking status at delivery noted for the South West and England has reduced in 2013/2014 to 12% and 13% respectively, but updated data is not available for the Princess Elizabeth Hospital, so we have no up to date information to compare.

This tells us that, in order to be clear how well we are doing in identifying mothers who smoke and the number of children born into smoking households, we need to build enough capacity, through adequate resourcing in Public Health, to analyse and report on hospital data frequently.

4. Low birth weight of term babies

² Source of comparison data: www.dh.gov.uk. Statistical release: Smoking at delivery - Quarter 1, 2011/12.

Low birth weight, which is more likely in the children of mothers who smoke, increases the risk of childhood mortality and of developmental problems for the child. It is also associated with poorer health in later life. Weight at birth was recorded for 99% of live and still born babies in Guernsey and Alderney during 2010–2012. Of these, just less than 6% of babies fell below the low birth weight threshold of 2,500 grams (5lb, 8oz).

This data suggests that a lower proportion of babies were delivered at low birth weight in Guernsey and Alderney during the period 2010–2012 than in England and Wales. There is a small but significant difference between our local figure and the England and Wales figure for 2011, which is higher at 7.4%. However, when Guernsey and Alderney babies are predisposed to have a low weight at birth their mothers may go for delivery in England and this may be one factor influencing the relatively low local figure.

The Guernsey/Alderney low birth weight percentage was comparable to that of Jersey for the same period — 6.8%.

5. Smoking prevalence at age 15 years (regular smokers) and smoking prevalence at age 15 years (occasional smokers)

The prevalence of smoking in young people in secondary school aged 15 is not measured every year in the Guernsey and Alderney, but was measured in 2013.³ The rate has reduced in Guernsey and Alderney over the last three years. Of year 8 and 10 children, 21% of boys and 26% of girls responded in 2013 that they had tried smoking in the past or smoke now. This compared with 32% of boys and 35% of girls who responded in 2010.

11% of Guernsey and Alderney boys and 10% of girls in year 10 (aged 14–15) who responded in 2013 said that they smoke occasionally or regularly. Comparable figures in England, from wider Schools Health Education Unit data were a smoking rate in year 10 in 2013 of 10% in boys and 15% in girls who said that they smoke occasionally or regularly. Over the last ten years, where the Guernsey and Alderney results are compared with equivalent schools survey results in the UK, the School Survey found that prevalence of smoking in school children in years 8 and 10 remains close to, or slightly lower in Guernsey and Alderney than the UK average over the last ten years.⁴

Despite the reduction in prevalence of adult smoking, 32% of secondary school pupils have a parent or carer who smokes; and 30% of primary school pupils surveyed have a parent or carer who smokes (a reduction from 33% in 2010). This chimes with the higher prevalence of smoking in younger adult age groups, and puts children more at risk at taking up smoking themselves.

6. Lung cancer registrations and oral cancer registrations

³ Young People in Guernsey Schools 2013 (Secondary). Available at <http://www.education.gg/ypsurvey>

⁴ Young People's Survey 2013 presentation. Available at <http://www.education.gg/ypsurvey>

The numbers of diagnosed cases of lung cancer and oral cancers (incidence cases) are used as proxies for smoking-related harm, because smokers are at significantly higher risk of developing these particular types of cancer than non-smokers. 'Oral cancers' include cancers of the lip, oral cavity and pharynx (ICD C00–14). About 90% of lung cancers are considered to be attributable to smoking.

England and South West data are available from Public Health England Tobacco Control Profiles for the incidence of lung cancer and oral cancers over the years 2011-2013. Incidence rates are calculated for a 'standard' population so that they can be compared fairly. The 2013 European Standard Population was used. There were 62.8 new lung cancer registrations per 100,000 in the South West and 75.5 cases per 100,000 in England over this period of time. In Guernsey the latest data are for 2010-2012 when the equivalent figure was 73.6 per 100,000. The incidence of lung cancer is similar (within chance variation) to England and the South West.

There were 12.6 new oral cancer registrations per 100,000 in the South West and 12.8 cases per 100,000 in England in 2011-2013, compared to 21.4 per 100,000 in Guernsey in 2010-2012. The difference between Guernsey and comparator areas is bigger than would be expected by chance, so the rate of oral cancer is higher than in England or the South West.

7. Deaths from lung cancer per 100,000

The Public Health England South West Knowledge and Information Team reported a lung cancer death rate for Guernsey of 71.3 per 100,000 during 2010-2012. Like the incidence data above, this is calculated for a standard population so it can be compared. This is higher than the nearest available published rates for England and the South West region (2011-2013) which were 60.2 per 100,000 and 49.7 per 100,000 respectively. The death rate from lung cancer is similar to the England average (within chance variation) but higher than the South West rate.

If deaths from lung cancer are compared to incidence it can be seen that the death rate in Guernsey is close to the incidence rate. In the South West and England the death rate is somewhat lower than the incidence rate. This suggests that a greater proportion of people with lung cancer in Guernsey die from the disease than in the South West and England. However, due to small numbers there can be large changes in the incidence and death rate between time-periods which means we cannot be certain about this.

8. Smoking-attributable deaths

The Health Profile for Guernsey and Alderney 2010-2012 gives data for smoking-attributable deaths in Guernsey and Alderney, using calculation and application of Smoking Attributable Fractions (SAFs) to estimate the impact of smoking on health. Following London Health Observatory methodology, published SAFs for fatal conditions were used in conjunction with

smoking prevalence data for Guernsey to estimate the overall number of Guernsey and Alderney deaths that could reasonably be attributed to smoking⁵

It was estimated that of all deaths to individuals aged 35 and over registered during 2010–2012, 16% were caused by smoking. This equates to 261 over the three-year period, or approximately 87 per year.⁶ The Health Profile for Jersey for the same period of time reports an estimated average of 17% of registered deaths to individuals aged 35 and over per annum as smoking attributable. The UK figure for 2011 is similar at 18%.

The Tobacco Control Profiles are not helpful for making comparisons with this data; however, alternative data comparisons between Guernsey and Alderney, Jersey and the England are made in the Health Profile for Jersey 2014 (2010–2012 data).

Most smoking-related deaths are from one of three types of disease: lung cancer, chronic obstructive pulmonary disease (COPD, which incorporates emphysema and chronic bronchitis) and ischaemic heart disease (CHD).

In Guernsey and Alderney, smoking is estimated to cause 36% of all respiratory deaths, around 21 deaths a year; 28% of all cancer deaths, around 47 deaths a year; 11% of all circulatory disease deaths, around 19 deaths a year. Again, smoking prevalence estimates used were from the Fifth Guernsey Healthy Lifestyle Survey, 2008; using data from the Sixth Guernsey Healthy Lifestyle Survey, with reduced smoking prevalence estimates, might reduce these figures slightly.

Table 2 Estimated proportion of smoking-related deaths (>35 years) during 2010–2012 in selected cause of death categories

Cause (ICD-10 codes)	Guernsey & Alderney 2010–2012	Jersey 2010–2012	England 2011
All causes	16%	17%	18%
Respiratory diseases (J00–J99)	36%	37%	36%
Cancers (C00–C97)	28%	30%	28%
Circulatory disease (I00–I99)	11%	11%	14%

Sources: Jersey Health Intelligence Unit, Guernsey Public Health and Strategy Directorate, HSCIC 2013, Statistics on Smoking 2013

⁵ Relative risks were from Statistics on Smoking: England 2010 (<http://www.ic.nhs.uk>), based on the American Cancer Prevention Society II Study 1982–1988 (<http://apps.nccd.cdc.gov/sammec>). This indicator includes all deaths (35 years and over) which have one of the following ICD-10 codes as the underlying cause of death: C00–C14, C15, C16, C25, C32, C33–C34, C53, C64–C66, C67, C68, C80, C92.0, I00–I09, I20–I25, I26–I51, I60–I69, I70, I71, I72–I78, J10–J18, J40–J43, J44, K25–K27.

⁶ Smoking prevalence estimates used were from the Fifth Guernsey Healthy Lifestyle Survey, 2008. Publication of the Sixth Guernsey Healthy Lifestyle Survey, with reduced smoking prevalence estimates might reduce these figures slightly.

These data tell us that the proportions of smoking-related deaths in these major disease groups related to smoking for Guernsey and Alderney are very similar to the proportions for Jersey and for England.

9. Societal cost of smoking

Estimating the societal cost of smoking is fraught with difficulty. Multiple factors need to be taken into account in order to arrive at the true cost, many of which are individually very hard to put a figure on. Relevant factors include the cost to health care services of treating smokers, loss in productivity due to smoking breaks, increased absenteeism, the cost of cleaning up cigarette butts, the cost of smoking-related fires, loss of economic output from those who die prematurely, or become unable to work as a consequence of smoking-related disease or death and benefit payments to those incapacitated by smoking-related ill-health. Tobacco taxation partially offsets these costs, of course, however calculations when they have been attempted, have consistently shown that the net cost far outweighs the revenue gain. The true societal cost of tobacco use is not recovered through taxation.

A calculation published in 2010 by think-tank Policy Exchange⁷ put the annual cost of smoking to the UK at £13.74 billion. If the local costs are similar in scale to those experienced in the UK, and assuming the total figure is in the right ballpark, this means that the annual cost of smoking to the islands could be in the region of £14.25 million⁸ at 2010 values.

10. Local spend on Tobacco

The 2012-13 Household Expenditure Survey Report provides data on the expenditure patterns of households in Guernsey. In total, 1,045 households took part in the Survey, which was conducted over a 14 month period ending in June 2013.

Tobacco products are classified with alcohol in the Household Expenditure Survey, and 2.1% of total expenditure was in this category. £8.57 was the average weekly spend on tobacco (page 8), representing an average of 0.8% of expenditure per week.

Further details of money spent on tobacco is given on pages 30-32 of the Household Expenditure Survey. The survey also shows (page 55, Table 3.1.3) that the lowest quintile households spend the most on tobacco.

⁷ Nash, R. and Featherstone, H. 2010. *Cough Up: balancing tobacco income and costs in society*. Policy Exchange research note.

⁸ Based on population estimates of 62.3 million for the UK in 2010 (www.ons.gov.uk National Population Projections 2010-based Statistical Bulletin) and 64,625 for Guernsey plus Alderney (States Policy Council Research Unit).

Table 3 **Guernsey Household Expenditure Survey, average weekly household spend on tobacco by housing tenure**

	Owner occupier with mortgage	Owner occupier without mortgage	Renting from private landlord	Renting from the States or GHA	Other
Cigarettes and other tobacco	£7.52	£3.54	£14.11	£24.01	£2.58

Table 4 **Guernsey Household Expenditure Survey, average weekly household spend on tobacco by household income (page 55 of HES)**

	Lowest Quintile	2nd Quintile	3rd Quintile	4th Quintile	Highest Quintile
Cigarettes and other tobacco	£10.87	£10.78	£9.39	£7.59	£2.35

Table 5 **Guernsey Household Expenditure Survey, average weekly household spend on tobacco by household composition**

Single adult, <65y	Single adult, ≥65y	Single adult, < 65y, with dep. children	Couple, both <65y	Couple, both ≥ 65y	Couple, both < 65y, with dep. children	Other
£5.1	£11.48	£13.6	£9.86	£3.47	£7.43	£11.86

Table 6 **Average weekly household expenditure over time (Real expenditure, Dec 2012 prices). Table 2.7.1 of the HES**

1992-93	1998-99	2005-06	2012-13
£18.46	£23.23	£16.33	£8.57

Table 7 Unequivalised % of households that had some expenditure on cigarettes and tobacco by income quintile

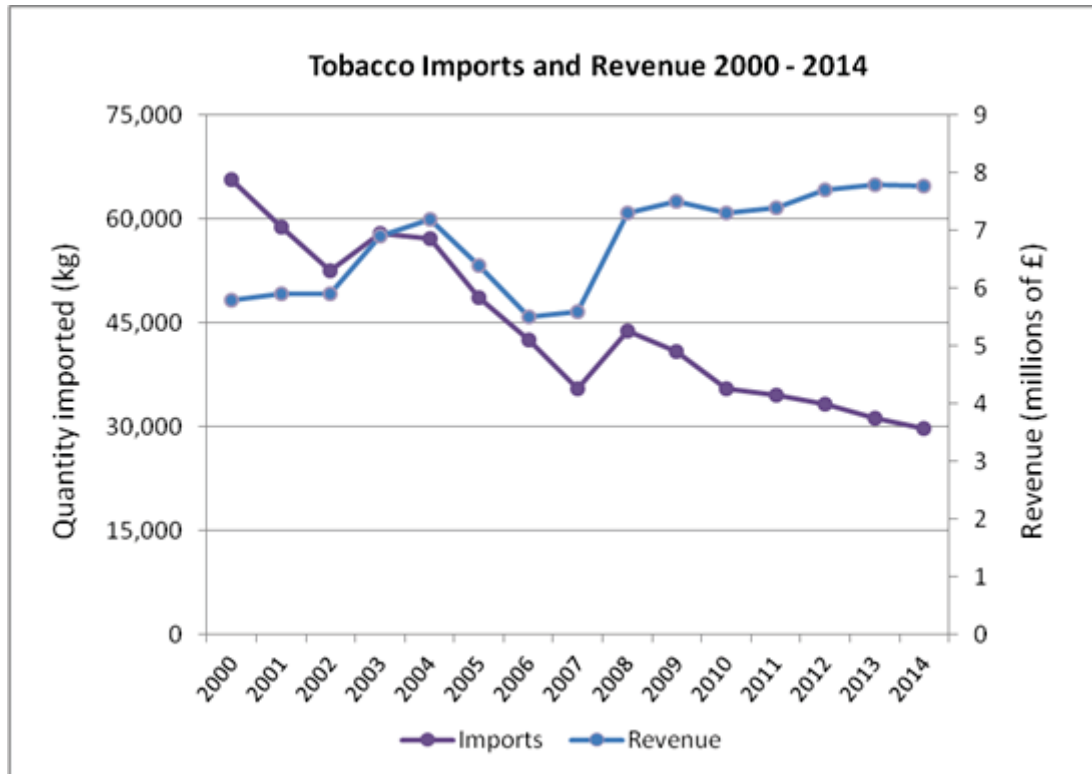
	Lowest	2nd	3rd	4th	Highest
%	19%	18%	16%	12%	7%

Table 8 Unequivalised weekly expenditure on cigarettes and tobacco (only households that had some expenditure) by income quintile (Mn = mean)

	Lowest			2nd			3rd			4 th			Highest		
	Mn	Mx	Min	Mn	Max	Min	Mn	Max	Min	Mn	Max	Min	Mn	Max	Min
Wkly	£57	193	1.53	61	140	4	59	253	1	66	336	4	34	160	0.79

11. Tobacco Imports

Figure 4 Quantity of tobacco imported and revenue by year (Guernsey Border Agency)



12. Tobacco Control Specific Budgets (HSSD)

HSSD administers through its Public Health Directorate two budgets specifically targeted at tobacco control, a Quitline and a Health Promotion Tobacco Control Budget.

Table 9 Quitline Budget 2015

Cost Element Description	Budget 2015 (£)	Proposed use of funds
Established Staff	4,904	Payment for admin/telephonist hours
Nurse	84,961	Salaries for Quitline staff
Train & Dev Courses	2,000	2 day Conference in UK x 2 staff plus training in UK for new staff
Print Material	2,500	Production of new materials for advertising and reprint of current materials
Stationery	400	
Adv Mkt PR Services	8,000	£4,500 for Island FM adverts, plus regular adverts in Guernsey Press
Veh Ves Mileage	100	
Food & Non Alc Bev	100	
Total	102,965	

Table 10 Public Health Promotion Tobacco Control Budget 2015

Cost Element Description	Budget 2015 (£)	Proposed use of funding
Established Staff	59,171	Salaries Children and Young people worker and Health Improvement Officer - tobacco control
COW Training	5,000	Staff to help run ASSIST training Project worker for Quitline - ? 3 month contract to work on outreach
Train & Dev Courses	3,200	Assist conference in UK x 2. Training for CYPHLWorker
Adv Mkt PR Services	12,500	No Smoking day materials, advertising, events, materials for CYHLWorker, Smoking resources
Grants	25,000	Grant to Education for PSHE Adviser
Subs Non Profession	5,000	Annual fees for ASSIST programme
Food & Non Alc Bev	200	
Medical Supplies	37,000	NRT supplies for Quitline and prison
Operational Equip	2,000	Smokerlyser replacement and calibration gas
Total	149,071	

13. Prescription costs for Drugs used in Nicotine Dependence.

The Social Security Department, in partnership with the Public Health Directorate's Quitline Service and Primary Care, pay the costs of two drugs which are available on prescription from primary care if authorised by Quitline.

Table 11 Prescription Costs for Drugs used in Nicotine dependence (Nov 2013 to Nov 2014) (Source SSD)

Bupropion Hydrochloride	11 prescriptions	£391.18
Varenicline Tartrate	600 prescriptions	£25,866.76

APPENDIX 4



HEALTH AND SOCIAL SERVICES DEPARTMENT

TOBACCO CONTROL STRATEGY 2015-2020



HEALTH AND SOCIAL SERVICES
A STATES OF GUERNSEY GOVERNMENT DEPARTMENT

[This page is intentionally left blank]

Section A: EXECUTIVE SUMMARY

States Policy: Yes	Tobacco Control Strategy																		
Period covered	2015 - 2020																		
Political sponsors	Health and Social Services Department																		
Programme Authors	The Head of Health Improvement and the Director of Public Health, with the multi-agency Tobacco Control Strategy group.																		
Summary	<p>This New Tobacco Control Strategy builds on and reinforces the work of the Initial Strategy 2008-2013. It aims to continue to reduce prevalence of smoking which remains a principal cause of premature death and preventable disease in Guernsey and Alderney, and to reduce third party exposure to second-hand smoke. It has been developed through examination of evidence of the most effective measures to reduce smoking and engagement with partners and the public. The New Strategy is well supported as has been shown by extensive consultation with partners and the public.</p> <p>Proposals under the new Strategy include, but are not limited to:</p> <ul style="list-style-type: none"> ▪ Continuing to raise awareness of the dangers of smoking through education programmes in school and outside school. ▪ Making it more difficult for children and young people to get tobacco and making smoking less attractive to them. ▪ Working towards the introduction of mandatory plain packaging. ▪ Year on year increases in duty on cigarettes (RPI+5) and other tobacco products (RPI+7.5%). ▪ Targeting and tailoring help to quit campaigns and Quitline support to socio-economic and other groups where smoking rates are highest, and increasing numbers of brief interventions. ▪ Legislation to prevent smoking in cars carrying children, in children's playgrounds and in designated outside eating areas. 																		
Implications	<table> <tr> <td>▪ States Policy</td><td>▪ Yes</td></tr> <tr> <td>▪ Governance</td><td>▪ Integral monitoring</td></tr> <tr> <td>▪ Public and Media</td><td>▪ Yes</td></tr> <tr> <td>▪ Staff and Trade Unions</td><td>▪ Yes</td></tr> <tr> <td>▪ Staffing</td><td>▪ None additional to current</td></tr> <tr> <td>▪ £ revenue – current year</td><td>▪ Remains within current budgets</td></tr> <tr> <td>▪ £ revenue – full year effect</td><td>▪ Continues current funding levels for 2015-21</td></tr> <tr> <td>Source of revenue</td><td></td></tr> <tr> <td>▪ £ capital</td><td>▪ n/a</td></tr> </table>	▪ States Policy	▪ Yes	▪ Governance	▪ Integral monitoring	▪ Public and Media	▪ Yes	▪ Staff and Trade Unions	▪ Yes	▪ Staffing	▪ None additional to current	▪ £ revenue – current year	▪ Remains within current budgets	▪ £ revenue – full year effect	▪ Continues current funding levels for 2015-21	Source of revenue		▪ £ capital	▪ n/a
▪ States Policy	▪ Yes																		
▪ Governance	▪ Integral monitoring																		
▪ Public and Media	▪ Yes																		
▪ Staff and Trade Unions	▪ Yes																		
▪ Staffing	▪ None additional to current																		
▪ £ revenue – current year	▪ Remains within current budgets																		
▪ £ revenue – full year effect	▪ Continues current funding levels for 2015-21																		
Source of revenue																			
▪ £ capital	▪ n/a																		

CONTENTS

		PAGE
SECTION A	INTRODUCTION	
*	EXECUTIVE SUMMARY	3
*	<i>Diagram: States Strategic Plan</i>	5
*	<i>Programme Summary Overview</i>	6
1	<i>Purpose of this document</i>	7
2	<i>Developers of this document</i>	8
3	<i>Foreword from the Minister for Health and Social Services and Board members of Health and Social Services</i>	9
SECTION B	STRATEGIC FRAMEWORK	
4	<i>Strategic Framework Overview</i>	11
*	<i>Diagram: Tobacco Control Strategy Framework</i>	13
SECTION C	KEY PERFORMANCE INDICATORS	
5	<i>Key Performance Indicators</i>	15
SECTION D	GOVERNANCE	
6	<i>Strategy Group Structure</i>	20
7	<i>Strategy Time-frames & Review Periods</i>	20
APPENDIX I	LIST OF CONSULTEES	22

STATES STRATEGIC PLAN

The Tobacco Control Strategy is a delivery programme within the States Strategic Plan. The framework of the States Strategic Plan is shown below at Figure 1.

Figure 1:

PURPOSE	To enable the States to decide what they want to achieve over the medium to long-term and how they will manage or influence the use of Island resources to pursue those objectives.			
AIMS	To focus government and public services on protecting and improving quality of life of Islanders, the Island’s economic future, and the Island’s environment, unique cultural identity and rich heritage.			
COMMUNITY OUTCOMES	Fiscal & Economic	We have sustainable long term finances and programmes	We have a balanced, internationally competitive, high value economy	We have a skilled, sustainable and competitive workforce
	Social	We have a social environment and culture where there is active and engaged citizenship	We have equality of opportunity, social inclusion and social justice	As individuals we take personal responsibility and adopt healthy lifestyles
	Environmental	We adapt to climate change	We manage our carbon footprint and reduce energy consumption	Our countryside, marine and wildlife are protected and preserved

PROGRAMME SUMMARY OVERVIEW

Programme Name	Tobacco Control Strategy
Period covered	2015 - 2020
Programme Authors	The Head of Health Improvement & Public Health Strategy, and the Director of Public Health, with the multi-agency Tobacco Control Strategy group.
Political sponsors	Health and Social Services Department
Related Strategies / Reviews	<ul style="list-style-type: none"> 2020 Vision for Health and Social Services Mental Health & Wellbeing Strategy (Health & Social Services) Children & Young People's Plan (Health & Social Services) Today's Learners: Tomorrows World (Education) Drug and Alcohol Strategy (Home Department) Disability & Inclusion Strategy (Health & Social Services) Supported Living and Ageing Well (under development in Health & Social Services) Obesity Strategy (Health & Social Services)
Review periods	<ul style="list-style-type: none"> Ongoing monitoring of key performance indicators; Annual formal review of objectives and key performance indicators; 5yr review of strategic commitments.
Other relevant other documents that can be accessed when reading this new Strategy	<ul style="list-style-type: none"> <i>Billet D'Etat</i> III, 2008: Health and Social Service Department – Guernsey Tobacco Control Strategy, p. 391 – 415. Research and evidence underpinning Tobacco Control measures in this New Tobacco Control Strategy (App 1). Public Engagement and Consultation Report (App 2) Tobacco Data Summary (App 3) Tobacco Control Strategy - Draft Action Plan (App 5) Health Profiles for Guernsey & Alderney 2006-8 and 2010-12. The Sixth Guernsey & Alderney Healthy Lifestyle Survey 2013. Young People in Guernsey School's health behaviour survey Household Expenditure Survey 2012-3 Channel Islands Cancer Report 2013 Tobacco Control Profile of Guernsey and Alderney. 110th and 112th Medical Officer of Health reports. <p>Some of these are available at web-link addresses shown on page 22</p>

1.**PURPOSE OF THIS DOCUMENT****1.1**

The purpose of this document is to present a New Strategy to control use of tobacco. This new Strategy includes commitment to initiatives to prevent uptake of smoking in Guernsey and Alderney, initiatives for targeted and tailored smoking cessation support, and initiatives to reduce third party exposure to second-hand smoke, for the years 2015-2020.

The New Strategy uses evidence-based initiatives to reduce smoking prevalence and increase the protection of non-smokers from second-hand smoke. It has been developed through public engagement and working with key partnership agency representatives, and is supported by a comprehensive public consultation.

1.2

The following are presented in this document and its associated Action Plan:

- The Strategy's Statement of Purpose, its Vision, the outcomes that partner organisations intend to achieve together and the strategic commitments that drive us all towards achieving these outcomes;
- Identification of where the Tobacco Control Strategy sits within the States Strategic Plan;
- Identification of areas requiring appropriate attention and action in the period 2015-2020, as based on existing evidence and professional judgement;
- Identification of what will be done, by whom and with whom;
- Identification of where we wish to be within -
 - the short-term (a 2y period);
 - the medium-term (a 5y period); and
 - the long-term (a 10y period and beyond).
- An indication of measures of progress.

2.**DEVELOPERS OF THIS DOCUMENT****2.1**

This document has been produced by the Head of Health Improvement & Public Health Strategy and the Director of Public Health of the Health and Social Services Department, with input from the Tobacco Control Strategy group and key stakeholders, and advised by the Health and Social Services Board.

Representatives of the following organisations have been involved in development (in alphabetical order):

- *Chamber of Commerce;*
- *Commerce and Employment Department (Trading Standards);*
- *Education Department;*
- *Guernsey Border Agency;*
- *Guernsey Police;*
- *Guernsey Prison;*
- *Home Department;*
- *Health and Social Services Department;*
- *Law Officers' Chambers;*
- *Medical Specialist Group;*
- *Office of Environmental Health and Pollution Regulation;*
- *Primary Care Medical Practices (Guernsey).*

These organisations and individuals work in conjunction with key partners in other areas including other States of Guernsey Departments and corporate strategies such as the Education Strategy, the Transport Strategy, the Criminal Justice Strategy, and also businesses and third-sector parties where appropriate.

2.2

The production of this document, and the contribution of resources to support the Strategy's development and ongoing maintenance, is sponsored by the States of Guernsey Health and Social Services Department.

3. FOREWORD FROM THE HEALTH AND SOCIAL SERVICES DEPARTMENT BOARD

3.1

The Health and Social Services Department (HSSD) is mandated to advise the States on matters relating to the mental, physical and social well being of the people of Guernsey and Alderney. This mandate gives HSSD responsibility for:-

- Promoting, protecting and improving personal, environmental and public health; and
- Preventing or diagnosing and treating illness, disease and disability.

3.2

Smoking is the primary cause of preventable illness and premature death in Guernsey, as in the UK. Smoking has been proven to raise the risk of deaths through numerous subsidiary causes in cancer, cardiovascular disease, respiratory disease, and digestive disease. In Guernsey, it is estimated that of all deaths to individuals aged 35 and over registered during 2010–2012, 16% were caused by smoking. This equates to 261 over the three-year period, or approximately 87 per year. Smoking-attributable deaths were more common among males than females; there were an estimated 51 male deaths per year compared with 36 female deaths¹.

Smoking-related illness results in absence from the workplace and from school, reducing productivity in the workforce and affecting learning in children. The societal cost of smoking-related disease and environmental impact in Guernsey is also high.

3.3

The Initial Strategy (2008-2013) was driven forward by HSSD with partners. It has achieved most of its objectives for action over the five year period, and work has continued into 2014, refining and reviewing initiatives and completing the final legislative requirements to fully implement the Initial Strategy.

3.4

The prevalence of smoking in Guernsey and Alderney has decreased from 30.4% in 1988 to 12.7% in 2013². The reduction over the course of the Initial Strategy is demonstrable. Guernsey Life expectancies at birth for men and women have improved by 4-5% over the last 15-20 years and are now among the highest in Europe.

3.5

The prevalence of smoking in young people in Guernsey Secondary schools has also reduced over the term of the Initial Strategy³. 21% of boys and 26% of girls responded in 2013 that they had tried smoking in the past or smoke now. This compares with 32% of boys and 35% of girls who responded in 2010. Of Year 8 and 10 children, 6% of boys (10% in 2010) and 8% of girls (14% in 2010) responded that they smoke occasionally or regularly. Of those who smoke 'regularly', 67% would like to give up.

¹ Health Profile for Guernsey and Alderney 2010-2012 available at <http://www.gov.gg/publichealth>

² 6th Guernsey and Alderney Healthy Lifestyle Survey 2013 available at <http://www.gov.gg/publichealth>

³ Young People in Guernsey Schools 2013 (Secondary). Available at <http://www.education.gg/ypsurvey>

3.6	<p>Despite the reduction of prevalence in adult smoking, 32% of secondary school pupils have a parent or carer who smokes.⁴ 30% of primary school pupils have a parent or carer who smokes (albeit a reduction from 33% in 2010). There is variation across Guernsey and Alderney secondary schools in the percentage of parents or carers who smoke.⁵ National and now local research tells us that Guernsey and Alderney smokers are likely to be in less well-off groups.</p>
3.7	<p>This New Strategy has been designed to build on the success of the Initial Strategy and achieve the following strategic outcomes for individuals and the wider community: -</p> <ul style="list-style-type: none"> - A reduction in preventable mortality from cancer, respiratory and cardiovascular disease. - A reduction in numbers of adults and children who smoke. - A reduction in the ready availability of cheap cigarettes and tobacco. - An increase in the number of smoke-free environments. - An increase in the number of people recorded by Quitline as moving towards a smoke-free future.
3.8	<p>This New Strategy will aim to achieve this through three priority areas of focus:</p> <ul style="list-style-type: none"> - Preventing uptake of smoking and encouraging smokers to try to quit; - Helping people who want to stop smoking to do so successfully; and - Protecting adults and children from second-hand smoke.
3.9	<p>Premature death and avoidable illness caused by smoking can have a fearful effect on the lives of individuals and their families. Working together to change attitudes and enable healthy choices within the community is fundamental to working towards HSSD's vision of "Guernsey as a jurisdiction where smoke-free lifestyles are the norm".</p>
3.10	<p>Partnership working with Clinicians, Teachers, Law Enforcement Officers, other States departments, health professionals, the business sector, and the voluntary sector has supported achievement in tobacco control to date. This partnership is essential to future success, as all have their part to play.</p>
<p>Deputy Paul Luxon, Minister for Health and Social Services.</p> <p>Deputy Heidi Soulsby, Deputy Minister: Deputy Mike Hadley, Board Member: Deputy Sandra James, Board Member: Deputy Michelle LeClerc, Board Member: Roger Allsopp, Non-States Board Member: Alex Christou, Non-States Board Member</p> <p>February 2015</p>	

⁴ Young People in Guernsey Schools 2013 (Secondary). Available at <http://www.education.gg/yps survey>

⁵ Young People's Survey 2013 presentation. Available at <http://www.education.gg/yps survey>

Section B: STRATEGIC FRAMEWORK

4.	STRATEGIC FRAMEWORK OVERVIEW	
4.1	States Strategic Plan	<p>The Tobacco Control Strategy is a delivery programme within the States Strategic Plan. Figure 1 on page 2 outlines the States Strategic Plan's purpose and aims, and also the social policy, financial and environmental outcomes that it seeks to achieve. Figure 2 on page 12 outlines the framework of the Tobacco Control Strategy and identifies the social policy and financial outcomes with which it aligns.</p>
4.2	Strategy Purpose	<p>The purpose of the Strategy is <i>"to reduce the health, social and financial harms associated with tobacco use in Guernsey and Alderney through action by government and public services in conjunction with business and community partners"</i> (see Fig.2).</p>
4.3	Strategy Vision	<p>The Strategy has been built to achieve our vision of <i>"Guernsey as a jurisdiction where smoke-free lifestyles are the norm"</i></p> <p>The long-term objective (10y) is to achieve this vision. (Smoke free lifestyles are considered to be 'the norm' when prevalence of adult smoking is reduced to 5% or less.)</p>
4.4	Outcomes	<p>The outcomes are the benefits to individual residents and the wider community in Guernsey and Alderney, which result from government, public policy, public service and individual actions.</p>
4.5	Priority Areas of Focus	<p>The priority areas of focus are those areas where we will concentrate our efforts. These areas have been chosen through examination of relevant evidence, and through professional and political judgement. In each area we have set specific objectives as shown in our Action Plan.</p>

4.6	Strategic Commitments	The strategic commitments enable and drive towards the delivery of outcomes.
4.7	Objectives	Objectives are shown within an action plan which covers the period 2015 - 2020 and includes short (2y) and medium term objectives (5y). These contribute to the achievement of outcomes. All objectives have an “end milestone”, or an indication of how we will know the objective has been achieved.
4.8	Key Performance Indicators	To define achievement of our aims and objectives, a limited number of high level ‘key performance indicators’ are set against outcomes in order to give us broad indications of achievement. Further detail about key performance indicators is provided on pages 14-19.

Tobacco Control Strategy Framework

COMMUNITY OUTCOMES	As individuals we take personal responsibility and adopt healthy lifestyles	We have equality of opportunity, social inclusion and social justice	We have a skilled, sustainable and competitive workforce
STRATEGY PURPOSE	To reduce the health, social and financial harms associated with tobacco use in the Bailiwick through action by government and public services in conjunction with business and community partners		
VISION	Our vision is of Guernsey and Alderney as jurisdictions where smoke-free lifestyles are the norm		
OUTCOMES	A reduction in preventable mortality from cancer, CV, and respiratory disease	A reduction in numbers of adults and children who smoke	A reduction in the ready availability of cheap cigarettes and tobacco
	An increase in the number of smoke-free environments	An increase in the number of people recorded by Quitline as moving towards a smoke-free future	
PRIORITY AREAS OF FOCUS	PREVENTING UPTAKE OF SMOKING AND ENCOURAGING SMOKERS TO TRY TO QUIT	HELPING PEOPLE WHO WANT TO STOP SMOKING TO DO SO SUCCESSFULLY	PROTECTING ADULTS AND CHILDREN FROM SECOND-HAND SMOKE
STRATEGIC COMMITMENTS	RISK MANAGEMENT <i>Monitor and manage social and economic risk factors in implementation of strategic initiatives.</i>		
	COMMUNICATION <i>Proactively engage with the public so that the Strategy is reflective of and responsive to the concerns of the community. Maintain open and responsive communication between strategic partners. Use appropriately targeted effective messages to encourage smokers to quit.</i>		
	EQUALITY <i>Ensure equity of access to Quitline services and respond to the needs of a diverse community</i>		
KEY ENABLERS	GOVERNANCE <i>Collective investment of expertise so as to ensure that the right organisations are involved at the right time</i>		
	EVIDENCE <i>Application of international and local evidence to support legislation, campaigns, and decision-making and ensure cost-effective local practice.</i>		

Section C:

Section C: KEY PERFORMANCE INDICATORS

5.	KEY PERFORMANCE INDICATORS
5.1	It is important that strategy is monitored on an ongoing basis in order to assess how we are performing against our desired outcomes. Key performance indicators are therefore set against each outcome. We will formally review and publish results of high level key performance indicators on an annual basis.
5.2	There may be times when there is little data to bench mark against and therefore some data will only become meaningful when it has been collected over a number of years.
5.3	We recognise that other HSSD and pan-States strategies for improving health will have an effect on the achievement of the key performance indicators for the first outcome of this strategy. Nevertheless, the evidence shows that tobacco control remains the most effective way to reduce the burden of early death (premature mortality) and preventable illness (morbidity).
5.4	The data gathered can give a broad indication of how successful our efforts are, and help us to make evidence-based decisions on what to do so as to achieve our outcomes and, ultimately, our vision of <i>“Guernsey as a jurisdiction where smoke-free lifestyles are the norm”</i>
5.5	Our objectives are intended to contribute to the achievement of our outcomes. All objectives will have an agreed “end milestone”, or an indication of how we will know the objective has been achieved. Work-streams shown will require further development and consultation in order to ensure that the manner of work reflects local concerns, local needs and evolving trends and developments. These objectives are shown within our action plan and will be monitored on a quarterly basis.

Outcome 1**A reduction in preventable mortality from cancer, cardiovascular and respiratory disease**

		Data-source	Frequency of measure
KPI 1.1	Life expectancy at birth in 2020 exceeds or is equal to 79.9 years for men and 84.1 years for women	Health Profile for Guernsey and Alderney	Three yearly
KPI 1.2	Rates of premature* death from cancer decline over a ten year period from a baseline of 94.9 per 100,000 in 2010-12**	Health Profile for Guernsey and Alderney	Three yearly
KPI 1.3	Rates of premature death from respiratory disease decline over a ten year period from a baseline of 15.1 per 100,000 in 2010-12	Health Profile for Guernsey and Alderney	Three yearly
KPI 1.4	Rates of premature death from cardiovascular disease decline over a ten year period from a baseline of 49.4 per 100,000 in 2010-12	Health Profile for Guernsey and Alderney	Three yearly
KPI 1.5	Incidence rates of lung cancer show reduction over a ten year period from the 2007-2011 baseline of an average of 94.8 per 100,000 age 20y+ population per year	Channel Islands Cancer Report	Annual

* Premature death = < 75 years.

** All rates are calculated as age standardised (Age Standardised Rates = ASR).

Outcome 2**A reduction in numbers of adults and children who smoke**

		Data-source	Frequency of measure
KPI 2.1	Prevalence of adult smoking stands at 10% or less as reported in the Healthy Lifestyle Survey by 2020	Guernsey and Alderney Healthy Lifestyle Survey	Five yearly
KPI 2.2	Prevalence of smoking in 'occasional and regular' smoking in secondary school pupils is 5% or less by 2020 as reported in the Young People's Survey	Young People's Survey: Education	Three yearly
KPI 2.3	Percentage of school pupils reporting a parent who smokes shows a reducing trend by 2020 as reported in the Young People's Survey	Young People's Survey: Education	Three yearly
KPI 2.4	Prevalence of smoking in lower income groups reduces as reported in the Healthy Lifestyle Survey	Guernsey and Alderney Healthy Lifestyle Survey	Five yearly
KPI 2.5	Prevalence of smoking in pregnant women (at date of delivery) shows a reducing trend over ten years	HSSD Public Health Intelligence	Annual

Outcome 3**A reduction in the ready availability of cigarettes and cheap tobacco**

		Data-source	Frequency of measure
KPI 3.1	Price of cigarettes increases through year on year increases in duty (RPI+5%)	Treasury and Resources	Annual
KPI 3.2	Price differential between cigarettes and tobacco reduces through year on year increases in tobacco duty (RPI+7.5%)	Treasury and Resources	Annual
KPI 3.3	Levels of cigarettes and tobacco importation show a reducing trend over ten years	Guernsey Border Agency	Annual
KPI 3.4	Options for reducing duty-free allowances of cigarettes and tobacco are explored in conjunction with Jersey	Treasury and Resources and Guernsey Border Agency	Annual

Outcome 4**An increase in the number of smokefree environments**

		Data-source	Frequency of measure
KPI 4.1	Legislation prepared and implemented to prevent smoking in vehicles carrying children	States Report and Enabling law	Once at 2 year review
KPI 4.2	Legislation prepared and implemented to prevent smoking in children's playgrounds and designated outside eating areas	States Report and Enabling law	Once at 2 year review
KPI 4.3	Campaigns prepared and delivered to raise awareness of effects of second-hand smoke in grounds of States properties	Health Promotion (HSSD)	Annual
KPI 4.4	Audit and plan for a phased approach to introducing smoke-free grounds in States properties	Tobacco Control Strategy Group	Once at 2 year review
KPI 4.5	Guernsey and Alderney become jurisdictions where smoke-free lifestyles are the norm (prevalence of adult smoking is 5% or less)	Guernsey and Alderney Healthy Lifestyle Survey	2025 (long-term aim)

Outcome 5**An increase in the number of people recorded by Quitline as moving to a smoke-free future**

		Data-source	Frequency of measure
KPI 5.1	Quitline records an average of 450 quit dates set per annum from 2015-2017	Quitline with Health Promotion HSSD	Annual
KPI 5.2	Audit equity of access to Quitline services and identify groups under-represented in services	Quitline with Health Promotion HSSD	Annual
KPI 5.3	90% of offenders who entered Guernsey Prison as smokers are pro-actively offered continuing Quitline support on release from 2015 to 2017	Prison HealthCare service: Quitline HSSD	Annual
KPI 5.4	The Health Trainer service will work with a minimum of 50 clients per year from 2015 to 2017 inclusive, to support demonstrable positive behaviour change, including referrals to Quitline and ongoing support for quitters	Quitline with Health Promotion HSSD	Annual

Section D: GOVERNANCE

6. STRATEGY GROUP STRUCTURE

6.1

The Tobacco Control Strategy group is a multi-agency group, comprising membership from:

- Commerce and Employment Department
- Education Department;
- Guernsey Border Agency;
- Guernsey Police;
- Guernsey Prison;
- HSSD clinical staff;
- Medical Specialist Group;
- Office of Environmental Health and Pollution Regulation;
- Primary Care.

Representatives from the Environment Department and Treasury and Resources Department have also attended for specific items.

6.2

The Tobacco Control Strategy group reports through the Director of Public Health to the Health and Social Services Board.

7. STRATEGY TIME-FRAMES & REVIEW PERIODS

7.1

Our Action Plan is made up of a series of objectives that aim to be achieved across short, medium and long term time frames.

7.2

Progress on actions will be reviewed by the Tobacco Control Strategy group on an annual basis, and reported to the HSSD Board, and other Boards as relevant, through the Director of Public Health.

The milestones will be refreshed in 2017 for the second phase of Strategy delivery.

An interim public report on the success of this Strategy in achieving its milestones will be produced by December 2017

APPENDIX I: LIST OF CONSULTEES

The range of organisations, including those listed below, were circulated with this document for consultation in summer 2014. The consultation responses have been carefully considered by HSSD in production of the strategy.

Airport and Harbour Authorities

Chamber of Commerce and retailers

Channel Islands Tobacco Importers & Manufacturers Association (CITIMA)

Office of Environmental Health and Pollution Regulation

General Public and the Media

GP Practices, Medical Specialist Group, and HSSD clinicians

Guernsey Border Agency: Police and Prison

Health and Social Services Directors and Managers leading on associated Strategies

Health Improvement Programme group and Tobacco Control Strategy group

Health and Safety Executive

Institute of Directors

Law Officers of the Crown

Pharmacies and Dentists

Policy Council, States of Guernsey

Schools and Parent Teacher Associations, GTA University Centre and College of Further Education

Sports Commission

States Departments

Trading Standards

Voluntary Sector and associated special interest groups

Youth Commission

APPENDIX 2: WEB-LINKS TO RELATED DOCUMENTS

Some other relevant documents that can be accessed when reading this document are shown here with web-links to take you to the documents

***Billet D’Etat* III, 2008: Health and Social Service Department – Guernsey Tobacco Control Strategy, p. 391 – 415**

Web-link: <http://www.gov.gg/CHttpHandler.ashx?id=3851&p=0>

Health Profiles for Guernsey & Alderney 2006-8 and 2010-12

Web-links: <http://www.gov.gg/CHttpHandler.ashx?id=74886> and
<http://www.gov.gg/CHttpHandler.ashx?id=87388&p=0>

The Sixth Guernsey and Alderney Healthy Lifestyle Survey 2013.

Web-link: <http://www.gov.gg/publichealth>

110th and 112th Medical Officer of Health reports

Web-links: <http://www.gov.gg/CHttpHandler.ashx?id=2955&p=0> and
<http://www.gov.gg/CHttpHandler.ashx?id=4790&p=0>



HEALTH AND SOCIAL SERVICES DEPARTMENT

TOBACCO CONTROL STRATEGY 2015-2020 ACTION PLAN

Preventing uptake of smoking and encouraging smokers to try to quit

Associated outcomes – Reduction in the numbers of adults and children who smoke; Reduction in the ready availability of cheap cigarettes and tobacco; Reduction in preventable mortality from cancer and respiratory disease.

What	Who leads	How done	How measured	Frequency of reporting
Raise awareness in children and young people of the short and longer term consequences of smoking, encouraging children and young people to stay smoke-free.	HSSD Health Promotion / Education	Providing a Healthy Lifestyles Worker for Children and Young People, to support tobacco education in schools; and to work with voluntary sector partners who engage regularly with young people to raise awareness of smoking harms.	Children and Young People's Health-related Behaviour Survey (Education)	Three yearly
Reduce availability of tobacco products to children and young people	HSSD Health Promotion / Environmental Health / Home Department	Work closely with regulated suppliers of tobacco in Guernsey to provide advice and assistance to encourage responsible sales practice. Monitoring the source of young smokers' supplies and moving to tackle these sources. Provide awareness campaigns to warn of the consequences of proxy purchasing: and to discourage tobacco smuggling and exceeding tobacco duty-free allowances.	Children and Young People's Health-related Behaviour Survey (Education)	Three yearly
Make tobacco products less attractive to children and young people to deter initiation of smoking	HSSD Health Improvement / Treasury and Resources / Home Department	Draw up a work programme to move towards the introduction of plain packaging of cigarettes in Guernsey, in partnership with Treasury and Resources and Home Departments, Law Officers and colleagues in Jersey.	Work programme drawn up and status reports provided to the Tobacco Control Strategy Group	At two year review and five year review

What	Who leads	How done	How measured	Frequency of reporting
Make cigarettes more expensive to deter people from starting to smoke, and encourage people to quit	Treasury and Resources	Increase the duty on cigarettes by RPI plus 5% year on year from 2015 to 2020. Explore duty free options with Jersey.	Levels of cigarette importation Prevalence of smoking in Adults and Children and Young People	Annual Five yearly Three yearly
Make rolling tobacco more expensive to deter children and young people from starting to smoke or continuing to smoke.	Treasury and Resources	Increase duty on tobacco products to more closely reflect that levied on cigarettes: increasing by RPI plus 7.5% year on year from 2015 to 2020.	Levels of tobacco importation Prevalence of smoking in Adults and Children and Young People	Annual Five yearly Three yearly
Prevent children from being in possession of tobacco	HSSD / Home / Law Officers	Ensure that legislation has been prepared and submitted to the States, in accordance with the States Resolution to allow Police to confiscate tobacco from children without criminalising children.	States Report and Enabling Law in place	At two year review and five year review
Offer Quitline services at all HSSD contacts, primary care contacts, and other health services for patients who are smokers	HSSD / Quitline	Train HSSD staff in Identification and Brief Advice at Induction. Develop automatic referral pathways and systems to deliver referrals. It is hoped that this service will be further developed across primary, acute and community care settings and potentially in the workplace.	Numbers of referrals received by Quitline	Annual
Develop regulation and control of E-cigarettes	HSSD / Home / Law Officers	Draw up a work programme to move towards the development of regulation and control of E- cigarettes in Guernsey, in partnership with Law Officers, colleagues in Commerce and Employment and the business community.	Work programme drawn up and status reports provided to the Tobacco Control Strategy Group	At two year review and five year review

Helping people who want to quit to do so successfully

Associated outcomes - A reduction in the numbers of adults and children who smoke; Increase in the number of people moving through Quitline to a smoke-free future

What	Who leads	How done	How measured	Frequency of reporting
Increase in the number of four week quits recorded and maintaining smoke-free status	HSSD / Quitline	Provide a good service underpinned by training for effective and increased referral rates from a variety of sources.	Quitline records	Annual
Increase equity of access to Quitline services of groups under-represented in services	HSSD / Quitline	Audit equity of access and identify groups under-represented in services; develop and deliver interventions to meet their needs through targeted and tailored services according to need.	Quitline service records Reduced prevalence of smoking in defined groups	Annual Five-yearly
Target and tailor holistic Quitline interventions to older smokers, young parents and the less well-off	HSSD / Quitline	Work with the Health Trainer service, Social Services, Maternity Services and community groups to promote holistic and accessible services, refined by client feedback, and taking account of data from the Healthy Lifestyle Survey about preferred support.	Quitline service records Reduced prevalence of smoking in defined groups	Annual Five-yearly
Support prisoners on release to remain smoke-free	HSSD Prison Health team / Quitline	90% of offenders who enter Guernsey prison as smokers are pro-actively offered Quitline support on release. Those who consider themselves quit are referred to Quitline for ongoing monitoring of smoke-free status.	HSSD Prison Health team records Quitline referral and follow-up records	Annual
Provide support for people who need help to change behaviours	HSSD Health Promotion Quitline	Provide a Health Trainer service to work with 50 clients a year to support and maintain demonstrable behaviour change	Health Trainer client numbers. Quitline referrals	Annual

Protecting Adults and Children from Second-hand smoke

Associated outcomes – Reduction in preventable mortality from cancer and respiratory disease; Increase in the number of smoke-free environments

What	Who leads	How done	How measured	Frequency of reporting
Protect children from second-hand smoke in cars	HSSD / Police	Legislation prepared and implemented to prevent smoking in vehicles carrying children	States Report and Enabling Law in place	At two year review and five year review
Protect children and adults from the effects of second-hand smoke	HSSD / Culture and Leisure / Environmental Health	Legislation prepared and implemented to prevent smoking in children's playgrounds and designated outside eating areas	States Report and Enabling Law in place	At two year review and five year review
Protect children from second-hand smoke in the home	HSSD Health Promotion / HSSD Maternity / Quitline	Provide smoking cessation support to pregnant women who smoke Work with families to break the cycle of intergenerational smoking. Targeting awareness raising campaigns to parents and carers	Numbers of pregnant women who achieve quit. % of women who are smokers at delivery. Numbers of family interventions and numbers of associated 4-week quits	Annual
Lead work towards a smoke free environment in Guernsey	HSSD Health Promotion / States HR / States Estates	Campaigns prepared and delivered to raise awareness of the effects of second-hand smoke in States properties Audit and plan for a phased approach to introducing smoke-free grounds in States properties	Campaigns delivered; evaluation shows increased awareness in staff, residents, visitors Audit completed and proposed plan presented	Annual At two year review and five year review

(N.B. The Treasury and Resources Department notes that the volume of duty-paid tobacco imports has fallen in recent years and hence income from excise duty has fallen slightly in real terms despite significant real-terms increases in duty rates.

It is noted that the Health and Social Services Department would reprioritise its existing resources if it wishes to allocate more funding to delivering and developing the Tobacco Control Strategy.)

(N.B. The Policy Council supports the proposals contained in this Report and is of the view that the previous Tobacco Strategy has been successful in reducing the number of people smoking, reducing the numbers taking up smoking and reducing the risks posed by second-hand smoke. The new Strategy builds on this success to reduce one of the principal causes of premature death and preventable disease in Guernsey and Alderney, therefore, the Policy Council supports the continuation of the Strategy, which it considers to have been drawn up in accordance with the principles of good governance.)

The States are asked to decide:-

VII.- Whether, after consideration of the Report dated 9th February, 2015, of the Health and Social Services Department, they are of the opinion:-

1. To agree to work towards the vision of Guernsey and Alderney becoming jurisdictions where smoke-free lifestyles are the norm (prevalence of adult smoking 5% or less).
2. To increase the rate of excise duty on cigarettes at a minimum of the Retail Price Index (X) plus 5% annually for the five years 2016 to 2020.
3. To increase the rate of excise duty on other tobacco products at a minimum of Retail Price Index (X) plus 7.5% annually for the five years 2016 – 2020, subject to the rate of excise duty on each tobacco product not exceeding the rate of excise duty on cigarettes.
4. To direct the preparation of such legislation as may be necessary to give effect to their above decisions in regard to propositions 2 and 3.
5. To instruct the Health and Social Services Department to develop a work programme to move towards the regulation and control of electronic cigarettes.
6. To instruct the Health and Social Services Department to develop a specific proposal to submit to the States to seek approval to prepare legislation to prevent smoking in vehicles carrying children, in consultation with relevant departments and agencies.

7. To instruct the Health and Social Services Department to develop specific proposals to submit to the States to seek approval to prepare legislation to prevent smoking in children's playgrounds and designated outside eating areas, in consultation with relevant departments and agencies.
8. To agree to work towards plain packaging of cigarettes; and if the Health and Social Services Department considers it appropriate, for the Health and Social Services Department to develop specific proposals to submit to the States to seek approval to prepare legislation to require plain packaging of cigarettes, in consultation with relevant departments and agencies.
9. To agree to work towards smoke-free grounds in States properties; and if the Health and Social Services Department considers it appropriate, for the Health and Social Services Department to develop specific proposals to submit to the States to seek approval to prepare legislation to achieve this objective, in consultation with relevant departments and agencies.
10. To approve the Guernsey and Alderney Tobacco Control Strategy 2015-2020 and affirm the States' commitment to minimising the harm caused by tobacco to Guernsey and Alderney residents of all ages.

HEALTH AND SOCIAL SERVICES DEPARTMENT

115TH MEDICAL OFFICER OF HEALTH ANNUAL REPORT

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

9th February 2015

Dear Sir

EXECUTIVE SUMMARY

1. The 115th independent report of the Medical Officer of Health (MOH) is appended to this States Report. The Department recommends that the States notes the report.

BACKGROUND TO THE MEDICAL OFFICER OF HEALTH ANNUAL REPORT

2. The MOH gives independent objective professional advice on measures to protect and improve the health of the population.
3. The MOH is a statutory role with certain independent functions, which advises the Health and Social Services Department (HSSD) and other States' Departments on health issues in Guernsey and Alderney.
4. The Guernsey MOH has customarily written an objective scientifically based independent annual report on the health of the population. The report provides evidence-based ideas for future policy or action to improve and protect health.
5. Although the MOH report provides an independent professional opinion, it does not necessarily represent HSSD or States of Guernsey policy.
6. The MOH appointment is made by Policy Council.

IMPLICATIONS

7. The 115th independent report of the MOH makes 12 recommendations, some of which, if accepted, would potentially have cross-Departmental implications.
8. As with every report produced by the MOH, Departments are invited to consider any recommendations which relate to their own areas of responsibility, and what response, if any, should be made.

HSSD CONSIDERATION OF THE REPORT

9. The HSSD Board has a mandate to advise the States on the mental, physical and social wellbeing of the people of the Guernsey and Alderney, and considers the MOH annual reports very important documents in helping it to deliver its mandate.
10. The Board of HSSD is considering the recommendations within the 115th MOH report and will decide whether to incorporate any that support the delivery of HSSD's portfolio of work to improve the health of the population.
11. The Board of HSSD recognises the major impact that the actions other States Departments and sectors of the community have in helping HSSD to make progress on its mandate of improving and protecting the health of the population of Guernsey and Alderney.

RECOMMENDATION

12. The Health and Social Services Department recommends to the States to note* the 115th independent report of the Medical Officer of Health.

**Rules of Procedure 2(2):*

A proposition the effect of which is to note the report shall be construed as a neutral motion, neither implying assent for, nor disapproval of, the contents of the report concerned.

Yours faithfully

P A Luxon
Minister

H J R Soulsby
Deputy Minister

M P J Hadley
M K Le Clerc
S A James

R H Allsopp
A Christou
(Non States Members)

Appendix. 115th Medical Officer of Health Annual Report (2013-4).

115th ANNUAL MOH REPORT

Bailiwick of Guernsey

Special themes:

"Health Surveillance and Priority Setting" Report for Year 2013/14



- 1. Connect ...**
With the people around you. With family, friends, people at work and neighbours.
- 2. Keep Learning ...**
Try something new or rediscover an old interest. Set a challenge you enjoy achieving.
- 3. Be Active ...**
Step outside. Go for a walk. Play a game. Cycle. Garden. Dance.
- 4. Take Notice ...**
Be curious, catch sight of the beautiful. Notice the changing seasons.
- 5. Give ...**
Do something nice for a friend or neighbour – or a stranger.
Introduce these 5 ways into your daily life and feel the benefits!



Dr Stephen Bridgman

MBChB, DBiomech, MD, MPH,
FRCS(Ed), FRCS (Glas), FFPH

Medical Officer of Health
(MOH),
Director of Public Health (DPH),
Chief Medical Officer (CMO),
Bailiwick of Guernsey

ISBN No: ISBN 978-1-899905-15-7

Published by Public Health Directorate, HSSD, States of Guernsey

Date of publication: February 2015

Version: 1.0 (13 Feb)

Bridgman, S.A. (2015) *115th Annual Bailiwick of Guernsey MOH Report for Year 2013/14*.
Special themes "Public Health Surveillance, and Priority-Setting in Health and Social Care",
Guernsey: States of Guernsey.



CONTENTS

	Page
• Contents	3
• Summary	5
• Public Health Surveillance	9
The Health Profile for Guernsey and Alderney 2010-12	9
Life expectancy	9
Deaths – numbers and causes	10
Deaths – years of life lost	11
Deaths – tobacco smoking attributable	13
Stillbirth and infant deaths	14
Skin cancer	17
Teenage pregnancies	19
Health profile future	20
The Guernsey and Alderney Healthy Lifestyle Survey 2013	21
Self rated health	21
Tobacco smoking	21
Alcohol	25
Weight	27
Mental health and well-being	36
Healthy Lifestyle Survey future	42
• Priority Setting in Health and Social Services	43
Background	43
Priority Setting Processes	44
Strategic Planning	45
Operational Planning	45
In year service developments	45
Contracting	45
Funding decisions at the individual level	46
Developing priority setting at the strategic level	46
Link between the macro and micro decisions	47



Developing professional, public and patient engagement	47
Making choices explicit	48
Arguments that rationing can be avoided	50
Funding is inadequate	50
Inefficiencies	51
Ineffective practices	52
Moving forward with engagement	52
• Reflections on the 15th MOH Report (1913)	55
• Bibliography/References	57
• Guernsey and Alderney deaths 2013, by Gender and Cause	58
• Vital Statistics	59
• Acknowledgements	60
• Glossary and Abbreviations	61
• Lists of Figures, Tables and Photographs	62
• List of Recommendations	64



SUMMARY

Thank you for your interest in this, the 115th Medical Officer of Health Annual Report for the Bailiwick of Guernsey. The special themes in this report are Public Health Surveillance, with particular reference to the Guernsey and Alderney Health Profile and the 6th Guernsey and Alderney Healthy Lifestyle Survey, and Priority-Setting in Health and Social Care.

Public Health Surveillance:

Guernsey and Alderney Health Profile 2010-12

Guernsey and Alderney life expectancy increased 4-5% over the last 20 years, and is now one of the highest in the world.

In a third of islander deaths the underlying cause was cancer, in a third circulatory disease, and in a tenth respiratory disease. Suicide and undermined cause, and accidents both accounted for more years of life lost under 75y than lung cancer or coronary heart disease, reflecting the relatively young age of people who die from these causes. About 17% of deaths were attributable to tobacco smoking. Infant and perinatal death rates in 2010-2 tended to be a little lower than those in England and Wales and Jersey, but small numbers mean this difference may well be a chance finding.

Malignant melanoma incidence rates were over twice that of England, with an average of 27 people diagnosed each year, and 3 deaths. The major risk factor for melanoma disease is excessive ultra-violet light exposure. Strong campaigns were held in 2013 and 2014 to raise awareness of prevention and early detection of this disease.

Under 18y conception rates are similar to the UK, but twice that of Jersey, while UK rates of teenage births rates are four times that of Denmark and Holland. Teenage births are associated with a greatly increased risk of child and parental poverty.

6th Guernsey and Alderney Healthy Lifestyle Survey 2013 (adults 18y and over)

Smoking prevalence decreased to the lowest recorded, 13%, but there remains a big challenge as there are large variations between groups with about a quarter of those on lower incomes and in rented housing smoking. While 50% of us drank alcohol at least twice a week and a fifth binge drank in the week prior to the survey, a quarter of adults were “increasing risk” drinkers. Alcohol abstinence increased to 10%. Those on the lowest income had the highest rates of both abstinence (33%), and higher risk or dependent drinking (10%).



The prevalence of overweight or obesity was 47% in women and 57% in men, and while the rate in women over the last decade has not increased, in men it has risen to the highest level on record. The problem was worst in men aged 65-74y, where, shockingly, a quarter were obese. Rates varied little by income or housing tenure. Only 20% of adults ate 5 portions of fruit and vegetables a day. While 30% of adults met recommended physical activity levels, a fifth reported no moderate exercise at all in the last week. While, obesity represents an increasingly serious health burden, and will be costing the islands dearly in regards to preventable disease, most of the prevention solutions lie outside the health sector, for instance in active transport.

A quarter of the population reported a large amount of stress, with similar proportions of men and women. While work, family health and money worries were the most frequent causes, stress from housing cost and quality jumped from 8 to 13%. Twice as many smokers as others reported a history of depression, and only 5% of smokers were in the high mental well-being category compared to 15% of others. Obese adults were more likely to have low mental well-being and have suffered a large amount of stress or pressure. Increasing risk and higher risk drinkers identified alcohol as making it easier for them to enjoy social events. The evidence based "*Five Ways to Wellbeing*", relevant to us all, was locally launched in "*Elephant Week*" as one measure to help highlight and address the massive, but Cinderella and stigmatised, issue of population mental health and well-being.

Recommendations include: A public health surveillance programme to include a new health profile every three years, and a new healthy lifestyle survey every five years; A public health strategy review and development programme to include; implementation of the new Drug and Alcohol, and Tobacco Control Strategies; finalisation and implementation of a sexual health strategy; review and update the obesity strategy; a cross Government Action plan to promote public mental health.

Priority-Setting

The scope and quality of health and social care services have a huge impact on public health. No public health service has enough money to meet all needs. For the foreseeable future there will be increasing pressure on public finances. The States has a responsibility to balance the needs of all people it serves. As a decision to fund a service is accompanied by a, often unrecognised, decision not fund other services every effort needs to be made to avoid making decisions in isolation, or singular decision making.

While Guernsey has made significant progress in the past few years on developing a range of evidence based commissioning policies to help it make better choices in health and social care (<http://www.gov.gg/hssdpriorities>), considerable further development is still needed. In addition, public and professional engagement needs



to be developed so that those hard choices, while likely not being popular, are seen as fair and rational. Few jurisdictions are good at priority setting. Guernsey and Alderney have the potential to be world leaders.

Recommendations include; the development and adoption of an overarching priority setting policy for health and social care investments; and the further improvement in professional patient and public engagement in priority setting.

Dr Stephen Bridgman,
Medical Officer of Health, Guernsey,
February 2015



PUBLIC HEALTH SURVEILLANCE

Public Health Surveillance¹ is the systematic collection, analysis and interpretation of health-related data, and is important for planning, implementation and evaluation of public health and public health programmes. It is an important function for the role of Medical Officer of Health.

The first Health Profile for Guernsey, for the years 2008-10², was published in 2012, and was followed by the second for the years 2010-12³ published in 2014. The Profile tells us about life expectancy, the top causes of death, rates of death from selected causes, and preventable deaths. It gives detail of cancer incidence and prevalence, rates of sexually transmitted infections, and a summary of some lifestyle information. The Profile compares Guernsey deaths and ill-health, where it is possible, with Jersey and the UK. This report will look at some of the key findings of 2010-2012 Health Profile.

The Guernsey and Alderney Healthy Lifestyle Survey 2013 is the sixth in a series of Lifestyle surveys which have been carried out every five years since 1988. The survey tells us about those behaviours of Islanders which are likely to affect their health. It tells us how Islanders assess their own health, both physical and mental. It gives an indication of smoking prevalence; healthy or unhealthy weight status; Islanders' activity, diet and alcohol consumption levels. This is particularly important since the majority of the preventable deaths and years of life lost which are shown in the Health Profile are preventable through positive changes in these behaviours. This report will look at some of the principal findings of the Healthy Lifestyle Survey 2013.

Because decisions which affect the health of all of us are not only made by HSSD but by other States Departments such as Education, Environment, Social Security and Treasury and Resources, the Voluntary Sector, Private Sector and individuals, public health surveillance data will be of interest to a wide audience.

The Health Profile for Guernsey and Alderney 2010-12

Life Expectancy

Guernsey and Alderney life expectancy at birth has improved by 4-5% over the last 15-20 years and is now at an all time high. Guernsey and Alderney now have one of the highest life expectancies in Europe, at 84.1y for females and 79.9y for males (Figure 1).

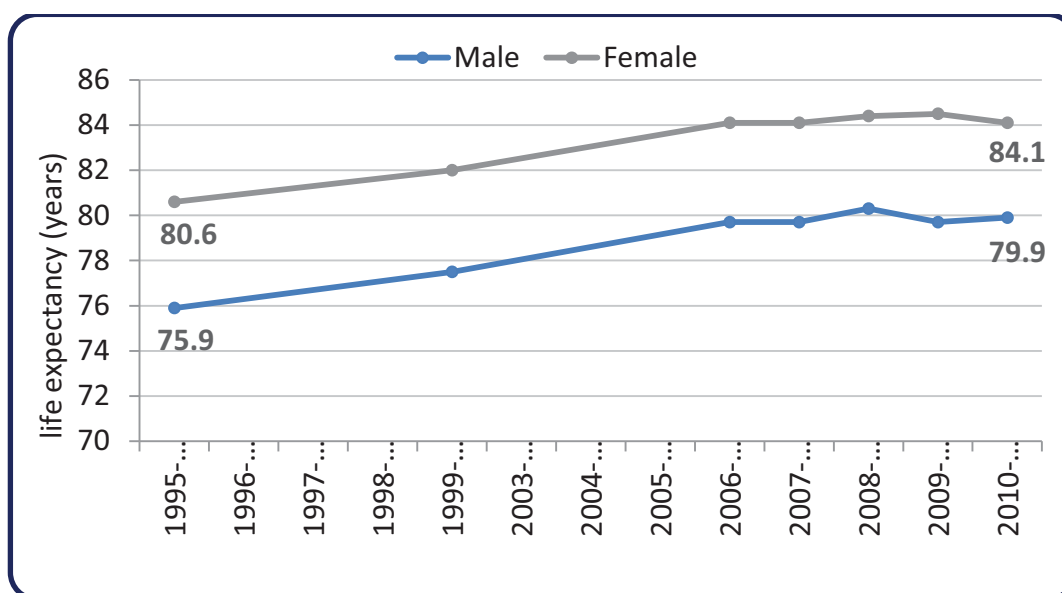
¹ Public health Surveillance, http://www.who.int/topics/public_health_surveillance/en/

² Cataroche, J. and Bridgman, S. 2012. *2008 Health Profile for Guernsey & Alderney*. Guernsey, States of Guernsey.

³ Public Health and Strategy Directorate, HSSD, 2014. *Health Profile for Guernsey and Alderney 2010-2*, Guernsey, States of Guernsey.



Figure 1: Change in life expectancy over time, Guernsey/Alderney 1995–1997 to 2010–2012. (Source Health Profile, 2010–12).



While it is good news that people are living longer healthier lives, longer lifespans and aging of the population bulge of the “baby boomer” generation born between 1946 and 1964 presents a future challenge as people over 65y account for the highest activity and spend across primary, secondary and social care. These population changes suggest that if the public wish to enjoy the current breadth and quality of public health and social services as they do today, despite continued efforts to improve efficiency, some increased resources are likely to be required for a period too.

Deaths – Numbers and Causes

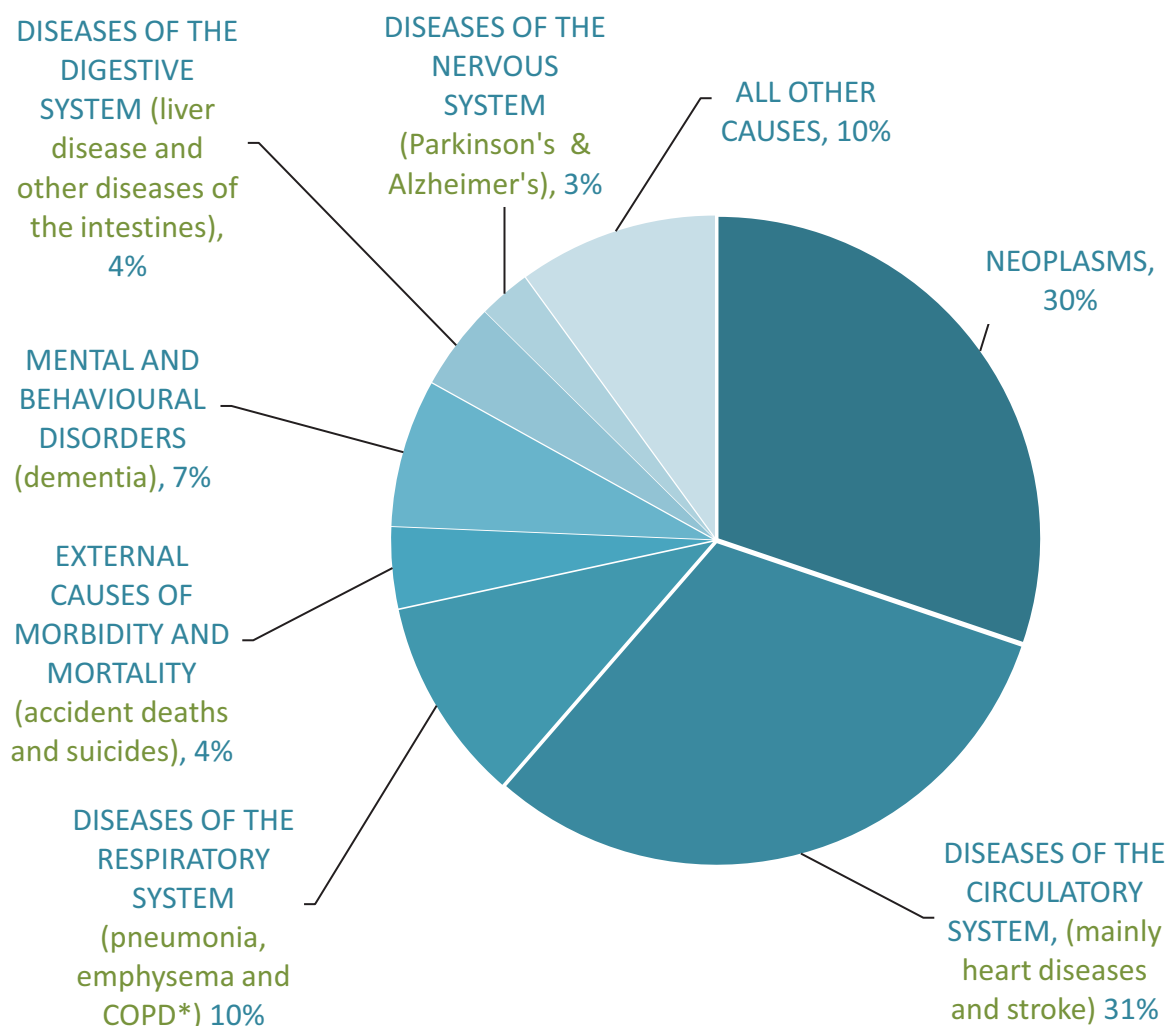
About 570 deaths per year were recorded between 2010 and 2012. Circulatory disease (mainly heart disease and strokes) and cancers were the underlying cause in about 30% each of these deaths, and respiratory disease in about 10% of deaths (Fig 2). Many of these non-communicable diseases are potentially avoidable. They are primarily linked to the four common risk factors of tobacco use, alcohol use, diet, and physical inactivity, for which Guernsey has strategies to address. There are also some other important factors too, such as high blood pressure, salt, and access to key medical treatments that also need to be considered⁴.

⁴ WHO (2014). Global status report on non-communicable diseases 2014.

http://apps.who.int/iris/bitstream/10665/148114/1/9789241564854_eng.pdf?ua=1, accessed 24th Jan 2015.



Figure 2: Leading causes of death in Guernsey/Alderney, 2010–2012, men and women combined (chapter group level of the ICD-10). (Source Health Profile, 2010-2).



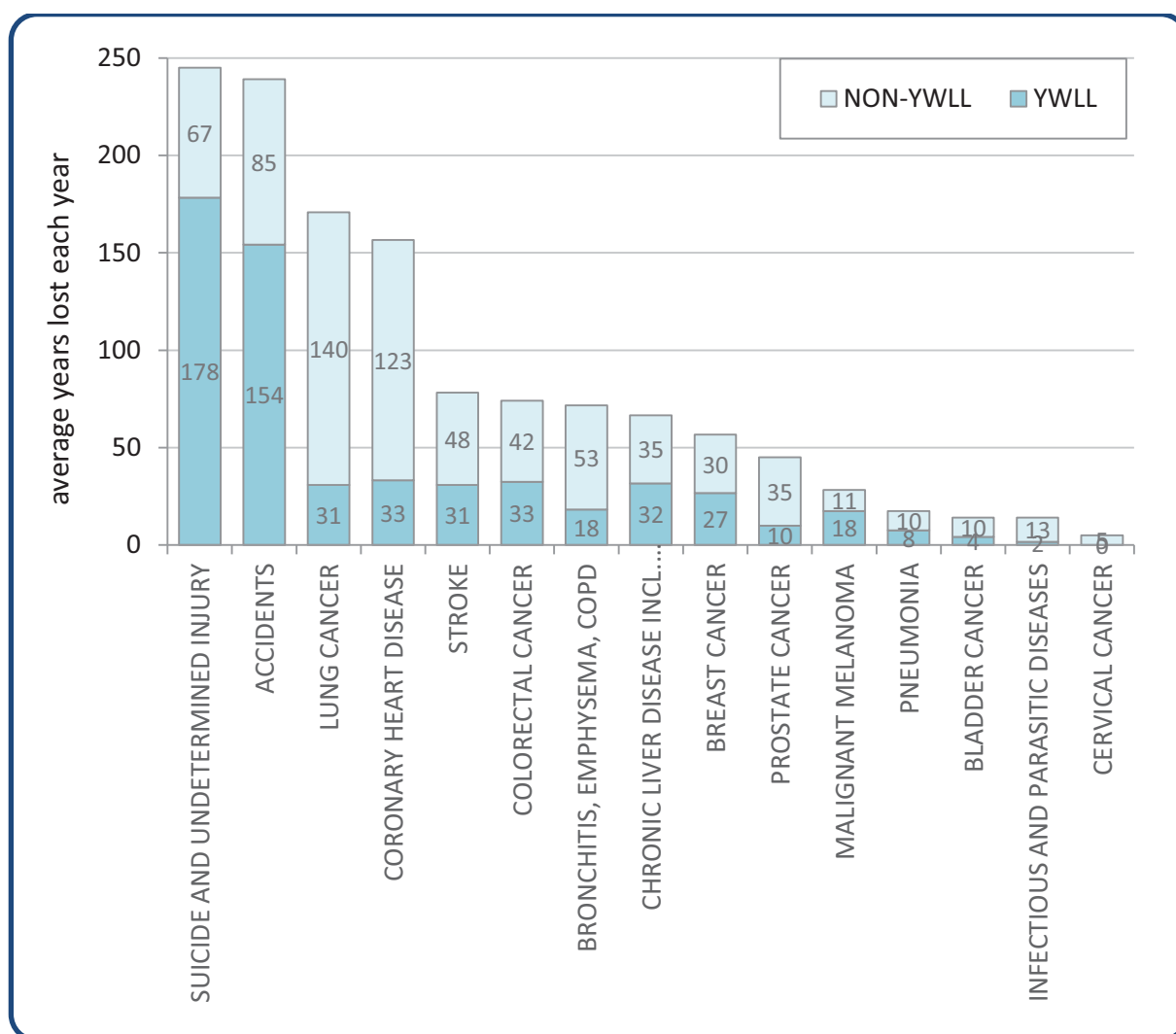
Deaths -Years of Life Lost

Under this method, if you die at 40y then you are counted as having lost 35y of life lost (YLL) which assumes you should live to 75y, and 25y of working life lost (YWLL) which assumes you should work to 65y (Fig 3). Of 2100YLL between 2010 and 2012, 43% were in those under 65y. Over 10% of YLL were from suicide and undermined injury and 10% from accidents, contributing an average per death of 37YLL and 15YLL respectively, reflecting the burden of suicides and accidents in the relatively young. The other cause of death tending to affect young people is liver



disease, which contributed an average of 17YLL per death and which I discussed in the 114th MOH report.

Figure 3: Years of life lost by cause in Guernsey/Alderney 2010–2012.
Shown as average years lost per year to the nearest whole year



YLL = years of life lost under 75y. YWLL = years of working life lost, under 65y.

While key preventative strategies are in place, there is a need for cardiovascular and cancer strategies to be developed as these are a major causes of death.

Recommendation 1 : Develop cardiovascular, and cancer clinical strategies.



Suicide is preventable⁵, but is only the tip of the mental ill health iceberg. In the 2010 Guernsey Mental Health and Well-Being survey 21% of the Guernsey/Alderney population were recorded as having met the cut-off for experiencing anxiety and/or depression to clinical levels, which represents 5-10,000 islanders.⁶ People with mental illness suffer more stigma and discrimination than any other disease⁷, and this affects most who are ill⁸. This can blight lives and make mental illness worse. Stigma may lead to feelings of, shame, blame, hopelessness, distress, and reluctance to seek and/or accept necessary help⁹.

Given the massive problem of mental health, we will all know people who are suffering and so can all help improve public mental health through our attitudes and social interactions. Improvement of population mental health and well-being should be an important and long-term priority.

Deaths –Tobacco Smoking Attributable

Tobacco smoking kills up to half its users¹⁰ and world-wide around 6million people a year die from tobacco smoking, about 10% of them from second-hand smoke. There are more than 4000 chemicals in tobacco smoke, of which at least 250 are known to be harmful and more than 50 are known to cause cancer. A significant minority of islander deaths, 17%, are attributable to tobacco smoking (Fig 4). There is no safe level of exposure to second-hand tobacco smoke.

⁵ WHO (2014). <http://www.who.int/mediacentre/news/releases/2004/pr61/en/>, accessed 17th Jan 2015.

⁶ Public Health and Strategy Directorate, HSSD. 2010. The Guernsey Emotional Wellbeing Survey. Guernsey, States of Guernsey.

⁷ BMA (2015). Mental health issues carry greatest stigma, poll finds. BMA News 17th Jan 2015.

⁸ Mental Health Foundation (MHF 2015). Stigma and discrimination. <http://www.mentalhealth.org.uk/help-information/mental-health-a-z/s/stigma-discrimination/>, accessed 17th Jan 2015.

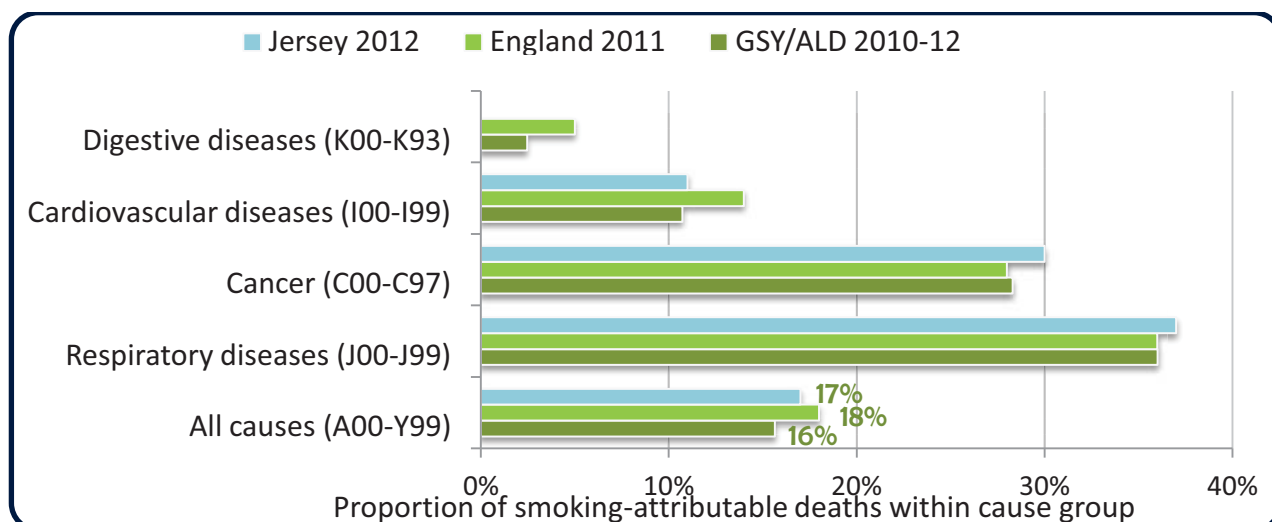
⁹ Western Australia Government, Mental Health Commission (WA 2010). What is stigma.

http://www.mentalhealth.wa.gov.au/mental_illness_and_health/mh_stigma.aspx, accessed 17th Jan 2015.

¹⁰ WHO tobacco factsheet, May 2014, <http://www.who.int/mediacentre/factsheets/fs339/en/>, accessed 24th Jan 2015.



Figure 4: Proportion of smoking-attributable deaths within each major cause group, Channel Islands and England compared. (Source Health Profile, 2010-2).



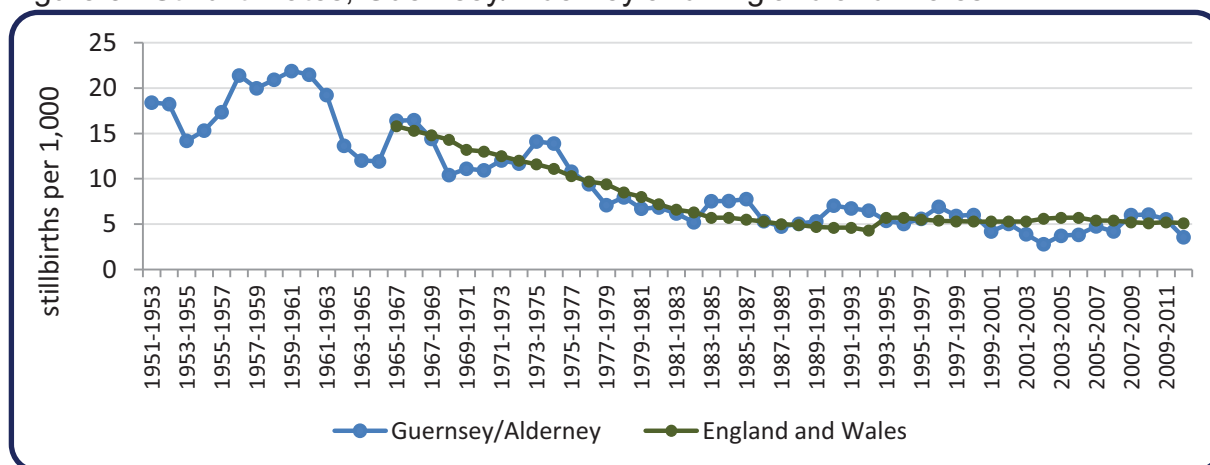
Stillbirths and Infant Deaths

The stillbirth rate has gradually reduced over several decades such that they are now relatively uncommon events, averaging 2-3 per year (Fig 5). The infant death rate is lower than the stillbirth rate, and in the twelve years to 2012 there was an average of one infant death each year (Tab 1).

Since 2008, the rate of perinatal deaths (stillbirths plus infant deaths in the first week of life) averaged over three year periods has fluctuated around that of England with in the first two periods a higher rate and in the most recent period a lower rate. In 2010-2, while our rates are lower than those in England and Wales (Fig 6) the number of events is small and sensitive to random year to year variation, so caution is needed in interpretation. Comparison data are only available up to 2010-12.



Figure 5: Stillbirth rates, Guernsey/Alderney and England and Wales



NB. Guernsey/Alderney rates are plotted as three-year averages. England and Wales rates are published figures for the first year in each three-year period. Source: Guernsey Greffe registrations to 2006. Guernsey and Alderney Greffe registrations 2006–2012; ONS Stillbirth rates 1965–2010, 12th April 2013. www.ons.gov.uk.

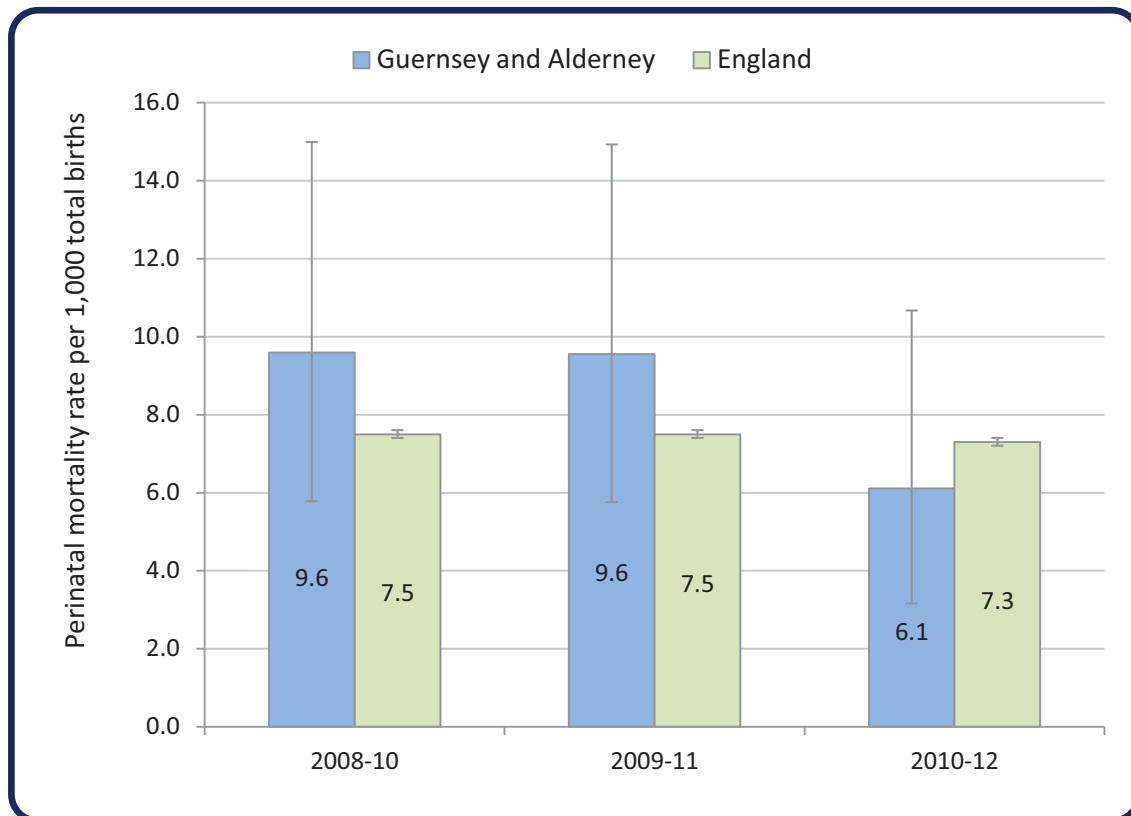
Table 1: Infant death rates in Guernsey and Alderney, England and Wales, English Regions, and Jersey, with 95% confidence intervals.

	Infant deaths/ 1,000	95%CI (LL)	95% CI (UL)
West Midlands	6.0	5.5	6.6
Yorkshire and the Humber	4.9	4.4	5.5
North West	4.7	4.3	5.2
England and Wales	4.3	4.2	4.5
England	4.3	4.2	4.5
East Midlands	4.3	3.8	4.9
East of England	4.1	3.6	4.5
London	4.1	3.8	4.5
South West	3.7	3.3	4.3
North East	3.6	3.0	4.3
South East	3.5	3.2	3.9
Jersey 2010-2012 *	3.4	1.9	6.1
Gsy/Ald 2010-2012 *	2.6	0.8	6.0
Gsy/Ald 2010-2012 on-island only	1.0	0.1	3.7

* includes deaths in England and Wales



Figure 6: Perinatal (stillbirths + infant deaths less than 7 days old) mortality rates, Guernsey and Alderney compared to England, with 95% confidence intervals.



Following a series of external reports concluding island services were acceptably safe, and Guernsey HSSD receiving external accreditation for its health services, there have been recent public concerns highlighted involving interventions from UK professional regulators. Guernsey has developed an action plan to address the issues raised by regulators.

Although both stillbirths and infant deaths are uncommon, when they do occur they are tragic events. The UK has a rate of infant mortality about 25% above the European average¹¹. In January 2015, The Royal College of Obstetricians and Gynaecologists (RCOG) instigated a national quality improvement programme “Each Baby Counts” (RCOG 2014)¹², which aims by 2020 to half the 500 infants per year in the UK who die or who are left with severe brain damage because

¹¹ Eurostats. Infant mortality rates. http://ec.europa.eu/eurostat/help/new-eurostat-website?p_auth=x4qGhbu3&p_id=estatsearchportlet_WAR_estatsearchportlet&p_p_lifecycle=1&p_p_state=maximized&p_p_mode=view&_estatsearchportlet_WAR_estatsearchportlet_action=search&text=Infant+mortality+rates

¹² RCOG (2014). Each baby counts. <https://www.rcog.org.uk/eachbabycounts>, accessed 17th Jan 2015.



something has gone wrong in labour. Pro rata for Guernsey this would equate to a reduction from one event every second year to one event every fourth year, a difference too small to reliably detect a statistically significant difference locally. However, Guernsey has a longstanding policy to participate in UK national quality initiatives, and will be submitting any relevant local data to this important RCOG study.

Guernsey also participates in the Mothers and Babies Reducing Risk through Audit and Confidential Enquiries initiative (MRRACE-UK) which studies and makes recommendations on reducing maternal and peri-natal deaths across the UK¹³.

All health services carry risk of untoward outcomes, and it is important that Guernsey takes a methodical risk-based approach to service change to ensure its services are acceptably safe for the public and affordable.

Skin Cancer

Around 27 people in Guernsey and Alderney are diagnosed with malignant melanoma each year, and an average of 3 people a year die from the disease. With an age-standardised incidence rate of 51 per 100,000, local skin cancer rates are twice the English average (Fig 7).

The major risk factor for skin cancer is Ultra-Violet light exposure through sunlight or sunbeds. Early childhood sunburn that causes blisters, sunburn later in life, and cumulative exposure are all risk factors. People who have a first degree relative with melanoma, people with lots of moles or freckles, red or fair hair, and those who have had skin cancer before are also at increased risk.

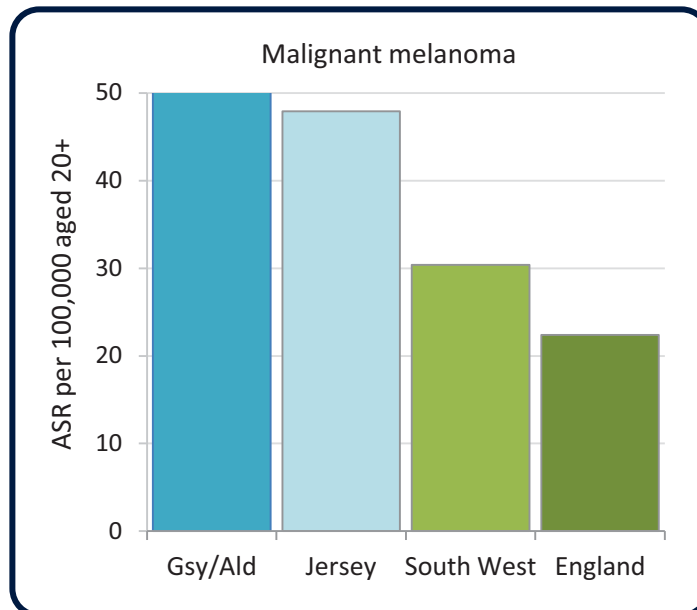
The key messages for the prevention of skin cancer are; spend time in the shade between 11am and 3pm; wear a T shirt, hat and sunglasses; cover up in the sun if there is no shade, wearing at least a T shirt, hat, and sunglasses; use sunscreen, at least factor 15, the higher the better.

In the 2013 Healthy Lifestyle Survey two-thirds of people reported they used factor 15 or above sunscreen, and 60% had not had sunburn in the last 12 months. Therefore, while there is good news in that the majority of islanders are acting sun-safe, there is still considerable room for improvement.

¹³ <https://www.npeu.ox.ac.uk/mbrance-uk>



Figure 7: Malignant melanoma, age-standardised rates (ASR) Guernsey and Alderney compared to Jersey, South-West England and England.



Local skin cancer prevention strategy has focussed on raising awareness of what to do to prevent sunburn, and the detection of the early signs of skin cancer. Specific initiatives have included;

- Talking to and educating the public on beaches
- Raising awareness of prevention through a “MUG” sponsored “*Louis the Lobster*” and Sun-Safety Campaign (Photos 1 and 2). Louis has been a tremendous campaign ‘hook’, introduced in summer 2014, which has helped engage both children and adults.
- Working with Amherst Primary School.
- Advertising campaign in August in Guernsey Press designed by the Partnership Agency.
- Creation and distribution of sun-safety and early diagnosis leaflets to the public.
- Advertising Campaign with Island FM, who talked with the public, and made regular posts on Facebook.
- Social media through Island FM, MUG, Guernsey Arts Commission Facebook pages.
- Raising awareness at community events such as Torteval Scarecrow festival.
- Media and public work with our local dermatologist to raise awareness of the early detection of skin cancer.
- Training beauty therapists to detect skin problems, as these professionals see a lot people’s bodies during massage/waxing



Photos 1 and 2: “Louis the Lobster” at Torteval Scarecrows and our Dermatology consultant with Louis



In 2015, the focus of the awareness work will be working with schools to ensure that they all have a comprehensive sun-awareness policy, and for schools to use Louis the Lobster to raise awareness.

Teenage pregnancies

Conceptions are defined as the sum of live births, still births and legal abortions. The under 18 conception rate in Guernsey is 10% below the England and Wales average, and similar to that in the South-West of England and London but more than twice that in Jersey.

In Europe, teenage births (aged 15-19y) is the statistic used as an international comparator. The UK has a teenage birth rate 50% higher than the European average, and 4 times that in Denmark, Holland, and Switzerland^{14,15}. Given that this is a European wide indicator, the Public Health Directorate plans to include local teenage births in the next health profile.

Teenage pregnancy is an important public health issue because both teenage parents and their children are at higher risk of poor health. In addition teenage parents are at risk of not finishing their education, not finding a good job, ending up single parents, and having to bring up their children in poverty. Rather than the biological effects of young maternal age, poor outcomes are because of social and economic disadvantage before and after pregnancy.

A sexual health strategy is in development that will be proposing a range of measures including free hormonal contraceptives for the under 21s in addition to the

¹⁴ ONS <http://www.ons.gov.uk/ons/rel/vsob1/births-by-area-of-usual-residence-of-mother--england-and-wales/2012/sty-international-comparisons-of-teenage-pregnancy.html>, accessed 24th Jan 2015

¹⁵ Statistic Netherlands. <http://www.cbs.nl/en-GB/menu/themas/bevolking/publicaties/artikelen/archief/2013/2013-3883-wm.htm>



currently free condoms, with the aim of a reduction in the numbers of our teenagers who become pregnant. If implemented, this would have a knock-on effect on reducing child poverty, an improvement in well-being of mothers, and reduced societal costs. It is crucial sexually active young people have access to confidential evidence-based advice on contraception and safe and fulfilling sexual relationships that they can trust.

Dutch professionals have argued England has a much higher rate of teenage pregnancy than Holland partly because of culture and attitude,

*“Here sex is a normal daily part of life, like shopping or football. In England it is a joke or a nudge.” “The English are embarrassed to talk about sex. They are too squeamish.”*¹⁶

However, the fact some teenagers feel there is a need for a confidential service because they are fearful that if they go to their family doctor their parents may find out when they receive a bill and disapprove, indicates a local cultural issue about sex and relationships that may be a root cause behind the relatively high rates of teenage pregnancy, compared to European standards, in Guernsey and Alderney.

Recommendation 2:	To agree and implement a sexual health strategy, which includes evidence-based measures to reduce teenage pregnancy rates.
--------------------------	--

Health Profile in future

The Guernsey and Alderney Health Profile has been a very important public health product to demonstrate areas in which Guernsey and Alderney are faring well, areas for improvement, and in providing public health intelligence to underpin evidence-informed decision making and planning.

Recommendation 3:	To produce a Guernsey and Alderney Health Profile every three years, as part of the local Public Health Surveillance programme
--------------------------	--

¹⁶ Independent. Why are teenage pregnancy rates so high. <http://www.independent.co.uk/extras/big-question/the-big-question-why-are-teenage-pregnancy-rates-so-high-and-what-can-be-done-about-it-1623828.html#>



The Guernsey and Alderney Healthy Lifestyle Survey 2013

There is very strong evidence that our lifestyles are a major factor in our chances of living a long and healthy life. A healthy lifestyle can reduce our risk of common causes of death such as heart disease, stroke, cancer, and common causes of ill-health such as dementia, diabetes, and fragility fractures of the hip. The Healthy Lifestyle Survey tells us about those behaviours of Islanders which we know are likely to affect their health.

The Healthy Lifestyle Survey 2013 also included an assessment of mental health and wellbeing. This repeated (in part) the Guernsey Emotional Wellbeing Survey (GEWS) which was undertaken in 2010 with the aim of measuring mental wellbeing and the prevalence of two common mental health disorders, anxiety and depression, in Guernsey and Alderney.

What the Survey shows us that we are doing well?

Self-rated Health

The Health Profile tells us that people in Guernsey are living longer. The Lifestyle Survey tells us that 80% of respondents reported their general health as good or very good. This good news reflects some improvements in healthy behaviours, but it also reflects personal circumstances which support good health. There was a clear relationship between self-rated health and household income, with the proportion of adults who rated their health as 'very good' increasing with income.

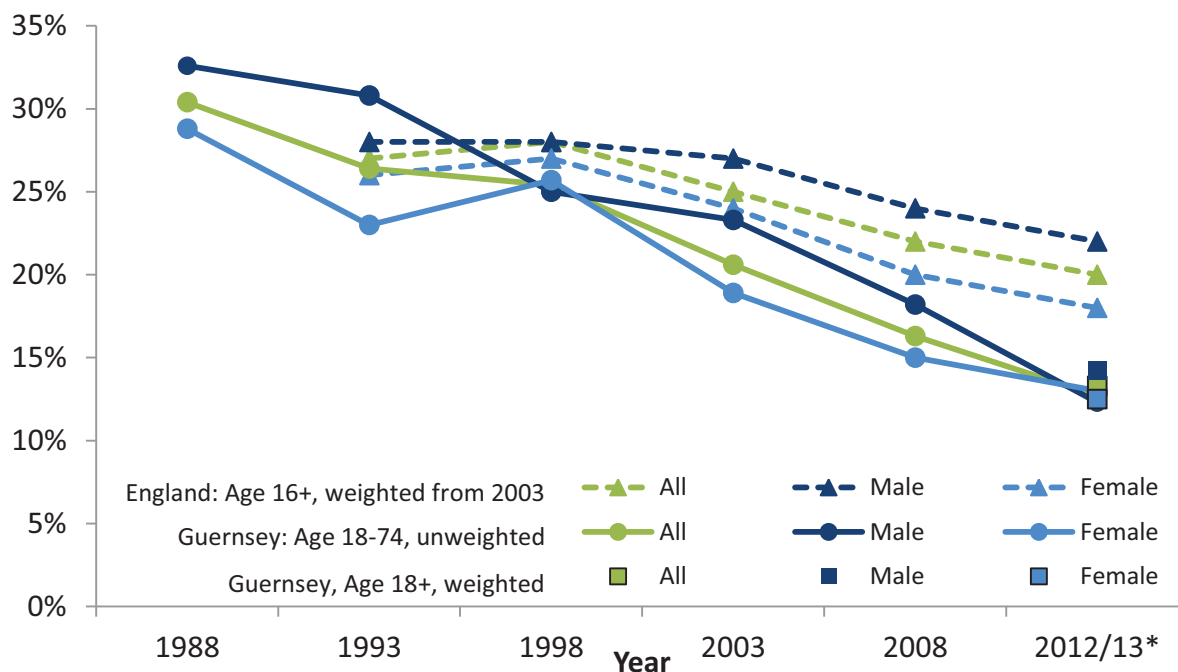
Tobacco Smoking

The great success story shown in the Healthy Lifestyle Survey 2013 is the reduction in prevalence of smoking. Using unweighted data, only 13% of survey responders recorded they smoked tobacco, down from 30% in 1988, and the lowest since the survey began. For decades Guernsey and Alderney have adopted and implemented strategy to control the use of tobacco, and this hard work continues to bear fruit. It can take many years for tobacco related disease to develop, but this low prevalence of tobacco smokers is likely to translate to considerably fewer tobacco related preventable deaths in future. It is also the case that the risk of premature death can decrease within months of giving up smoking¹⁷.

¹⁷ Capewell S & O'Flaherty (2011). Rapid mortality falls after risk-factor changes in populations. *Lancet* 378, 752-3, August 2011.



Figure 8: Trends in prevalence of current tobacco smoking, Guernsey/Alderney and England.



*2012 for England, 2013 for Guernsey.

This continued success in reducing smoking rates is associated with a range of evidence-based interventions which have been introduced or maintained over the last five years, led by HSSD and its partners to protect and improve the health of Islanders. These have included:

- An efficient and cost-effective Quitline service to support smokers who wish to become Smoke-free, including 'Stoptober' and National No-Smoking Day campaigns
- The introduction of evidence-based peer intervention in schools (ASSIST)
- Continuation of support for personal, social, health and economic education in schools (PSHE), support for the Healthy Schools Programme, and support for the tobacco education charity GASP until 2013, when the education aspects of GASP were taken on by the Health Promotion Unit with the appointment of a Children and Young People's healthy lifestyle worker
- Introduction of a Smoke-free prison policy, (which has led the way in Europe (<http://www.bbc.co.uk/news/uk-30596976>, accessed 30th Dec 2014))
- Introduction of largely Smoke free-sites in HSSD, such as at Princess Elizabeth Hospital



- Agreement of a licensing system for tobacco retailers which, commencing later in 2015, will protect children by
 - Banning display of tobacco products, including those in duty free outlets
 - Banning advertising of Tobacco and Tobacco products at the point of sale

Photos 3 and 4: St Sampson's High Year 8 pupils, ASSIST training, October 2014. (ASSIST is a NICE approved effective school based peer programme, introduced locally in 2013).



The challenge over the next five years will be to maintain this momentum and continue to reduce the prevalence of smoking and consequent preventable deaths and ill-health. Over the last 18 months a new, evidence-based Tobacco Control strategy has been developed, led by the Public Health Directorate, and involving partners and the public through initial engagement and later consultation.

The great value of the breadth of data collected in the Healthy Lifestyle Survey is that it allows us to cross-reference health behaviours with age, gender, housing status and household income, and in this way we are able to identify those groups who are most in need of help to change their behaviours, and move to help them in the ways that they find most useful. This is especially relevant in tobacco control, as the data shows that the distribution of tobacco smokers is not evenly spread across our population. Around a quarter of those in rented accommodation smoke compared to around 8% of owner occupiers. A quarter of adults in households with incomes under £20,000 a year smoke compared to around 3% of those households



earning more than £100,000 a year. The recently published Guernsey Household Expenditure Survey also showed that smoking was negatively associated with income.¹⁸

These differences are highly likely to translate into health inequalities of premature death and ill health between those on lower and higher incomes, which would mirror observations in the UK.

The Healthy Lifestyle Survey 2013 shows us that in the Bailiwick, three quarters (75.3%) of all current smokers indicated that they would like to give up, either soon or in the future. However, smokers living in low income households (<£20,000 per annum) were less likely to want to give up than those living in higher income households. Research tell us that disadvantaged smokers face a number of barriers to accessing services including fear of failure, fear of being judged and lack of knowledge¹⁹, and other pressures from poverty.

The challenge for Guernsey in the next Tobacco Control strategy is not to blame or judge people who smoke, but to look at ways of tailoring our services to better meet the needs of the many people in lower income groups and in the rented sector who would like to give up. Family-based interventions, delivered in or near schools where a high proportion of children have a parent or carer who smokes; working in partnership with the Housing Association and residents, and recruiting Health Trainers from within those communities where smoking rates are highest will all contribute to this. (The Health Trainer service is a holistic 'person to person' intervention designed for people who need help to reach the point of readiness to change, and help to make and maintain those positive changes). In addition to the health yield for people on low incomes, going smoke-free is likely to give extra disposable income that will reduce effects of poverty.

The World Health Organisation 'best buys' for Tobacco Control (i.e. the most cost-effective measures for a jurisdiction to put in place)²⁰ are increasing price through taxation, and legislation to protect adults and especially children from beginning and continuing to smoke. These measures help to protect children and adults, smokers and non-smokers alike, from the effects of second-hand smoke. Recommendations for the new Tobacco Control Strategy have therefore also included regular above inflation increases in tobacco taxation; the introduction of legislation to prevent adults from smoking in cars carrying children; and increased provision of smoke-free outside areas for playing and eating.

¹⁸ Guernsey Household Expenditure Survey, 2012-3. <http://www.gov.gg/hes>

¹⁹ Bauld Letal (2007). Assessing the impact of smoking cessation services on reducing health inequalities in England. *Tob Contr* 16, 400-4

²⁰ World Health Organisation (2010) Global status report on non-communicable diseases: chapter four http://www.who.int/nmh/publications/ncd_report_chapter4.pdf, accessed 24th Jan 2015.



The experience of prisoners who have been obliged to give up smoking on entry into the Smoke-free Prison in Guernsey is that this is made much easier when you live in an environment where no-one else smokes. Many of these young ex-smokers want to remain smoke-free on release; support for them, combined with an increase in the number of smoke-free environments where they can eat and take their children to play will help them and their families to stay healthy and build self-esteem.

Recommendation 4: The States to agree and implement a proposed Tobacco Control strategy based on best evidence of effectiveness, and that has been developed with partners and the public.

Alcohol

While there has been some success in controlling alcohol related harms, the drinking of alcoholic beverages remains a major health issue for the islands.

In 2013 and 2014, the Public Health Directorate of HSSD supported the Home Department by leading an assessment of needs for drug and alcohol services in the Bailiwick, working with Service Providers, Service Users, Police, and HSSD clinicians. One of the principal findings of that process was that the premature death and ill-health caused by misuse of alcohol far outweighed the damage caused by drugs in the Bailiwick.

The topic of alcohol-related harm was comprehensively covered in my last MOH report about Liver disease (114th report), and I do not propose to revisit this here, other than to re-iterate that liver disease causes 1-2% of deaths of islanders, but 7% of the years of life lost under 75 years, with half of island liver deaths attributable to alcohol and ...

"drinking alcohol can cause at least seven types of cancer: those of the mouth, gullet (oesophagus), throat (pharynx and larynx), liver, large bowel (colon and rectum), and breast. Consumption of any amount of alcohol increases your cancer risk. The more alcohol you drink, the higher the risk of developing cancer. Reducing your consumption or – even better – avoiding alcohol completely will help reduce your cancer risk." ²¹

The results of the Healthy Lifestyle Survey 2013 did not bring any great surprises or data that differed substantially from that which had emerged in the drug and alcohol needs assessment. The Survey showed that 90% of adults reported drinking at

²¹ International Agency for Research Against Cancer (IARC), of the WHO (IARC 2014). Questions and Answers about Alcohol and Cancer. <http://cancer-code-europe.iarc.fr/index.php/en/ecac-12-ways/alcohol-recommendation/28-limiting-alcohol>, accessed 29th Dec 2014.



least occasionally and over 50% drink alcohol at least twice a week. The percentage of adults who abstained from drinking alcohol altogether increased from 8% in 2008 to 10.4% in 2013 (unweighted data). In the week prior to the survey, 21% of adults consumed more than 6 units for females or 8 units for males on a day (binge drinking).

UK national guidance on alcohol consumption currently recommends that males should not regularly exceed four units of alcohol per day and females should not regularly exceed three units²² (see also Bridgman, 2009). Drinking more than double these recommended maximums (i.e. over 6 units for females and over 8 for males) is commonly defined as binge drinking²³. There should also be two alcohol free days a week.

Of responders, 24.5% were classed as “increasing risk” drinkers, 2% “higher risk” drinkers, and 1% possibly alcohol dependent. Over 80% of higher risk and dependent drinkers responded that they would like to drink less alcohol, compared with just 23% of increasing risk drinkers.

The 114th MOH report and the needs assessment, together with partnership working across departments and involvement of service users and the public through consultation, have underpinned development of a new evidence-based Drug and Alcohol Strategy, recently approved by the States of Deliberation, which will give increased emphasis to working with those who misuse alcohol. Performance measures used in the new Strategy use existing Healthy Lifestyle data as a baseline, and will use future surveys as a method to measure our communities success, or otherwise in tackling this issue.

The Healthy Lifestyle Survey 2013 showed divergence in drinking habits across age groups and across income categories, but these were not simplistic. Using weighted results, 27% of adults living in low income households abstained altogether from alcohol compared to 6.5% in higher income households. Adults from the lowest income category (<£10,000 per year) had both the highest level of abstinence (33%), and the highest level of higher risk drinking (8%) and possible dependence (2%). The Drug and Alcohol Strategy Co-ordinator will be able to use the detailed data in the Healthy Lifestyle Survey to inform the targeting and tailoring of programmes to reach those who are most at risk from alcohol-related harm, working in partnership with the Health Promotion Team at HSSD to raise public awareness of the health risks. Working in this way, coupled with other strategic work streams relating to price and taxation, education and supply reduction, has potential to show improvement in these figures in the 2018 Healthy Lifestyle Survey.

²² Department of Health, Sensible drinking: report of an inter-departmental working group. London: Department of Health, 1995. A unit is 8mg of pure alcohol.

²³ NHS Choices. Binge Drinking <http://www.nhs.uk/livewell/alcohol/pages/bingedrinking.aspx>, accessed, 25th Jan 2015.



Recommendation 5: The States to continue their ongoing support for the development and implementation of the Drugs and Alcohol Strategy over the next five years, which is based on best evidence of effectiveness.

What the Survey shows us that we are doing less well?

Weight

In the 2013 Lifestyle Survey, 52% of responders were classed as overweight or obese from self-reported height and weight (Tab 2), a similar proportion to that reported in 2008 (Fig 9).

Table 2: Responders (%) in the 2013 Healthy Lifestyle Survey by World Health Organisation (WHO) BMI weight categories²⁴

WHO BMI cut-offs (kg/m ²)	% for weighted sample
Underweight (<18.5)	2.3
Normal (18.5 to 24.99)	46.1
Overweight (25-29.99)	33.2
Obese class 1 (30-34.99)	11.8
Obese class 2 (35-35.99)	4.8
Obese class 3 (>40)	1.8

A higher percentage of men (57%) were overweight or obese than women (47%) (Figs 10 and 11). Using unweighted data, shows that levels of overweight and obesity (combined) in men aged 18-74y in 2013 were the highest ever recorded (Fig 10). The age-gender group with the highest prevalence of overweight and obesity combined (74%, weighted data) were 65-74y men, with 26% obese. In women, obesity varied between 15% in those aged 35-44y to 23% of those aged 18-24y. These are very disturbing findings, and they show that a huge amount of work is still required to improve the situation.

²⁴ WHO Expert consultation. Appropriate body-mass index for Asian populations and its implications for policy and intervention strategies. Lancet 2004; 363: 157-63 http://www.who.int/nutrition/publications/bmi_asia_strategies.pdf



Figure 9: Level of obesity in Guernsey by BMI category (2008 compared to 2013). (Source: Guernsey and Alderney Healthy Lifestyle Surveys 2008 and 2013).

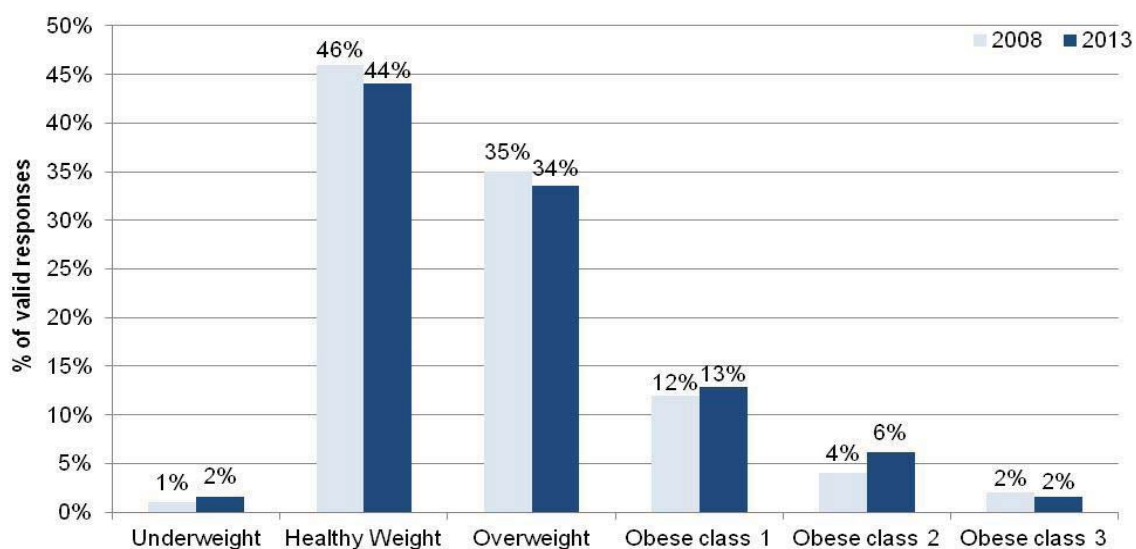


Figure 10: Overweight and obesity (%) in men, 2013 Guernsey and Alderney Healthy Lifestyle Survey, and England.

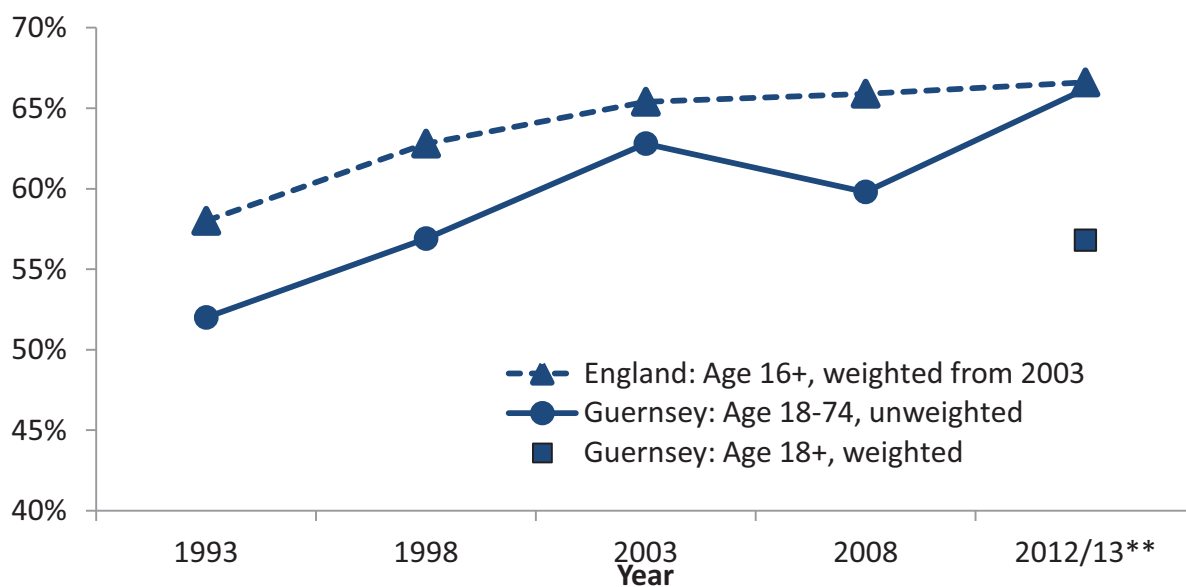
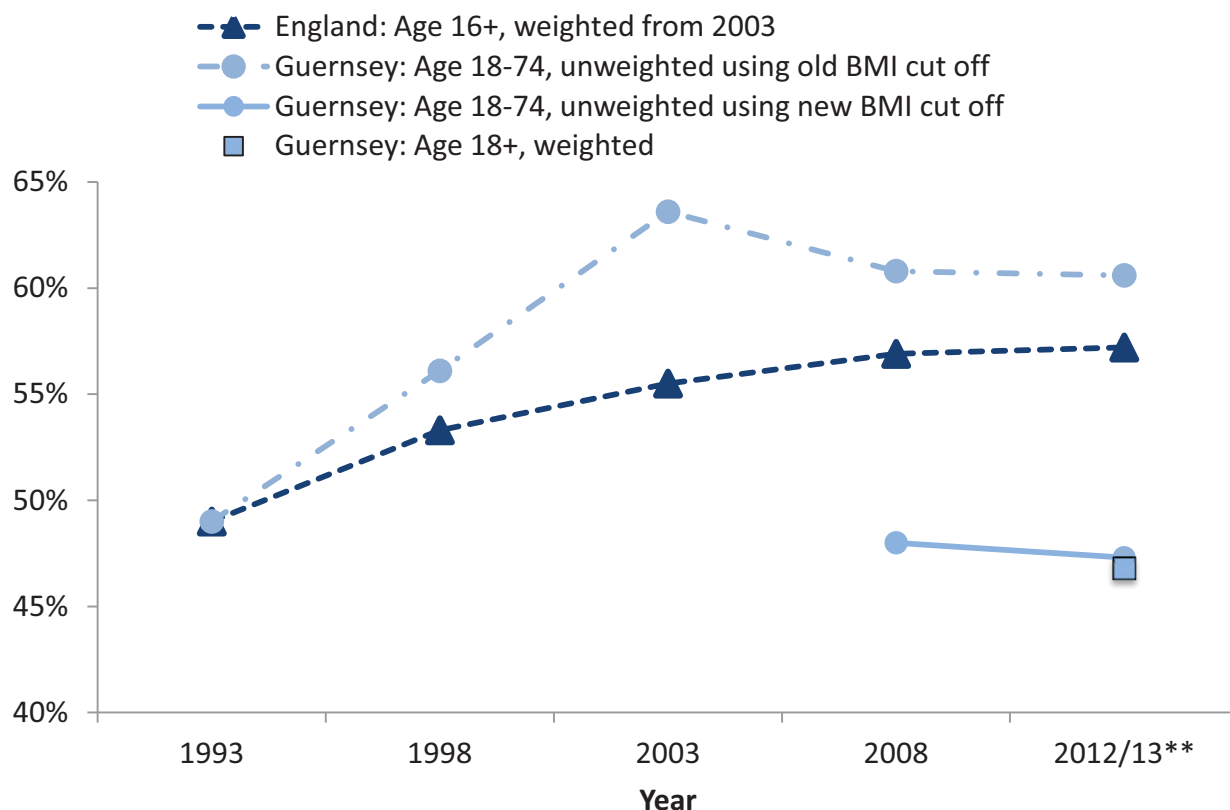




Figure 11: Overweight and obesity (%) in women, Guernsey and Alderney Healthy Lifestyle Survey, and England.



**2012 for England, 2013 for Guernsey. N.B.WHO revised BMI cut-offs for females were adopted from 2008 onwards, with overweight defined as 25 to 29.9 (as for men) instead of 23.8 to 28.6, and obesity 30 and over instead of over 28.6 (see 2008 Lifestyle Survey, Jenkins & Bridgman 2010, or Bridgman 2014 p97/98 for details).

Carrying this extra fat leads to an increased risk of cardiovascular disease (heart disease and stroke), type 2 diabetes, musculoskeletal disease (especially osteoarthritis), and some cancers (endometrial, breast, and colon)²⁵. The risk increases with the degree of overweight or obesity. Further, obesity adds large costs to our economy, for example in the cost of drugs for diabetes which were £572,000 for the Social Security Department in 2013, and much of which will be attributable to obesity.

So what does this mean in terms of relative risk and where work should focus? Looking at the analysis of data relating to income groups and housing status, in contrast to smokers, there is no significant correlation between these groups and overweight and obesity. The overall rate of overweight and obesity combined (men

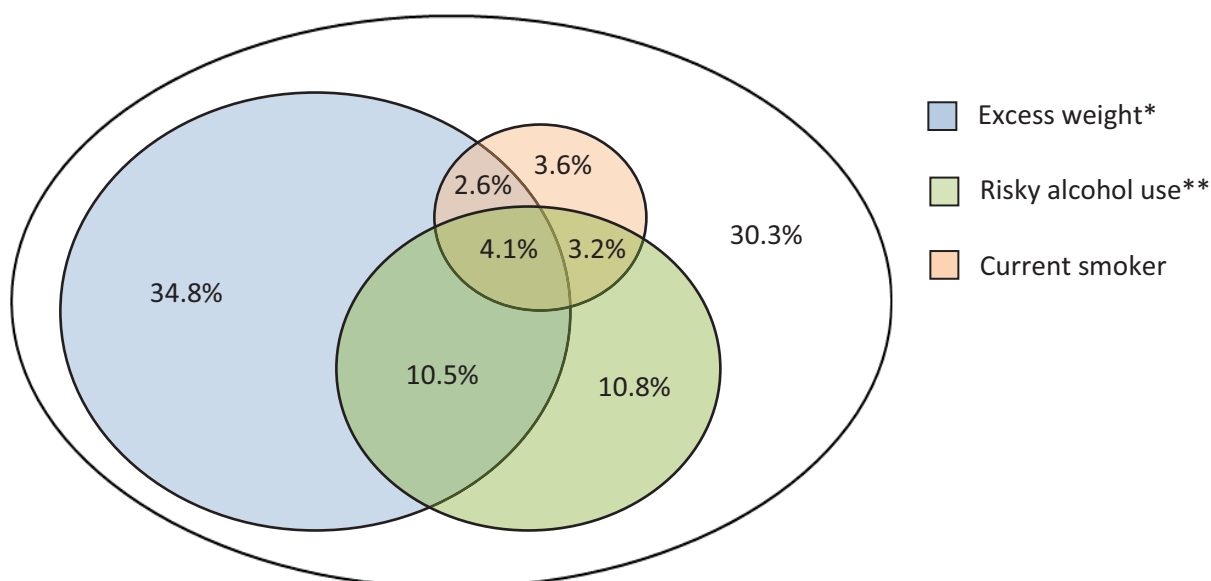
²⁵ WHO (2015). Obesity and overweight, Factsheet 311, updated Jan 2015. <http://www.who.int/mediacentre/factsheets/fs311/en/>, accessed 25th Jan 2015



and women) has not reduced over the last five years, and levels in men between 65-74y reached record levels. What may be influencing this?

Looking at combined data for obesity and overweight, smoking and unhealthy use of alcohol, the following diagram shows the crossover of responses for excess weight, risky alcohol use and smoking in the Survey.

Figure 12: Crossover between excess weight, risky alcohol use and smoking, all adults



*BMI weight group of overweight or obese

**AUDIT category of increasing risk drinker, higher risk drinker or possible dependence

NOTE: diagram is not to scale.

Only 30% of adults were neither overweight nor obese, nor smokers, nor a higher risk drinker or greater.

10.5% of responders were overweight or obese and increasing risk, higher risk or possibly dependent drinkers. 4% of responders were smokers, had excess weight and risky alcohol use. Now, looking back at the alcohol consumption data in the Healthy Lifestyle Survey 2013 again, we find that men drink more than women, and drink more with age. Also, compared with other drinkers, more adults in the higher alcohol risk/possible alcohol dependence categories were either overweight or obese²⁶, which again suggests that this may be a relevant link.

²⁶ Very small numbers in these drinking categories mean findings should be treated with caution.



Figure 13: Frequency of alcohol consumption by survey year and gender

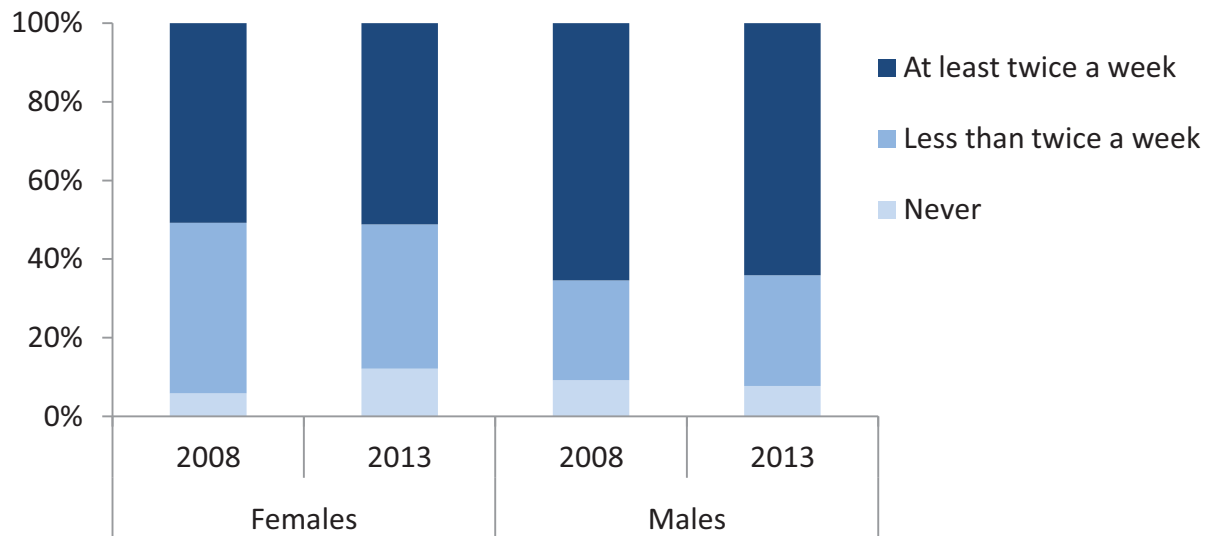
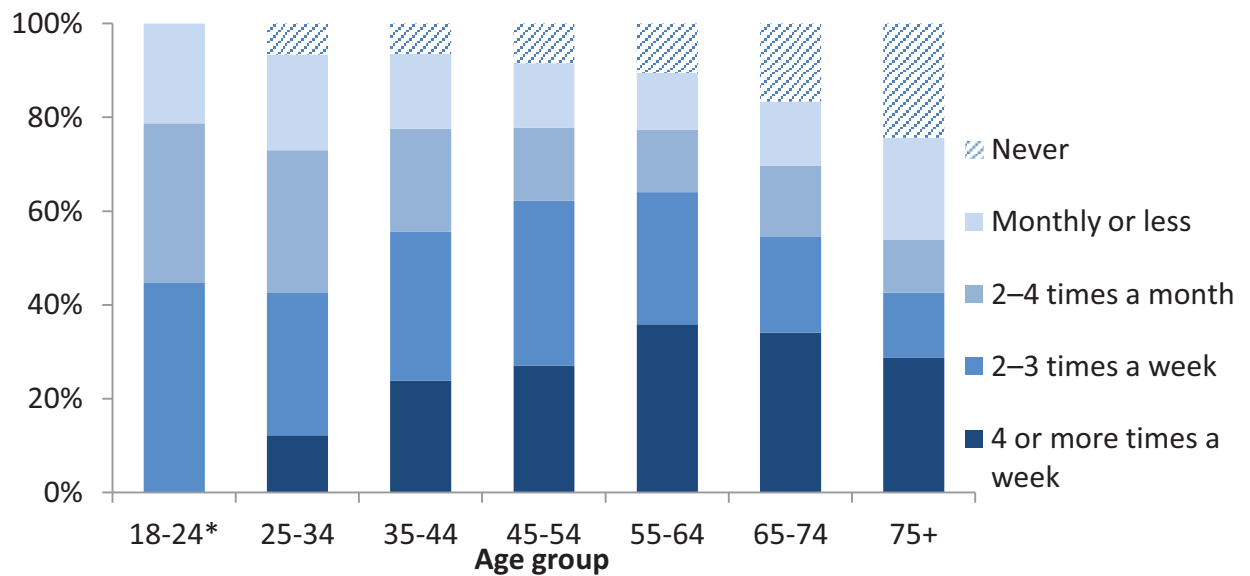


Figure 14: Frequency of alcohol consumption, by age group



*The number of 18-24 year olds participating in the survey was low.



The calorie content in alcohol may be contributing significantly to the struggle with overweight and obesity in Bailiwick men.

It is clear that, following the completion of work on the Tobacco Control and Drug and Alcohol Strategies, the next Strategy for urgent review is the Obesity Strategy. This has already been identified on the work—plan of the Public Health Directorate as part of a rolling programme of strategic reviews, following my recommendation in the 114th MOH report.

It should be noted that the Obesity Strategy of 2009²⁷ was not funded until 2011, and then only the first phase was funded. This allowed recruitment of a Specialist School Nurse for Weight Management to lead family-based programmes for obese children, a Community Dietitian to provide services for obese clients and design weight management pathways from Primary Care into specialist services, and the Sports Commission to provide additional physical education in schools. In addition, the Obesity Strategy funded Health Trainers to help people to move towards lifestyle change. Further, the Culture and Leisure Department run a very helpful Lifefit Exercise on Prescription Referral scheme at Beau Sejour for those with health issues who need to increase their levels of physical activity. All of these initiatives are strongly evidence-based, and my previous report shows that they have been effective for those service users who receive their help, but they are not enough to meet the increasing numbers who need assistance.

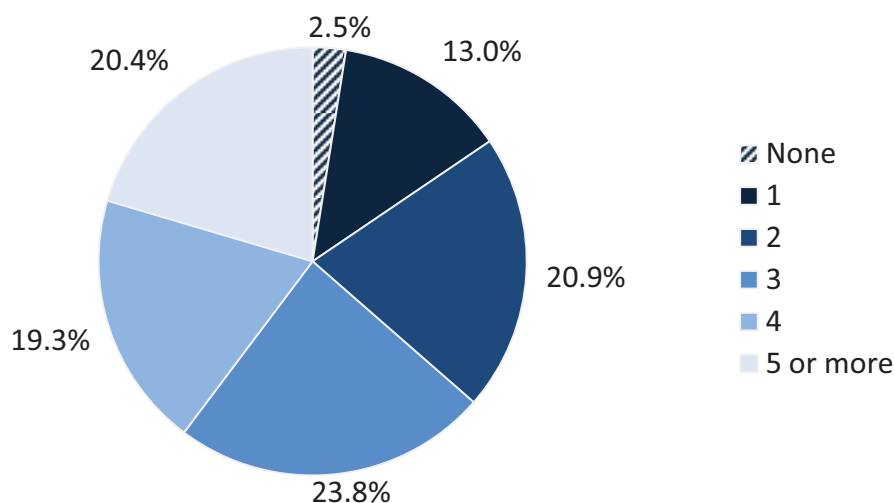
However, overweight and obesity are preventable. The key to successfully preventing the problem is firstly to reduce energy intake through limiting sugar and fat intake: and eating more fruit, vegetables, legumes, whole grains and nuts. Secondly to increase physical activity to the recommended levels of at least 30 minutes of moderate physical activity on most days.

The Healthy Lifestyle Survey shows us that in 2013, only one in five respondents (20%) consumed the recommended five portions of fruit and vegetables a day. This varied from about 11% of the under 35y respondents to about 25% of the over 35y old respondents. A higher percentage of women (22.1%) than men (18.6%) met the recommended guidelines.

²⁷ Billet D'Etat XXXI 2009 vol 2 <http://www.sustainableguernsey.info/blog/wp-content/uploads/2010/09/2009-M11-Guernsey-Obesity-Strategy-Billet-dEtat-XXXI-Vol-2.pdf>, accessed 25th Jan 2015



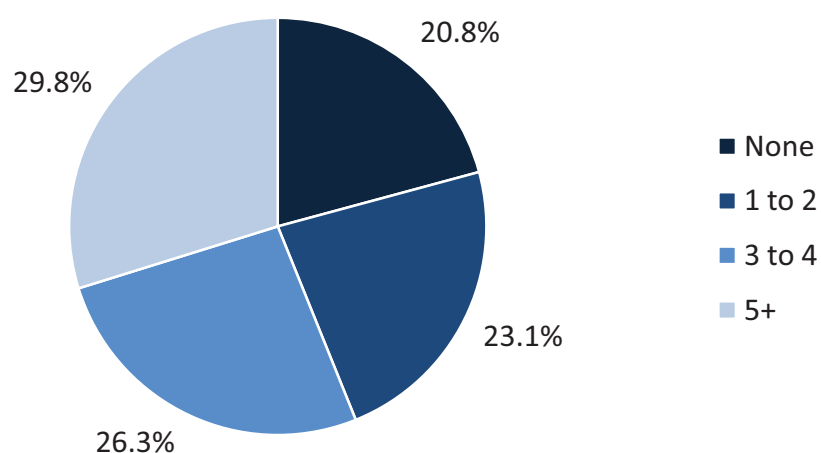
Figure 15: Portions of fruit and vegetables consumed by adults on a normal day



The vast majority of people consumed some fruit and vegetables every day, and the most common foods consumed on a daily basis were vegetables (38%), fruits (35%) and high-fibre breakfast cereals (29%). Over half of respondents reported that they were eating as healthily as possible. Of those who were not eating as healthily as possible, the most common reasons preventing them were lack of will power; healthy foods are expensive; and healthy foods take too long to prepare. Eating healthily was linked to income with 36% of those with a household income greater than £100,000 per year eating 5 or more portions of fruit and vegetables, and only 13% of those with a household income less than £20,000 per year.

The Survey tells us that only 30% of respondents exercised at levels of moderate physical exercise for 30 minutes at least five times a week, while 21% reported no moderate physical exercise at all in the last week.

Figure 16: Number of times adults had engaged in the last week in moderate physical exercise (sport or recreational activity, for at least 30 minutes, which had made you at least slightly breathless and warm).





Men and women had similar levels of moderate physical exercise. While 8% of respondents in the 18-24y old age group were physically inactive, (engaged in no moderate physical exercise in the last week), this increased to around 20% of those aged 25-74y, and 37% of respondents aged over 75y.

In respect of human evolution, people now adopt lifestyles in industrialised countries that were unknown until recently. The rapid increase of obesity in Western Countries in recent years has been considered to be a consequence of both an increased intake of energy-dense highly processed foods that are high in fat and sugar; and a decrease in physical activity due to the sedentary nature of much modern work, changing modes of transportation as people move to motorised door to door methods, and more time in sedentary leisure pursuits such as television and computer games, (WHO 2013).

I explored research into the causes of obesity in the 114th MOH report...

“The causes of the rising rates of obesity in the UK were modelled by the Foresight Programme (2008) and a complex, multifaceted system was identified which locks individuals and societies into an unequal balance between energy intake of food and energy expenditure through exercise. The four key determinants of obesity were identified as physiological factors, eating habits, activity levels and psychosocial influences, with additional attitudinal drivers including ambivalence and lack of personal identification with the agenda. It appears likely that the same influences are affecting the population of Guernsey and Alderney.”

Changes in diet and physical activity are not down to one change, but to a combination of changes in different sectors such as health, agriculture, transport, urban planning, environment, education, food processing, distribution and marketing²⁸. The solution therefore also needs to be across sectors (government, private and voluntary), multi-faceted and implemented at the individual, family, community and national levels. These are principles which must underpin the review of the Obesity Strategy.

The World Health Organisation has urged Governments to set voluntary national targets for 2025, including a 10% relative reduction in prevalence of insufficient physical activity, and a halt in the rise of obesity by 2025²⁹. These would be appropriate long-term key performance indicators for the new Strategy if agreement can be reached to make the necessary improvement in expectations across sectors, with the States taking a lead, and including the voluntary sector and private sector

²⁸ WHO (2014). Global status report on non-communicable diseases 2014.

http://apps.who.int/iris/bitstream/10665/148114/1/9789241564854_eng.pdf?ua=1, accessed 24th Jan 2015.

²⁹ WHO (2013). Global action plan for the prevention and control of noncommunicable diseases 2013-20. http://apps.who.int/iris/bitstream/10665/94384/1/9789241506236_eng.pdf, accessed Dec 28th 2014.



employers. Most action required to prevent obesity will be outside the health service. Key partners will include the Sports Commission, who are already core group members in the Obesity Strategy Working Group and have started a plan to tackle physical inactivity, other Government Departments such as Culture and Leisure, Education and Environment, and the business and voluntary sectors.

Over the next five to ten years, we should aim to halt the rise in levels of overweight and obesity and increase the proportion of people who consume recommended levels of fruit and vegetables. We should aim to see an increase in the proportion of people that meet physical activity recommendations and a decrease in those who are not undertaking any moderate physical activity at all. It is also important that policies are implemented that give everyone a fair chance of accessing healthy foods, so a specific aim should be to increase the fruit and vegetable consumption of our residents who manage on the lowest incomes.

“Ambivalence and lack of personal identification with the agenda” may be the biggest obstacles to addressing the problem of overweight and obesity in Guernsey – there are hundreds of excellent restaurants serving food of high quality at affordable prices by comparison with income. A high proportion of people eat out on a regular basis; we eat healthy foods but the overweight and obesity figures tell us that we do not always eat in healthy quantities. The Survey tell us that more adults agree than disagree that it is easier to enjoy a social event if you’ve had a drink, and that people in some other parts of Europe tend to drink alcohol more sensibly than people in the Bailiwick of Guernsey. Employment in Guernsey consists primarily of sedentary work; we do not programme physical activity at moderate levels into our daily lives and many of us do not think we have a problem.

Both the States and private Employers would see business benefits from a workforce encouraged and incentivised to be more active and eat more healthily at work. The relevant NICE guidance on workplaces and physical activity gives a clear steer on what is effective³⁰. The benefit would manifest itself in terms of reduced sickness absence, increased loyalty and better staff retention. This will require investing in the health of employees through integrated health policy for its staff and visitors.

Recommendation 6 :	Review the obesity strategy and develop a new Weight Management Strategy involving partners and the public based on best evidence of effectiveness and that uses data from the Health Profile and the Healthy Lifestyle Survey to measure progress.
---------------------------	---

³⁰ NICE (2008b). Promoting physical activity in the workplace. (NICE PH guidelines 13). <https://www.nice.org.uk/guidance/ph13/resources/guidance-promoting-physical-activity-in-the-workplace-pdf>, accessed 27th Dec 2014



What does the Survey show us about a holistic view of health?

Mental Health and Well-Being

The World Health Organisation considers good mental health to be a state of well-being in which the individual realizes his or her own abilities, can cope with the normal stresses of life, can work productively and fruitfully, and is able to make a contribution to his or her community³¹. The broad factors that influence it are also well recognised...

“(there is)... a strong link between the protection of basic civil, political, economic, social, and cultural rights of people and their mental health. In these times, when conflicts between individuals and communities are on the increase and economic disparities are widening, this message is especially relevant. Good mental health goes hand in hand with peace, stability and success.” Herrman³²

The Bailiwick Mental Health and Wellbeing Strategy was approved by the States of Guernsey in 2013. This was envisaged as an island-wide integrated strategy. A magnificent new custom-built building for the treatment of those with mental illness will open on the Princess Elizabeth Hospital site in 2015.

In the 110th MOH report, I noted that mental health issues were the largest cause of loss of disability adjusted life years.³³ As there was no local data on population mental health and well-being to give an indication of the size of the problem, or to provide a baseline measure for progress, the HSSD Public Health Directorate in partnership with HSSD Mental Health Services carried out the first Guernsey Emotional Well-Being Survey (GEWS) 2010³⁴. The data showed that around one in five Islanders (21%) experience anxiety or depression to a clinical level. This was somewhat higher than in Jersey (15%) and in the UK (17.6%). In addition, a validated population measure of mental well-being (as opposed to mental ill-health) was used in the Guernsey survey, the Warwick-Edinburgh Mental Well-Being Scale (WEMWBS). In that survey we found that low mental well-being was associated with low income, living in rented housing, being sick and disabled, and not working. Higher mental well-being was associated with older age. I note that England has followed Guernsey's lead and adopted WEMWBS as a public health measure of mental well-being.

Both the GEWS and the Healthy Lifestyle Survey show that many Islanders' lives are affected by poor levels of mental wellbeing, and demonstrate that the high years

³¹ WHO (2013b). Mental health action plan 2013-20. http://apps.who.int/iris/bitstream/10665/89966/1/9789241506021_eng.pdf, accessed 29th Dec 2014.

³² Herrman H, Saxena S, Moodie R (2005) Ed. WHO. Promoting Mental Health. Concepts, emerging evidence, practice. A report of the WHO and University of Melbourne. WHO.

³³ DH (2011) <https://www.gov.uk/government/publications/mental-health-promotion-and-mental-illness-prevention-the-economic-case>

³⁴ Johnson S, Cataroche J, Hinshaw T, Bridgman S (2010). Guernsey emotional wellbeing survey 2010: a cross-sectional survey of mental wellbeing and common mental health disorders in Guernsey and Alderney. Public Health and Strategy Directorate, HSSD, Guernsey.



of life lost from suicide and undetermined injury, noted earlier in this report, are just the tip of the mental health iceberg.

Mental health and well-being are an issue for every one of us individually. The data above indicates what a huge issue mental ill-health and low levels of well-being is for our community too. So what has been done? And what does our survey tell is yet to do?

One very important local advance has been the introduction in 2011 by HSSD and SSD, in close collaboration with primary care and mental health services, of a primary care mental health and wellbeing service (<http://www.gov.gg/pcmhwsove>). This service is aimed at people with mild to moderate mental health problems: depression, stress, anxiety and other mental health issues. The website also gives links to self-help/health promotion materials for a range of mental health issues such as anxiety and depression.

The WEMWBS tool was used again in the 2013 Guernsey Healthy Lifestyle Survey, and the data shows similar population mental well-being scores to those found in 2010. In the Lifestyle Survey, we also used questions about stress and anxiety. About a quarter of the population reported a large amount of stress, with a similar proportion of men and women, but a lower proportion of older adults reporting high stress. The most common factor frequently or always causing anxiety or stress in 2013 were pressures at work (28%); family's health (20%); money worries (19%); staffing levels at work (16%); family relationships (15%); own health (14%) and housing condition/affordability (13%). The distribution of factors causing stress was similar between 2008 and 2013, and these factors chime with the "*civil, political, economic, social, and cultural*" concerns identified by the World Health Organisation as influencing mental health and wellbeing. The only major change was an increase from 8% in 2008 to 13% in 2013 in people who reported housing condition/affordability frequently or always caused them anxiety or stress.

In addition to this basic data, the 2013 survey analysed mental health and wellbeing cross-referenced with lifestyle behaviour factors. This analysis showed that smokers reported higher levels of stress than those who had never smoked and ex-smokers. 37% of smokers reported being told by a doctor or nurse they had depression at some point in their lives, compared to 17% of those who had never smoked. Only 5.2% of current smokers were in the high mental wellbeing category compared with about 15% of both those who had never smoked and ex-smokers.

In the analysis of weight and health, obese adults were more likely to have low mental well-being, although overweight and obesity was not significantly related to income group or housing status. Adults who were categorised as obese were more likely than those in lower weight groups to report having suffered a large amount of stress or pressure in the past 12 months. Adults who were classed as obese were



also more likely to have had lower levels of mental wellbeing than those in other weight groups.

The Healthy Lifestyle Survey 2013 showed that people felt well-educated about the risks, and worried about their own health, but found it difficult to get into the mind-set to make the changes they wanted to make in their lives. Smokers identified this as needing will-power; those who know they should be eating a healthier diet said the same. Those who don't exercise enough talked about a lack of incentive, as well as insufficient leisure time; this may be linked to the stressors of pressures at work and staffing levels at work as shown above. Finally, the local culture can be a sharp brake on behaviour change, for example increasing risk and higher risk drinkers identified alcohol as a major part of the local way of life and a way to make it easier to enjoy social events.

A high proportion of people would benefit greatly from strengthening their mental health and wellbeing to become more resilient and feel more in control of their own lives: and it is likely that this will also help to move them towards a mind-set where they feel more confident to contemplate change. I have already mentioned the very important role of Health Trainers (a holistic 'person to person' intervention designed for people who need help to reach the point of readiness to change, and help to make and maintain those positive changes). Those people who are struggling to make the changes in their lives that put their health at risk are able to access this excellent free service by self-referral or referral from their GP or other services. However, where clinically significant anxiety and high levels of stress are as widespread as they appear to be in Guernsey, an ounce of prevention is better than a pound of cure and there is a simple, evidence-based way of getting 'five a day' for mental health and wellbeing, just as we aim for a fruit and veg 'five a day' to stay fit and healthy.

These are the **Five Ways to Wellbeing**³⁵. All of the 5 ways are free, achieved easily and can apply to everyone - no matter what the circumstances. Doing these things is an evidence-based way to make a real difference to our thoughts and feelings.

³⁵ NEF. Five ways to well-being: the Evidence. <http://www.neweconomics.org/publications/entry/five-ways-to-well-being-the-evidence>, accessed 24th Jan 2014



Figure 17: Five Ways to Well-Being Poster Headings



To put it another way, this is what you need to do to make you feel good:

- **Connect** - With the people around you. With family, friends, colleagues and neighbours. At home, work, school or in your local community. Think of these as the cornerstones of your life and invest time in developing them. Building these connections will support and enrich you every day;
- **Keep Learning** - Try something new. Rediscover an old interest. Sign up for that course. Take on a different responsibility at work. Fix a bike. Learn to play an instrument or how to cook your favourite food. Set a challenge you will enjoy achieving. Learning new things will make you more confident and be fun;
- **Be Active** - Go for a walk or run. Step outside. Cycle. Play a game. Do some gardening. Dance. Exercising makes you feel good and improves your physical health too. Make sure you find an activity you enjoy and that suits your level of ability and fitness;
- **Take notice** - Be curious. Catch sight of the beautiful. Remark on the unusual. Notice the changing seasons. Savour the moment, whether you are walking to work, eating lunch, or talking to friends. Be aware of the world around you and your feelings. Reflecting on your experiences will help you appreciate what matters to you;
- **Give** - Do something nice for a friend, or stranger. Thank someone. Smile. Volunteer your time. Join a community group. Seeing yourself linked to the wider community can be incredibly rewarding and creates connections with the people around you.

Just like learning any new skill, users need to practice the 5 ways and make a conscious effort to keep doing them regularly. Further information is available at <http://www.gov.gg/mentalhealthandwellbeing> along with an excellent leaflet



produced by the Health Promotion Unit which can be downloaded, or otherwise obtained by telephoning the Health Promotion Unit on 01481 707311.

The Healthy Lifestyle Survey 2013 shows a concrete example of how at least one of these actions works for people in Guernsey. Those people who met the recommended physical exercise levels generally reported lower stress levels than those exercising at lower levels. Over a third (34.0%) of adults who reported no physical exercise in the past week stated they had experienced large amounts of stress over the past 12 months compared with 20.2% of those that met the recommended five or more physical exercise sessions. Further, the people who had not engaged in any physical exercise were more likely to have low mental wellbeing than those that did any level of physical exercise.

The World Health Organisation has launched a Mental Health Action Plan 2013-20, in which it calls upon Governments to implement strategies for prevention of mental ill health, and promotion of mental health and wellbeing³⁶. Guernsey HSSD mental health services and Health Promotion Unit (from within existing resources), in collaboration with partners such as Guernsey MIND, marked World Mental Health Day in October 2014 with its first ever full week of awareness. This was called Elephant Week, and was seen as part of the implementation of the Mental Health Strategy.

Photos 5 and 6: Guernsey Mental Health Awareness Elephants. Mental health is seen as the 'elephant in the room'. (Schoolchildren were asked to decorate the elephant with which represented one of the 'Five Ways to Wellbeing' – dubbed 'CLANG' – Connecting, Learning, being Active, taking Notice and Giving. La Houquette's elephant is blue, Amherst's red.)



³⁶ WHO (2013). Mental Health Action Plan 2013-20. http://www.who.int/mental_health/action_plan_2013/bw_version.pdf?ua=1, accessed 24th Jan 2015



Elephant Week was an opportunity for us to discuss and change our thinking about mental health and wellbeing and promote the Mental Health Five-a-Day message. For a week, Guernsey Posties wore Elephant Week hi-vis vests, whilst they delivered a flyer to every household in the Bailiwick; elephants were being decorated to raise awareness of mental health by school students in 10 primary schools and 2 secondary schools, and these were displayed during the Tea & Talk events held every day at the Town Church (Photos 3 and 4).

Events organised during Elephant Week included talks and seminars on Life skills for business; Post-Traumatic Stress Disorder; Anxious Parents raising Confident Children and How Mental Wellbeing is influenced before Birth. This gave a tremendous boost to public awareness and encouraged open discussion of a whole range of mental health and wellbeing issues, to the benefit of sufferers and families, and increased understanding in many. Guernsey MIND have also been active in working with businesses using a preventative approach for mental health³⁷ and are indeed a valued and expert partner for change for the better. The Guernsey Sports Commission have been advocating evidence-based techniques to improve our mindsets, in particular encouraging us to adopt “*Growth*” rather than “*Fixed*” mindsets to help us and those around us reach our potential.³⁸

Given the decades it has taken to reduce smoking prevalence, I would also anticipate that demonstrably improving population mental health and well-being will take many years. It will need a cross-government action on the wider determinants of mental health and wellbeing (e.g. employment, housing, accessibility of services) as well as a programme of mental health promotion. I recommend a cross-Government Mental Well-Being Strategy Implementation Group is set up to develop and implement an evidence-based Action Plan to improve Public Mental Health. Further population based surveys of public mental health will be required to monitor progress.

Recommendation 7:	Cross-Government Public Mental Health and Well-Being sub-group is set up to develop and implement an action plan to improve Public Mental Health
--------------------------	--

Recommendation 8:	A repeat population survey of public mental health and well-being is carried out to monitor progress.
--------------------------	---

³⁷ <http://www.guernseymind.org.gg/about-guernsey-mind/what-we-do/employment-project>

³⁸ Dweck CS, (2006). *Mindset, the New Psychology of Success*. Ballantine Books.



Healthy Lifestyle Survey Future

The healthy lifestyle survey is a crucial source of local data on behaviours that are important for health. It helps us identify local health needs, measure changes over time, and provides data for public health intelligence to help our priority-setting and strategic planning.

Recommendation 9 :	To produce a local Healthy Lifestyle Survey every five years as part of our local Public Health Surveillance programme
---------------------------	--

Recommendation 10 :	To continue the Public Health Strategy Review and development, programme guided by the principal issues identified in the Health Profiles, and Healthy Lifestyle Surveys.
----------------------------	---



PRIORITY SETTING IN HEALTH AND SOCIAL SERVICES

Background

“Difficult and agonising judgements have to be made as to how a limited budget is best allocated to the maximum advantage of the maximum number of patients.” Sir Thomas Bingham³⁹.

I considered priority setting in the 110th MOH report and briefly again in the 114th MOH report. In this section I consider some of the background pressures, progress that has been achieved, and further work to be done.

The scope, quality and cost of health and social care services are very important factors in the health and well-being of the public. From a public health or population perspective the objective is to obtain the greatest health and well-being of the population for the resources (money, time, facilities) available, in a fair way.

Guernsey has no statutory obligation, to provide health services unlike the NHS in the UK. The source of its obligation to provide health services comes from its Corporate Governance responsibilities. The Health and Social Services Department is required by the States of Deliberation to be responsible for (<http://www.gov.gg/HSSD>);

- (i) *Promoting, protecting and improving personal, environmental and public health;*
- (ii) *Preventing or diagnosing and treating illness, disease and disability;*
- (iii) *Caring for the sick, old, infirm and those with disabilities;*
- (iv) *Providing a range of social services to all age groups including ensuring the welfare and protection of children, young people and their families and ensuring that the best interests of the child shall be a primary consideration.*

HSSD is expected to operate within the cash limited budget allocated to it by the States. However the very nature of health and social care services, and the relatively unpredictable nature of demand, is such as to make it hard to precisely predict calls on resources year to year. A particular challenge in Guernsey and Alderney is that the population catchment is only around 65,000, and yet the scope of the provision on Island and off Island has to be as comprehensive as in England with a population of 53 million.

The financial challenge has also been sharpened for all States Departments as a result of the Economic and Taxation strategy of 2006 which led to the ‘zero-ten structure’ for corporate taxation leading to less public revenue income⁴⁰. The global

³⁹ Court of Appeal Ruling, *R v Cambridge Health Authority ex parte B* [1995] 1WLR 898 (CA).

⁴⁰ T&R Board (2014). 2015 Budget Report, <http://www.gov.gg/CHttpHandler.ashx?id=92601&p=0>, accessed 1st Jan 2015.



financial crisis of 2007, perhaps the worst since the Great Depression, made the situation worse⁴¹.

After six years with a budget deficit, and with a huge amount of effort by many people, the positive situation is that Guernsey's Treasury and Resources Department consider that in 2015 a balanced budget is achievable through both targeted increases in indirect taxation, and the real-terms reduction in revenue expenditure that has been achieved in recent years.

However, Guernsey will need to continue to work hard and make difficult choices in order for it to maintain a balanced budget and obtain the greatest public health improvement from its resources.

Along with the financial constraints, it is well recognised that Guernsey, faces a range of pressures driving up the costs of and demands on health and social care, such as;

- Growth in available technology, in diagnostics, curative and palliative treatments
- Increase of proportion of older people particularly those over the age of 80y
- Decrease in the proportion of people of working age
- Growing prevalence of chronic diseases related to lifestyle
- Increased public expectations in relation to the both the extent and quality of care they want
- Recruitment and retention of health and social care professionals, especially with the relatively high cost of living
- Increased internal monitoring and quality assurance systems
- Increased external regulation

Priority Setting Processes

Priority setting is the process (or in reality processes) by which choices are made about resources; whether this is money, manpower, how time is spent, use of facilities, or training.

It is a reality that every budget holder, whether they are an individual, a business, a charity or a public body, has to make difficult and often uncomfortable choices about how to spend their money.

The values and process of decision making will vary household to household, business to business, and charity to charity. Most budget holders have

⁴¹ World Bank (2009). Protecting pro-poor health services during financial crises. Lessons from experience. Washington, DC, World Bank. <http://siteresources.worldbank.org/HEALTHNUTRITIONANDPOPULATION/Resources/ProtectingProPoorFC.pdf>, accessed Jan 11th 2015.



considerable discretion how to spend their money. Public bodies that look after taxpayers' money, however, have certain duties placed on them which restricts the types of choices they can make and how they make their decisions.

Priority setting is done through a series of decisions. In an organisation such as HSSD there are five key processes which involve priority setting:

1. Strategic Planning

This is a slow process by which organisations come to an understanding about the needs of their population, their services and determine the scope, level, and quality of services that will be provided to their population. Shortfalls in services or service quality are assessed and then a priority order created in which they should be addressed. This is the most important process for carrying out priority setting and it has the potential to engage clinicians, patients and the public in that process.

2. Operational planning

This is the process by which organisations develop short term plans to implement their strategies about 1 to 3 years ahead. This determines the pace at which strategic plans are implemented and is very much determined by the financial climate year to year. It is important that the operational plan reflects the agreed priorities of the organisation.

3. In-year service developments

In general an organisation should only invest in pre-agreed priorities. It is, however, the nature of healthcare that new developments are introduced throughout the year. Organisations generally deal with these by reviewing their strategic priorities to see if new developments are more important than those that have already been agreed. Potential new service developments therefore should be managed through the revision of the operational plan. However there will be times when urgent unpredicted funding is required during a financial year to either deal with pressing matters, such as an outbreak of pandemic flu, to manage a major risk to patients/users' health and well-being or to fund a new service development which is considered so important that its implementation should not wait.

4. Contracting

When placing a contract with a provider of healthcare the better an organisation can set out the details of how it expects patients to be managed and to what standard the better. However the process of standard setting also requires priority setting as many of the service standards which have been developed by professional, regulatory and patient bodies cannot be fully afforded. So the organisation paying for the service has to determine what is



essential, what aspects of quality improvement will be delivered over the coming 1 to 3 years and what will have to await future development.

5. Funding decisions at the individual level.

There are a number of ways in which funding decisions are taken at the level of the individual. This is particularly so in social care, where individual's needs are assessed and packages of care determined. On the health care side there is also a process called the individual funding request process which deals with decisions about care not normally funded.

In the last twenty years much progress has been made in many health care systems to develop the above processes to create more robust, fair and open choices. In the UK for example some core principles which shape decision making have emerged and there is a general consensus over the factors which should commonly be used when making choices between competing health care developments, although the priority setting field in social care is less well developed.

In Guernsey, also, work has been done in the last few years to develop better decision making, most notably in the area of individual funding requests, the development and adoption of an ethical framework and the development and adoption of a range of priority setting policies. HSSD has made information about aspects of its priority setting available to the public on the States website (<http://www.gov.gg/hssdpriorities> and <http://www.gov.gg/ifr>).

There is more to be done in developing the other processes and in particular:

1. Developing priority setting at the strategic level, particularly at the healthcare programme level.
2. Improving the link between the macro decisions and the micro decisions.
3. Developing professional, public and patient engagement.

Developing priority setting at the strategic level

Poor strategic planning leads to poor choices because reactive decisions are not always the best ones, and this will negatively affect public health.

To improve priority setting the Health and Social Services Department and the Social Security Department may benefit from strengthening and clarifying their priority setting processes across the healthcare services they are responsible for. This will need to be documented in an overarching policy for priority setting which would incorporate the key processes in priority setting set out above.



Improving the link between the macro decisions and micro decisions

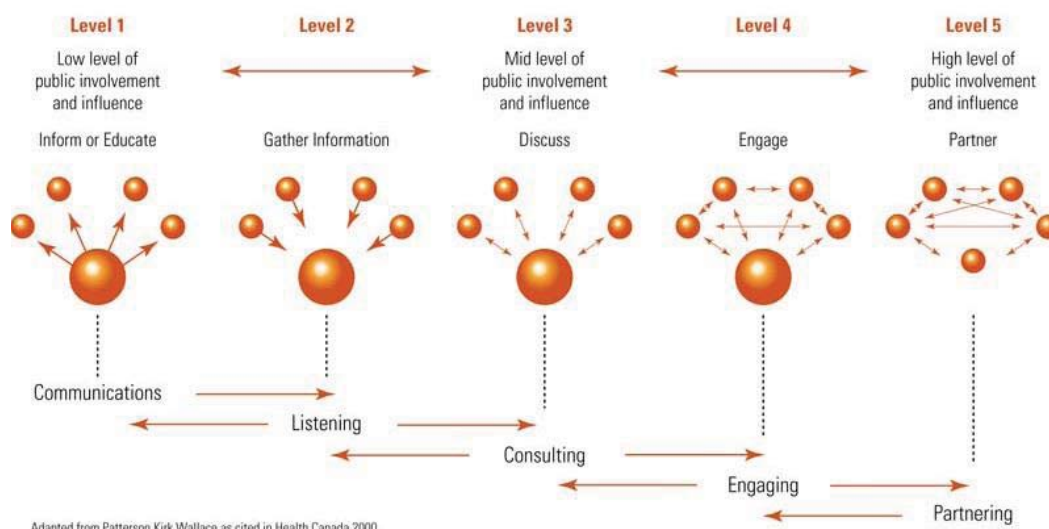
It requires considerable organisational effort to ensure that there is a strong link between agreed strategic goals and what happens on the ground by way of activity and also funding. The systems put in place to ensure this coherence form part of the priority setting processes. This also ensures that the most important decisions are taken in a planned and informed way.

Developing professional, public and patient engagement

If the States are to make the best choices they can and increase public and professional understanding and confidence in its decisions about resources, then wider engagement is needed. This is particularly important during strategic planning as each group, patients/users/carers, professionals, public health, management and those with overall responsibility for the budget, have different information and bringing them together is very powerful.

Professional, public and patient engagement is not something that can be done easily but needs time and effort to progressively develop. This is because it demands individuals and groups to participate in a decision which does not come easily to them and which can be uncomfortable (making choices between competing needs either within their service area or between service areas). To engage fully requires maturity and trust on both sides, and this cannot develop overnight. The Canadians for example have a 15 year programme of public engagement to improve this aspect of decision making. They are developing capacity stage by stage.

Figure 18: Canada's continuum of public engagement





Canada has produced a useful framework for public engagement which can readily be applied. Many health care organisations have started with level 1 and are developing capacity for engagement both internally and with the public along the continuum.

Guernsey should be well placed to develop this aspect of priority setting because of its small population, its straightforward administration, and the small distance between politicians in power, the public and professionals. It is therefore quite possible that The States of Guernsey could be a world leader in this field if it chose to be.

At the very least some engagement is required to overcome the view that priority setting can be avoided. It is understandable that so many find the very idea of having to choose between patients or users difficult, and for some morally unacceptable. But believing this will not make the fact go away and avoiding making explicit choices has serious consequences for Society. Denial of the need to make choices leads to poor decisions being made.

In order to begin meaningful engagement there are some basic obstacles that need to be overcome.

Making choices explicit

The first is for all to understand the fact that every decision made is a choice. In fact one of the most important ethical principle bodies like HSSD follow is that they should make all their decisions knowing the full implications of their decision. In the 110th MOH Report, I discussed the way in which funding decisions were played out in the public domain, and made some recommendations for improvement. All too often the public, patients and healthcare professionals see the funding decision played out as a choice of whether or not to ration. When a new cancer drug comes along, it is presented as a choice over whether or not to ration the drug. This presentation of the decision is misleading. It suggests that saying yes will avoid rationing and depriving patients of a treatment they need or want. It does not. It displaces the rationing to another group of patients. Because that group of patients are not in the public domain – everyone can pretend they are not being denied care. There is a natural tension between the ‘population perspective’ that drives the decision maker to obtain the most population health and wellbeing for the money available and the clinical or individual view of doing the very best for the individual at any point in time. But ultimately, the task in hand is the fair distribution of scarce resource.

When patients do not get the care they need, they may feel that the State does not care about them, that their life and contribution is not valued and that the State does not think ‘they are worth the money’. But when considering how to distribute scarce resources, a public body such as HSSD, cannot solely consider whether it is a good



thing or not to provide a particular treatment. In addition, the public body must aim to do two further things:

1. To find the best way to invest resources across all the patient/user groups for whom it has responsibility; and
2. To strive to provide a balanced range of health and social care – prevention, diagnosis, treatment or care, rehabilitation and palliation.

As a result the organisation has to design and operate decision making principles and policies which are designed to answer the question: *‘Which, of all the possible options that are available is the next most important investment for the population/patient-user groups we are responsible for?’*

Within a restricted budget the public body will need to disinvest in lower priority interventions in order to generate funding for higher priority ones. Because of this, the question then becomes ‘How can we disinvest in services with the least negative impact across the population / patient groups for whom we are responsible?’

Only prioritisation as a method of decision making can answer these questions. The alternative is known as singular decision making. Singular decision making in the context of health and social care funding describes a situation in which the decision maker makes a choice as to whether or not to fund a single treatment or service, without regard to how else that funding might be used.

A way to illustrate why singular decision making leads to not only poor choices, but is unethical is as follows:

Imagine there are 50 people in a room and each individual represents a new treatment or service development for a particular disease. You can only afford to fund 3-5 service developments. Prioritisation can be represented as selecting people from a crowd. Here you have all 50 people in front of you. You are aware of all the competing needs. You can choose the highest priority needs and also understand (and take responsibility for) which patients groups you will not fund (referred to as the opportunity cost). All those competing for funding have a fair chance of being considered.

Singular decision making has not all the patients standing in front of you at once but they are standing in line. You can only see the person at the front of the queue. So you make your decision one at a time. You make your decision person by person without any idea of the needs of the people further down the line. It is human nature that you will be more generous because you are not making a choice between two or more people and so are likely to run out of money well before you approach the end of the queue. The most



important need or best value for money treatment might be for the person at the back of the queue.

To answer the question: 'Is this a good thing to provide to patients?' requires only singular decision making.

To answer the question: 'Which is the best way to use this money?' requires consideration of all the options.

At the heart of many of the difficulties and conflicts in dealing with funding questions, particularly when they focus on a single patient, is not that there are different views on the answer but that the two sides are actually trying to address different decisions – they are not answering the same question.

There is much evidence to suggest that when groups which often appear to be in conflict are asked to prioritise a number of potential investments in health care services, patients, clinicians, and those holding budgets make very similar choices. The people involved have not changed – but the nature of the decision to be made has. One of the tasks of engagement therefore is to ensure that all are focused on the same question. This does not alter the nature of the decision to be made but ensures that different experiences and knowledge are brought to bear on the decision.

Arguments that rationing can be avoided

Often it is difficult to engage in public debate about the choices to be made because there is resistance to the idea that priority setting is unavoidable. There are three common counter-arguments to the need for priority setting. Each of these arguments are important and have merit in their own right in that they can contribute to easing the level to which services are rationed, but they cannot either singly or collectively stop it happening altogether.

Health and social care funding is inadequate

All Western health care systems are experiencing pressure on health care budgets. A number of reasons are cited for this e.g a growing elderly population, new technology, rising prices. At the same time the West has also experienced changing economic circumstances which means there is less money available to the public purse to spend (see above). All public services could identify more things to spend money on whether it is education, health, the police, social services etc.

Politicians have the role of determining priorities across departments and how much tax burden to place on individuals and businesses. There are always trade-offs to be made and there is always a limit to how far cuts can be made in one department to pay for services in another, and there are limits on the taxes the public will bear. The fact is that the health care budget needs year on year growth just to stay still. If



say 100 hip replacements are needed this year, then more will be needed next year to keep up with the ageing population.

No health care system, regardless of how health care is paid for, is able to meet all demand or need and while the public often demand cuts in other services to pay for health services, when the choice becomes apparent (the crowd of options is revealed) – e.g. cutting policing or teachers, or paying more tax or social insurance contributions, the idea is often rejected.

One of the successes of local priority setting has been avoidance of significant additional costs on relatively low value for money treatments, as part of HSSD's individual funding request priority setting processes. A similar rational and evidence-based introduction of policies for service developments would also enable Guernsey and Alderney to improve the population health gain (measured in length and/or quality of life) from within the available public health resources.

Inefficiencies should be tackled first

No one could argue against addressing current inefficiencies and waste. Health and social care organisations are constantly finding ways to save money. It is not a single fix and requires considerable time and manpower resources to deliver. It is true that there are always more savings and efficiencies to be found but these alone cannot deliver the funding needed. Finding savings in an island setting is even more challenging. There are many fixed costs not incurred in other systems. The smaller the population planning base, the higher the costs of running a basic service.

Over the past few years the staff in the public sector in Guernsey have worked hard to find efficiencies. For example, clinicians standardising their use of joint replacements, our pharmaceutical advisors and GPs working together to increase the proportion of unbranded (generic) drugs used, clinicians making tough evidence-based decisions through committees such as the Drug and Therapeutics or Professional Guidance (formed in response to a recommendation in the 110th MOH report) to prevent the introduction of insufficiently cost-effective treatments.

An example of a local efficiency Guernsey introduced that has received international plaudits, is the use, for a common eye disease that can lead to blindness, of an effective unlicensed drug in preference to a much more expensive but licensed drug. The Royal College of Ophthalmology President and Southampton's Professor of Ophthalmology refer to "*bureaucratic hurdles that prevent its use*" so that the English NHS were unable to follow in Guernsey's evidence-informed lead with the implied hurdles being the GMC and NICE⁴². This decision, alone, has saved an

⁴² Lotery A, MacEwen C, (2014). What is stopping the NHS from using bevacizumab for macular degeneration and other retinal disorders? *BMJ* 2014; 349 doi: <http://dx.doi.org/10.1136/bmj.g6887> (Published 19 November 2014) Cite this as: *BMJ* 2014;349:g6887



estimated several hundred thousands pounds recurrently a year for our taxpayers, and will have enabled Guernsey and Alderney to obtain much more public health gain than England per pound spent on this service.

HSSD also have an evidence-based and ethical policy that NICE guidance is just that, guidance and not mandatory instructions, as while NICE and UK professional regulators have extremely important and valuable roles, they do not hold the local budget and therefore cannot know what the next most important priority is locally for investment in this jurisdiction, or indeed in England.

Ineffective practices should be tackled first

Similarly, no one could argue against stopping things that do not work. This however is much more challenging to deliver as it requires cultural change. An illustration of just how difficult stopping ineffective or relatively low priority practices has been nationally has been antibiotic prescribing for viral infections, although great progress has been made recently in the islands.

However, none of what is said above negates the value of a Guernsey-wide discussion about the level of funding of public services and the choices that need to be made between different public services, nor does it argue against the need to reduce waste and inefficiency. However there is nothing to be done to avoid the need to prioritise either in the short or medium term. HSSD, SSD and the States have to make decisions about what to fund and not fund now and will always be required to do so. Arguing against that fact is not constructive and is also harmful as it does not facilitate or enable engagement.

Moving Forward with Engagement

The public health and social care system in Guernsey is arguably one of the most complex businesses on the island. Guernsey has begun the first level of public engagement through informing the public about its priority setting policies, such as its ethical framework⁴³. The first stages of improving engagement will be strengthening how the public, patients and professionals are informed.

Improved engagement will help in the future when tough decisions are made, as professionals and public will know and understand that those responsible for priority setting decisions have done their best, and that the decisions are fair even if they are not popular. The evidence is that the best health and social care systems are when politicians, professionals and the public work together for many years in concert.

Public and professional engagement needs to be developed so that those hard choices, while likely not being popular, are seen as fair and rational. Few

⁴³ HSSD, Guernsey. How we decide priorities. <http://www.gov.gg/hssdpriorities>, accessed 25th Jan 2015.



jurisdictions are good at priority setting. Guernsey and Alderney have the potential to be world leaders.

Recommendation : 11 To review the priority setting processes for health and social care, building on the good work to date, and to formalise them into an overarching priority setting policy.

Recommendation : 12 To continue to develop the long-term process of professional, patient and public engagement on priority setting.



REFLECTIONS ON THE 15TH MOH REPORT (1913)

The 15th Medical Officer of Health (MOH) report was attached as an Appendix to a letter in the Billet d'Etat from the President of the Board of Health, G.E Kinnerly. The Bailiff and President of the States of Guernsey at this time was William Carey.

Dr H Y Draper Bishop MD (DB), the MOH, estimated the population of Guernsey to be 41,854, equalling the population estimate for both 1911 and 1912.⁴⁴

The number of births recorded was 887, a rate of 21.2 per 1,000. There were 59 still-born babies, which equated to 6.6% of total births. There were 101 deaths in children under the age of 1y, a rate of 113.8 per 1,000 births. The rate for England and Wales was lower at 109 per 1,000 births. In Guernsey, 41 children died before they reached the age of 1 month. Infant mortality was especially high in the poorer classes as during labour, no medical attendance was offered. It was strongly suggested that “medical attendance for the poorer classes” must “be revised in drastic fashion” as all women should be able to secure medical attention when in labour. In addition, “mortality among the children of the working classes was 62 per cent higher than in the case of the mothers who carried out only their domestic duties”. DB believed that the number of women who left home during the day to work was very high in Guernsey.

The number of deaths was 550, a rate of 13.1 per 1,000. The death rate for England and Wales at that time was 13.7 per 1,000. One in nine deaths were due to cancer after the age of 25y, and in women between the ages of 40y and 60y cancer accounted for one in every five deaths. DB highlighted that the use of radium to treat cancer was limited and had proved to be “a very uncertain remedy.” It was emphasised that the public be informed that radium is not “at present a cure for cancer”.

There were 72 cases of diphtheria, of which four were fatal. One fatal case “was treated with sulphur by the grandmother, who considered herself an authority upon diphtheria.” No doctors were called until the child had collapsed. Forty-seven deaths occurred from tuberculosis. There were 10 cases of enteric fever, of which there was one death. Two cases were due to drinking from badly contaminated wells, with further cases being the result of people swimming near sewage outfalls.

During 1912, most of the preventable diseases were due to the lack of pure drinking water. Therefore, understandably the “greatest event of the year, from a public health point of view” was the decision from the States to begin proceedings to provide an ample supply of water to the island. With regards to public health, further progress was made with St Sampson's parish agreeing to have the refuse collected

⁴⁴ Bishop HYD (1914). 15th MOH report, 1913. Guernsey.



and destroyed in the incinerator, instead of “dumping it in the fields as was the custom in the past.” Finally, improved sanitary conditions in the island, combined with the isolation of infectious diseases in the Board’s hospitals had contributed greatly to the diminished general mortality. It was concluded that “the future is hopeful”.



Bibliography/References

Bridgman S (2009). 110th MOH report, 2009-10, special them, First Impressions. Guernsey.

Bridgman S (2012). 113th MOH report, 2011-12, special theme, Health Equity. Guernsey

Bridgman S (2014). 114th MOH report, 2012-3 special themes. Infection and Liver Disease Prevention. Guernsey.

Jenkins L, Bridgman S (2010). The Fifth Guernsey Healthy Lifestyle Survey, 2008. HSSD; States of Guernsey. <http://www.gov.gg/CHttpHandler.ashx?id=77337&p=0>, accessed 15 Oct, 2013.

Policy Council (2014). Guernsey Annual Population Bulletin, 31st March 2013, issued 2nd May 2014.

NHS Confederation (2008). Priority setting: strategic Planning. NHS Confederation.

NHS Confederation (2008). Priority setting: an overview. NHS Confederation.

Publication date: December 2014 Source: Social Science & Medicine, Volume 122 Author(s): Dean A. Public engagement in priority-setting: Results from a pan-Canadian survey of decision-makers in... <http://www.globalhealthhub.org/2014/10/29/public-engagement-in-priority-setting-results-from-a-pan-canadian-survey-of-decision-makers-in/>.

Shepperd S et al (2013). Challenges to using evidence from systematic reviews to stop ineffective practice: an interview study. J Health Serv Res Policy, 18, 160-66. <http://www.ndph.ox.ac.uk/publications/407880>, accessed 17th Jan 2015.



Guernsey and Alderney deaths 2013, by Gender and Cause.^{45*}

	Number of deaths			
CAUSE OF DEATH (ICD-10 codes)	Male	Female	Total	% of all deaths
Cancer (C00-C97 or D00 to D48)	89	70	159	29%
Cardiovascular disease (I00-I52 or I60-I69)	66	95	161	30%
Respiratory disease (J00-J99)	38	38	76	14%
Other (any other code not included above)	65	85	150	27%
Total	258	288	546	100%
CANCER TYPE	Male	Female	Total	% of all deaths
Oesophagus (C15)	10	2	12	2%
Colon (C18)	3	5	8	1%
Pancreas (C25)	5	3	8	1%
Bronchus & lung (C34)	16	9	25	5%
Breast (C50)	0	9	9	2%
Prostate (C61)	15	0	15	3%
Other cancers	40	42	82	15%
Total	89	70	159	29%
CARDIOVASCULAR DISEASE TYPE	Male	Female	Total	% of all deaths
Acute myocardial infarction (I21)	13	13	26	5%
Chronic Ischaemic heart disease (I25)	19	20	39	7%
Cerebrovascular diseases (I60-I69)	18	34	52	10%
Other cardiovascular diseases	16	28	44	8%
Total	66	95	161	30%
RESPIRATORY DISEASE TYPE	Male	Female	Total	% of all deaths
Pneumonia (J18)	8	10	18	3%
Emphysema (J43)	5	3	8	1%
Chronic obstructive pulmonary disease (J44)	14	14	28	5%
Other respiratory diseases	11	11	22	4%
Total	38	38	76	14%
OTHER CAUSES	Male	Female	Total	% of all deaths
Unspecified dementia (F03)	12	13	25	5%
Senility ('old age') (R54)	2	6	8	1%
Chronic renal failure (N18)	1	2	3	1%
Deaths with an inquest verdict of suicide	1	0	1	0%
Accident deaths (V01-X59)	7	5	12	2%
Other 'other causes' (includes inquests pending)	42	59	101	18%
Total	65	85	150	27%

⁴⁵ Includes stillbirths.

*Provisional. 4 outstanding inquest deaths not yet allocated causes of death are under 'Other' causes.



2013 vital statistics by Island

Guernsey

	M	F	Total
Estimated mid-year population	31081	31651	62732
Live births registered	342	318	660
Stillbirths	2	0	2
Deaths (all ages)	245	273	518
Deaths under age 1	1	2	3

Alderney

	M	F	Total	Source
Estimated mid-year population	1009	1071	2080	Policy Council
Births in Guernsey	5	6	11	Euroking
Births in Alderney	0	1	1	Alderney Greffe
Total births	5	7	12	
Deaths (all ages)	15	11	26	Alderney Greffe
Deaths under 1 year	0	0	0	Alderney Greffe

Sark

	M	F	Total	Source
Estimated mid-year population	not known	not known	513 *	Sark doctor (Sark Chamber of Commerce and Sark Electricity)
Births in Guernsey	1	4	5	Euroking
Births in Sark	0	0	0	HM Greffier, Sark
Total births	1	4	5	
Deaths (all ages)	1	0	1	HM Greffier, Sark

* Jan 2014



Acknowledgements

I thank Linda Prickett for assistance with the health surveillance section, Dr Daphne Austin for assistance with the priority setting section, Jenny Cataroche for compiling the Guernsey and Alderney deaths and vital statistics, Dr Casey Lee for the reflection on the 15th MOH Report, Katherine Ford of the Centre for Public Health, John Moores University for undertaking some additional analyses from the Guernsey and Alderney Lifestyle Survey 2013, Steph Charlwood for designing the front and back covers, Tom Cheshire for Photos 3 and 4, and Linda Osborne for help in formatting the final document.

I thank Professor William Roche, Mark Salmon and Carol Tozer of HSSD Corporate Management Team for comments on a draft, James Murray HSSD psychologist for comments on the mental health aspects, Ed Freestone of HSSD and Eddie Pinkard of Capita for comments on the prioritisation section, Yve Le Page for comments on the Health Surveillance Section, Zoe Grainger, SHARE staff, and Dr Nikki Brink for comments on the teenage pregnancy aspects, and Andrea Nightingale for comments on the alcohol aspects.



GLOSSARY and ABBREVIATIONS

BMI	Body Mass Index
HSSD	Health and Social Services Department of States of Guernsey
Physically inactive	Engaged in no moderate physical exercise in the last week
Physical exercise moderate	Sport or recreational activity for at least 30minute (which had made you at least slightly breathless and warm).
WHO	World Health Organisation



FIGURES, TABLES AND PHOTOGRAPHS

FIGURES

		Page
1	Change in life expectancy over time, Guernsey/Alderney 1995–1997 to 2010–2012	10
2	Leading causes of death in Guernsey/Alderney, 2010–2012, men and women combined (chapter group level of the ICD-10)	11
3	Average years of life lost per year by cause in Guernsey/Alderney 2010-2	12
4	Proportion of smoking-attributable deaths within each major cause group, Channel Islands and England compared.	14
5	Stillbirth rates, Guernsey/Alderney and England and Wales.	15
6	Perinatal Mortality Rate, Guernsey and Alderney compared to England	16
7	Malignant melanoma, age-standardised rates Guernsey/ Alderney compared to Jersey, South-West England and England.	18
8	Trends in current smoking, Guernsey and England	22
9	Level of obesity in Guernsey by BMI category (2008 compared to 2013)	28
10	Overweight and obesity (%) in men, Guernsey and Alderney Healthy Lifestyle Survey and England.	28
11	Overweight and obesity (%) in women, Guernsey and Alderney Healthy Lifestyle Survey and England	29
12	Crossover between excess weight, risky alcohol use and smoking, all adults	30
13	Frequency of alcohol consumption by survey year and Gender.	31
14	Frequency of alcohol consumption, by age group	31
15	Portions of fruit and vegetables consumed by adults on a normal day.	33
16	Number of times adults had engaged in physical exercise in the last week.	33
17	Five Ways to Well-Being Poster Heading	39
18	Canada's continuum of public engagement	47



TABLES

1	Infant death rates in Guernsey and Alderney, England and Wales, English Regions, and Jersey	15
2	Responders (%) in Healthy Lifestyle Survey 2013 by World Health Organisation (WHO) BMI weight categories	27

PHOTOGRAPHS

1	“Louis the Lobster” at Torteval Scarecrows	19
2	Dermatology consultant with Louis, raising awareness	19
3	St Sampson’s High Year 8 pupils at work in ASSIST training	23
4	St Sampson’s High Year 8 pupils at work in ASSIST training	23
5	Guernsey Mental Health Awareness Elephants (La Houquette Primary School)	40
6	Guernsey Mental Health Awareness Elephants (Amherst School)	40



RECOMMENDATIONS

Recommendation 1: Develop cardiovascular, and cancer clinical strategies.

Page 12

Recommendation 2: To agree and implement a sexual health strategy, which includes evidence-based measures to reduce teenage pregnancy rates.

Page 20

Recommendation 3: To produce a Guernsey and Alderney Health Profile every three years, as part of the local Public Health Surveillance programme.

Page 20

Recommendation 4: The States to agree and implement a proposed Tobacco Control strategy based on best evidence of effectiveness, and that has been developed with partners and the public.

Page 25

Recommendation 5: The States to continue their ongoing support for the development and implementation of the Drugs and Alcohol Strategy over the next five years, which is based on best evidence of effectiveness.

Page 27

Recommendation 6: Review the obesity strategy and develop a new Weight Management Strategy involving partners and the public based on best evidence of effectiveness and that uses data from the Health Profile and the Healthy Lifestyle Survey to measure progress.

Page 35



Recommendation 7: Cross-Government Public Mental Health and Well-Being sub-group is set up to develop and implement an action plan to improve Public Mental Health.

Page 41

Recommendation 8: A repeat population survey of public mental health and well-being is carried out to monitor progress.

Page 41

Recommendation 9: To produce a local Healthy Lifestyle Survey every five years as part of our local Public Health Surveillance programme.

Page 42

Recommendation 10: To continue the Public Health Strategy Review and development programme guided by the principal issues identified in the Health Profiles, and Healthy Lifestyle Surveys.

Page 42

Recommendation: 11 To review the priority setting processes for health and social care, building on the good work to date, and to formalise them into an overarching priority setting policy.

Page 53

Recommendation: 12 To continue to develop the long-term process of professional, patient and public engagement on priority setting.

Page 53



**115th ANNUAL
Medical Officer of Health (MOH) REPORT
Bailiwick of Guernsey**

(N.B. Whilst the Treasury and Resources Department is conscious that the States are only being asked to note the report from the Medical Officer of Health, it is aware that some of the recommendations contained therein could have potentially significant resource implications for the States of Guernsey. It should be acknowledged that, in noting the report, States Members are not committing themselves to act on the recommendations or committing resources to their implementation.

The Treasury and Resources Department commends the principles and sentiment expressed in the Section entitled “Priority Setting in Health and Social Services” and reiterates its commitment to priority setting as a means to best achieve value for money delivery against strategic objectives at all levels across the organisation.)

(N.B. The Policy Council notes that the views expressed in the 115th Medical Officer of Health Annual Report are the Medical Officer of Health’s individual views and are not the views of the Health and Social Services Department. The Policy Council has no comment to make on this independent report.)

The States are asked to decide:-

VIII.- Whether, after consideration of the Report dated 9th February, 2015, of the Health and Social Services Department, they are of the opinion to note the report.

(NB Rules of Procedure 2(2): A proposition the effect of which is to note the report shall be construed as a neutral motion, neither implying assent for, nor disapproval of, the contents of the report concerned.)

HOUSING DEPARTMENT

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

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

27th January 2015

Dear Sir

1. Executive Summary

- 1.1 The purpose of this report is to seek approval for the preparation of an Ordinance (under section 52 of the Housing (Control of Occupation) (Guernsey) Law, 1994) to amend the Housing Register to facilitate the inscription of the dwelling known as Forest Park Hotel, Forest Road, St Martin, in Part B of the Housing Register (i.e. onto the 'Open Market' under the designation 'hotel').

2. Provisions of the Law

- 2.1 Since the commencement of the Housing (Control of Occupation) (Guernsey) Law, 1982, the Housing Register has been closed for new inscriptions by the Housing Department (section 30 of the current Law refers).
- 2.2 However, section 52 of the Housing (Control of Occupation) (Guernsey) Law, 1994, provides that the States may, by Ordinance, permit the Department to inscribe any dwelling in Part B of the Housing Register provided that on the date on which the application is made, the dwelling is, in the opinion of the Department, an hotel.
- 2.3 Section 71(1) of the Law defines a 'hotel' as:

"...a dwelling, other than a self-catering unit, in respect of which there is in force a boarding permit and which, in the opinion of the Authority, is being used for the business of providing sleeping accommodation for reward to tourists in accordance with the provisions of that permit."

3. History of the dwelling

- 3.1 Forest Park Hotel, or St Margaret's Lodge Hotel as it was then known, was first inscribed in the Open Market Register on 29th May 1970 under reference E.92.

At that time, it was being operated as an hotel and there was in place a boarding permit in respect of it.

- 3.2 However, on 14 October 1982, following an inspection of the premises by the then Authority, the inscription was removed from the Register, at which time the dwelling became a controlled unit of Local Market accommodation, albeit that it still operated as an hotel.
- 3.3 On 1st November 1982, the Housing Register was closed to new inscriptions. Upon the coming into force of the Housing (Control of Occupation) (Variation of Schedules) Ordinance, 1983, on 7th July 1983, the Hotel was inscribed in Part B of the Register. As the most recent inclusion of the Hotel in the Register is subsequent to 31st October 1982, it is prevented from being inscribed in any other Part of the Register should it cease to be used as an hotel.
- 3.4 The Hotel continued to be operated in accordance with a boarding permit until 13th June 2013, at which time the Department became aware that the Commerce and Employment Department had refused an application for a boarding permit in respect of it. Following the non-renewal of its boarding permit, the Hotel temporarily ceased trading.
- 3.5 Given this, and in accordance with the Law, the dwelling was removed from the Housing Register and became a controlled unit of Local Market accommodation. Since that time, work has been undertaken by the owners to upgrade the premises and, in September 2013, the Hotel re-opened as the re-branded Forest Park Hotel.
- 3.6 The Hotel consists of 38 letting rooms, and 9 further rooms which can be used for staff accommodation and storage. Other amenities include: a resident's lounge; dining room; conservatory/dining room; and a large 'multi-purpose' area currently configured as The Robin Hood Pub.

4. Current Proposals

- 4.1 There is, once again, a boarding permit in place in respect of the Forest Park Hotel and it has been awarded a two star rating by the Commerce and Employment Department.
- 4.2 As such, the owner has requested that the dwelling be inscribed in Part B of the Open Market Housing Register; that is to say the Part of the Housing Register that relates only to hotels.
- 4.3 In the opinion of the Department, the dwelling meets the criteria set out in the Housing Control Law such that it can be described as an hotel.

5. Consultation with the Law Officers of the Crown

- 5.1 The contents of this report have been discussed with the Law Officers of the Crown.

6. Principles of Good Governance

- 6.1 In preparing this Report, the Department has been mindful of the States Resolution to adopt the six core principles of good governance as defined by the UK Independent Commission on Good Governance in Public Services (Billet d'Etat IV of 2011). The Department believes that, to the extent to which those principles apply to its contents, this Report complies with those principles.

7. Recommendations

- 7.1 In the light of all of the above, the Housing Department recommends that the Forest Park Hotel, Forest Road, St Martin, should be inscribed in Part B of the Housing Register.
- 7.2 The Housing Department therefore recommends that the States agree that an Ordinance be prepared, in accordance with section 52 of the Housing (Control of Occupation) (Guernsey) Law, 1994, to permit the Department to inscribe this hotel in Part B of the Housing Register subject to application being made by the owners within 6 months from the commencement date of the Ordinance.

Yours faithfully

D B Jones
Minister

M P J Hadley
Deputy Minister

P R Le Pelley
P A Sherbourne
B J E Paint
(States Members)

D R Jehan
(Non States Member)

(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:-

IX.- Whether, after consideration of the Report dated 27th January, 2015, of the Housing Department, they are of the opinion:-

1. To agree that the Forest Park Hotel, Forest Road, St. Martin, should be inscribed in Part B of the Housing Register.
2. To agree that an Ordinance be prepared, in accordance with section 52 of the Housing (Control of Occupation) (Guernsey) Law, 1994, to permit the Department to inscribe the Forest Park Hotel, Forest Road, St. Martin, in Part B of the Housing Register subject to application being made by the owners within 6 months from the commencement date of the Ordinance.

APPENDIX**HOME DEPARTMENT****DATA PROTECTION COMMISSIONER'S ANNUAL REPORT 2012-2013**

The Chief Minister
Policy Council
Sir Charles Frossard House
La Charroterie
St Peter Port
GY1 1FH

9th February 2015

Dear Sir

2012/2013 DATA PROTECTION ANNUAL REPORT

I enclose the Annual Report from the Data Protection Commissioner setting out the activities of her office for the period 1st January 2012 to 31st December 2013.

Section 52(b) of The Data Protection (Bailiwick of Guernsey) Law, 2001 requires the report to be laid before the States. I should therefore be grateful if you would arrange for its publication as an Appendix in the next available Billet d'Etat.

Yours faithfully

P L GILLSON
Minister

Enc



Annual Report

2012 - 2013

Data Protection

A Quick Guide

What is the Data Protection Law (DPL)?

The Data Protection (Jersey) Law 2005 and Data Protection (Bailiwick of Guernsey) Law 2001 seek to strike a balance between the rights of individuals and the sometimes competing interests of those with legitimate reasons for using personal information.

The two Laws give individuals certain rights regarding information held about them. It places obligations on those who process information (data controllers) while giving rights to those who are the subject of that data (data subjects). Personal information covers both facts and opinions about the individual.

Anyone processing personal information must notify the Data Protection Commissioner's Office that they are doing so, unless their processing is exempt.

The eight principles of good practice

Anyone processing personal information must comply with eight enforceable principles of good information handling practice.

These say that data must be:

1. fairly and lawfully processed;
2. processed for one or more specified and lawful purposes;
3. adequate, relevant and not excessive;
4. accurate and up to date;
5. not kept longer than necessary;
6. processed in accordance with the individual's rights;
7. kept safe and secure;
8. not transferred to countries outside European Economic area unless country has adequate protection for the individual.

Individuals can exercise a number of rights under data protection law.

Rights of access

Allows you to find out what information is held about you;

Rights to prevent processing

Information relating to you that causes substantial unwarranted damage or distress;

Rights to prevent processing for direct marketing

You can ask a data controller not to process information for direct marketing purposes;

Rights in relation to automated decision-taking

You can object to decisions made only by automatic means e.g. there is no human involvement;

Right to seek compensation

You can claim compensation from a data controller for damage or distress caused by any breach of the Law;

Rights to have inaccurate information corrected

You can demand that an organisation corrects or destroys inaccurate information held about you;

Right to complain to the Commissioner

If you believe your information has not been handled in accordance with the Law, you can ask the Commissioner to make an assessment.

What is data protection?

Data protection is the safeguarding of the privacy rights of individuals in relation to the processing of personal information. The Data Protection (Jersey) Law 2005 and the Data Protection (Bailiwick of Guernsey) Law 2001 place responsibilities on those persons processing personal information, and confers rights upon the individuals who are the subject of that information.



Contents

- 6** Foreword from the Commissioner
- 8** Part 1 – Activities
- 17** Part 2 – Case Studies
- 20** Part 3 – Guidance
- 22** Appendices

Foreword



This is my second report as Data Protection Commissioner for the Channel Islands. Jersey and Guernsey made the decision to allocate responsibility for the Data Protection (Jersey) Law 2005 and the Data Protection (Bailiwick of Guernsey) Law 2001 to a single position holder in 2011. It is an approach that we have seen in a number of other areas across the Islands and indicates an increasing willingness for the Islands to co-operate and ensure the best use of pressured resources.

The first full year of pan-Island data protection oversight has shown that the two offices have much in common and by joining forces they have been able to work very well together. There is still much work to be done to ensure best use is made of IT and other resources across the two Islands and efforts continue to streamline the policies and procedures. Consistency in oversight is going to be most beneficial for the business community who can now have a consistent platform of regulation.

The small teams at both Data Protection Offices continue to respond to complex and diverse enquiries against a backdrop of fast moving technological and social change. The manner in which increasing numbers of us are pushing out vast amounts of personal data online continues to be a source of much discussion and deliberation in all walks of life. Certainly the shift has been dramatic in recent years. The introduction of legal frameworks of data protection was, broadly, in response to concerns about the potential power and reach of governments. Recent years have seen unprecedented growth in the ability of commercial organisations to collect such information and the latest outcry over the information held by the big internet search engines having been used and disclosed is one example of that. If we feel we have had problems trusting our governments, how do we

feel when such power is in the hands of commercial organisations located thousands of miles away?

Certainly the question of 'who is responsible for looking after my personal information?' is an interesting one. Geographical boundaries no longer act, in a legal sense, as safety mechanisms for citizens. Individuals now interact, mostly online, with companies based all over the globe so the question of oversight is more pertinent now than ever before. There have been recent political murmurings about the possibility of restricting the availability, online, of certain types of offensive images.

It is a debate that is well overdue and I firmly believe we have to look forward to sensible regulation of the internet in a broader sense based on democratically agreed rules. Failing to do so will result in the space being completely controlled by unelected and largely unaccountable companies. I do not subscribe to the notion that once we start to regulate our online space, as we do every other part of our lives, that we immediately turn into the equivalent of a malevolent state that oppresses its citizens. There is room for a more intelligent conversation in this area and I hope democratic governments across the globe continue the dialogue.

In recognition of these challenges, the European Commission is planning the biggest upheaval in data protection regulation since those laws came into force. The European Justice Commissioner is well known to feel passionately about the negative impact that permanent digital data online has, especially on the younger generation. Certainly we have seen our fair share of such cases in the Channel Islands. The new regulation aims to empower individuals in respect of their own information as well as seeking to ensure their rights are upheld, regardless of the location of the company they are interacting with. Clearly the enforcement of such legal rights is not without very real challenges and Jersey and Guernsey, with the assistance of the Channel Islands Brussels office, are keeping a close eye on developments. Both Islands currently have a high quality, robust legal framework of protection for personal data which ensures individual's rights are protected and businesses have a clear and workable set of rules to which they must abide.

I believe we remain at the juncture of significant social and cultural change in respect of privacy and personal autonomy.

Technology continues to force the debate and we need to engage intelligently with both sides of the argument. Too many legal barriers will restrict free speech but on the other hand, if the law is held at bay, there will be little to prevent people from seriously harming others. The right to the protection of personal data is not an absolute right. It must be considered in balance with other rights. Privacy remains, however, a fundamental right and its value for us as individuals, as a society and as a globalised world should not be underestimated. The next few years will mark a watershed both at a European as well as international level and my team and I look forward to playing our part in those developments to ensure the Channel Islands continue to provide the highest standards of protection for personal data.

Emma Martins

Data Protection Commissioner
for Jersey and Guernsey





Part 1 – Activities

- 9** Introduction
- 10** Promoting public awareness
- 11** Customer services and advice given
- 11** Complaints and investigations
- 13** The Public Register
- 16** International activities

Introduction

The Data Protection Laws in Jersey and Guernsey create a framework for the handling of personal information across all areas of society. But what is personal data? It is information about us as individual people, which can sometimes be of a sensitive nature. The real issue is how this information about us is handled by the people to whom we entrust it.

Organisations across the Islands are tasked with protecting the information they hold about individuals and are legally obliged to apply certain standards which enable them to handle that information in the correct manner. Those organisations which choose to act outside that framework do so at the risk of legal action being taken against them by the individual affected, as well as the possibility of enforcement action by the Commissioner or the Courts.

The Jersey and Guernsey Laws provide a legal basis upon which the Commissioner can exercise her powers of enforcement. As with previous years, the Commissioner was called upon more regularly to exercise those enforcement powers, however it is pleasing that the percentage of cases requiring formal enforcement action is still very low.

As awareness of data protection has increased over the years, the Commissioner's Office in both Islands has experienced a steady rise in the number of complaints received. This can be largely attributed to the work of the office in education of data controllers and improving awareness of information rights, as well as increased confidence of individuals in asserting those rights.

2012 saw the first full year of a pan-Island Data Protection Commissioner for Jersey and Guernsey. Emma Martins, already on her second term as Commissioner for Jersey was the natural successor to the retiring Dr Peter Harris in Guernsey. The move came as the Islands' respective

Governments sought to work together in greater harmony, thus reducing unnecessary spending and increasing the effectiveness of regulatory bodies.

Whilst the Data Protection Offices in Jersey and Guernsey remain as two separate legal entities, there is now scope for greater harmonisation between the two Islands in respect of Data Protection regulation and oversight, and much of the work undertaken during 2012 was to standardise the practices of both offices to achieve greater consistency and efficiency. This continued during 2013 with work starting on a pan-Island IT project to ensure consistency across the Islands in terms of the customer experience and back office administration.

Due to the operational commitments and continuing work to bring the Islands closer together, no annual report for the Islands was published during 2012. This report is therefore the first detailing the activities of both Offices for the year 2012 and 2013.

Promoting Public Awareness

Of the many functions the Offices undertake on a daily basis, promoting the general awareness of data protection both to the public and to organisations, forms the largest and arguably one of the most important aspects of our work.

During 2012 and 2013, the Offices continued to respond to a large volume of general enquiries via telephone, e-mail and post from the business sector and individuals alike. The nature of the calls varied considerably, but included enquiries such as:

- ☞ How to make, and how to deal with a subject access request;
- ☞ Sharing data between public sector organisations;
- ☞ Human resources issues, including the provision of employment references and data retention;
- ☞ Issues arising about social networking sites and internet blogs;
- ☞ The inclusion of fair processing statements on data collection forms;
- ☞ Notification queries;
- ☞ Internet security and safety, particularly in respect of protecting children's privacy;
- ☞ The impact of emerging technologies on data processing, such as cloud computing;
- ☞ Publication of photographs and personal information on the internet;
- ☞ The use of CCTV equipment in both business and home environments.



The above list is not exhaustive and is merely an indication of the variation in the enquiries received.

As with 2011, some of the queries, such as those in relation to notification and internet issues, have prompted the review of existing guidance or the development of new guidance and good practice notes. These are ongoing and completed guidance is made available on the Commissioner's websites.

Once again, Data Protection Day was celebrated on 28th January 2012, with a number of local initiatives arranged to highlight topical areas of data protection.

"The link between democracy and privacy is not at all accidental. Without a private zone, public life is impossible."

Charles J Sykes

Customer Service and Advice Given

The Office of the Data Protection Commissioner is a public office serving the Islands' communities. It is therefore vital that it maintains a high standard of customer service and is in a position to provide the best service possible to the general public.

To many, the 'front face' of the Office is through the Commissioner's websites:

- www.dataprotection.gov.je
- www.gov.gg/dataprotection

which detail all the latest information and guidance published. The websites are an important communication and information tool which are reviewed on a regular basis to ensure that the public has access to accurate and up to date information. At the end of 2012 a program of consolidation commenced, starting with a scoping project to integrate the two Islands' websites into one single point of access. Work on this continued throughout 2013 and is due for completion by the 3rd quarter of 2014.

Another valuable method of increasing awareness of data protection has been through presentations given by the Commissioner and her Deputy. The Office receives many requests for speaking engagements however it would be impossible to accept all invitations due to the other commitments and activities of the staff involved. That said, the Commissioner and her staff delivered a total of 34 presentations across the two Islands in 2012, and 37 in 2013 to a wide variety of organisations, with the subject matter ranging from a general overview of the Law and Principles to more focused topics such as data security and internet data processing issues.

Complaints and Investigations undertaken

Complaints received by the Commissioner are extremely varied in their nature and the Commissioner can exercise a number of powers including the issuing of an Information Notice, Special Information Notice, Enforcement Notice, or an Undertaking as well as seeking a criminal prosecution.

The vast majority of complaints are resolved before the need to invoke any enforcement measures such as those described. However, work on a number of significant investigations undertaken during the previous years with regard to allegations of criminal offences under the Law continued into 2012 and 2013.

In a significant number of cases investigated, complaints found to be substantiated were resolved by the respective data controller updating and improving their policies and procedures, or improving the controls over their data handling.

In Jersey, 2012 saw a big decrease in the number of complaints received on the previous year, although many of the complaints received were of a more complex nature. 2013 saw a slight increase of 13% on the previous year with a total of 54 complaints received.

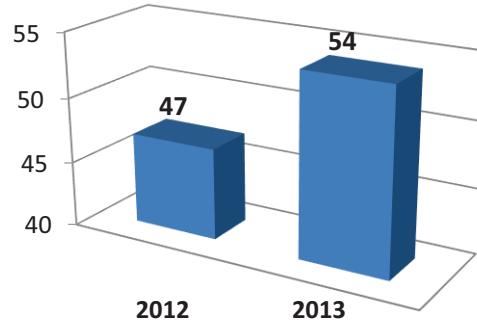
Guernsey saw a slight decrease in complaints, totalling 32 compared with 33 in 2011. This figure rose to 34 in 2013.

One enforcement notice and one undertaking were served on Guernsey data controllers during 2013. No Jersey data controllers were subject of enforcement notices in 2012 and one in 2013.

Complaints in Jersey

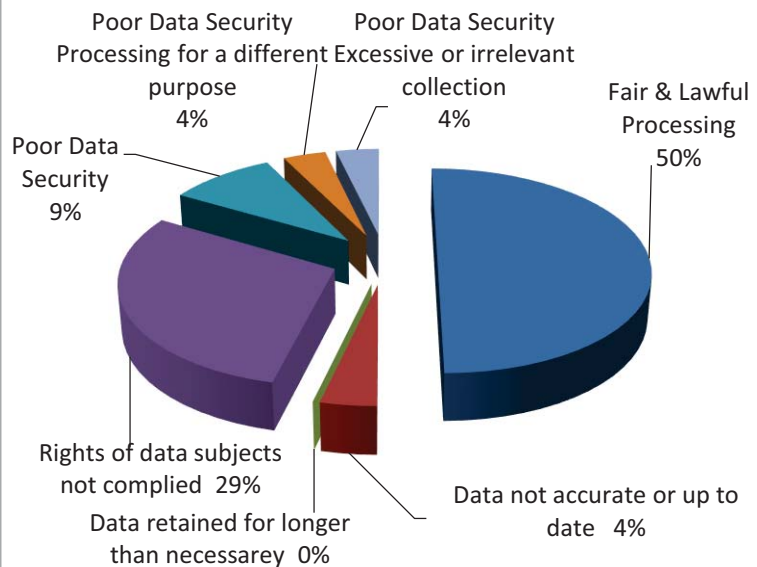
After a significant peak in complaints received in 2011, 2012 saw that figure reduce almost by half, although the complexity of those cases was far greater than the previous year. 2013 saw yet another increase and again, the majority of those saw a more complex nature with majority of complaints received were in relation to alleged breaches by financial services businesses.

Complaints Comparison 12/13



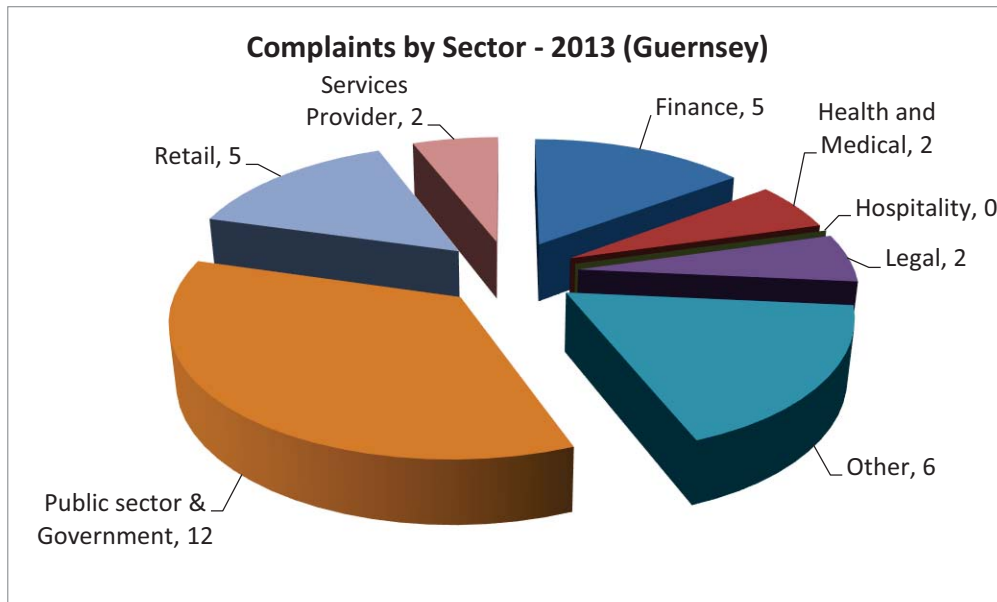
2013 saw half of the received complaints relating to allegations of unfair processing, and a slight increase in the number of complaints where individuals' rights under the Law had not been complied with. The biggest drop was in relation to complaints about poor data security which has halved since 2011 and would indicate that data controllers are implementing more robust measures to protect the information of their customers.

Complaints by Issue 2013



Complaints in Guernsey

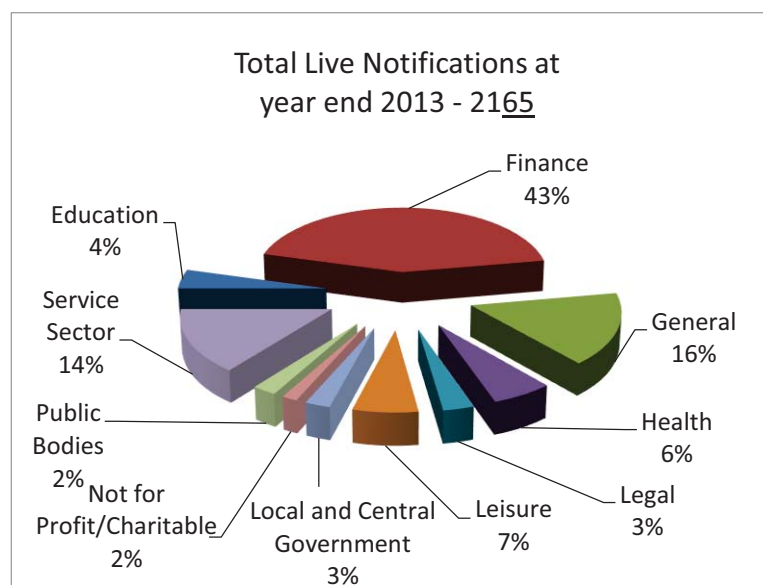
There were a total of 32 complaints during 2012 representing a slight decrease from 2011. However the total number of complaints for 2013 rose to 34. As the chart below indicates, the majority of these complaints were directed against the public sector, whilst the remainder were spread amongst the health, service provider, legal, retail and finance sectors.

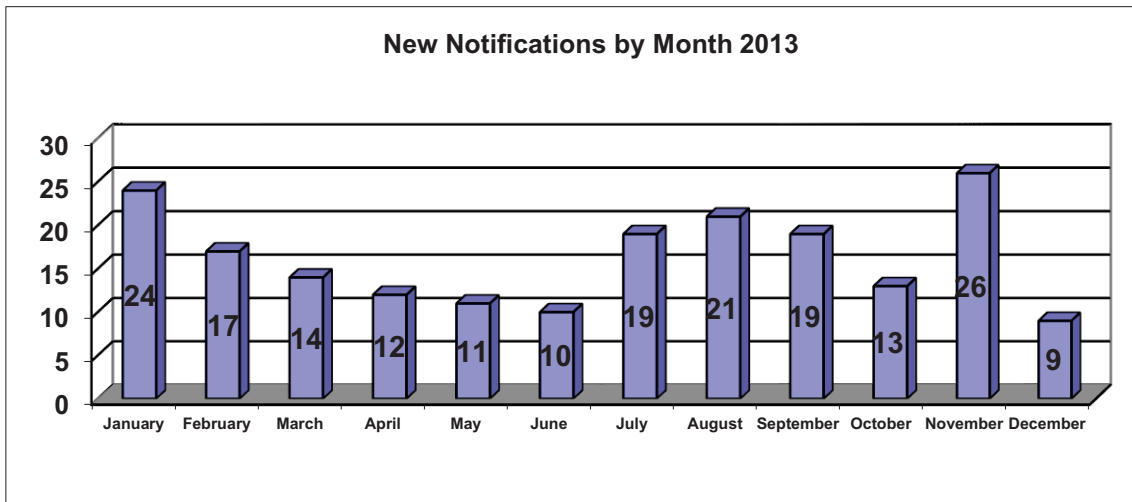


The Public Register (Jersey)

2013 saw the broad spread of notifications remain much the same as it had been for the previous two years, with only a slight rise shown for the finance sector.

Whilst the number of new notifications has decreased significantly since the 310 recorded in 2011, the total number of live notifications has steadily increased to a total of 2165. It is anticipated that this figure will increase further for 2014.



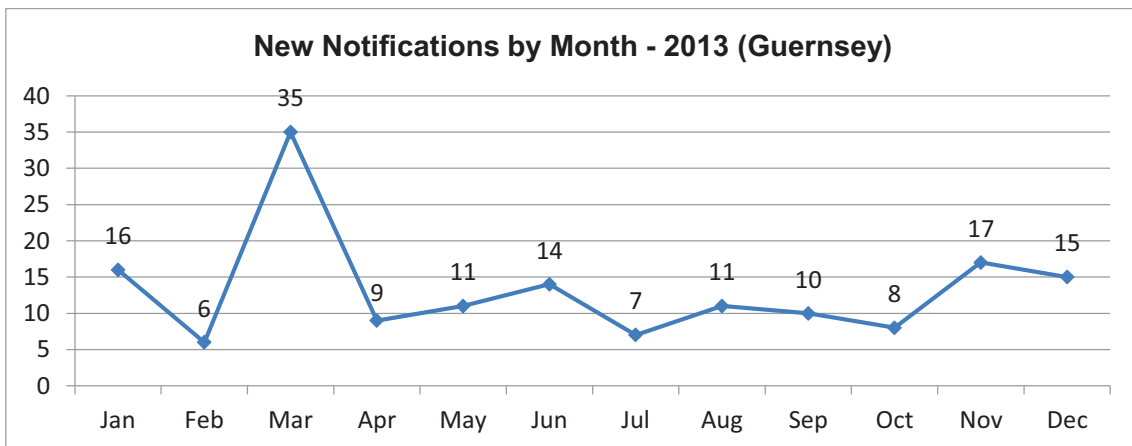


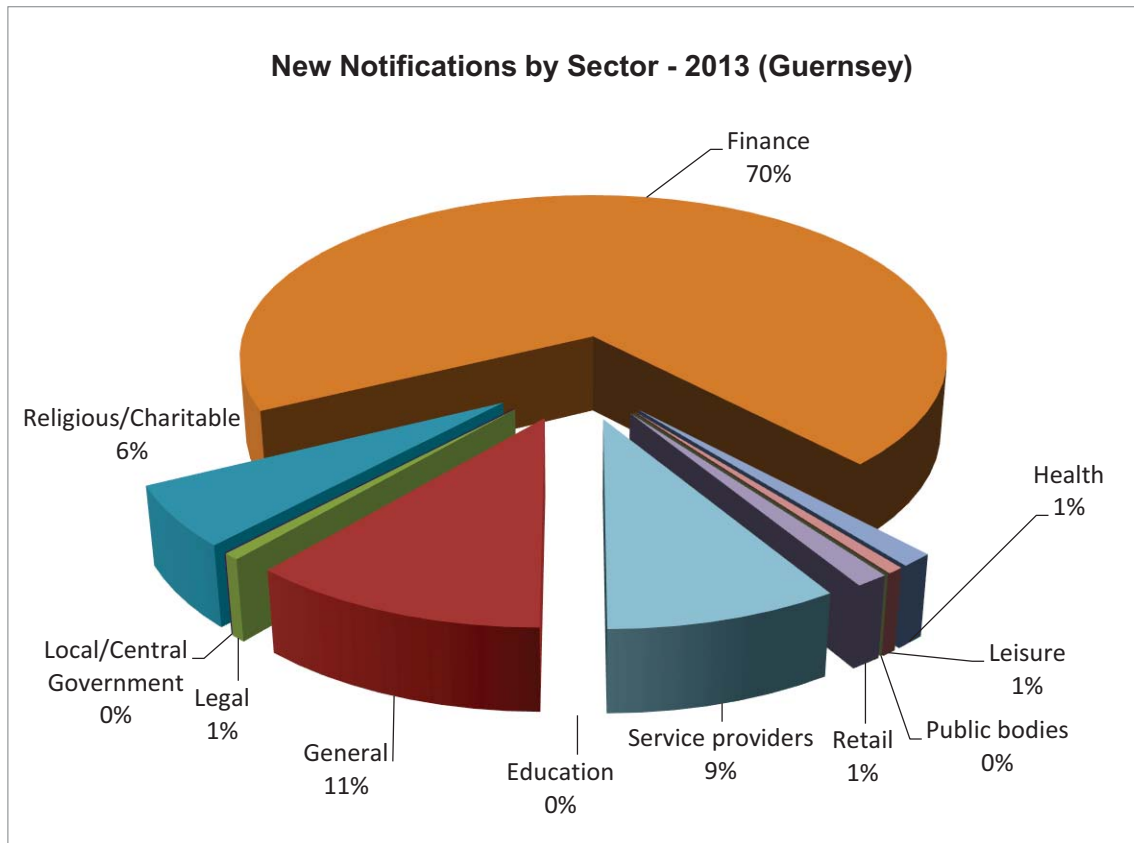
The Public Register (Guernsey)

A total of 153 new notifications were received by the Guernsey Data Protection Office, representing a slight drop from the figure recorded in 2011. The majority of these were for the finance sector which continues to remain strong in Guernsey, despite the economic downturn.

The Commissioner also received an increased number of voluntary notifications from charities and religious organisations.

With the exception of a significant spike in March, new notifications were spread very evenly across the year.





International Activities

2012 again saw a reduction in international travel, with no European Data Protection Conference taking place.

The 34th International Conference of Data Protection and Privacy Commissioners was held in Uruguay, however operational commitments and the high cost of travel to this conference resulted in no representatives attending from the Channel Islands.

In 2013, one representative of the Data Protection Commissioner attended the European Spring Conference in Lisbon, Portugal and also the 35th International Conference of Data Protection and Privacy Commissioners which was held in Warsaw, Poland.



"Privacy-related problems are as much political and public policy issues as they are legal and technological ones."

Raab & Bennett



Case Study: Subject Access and Employment References

1

A woman made a subject access request to her former employer for a copy of a reference he had written about her. He refused to provide her with a copy, saying the reference was 'confidential'.

Schedule 7 of the Data Protection (Jersey) Law 2005 provides a data controller giving a reference with an exemption from having to comply with such a request provided the reference was written in confidence. However, this does not prevent the referee from providing a copy of the reference if its content was either factual in nature, or the individual would be aware of the content in any case.

The exemption does not apply to the receiver of a reference, however all the facts must be considered before releasing the information to the individual. For example: Does a duty of confidentiality exist to the referee? What is the potential effect upon the individual? Is the reference accurate in its content? Is there any risk to the referee by disclosing it? Further guidance can be found on the Data Protection Commissioner's website.

Case Study: Keeping your plastic safe

2

Most people know to keep their credit and debit cards safe. But how many people discard the printed receipts following a purchase without giving it a second thought? One woman was very surprised to see her full account number, card number and name printed on her receipt having that day made a purchase at a well-known High Street store.

Most retail outlets now have chip and pin facilities for customers in their stores. The receipts generated should, as a matter of course, now disguise the card number with asterisks or similar, with the exception of the last 4 digits. Should a data controller operate a system that fails to disguise the

number, on customer receipts, they may find themselves in breach of the 7th Data Protection Principle, having not taken sufficient steps to safeguard against unauthorised access or accidental loss of personal data.

Case Study: Client databases

3

An employee decided to copy the company's client database and start a rival business by using the database to contact the clients and sell his new company's services to them.

The 1st and 7th Data Protection Principles would apply with regards the use of, and the security of that data. The employee did not have permission from the company to use the database for his own gain and he did not have consent from the clients to use their data for his own marketing purposes. The company had taken sufficient steps to safeguard client data through their own security policies and procedures, which the employee had chosen to

ignore. The employee was required to return all the data to the data controller and sign an undertaking not to contact any clients on the data controller's database.

It is also possible in these circumstances that there may be evidence of a criminal offence of unlawful obtaining of personal data under Article 55 of the Law, in addition to the two Principle breaches highlighted.

Case Study: Purpose 'jumping'

4

A company organised a prize draw as part of a publicity campaign, by posting flyers through household letter boxes and handing them out in the street. The application form collected names, addresses and email addresses of entrants.

The form did not however make it clear to the entrants exactly what the information would be used for. The reasonable expectation of the entrant was that the information would be used to contact them in the event that they won the competition. However, the intention of the company was to use the information to compile a marketing database.

After the draw took place, entrants began to receive marketing emails from the company. None of the entrants had consented for their information to be used for this purpose.

Information collected for one purpose and used for something different is known as purpose 'jumping' and could amount to a breach of the 2nd data protection Principle. However this can be easily avoided if data controllers make it clear to consumers from the outset what they are collecting the data for. A good fair processing notice on the form will identify who is collecting the data, what it is to be used for, and who it might be disclosed to. If the data is to be used for marketing activity, then the opportunity to opt out should also be included.

Part 3 – Guidance

21 Guidance notes



Guidance

Guidance notes

One of the important functions of the Commissioner is to produce guidance for the general public and business community as to how the Law and Principles should be applied. This is often achieved by way of Guidance Notes published on the Commissioner's website.

The vast majority of the Commissioner's guidance was published upon implementation of the 2005 Law in December 2005. Since then, a number of further documents have been added to the already comprehensive list of guidance.

Codes of Practice and guidance on the processing of personal data for credit purposes were also drafted and consulted upon during the course of 2010 and published in the early part of 2011. These Codes were supplemented by a general overarching Code of Practice for Debt Collection and Credit Reference Agencies in 2012, published by the Trading Standards Department and Jersey Consumer Council.

As a result of the Jersey and Guernsey offices working closer together, work commenced on a large-scale project to consolidate the guidance for both islands into one document where the application of the law is identical. In all other areas where slight differences in the laws are identified, for example the statutory response times for subject access requests, each island will retain its own guidance, however all guidance documents are in the process of review and updating where deemed necessary.

In Jersey, work also commenced on guidance to support the implementation of the Freedom of Information Law due to come into force on 1 January 2015.





Appendices

23 Appendix 1 - Financial Statements 2012/2013 Jersey & Guernsey

Appendix 1

Financial Statements (Jersey)

Income and Expenditure Account for the year ended 31 December 2012

	Note	£	2012 £	£	2011 £
Income:					
Registry fees			<u>75,650</u>		<u>107,700</u>
Total income			75,650		107,700
Contribution from the States of Jersey			<u>222,400</u>		<u>222,400</u>
Net income			298,050		330,100
Operating expenses:					
Manpower costs:					
Staff salaries, social security and pension contributions	1	139,872		296,389	
Supplies and services:					
Computer system and software costs	2	3,234		7,126	
Pay Offshore admin fees		414		499	
Administrative costs:					
Printing and stationery	3	414		1,198	
Books and publications		2,365		2,580	
Telephone charges		281		384	
Postage		203		311	
Advertising and publicity		78		135	
Meals and Entertainment		0		306	
Conference and course fees		5,963		7,573	
Bank charges		0		0	
Other administrative costs	4	12,308		2,298	
Premises and maintenance:					
Utilities (incl. Electricity and water)		8,649		8,471	
Rent		<u>28,443</u>		<u>27,749</u>	
Total operating expenses			<u>202,218</u>		<u>355,019</u>
Excess of income over expenditure			95,832		-24,919

Statement of recognised gains and losses

There were no recognised gains or losses other than those detailed above.

The notes on the following page form an integral part of this income and expenditure account.

Financial Statements (continued)

Notes to the Financial Statements

1. **Manpower costs**
During 2011, one member of staff took voluntary redundancy as part of the re-structure of the Jersey and Guernsey Data Protection Offices. A one-off redundancy payment was therefore paid out to this staff member upon their leaving their employment in September 2011 which was not replicated in 2012. Further, as a result of the Commissioner being appointed to the Office of Commissioner in Guernsey, the Commissioner's salary costs are shared between the two Islands.
2. **Computer systems and software**
This figure had increased significantly due to the replacement of old computer equipment and photocopier in 2011, however no such expenditure was necessary in 2012.
3. **Printing and stationery**
Large savings were made in 2012 on the amount of stationery used as a result of higher use of electronic mail.
4. **Other administrative costs**
This figure was significantly higher due to the commissioning of a consultant to carry out an audit of the Island's schools.

Income and Expenditure Account for the year ended 31 December 2013

	Note	£	2013 £	£	2012 £
Income:					
Registry fees			<u>102,500</u>		<u>75,650</u>
Total income			102,500		75,650
Contribution from the States of Jersey			<u>228,125</u>		<u>222,400</u>
Net income			330,625		298,050
Operating expenses:					
Manpower costs:					
Staff salaries, social security and pension contributions	1	215,029		139,872	
Supplies and services:					
Computer system and software costs		4,813		3,234	
Pay Offshore admin fees		465		414	
Administrative costs:					
Printing and stationery	2	957		414	
Books and publications		3,324		2,365	
Telephone charges		231		281	
Postage		152		203	
Advertising and publicity		0		78	
Meals and Entertainment		92		0	
Conference and course fees	3	18,384		5,963	
Bank charges		0		0	
Other administrative costs		15,395		12,308	
Premises and maintenance:					
Utilities (incl. Electricity and water)		6,565		8,649	
Rent		<u>29,148</u>		<u>28,443</u>	
Total operating expenses			<u>294,555</u>		<u>202,218</u>
Excess of income over expenditure			36,070		95,832

Statement of recognised gains and losses

There were no recognised gains or losses other than those detailed above.

The notes on the following page form an integral part of this income and expenditure account.

1. Manpower costs
2012 saw an increase in salary expenditure resulting from salary increases across the department to recognise the additional responsibilities associated with the regulation of two jurisdictions.
2. Printing and stationery
This figure had increased significantly due to the replacement of all office branded stationery in 2013, however no such expenditure was necessary in 2014.
3. Conference and course fees
The Office was represented at a total of four international conferences and events during 2013.

Financial Statements (Guernsey)

Income and Expenditure Account for the year ended 31 December 2012

	Note	£	2012 £	£	2011 £
Income:					
Registry fees			<u>86,298</u>		<u>84,699</u>
Total income			86,298		84,699
Contribution from the States of Guernsey			<u>164,275</u>		<u>235,000</u>
Net income			250,573		319,699
Operating expenses:					
Manpower costs:					
Staff salaries, social security and pension contributions	1	112,353		154,177	
Supplies and services:					
Computer system and software costs		6,128		8,111	
Furniture and office equipment	2	1,807		94	
Administrative costs:					
Post and stationery		1,317		2,229	
Printing and publications		1,866		1,765	
Telephone charges		1,183		1,626	
Advertising and publicity		690		690	
Meals and Entertainment		0		0	
Conference and course fees		6,714		11,230	
Other administrative costs		0		0	
Premises and maintenance:					
Utilities (incl. Electricity and water)		6,474		6,325	
Rent		<u>17,118</u>		<u>16,918</u>	
Total operating expenses			<u>155,650</u>		<u>203,165</u>
Excess of income over expenditure	3		94,923		116,534

Statement of recognised gains and losses

There were no recognised gains or losses other than those detailed above.

The following notes form an integral part of this income and expenditure account.

1. Manpower costs

The figure for 2012 is significantly lower than for 2011 as a result of the Pan-Island Commissioner arrangements which came into effect towards the end of 2011. A saving in this area was expected.

2. Furniture and office equipment

The 2012 expenditure is higher than the 2011 largely due to the installation of a secure access system. This was a one-off cost.

3. Excess income over expenditure

The disparity between the accounts of the two Islands are largely as a result of differing accountancy practices, but are also due to the higher operating costs of the Jersey office.

Income and Expenditure Account for the year ended 31 December 2013

	Note	£	2013 £	£	2012 £
Income:					
Registry fees			<u>88,951</u>		<u>86,298</u>
Total income			88,951		86,298
Contribution from the States of Guernsey	1		<u>115,113</u>		<u>164,275</u>
Net income			204,064		250,573
Operating expenses:					
Manpower costs:					
Staff salaries, social security and pension contributions	2	140,427		112,353	
Supplies and services:					
Computer system and software costs		6,708		6,128	
Furniture and office equipment		436		1,807	
Administrative costs:					
Post and stationery		1,569		1,317	
Printing and publications		948		1,866	
Telephone charges		1,356		1,183	
Advertising and publicity		690		690	
Meals and Entertainment		0		0	
Conference and course fees	2	16,722		6,714	
Other administrative costs		0		0	
Premises and maintenance:					
Utilities (incl. Electricity and water)		6,347		6,474	
Rent		<u>17,118</u>		<u>17,118</u>	
Total operating expenses			<u>192,321</u>		<u>155,650</u>
Excess of income over expenditure			11,743		94,923

Statement of recognised gains and losses

There were no recognised gains or losses other than those detailed above.

The following notes form an integral part of this income and expenditure account.

1. Contribution from States of Guernsey
During the year as part of savings under the Financial Transformation Programme, £50,000 was returned to the States of Guernsey as a result of savings due to the Pan-Island Commissioner arrangements.
2. Manpower costs and Conference and course fees
Both these areas of spending include costs in relation to 2012 expenditure, not billed for and paid until 2013. There was also a duplication of payment, for which a credit was received in 2014 which will therefore show on the 2014 accounts.

Steps have been taken to resolve such issues for the future.



Elizabeth Marina and Elizabeth Castle, Jersey



Castle Cornet, Guernsey



Brunel House
 Old Street
 St Helier
 Jersey JE2 3RG
 T. +44(1534) 716530
 E. enquiries@dataci.org
 W: www.dataprotection.gov.je



PO Box 642
 Frances House, Sir William Place
 St Peter Port
 Guernsey GY1 3JE
 T. +44(1481) 742074
 E. enquiries@dataci.org
 W: www.gov.gg/dataprotection