



BILLET D'ÉTAT

TUESDAY, 24th MARCH, 2015

**VI
2015**

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BILLET D'ÉTAT

TO THE MEMBERS OF THE STATES OF THE ISLAND OF GUERNSEY

I hereby give notice that the items contained in this Billet d'État which have been submitted for debate will be considered at the Meeting of the States of Deliberation already convened for **TUESDAY, the 24th MARCH, 2015.**

R. J. COLLAS
Bailiff and Presiding Officer

The Royal Court House
Guernsey

13th February 2015

STATUTORY INSTRUMENTS LAID BEFORE THE STATES

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

THE HEALTH SERVICE (PAYMENT OF AUTHORISED APPLIANCE SUPPLIERS) (AMENDMENT NO. 2) REGULATIONS, 2014

In pursuance of Section 35 of the Health Service (Benefit) (Guernsey) Law, 1990, “The Health Service (Payment of Authorised Appliance Suppliers) (Amendment No. 2) Regulations, 2014”, made by the Social Security Department on 16th December, 2014, are laid before the States.

EXPLANATORY NOTE

These Regulations revoke and replace the Schedules to The Health Service (Payment of Authorised Appliance Suppliers) Regulations, 2003. The Schedules set out the payments which may be made out of the Health Service Benefit Fund for the supply of medical appliances.

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

THE HEALTH SERVICE (PAYMENT OF AUTHORISED SUPPLIERS) (AMENDMENT NO. 2) REGULATIONS, 2014

In pursuance of Section 35 of the Health Service (Benefit) (Guernsey) Law, 1990, “The Health Service (Payment of Authorised Suppliers) (Amendment No. 2) Regulations, 2014”, made by the Social Security Department on 16th December, 2014, are laid before the States.

EXPLANATORY NOTE

These Regulations revoke and replace the Schedules to the Health Service (Payment of Authorised Suppliers) Regulations, 2003. The amendments have the effect of increasing the graduated fees paid out of the Guernsey Health Service Fund, in connection with the supply of certain pharmaceutical benefit, to pharmacists not employed by a medical practice.

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

THE HEALTH SERVICE (BENEFIT) (LIMITED LIST) (PHARMACEUTICAL BENEFIT) (AMENDMENT) (NO. 7) REGULATIONS, 2014

In pursuance of Section 35 of the Health Service (Benefit) (Guernsey) Law, 1990, “The Health Service (Benefit) (Limited List) (Pharmaceutical Benefit) (Amendment) (No. 7) Regulations, 2014”, made by the Social Security Department on 16th December, 2014, 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 16th December, 2014.

THE SOCIAL INSURANCE (CLASSIFICATION) (AMENDMENT) (GUERNSEY) REGULATIONS, 2014

In pursuance of Section 117 of the Social Insurance (Guernsey) Law, 1978, “The Social Insurance (Classification) (Amendment) (Guernsey) Regulations, 2014”, made by the Social Security Department on 16th December, 2014, are laid before the States.

EXPLANATORY NOTE

These Regulations amend the Social Insurance (Classification) (Guernsey) Regulations, 1978, to provide that persons in employment as a non-executive director of not more than one company shall be treated as non-employed, unless they earn above a threshold of four times the value of the annual Lower Earnings Limit from that employment, in which case they will be treated as self-employed. These Regulations came into operation on 1st January, 2015.

**THE SOCIAL INSURANCE (CONTRIBUTIONS) (AMENDMENT)
REGULATIONS, 2014**

In pursuance of Section 117 of the Social Insurance (Guernsey) Law, 1978, “The Social Insurance (Contributions) (Amendment) Regulations, 2014”, made by the Social Security Department on 16th December, 2014, are laid before the States.

EXPLANATORY NOTE

These Regulations amend the Social Insurance (Contributions) Regulations, 2000. The amendment clarifies that dividends paid to an employee include dividends paid by a company which is the employee's employer and by any company which is an associated company of that company. An associated company means a company which would be an associated company for the purposes of the Companies (Guernsey) Law, 2008, under section 529 of that Law.

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

THE RABIES ORDER, 2014

In pursuance of Section 4 of the Rabies (Bailiwick of Guernsey) Law, 1975, “The Rabies Order, 2014”, made by the Commerce and Employment Department on 18th December, 2014, is laid before the States.

EXPLANATORY NOTE

This Order revokes and replaces the Rabies Order, 2011. The main changes from the 2011 Order are that it updates the technical conditions under which animals that are susceptible to rabies may be imported into the Islands to conform with updated movement rules in the United Kingdom and other neighbouring European Union countries.

In particular, it provides for a new format of pet passport for dogs, cats and ferrets. The Order also carries forward, with minor amendments, the powers available to the Department to deal with an outbreak or suspected outbreak of rabies in the Islands.

The Order came into effect on 29th December, 2014.

PRIaulx LIBRARY COUNCIL

NEW MEMBER

The States are asked:-

I.- To elect a member of the Priaulx Library Council to fill the vacancy which arose on 1st January, 2015, by reason of the expiration of the term of office of Jurat David Osmond Le Conte, who is not standing for re-election.

(N.B. Each year the States elect a member of the Priaulx Library Council, who does not need to be a sitting Member of the States, to serve a two year term.)

POLICY COUNCIL

THE PLANNING PANEL – RE-ELECTION OF PANEL MEMBERS AND AMENDMENTS TO THE TERMS OF OFFICE FOR PANEL MEMBERS

1. Executive Summary

1.1 The purpose of this States Report is four-fold, namely to:

- (a) Re-elect Mr. Russell and Mr. Fell to serve a further six year term as members of the Planning Panel;
- (b) Re-appoint Mr. Russell and Mr. Fell as the Planning Panel’s Chairman and Vice Chairman respectively;
- (c) Authorise the Planning Panel to advertise for new reserve members; and
- (d) Seek States approval to amend the terms of office for members of the Planning Panel to maintain public confidence in the Panel.

2. Re-election of Mr. Russell and Mr. Fell

Background

- 2.1 The Planning Panel (the Panel) was established under the Land Planning and Development (Guernsey) Law, 2005 (the 2005 Law). Under section 86 of the 2005 Law the States, on the recommendation of the Policy Council, are required to elect up to nine independent persons as members of the Panel.
- 2.2 In March 2009 (Billet d’État VIII of 2009), the States elected Mr. Patrick Russell and Mr. Stuart Fell to the Panel for a six-year term. Mr. Russell was elected as a lay member and Mr. Fell as a professional member. In addition, Mr. Russell and Mr. Fell were also appointed as the Panel’s Chairman and Deputy Chairman respectively.

Proposals

- 2.3 Mr. Russell and Mr. Fell’s terms of office expire on 31st March 2015. Mr. Russell and Mr. Fell have indicated that they are willing to serve a further term as lay member / Chairman and professional member / Deputy Chairman, respectively. Brief CVs for both Mr. Russell and Mr. Fell are set out at Appendix 1.
- 2.4 Mr. Russell’s considerable legal knowledge and experience of tribunals coupled with Mr. Fell’s planning experience, in both the public and private sectors, has provided strong leadership and clear direction for the Panel. This was

particularly important when the Panel was first established as the move from planning appeals being determined before the Royal Court to before a lay but professional tribunal was a major step. Under their leadership, the Panel has gained and maintained public confidence in the fairness, transparency and openness of the new appeals regime.

- 2.5 The Panel's most recent Annual Report indicated that although the number of planning appeals received had fallen (in part reflecting a drop in the number of planning applications submitted during 2013) the issues raised in the various cases were becoming more complex. Therefore, although the volume of cases has dropped the Panel's dependence on Mr. Russell's and Mr. Fell's professional experience and advice has not.
- 2.6 The Policy Council believes it is essential to maintain the dynamic and leadership of the Panel as this will ensure public confidence is maintained in how planning appeals are determined. It is confident that by re-appointing both Mr. Russell and Mr. Fell for a further six year term, the Panel will continue to develop and determine planning appeals fairly and justly under their direction and leadership.

3. Appointment of Reserve Members

Background

- 3.1 In 2009, the Policy Council appointed three reserve members to shadow the Panel's work. Two members, Ms Julia White and Mr. David Harry, have since been elected to the Panel and the third, a Jersey resident, Mr. John Young, stepped down when he stood in the 2010 Jersey General Election.
- 3.2 The retention of reserve members has resulted in casual vacancies on the Panel being filled quickly by people who have already gained an insight into and understanding of the Panel's work. This has enabled the Panel to discharge its responsibilities with minimal disruption.
- 3.3 In addition to receiving pre-appointment training, reserve members have also contributed to the Panel's understanding of planning law and policy by drawing on their own professional experience and knowledge. It also gives them a unique insight into the role and means that when appointed to the Panel they are conversant with the Panel's work and most importantly past decisions and so helps ensure that the legislation and policies are interpreted in a consistent and fair manner.

Funding/Additional Resources

- 3.4 The proposal for the appointment of reserve members to the Panel will result in some small additional costs to the Panel. These costs will be minimal as the reserve members are not paid a retainer but are paid at the same half-day rate as

the lay members, i.e. £50 per half day, when they attend a Panel training session, etc. When the Panel previously had three reserve members the annual costs were less than £500 per annum for participation in the Panel's on-going training programme. These additional costs can be met from the Panel's authorised budget.

- 3.5 The role of reserve member is an extra-statutory role and therefore there are no legal or drafting resources associated with such an appointment.

Proposals

- 3.6 The Panel has advised the Policy Council that it would ideally like to have two reserve members appointed. The Policy Council recognises the benefit to the Panel of having reserve members shadowing their work and believes that the advantages outweigh the small additional costs for the Panel.
- 3.7 The Policy undertakes to advertise these posts publically. Shortlisted candidates will be interviewed by a panel comprising one or two Policy Council members and the Chairman and Deputy Chairman of the Panel. This approach mirrors the approach taken for previous appointments to the Panel.
- 3.8 The Policy Council will be responsible for confirming the appointment and thereafter the reserve members would shadow the Panel's work with a view to being recommended to the States for election as full members of the Panel when a casual vacancy arises.

4. Membership of the Planning Panel

Background

- 4.1 Section 86(4) of the 2005 Law establishes the term of office for Panel members and the length of the term of appointment. There are currently no maximum periods of members or a retirement age.
- 4.2 The Chairman of the Panel (the Chairman) has written to the Policy Council to request consideration be given to amending this provision to ensure that the membership of the Panel does not become stale over time and to consider setting a maximum age limit for members (see Appendix 2).
- 4.3 In his letter, the Chairman has requested consideration of the following amendments:
- (a) *Term of office* – to reduce the current term of office from six years to four years
 - (b) *Retirement age* - to set a retirement age of seventy years for the Chairman and members of the Panel, unless otherwise extended by the Policy

Council, and in any case they shall retire on reaching their seventy second birthday

- (c) *Maximum term of office* - to set a maximum term of office for members of 12 consecutive years, except where a person is appointed as Chairman from amongst the Panel, in which case the appointment should be limited to 16 consecutive years.

- 4.4 It is essential for the Panel to maintain judicial and public confidence in how it discharges its duties. The Policy Council shares the Chairman's view that by limiting the time which any one person may serve on the Panel and introducing a retirement age for members should assist in maintaining such confidence. The retirement proposals are similar to those under the Royal Court (Reform) (Guernsey) Law, 2008 for Jurats of the Royal Court. The introduction of a maximum term of office should ensure that new members will be appointed to the Panel on a fairly regular basis and they will bring with them new skills and experience. This should help to ensure that the Panel remains up to date with planning and development matters.

Funding/Additional Resources

- 4.5 The proposals may result in a small increase in costs over time as the limitations on the maximum terms of office and the introduction of a statutory retirement age may increase the turnover of Panel members. However, these potential additional costs are likely to be, in part, mitigated through the appointment of reserve members and these additional costs can be met from the Panel's authorised budget. The need to ensure that the Panel membership remains fully up to date with planning matters and retains public confidence in its objectivity and impartiality are believed to outweigh any additional recruitment costs.
- 4.6 Some drafting resources will be required to prepare an Ordinance to make these amendments to the 2005 Law and this may include transitional arrangements to cover the current members of the Panel. The Law Officers do not anticipate that the drafting resource requirements will be significant.

Proposals

- 4.7 On the basis of the discussion set out above, the Policy Council recommends section 86(4) of the 2005 Law be amended to:
- Reduce the term of office from six to four years subject to any prior requirement to retire as set out below
 - Introduce a retirement age of seventy years for the Chairman and members of the Panel, unless otherwise extended by the Policy Council, and in any case they shall retire on reaching their seventy second birthday

- Set a maximum term of office for members of 12 consecutive years, except where a person is appointed as Chairman from amongst the Panel, in which case the appointment should be limited to 16 consecutive years, subject in either case to the retirement requirement above.

5. Consultation

- 5.1 In the process of producing this Report the Policy Council has consulted with the Planning Panel and the Law Officers of the Crown.
- 5.2 The Law Officers of the Crown have been consulted in respect of the proposed changes to the terms of office for Panel Members and support the proposals.

6. Resource Implications

- 6.1 As variously set out in the Report, the Policy Council does not anticipate that the proposals will result in any additional resource demands upon the States.

7. Principles of Good Governance

- 7.1 The proposals outlined in this States Report are in accordance with the six core principles of good governance as defined by the UK Independent Commission on Good Governance in Public Service and adopted by the States in 2011. In particular the proposals contribute towards meeting the first core principle, namely, *“focusing on the organisation’s purpose and on outcomes for citizens and service users”*.

8. Recommendation

- 8.1 In accordance with section 86 of the Land Planning and Development (Guernsey) Law, 2005, the Policy Council recommends that the States to:
- (a) Re-elect Mr. Patrick Russell to sit as a lay member of the Planning Panel until 31st March 2021;
 - (b) Re-elect Mr. Stuart Fell to sit as a professional member of the Planning Panel until 31st March 2021;
 - (c) Re-appoint Mr. Patrick Russell as Chairman and Mr. Stuart Fell as Vice Chairman of the Planning Panel until 31st March 2021;
 - (d) Authorise the Policy Council, in consultation with the Planning Panel, to advertise for two reserve members to join the Planning Panel and shadow the work of the Panel;

- (e) Amend section 86(4) of the Land Planning and Development (Guernsey) Law, 2005 to:
 - (i) Reduce the term of office from six to four years subject to any prior requirement to retire as set out below
 - (ii) Introduce a retirement age of seventy years for the Chairman and members of the Planning Panel, unless otherwise extended by the Policy Council, and in any case they shall retire on reaching their seventy second birthday
 - (iii) Set a maximum term of office for members of 12 consecutive years, except where a person is appointed as Chairman from amongst the Planning Panel, in which case the appointment should be limited to 16 consecutive years, subject in either case to the retirement requirement above.

J P Le Tocq
Chief Minister

15th December 2014

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

Appendix 1

Mr. Patrick O. Russell

Mr. Russell is a Guernsey resident. He received an LL.B (Hons.) Degree in Law from the University of North London. After being articled to the Clerk to the Justices at the Chichester Magistrates Court he was admitted as a solicitor in 1982. He took up an appointment as a Prosecuting Solicitor later that year with the Sussex Police and subsequently with the Crown Prosecution Service. He went into private practice in 1988 and became his firm's Criminal Litigation Partner. He developed an interest in mental health law and in 1998 set up a specialist mental health practice in West Sussex where he remained as senior partner until his retirement in 2008.

Mr. Russell was appointed as a Legal Member of the Mental Health Review Tribunal by the Lord Chancellor's Department in 1994. He is currently a part-time Tribunal Judge of the First-Tier Tribunal, Health, Education and Social Care Chamber.

In 2012, Mr. Russell was appointed to sit as a legal specialist member to chair the Mental Health Review Tribunal established under the Mental Health (Bailiwick of Guernsey) Law, 2010. He has wide experience of sitting as a Tribunal Chairman and being responsible for the conduct of the proceedings and preparing the written judgement of the Tribunal.

Mr. Stuart Fell

Mr. Fell has recently retired as a consultant to a planning and architectural design practice in Jersey. Prior to his retirement he was involved with a wide range of development work, but his special interests include historic building, design work, and challenges to the planning process.

Before moving into private practice, he worked for 10 years for the States of Jersey Planning Service as a conservation architect and urban designer, and for a period he headed the development control service.

Mr. Fell trained originally as an architect, but quickly developed an interest in heritage matters. Following specialist training, he subsequently worked in conservation officer posts in Halifax, Chester and Newark, before taking up the job of Chief Technical Officer at Tunbridge Wells Borough Council. This post included responsibility for architectural and quantity surveying services, as well as the repair of the Council's public housing stock.

On leaving Tunbridge Wells, Mr. Fell took up a 3 year contract as a planning Inspector with the UK Planning Inspectorate, where he determined a wide range of planning appeals in the name of the Secretary of State. These appeals were dealt with by means of written representations, informal hearings, or formal public inquiries. Mr. Fell left the Inspectorate to take up his position in Jersey.



PLANNING APPEALS PANEL

Planning Appeals Panel
 Sir Charles Frossard House
 PO Box 43, La Charroterie
 St Peter Port, GUERNSEY
 GY1 1FH
 Telephone +44 (0) 1481 717000

Appendix 2

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

14th November 2014

Dear Chief Minister

Membership of the Planning Panel

I am aware that the Policy Council is undertaking a full review of the Panel's work and is considering a number of changes to reflect the recommendations set out in the Shepley Report. I have been consulted on this review and support the changes which are being proposed.

From the discussions I have had with the staff involved in this review, I understand that membership of the Panel has not been included. For the reasons set out below, I would ask consideration is given to extending the review to include the term of appointment for Panel members and other changes relating to maximum periods of appointment.

The Planning Panel was established in April 2009. Since that time there have been a number of changes in membership. Two members resigned for personal reasons and, in addition, to electing new members to fill these casual vacancies the States approved the election of two additional members to ensure that the Panel had sufficient members to determine appeals in a timely manner.

The Land Planning and Development (Guernsey) Law, 2005 provides for members to be appointed for a six year term but places no restriction on the maximum number of times a member may be re-elected and there is no statutory retirement age. I am conscious that in the UK such appointments would include a statutory provision requiring retirement on reaching ones 70th birthday and some tribunals limit the maximum unbroken period a member may serve.

Whilst I fully appreciate that there are differences between Guernsey and the UK, I believe that the review should also consider the term of office, including the length of an individual term, re-election and retirement of members.

I am aware that there is a statutory retirement age for the Island's Judges and Magistrates and for the Jurats and believe that consideration should be given to a similar provision for Panel members.

I also feel that the current term of appointment at six years is perhaps a little long, especially if a retirement age is to be introduced. In 2012, the Panel advertised for additional professional members and the majority of applicants were aged 60 years or over. If a statutory retirement age of 70 years was introduced a six year period may see potentially good candidates not applying because they are already 64 years old or older. It is for this reason, I am suggesting a reduction of the term of appointment by two years to four years, if the proposal for a statutory retirement age is supported.

I understand that, in part, a six year appointment was selected because when established in 2009, six members were appointed and two were appointed for two, four and six years to try and avoid all members' terms of office expiring at the same point. The changes in membership which have occurred since 2009 mean that no more than two of the current members' terms of office coincide.

The reasons for suggesting a maximum period for membership, is to ensure that there is a change of membership over time. I believe that such an approach will help maintain States and public confidence in the planning appeal regime as new members will be appointed periodically aside from causal vacancies which will always arise. It should also help avoid those "difficult conversations" should an existing member indicates a wish to seek re-election but the Policy Council feel unable to make such a recommendation to the States.

In summary, I should be grateful if the Policy Council would consider the following changes to the statutory provisions for membership of the Panel,

- Reduce the term of office from six to four years
- Introduce a retirement age of seventy years for the Chairman and members of the Panel, unless otherwise extended, and in any case they shall retire on reaching their seventy second birthday;
- Set a maximum term of office for members of 12 consecutive years, except where a person is appointed as Chairman from amongst the Panel, in which case the appointment should be limited to 16 consecutive years.

I believe that the above changes would help ensure confidence in the Panel as there would be a regular turnover of members without risking losing the detailed knowledge of the island's planning regime that comes through experience gained from sitting to determine appeal cases. I believe that these changes would not have a negative impact on the Panel's costs in respect of advertising and recruiting new members.

Yours sincerely

Mr. Patrick Russell

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

The States are asked to decide:-

II.- Whether, after consideration of the Report dated 15th December, 2014, of the Policy Council, they are of the opinion:-

1. To re-elect Mr. Patrick Russell to sit as a lay member of the Planning Panel until 31st March 2021.
2. To re-elect Mr. Stuart Fell to sit as a professional member of the Planning Panel until 31st March 2021.
3. To re-appoint Mr. Patrick Russell as Chairman and Mr. Stuart Fell as Vice Chairman of the Planning Panel until 31st March 202.
4. To authorise the Policy Council, in consultation with the Planning Panel, to advertise for two reserve members to join the Planning Panel and shadow the work of the Panel.
5. To amend section 86(4) of the Land Planning and Development (Guernsey) Law, 2005 to:
 - (a) reduce the term of office from six to four years subject to any prior requirement to retire as set out below;
 - (b) introduce a retirement age of seventy years for the Chairman and members of the Planning Panel, unless otherwise extended by the Policy Council, and in any case they shall retire on reaching their seventy second birthday;
 - (c) set a maximum term of office for members of 12 consecutive years, except where a person is appointed as Chairman from amongst the Planning Panel, in which case the appointment should be limited to 16 consecutive years, subject in either case to the retirement requirement above.

**COMMERCE AND EMPLOYMENT DEPARTMENT AND
TREASURY AND RESOURCES DEPARTMENT**

**ALTERNATIVE FRAMEWORK FOR THE OVERSIGHT OF
GUERNSEY ELECTRICITY LIMITED AND GUERNSEY POST LIMITED**

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

5th January 2015

Dear Sir

1. Executive Summary

- 1.1. The purpose of this States Report, which is submitted jointly by the Commerce and Employment Department and the Treasury and Resources Department (together “the Departments”) is to lay before the States of Deliberation proposals for the future strategic oversight of Guernsey Electricity Limited (“GEL”) and Guernsey Post Limited (“GPL”).
- 1.2. The Departments jointly propose that GEL and GPL should be made exempt from the requirement to be licensed by the Guernsey Competition and Regulatory Authority (“GCRA” / “the Authority”).
- 1.3. The Departments also propose that in tandem with the above the Treasury and Resources Department should expand and strengthen its rôle and capability as sole shareholder in GEL and GPL, taking a more active rôle in exercising its responsibilities through its Supervisory Sub-Committee, established in 2013 to exercise the Treasury and Resources Department’s rôle as shareholder of several States-owned companies including GEL and GPL.
- 1.4. Not all of the GCRA’s functions within the electricity and postal sectors relate to the licensing of GEL and GPL. The Departments therefore propose the complete removal of the GCRA’s extant functions and responsibilities within these sectors.
- 1.5. The Departments recognise the potential for future market or other changes within one or both of these sectors to require the reintroduction of some form of independent regulation. The Departments therefore propose to remove the GCRA’s licensing and other extant functions within these sectors principally by amending, rather than rescinding, the relevant legislation. In this way, the

Departments intend to preserve the legislative framework for the regulation of these sectors, should independent regulation need to be reintroduced.

- 1.6. The regulation of telecommunications in the Bailiwick of Guernsey, and the Authority's responsibilities under relevant competition legislation (except in so far as the electricity and postal sectors are concerned), are beyond the scope of this Report.

2. Background

- 2.1. GEL and GPL are commercialised utilities, constituted as States Trading Companies ("STCs"), over which the Treasury and Resources Department exercises strategic control as sole shareholder on behalf, and under the direction, of the States of Deliberation.
- 2.2. GEL and GPL are currently subject to economic regulation by the Guernsey Competition and Regulatory Authority ("GCRA"), which exercises its duties in respect of GEL and GPL with reference to the General Duties¹ and States' Directions² to the Authority.
- 2.3. GEL and GPL have been subject to independent regulation since 2001/2002, following the commercialisation of the States' Post Office and Electricity Boards and resolutions of the States that the newly commercialised electricity and postal sectors should be subject to independent regulation under the general guidance of the States. To this end, the Office of Utility Regulation ("OUR") was established in 2001, which for more than a decade regulated the electricity sector in the Island of Guernsey and the postal (and telecommunications) sectors in the Bailiwick of Guernsey. In 2012, these functions were transferred to the newly-established GCRA, which replaced the OUR, and which shares a single board and staff resource with the Jersey Competition and Regulatory Authority ("JCRA") whilst administering two separate sets of laws under the joint heading of the Channel Islands Competition and Regulatory Authorities ("CICRA").
- 2.4. GEL is currently the sole licensee for the conveyance and supply of electricity in the Island of Guernsey, and holds a licence issued by the Authority to generate electricity on the Island. GPL is currently the sole licensee for the reserved post service in the Bailiwick of Guernsey.

3. Review of the economic regulation of electricity and post

- 3.1. Following the General Election in April 2012, and subsequent Ministerial and Board Member elections, the new Boards of the Commerce and Employment Department and the Treasury and Resources Department agreed that there was a

¹ The Regulation of Utilities (Bailiwick of Guernsey) Law, 2001 (as amended).

² The Regulation of Utilities (States' Directions) (Bailiwick of Guernsey) Ordinance, 2012 and Resolutions under the Law.

need for both Departments to assess whether the current model of regulation of electricity and post remained appropriate, now and for the future, within an operating environment that had significantly changed since independent utility regulation had been established a decade earlier.

- 3.2. Principal amongst the reasons for considering the appropriateness of the current model of regulation was to ensure that the oversight arrangements represented value for public money and provided return on investment. The Departments were aware that over recent years the business models for post and electricity in Guernsey had become somewhat self-regulating due to the economic climate, operating costs, and external challenges within the post and electricity sectors. These changes within the operating environments of post and electricity formed the basis for a case that a model of 'lighter touch' regulation was required. The Departments, however, were also mindful of the need to conduct a thorough analysis of the issues involved in order to make informed recommendations on the future of regulation.
- 3.3. In 2012, the Departments established a joint Working Party to undertake a review of the economic regulation of GEL and GPL. The terms of reference for the Working Party, which consisted of the Minister and Deputy Minister of both the Commerce and Employment Department and the Treasury and Resources Department, were as follows:
 - Consider the overall impact, cost, effectiveness and added value derived from economic regulation of those entities;
 - Take evidence from representatives of GEL, GPL and CICRA on their experiences of the regulatory regime and any proposals for changes and improvements;
 - Determine whether or not any changes to the current regulatory regime were required having regard, in particular, to (a) the decisions made by the States in September 2011 and (b) the evidence taken from GEL, GPL and CICRA;
 - Review the evidence and options and make recommendations to the Boards of the Commerce and Employment and the Treasury and Resources Departments.
- 3.4. At the outset, the Working Party identified a number of key issues that would need to be taken into account. These included:
 - Whether the current regulatory model for GEL and GPL was appropriate, given that both companies were wholly owned by the States of Guernsey;
 - In the event that changes to the existing model were felt necessary, who would be best placed to undertake some of the activities currently undertaken by the Authority;

- If, as part of any changes, the States was to adapt a more active rôle as shareholder, clearer objectives would need to be set for the companies by the States. It would be important for the companies to understand that their sole purpose would not be to make a profit, but that wider community considerations would also be a key driver for them;
 - Whether the “save to spend” model for funding of capital investments by GEL continued to be appropriate;
 - What cost savings could be achieved for the companies if the existing regulatory model were altered. Such savings needed to be considered not just within the context of the licence fees payable to the Authority, but also the indirect savings in staff and company time involved in collating and providing information required by the Authority; and
 - The impact that the possible withdrawal of GEL and GPL from the existing regulatory framework could have on the viability of CICRA.
- 3.5. The Working Party took evidence from GEL, GPL and CICRA with the above considerations in mind. The principal issues raised by these parties in response both to the Working Party’s call for evidence and to subsequent proposals are summarised in Section 5, below (‘Consultation’).
- 3.6. The Working Party, in accordance with its terms of reference and having taken into account the key issues referred to above and evidence gathered, considered a number of potential future models for the oversight of electricity and post.
- 3.7. The Working Party concluded in principle that it would wish to see GEL and GPL made exempt from the licensing and regulation provisions within the respective electricity and postal laws, and that in tandem the Treasury and Resources Department should significantly expand its rôle and capability as shareholder to take on a stronger oversight rôle in the absence of the Authority.
- 3.8. The Working Party further concluded that to bring about these changes, the Treasury and Resources Department would need to prepare detailed proposals to be considered by the Commerce and Employment Department in view of the latter’s mandated responsibility for the strategic approach to, and the regulation of, utilities; and noted that the Commerce and Employment Department would be responsible for sponsoring, either solely or jointly with the Treasury and Resources Department, any subsequent formal proposals laid before the States.
- 3.9. The Commerce and Employment Department has given detailed consideration to the business case formally submitted to the Department by the Treasury and Resources Department in support of its proposals. The Department’s conclusions in respect of how the Treasury and Resources Department’s proposals meet these criteria are set out in Section 12, below (‘Analysis of Proposals’).

- 3.10. The Commerce and Employment Department has also given detailed consideration to the potential ramifications of removing GEL and GPL from the current regulatory framework, within the context of the still clearly identifiable need to ensure regulation of telecommunications and to provide for a support mechanism to undertake market studies and competition work. This is considered in detail in Section 13, below ('The future rôle of the GCRA').

4. The proposed model of oversight of electricity and post in Guernsey

Introduction

- 4.1. The Departments believe that the key factor in considering arrangements for the oversight of GEL and GPL is that the companies' shareholder is a public government body, not a private one. It is acknowledged that, in the case of a private shareholder, one of its principal interests will be in the commercial success of the business and, in these circumstances, a regulator has an important rôle to play in protecting consumer interests. Together, the pressure exerted by the shareholder and the regulator from both sides can be effective in forcing management to increase efficiency and reduce costs. Essentially, the management of the company finds itself in a position of "conflict" where it has to balance the two conflicting forces, one being applied by its private shareholder to increase returns and the other by the regulator to protect the consumer.
- 4.2. However, the Departments question the rôle that a regulator needs to play where the shareholder is a public body whose sole interest is not in maximising financial returns. Whilst a public owner of the businesses such as the States will clearly be interested in the returns that they can potentially provide, it is also in a unique position to balance this interest with other broader considerations. These include a recognition that the businesses exist as economic enablers for Guernsey, that they have an important rôle to play in delivering the Island's wider economic, social and environmental objectives and that they have a responsibility to provide services that are responsive to the community's needs. The Departments believe that the Treasury and Resources Department, as a proactive shareholder and with appropriate guidance from the States, is in a position to set objectives for the companies that, if observed, can achieve an appropriate balance between these differing interests and, in so doing, negate the need for the existing regulatory arrangements.
- 4.3. As a simple example of this approach in practice, the Departments would cite the States as shareholder in Jamesco 750, the company established and owned by the States to manage the Island's fuel tank ships. The Memorandum of Understanding ("MoU") in place between the Treasury and Resources Department and Jamesco 750 sets out the States' strategic guidance for the company as follows:

"The States' intended purpose in forming the company and acquiring the vessels was to secure the fuel supply to the Island. This is therefore the

primary purpose of the company in the negotiation and management of the contracts. The secondary objective is to secure the best financial return on the company's assets."

- 4.4. The guidance clearly indicates that, in this case, the community's fuel supply interests should be put ahead of securing the best financial returns.
- 4.5. In considering the matter, the Departments were also conscious of the following evolution in the existing regulatory environment since the previous Review of Utility Regulation in 2011:
 - a) First, the Authority's recent decision to remove GPL from its previous price control mechanisms. This decision was taken following the significant changes to postal markets in recent times, most notably the competitive threat of "mail substitution" by non-postal services and the loss of Low Value Consignment Relief ("LVCR"). The Authority's focus on Guernsey Post is now in ensuring that the company monitors and reports on the quality of service it provides to its customers; and
 - b) Second, acknowledging that the aforementioned 2011 Review of Utility Regulation recommended that the Authority's rôle should be less activist and more adjudicative, the Authority itself proposed moving to a system of benchmark regulation for GEL (which in summary involved establishing a benchmark based on the average price of electricity in Jersey and a cap on GEL's price in relation to that benchmark – see Section 5 below ('Consultation')).
- 4.6. In considering a new model for overseeing GEL and GPL, the Departments also gave careful consideration to the opportunities presented by the Treasury and Resources Department's decision in 2013 to establish its Supervisory Sub-Committee. This Sub-Committee was established by Resolution of the Treasury and Resources Department under Rule 16 of the States' Rules on the Constitution and Operation of States Departments and Committees in order to strengthen and expand the Department's rôle as shareholder of various States-owned companies including GEL and GPL.
- 4.7. By introducing its Supervisory Sub-Committee, the Treasury and Resources Department has established the necessary capability and capacity to adopt a more proactive rôle as shareholder in the companies. It has rebalanced the Treasury and Resources Department's focus towards stronger corporate governance and improving the companies' performance. Importantly, the establishment of a more proactive shareholder function also provides an opportunity to consider whether there is still a need to supplement this with the separate regulatory rôle currently undertaken by the Authority.
- 4.8. Against the above background, the Departments jointly propose introducing an exemption for GEL and GPL from the licensing and regulation provisions within the respective electricity and postal laws. At the point that legislation was

introduced to give effect to this exemption, both companies' existing licences issued by the Authority would cease to have effect.

- 4.9. The Departments jointly propose that in tandem with the removal of the Authority's responsibilities in respect of GEL and GPL, responsibility for the oversight of these States Trading Companies would be transferred to the Treasury and Resources Department to be exercised through its recently-established Supervisory Sub-Committee. The remainder of this section sets out how the Sub-Committee has been operating within the context of the above and sets out some recommendations for its future structure and operation.

Supervisory Sub-Committee – Objectives and Terms of Reference

- 4.10. The objectives that have been agreed by the Treasury and Resources Department for the Supervisory Sub-Committee are as follows:

- (a) Establish clear shareholder objectives for the companies and monitor their performance against appropriate industry benchmarks and quality standards to ensure that the businesses deliver cost-effective and innovative services which are responsive to their customers' needs and that they operate efficiently and responsibly in the best interests of the community;
- (b) Ensure that the Treasury and Resources Department is an effective and active shareholder in the companies; and
- (c) Seek value and an appropriate return that provides best value to the Guernsey economy from the companies for the community, whilst striking a balance with the enabling rôle they play in supporting the Island and its social, economic and environmental objectives for the long-term benefit of the Island and its community.

- 4.11. The Treasury and Resources Department's intention in establishing the Sub-Committee has been to provide a more focussed vehicle for undertaking its oversight activities. In seeking to become a more active shareholder than in the past, the Department and the Sub-Committee have acted, and will be seeking to act, in the best longer-term interests of Islanders.

- 4.12. The objectives that have been set for the Sub-Committee underpin fundamental principles agreed by the Treasury and Resources Department in terms of its rôle as shareholder and which it is believed support the proposal for it to assume responsibility for future oversight of the companies. As a public rather than private shareholder, the Department's interests are not solely in the commercial success of the companies; they are also clearly focussed on protecting the interests of consumers and ensuring that the companies act in the best strategic interests of the Bailiwick of Guernsey.

- 4.13. The Departments wish to be very clear that the Treasury and Resources Department's rôle as shareholder, acting through its Sub-Committee, does not extend to assuming a hands-on rôle in managing the companies which, given their fiduciary responsibilities, should remain the responsibility of their respective Boards and executive management teams. Given the importance to both the Treasury and Resources Department and the companies of a clearly defined strategic plan, the Sub-Committee will commit significant time to reviewing, scrutinising, challenging and understanding their respective business strategies. On the assumption that the Treasury and Resources Department then endorses these strategies, each company's Board of Directors will then be empowered to carry out the wishes of the shareholder without undue interference, political or otherwise.
- 4.14. With this in mind, the terms of reference that have been established for the Sub-Committee include:
- (a) In conjunction with the Commerce and Employment Department, regularly review the States Guidance to the Shareholder and ensure that the Treasury and Resources Department is fulfilling its obligations under this guidance. (Under the provisions of the States Trading Companies (Bailiwick of Guernsey) Ordinance, 2001 ("the STC Ordinance") the States are able to give guidance of a general nature on the policies they wish the Treasury and Resources Department to pursue in exercising its functions as shareholder. The STC Ordinance places a statutory duty on the Treasury and Resources Department to have regard to any such guidance);
 - (b) Engage with and consult the Commerce and Employment Department on strategic matters relating to GPL and GEL;
 - (c) Establish clear shareholder objectives for the companies, including but not limited to areas such as pricing and pricing controls, financial performance, quality of customer service, corporate governance, sustainability, reputation and compliance with environmental standards;
 - (d) Establish the financial, operational and strategic parameters within which the companies can operate with and without reference to the Shareholder;
 - (e) Engage with the businesses on financial matters and hold them to account in terms of performance against their business plans and shareholder objectives;
 - (f) Scrutinise the process employed for the appointment of the Chairman, the non-executive directors of the Board and the executive management team; and
 - (g) Commission such external consultancy support and assistance as may be deemed necessary to enable the Department to fulfil its rôle as Shareholder.

- 4.15. In developing the terms of reference for the Sub-Committee, the Treasury and Resources Department has been conscious that the Commerce and Employment Department has a mandated responsibility for the strategic approach to and the regulation of utilities. The inclusion of (a) and (b) above within the terms of reference are intended to ensure that the Commerce and Employment Department continues to have formal mechanisms open to it to enable it to continue exercising these responsibilities.
- 4.16. In setting shareholder objectives for the companies and establishing formal performance monitoring arrangements with them, the Treasury and Resources Department is clear that it will not be seeking to maximise short-term financial returns, but to provide Islanders an efficient, sustainable and responsive set of services, whilst recognising related public asset investment costs.
- 4.17. It should be noted that the Sub-Committee will have oversight responsibility not just for GEL and GPL, but also for the other companies wholly owned by the States and for which the Treasury and Resources Department acts as shareholder on behalf of the States (the Aurigny Group and Jamesco 750).
- 4.18. It is acknowledged that the establishment of Sub-Committees under the States Rules on the Constitution and Operation of States Departments and Committees is normally a matter left to the discretion of the Department concerned. However, in this case, the Departments are recommending that the Treasury and Resources Department (and its successors) be directed by the States to continue maintaining the Supervisory Sub-Committee in accordance with the membership, objectives and terms of reference set out in this report. In this manner, there could be no change to the oversight arrangements envisaged under these proposals without the matter being referred back to the States.

Benchmarking, Key Performance Indicators and Universal Service Obligation

- 4.19. Having established shareholder objectives with the companies, a key area of activity for the Sub-Committee has also been to establish a suite of Key Performance Indicators (“KPIs”) that can be tracked to assess the companies’ performance. These extend across a range of financial, operational, strategic, customer service, employee and community indicators. In support of this process, the Treasury and Resources Department will also be establishing a benchmarking framework, comparing various aspects of their performance against accepted best practice in other relevant jurisdictions.
- 4.20. The Sub-Committee anticipates that it will need to commission external assistance to assist it in establishing and operating its proposed benchmarking framework. It expects that this work will involve research, first, into “best practice” supervision arrangements in other jurisdictions for their government owned entities and, second, into operational and strategic initiatives etc. being developed by such entities that may be worth consideration locally.

- 4.21. The Sub-Committee has worked with the companies to ensure that the KPIs they are required to record can be generated from existing data streams or with minimal changes to existing systems and procedures to generate the necessary data, thereby minimising the associated administration and compliance costs for them. It is a fundamental aim of the Sub-Committee to ensure that such KPIs should be of value not just to the Sub-Committee in assessing the companies' performance against shareholder objectives, but also add value for the management and directors of the companies in fulfilling their responsibilities.
- 4.22. The Sub-Committee will apply three levels of benchmarking, which will cover: strategic development; operational efficiency; and customer responsiveness. This will help to inform the Treasury and Resources Department, the States of Guernsey and Islanders generally that:
- The longer-term strategic development of the trading companies is appropriate and sound;
 - Best practices are being pursued in achieving appropriate levels of operational efficiencies and results; and
 - Customer responsiveness is at desirable levels in terms of availability, range, cost/price, quality and method of service delivery to personal and business customers.
- 4.23. The Departments believe that this proposed multi-tiered approach to benchmarking will be more valuable than one that benchmarks performance purely around prices. It will be a much broader and cohesive approach that looks not just at pricing in isolation, but also at a wider range of strategic, operational and customer service indicators. This model can achieve the necessary congruence of goals between the shareholder, businesses and customers in both the short and long-term and is the basis of the Departments' proposed approach to the future oversight arrangements for GEL and GPL. Subject to any considerations around commercial confidentiality, it is intended that benchmarking results will be made public.
- 4.24. It is worth highlighting that, in developing the above arrangements, both GPL and GEL have committed to the following performance measures:
- To continue reporting on their adherence to the regulatory customer performance standards that have previously been established for them by the Authority;
 - To undertake periodic efficiency reviews, the arrangements, scope and terms of reference for which will be agreed in advance with the Sub-Committee;
 - To continue supporting and maintaining their respective independent User Bodies (Postwatch and the Electricity User Council ("EUC")) to supplement existing methods of communication with their customers. These provide an opportunity for customers to convey to an independent body issues, ideas and observations on the provision of their services; and

- To continue commissioning independent customer satisfaction surveys on no less than an annual basis.
- 4.25. These commitments are reflected in the Memoranda of Understanding that have been developed and agreed between the companies and the Treasury and Resources Department (see Appendices A and B, below).
- 4.26. Whilst GEL is not subject to a Universal Service Obligation (“USO”), GPL’s existing licence from the Authority requires it to provide the Universal Service agreed by the States. The current USO was agreed by the States in 2011 and is set out in a Direction³ issued to the Authority at that time. In future, it will be a requirement of the Memorandum of Understanding between the Treasury and Resources Department and GPL that it provides the USO, as determined by the States from time to time.

Supervisory Sub-Committee – Membership

- 4.27. The Sub-Committee has been established under the provisions of Rule 16 of the States Rules on the Constitution and Operation of States Departments. Membership of the Sub-Committee is currently made up of a minimum of two voting members of the Treasury and Resources Department and three persons, who need not be voting members of the Treasury and Resources Department.
- 4.28. In terms of the criteria for the three non-States members, the Treasury and Resources Department and the Commerce and Employment Department have agreed that they need to be able to demonstrate that they are or have been highly experienced business leaders with a commercial background at Board/director level with a mixture of skills and experience of the following:
- Board governance;
 - Shareholder value;
 - Strategic direction;
 - Relevant regulated industries and regulatory reporting;
 - Operational efficiency and performance reviews;
 - Strategic and operational benchmarking; and
 - Customer responsiveness.
- 4.29. The three non-voting members act in an advisory capacity to the Sub-Committee. Given their skills and experience, they are able to assist the Department in engaging more robustly with the companies, challenging them on matters of concern and holding them to account in terms of performance against their strategic plans and agreed shareholder objectives.

³ Resolution VIII.1 of Billet d’Etat XVII of 2011

- 4.30. Details of the current Sub-Committee members are attached as Appendix C.
- 4.31. The Departments are conscious that the States Review Committee (“SRC”) will be considering future arrangements for the oversight and governance of the States’ incorporated Trading Companies and its other trading entities. It is anticipated that the Sub-Committee model for the oversight of GEL and GPL that the Departments are proposing will evolve over time as part of the wider work being undertaken by the SRC.

Relationships and Governance

- 4.32. The working relationships between the Treasury and Resources Department and the companies are set out in the MoU that have been agreed and signed with each of them and which have been previously published by the Department. These are attached as Appendices A and B.
- 4.33. These MoU clearly set out the expectations placed on each company by the Treasury and Resources Department and the commitments that both parties have made to each other. In providing a framework for managing the relationship between the Treasury and Resources Department (and its Sub-Committee) and the companies, these MoU include details of the following:
- The shareholder objectives set for the companies by the Treasury and Resources Department;
 - The reports to be provided by the companies (including strategic and business plans; transparency report; financial reports; and, performance management);
 - Those matters to be referred to the shareholder, including a Schedule of Delegated Authority that sets out those decisions that are reserved for the shareholder, the Board of Directors or the executive management teams;
 - Meetings to be held with the shareholder;
 - Dividend policies; and
 - Corporate governance requirements.

In addition, these MoU clearly establish the following:

- Clearly defined KPIs that will be used to assist in assessing the companies’ performance against their objectives;
- Guaranteed customer service standards that the companies are expected to meet;
- A commitment to maintain their respective User Councils;
- A commitment to undertake periodic efficiency reviews;
- In the case of GPL, a requirement to maintain the universal postal service obligations agreed by the States; and
- In the case of GEL, a target to reduce its average tariffs so that, when benchmarked against average tariffs in Jersey, they are at a comparable

level when taking into account all cost driver differences between the two islands.

- 4.34. In developing the proposals set out in this report, the Departments have been clear that:
- It would not be appropriate to return to something akin to the historic arrangements involving politically controlled trading boards at GEL and GPL;
 - It is important to mitigate against the risk that political considerations become prevalent in determining key decisions at the companies; and
 - It would be entirely inappropriate for the Sub-Committee to act as a “shadow” of the companies’ board of directors.
- 4.35. The clear definition within the MoU of the boundaries between the shareholder and the boards of directors is intended to address these concerns and firmly establish the rôles and responsibilities that each party will play. Additionally, the inclusion within the membership of the Sub-Committee of non-voting members with significant previous experience in a commercial environment at a senior level is deliberately intended to help guard and caution against inappropriate political interference in the companies’ activities.
- 4.36. The Departments have considered whether a member of the Treasury and Resources Department Board or the Supervisory Sub-Committee should be appointed as a member of the Boards of the companies themselves to represent the States’ interests. They have concluded that that would not represent good governance, as it would give rise to a conflict of interest between their responsibilities to the Board/Sub-Committee and their fiduciary responsibilities to the company. Indeed, existing legislation⁴ specifically prohibits Members of the States from being appointed as a Director of a States Trading Company. The Departments firmly believe that the focus should be in ensuring the States’ interests are secured through the establishment of clear shareholder objectives and the effective management of the relationship between the shareholder and the companies through the MoU.
- 4.37. Notwithstanding the above, the Departments do believe there would be merit in future in considering the possibility of one or more of each company’s non-executive directors serving as the ‘shareholder representative’ on their respective Boards. This is a matter the Departments would wish to consider with the companies, acknowledging that any such arrangement would most probably require an amendment to their articles of association.
- 4.38. In considering the above, it should be remembered that the States already has a number of mechanisms at their disposal under the STC Ordinance, which enable them to exercise influence over the direction of the companies. First, the States

⁴ Section 3(10) of the States Trading Companies (Bailiwick of Guernsey) Ordinance, 2001, as amended

are responsible for appointing, upon the recommendation of the Treasury and Resources Department, the companies' non-executive directors. In future, this process will be enhanced by the rôle that the Sub-Committee will play in scrutinising the process for the recruitment and selection of potential non-executive directors for recommendation to the States. Second, the STC Ordinance provides for the annual report and accounts of both GPL and GEL to be submitted to the States each year for their consideration, providing Members with a formal opportunity to debate and comment on their performance.

- 4.39. In addition to the above, the Departments also believe it is important for the provisions set out in Sections 4.40 to 4.42, below, to be put in place to enable the States to hold the Treasury and Resources Department (and its successors) to account in terms of its performance as a more active shareholder in future.
- 4.40. As noted in Section 4.14, above, under the terms of the aforementioned STC Ordinance, the States are able to give guidance of a general nature on the policies they wish the Treasury and Resources Department to pursue in exercising its functions as shareholder. The STC Ordinance places a statutory duty on the Treasury and Resources Department to have regard to any such guidance. The existing guidance approved by the States in respect of GEL and GPL is set out in the MoU with the companies that are appended to this Report. The Departments believe that this guidance should be amended to reflect the objectives that have been set for the Supervisory Sub-Committee (see Section 4.10).
- 4.41. Accordingly, the Departments are recommending that Section 4 of the existing guidance to the shareholder in respect of GEL and Section 2 of the existing guidance to the shareholder in respect of GPL should be replaced with the following:

Shareholder objectives, performance monitoring and benchmarking arrangements shall be set so as to:

1. Ensure the company delivers cost-effective and innovative services which are responsive to its customers' needs and that the company operates efficiently and responsibly in the best interests of the community;
2. Seek value and an appropriate return that provides best value to the Guernsey economy from the businesses for the community, whilst striking a balance with the enabling rôle it plays in supporting the Island and its social, economic and environmental objectives for the long-term benefit of the Island and its community.

- 4.42. Full versions of the proposed revised guidance to the shareholder in respect of both companies are attached to this Report as Appendices D and E. In the case of the guidance in respect of Guernsey Electricity Limited, it should be noted that the previous provisions in respect of security of supply have been deleted, as they have been superseded by the States' resolutions in 2014⁵ in respect of the updated security criterion that should be applied to local generation. The updated criterion (which require GEL to maintain the on-island generation level of security above N-2 and to ensure the on-island generation strategy achieves the 80/80 rule for affordability) are now included within the objectives set out for GEL in its MoU with the Treasury and Resources Department.
- 4.43. The Authority currently has an arrangement with the Trading Standards ("TS") service of the Commerce and Employment Department, whereby unresolved complaints to GEL and GPL may be taken to TS, which will act as an impartial body and attempt to find a fair outcome for all the parties involved. If either party is dissatisfied with the outcome of the complaint to TS, it can ask that the matter be referred to the Authority. TS will submit a report to the Authority, the complainant and the service provider, and the Authority will progress the complaint in whatever manner it considers appropriate. The Departments jointly propose that under the alternative framework for oversight of GEL and GPL, this arrangement should remain broadly unchanged except that TS would refer unresolved complaints relating to GEL and GPL to the Treasury and Resources Department in place of the Authority. The Treasury and Resources Department, with the benefit of the TS report and, if appropriate, in consultation with the EUC or PostWatch, would progress the complaint in whatever manner it considers appropriate. The Law Officers have confirmed that decisions of the Treasury and Resources Department Board would be subject to the provisions of the Administrative Decisions (Review) (Guernsey) Law, 1986, which provides a route for members of the public to challenge a decision of a States Department or Committee.
- 4.44. Under the provisions of the Electricity (Guernsey) Law, 2001, the Authority is responsible for investigating and determining disputes relating to Guernsey Electricity's obligations to provide an electricity supply to Islanders (and associated matters). As GEL will no longer be a licensee, the Departments further propose that disputes of this nature should in future be referred to the Treasury and Resources Department in place of the Authority for determination. Again, the Law Officers have confirmed that a decision of the Treasury and Resources Department in this area would also be subject to the provisions of the Administrative Decisions (Review) (Guernsey) Law, 1986.

⁵ Resolution 3 of Article III of Billet d'Etat XII of 2014 – Guernsey Electricity Supply – Future Strategy

5. Consultation

- 5.1. The Departments, at various stages of the review process, consulted with GPL, GEL, and GCRA/CICRA. In addition, they consulted with the States of Alderney and the Chief Pleas of Sark, as well as the “consumer bodies” for both companies, Postwatch and the EUC. The main issues raised by these parties are summarised and paraphrased below.

GPL – Summary of Submissions

- 5.2. GPL asserted that the main purpose of postal regulation is to ensure that consumers enjoy the benefits of competition in the Bailiwick postal market where GPL is the largest operator. There is no need for postal regulation in the Bailiwick, however, because GPL already faces significant competition for its customers and its activities are subject to scrutiny and oversight from several key stakeholders, which means that its product and services are fairly priced, its quality of service is high and it is focussed on innovation. The Bailiwick is a small market that lacks the economies of scale to support regulation and competition in network industries such as post. Furthermore, the dis-application of LVCR in 2012 increased the competition faced by Guernsey as a location for the establishment of bulk mail companies, which has ensured that GPL’s prices and service levels are kept in check.
- 5.3. GPL noted that postage costs do not represent a significant proportion of expenditure for business and social customers. Social customers do not need the protection of regulation when spending on postage represents such a small proportion of their income and there are viable electronic alternatives. These alternatives, which individuals and businesses are using instead of post, are driving massive declines in mail volumes. This volume decline is raising the cost-per-unit of handling a letter and forcing GPL to reduce costs to avoid the need to raise prices, which would only lead to further decline in demand. GPL pointed out that the price of local and UK letters are among the lowest in Europe and had fallen in real and nominal terms over the period 2009-2012.
- 5.4. GPL explained that competition for bulk mail from other territories, along with digital media, gives its customers the most protection, forcing GPL to keep its prices low and its quality of service high, as well as driving innovation. GPL’s efficiency will have to improve to remain competitive and customers will demand new products such as downstream access (a way of getting access to Royal Mail in the UK further down their operational “pipeline” than with standard mail). The external pressures facing GPL mean that the company must be more efficient and flexible which is very difficult with regulation in place. Regulation is unnecessary and unaffordable in the current environment.
- 5.5. In addition to the real competition GPL faces, the Company noted there are several institutions in place that serve to protect customer interests and the “socially important” USO. There are several key stakeholders overseeing GPL’s

activities, ensuring that the company is properly managed, provides an excellent public and commercial service and is financially sustainable. The company is publicly owned, meaning that the Treasury and Resources Department as shareholder and the wider States of Guernsey monitor its performance. The GPL board of directors comprises competent, professional businessmen; and the media takes a keen interest in GPL's activities. Competition legislation offers additional assurance to customers outside postal regulation. This effectively means that GPL cannot make excessive profits or losses, charge high prices, lose control of costs or provide a poor service without prompting a response from these stakeholders.

- 5.6. GPL maintained that regulation has become unaffordable, especially when the functions of regulation are being duplicated and performed by market forces (competition and substitution), public ownership, the GPL board of directors, the political shareholder, the States of Guernsey, the media and the new competition law authority. Moreover, regulation is unnecessary in the Bailiwick postal market where market forces are counterbalancing any power Guernsey Post may have. Regulation in its current form should be removed.

GEL – Summary of Submissions

- 5.7. GEL asserted that the current system of regulation is not appropriate for the Company. It is closely based on that operating in respect of privatised parts of utilities in the UK where the consumer quite rightly needs protecting from monopoly organisations whose primary objective is maximising returns to shareholders. GEL, however, is an entity wholly owned by the States of Guernsey, and it is therefore inefficient and ineffective to try to apply this privatised monopoly model to GEL. The cost of the regime established for electricity, and more importantly the business uncertainty and financial risk it creates, requires unnecessary resource and contributes towards higher costs to the customer. Furthermore, customers have been faced with significant volatility in their electricity bills, which reflects price increases driven by an unsuitable regulatory price control mechanism.
- 5.8. Because Guernsey is a small island, GEL felt that the application of the usual approaches to regulation has inevitably been disproportionate. Costs are high and costs-per-customer are much higher than in larger jurisdictions. These costs are unnecessary because the current regulatory system operates on the incorrect assumption that GEL will attempt to profiteer. GEL's status as a government-owned entity with the Treasury and Resources Department as shareholder acts to protect against profiteering, and also means that these high costs of regulation can be avoided
- 5.9. Despite the need for a strategic long term focus on the security of supply, GEL was of the view that regulation has been focussed elsewhere. Regulation has chosen to focus on suppressing short term electricity prices. As a result, GEL has had no option but to produce a track record showing financial losses. GEL has

not been able to break even and returns have been below the level that the GCRA's regulatory return model would suggest. The use of a Save-to-Spend approach has been the established island policy for the funding of GEL's capital expenditure, but the suppressing of short term price levels has caused the Save-to-Spend fund to diminish more quickly than it otherwise would have done. Excessive regulatory challenge to prices and delays to allowing prices to rise has held back the approval and commencement of critical investment in generation. Regulation has led to lost opportunities to develop the business operationally and strategically.

- 5.10. GEL believed that the form of RPI-X regulation that has been used to control electricity prices on Guernsey was designed for privatisation situations and assumes that the utility will try to maximise profits, whereas GEL has wider responsibilities and priorities. The inappropriate use of an RPI-X price cap for GEL has added unnecessary uncertainty and creates challenges for those responsible and accountable for company performance, as they have little predictability or control over this fundamental part of the business.
- 5.11. GEL felt that regulation has also introduced uncertainty and created challenges relating to the alignment of responsibility in other key areas such as security and strategy, as well as over pricing and revenue. GEL anticipates that electricity prices will need to rise over time *"to reflect the necessary investment for long-term island security"*, and that this can be done on a Save-to-Spend basis or on the basis of long-term borrowing.
- 5.12. To achieve regulatory cost reductions and to align responsibility and accountability, GEL believes it should be removed from regulation by the GCRA whilst it remains a States-owned entity. To enable GEL to achieve what is needed at low cost and on a timely basis, it needs to be allowed to set prices, following shareholder agreement, as would be consistent with a move to exempt GEL from the requirement to be licensed by the Authority.
- 5.13. GEL fully expect, and wholeheartedly accept, intense scrutiny of how it plans and executes this rôle; however, the Company felt this need not be via a separate and independent regulatory body. As a 100% State-owned entity, this scrutiny should be via the shareholder representative. Consumer issues should be independently dealt with through the existing Electricity User Council and in circumstances where an issue cannot be resolved by the company or the shareholder. The Electricity User Council could also be directed to play an active rôle in challenge GEL on issues of public concern, *"thereby providing a level of independent customer protection"*. Competition legislation would in any case apply equally to electricity as to any other sector of the Guernsey economy.
- 5.14. GEL envisages, under the proposed system, agreeing with the shareholder a scrutiny and challenge process through which GEL would be held to account against strategic and operational plans. The quality assurance of such a process could be strengthened by the use of independent experts commissioned by and

reporting to the shareholder but paid for by GEL. With regard to the scrutiny process, removing the regulatory regime in so far as it applies to GEL would remove the uncertainty, risk, and cost associated with the current system, and would be a major step forward.

- 5.15. If GEL was an independently-owned, shareholder-driven company, prices to customers in Guernsey would be much higher than they are today. GEL felt that the fact that they are not is not anything to do with the regulator. It is because the shareholder and GEL strive to ensure that electricity prices remain affordable to its customers. This affordability is balanced against investment requirements over a much longer time than a regulated price control period.

GCRA/CICRA – Suggested Alternative Regulatory Approach for Electricity

- 5.16. Ahead of considering detailed proposals for the suspension of regulation of GEL (and GPL), the Authority submitted to the Departments its own proposals for an alternative approach to electricity regulation (commenting that regulation of post is more about ensuring USO provision and minimum standards of service, rather than price controls). The Authority's alternative approach would have established a cap on GEL's average price set in relation to the average price of electricity per kWh in Jersey. This would be in place for two to three years with a review six months before the end of that period. The Authority would also use the measure of customer supply minutes lost in Jersey as a quality standard to set a reference for the same variable in Guernsey. The Authority commented that its proposed approach would have placed GEL under an aggregate pricing constraint while holding it to reasonable overall quality of service performance targets that were demonstrably achievable in a neighbouring market. GEL would therefore be subject to independent regulation that still protected customers from inefficiency at an aggregate level. The Authority commented that its proposed alternative would have made allowances for differences between the islands in terms of infrastructure and policy, and would have incorporated provision for a review process should there be evidence that Jersey intends to follow a distinctly different energy path with implications for price or quality of service. The Authority concluded that ensuring customers are adequately protected through clearly referable measures of performance in a way that does not impose material regulatory information burdens would seem to offer the greatest benefit relative to cost, although it would represent a weaker form of pressure on GEL's prices, and that there is imperfection in linking the two jurisdictions (Jersey Electricity is not a regulated utility).

GCRA/CICRA – Other Submissions

- 5.17. Having considered an advance working copy of the proposals, the Authority responded by stating that it was strongly supportive of the proposal to create a more formal arrangement for shareholder oversight of GEL and GPL but that to be fully effective, the shareholder rôle ought to be complemented by a strong regulatory rôle, which would be primarily focussed on protecting the interests of

consumers. Together the pressure exerted by the shareholder and the regulator from both sides could be very effective in forcing management to increase efficiency and reduce costs. Having a single shareholder/regulator with a range of potentially conflicting objectives is likely to mean that the ‘measures of success’ for the regulated businesses are unclear, which makes it more difficult to hold the businesses and their management teams accountable. It would be unfortunate if the success of the Treasury and Resources Department’s very constructive move to establish an active shareholder function was undermined by this mixed rôle.

- 5.18. The Authority noted it is common in the British Isles both to have an active shareholder and to be subject to independent regulation: for example, Scottish Water, Northern Ireland Water, Network Rail, and State-owned gas and electricity providers in the Irish Republic. The efficiency challenges posed by the regulators of these utilities have been important in improving outcomes for consumers.
- 5.19. The Authority noted that the Regulatory Policy Institute (“RPI”), in its 2011 report on utility regulation in Guernsey criticised the lack of an active shareholder and emphasised the need for limited regulation. This approach underpinned the Authority’s proposal for ‘benchmark’ regulation of GEL. The Authority commented that RPI had approved the system of independent regulation, with an active shareholder, as appropriate for the Guernsey utilities.
- 5.20. The Authority suggested that a split between an independent regulator and the States as shareholder might be required if the markets in which the utilities are active become contestable and need to be opened to competition; or if external investors in GEL require reassurance regarding the regulatory framework. Whilst this factor is less relevant to GPL, with the prospect of renewable energy resources in Guernsey in the coming years, there is a possibility that regulatory action will be needed to facilitate access to GEL’s network. An independent regulator, separate from but accountable to government, and operating within a statutory framework with its decisions reviewable by the courts (or an independent tribunal), can be instrumental in encouraging parties to invest in these industries. In the present case, renewable energy developers could be confident that their essential rights of access did not depend on decisions of GEL’s owner. Debt rating agencies will often allocate higher political risk to utilities’ bonds where the utility is not subject to independent regulation; as a result, external financing can be cheaper for independently-regulated businesses. If development of competing renewable energy sources in Guernsey or significant borrowing by GEL is indeed a possibility in coming years, serious consideration ought to be given to retaining independent regulation.
- 5.21. The Authority suggested that any cost savings generated by moving to the proposed Sub-Committee system would be modest at best, especially in the context of the significant burden on the Guernsey economy and consumers from potential inefficiency in the operation of these utilities.

- 5.22. The Authority believed that an independent regulator of GEL and GPL, adopting a proportionate approach to regulation, could serve the interests of utility customers, and the Bailiwick as a whole, in conjunction with an active shareholder. These should be the primary considerations in the decisions being made regarding the future oversight of GEL and GPL.
- 5.23. CICRA explained that its overall financial viability would not be jeopardised by the removal of GEL and GPL from regulation, given the small existing revenue once likely refunds are considered (see Section 5.27). However, a portion of the licence fees paid by GEL and GPL are dedicated to CICRA's central overhead costs, including the cost of office accommodation in St Peter Port and maintaining a Board to oversee the conduct of the Authority's functions. CICRA commented that if the scope of its functions reduced, the remaining sectors would bear a greater share of those costs. The Authority advised that it would "*almost certainly*" be required to increase the percentage used to set annual licence fees in the telecoms sector (which are based on a simple percentage of licensee turnover) and, potentially, to levy the fee at a higher rate in Guernsey than in Jersey.
- 5.24. As a small organisation, the Authority indicated it would not be possible or even appropriate for CICRA to reserve capacity for the possibility that the proposed sub-committee sought support from it on an ad hoc basis. Its focus would need to shift exclusively to telecoms and competition. The Authority would always endeavour to respond to requests for assistance from government but might not be in a position to provide the sub-committee with specific energy advice in the future, should it wish to have access to that expertise.
- 5.25. The Authority noted that, whilst utility regulation uses many common principles, it is also absolutely crucial to have detailed knowledge of individual sectors. There is inherent information symmetry between regulated companies and their regulators, and this cannot always be mitigated sufficiently by simply buying in temporary expertise from external resources. Moreover, any external sources of expertise would not have detailed knowledge of the Channel Islands. Indeed one of the criticisms levelled against the former OUR was the failure of its external consultants to take account of the specific Guernsey context. As such, the Authority would be concerned that the loss of that local, independent, expertise might prejudice the ability of the States of Guernsey to subject GEL to sufficient regulatory oversight.
- 5.26. The Authority pointed out that the Departments' joint proposals could affect the balance between Guernsey and Jersey in respect of funding and activities. CICRA's funding from Guernsey-based activities is already less than from Jersey-based sources. CICRA imposes a licence fee at a common percentage across the Channel Islands' telecom sector, which generates proportionately less revenue in Guernsey. CICRA's competition law funding in Guernsey is less than half that in Jersey (in 2013, £140,000 in Guernsey, compared with £300,000 in Jersey). CICRA added that the States of Jersey had already provisionally

accepted that CICRA will assume a rôle in regulating Ports of Jersey (Jersey Airport and Jersey Harbours) from 2015. Against this background, and with the potential for CICRA to undertake future Jersey-based activities, the suspension of the regulation of GEL and GPL could significantly unbalance the levels of funding and activities accorded to CICRA between Guernsey and Jersey. The geographic balance of CICRA is likely to be affected if, for example, the distribution of staff across the Islands became significantly uneven.

- 5.27. The Authority noted that its approach to regulation in Guernsey has evolved over the last few years, in response to changing market conditions, new legislation and political views. The regulatory regime is now far less intrusive and less costly. Since 2011, the regulatory fees levied on GPL have fallen from £180,000 to £30,000 and on GEL from £180,000 to £52,000. The Authority explained that it had levied £40,000 for GPL and £40,000 for GEL for 2014, but would refund any of these amounts not spent, and would almost certainly not spend the full amount on post.
- 5.28. The Authority pointed out that most jurisdictions have something like the Sub-Committee established by the Treasury and Resources Department as well as a regulator, as the shareholder and regulatory functions are very different. The Authority welcomed the establishment of the Sub-Committee, which will provide a much needed resource and will remove the need for the regulator to exercise functions that the shareholder should properly exercise, as noted in the RPI review.
- 5.29. CICRA offered to agree a work programme until the end of 2015 with both the Sub-Committee and the Commerce and Employment Department, which would both meet the Authority's regulatory responsibilities and assist the Sub-Committee in its task. The Authority offered to assist the Sub-Committee with advice and information based on its regulatory work, which could be accommodated within a budget of £40,000 for electricity and £20,000 for post, subject to the extent of advice and information provided. This arrangement would enable it to maintain a reasonable resource for work on electricity and post and also for telecoms. This position would be reviewed in autumn 2015 with a view to deciding permanent arrangements.

GCRA/CICRA – response to statutory consultation on changes to States Directions

- 5.30. To accommodate the Departments' joint proposals, some of the extant States Directions relating to electricity and post will need to be rescinded and new States Directions issued (see Section 8, below, '*Extant States Directions to the Authority*'). Section 3 (1) of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001 and Section 3 (5) of the Guernsey Competition and Regulatory Authority Ordinance, 2012 provide that the States, on the recommendation of the Commerce and Employment Department, may give the Authority directions by Resolution and Ordinance, respectively. However, the Commerce and Employment Department must first consult with the Authority.

- 5.31. The Commerce and Employment Department undertook statutory consultation with the GCRA concerning changes to the States' Directions to the Authority, and invited the GCRA to comment more broadly on the proposals as presented in a late-stage draft of this Report.
- 5.32. The GCRA reiterated its reservations about combining the States' rôle as (a) an exclusive government shareholder, (b) protecting consumer interests, and (c) setting policy. The GCRA commented that the alternative framework as proposed is *"likely to raise more challenges than it resolves and independent reviews of regulation in Guernsey have been consistent in supporting that position"*. The Authority expressed specific concern that *"there is a risk that consumers are more likely to be worse off in a framework that must internally balance their interests against others where they are diffuse and diverse. A clear account is therefore needed of how their interest will be balanced against other areas of priority in such an alternative framework"*.
- 5.33. The Authority advised that in the development of remedial actions to address perceived weaknesses in the regulatory framework, full regard should be given to the interactions amongst the legal, public policy, and institutional frameworks in which regulation occurs and operates. The Authority cited the RPI report of utility regulation in Guernsey, which found *"significant limitations in relation to the current governance arrangements for the publicly owned electricity and post monopolies in Guernsey"*. The Authority also referred to the suggestion that the States should give serious consideration to adopting *"a clear and stable formal energy policy"*, which would limit instability in the sectors caused by changes in policy preferences, thereby reducing the potential for regulatory effectiveness to be undermined. Against this background, the Authority commented that it had *"difficulty in knowing whether the alternative framework proposed...is appropriate and consistent with sound governance arrangements and established States policy given that these were key limitations identified in the RPI review and it is not our understanding these have been addressed. It seems to us vital that the governance arrangements, as well as the policy framework, overcome such limitations whatever the alternative regulatory framework chosen"*.
- 5.34. The GCRA reiterated that *"if the oversight functions are to be carried out to a high standard then they need to be appropriately resourced commensurate with the importance of the sectors to the Guernsey economy"*. The GCRA commented that it had adopted a 'light touch' approach to regulating these two sectors with licence fees charged in 2013 amounting to £52,000 (GEL) and £30,000 (GPL) respectively; and that fees are only charged to the extent that costs are incurred. The Authority commented: *"It is the GCRA's view that any effective oversight mechanism is unlikely to be delivered at a significantly lower cost than that delivered by the GCRA"*.

- 5.35. The Authority commented that commercialisation is not exclusively about “*increasing returns*” and “*maximising financial returns*”. The GCRA stated that maximising shareholder value can be achieved in a variety of ways depending on what the shareholder values, and that that does not have to be increasing returns or maximising financial returns. The Authority cites the stated rôle of the UK Shareholder Executive, which “*plays a crucial role in ensuring that the taxpayer gets best value from the assets it owns*”. The GCRA commented that the UK Shareholder Executive carries out this rôle as a shareholder of business entities alongside regulatory authorities that provide a consumer protection rôle in the sectors in which it has a shareholder rôle.
- 5.36. The Authority reiterated the point it had made on a number of occasions, which was that “*if any alternative oversight of GPL and GEL was in place within Treasury & Resources that did not require independent regulation, maintaining regulatory resources for electricity and post in Guernsey was not [an option] we considered workable*”. On this basis, the Authority took the view that “*the removal of GPL and GEL from the GCRA’s regulatory remit should be comprehensive and complete*”. The extant functions and powers of the Authority in respect of the electricity and postal sectors, and proposals for the future of these rôles and responsibilities, are described more fully in Section 7.

Alderney and Sark

- 5.37. Section 3 (2) of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001, requires the Commerce and Employment Department to consult the Policy and Finance Committee of the States of Alderney and the Finance and Commerce Committee of the Chief Pleas of Sark in relation to any recommendation as to States’ Directions. Furthermore, to give effect to the Departments’ joint proposals, it will also be necessary to amend the Post Office (Bailiwick of Guernsey) Law, 2001 (“the Post Office Law”) by Ordinance to exempt GPL from the requirement to obtain and hold a licence for the provision of postal services under Section 1 of the Post Office Law. Section 48 (2) of the Post Office Law requires consultation with the Policy and Finance Committee of the States of Alderney and the General Purposes and Advisory Committee of the Chief Pleas of Sark before recommending the States of Deliberation to agree to amend the Post Office Law.
- 5.38. In response to the statutory consultation undertaken by the Departments, the authorities of Alderney and Sark made no comments on the proposals.

Postwatch and the Electricity User Council

- 5.39. Postwatch could see no benefit in moving away from the existing regulatory model, which it considered to be working satisfactorily. It was supportive of the rôle of the Supervisory Sub-Committee in taking an active interest in the business of Guernsey Post, but felt that this should be in conjunction with the current regulatory framework.

5.40. The EUC did not wish to express any comments on the proposals.

6. General Duties of the Authority

6.1. Section 2 of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001, describes the General Duties of the States and the Authority. These duties are underpinned by the definition, in the same Law, of “*utility services*” as meaning “*postal services, telecommunications services and electricity services, and such other services as the States may by Ordinance direct*”.

6.2. Whereas the Departments propose removing completely from the GCRA its rôles and responsibilities in respect of the electricity and postal sectors, the Departments recommend doing so in such a way as to preserve the existing legislative framework for the independent regulation of these sectors should, in future, it be necessary to reintroduce independent regulation of one or both of these sectors.

6.3. The Departments therefore do not propose rescinding the General Duties of the Authority insofar as they relate to the electricity and postal sectors; rather, the Departments propose amending the relevant legislation to clarify that the General Duties of the Authority shall no longer include those in respect of the electricity and postal sectors.

6.4. Section 2 of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001, requires that the States and the Authority “*shall each have a duty to promote (and, where they conflict, to balance)*” the objectives listed in that section. To avoid doubt, the Departments propose amending the relevant legislation in such a way as clearly to preserve the extant duties of the States to the electricity and postal sectors, whilst removing the duties of the Authority to these two sectors.

6.5. As previously stated, the regulation of telecommunications in the Bailiwick of Guernsey is outside the scope of this States Report, and therefore the Departments make no recommendations in respect of the General Duties of the Authority in so far as they relate to the regulation of telecommunications.

7. Extant functions and powers of the Authority

7.1. The Regulation of Utilities (Bailiwick of Guernsey) Law, 2001 provides that the functions of the Authority, *inter alia*, shall be to grant licences for the provision of utility services, in a manner consistent with the States' Directions and the provisions of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001, and any relevant Sector Law.

7.2. As a consequence of removing the Authority's rôles and responsibilities to the electricity and postal sectors, it would no longer be appropriate for the GCRA to exercise any functions and powers in respect of granting licences for the provision of utility services. The Departments therefore propose that the

Authority's extant functions and powers relating to the licensing of activities within the electricity and postal sectors should be transferred to the Commerce and Employment Department.

- 7.3. The proposed transfer to the Commerce and Employment Department of the Authority's extant functions and powers relating to the licensing of activities within the electricity and postal sectors should be considered with reference to Section 8 of this Report, below, concerning extant States Directions to the Authority.
- 7.4. The Authority also has a number of extant statutory functions relating to the electricity and postal sectors, which do not relate to the licensing and economic regulation of GEL and GPL. These functions, which for the purposes of this Report are termed 'residual functions' include, for instance, the ability to exempt from the requirement to be licensed certain activities, within the electricity and postal sectors (which may be undertaken by parties other than GEL and GPL).
- 7.5. The GCRA has informed the Departments that if it is no longer in a position to exercise regulatory authority over, and receive funding from, GEL and GPL, it would not be able to maintain the internal expertise required to exercise its statutory duties relating to these sectors, including its rôles and responsibilities in respect of these sectors outside the regulation of GEL and GPL (i.e. the Authority's residual functions).
- 7.6. The Departments are also mindful of the need to ensure that the GCRA is not in a position, as a result of the Departments' joint proposals, of having obligations in law but no powers or resources to take regulatory action in these areas (since the Authority would raise no revenue within these sectors and is not permitted to maintain any reserve resource funded by other sectors).
- 7.7. The Departments recognise that whilst the GCRA exercises many of these residual functions on an exceptional basis, provision nonetheless needs to be made to ensure that an appropriate entity has the power to carry out these residual functions should the need arise. The Departments therefore propose that the Authority's residual functions within the electricity and postal sectors should be transferred to the Commerce and Employment Department.
- 7.8. The Departments make no recommendations in respect of the functions and powers of the Authority in so far as they relate to the regulation of telecommunications, which is outside of the scope of this Report.

8. Extant States Directions to the Authority

- 8.1. The Regulation of Utilities (Bailiwick of Guernsey) Law, 2001, provides that the States may, on the recommendation of the Commerce and Employment Department made after consultation with the Authority, by Resolution, give directions to the Authority, regarding the following matters:

- (a) the identity of the person to whom the first licence containing a universal service obligation is to be awarded under a Sector Law;
- (b) any special or exclusive rights to be awarded to any licensee, and the term of such rights, which in the case of telecommunications networks or telecommunications services shall not exceed a period of 5 years;
- (c) the scope of any universal service obligation; and
- (d) any requirements to be imposed on licensees in the light of any international obligations to which the Bailiwick may from time to time be subject.

8.2. In addition to the above, the Guernsey Competition and Regulatory Authority Ordinance, 2012 ("the GCRA Ordinance") provides that the States may, on the recommendation of the Commerce and Employment Department made after consultation with the Authority, by Ordinance give the Authority directions of a strategic or general nature including, without limitation, directions concerning the priorities to be taken into account by it in the exercise of its functions under the provisions of the Competition (Enabling Provisions) (Guernsey) Law, 2009 ("the Competition Law"), the GCRA Ordinance and any other Ordinance made under the Competition Law.

8.3. To accommodate the Departments' joint proposals, the States Directions to the Authority relating to the electricity and postal sectors will need to be rescinded. However, to protect the monopoly position of GEL and GPL within the electricity and reserved postal sectors, respectively, and subject to the proposed transfer of functions and powers from the Authority to the Commerce and Employment Department, the Departments propose that the Commerce and Employment Department should be instructed, by States Direction, not to issue any other licences within these sectors.

9. The six principles of economic regulation

9.1. In September 2011, the States of Deliberation resolved that Guernsey's regulatory authority should follow six principles of economic regulation (reproduced and appended to this Report as Appendix F) in the exercise of its regulatory duties in respect of electricity, post, and telecommunications.

9.2. A consequence of removing the Authority's rôles and responsibilities to the electricity and postal sectors is that the GCRA shall no longer be required to apply the six principles to the electricity and postal sectors.

9.3. The six principles of economic regulation would in any case continue to apply to the regulation of telecommunications in the Bailiwick of Guernsey, which is beyond the scope of this States Report.

- 9.4. The Departments considered whether the six principles should apply or be adapted to apply to the oversight of GEL and GPL by the Supervisory Sub-Committee. The Departments jointly concluded that the proposed system of *oversight* of GEL and GPL, as set out in this Report, constitutes a fundamentally different approach to the present system of *regulation* of the electricity and postal sectors. The six principles of economic *regulation* should therefore not apply to the Supervisory Sub-Committee as it exercises its shareholder *oversight* duties in respect of GEL and GPL.
- 9.5. The Departments recognise, however, that it will be necessary under the new system for the States of Deliberation to have a mechanism by which it can provide general guidance relating to the oversight of GEL and GPL. To that end, the Departments jointly propose that the existing States' Guidance to the Treasury and Resources Department as shareholder should be amended as set out in Section 4.41.

10. Competition

- 10.1. The Departments propose that the provision of electricity services by GEL and reserved postal services by GPL should be included as activities exempted from prohibition under abuse of dominant position, as provided for by Section 56 (1) (f) of the Competition (Guernsey) Ordinance, 2012.

11. Resource Implications

- 11.1. The Sub-Committee will be supported by existing staff at the Treasury and Resources Department central administration facility, which already has responsibility for that Department's shareholder responsibilities.
- 11.2. The Treasury and Resources Department anticipates that the annual budget for the operation of the Sub-Committee will be as set out in the table below:

Sub-Committee – Budget Forecast	£
Attendance Allowances (see note 1):	2,500
Administration Costs (see note 2):	500
Travel and Other Expenses:	500
Support Staff Costs (see note 3):	25,000
Benchmarking (see note 4):	20,000
Total:	48,500

Notes:

1. Budget includes provision for the payment to its non-voting members of an attendance allowance. The existing non-voting members have elected against claiming this allowance.

2. Postage, stationery, photocopying etc.
 3. The Treasury and Resources Department proposes to allocate its direct administration and support staff costs to the budget for the Sub-Committee.
 4. The Sub-Committee will commission external assistance to establish its benchmarking framework (see Section 4.20 of this Report).
- 11.3. The Treasury and Resources Department has agreed that the four companies for which the Sub-Committee is responsible should fund the cost of its operation through an annual levy that will be charged to them. Provision for this levy has already been included within the MoU which have been agreed with GEL and GPL. The Treasury and Resources Department also intends that the cost of the periodic efficiency reviews should be borne by the companies themselves, albeit that the terms of reference for those reviews will be determined by the Sub-Committee. As such, there will be no financial resource implications for the Treasury and Resources Department arising from the establishment of the Sub-Committee.
- 11.4. Given the direct and indirect costs incurred by both GEL and GPL associated with the existing regulatory regime set out earlier in this Report and, noting that the Sub-Committee's costs will be apportioned between four companies, the Treasury and Resources Department is confident that these arrangements will result in significant savings for both GEL and GPL.
- 11.5. The Commerce and Employment Department is responsible, under its mandate, for the regulation of utilities. However, the proposed transfer of extant functions from the GCRA to the Commerce and Employment Department as described in Section 7, above, will require the Department to take on responsibilities and risks which it has previously, in effect, delegated to the Authority, and for which it currently has no dedicated budget or staff resource. The Authority has advised the Commerce and Employment Department that the extant functions described in Section 7 are carried out exceptionally, and therefore no additional budget has been prepared for the exercise of these duties by the Commerce and Employment Department.

12. Analysis of proposals

- 12.1. The two Departments share a common interest in the provision of electricity and postal services in Guernsey and together instigated and undertook the joint Working Party's review of the current regulatory framework for electricity and post. Mindful, however, of each Department's distinct areas of mandated responsibility, once the joint Working Party had undertaken its research, the Departments considered that it would be appropriate for the Treasury and Resources Department to develop proposals for an alternative model, which would in turn be reviewed by the Commerce and Employment Department, ahead of the Departments taking jointly agreed recommendations to the States.

- 12.2. The Commerce and Employment Department, with regard to its mandated responsibility for the strategic approach to and regulation of utilities, gave due consideration to the proposals developed by the Treasury and Resources Department, to ensure that the proposed alternative was sufficiently robust; would provide value for money; and would meet the needs of GEL and GPL, their customers, and the Guernsey taxpayer.
- 12.3. The Commerce and Employment Department welcomes the Treasury and Resources Department's proposals but does not intend that the alternative framework for oversight should represent an easing of the pressure on these companies in terms of the requirement, currently enforced by the Authority, to meet customer needs. The Commerce and Employment Department therefore welcomes the commitment made by GEL and GPL to continue reporting on their adherence to the regulatory customer performance standards previously established by the Authority; to undertake periodic efficiency reviews; and to commission independent customer satisfaction surveys on no less than an annual basis.
- 12.4. The Commerce and Employment Department recognises that the intended rôle of the Sub-Committee is not to provide independent regulation but to carry out a more 'active' shareholder rôle than has been undertaken in the past. The Commerce and Employment Department welcomes the provision of mechanisms to ensure that the Sub-Committee operates within a framework set by the States and with regard to the States' general objectives for the oversight of GEL and GPL. Furthermore, The Commerce and Employment Department recognises that the proposed model is not intended to represent a like-for-like substitute for the current model of regulation but instead represents a system of oversight by the Supervisory Sub-Committee, which would be responsible for holding to account GEL and GPL. The Commerce and Employment Department recognises that the interests of both the Supervisory Sub-Committee and the Treasury and Resources Department, in respect of both GEL and GPL, are focused on promoting the interests of consumers and acting in the best strategic interests of the Bailiwick of Guernsey.
- 12.5. The Commerce and Employment Department recognises the benefit of creating the conditions for electricity and postal services in Guernsey to be provided on a commercial basis within the context of a framework that ensures that the interests of the Guernsey public remain the primary consideration. The Commerce and Employment Department therefore welcomes the clarification provided by the Treasury and Resources Department that its rôle as shareholder, acting through the Sub-Committee, does not extend to assuming a hands-on rôle in managing the companies. The Commerce and Employment Department welcomes the assurance provided by the Treasury and Resources Department that each company's Board of Directors will be empowered to carry out the wishes of the shareholder without undue political interference. The Commerce and Employment Department considers, however, that it would be appropriate for it to consider the application of this approach in practice as part of the wider

review of the proposed system in three years' time as recommended in Section 14.

- 12.6. The Commerce and Employment Department recognises that the composition of the Supervisory Sub-Committee is such that the political members are not in the majority but that due to its constitution under Rule 16 only these two political representatives of the Treasury and Resources Department are entitled to vote on matters before the Sub-Committee. The advantage of this approach is that the majority of the membership of the Sub-Committee should not be affected by political turnover. The Commerce and Employment Department would, however, welcome consideration by the SRC of the future arrangements for the oversight and governance of the States' incorporated Trading Companies and its other trading entities, as suggested in Section 4.31 of this Report. The Commerce and Employment Department has requested the Treasury and Resources Department to pursue this matter with the SRC as part of the latter's ongoing work. The Commerce and Employment Department also welcomes the requirement that the non-voting members of the Sub-Committee need to be able to demonstrate relevant skills and experience. The Department welcomes the provision proposed in Section 4.18 of this Report, which commits the Treasury and Resources Department (and its successors) to maintaining the Supervisory Sub-Committee.
- 12.7. The Commerce and Employment Department acknowledges that in suspending the independent regulation of GEL and GPL, there is an accompanying need to manage the risks that the direction given to these companies by the Treasury and Resources Department may be inappropriately influenced by political considerations, or that problems with the performance of these companies are not brought to the attention of the public, or solved in an appropriate manner. The Department therefore welcomes the commitment by the Treasury and Resources Department, as set out in Section 4.13, to address the potential risk that political considerations become prevalent in determining key decisions at the companies. The Treasury and Resources Department explains that its MoU with GEL and with GPL will define the boundaries of the shareholder's rôle. The Commerce and Employment Department welcomes the principle of setting of such boundaries and the commitment that subject to any considerations around commercial confidentiality, the benchmarking results monitoring the performance of GEL and GPL would be made public. In order to assure the public that no such conflicts exist in the ongoing operation of the new framework, C&E considers that this is another area where the application of this approach in practice should be examined as part of the wider review of the proposed system in three years' time as recommended in Section 14.
- 12.8. The consultation responses received from GEL and GPL clearly indicate that a switch from the current regulatory system would meet the needs of these companies. The Commerce and Employment Department is satisfied that the alternative system has been developed with close reference to GEL and GPL, and that the companies have had due opportunity to identify issues that need to

be addressed as part of the review of the current regulatory framework. The Commerce and Employment Department is of the view that the Supervisory Sub-Committee is in a position to be able to exert sufficient pressure on GEL and GPL to maintain efficiency and to act in the best interests of the public.

12.9. The Commerce and Employment Department recognises the view held by GEL and GPL that the costs of regulation, although significantly reduced in recent years, nonetheless represent unnecessary costs. Although GEL and GPL are commercialised utilities, it is clearly in the public interest for these companies to reduce unnecessary costs that may be passed on to consumers. The Authority has commented that any cost savings generated by the move to the proposed Sub-Committee system would be modest at best in the context of the significant burden on the economy and consumers from potential inefficiency in the operation of these utilities. As stated at Section 12.8 above, however, the Commerce and Employment Department considers that the Supervisory Sub-Committee is in a position to be able to exert sufficient pressure on GEL and GPL to maintain efficiency.

12.10. The Commerce and Employment Department considers that the wider review of the proposed system in three years' time as recommended in Section 14 should pay particular regard to whether the new arrangements meet the needs of GEL, GPL, their customers, and the Guernsey taxpayer.

13. The future rôle of the GCRA

13.1. The Departments' proposals have the effect of removing the Authority's regulatory responsibilities not only for GEL and GPL but also for the wider electricity and postal sectors.

13.2. The Departments, however, recognise that future market or other changes within one or both of these sectors may require the reintroduction of some form of independent regulation. The Departments therefore propose to remove the GCRA's licensing and other extant functions within these sectors principally by amending, rather than repealing, the relevant legislation. In so doing, the Departments intend to preserve, albeit in a dormant state, the legislative framework for the regulation of these sectors, which should allow for independent regulation to be re-established without the need for extensive development of new legislation should, for example, the States wish to introduce competition within the electricity and/or reserved postal sectors.

13.3. The Authority has advised the Departments that should these proposals be enacted it would not be possible or appropriate for the GCRA to continue to exercise any functions or responsibilities relating to the electricity and postal sectors, or to reserve any capacity to support the Supervisory Sub-Committee. Both Departments accept this position and have sought to ensure the complete and comprehensive removal from the GCRA's regulatory remit not only of GEL and GPL but also of the electricity and postal sectors.

- 13.4. As previously stated, the regulation of telecommunications is beyond the scope of this States Report; however, the Commerce and Employment Department considers that the proposed framework has the welcome potential to enable the Authority to reprioritise its workload so as to focus more on telecommunications regulation.

14. Review

- 14.1. The Departments jointly consider that subject to the States of Deliberation approving the proposal to exempt GEL and GPL from the regulatory regimes for electricity and post respectively, the alternative framework should be reviewed three years from the date on which it comes into effect.

15. Legislation

- 15.1. The Law Officers of the Crown have been closely involved in the formulation of the proposals set out in this Report and the associated drafting resource required.
- 15.2. The Departments have been advised by the Law Officers of the Crown that the legislative drafting required to implement the proposals in this States Report should be relatively straightforward, involving primarily the amendment of the two sector Laws, the Income Tax (Guernsey) Law, 1975 (see Section 15.4 below) and possibly some consequential amendments of other legislation.
- 15.3. Whilst the proposed amendments to the legislation will exempt both companies from the requirement to hold a licence from the Authority, in the case of GEL there will be a number of areas within the context of the Electricity (Guernsey) Law, 2001 where it will still need to be “deemed” to be a licensee for the purposes of that Law. For example, the Law sets out the powers which a licensee may exercise in relation to third party land for the purpose of generating, conveying or supplying electricity and for providing electricity supply services. GEL will still need to be able to rely on these (and other) provisions within the Law if it is to be able to maintain its services effectively. Similar consequential amendments will need to be made to the Post Office (Bailiwick of Guernsey) Law, 2001, principally to ensure that the provisions therein relating to universal postal service providers still apply to GPL.
- 15.4. It should also be noted that, under the Income Tax (Guernsey) Law, 1975, income from trading activities regulated by the Authority is subject to taxation at the higher company rate of 20%. Both GEL and GPL will still need to be “deemed” to be regulated by the Authority for the purposes of the 1975 Income Tax Law to ensure that they continue to pay tax at this rate.
- 15.5. All relevant legislative amendments can be made by Ordinance made by the States of Deliberation.

- 15.6. Subject to the decisions of the States in respect of this Report, the Commerce and Employment Department intends to lay before the States, in a subsequent report, a detailed schedule of the legislative changes necessary, together with a schedule of changes to be made to the extant States Directions to the Authority, to give effect to the Departments' joint proposals.

16. Compliance with the principles of good governance

- 16.1. The Department believes that it has fully complied with the six principles of good governance in the public services in the preparation of this Report (set out in Billet d'État IV, 2011 and approved by the States).

Core Principle 1: Focusing on the organisation's purpose and on outcomes for citizens and service users.

- 16.2. The Departments' joint proposals are in pursuance of the States of Guernsey's objective⁶ to provide co-ordinated and cost-effective delivery of public services. These proposals aim to improve outcomes for citizens and service users by removing the regulatory burden and cost of regulation on GEL and GPL, whilst at the same time ensuring that a robust system of shareholder oversight is in place to ensure that these companies operate efficiently and in the best interests of the public. The proposals also seek to maintain the requirement for GPL to provide a USO.

Core Principle 2: Performing effectively in clearly defined functions and roles.

- 16.3. The 2011 RPI report on utility regulation in Guernsey criticised the lack of an active shareholder. These proposals seek to strengthen the Treasury and Resources Department's rôle as shareholder and to enable it more proactively to hold GEL and GPL to account at the direction of the States. The joint proposals also contain safeguards to protect against political interference in the operational management of the companies.
- 16.4. The joint proposals seek to clarify the arrangements by which GEL and GPL are held to account, as currently there is scope for these companies to experience conflict between, on one side, the shareholder, and on the other, the regulator. These proposals seek to bring clarity to this situation by removing this potential source of conflict.
- 16.5. The joint proposals also provide for the Commerce and Employment Department to continue to have a rôle in the strategic oversight of GEL and GPL through the requirement in the terms of reference of the Sub-Committee for it to consult the Commerce and Employment Department on strategic matters relating to these companies (see Section 4.14).

⁶ States Objectives as set out in the States Strategic Plan, Billet d'Etat XIX, 2010

- 16.6. The proposals do not represent a return to something akin to the historic arrangements involving politically controlled trading boards at GEL and GPL. The MoU are intended to provide clearly defined boundaries between the shareholder and the Boards of Directors of GEL and GPL.

Core Principle 3: Promoting values for the whole organisation and demonstrating good governance through behaviour.

- 16.7. The Departments are of the view that these proposals demonstrate good governance, for instance, by setting clearly defined boundaries to enable the shareholder to act on the direction of the States but with safeguards against inappropriate political interference; and by putting an emphasis on accountability through performance measurement. The proposals are also underpinned by the recognised need to meet the needs of the wider community as well as the needs of the service providers (i.e. GEL and GPL).

Core Principle 4: Taking informed, transparent decisions and managing risk.

- 16.8. There has been consultation at various stages in the development of these proposals with stakeholders including GEL, GPL, and the Authority, to identify associated risks.
- 16.9. The Departments' joint proposals provide for the legislative framework for regulation of these sectors to remain in place, in a 'dormant' state, to provide for the potential reintroduction of independent regulation in the event of market and/or political changes (such as the introduction of competition to these sectors) which may require the reintroduction of independent regulation.
- 16.10. Whereas the proposals are jointly sponsored, the Commerce and Employment Department has undertaken ongoing evaluation of the proposals as developed by the Treasury and Resources Department, in line with its mandated responsibilities for the strategic approach to and regulation of utilities.

Core Principle 5: Developing the capacity and capability of the governing body to be effective.

- 16.11. The Departments have agreed that the non-States' Members sitting on the Supervisory Sub-Committee should be able to demonstrate relevant experience and skill as set out in Section 4.28. The Departments consider that these non-States' Members significantly strengthen the capacity and capability of the Treasury and Resources Department effectively to undertake its rôle as shareholder. The terms of reference of the Sub-Committee also provide for it to commission external consultancy support and assistance as may be deemed necessary (see Section 4.14).

Core Principle 6: Engaging stakeholders and making accountability real.

- 16.12. The Departments have consulted GEL, GPL, the GCRA, Postwatch, the EUC, and the governments of Alderney and Sark.
- 16.13. The proposals also include provisions for benchmarking and the establishment of KPIs, in order to assist the Sub-Committee in measuring the effectiveness of GEL and GPL, and for these to be made public subject to considerations around commercial confidentiality. The companies have also made commitments set out at Section 4.24 relating to performance measurement.

17. Recommendations

17.1. The Departments jointly recommend:

1. That the States direct that Guernsey Electricity Limited and Guernsey Post Limited should be made exempt from the licensing and regulation provisions within the respective electricity and postal laws by no later than 1st January, 2016.
2. That the States direct that the existing shareholder guidance to the Treasury and Resources Department in respect of Guernsey Electricity Limited and Guernsey Post Limited should be amended as described in Section 4.41 of this Report.
3. That the States direct the Treasury and Resources Department to continue maintaining a Supervisory Sub-Committee in accordance with the membership set out in Sections 4.27 to 4.29 of this Report and the objectives and terms of reference as set out in Sections 4.10 to 4.18 of this Report.
4. That, subject to the States agreeing to recommendations (1) and (2) above, the States direct the Commerce and Employment Department, in liaison with the Law Officers of the Crown, to report on the detailed legislative changes necessary to give effect to the Departments' joint proposals.
5. That, subject to the States agreeing recommendations (1) and (2) above, the States direct the Commerce and Employment Department to report on the effectiveness of the replacement oversight arrangements by no later than three years from the date on which these arrangements come into effect.

Yours faithfully

**Commerce and Employment
Department**

K A Stewart
Minister

A H Brouard
Deputy Minister

D de G De Lisle
G M Collins
L S Trott

Advocate T Carey (Non-States Member)

**Treasury and Resources
Department**

G A St Pier
Minister

J Kuttelwascher
Deputy Minister

A Spruce
R A Perrot
A H Adam

J Hollis (Non-States Member)

**MEMORANDUM OF UNDERSTANDING
BETWEEN
THE TREASURY AND RESOURCES DEPARTMENT AND GUERNSEY ELECTRICITY LIMITED**

1. Purpose

The Minister and Deputy Minister of the Treasury and Resources Department are equal Shareholders, in trust, on behalf of the States of Guernsey of all shares in Guernsey Electricity Limited.

The Treasury and Resources Department has been mandated by the States of Deliberation inter alia: to advise the States on matters relating to the allocation and administration of all States resources; and, to be responsible for the shareholders' functions and duties in respect of the States Trading Companies, including Guernsey Electricity Limited.

The purpose of this document is to formalise the relationship between the Treasury and Resources Department of the States of Guernsey ("the Shareholder") and Guernsey Electricity Limited ("the Company") by detailing the protocols to be observed in their on-going relationship and setting out the expectations, rights and duties of both parties.

2. Scope

This Memorandum of Understanding covers the current expectations placed on the Company by the Shareholder and details the documentation, levels of disclosure and contact expected to enable the Shareholder to discharge its duties and to ensure that the Company discharges its corporate governance duties. It also sets out the institutional arrangements that the Shareholder has established to exercise its role and responsibilities as shareholder in the Company. It details the objectives of the Company agreed between the Board of the Company and the Shareholder and establishes arrangements setting out how the Company will report its performance against those objectives.

The Shareholder and the Company each acknowledge that it is in their mutual interest for each to act at all times having regard to the best interests of the Company.

This Memorandum of Understanding shall not act so as to enable or authorise the Shareholder or the Supervisory Sub-Committee (see section 3 below) to act in any manner which might constitute either or each of them (including employees, servants or members of such bodies) being capable of being regarded as a "Shadow Director" within the meaning of Section 132 of the Companies (Guernsey) Law, 2008.

3. Supervisory Sub-Committee

The Shareholder has established a Supervisory Sub-Committee ("the Sub-Committee") which has been charged with the following objectives:

- Establish clear shareholder objectives for the Company;
- Monitor the Company's performance against appropriate industry benchmarks and quality standards to ensure that the Company delivers cost-effective and innovative services which are responsive to their customers' needs and that the Company operates efficiently and responsibly in the best interests of the community;
- Ensure that the Treasury and Resources Department is an effective shareholder in the Company; and,

- Seek value and an appropriate return that provides best value to the Guernsey economy from the Company for the community, whilst striking a balance with the enabling role the Company plays in supporting the Island and its social, economic and environmental objectives for the long-term benefit of the Island and its community.

The Shareholder has established the following specific terms of reference for the Sub-Committee:

- Regularly review the guidance (“the States Guidance to the Shareholder”) that, under the provisions of the States Trading Companies (Bailiwick of Guernsey) Ordinance, 2001, the States of Deliberation is able to give on the policies that they wish the Shareholder to pursue in exercising its functions as shareholder;
- Ensure that the Shareholder is fulfilling the obligations set for it under the States Guidance to the Shareholder;
- Establish clear shareholder objectives for the Company, including but not limited to areas such as pricing and pricing controls, dividend policies, financial performance, quality of customer service, corporate governance, sustainability, reputation and compliance with environmental standards;
- Establish the financial, operational and strategic parameters within which the Company can operate with and without reference to the Shareholder;
- Engage with the Company on financial matters and hold it to account in terms of its performance against its business plan and shareholder objectives; and,
- Scrutinise the process employed for the appointment of the Company’s Chairman, non-executive directors and executive management team.

The Shareholder will appoint a Shareholder Liaison Officer who will act as the principal point of liaison between the Shareholder, the Sub-Committee and the Company on a day-to-day basis. The Shareholder Liaison Officer will assist and support the Company in meeting its obligations under this Memorandum of Understanding and will provide a sounding board for the Company and their Executive Directors on matters of shareholder interest.

The Shareholder and the Company agree that the costs reasonably incurred by the Shareholder in exercising its oversight responsibilities for the Company through the Sub-Committee and the Shareholder Liaison Officer will be charged to the Company. These costs will be fairly apportioned between the Company and the other companies for which the Department acts as shareholder on behalf of the States. The Shareholder will provide an estimate to the Company of its anticipated costs and proposed apportionment for each calendar year no later than 30th October of the preceding year.

4. States Strategic Guidance

The States Guidance to the Shareholder¹ is set out in Schedule 1.

The Shareholder believes that the States intended purpose of commercialisation was to enable the Company to run more efficiently, unencumbered by public sector constraints, particularly in respect of staff levels and staff remuneration, to capitalise on opportunities that can make greater use of the Company’s asset base and to investigate new business areas that may be “conveniently combined” with the core business streams.

Schedule 1 will be updated from time to time to take account of any changes in legislation or regulation.

¹ Resolution XIV(4) of Billet d’Etat XV of 2011

In 2011, following consideration of a report from the Commerce & Employment Department, the States agreed² to direct the Treasury and Resources Department to follow the six principles of corporate governance set out in that report and to take them into account in performing the shareholder representative role. The six principles are set out in Schedule 1.

5. Shareholder Objectives

The Shareholder has established and agreed shareholder objectives with the Company. These are set out in Schedule 2, which also sets out the Key Performance Indicators and other criteria on which the Company will report to demonstrate its performance against these shareholder objectives.

Schedule 2 also sets out the guaranteed service standards agreed by the Company and the associated penalty charges for not achieving them. Schedule 2 will be updated from time to time to take account of any changes in objectives or performance metrics agreed between the Shareholder and the Company.

The Company will commission a triennial external efficiency review of its operations, the arrangements and terms of reference for which will be subject to the approval of the Sub-Committee. The company will be responsible for meeting the costs associated with this review.

The Company will establish and maintain an independent User Council to supplement existing methods of communication with its customers. The User Council will provide an opportunity for the company's customers to convey to an independent body issues, ideas and observations on the provision of its services.

6. Documentation

The Company will provide the Shareholder with the following documented information:

- a) An annual confidential Shareholder Report which should cover, as a minimum, the following areas:
 - A review of the Company's performance against its key objectives and strategic goals;
 - A brief description of the principal challenges and other relevant issues that the Company has dealt with in the preceding year;
 - A review of the principal risks being managed by the Company and the steps being taken to mitigate against these;
 - The results of the Board effectiveness review; and,
 - An overview of the work over the year of the Audit and Risk Sub-Committee, the Remuneration Sub-Committee and the Board Nominations Committee, or such sub-committees, however combined, named or constituted which fulfil the tasks and roles of the above named sub-committees.
- b) An annual confidential Remuneration Report, including disclosure of the remuneration package for each of the Executive Directors, including any bonuses paid and their basis;
- c) The Company's annual report and accounts (as published);

² Resolution XIV(3) of Billet d'Etat XV of 2011

- d) An annual transparency report (the content and format of which will be agreed and reviewed with the Company from time to time);
- e) An annual business plan and periodic strategic plans, drafts of which should be submitted to the Shareholder before finalisation;
- f) Quarterly KPIs and financial performance reports, including P&L, Balance Sheet and Cashflow (to date and forecasts).

A timetable showing the timing of the submission of these reports is shown at Schedule 3. It is acknowledged that some of the documentation set out above and not specifically marked as confidential will contain confidential and/or commercially sensitive information which will not be appropriate for publication.

7. Meetings and Liaison

The following annual calendar of Shareholder contact should continue for the term of this Memorandum of Understanding:

- a) Annual meeting between the Board of the Treasury and Resources Department, the Sub-Committee and representatives of the Company (to include the Chairman, Chief Executive and Finance Director) to review and discuss the annual Shareholder Report, the Annual Report and Accounts, the Remuneration Report and the Transparency Report;
- b) Annual meeting between the Sub-Committee and representatives of the Company (to include the Chairman, Chief Executive and Finance Director) to review and discuss:
 - Strategic issues, including company performance;
 - Financial matters, including the latest management accounts;
 - Risk and assurance issues;
 - Current or upcoming events and issues;
 - Development of and updates to the strategic plan for the following calendar year; and,
 - Development of and updates to the strategic plan for the following calendar year.
- c) Annual AGM.

A timetable showing the timing of these meetings is included in Schedule 3.

Regular dialogue and liaison will be maintained between the Company and the Shareholder Liaison Officer to ensure that there are “no surprises” for either party and to ensure that any matters which may have political implications can be discussed with the Shareholder in advance.

8. Matters to be Referred to the Shareholder

From time to time matters will need to be referred to the Shareholder, either for approval or for information. Those matters that are reserved for decision by the Shareholder are set out in Schedule 4.

Prior sight should be given to the Shareholder, for information only, of any press release that deals with a significant announcement (on the basis that there should be “no surprises” for either party).

9. Corporate Governance Issues

The Shareholder is required by the States to ensure that the Company complies with best practice on corporate governance, including financial management and controls and, as such, the Shareholder will expect the following minimum requirements to be in place within the Company:

Appointment of Non-Executive Directors and Executive Directors

The appointment of the appropriate Non-Executive and Executive Directors is essential to the performance of the Board and to the Shareholder in achieving its objectives. Therefore, there should be a formal, rigorous and transparent procedure for the appointment of new Non-Executive and Executive Directors to the Board, which should be agreed beforehand with the Shareholder.

All such appointments shall be in accordance with the Company's Articles of Incorporation and any relevant legislation.

Any new Non-Executive Director appointments will need to be approved by the States of Deliberation on the recommendation of the Shareholder.

The guidance from the Shareholder is that there will be a general presumption that Non-Executive Directors will serve for six years (i.e. two terms of three years). The Company's Board may request the Shareholder to agree to the reappointment of a Non-Executive Director for a third three-year term where such a reappointment would be in the best interests of the Company, having regard to the Non-Executive Director's performance, contribution and the need for continuity. Where such a request is made, the Shareholder will normally respond positively. It is most unlikely that the Shareholder will consent to a further reappointment beyond the nine year period.

Audit Committee

The Company will maintain an Audit Committee which will meet at least biannually. The annual results of their work and considerations should be included in the Shareholder Report.

Internal Control

A sound system of internal control (including financial, operational and compliance controls) and risk management must be in place to ensure effective governance of the Company's finances and resources.

The Company will be expected to conduct a review of the effectiveness of the system of internal control at least annually and to document the above review as part of the annual Shareholder Report.

Remuneration and Nominations Sub-Committee

There should be a formal and transparent procedure for developing policy on executive remuneration and for framing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.

Levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the Company successfully while avoiding paying any more than is

necessary for this purpose. A proportion of Executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance.

The Shareholder will expect to see full disclosure Remuneration Reports, in respect of each Director, within the annual Confidential Remuneration Report.

The Sub-Committee will also be responsible for leading on the process for appointing new Non-Executive Directors, such process to be subject to the approval of the Shareholder. Evidence of periodic, thorough and effective skills analyses undertaken by the Company's Remuneration and Nominations Sub-Committee and supported by its Board prior to recommendations being put forward to the Shareholder will need to be demonstrated.

Periodic Review of Company Articles of Association

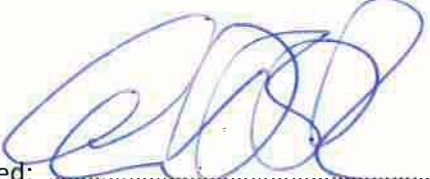
The Company and the Shareholder shall co-operate to review periodically, but at least once every five years, the Company's Articles of Incorporation to ensure that they are fit for purpose and take due regard to changes in company legislation and other relevant legislation and the needs of the Company and the requirements of the Shareholder generally.

10. Dividend Policy

The Shareholder will issue periodically guidance to the Company setting out its expectations in respect of dividends. The Company's Board will recommend the dividend for approval by the Shareholder at the Annual General Meeting, taking into account any such guidance, as well as the Company's strategic plans, its investment plans and available financial resources, its current and projected future debt levels and the overall best interests of the Company.

11. Period of Memorandum of Understanding

This Memorandum of Understanding will be reviewed after a period of three years from the date of its signature.


Signed: 

For and on behalf of the Treasury and
Resources Department

Name: Alan Bates

Title: Manager

Date: 5/1/15

Signed: 

For and on behalf of Guernsey Electricity
Limited

Name: ALAN BATES

Title: MANAGING DIRECTOR

Date: 18th DECEMBER 2014.

SCHEDULE 1

States Guidance to the Treasury and Resources Department in exercising on behalf of the States the role of shareholder of Guernsey Electricity

1. The extent of the services of Guernsey Electricity Limited shall be to carry on business as a producer, generator, conveyor, supplier, marketing agent and distributor of electrical energy together with any other services that are ancillary or related to or may be conveniently combined with such electrical energy services in the Bailiwick of Guernsey and elsewhere.
2. However electricity services are to be provided in future, they are to be provided within a policy of retaining sufficient on-island generating plant to meet the total long-term demand, to cover for the possibility of interruption or unavailability of power through the cable link to France.
3. Guernsey Electricity Limited shall not be permitted to apply for any licence for the provision of telecommunications services under the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001.
4. Financial performance targets for Guernsey Electricity Limited shall be set so as to:
 1. Deliver improved efficiency in fulfilling the requirements of the Public/Universal Supply Obligation imposed under the regulatory regime; and
 2. Achieve as soon as is practicable an appropriate commercial return on the resources employed in the provision of other services.
5. Without an express resolution of the States, no property or buildings which are essential to fulfilling the Public Supply Obligation imposed under the regulatory regime shall be disposed of except by acquisition by the States under appropriate terms.
6. Policies for the provision of services and other activities of Guernsey Electricity Limited shall have regard to the Economic, Social and Environmental policies adopted by the States and set out in this Strategic and Corporate Plan.
7. Guernsey Electricity Limited shall be required to comply with best practice on corporate governance, financial management and controls.

Six Principle of Corporate Governance – Section 6.6 of Article 14 of Billet d’Etat XV of 2011

1. **Governance Frameworks:** where appropriate, ensure that corporate governance is compliant with the principles of the UK Corporate Governance Code (formerly known as the Combined Code) and fits the needs of the shareholder and business.

2. **Strategy:** set overall objectives for the business, including responsibility for resolving any conflict between the Government's objectives. Agree with the commercial boards strategic plans for delivering those objectives: the boards are then accountable for their delivery.
3. **Appointments:** recommend to the States appointments as the Chair and actively participate in other Board appointments.
4. **Remuneration and incentivisation:** set or agree remuneration principles so that management and shareholder interests are aligned.
5. **Financing and Investments:** work with businesses to optimise capital structures, agree dividend policy and approve significant investments and realisations.
6. **Monitoring and intervention:** monitor performance to ensure that the strategic plan is on track and that shareholder interventions are timely and well-informed.

SHAREHOLDER OBJECTIVES

The objectives set for Guernsey Electricity in the memorandum of understanding are as follows:

- Provide a rate of return on shareholder capital employed to be agreed between the Company and the Shareholder³ ;
- A commercial return on any loan finance from the States;
- Competitive unit prices for customers, appropriate segmented based on, for example, volume and benchmarked against comparable services in other jurisdictions;
- and, customer satisfaction feedback and/or scores at or above a level to be decided;

With the overall summary of objectives being to:

- Demonstrate good and externally benchmarked customer satisfaction;
- Provide a reliable electricity supply at externally benchmarked and competitive prices for each type of customer;
- Produce a transparency report at least annually (content to be agreed from time to time);
- Demonstrate good environmental behaviour in all respects, establishing externally benchmarked measurements where possible;
- Deliver its business plan and report to the Treasury and Resources Department on progress.

The specific objectives agreed between the Shareholder and the Company are:

- To reduce the Company's average tariffs so that, when benchmarked against the Jersey Electricity average tariff, they are at a comparable level when taking into account all cost driver differences. The target is to reduce the difference between Guernsey Electricity's and Jersey Electricity's average tariffs from 17% to 11% for the period 2015-2018. This will be reviewed on an annual basis.
- To reduce the current year customer minutes lost by 10% compared to the five year rolling average figure. This should at all times be better than the UK equivalent figure.
- To maintain the on island generation level of security above N-2.
- To ensure the on island generation strategy achieves the 80/80 rule for affordability.
- To achieve decarbonisation targets by achieving a level of carbon intensity for electricity consumed in Guernsey of less than 100gCO₂eq/kWh.
- To achieve the targets set for service standards for business activities.

Note:- The above specific objectives will reviewed on a regular basis and new targets set as required.

³ Following consideration of the 2015 Budget Report (Billet d'Etat XXII of 2014) the States of Deliberation has agreed that the Shareholder should commission an external review of the appropriate level of investment return that should be generated from States-owned trading assets. The recommendations arising from this Review will be reported back to the States of Deliberation in 2015.

KEY PERFORMANCE METRICS

In support of the above, Guernsey Electricity will be monitoring and reporting on the following Key Performance Indicators:

Area	Objective	Key Performance Indicator	Notes
People	Employer of Choice	Staff Turnover (voluntary)	% Turnover
		Employee Survey	Employee Engagement Rating (3 yearly)
	Health and Safety	Lost Time Injury Frequency Rate	Time Lost and 3 Day Accidents
	Well Being	Absence	Working Days lost to sickness %
	Maximising Potential	Achievement of Development Goals	Performance Management System (under development)
Operations	Effective Use of Assets	Availability of Plant	% Time available for service
	Reliable Supply	Network	Network Customer Minutes Lost
		Generation	Generation Customer Minutes Lost
	Operational Efficiency	Thermal	Power station thermal efficiency
		Electrical	Billable/Imported/Generated Ratio
		Marginal Cost	Marginal Cost Model
	Resource Productivity/Efficiency	Staff per GWh delivered/1000 customers	
	Security	Importation	N-1
		On-Island Generation	N-2
Customer	Customer Satisfaction Meet Expectation	Number of Contacts	Breakdown of type
		Service Standards	Guaranteed & Overall
		Customer Satisfaction	Customer Survey Results
		Price	Local/Jersey/EU for segments
		Reliability	Total Customer Minutes Lost
	Manage Perceptions	Media Coverage	Planned v Unplanned media coverage
	Provide Centre of Excellence	Customer Efficiency Savings	Energy Sales (to be developed)

Area	Objective	Key Performance Indicator	Notes
Finance	Margins	p/KWh margin	Tariff margin analysis
	Effective Cost Control	Budget Expenditure Analysis	Variance
	Grow the Business	Unit Sales (MWh)	% Increase
	Financial Covenants	Leverage, Interest Cover, Debt:Equity	
	Return	Return on Capital Employed	ROCE/RAB targets
Our Island	Being a good neighbour	Complaints about core activities	Resolution within an agreed timeframe, where required
	Caring for the environment	Environmental KPIs	Waste, fuel & water KPIs
		Carbon Intensity	Carbon content of KWh sold
	Community Engagement	Money/Time participation	Local Environment/Youth Investment
	Guernsey open for business	Percentage of load acceptance/time to delivery	Core Business Only
	Energy Market Share	% of Energy Imports	SOG Figures

GUARANTEED & OVERALL SERVICE STANDARDS

The following are the guaranteed service standards and associated penalty charges for not achieving them.

GS 1. Service fuse failures

Repair faults within 3 hours of notification. Penalty £25.

GS 2. Restoring supplies

Restore within 18 hrs except where approved by the Treasury and Resources Department. Penalty £50 domestic £100 non domestic

GS 3. Providing a supply

To connect new customers with existing supply within 3 working days. Penalty £25.

GS 4. Notice of planned interruption of supply

Give 5 days notice of interruption for planned maintenance. Penalty £25.

GS 5. Voltage complaint

Investigate within 7 working days. Correct all voltage faults within 6 months. Penalty £25.

GS 6. Charges and payments

Answer all written fax or email queries of charges/payments within 3 working days. Penalty £25.

GS 7. Meter disputes

Explain and investigate claims within 7 working days. Penalty £25.

GS 8. Prepayment meters

Failure of meter - Visit customer premises within 4 hours of notification of failure. Penalty £25.

GS 9. Changing meter

Change meter within 7 working days for a tariff or payment method change. Penalty £25.

GS 10. Making & keeping appointments

Offer and keep morning/afternoon appointment or timed appointments within 30 mins. Penalty £25.

GS 11. Payments owed under the standard

Make payment within 10 working days except if approved by the Treasury and Resources Department. Penalty £20.

GS 12. Estimate of charge

New supply or alter existing supply- supply estimate of charge within 5 working days. Penalty £10.

The following are the overall service standards

OS 1. Restoration of supply

Fault / damage, restore supply to 90% within 3 hrs.

OS 2. Estimate of charge

Provide 97% within 15 working days if significant reinforcement required

OS 3. Meter reading

Obtain meter reading from 99.5% of all customers once a year.

OS 4. Customer correspondance

Answer 100% of supply or distribution queries within 10 working days.

OS 5. Cable enquiries - single site

Reply to 97% single site inside 1 hr.

OS 5. Cable enquiries - multiple site

Reply to 98% multiple site within 2 working days.

OS 6. Pollution

Answer 98% complaints within 8 hours of notification.

OS. 7 Relocating meter

Relocate meter at customers request within 15 days.

SCHEDULE 3**Timetables****Timetable for the Submission of Reports and Documentation**

Item	Frequency	Guide Date
Shareholder Report	Annual	30 th June
Remuneration Report	Annual	30 th June
Annual Report & Accounts	Annual	30 th June
Strategic Plan	Annual	3 months before the start of the financial year
KPIs & Financial Performance Reports	Quarterly	Within 6 weeks of quarter-end
Transparency Report	Annual	30 th June

Timetable for Meetings

Meeting	Topic	Guide Date
T&R Board	Shareholder Report; Remuneration Report; Annual Report & Accounts; Transparency Report	April/May
Supervisory Sub-Committee	Strategic issues, including company performance; financial matters, including the latest financial performance reports; risk and assurance issues; current or upcoming events and issues; annual business plan	November/December
AGM		July/August

MATTERS FOR REFERRAL TO THE SHAREHOLDER**THE FOLLOWING MATTERS ARE RESERVED TO THE SHAREHOLDER FOR ITS DECISION / APPROVAL:**

1. Allotment and transfer of Company shares;
2. Alteration of the Company's Share Capital;
3. Appointment and Remuneration of Non-Executive Chairman and Non-Executive Directors;
4. The removal of any Non-Executive Director;
5. Annual Strategic Plan, including tariff strategy, and any material derivations from it;
6. Determination of dividend policy;
7. Approval of a dividend;
8. Approval of the annual report to the shareholder and the accounts;
9. Alteration of the company's memorandum and articles of association;
10. Appointment, reappointment or removal of the external auditor;
11. Appeals against any decision of the Guernsey Competition and Regulatory Authority.
12. Establishment of any subsidiary companies;
13. Any proposed sale, lease or encumbrance of any property transferred to the company at Commercialisation;
14. Material matters relating to the Channel Islands Electricity Grid;
15. Material litigation prosecuted or defended by the Company;
16. Acquisitions and disposals of corporate entities greater than £250k;
17. Material investments or divestments greater than £5m;
18. Merger with, or takeover by, another company;
19. Change of company name;
20. Winding up of the company;
21. Matters that will not generate a commercial return, but may fulfil other social, economic or environmental objectives;
22. The entry into new markets, or the introduction of new products, outside the core business.

The company is also required to bring all matters which have the potential to attract political interest to the shareholder's attention prior to them being made the subject of any formal media releases. As examples these will include but not be limited to:

1. Closures
2. Potential industrial action
3. Material service issues
4. Redundancies

**MEMORANDUM OF UNDERSTANDING
BETWEEN
THE TREASURY AND RESOURCES DEPARTMENT AND GUERNSEY POST LIMITED**

1. Purpose

The Minister and Deputy Minister of the Treasury and Resources Department are equal shareholders, in trust, on behalf of the States of Guernsey of all shares in Guernsey Post Limited.

The Treasury and Resources Department has been mandated by the States of Deliberation inter alia: to advise the States on matters relating to the allocation and administration of all States resources; and, to be responsible for the shareholders' functions and duties in respect of the States Trading Companies, including Guernsey Post Limited.

The purpose of this document is to formalise the relationship between the Treasury and Resources Department of the States of Guernsey ("the Shareholder") and Guernsey Post Limited ("the Company") by detailing the protocols to be observed in their on-going relationship and setting out the expectations, rights and duties of both parties.

2. Scope

This Memorandum of Understanding covers the current expectations placed on the Company by the Shareholder and details the documentation, levels of disclosure and contact expected to enable the Shareholder to discharge its duties and to ensure that the Company discharges its corporate governance duties. It also sets out the institutional arrangements that the Shareholder has established to exercise its role and responsibilities as shareholder in the Company. It details the objectives of the Company agreed between the Board of the Company and the Shareholder and establishes arrangements setting out how the Company will report its performance against those objectives.

The Shareholder and the Company each acknowledge that it is in their mutual interest for each to act at all times having regard to the best interests of the Company.

This Memorandum of Understanding shall not act so as to enable or authorise the Shareholder or the Supervisory Sub-Committee (see section 3 below) to act in any manner which might constitute either or each of them (including employees, servants or members of such bodies) being capable of being regarded as a "Shadow Director" within the meaning of Section 132 of the Companies (Guernsey) Law, 2008.

3. Supervisory Sub-Committee

The Shareholder has established a Supervisory Sub-Committee ("the Sub-Committee") which has been charged with the following objectives:

- Establish clear shareholder objectives for the Company;
- Monitor the Company's performance against appropriate industry benchmarks and quality standards to ensure that the Company delivers cost-effective and innovative services which are responsive to their customers' needs and that the Company operates efficiently and responsibly in the best interests of the community;
- Ensure that the Treasury and Resources Department is an effective shareholder in the Company; and,

- Seek value and an appropriate return that provides best value to the Guernsey economy from the Company for the community, whilst striking a balance with the enabling role the Company plays in supporting the Island and its social, economic and environmental objectives for the long-term benefit of the Island and its community.

The Shareholder has established the following specific terms of reference for the Sub-Committee:

- In conjunction with the Commerce and Employment Department, regularly review the guidance (“the States Guidance to the Shareholder”) that, under the provisions of the States Trading Companies (Bailiwick of Guernsey) Ordinance, 2011, the States of Deliberation is able to give on the policies that they wish the Shareholder to pursue in exercising its functions as shareholder;
- Engage with and consult the Commerce and Employment Department on strategic matters relating to Guernsey Post and Guernsey Electricity;
- Ensure that the Shareholder is fulfilling the obligations set for it under the States Guidance to the Shareholder;
- Establish clear objectives for the Company, including but not limited to areas such as pricing and pricing controls, dividend policies, financial performance, quality of customer service, corporate governance, sustainability, reputation and compliance with environmental standards;
- Establish the financial, operational and strategic parameters within which the Company can operate with and without reference to the Shareholder;
- Engage with the Company on financial matters and hold it to account in terms of its performance against its business plan and shareholder objectives; and,
- Scrutinise the process employed for the appointment of the Company’s Chairman, non-executive directors and executive management team.

The Shareholder will appoint a Shareholder Liaison Officer who will act as the principal point of liaison between the Shareholder, the Sub-Committee and the Company on a day-to-day basis. The Shareholder Liaison Officer will assist and support the Company in meeting its obligations under this Memorandum of Understanding and will provide a sounding board for the Company and their Executive Directors on matters of shareholder interest.

The Shareholder and the Company agree that the costs reasonably incurred by the Shareholder in exercising its oversight responsibilities for the Company through the Sub-Committee and the Shareholder Liaison Officer will be charged to the Company. These costs will be fairly apportioned between the Company and the other companies for which the Department acts as shareholder on behalf of the States. The Shareholder will provide an estimate to the Company of its anticipated costs and proposed apportionment for each calendar year no later than 30th October of the preceding year.

4. States Strategic Guidance

The States Guidance to the Shareholder¹ is set out in Schedule 1.

The Shareholder believes that the States intended purpose of commercialisation was to enable the Company to run more efficiently, unencumbered by public sector constraints, particularly in respect of staff levels and staff remuneration, to capitalise on opportunities that can make greater use of the Company’s asset base and to investigate new business areas that may be “conveniently combined” with the core business streams.

¹ Resolution XIV(4) of Billet d’Etat XV of 2011

Schedule 1 will be updated from time to time to take account of any changes in legislation or regulation.

In 2011, following consideration of a report from the Commerce & Employment Department, the States agreed² to direct the Treasury and Resources Department to follow the six principles of corporate governance set out in that report and to take them into account in performing the shareholder representative role. The six principles are set out in Schedule 1.

5. Shareholder Objectives

The Shareholder has established and agreed shareholder objectives with the Company. These are set out in Schedule 2, which also sets out the Key Performance Indicators and other criteria on which the Company will report to demonstrate its performance against these shareholder objectives.

Schedule 2 also sets out the guaranteed service standards agreed by the Company and the compensation arrangements for mail items that either are not received, damaged or delayed. Schedule 2 will be updated from time to time to take account of any changes in objectives or performance metrics agreed between the Shareholder and the Company.

The Company will commission a triennial external efficiency review of its operations, the arrangements and terms of reference for which will be subject to the approval of the Sub-Committee. The Company will be responsible for meeting the costs associated with this review.

The Company will establish and maintain an independent User Council to supplement existing methods of communication with its customers. The User Council will provide an opportunity for the company's customers to convey to an independent body issues, ideas and observations on the provisions of its services.

6. Documentation

The Company will provide the Shareholder with the following documented information:

- a) An annual confidential Shareholder Report which should cover, as a minimum, the following areas:
 - A review of the Company's performance against its key objectives and strategic goals;
 - A brief description of the principal challenges and other relevant issues that the Company has dealt with in the preceding year;
 - A review of the principal risks being managed by the Company and the steps being taken to mitigate against these;
 - The results of the Board effectiveness review; and,
 - An overview of the work over the year of the Audit Committee, the Remuneration Committee and the Board Nominations Committee, or such sub-committees or committees, however combined, named or constituted, which fulfil the tasks and roles of the above named.
- b) An annual confidential Remuneration Report, including disclosure of the remuneration package for each of the Executive Directors, including any bonuses paid and their basis;

² Resolution XIV(3) of Billet d'Etat XV of 2011

- c) The Company's annual report and accounts (as published);
- d) An annual transparency report (the content and format of which will be agreed and reviewed with the Company from time to time);
- e) An annual business plan and periodic strategic plans, drafts of which should be submitted to the Shareholder before finalisation;
- f) Quarterly KPIs and financial performance reports, including P&L, Balance Sheet and Cashflow (to date and forecasts);

A timetable showing the timing of the submission of these reports is shown at Appendix 3. It is acknowledged that some of the documentation set out above and not specifically marked as confidential will contain confidential and/or commercially sensitive information which will not be appropriate for publication.

7. Meetings and Liaison

The following annual calendar of Shareholder contact should continue for the term of this Memorandum of Understanding:

- a) Annual meeting between the Board of the Treasury and Resources Department, the Sub-Committee and representatives of the Company (to include the Chairman, Chief Executive and Finance Director) to review and discuss the annual Shareholder Report, the Annual Report and Accounts, the Remuneration Report and the Transparency Report;
- b) Annual meeting between the Sub-Committee and representatives of the Company (to include the Chairman, Chief Executive and Finance Director) to update and discuss:
 - Strategic issues, including company performance;
 - Financial matters, including the latest management accounts;
 - Risk and assurance issues;
 - Current or upcoming events and issues; and,
 - Development of and updates to the strategic plan for the following calendar year;
- c) Annual AGM.

A timetable showing the timing of these meetings is included in Schedule 3.

Regular dialogue and liaison will be maintained between the Company and the Shareholder Liaison Officer to ensure that there are "no surprises" for either party and to ensure that any matters which may have political implications can be discussed with the Shareholder in advance.

8. Matters to be Referred to the Shareholder

From time to time matters will need to be referred to the Shareholder, either for approval or for information. Those matters that are reserved for decision to the Shareholder are set out in the Company's Scheme of Delegated Authority (SODA) at Schedule 4.

Prior sight should be given to the Shareholder, for information only, of any press release that deals with a significant announcement (on the basis that there should be "no surprises" for either party).

9. Corporate Governance Issues

The Shareholder is required by the States to ensure that the Company complies with best practice on corporate governance, including financial management and controls and, as such, the Shareholder will expect the following minimum requirements to be in place within the Company:

Appointment of Non-Executive Directors and Executive Directors

The appointment of the appropriate Non-Executive and Executive Directors is essential to the performance of the Board and to the Shareholder in achieving its objectives. Therefore, there should be a formal, rigorous and transparent procedure for the appointment of new Non-Executive and Executive Directors to the Board, which should be agreed beforehand with the Shareholder.

All such appointments shall be in accordance with the Company's Articles of Association and any relevant legislation.

Any new Non-Executive Director appointments will need to be approved by the States of Deliberation on the recommendation of the Shareholder.

The guidance from the Shareholder is that there will be a general presumption that Non-Executive Directors will serve for six years (i.e. two terms of three years). The Company's Board may request the Shareholder to agree to the reappointment of a Non-Executive Director for a third three-year term where such a reappointment would be in the best interests of the Company, having regard to the Non-Executive Director's performance, contribution and the need for continuity. Where such a request is made, the Shareholder will normally respond positively. It is most unlikely that the Shareholder will consent to a further reappointment beyond the nine year period.

Audit Committee

The Company will maintain an Audit Committee which will meet at least biannually. The annual results of their work and considerations should be included in the Shareholder Report.

Internal Control

A sound system of internal control (including financial, operational and compliance controls) and risk management must be in place to ensure effective governance of the Company's finances and resources.

The Company will be expected to conduct a review of the effectiveness of the system of internal control at least annually and to document the above review as part of the annual Shareholder Report.

Remuneration and Nominations Committee

There should be a formal and transparent procedure for developing policy on executive remuneration and for framing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.

Levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the Company successfully while avoiding paying any more than is

necessary for this purpose. A proportion of Executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance.

The Shareholder will expect to see full disclosure Remuneration Reports, in respect of each Director, within the annual Confidential Remuneration Report.

The Committee will also be responsible for leading on the process for appointing new Non-Executive Directors, such process to be subject to the approval of the Shareholder. Evidence of periodic, thorough and effective skills analyses undertaken by the Company's Remuneration and Nominations Committee and supported by its Board prior to recommendations being put forward to the Shareholder will need to be demonstrated.

Periodic Review of Company Articles of Association

The Company and the Shareholder shall co-operate to review periodically, but at least once every five years, the Company's Articles of Incorporation to ensure that they are fit for purpose and take due regard to changes in company legislation and other relevant legislation and the needs of the Company and the requirements of the Shareholder generally.

10. Dividend Policy

The Shareholder will issue periodically guidance to the Company setting out its expectations in respect of dividends. The Company's Board will recommend the dividend for approval by the Shareholder at the Annual General Meeting, taking into account any such guidance, as well as the Company's strategic plans, its investment and available financial resources, its current and projected future debt levels and the overall best interests of the Company.

11. Period of Memorandum of Understanding

This Memorandum of Understanding will be reviewed after a period of three years from the date of its signature.

Signed: 
For and on behalf of the Treasury and
Resources Department

Name: Gavin S. Lee

Title: Minister

Date: 5/1/15

Signed: 
For and on behalf of Guernsey Post Limited

Name: D. E. JEAN

Title: Chairman

Date: _____

SCHEDULE 1

States Guidance to the Treasury and Resources Department in exercising on behalf of the States the role of shareholder of Guernsey Post

1. The extent of the activities of Guernsey Post Limited shall generally be:
 - a) To carry on business as a provider of postal services together with any other services which are ancillary related to or may be conveniently combined with the operation of postal services in the Bailiwick of Guernsey and elsewhere.
 - b) To act as distributors freight and forwarding agents and carriers and suppliers of all related services and to enter into arrangements with contractors or sub-contractors for the provision of such services in the Bailiwick of Guernsey and elsewhere.
2. Financial performance targets for Guernsey Post Limited shall be set so as to:
 - a) Deliver improved efficiency in fulfilling the requirements of the Public/Universal Supply Obligation imposed under the regulatory regime; and
 - b) Achieve as soon as is practicable an appropriate commercial return on the resources employed in the provision of other services.
3. Without an express resolution of the States no property or buildings that are essential to fulfilling the Universal Service Obligation imposed under the regulatory regime shall be disposed of except by acquisition by the States under appropriate terms.
4. Policies for the provision of services and other activities of Guernsey Post Limited shall have regard to the Economic, Social and Environmental policies adopted by the States and set out in the relevant Policy and Resources Planning Report and/or the relevant Strategic and Corporate Plan.
5. Guernsey Post Limited shall be required to comply with best practice on corporate governance, financial management and controls.

Six Principle of Corporate Governance – Section 6.6 of Article 14 of Billet d’Etat XV of 2011

1. **Governance Frameworks:** where appropriate, ensure that corporate governance is compliant with the principles of the UK Corporate Governance Code (formerly known as the Combined Code) and fits the needs of the shareholder and business.
2. **Strategy:** set overall objectives for the business, including responsibility for resolving any conflict between the Government’s objectives. Agree with the commercial boards strategic plans for delivering those objectives: the boards are then accountable for their delivery.

3. **Appointments:** recommend to the States appointments as the Chair and actively participate in other Board appointments.
4. **Remuneration and incentivisation:** set or agree remuneration principles so that management and shareholder interests are aligned.
5. **Financing and Investments:** work with businesses to optimise capital structures, agree dividend policy and approve significant investments and realisations.
6. **Monitoring and intervention:** monitor performance to ensure that the strategic plan is on track and that shareholder interventions are timely and well-informed.

SHAREHOLDER OBJECTIVES

The objectives set for Guernsey Post are as follows:

- To provide in the Bailiwick of Guernsey a Universal Postal Service as defined by Resolution of the States of Guernsey from time to time at uniform and affordable prices. The States of Guernsey has currently resolved³ that the Universal Postal Service should be as follows:
 - One collection from access points on five working days, Monday to Friday, each week;
 - One delivery of letter mail to the home or premises of every natural or legal person in the Bailiwick on five working days, Monday to Friday;
 - Collections shall be for all postal items up to a weight of 20Kg;
 - Deliveries on a minimum of five working days shall be for all postal items up to a weight of 20kg;
 - Services for registered and insured mail.
- In providing these services, the Company shall ensure that the density of access points and contact points shall take account of the needs of users. An access point shall include any post boxes or other facility provided by the Company for the purpose of receiving postal items for onward transmission in connection with the provision of this universal postal service.
- To ensure Guernsey Post's activities are focused as an economic enabler and infrastructure component;
 - To demonstrate good and externally benchmarked customer satisfaction;
 - To provide a "domestic" postal service at externally benchmarked and competitive prices;
 - To provide a rate of return on shareholder capital employed to be agreed between the Company and the Shareholder⁴;
 - To provide a commercial return on any loan finance from the States;
 - To deliver the business plan and report to T&R on progress.

³ Resolution I of Article VIII of Billet d'Etat XVII of 2011

⁴ Following consideration of the 2015 Budget Report (Billet d'Etat XXII of 2014) the States of Deliberation has agreed that the Shareholder should commission an external review of the appropriate level of investment return that should be generated from the States-owned trading assets. The recommendations arising from this Review will be reported back to the States of Deliberation in 2015.

KEY PERFORMANCE METRICS

In support of the above, Guernsey Post will be monitoring and reporting on the following Key Performance Indicators:

Area	Key Performance Indicators	Notes/Targets
Financial	Gross Profit Margin (%)	
	Operating Profit	
	Contribution to Profit from Bulk Mail Activities	
	Cashflow	
	% of Debt Paid on Time	
	Revenue from new business	
Operational	Total Operational Hours	
	Operational Productivity	Items Handled Per Hour
	Days Lost to Accidents	
Customer	Quality of Service – Bailiwick to Bailiwick	% of mail delivered on the working day (Mon to Fri) after it has been posted and % of mail delivered within 3 working days of postal date
	Quality of Service – Jersey to Bailiwick/Bailiwick to Jersey	% of mail delivered on the working day (Mon to Fri) after it has been posted and % of mail delivered within 3 working days of postal date
	Quality of Service – Bailiwick to UK & Isle of Man (standard mail)/UK & Isle of Man to Bailiwick (first class)	% of mail delivered on the working day (Mon to Fri) after it has been posted and % of mail delivered within 3 working days of postal date
	Internal Quality of Service – Bailiwick to UK & Isle of Man/UK & Isle of Man to Bailiwick	% of first class mail from UK processed and cleared to a delivery postman on day of receipt at GPL sorting centre and % of first class mail and second class mail from the UK processed and cleared to a delivery postman by the day after receipt at GPL sorting centre. % of mail to the UK posted by the last collection time taken to the airport or harbour ready for transport to the UK on the same day
	Internal Quality of Service – Bulk Mail posted in Guernsey in accordance with a Bulk Mail contract	% of bulk mail posted in Guernsey processed and cleared to a delivery postman within 2 days of the postal date
	Items Handled Per Complaint	
	Number of Repeat Complaints	
	UK Bulk Mail Volume Growth	
	International Bulk Mail Volume Growth	
	Price	Variance against UK and Jersey post tariffs
	Guernsey Post will commission biannual customer surveys, the objectives of which will be to track: attitudes towards GPL as a business; levels of product and service awareness; customer satisfaction; and, opinions on specific issues to support product development. The results will be reported to the Shareholder.	

Employee	Employee Satisfaction	
	Headcount	FTEs
	Sickness Absence	
	Voluntary Turnover	
Strategic	Guernsey Post will submit to the Shareholder: an annual transparency report (the content and format of which will be agreed and reviewed with the Company from time to time); and, an annual business plan and periodic strategic plans, drafts of which should be submitted to the Shareholder before finalisation.	

SERVICE QUALITY STANDARDS

1. External Service Quality Targets

The Shareholder expects the Company to achieve the following external service quality targets:

Local Mail

J+1	95%
J+3	99%

Standard Mail between the Bailiwick of Guernsey and Jersey (either way)

J+1	82%
J+3	97%

Standard Mail from Guernsey to the UK or Isle of Man and 1st Class Mail from the UK or Isle of Man to Guernsey

J+1	82%
J+3	97%

This target is expressed in terms of the proportion of mail that should arrive within one, two or three or more working days from the day it is posted. The posting day is referred to as 'J' day and a target of J+1 is a target for the proportion of mail that should be delivered on the working day (Monday to Friday) after it has been posted. A target for J+3 allows two full working days between the day of posting and the day of delivery.

2. Internal Service Quality Targets

The Shareholder expects the Company to achieve the following internal service quality targets:

Internal Target for Mail to and from the UK

Mail from UK		Mail to UK	
1 st Class Mail (D+0)	98%	All Mail (E+0)	98%
1 st Class Mail (D+1)	100%		
2 nd Class Mail (D+1)	98%		

Where:

D is the day of receipt by GPL of mail coming from the UK at its main sorting centre. The target applies to the number of days before clearance to a delivery postman. For instance, D+0 means mail is processed and cleared to a delivery postman on the day of receipt; and,

E is the day when the mail is posted by the last collection time. An E+0 target means that mail posted on day E is taken to the airport or harbour ready for transport to the UK mainland on the same day as when it is collected.

Internal Target for Bulk Mail posted in Guernsey in accordance with a bulk mail contract

D+2 or as otherwise agreed with the customer

3. Compensation

Item Type	Not Received (subject to confirmation by Guernsey Post)	Damaged (Subject to confirmation by Guernsey Post & adherence to its packing guidelines)	Delayed (Subject to confirmation by Guernsey Post)
Bailiwick/UK Letter/Packets	Compensation up to £41 intra-Bailiwick or £55 for the UK + postage, subject to proof of posting and cost of item	Compensation can be awarded except for bulk postal flowers where no compensation is payable. Up to £41 intra-Bailiwick or £55 for the UK, subject to proof of posting and cost of item	No compensation payable except for postal flowers where the cost of flowers (up to £55) is refunded if the item was addressed correctly but delivered after the fifth working day in the UK
Special Delivery (Signature required by recipient, not necessarily addressee*)	Up to £2,500 awarded + postage, subject to level of insurance purchased, proof of posting and cost of item	Up to £2,500 awarded plus postage. Postage subject to level of insurance purchased, proof of posting and cost of item	Postage will be refunded if the delay has been caused by postal network failure, but will not be refunded if the delay is as a result of inspection by HM Customs, weather conditions and Acts of God. The loss of postal flowers is refunded after 3 working days.
Local & UK Recorded Delivery	Up to £41 intra-Bailiwick or £55 for the UK + postage, subject to proof of posting and cost of the item	Up to £41 intra-Bailiwick or £55 for the UK + postage, subject to proof of posting and cost of the item	No compensation available
Local and UK Parcel	Up to £500 awarded + postage, subject to level of insurance purchased, proof of posting and cost of item. (Standard product only provides £41 intra-Bailiwick or £55 insurance for the UK)	Up to £250 awarded, subject to level of insurance purchased, proof of posting and cost of item. (Standard product only provides £41 intra-Bailiwick or £55 insurance for the UK) Plus postage.	No compensation available
International Parcel	Up to £500 awarded + postage, subject to level of insurance purchased, proof of posting and cost of item. (Standard product provides £50 insurance)	Up to £250 awarded, subject to level of insurance purchased, proof of posting and cost of item. (Standard product provides £50 insurance)	No compensation available
International Signed For	Up to £250 awarded + postage, subject to level of insurance purchased, proof of posting and cost of item. (Standard product provides £50 insurance)	Up to £250 awarded, subject to level of insurance purchased, proof of posting and cost of item. (Standard product provides £50 insurance)	No compensation available
International Tracked	Up to £250 awarded + postage, subject to level of insurance purchased, proof of posting and cost of item. (Standard product provides £50 insurance)	Up to £250 awarded, subject to level of insurance purchased, proof of posting and cost of item. (Standard product provides £50 insurance)	No compensation available
*An alternative to a handwritten signature may be possible if the attendee is unable to provide a signature due to disability and if there is no one else available to provide a signature.			

SCHEDULE 3**Timetables****Timetable for the Submission of Reports and Documentation**

Item	Frequency	Guide Date
Shareholder Report	Annual	Within 3 months of year-end
Remuneration Report	Annual	Within 3 months of year-end
Annual Report & Accounts	Annual	Within 3 months of year-end
Strategic Plan	Annual	3 months before the start of the financial year
Management Accounts	Quarterly	Within 6 weeks of quarter-end
Transparency Report	Annual	Within 3 months of year-end

Timetable for Meetings

Meeting	Topic	Guide Date
T&R Board	Shareholder Report; Remuneration Report; Annual Report & Accounts; Transparency Report	July/August
Supervisory Sub-Committee	Strategic issues, including company performance; financial matters, including the latest financial performance reports; risk and assurance issues; current or upcoming events and issues; draft Strategic/Annual Business Plan	November/December
AGM		July/August

MATTERS FOR REFERRAL TO THE SHAREHOLDER**THE FOLLOWING MATTERS ARE RESERVED TO THE SHAREHOLDER FOR ITS DECISION/APPROVAL:**

1. The annual strategic plan
2. Material deviations from the strategic plan
3. Acquisitions and disposals of corporate entities greater than £250k
4. Material investments or divestments greater than £250k
5. Merger with, or takeover by, another company or postal administration
6. Alteration of the company's share capital
7. Allotment of the company's shares
8. Appointment of non-executive directors
9. Appointment of an auditor
10. Removal of a non-executive director
11. Removal of an auditor
12. Approval of a dividend
13. Approval of the annual shareholder report and accounts
14. Alteration of the company's memorandum and articles of association
15. Change of company name
16. Winding up of the company
17. Remuneration of non-executive directors
18. Determination of group capital structure, return on investment and dividend policy
19. Material litigation prosecuted or defended by the company
20. Deposit of surplus funds in States Treasury
21. Overall Tariff increases that exceed Guernsey RPI or the level of increase imposed on GPL by a key trading partner i.e. Royal Mail
22. Matters that will not generate a commercial return, but may fulfil other social, economic or environmental objectives
23. The entry into new markets, or the introduction of new products, outside the core business

In addition to the reserved powers above, the company is also required to bring all matters which have the potential to attract political interest to the shareholder's attention prior to their being made the subject of formal media releases. As examples, but not limited to, this will include:-

1. Closures
2. Potential Industrial Action
3. Material service changes
4. Redundancies

APPENDIX C**Treasury and Resources Department**
Shareholder Supervisory Sub-Committee Membership

The Sub-Committee is presently made up of two members of the Treasury and Resources Board, Deputy Gavin St Pier and Deputy Roger Perrot, and three non-States Members. These are:

- Sir John Collins – a former Chairman and Chief Executive of Shell UK, a former Chairman of both National Power and DSG (Dixons Stores Group), a former Non-Executive Director of NMR Rothschild & Sons, a previous Chairman of the DTI/DEFRA Sustainable Energy Policy Advisory Board, with substantial experience of operating and group Board direction, shareholder value and regulatory regimes;
- John Hollis – a former global Accenture partner, with extensive experience of strategic and operating performance reviews across multiple industries and innovative benchmarking, and a non-States Member of the Treasury and Resources Board;
- Steve Le Page – a former PwC Channel Islands Managing Partner, with substantial experience in regulatory reporting and performance reviews.

The three non-States members are Guernsey residents, who have recently retired from active careers. They are not civil servants; they are not paid executives and their focus is on the long-term benefit the Sub-Committee can provide to the Island community as a whole. They each intend to operate without remuneration (aside from reimbursement, if applicable, of any travel or related expenses).

APPENDIX D**Proposed new States Guidance to the Treasury and Resources Department in exercising on behalf of the States the rôle of shareholder of Guernsey Electricity**

1. The extent of the services of Guernsey Electricity Limited shall be to carry on business as a producer, generator, conveyor, supplier, marketing agent and distributor of electrical energy together with any other services that are ancillary or related to or may be conveniently combined with such electrical energy services in the Bailiwick of Guernsey and elsewhere.
2. Guernsey Electricity Limited shall not be permitted to apply for any licence for the provision of telecommunications services under the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001.
3. Shareholder objectives, performance monitoring and benchmarking arrangements shall be set so as to:
 1. Ensure the company delivers cost-effective and innovative services which are responsive to its customers' needs and that the company operates efficiently and responsibly in the best interests of the community;
 2. Seek value and an appropriate return that provides best value to the Guernsey economy from the businesses for the community, whilst striking a balance with the enabling rôle it plays in supporting the Island and its social, economic and environmental objectives for the long-term benefit of the Island and its community.
4. Without an express resolution of the States, no property or buildings which are essential to fulfilling the Public Supply Obligation imposed under the regulatory regime shall be disposed of except by acquisition by the States under appropriate terms.
5. Policies for the provision of services and other activities of Guernsey Electricity Limited shall have regard to the Economic, Social and Environmental policies adopted by the States and set out in this Strategic and Corporate Plan.
6. Guernsey Electricity Limited shall be required to comply with best practice on corporate governance, financial management and controls.

APPENDIX E**Proposed new States Guidance to the Treasury and Resources Department in exercising on behalf of the States the rôle of shareholder of Guernsey Post**

1. The extent of the activities of Guernsey Post Limited shall generally be:
 - a) To carry on business as a provider of postal services together with any other services which are ancillary related to or may be conveniently combined with the operation of postal services in the Bailiwick of Guernsey and elsewhere.
 - b) To act as distributors freight and forwarding agents and carriers and suppliers of all related services and to enter into arrangements with contractors or sub-contractors for the provision of such services in the Bailiwick of Guernsey and elsewhere.
2. Shareholder objectives, performance monitoring and benchmarking arrangements shall be set so as to:
 - Ensure the company delivers cost-effective and innovative services which are responsive to its customers' needs and that the company operates efficiently and responsibly in the best interests of the community;
 - Seek value and an appropriate return that provides best value to the Guernsey economy from the businesses for the community, whilst striking a balance with the enabling rôle it plays in supporting the Island and its social, economic and environmental objectives for the long-term benefit of the Island and its community.
3. Without an express resolution of the States no property or buildings that are essential to fulfilling the Universal Service Obligation imposed under the regulatory regime shall be disposed of except by acquisition by the States under appropriate terms.
4. Policies for the provision of services and other activities of Guernsey Post Limited shall have regard to the Economic, Social and Environmental policies adopted by the States and set out in the relevant Policy and Resources Planning Report and/or the relevant Strategic and Corporate Plan.
5. Guernsey Post Limited shall be required to comply with best practice on corporate governance, financial management and controls.

APPENDIX F**Six Principles for Economic Regulation**⁷**a) Accountability**

Independent regulation needs to take place within a framework of duties and policies set by the democratically accountable States of Deliberation.

Roles and responsibilities between the States of Guernsey and the OUR should be allocated in such a way as to ensure that regulatory decisions are taken by the body that has the legitimacy.

Decision-making powers of the OUR should be, within the constraints imposed by the need to preserve commercial confidentiality, exercised transparently and subject to appropriate scrutiny and challenge.

b) Focus

The role of the OUR should be concentrated on protecting the interests of end users of infrastructure services by ensuring the operation of well-functioning and contestable markets where appropriate or by designing a system of incentives and penalties that replicate as far as possible the outcomes of competitive market.

The OUR should have clearly defined, articulate and prioritised responsibilities focused on outcomes rather than specified inputs or tools.

The OUR should have adequate discretion to choose the tools that best achieve these outcomes.

c) Predictability

The framework of economic regulation should provide a stable and objective environment enabling all those affected to anticipate the context for future decisions and to make long-term investment decisions with confidence.

The framework of economic regulation should not unreasonably unravel past decisions, and should allow efficient and necessary investments to receive a reasonable return, subject to the normal risks inherent in markets.

⁷ Billet D'État XV, 2011

d) Coherence

Regulatory frameworks should form a logical part of the States of Guernsey's broader policy context, consistent with established priorities.

Regulatory frameworks should enable cross-sector delivery of policy goals where appropriate.

e) Adaptability

The framework of economic regulation needs capacity to evolve to respond to changing circumstances and continue to be relevant and effective over time.

f) Efficiency

Policy interventions must be proportionate and cost-effective while decision-making should be timely, and robust.

(N.B. The Policy Council supports the proposals contained in this Report, and is of the view that the Treasury and Resources Department and Commerce and Employment Department have identified a pragmatic way forward to ensure that these two States-owned companies have the necessary incentives and pressures to deliver improved value for money, meeting the needs of the companies, their customers and the Guernsey taxpayer. This will be achieved by effectively replacing the role of independent regulation with a more active role and mechanism for the Treasury and Resources Department, acting as Shareholder on behalf of the States of Guernsey.)

The States are asked to decide:-

III.- Whether, after consideration of the Report dated 5th January, 2015, of the Commerce and Employment Department and the Treasury and Resources Department, they are of the opinion:-

1. To direct that Guernsey Electricity Limited and Guernsey Post Limited be made exempt from the licensing and regulation provisions within the respective electricity and postal laws by no later than 1st January, 2016.
2. To direct that the existing shareholder guidance to the Treasury and Resources Department in respect of Guernsey Electricity Limited and Guernsey Post Limited be amended as described in Section 4.41 of that Report.
3. To direct the Treasury and Resources Department to continue maintaining a Supervisory Sub-Committee in accordance with the membership set out in Sections 4.27 to 4.29 of that Report and the objectives and terms of reference as set out in Sections 4.10 to 4.18 of that Report.
4. That, subject to the States approving propositions (1) and (2) above, to direct the Commerce and Employment Department, in liaison with the Law Officers of the Crown, to report on the detailed legislative changes necessary to give effect to the Departments' joint proposals.
5. That, subject to the States approving propositions (1) and (2) above, to direct the Commerce and Employment Department to report on the effectiveness of the replacement oversight arrangements by no later than three years from the date on which these arrangements come into effect.

TREASURY AND RESOURCES DEPARTMENT

SUPERANNUATION FUND: ACTUARIAL VALUATION

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 place before the States the latest triennial Actuarial Valuation (as at 31st December 2013) of the Superannuation Fund prepared by BWCI Consulting Limited which is included as Appendix I to this Report.
- 1.2 For the avoidance of doubt, this Report deals solely with the pension benefits for public sector employees and States Members. There is no impact on the “States Old Age Pension” funded by the Guernsey Insurance Fund administered by the Social Security Department.
- 1.3 The overall value of the Superannuation Fund as at 31st December 2013 was £1,076million and the Actuarial Valuation calculates the Scheme’s liabilities to be £1,152million which means that the Scheme is 93.4% funded.
- 1.4 The Actuarial Valuation relates solely to benefits already accrued by members and the figures contained therein are unaffected by the current proposals for pension reforms.
- 1.5 This Report recommends no change to the employers’ contribution rates for the Combined Pool¹.

2. Background

- 2.1 The States of Guernsey currently maintains defined-benefit pension schemes. In general terms, this means that the pension payable to employees is determined by their years of service and their final salary. Market performance of investments does not impact upon the benefits accruing to the employees (or

¹ The term ‘Combined Pool’ refers to the majority of public sector employees including teachers, nurses, civil servants, public service employees, police officers, etc.

their contribution rates) as it does with a defined-contribution scheme. However, market performance will impact on the valuation of the assets reserved to meet the liability of paying these benefits.

- 2.2 Providing a pension is a contractual agreement between the States and its employees and pensioners and forms part of the pay and conditions package. The States therefore need to make financial provision for the ongoing payment of future liabilities (mainly pensions).
- 2.3 An Actuarial Valuation is carried out to compare the value of the Scheme's assets (Superannuation Fund) with a funding target which calculates the value of the benefits that are likely to be paid from the scheme in the future using information about the scheme at the valuation date. The actuary makes assumptions about factors which have an influence on the scheme's finances in the future including investment returns (discount rate), inflation, pay increases, pension increases, when members will retire and how long members will live.
- 2.4 These assumptions are derived from historical data, present knowledge and future projections. The one thing of which we can be certain is that the actuarial assumptions will almost invariably never be precisely borne out in practice and, in the short-term, actual experience can vary significantly from that assumed. The findings of the valuation will result in an assessment of the surplus or deficit in the scheme at the valuation date and an estimation of the employer contributions needed to meet the scheme's funding target in the future.
- 2.5 It should be clearly understood that irrespective of the amount of employer contributions that are made to the Fund, Members will accrue benefits for which there will be a future obligation to pay. The only way in which the cost to the employer of these future liabilities can be reduced is by increasing the employee contribution or reducing the benefits of the Scheme.
- 2.6 In respect of the Combined Pool, the funding target is 90% of the benefits accrued as at 31st December 2007 and 100% thereafter. The funding target for the Actuarial Accounts (Guernsey Electricity Limited, Guernsey Post Limited and Guernsey Financial Services Commission) is that their liabilities should be 100% funded.
- 2.7 The States General Revenue contribution into the Superannuation Fund in 2013 was £20million (the remainder of the employer contributions [£7.25m] relates to other Scheme Members including Guernsey Electricity Limited, Guernsey Post Limited, Guernsey Financial Services Commission, 'trading' operations – Guernsey Dairy, Guernsey Water, States Works, Ports and Social Security Funds, etc.).

3. **2013 Actuarial Valuation Results**

- 3.1 The Actuarial Valuation Report includes detailed explanation and analysis on the membership data, developments since the last Valuation (31st December 2010), assumptions used to calculate the funding target and the funding position.
- 3.2 At 31st December 2010, the overall Superannuation Fund had a funding position of 92.8% which increased to 93.4% as at 31st December 2013. Pay and pension increases, over the three year period, were lower than estimated but this was offset by the investment return of an average of 5.5% per annum over the three years being lower than the assumed discount rate of 6.85% per annum.
- 3.3 The following Sections summarise the results of the Actuarial Valuation for each of the Scheme components and detail the funding recommendations.

Combined Pool

- 3.4 The results of the Actuarial Valuation as at 31st December 2013 are summarised below:

	Funding Target (90% of accrued benefits to 31/12/2007, 100% thereafter) £'000	100% funding of accrued benefits £'000
Market Value of Scheme Assets	970,123	970,123
Present Value of Scheme Liabilities	969,631	1,052,232
Surplus / (Deficit)	492	(82,109)
Funding Percentage	100.1%	92.2%
Future Service Contribution Rate	14.2%	14.2%
Past Service Adjustment	-	4.1%
Total Required Contribution Rate	14.2%	18.3%
Current Contribution Rate	14.1%	14.1%

- 3.5 Therefore, the funding of the Combined Pool is in line with the target which is 90% of the benefits accrued as at 31st December 2007 and 100% thereafter.
- 3.6 It is recommended that the base level rate of employer contributions remains at 14.1% of Pensionable Pay with additional contributions payable in respect of the special benefit groups (as set out in Appendix II).

States Trading Companies and the Guernsey Financial Services Commission

- 3.7 When the States Trading Companies (Guernsey Electricity Limited and Guernsey Post Limited) were commercialised it was agreed that each of these would have their own separate Actuarial Account. Furthermore, following advice from the Actuaries, a separate Actuarial Account is also maintained for the Guernsey Financial Services Commission to ensure that there is no cross

subsidy between the contributions paid to the Superannuation Fund by the Guernsey Financial Services Commission and those by other participating employers.

- 3.8 With effect from 1st July 2014 the Actuarial Account for the Guernsey Financial Services Commission closed to future accrual of benefits and all active members became deferred pensioners on that date. These three Actuarial Accounts represent less than 10% of the overall value of the Superannuation Fund.
- 3.9 The results of the Valuation for the three Actuarial Accounts are summarised below:

	Guernsey Electricity Limited £'000	Guernsey Post Limited £'000	Guernsey Financial Services Commission £'000 *
Market Value of Scheme Assets	49,952	35,486	17,403
Present Value of Scheme Liabilities	46,587	30,627	17,088
Surplus	3,365	4,859	315
Funding Percentage	107.2%	115.9%	101.8%
Future Service Contribution Rate	14.9%	15.2%	n/a
Past Service Adjustment	(3.4%)	(5.8%)	n/a
Total Required Contribution Rate	11.5%	9.4%	n/a
Current Contribution Rate	14.6%	14.2%	n/a

* As the Guernsey Financial Services Commission Actuarial Account closed to future accrual of benefits with effect from 1st July 2014, the Actuarial Valuation has been projected to the closure date of 30th June 2014).

- 3.10 Under Rules 2(2)(f) and (g) of the Superannuation Fund, the States of Guernsey determines the contribution rates payable by the States Trading Companies and any other body for which an Actuarial Account has been established. The Department has consulted with Guernsey Electricity Limited and Guernsey Post Limited as to the level of contribution rate they would wish to be set, subject to a minimum of 100% funding of liabilities. Their responses are attached as Appendix III (Guernsey Electricity Limited) and Appendix IV (Guernsey Post Limited).
- 3.11 Therefore, it is proposed that, with effect from 1st April, 2015:
- The employer contribution rate for Guernsey Electricity Limited be decreased from 14.6% to 11.5%.
 - The employer contribution rate for Guernsey Post Limited be increased to 14.2% to 15%.

- 3.12 The surplus within the Guernsey Financial Services Commission Actuarial Account will be used to pay future investment management and administration expenses.

4. States Members Pension Scheme

- 4.1 This Scheme represents approximately 0.4% of the overall Superannuation Fund assets and liabilities.
- 4.2 On 1st May 2012, the States Members Pension Scheme was closed to future accrual of benefits and all active members became deferred pensioners on that date. Since 2012, a fixed annual sum of £66,000 (maintained in real terms [£68,800 in 2014]) is being paid into the Superannuation Fund to eliminate past service deficits over a period of thirty years.
- 4.3 The results of the Actuarial Valuation of the States Members Pension Scheme are that there is a funding shortfall of £1,819,000 and a fixed annual sum of £149,000 (maintained in real terms) needs to be paid into the Superannuation Fund in order to eliminate the deficit over a period of twenty five years.
- 4.4 This will increase States Formula Led expenditure by approximately £80,000 per annum (maintained in real terms). In 2015, this would be funded from the Budget Reserve. The ongoing increase will be taken into account when overall Cash Limits for 2016 and subsequent years are formulated.

5. Superannuation Fund

- 5.1 The assets of the Superannuation Fund as at 31st December 2013 totalled £1,076,497,000, attributed to the Fund constituents as follows:

Combined Pool	£970,123,000
Guernsey Electricity Limited	£ 49,952,000
Guernsey Post Limited	£ 35,486,000
Guernsey Financial Services Commission	£ 17,130,000
States Members	£ 3,806,000

5.2 The Superannuation Fund's annual performance is reported as part of the overall States Accounts and can be summarised as follows:

	2013	2010	2007	2004	2001
	£m	£m	£m	£m	£m
Employer contributions	27	26	16	13	10
Employee contributions	13	12	10	8	7
Refunds and Transfers (net)	1	1	(1)	(1)	(1)
Pensions and Lump Sums paid	(49)	(40)	(28)	(21)	(18)
Net decrease before investment returns	(8)	(1)	(3)	(1)	(2)
Net investment income	10	10	17	15	19
Investment appreciation / (depreciation)	98	92	35	34	(75)
Net increase	100	101	49	48	58
Balance at 1 January	976	829	847	608	675
Balance at 31 December	1,076	930	896	656	617
Scheme Liabilities at 31 December	1,152	1,003	940	764	554
(Deficit) / Surplus	(76)	(73)	(44)	(108)	63
Funding Ratio	93.4%	92.7%	95.3%	85.9%	111.4%

6. **Financial Reporting Standard (FRS) 17 disclosures**

6.1 FRS17 is an Accounting Standard which includes the following main requirements:

- Pension Scheme assets are to be measured using market values;
- Pension Scheme liabilities are to be discounted at an AA corporate bond rate;
- The Pension Scheme surplus (to the extent it can be recovered) or deficit is recognised in full on the balance sheet in the Accounts of the sponsoring employer.

6.2 There are extensive disclosures required under FRS17 which are intended to be an aid in comparing pension costs and liabilities between companies. FRS17 is prepared for accounting purposes whereas an Actuarial Valuation is carried out to compare the value of the Scheme's assets with a funding target which calculates the value of the benefits that will be paid from the scheme in the future using information about the scheme at the valuation date.

- 6.3 The General Revenue Accounts are not currently prepared fully in accordance with Accounting Standards and, therefore, the deficit on the Fund calculated using FRS17 assumptions is not included on the Balance Sheet (but this would be required if the States Accounts are prepared using Generally Accepted Accounting Principles). However, the FRS17 position is calculated and detailed information is disclosed within the notes to the Accounts.
- 6.4 The basis of preparing FRS17 is very prescriptive and, whilst many of the assumptions used are the same or very similar to those used in the Actuarial Valuation, there is a major variance in the key assumption of discount rate which makes a substantial difference to the size of the reported deficit.
- 6.5 The FRS17 calculations for 31st December 2013 effectively assumed a discount rate of inflation plus 1.05% (based on the return on an AA corporate bond) whereas the Actuarial Valuation assumes a discount rate of inflation plus 3.25% (based on the Superannuation Fund target rate of future investment return). The two bases result in material differences in the calculation of liabilities and the resultant net funding position of the scheme.

For example, in respect of the Superannuation Fund:

	Using FRS17 Assumptions £'000	As per the Actuarial Valuation £'000
Market Value of Scheme Assets	1,076,497	1,076,497
Present Value of Scheme Liabilities	1,600,562	1,152,159
(Deficit)	(524,065)	(75,662)
Funding Percentage	67.3%	93.4%

7. Principles of Good Governance

- 7.1 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'État IV of 2011). The Department believes that all of the proposals in this Report comply with those principles.

8. Recommendations

- 8.1 The Treasury and Resources Department recommends the States:
- To note the Actuarial Valuation of the States of Guernsey Superannuation Fund as at 31st December 2013.

- b) To agree that, except for Guernsey Electricity Limited and Guernsey Post Limited, the employer and additional employer contribution rates in respect of the States of Guernsey Superannuation Fund shall remain as set out in Appendix II.
- c) To agree that the employer contribution rate for Guernsey Electricity Limited be decreased from 14.6% to 11.5% with effect from 1st April 2015.
- d) To agree that the employer contribution rate for Guernsey Post Limited be increased to 15.0% with effect from 1st April 2015.
- e) To agree that the annual sum paid into the Superannuation Fund in respect of the States Members Pension Schemes from the revenue budget of the Treasury and Resources Department shall be increased to £149,000 with effect from 2015 and maintained in real terms.

Yours faithfully

G A St Pier
Minister

J Kuttelwascher
Deputy Minister

A H Adam
R A Perrot
A Spruce

Mr J Hollis
Non-States Member

Appendix I

**STATES OF GUERNSEY
SUPERANNUATION FUND**

Actuarial Valuation as at
31 December 2013

Prepared for

The States of Guernsey Treasury and Resources Department

Prepared by

Steven Jones, FIA
Diana Simon, FIA

10 December 2014

Executive Summary

We have carried out an actuarial valuation of the States of Guernsey Superannuation Fund (the Fund) as at 31 December 2013. The main purposes of the valuation are to review the financial position of the Fund as a going concern, and to help establish the contributions payable to the Fund in the future.

In summary:

Targeted funding levels

- Benefits accrued to 31 December 2007 in the Combined Pool Section have a target funding level at the valuation date (ie 31 December 2013) of 90%. Benefits accrued on or after 1 January 2008 have a target funding level of 100%. The benefits in the Actuarial Accounts have a target funding level of 100%.

Current funding positions

- At the valuation date, the assets exceeded the target funding liabilities by £492,000 in respect of the Combined Pool Section. A **funding surplus** of £4,859,000 is revealed in respect of Guernsey Post Limited, corresponding to a **funding ratio** of 115.9%. A **funding surplus** of £3,365,000 is revealed in respect of Guernsey Electricity Limited, corresponding to a **funding ratio** of 107.2%. A **funding surplus** of £315,000 is revealed in respect of the Guernsey Financial Services Commission, corresponding to a **funding ratio** of 101.8%.

Combined Pool Section

- The Combined Pool Section includes the Teachers' Scheme. The current rate of Employer contributions is 14.1% of Pensionable Pay.
- The long-term rate of Employer contributions required to be paid in the Combined Pool Section to cover the cost of benefits accruing in respect of future service amounts to 14.2% of Pensionable Pay. This rate includes an allowance of 0.25% of Pensionable Pay to meet the expenses of the Fund.
- If the target **funding level** in the Combined Pool Section was 100% for all accrued benefits there would be a **funding shortfall** of £82,109,000 corresponding to a **funding ratio** of 92.2%. If allowance were made for the spreading of this **funding shortfall** over the average future working lifetime of the current active members, a period of 12 years, the rate of contributions required would be increased by 4.1% of Pensionable Pay. The total rate of Employer contributions required would then be 18.3% of Pensionable Pay.
- We recommend that the additional contribution rates in respect of the special benefit groups are maintained. Full details are set out in Section 7.

Executive Summary

Guernsey Post Limited

- We have calculated that the long-term rate of Employer contributions to cover the cost of benefits accruing in respect of future service in the Guernsey Post Limited Actuarial Account amounts to 15.2% of Pensionable Pay. This rate includes an allowance of 0.25% of Pensionable Pay to meet the expenses of the Fund.
- If allowance were made for the spreading of the ongoing **funding surplus** in respect of Guernsey Post Limited over the average future working lifetime of the current active members, a period of 13 years, the rate of contributions required could be reduced by 5.8% of Pensionable Pay. The total rate of Employer contributions to be paid following the valuation could be 9.4% of Pensionable Pay.

Guernsey Electricity Limited

- We have calculated that the long-term rate of Employer contributions to be paid to cover the cost of benefits accruing in respect of future service in the Guernsey Electricity Limited Actuarial Account amounts to 14.9% of Pensionable Pay. This rate includes an allowance of 0.25% of Pensionable Pay to meet the expenses of the Fund.
- If allowance were made for the spreading of the ongoing **funding surplus** in respect of Guernsey Electricity Limited over the average future working lifetime of the current active members, a period of 13 years, the rate of contributions required could be reduced by 3.4% of Pensionable Pay. The total rate of Employer contributions to be paid following the valuation could be 11.5% of Pensionable Pay.

Guernsey Financial Services Commission

- We understand that following the GFSC's consultation with members, all active members have become deferred members from 1 July 2014. We have allowed for this post valuation event within the actuarial valuation calculations. We have allowed in our calculations for 6 months of expected Employer and member contributions together with further accrual of benefits (to 30 June 2014) and from that date for all active members to become deferred members ie the salary linkage to their accrued benefits has been removed from that date.
- Treasury and Resources will decide the basis of the charges to cover future administration expenses of the GFSC Actuarial Account. We suggest the **funding surplus** is utilised to pay the expenses of administration over the period until the next actuarial valuation.

General

- Any changes to the contribution rates for Guernsey Post Limited and Guernsey Electricity Limited could be implemented from 1 April 2015.
- The rates of contributions payable will be reviewed at the next valuation which is due to be made as at 31 December 2016.
- The two pension arrangements for States Members are combined with the States of Guernsey Superannuation Fund for investment purposes. A valuation of the States Members Pension Fund has been made as at 31 December 2013. A summary of the results of that valuation are included as Appendix G.

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Limitations on extent to which 3rd parties can rely on advice

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Compliance statement

This report falls outside the scope of the Technical Actuarial Standards (TASs) issued by the Financial Reporting Council and therefore the TASs do not apply. This report forms part of a planning exercise that helps to determine the level of contributions to be paid to the Fund. It should be read in conjunction with our Assumptions report issued in March 2014 and our report on the preliminary results dated 2 June 2014.

1. Introduction

1.1 Regular valuations

This report, prepared for the Treasury and Resources Department of the States of Guernsey, sets out the results of our actuarial valuation of the States of Guernsey Superannuation Fund (“the Fund”) as at 31 December 2013.

Rule 4(1) of the Fund’s Rules requires the States Treasury and Resources Department to obtain regular actuarial valuations of the Fund.

The valuation reviews the financial position of the Fund as a going concern at the valuation date, and helps establish what actions should be taken regarding future contribution rates.

Our previous valuation report of 27 September 2011 considered the financial position of the Fund as at 31 December 2010.

1.2 A snapshot view

This report concentrates on the Fund’s funding position at the valuation date. As time moves on, the Fund’s finances will fluctuate. It will therefore be necessary to carry out further valuations to monitor the position.

In the meantime, if you are reading this report some time after it was prepared, you should bear in mind that the Fund’s position could have changed significantly.

We comment briefly on developments between the valuation date and the date of signing this report in Section 12.

1.3 Technical terms

A glossary of the technical terms used in this report is provided in Appendix F. These technical terms are shown in **bold type**. Pensionable Pay is as defined in the Rules of the Fund.

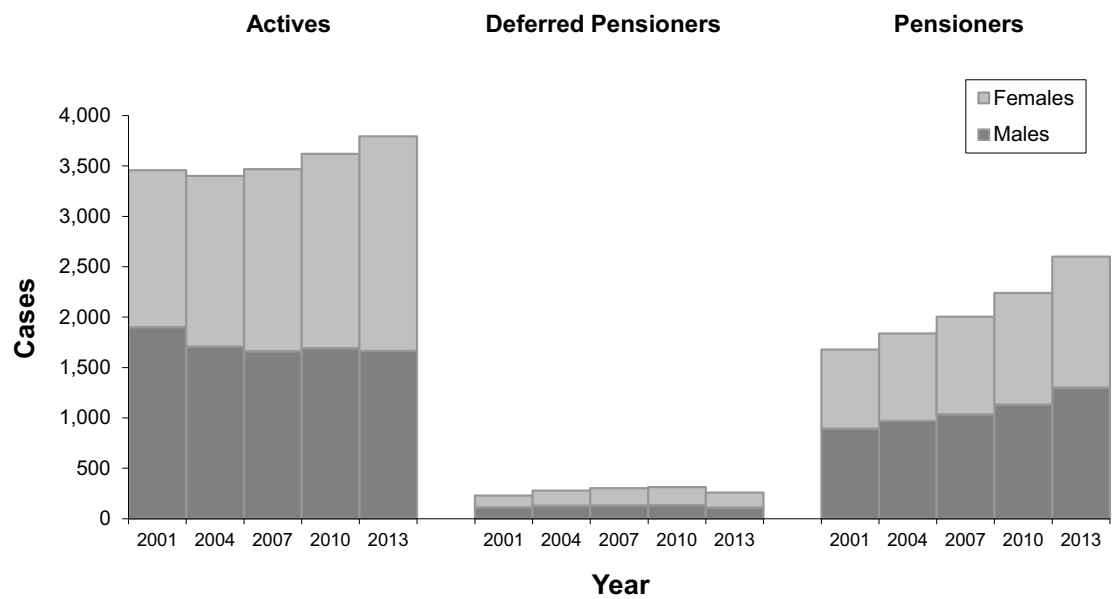
2. Data

2.1 Membership data

The valuation results are based on the membership data supplied to us by the States Payroll Section as at 31 December 2013. This is summarised in Appendix B.

2.2 Membership changes – Public Servants

Changes in the number of members of the Public Servants' section of the Combined Pool since 31 December 2001 are illustrated below.

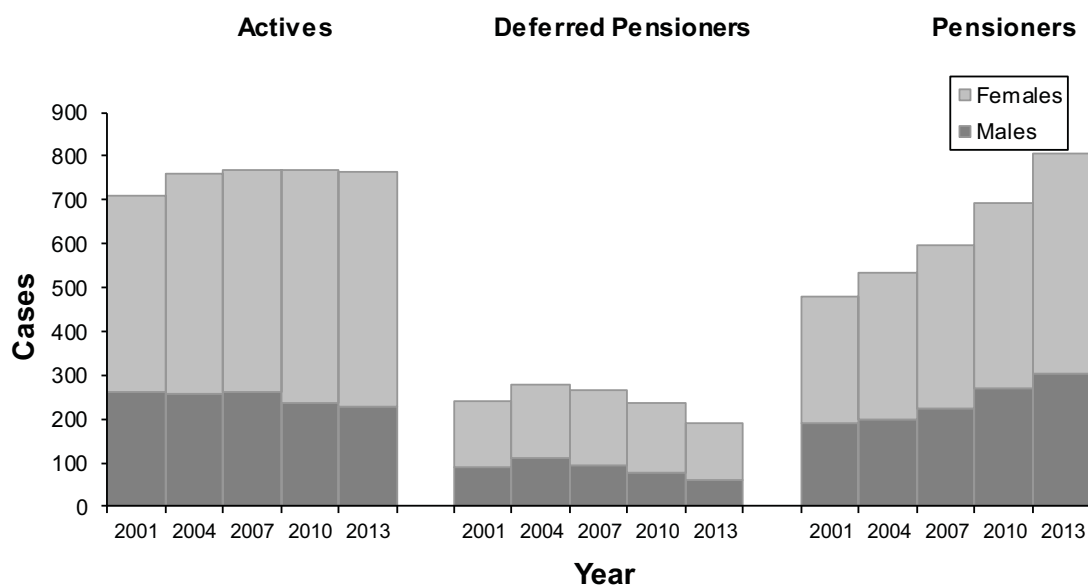


The Public Servants' section has experienced a rise in the number of active members, and a small decline in the number of deferred pensioners since the previous valuation. There has been a steady increase in the number of pensioners over time.

2. Data (continued)

2.3 Membership changes – Teachers' sections

Changes in the total membership of the Teachers' Scheme and the new Teachers' section of the Combined Pool since 31 December 2001 are illustrated below.

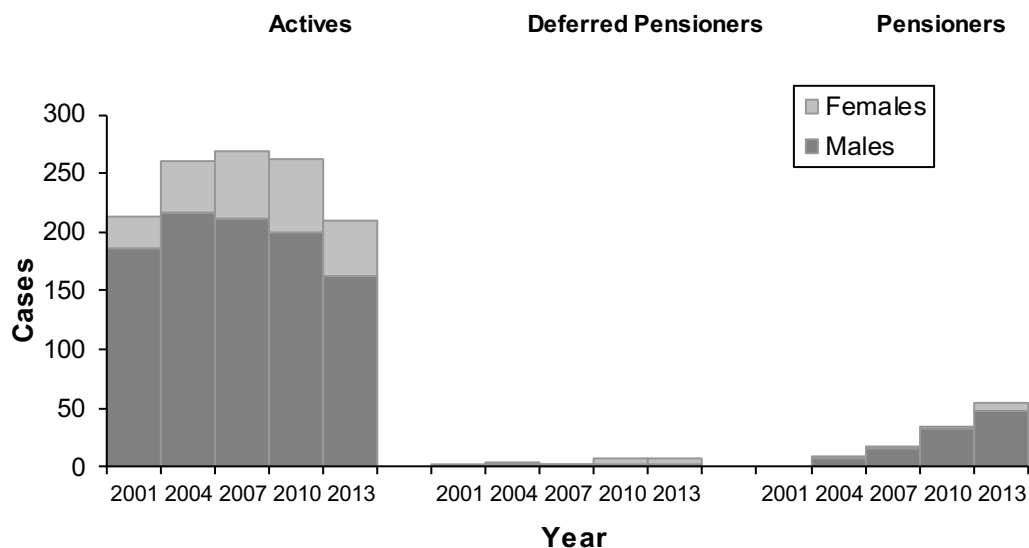


The active membership of the combined Teachers' sections has remained stable since the previous valuation and there has been a steady increase in the number of pensioners over time. There has been a decrease in the number of deferred pensioners since the previous valuation.

2. Data (continued)

2.4 Membership changes – Guernsey Post Limited

Changes in the number of members of the Guernsey Post Limited Actuarial Account since 31 December 2001 are illustrated below.

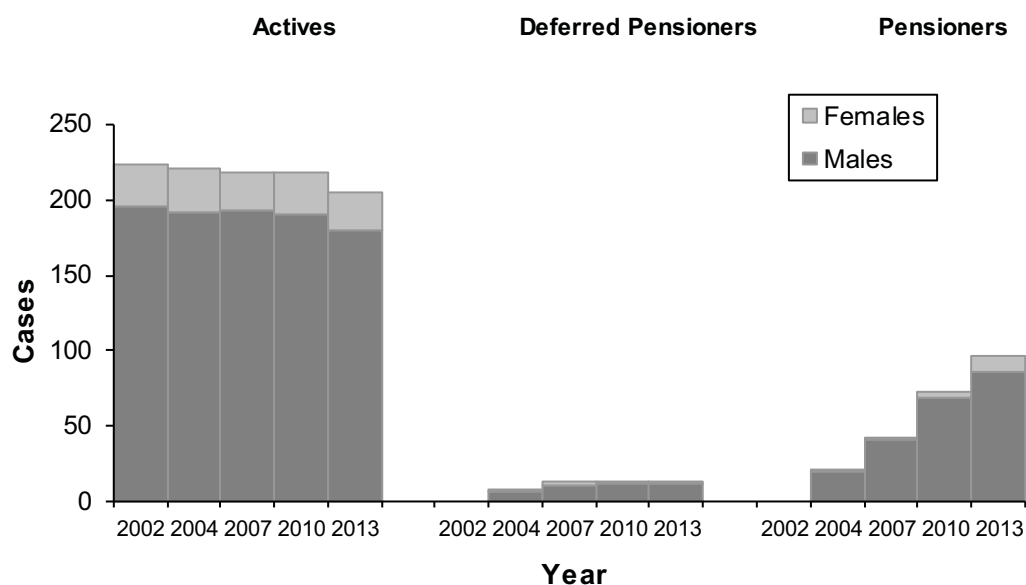


The Guernsey Post Limited Actuarial Account has experienced a fall in the number of active members and a small increase in the number of deferred pensioners since the previous valuation. There has been a steady increase in the number of pensioners over time.

2. Data (continued)

2.5 Membership changes – Guernsey Electricity Limited

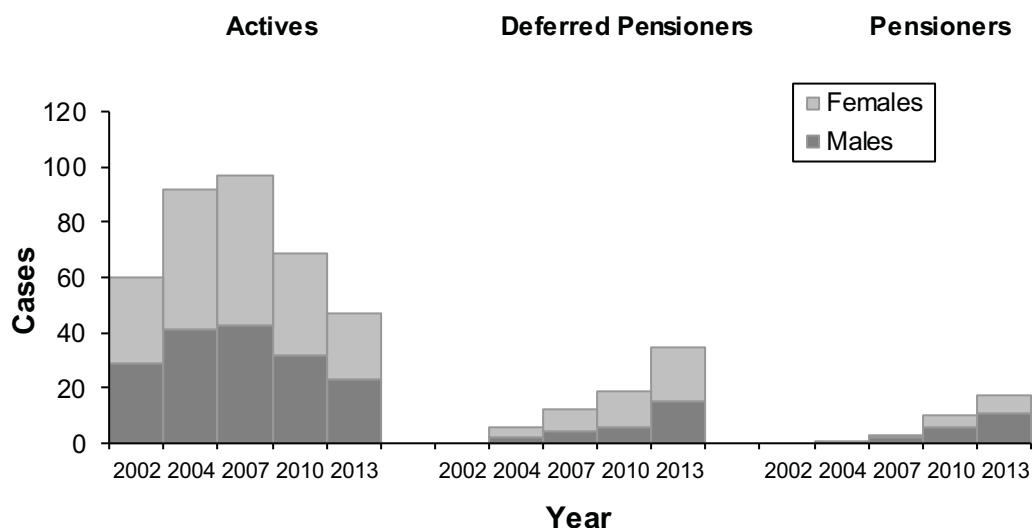
Changes in the number of members of the Guernsey Electricity Limited Actuarial Account since the Actuarial Account was established (1 February 2002) are illustrated below.



The active membership of the Guernsey Electricity Limited Account has fallen since the previous valuation. The number of deferred pensioners has remained stable. There has been a steady increase in the number of pensioners over time.

2.6 Membership changes – Guernsey Financial Services Commission

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



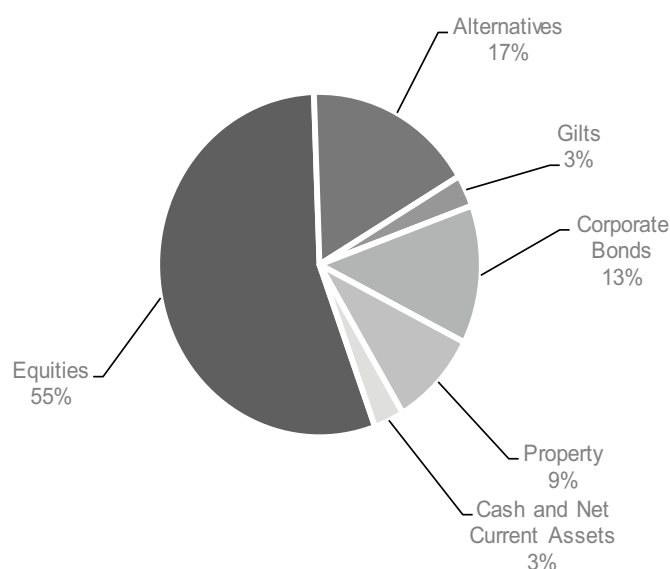
2. Data (continued)

The Guernsey Financial Services Commission Actuarial Account closed to new members from 1 January 2008. Consequently the Guernsey Financial Services Commission Actuarial Account has experienced a significant fall in the number of active members. There has been an increase in the number of deferred pensioners and pensioners since the previous valuation.

From 1 July 2014, the Actuarial Account closed to future accrual of benefits and all active members became deferred pensioners on that date.

2.7 Assets

The Fund's audited report and accounts show that its assets had a market value of £970,123,000 in respect of the Combined Pool Section (including teachers) at the valuation date. The assets allocated to the Actuarial Accounts for Guernsey Post Limited, Guernsey Electricity Limited, and the Guernsey Financial Services Commission were £35,486,000, £49,952,000, and £17,130,000 respectively. The total assets held in respect of the Superannuation Fund, excluding the States Members' Pension Fund, amounted to £1,072,691,000 at the valuation date. These assets are analysed as follows:



A summary of the Fund's investments at the valuation date is included in Appendix C.

2.8 Reliability of information

We have carried out some general checks to satisfy ourselves that:

- the information used for this valuation is reasonable compared with the information used for the previous valuation
- the results of this valuation can be reconciled with results of the previous valuation.

3. Benefits

3.1 Benefits valued

The valuation is based on the benefits defined in the Fund's legal documents at the valuation date. There are no external insurance arrangements in place to provide any of the benefits of the Fund.

3.2 Pension increases

The pension and deferred pension increases provided by the Fund are not guaranteed in the Rules but determined by the States of Guernsey. In 1988, the States of Guernsey resolved that an increase of less than the increase in the Retail Prices Index should only be recommended if certain criteria apply. The intention is to provide pension and deferred pension increases annually on 1 January for the Combined Pool Section and the Actuarial Accounts based on the annual increase in the Guernsey Retail Prices Index to the preceding June. The Teachers' Scheme provides pension increases in line with the increases granted by the UK Teachers' Scheme which are now based on the UK Consumer Prices Index.

We have assumed in our calculations that the current intention of providing these increases will continue in future and have allowed fully for future pension and deferred pension increases in the economic assumptions.

3.3 Future accrual of benefits

The Fund remains open to new members, but the benefits available to new joiners have been changed from 1 January 2008 onwards. The calculation of the contribution rate required for future service benefits assumes that the current benefit structures are unchanged.

4. Developments since the previous valuation

4.1 Previous valuation – Combined Pool Section (including teachers)

The previous valuation showed that the assets of the Combined Pool Section exceeded the target funding liabilities by £6,235,000 as at 31 December 2010. However, there was a **funding shortfall** of £77,338,000 relative to a target funding level of 100% of accrued benefits.

The rate of Employer contributions in respect of this section was 13.9% of Pensionable Pay in respect of future service accrual. This rate could have been reduced by 0.4% of Pensionable Pay in order to spread the assets in excess of the target funding liabilities over the average future working lifetime of the active members.

The actual rate of Employer contributions paid over the intervaluation period was 14.1% of Pensionable Pay.

The additional contributions paid in respect of and by members of the Special Benefits Groups have remained unchanged since the previous valuation.

4.2 Previous valuation – Guernsey Post Limited

The previous valuation showed that the Guernsey Post Limited Actuarial Account had a **funding surplus** of £2,702,000 as at 31 December 2010.

The rate of Employer contributions in respect of this section was 14.2% of Pensionable Pay in respect of future service accrual. This rate could have been reduced by 3.0% of Pensionable Pay in order to spread the **funding surplus** over the average future working lifetime of the active members.

The rate of contributions paid into the Guernsey Post Limited Actuarial Account decreased from 15.0% to 14.2% of Pensionable Pay with effect from 1 April 2012.

4.3 Previous valuation – Guernsey Electricity Limited

The previous valuation showed that the Guernsey Electricity Limited Actuarial Account had a **funding surplus** of £2,183,000 as at 31 December 2010.

The rate of Employer contributions in respect of this section was 14.6% of Pensionable Pay in respect of future service accrual. This rate could have been reduced by 2.8% of Pensionable Pay in order to spread the **funding surplus** over the average future working lifetime of the active members.

The rate of contributions paid into the Guernsey Electricity Limited Actuarial Account decreased from 17.3% to 14.6% of Pensionable Pay with effect from 1 April 2012.

4.4 Previous valuation – Guernsey Financial Services Commission

The previous valuation showed that the Guernsey Financial Services Commission Actuarial Account had a **funding surplus** of £1,145,000 as at 31 December 2010.

4. Developments since the previous valuation (continued)

The rate of Employer contributions in respect of this section was 15.6% of Pensionable Pay in respect of future service accrual. This included the cost of insuring the death in service and ill health retirement benefits within the Combined Pool Section, which we calculated as 2.1% of Pensionable Pay. The contribution rate payable could have been reduced by 2.7% of Pensionable Pay in order to spread the **funding surplus** over the average future working lifetime of the active members.

The rate of Employer contributions paid by the Guernsey Financial Services Commission was decreased from 17.8% of Pensionable Pay to 15.6% of Pensionable Pay with effect from 1 January 2012.

4.5 Benefit changes

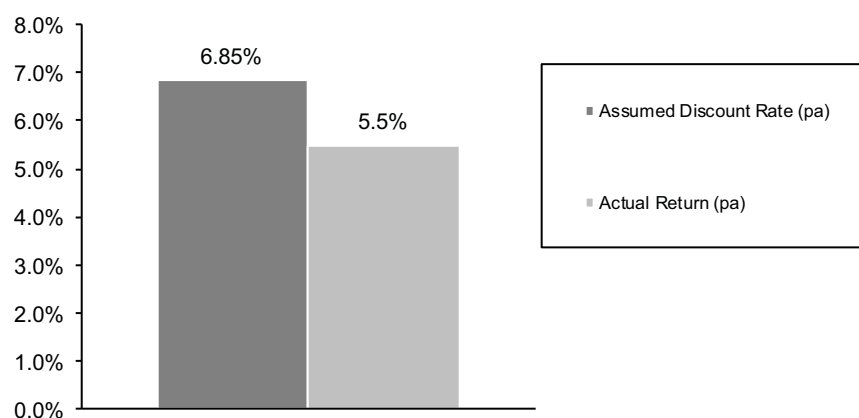
The GFSC Actuarial Account closed to future accrual of benefits with effect from 1 July 2014. We have allowed for this post valuation event within our actuarial valuation calculations. There have been no further benefit changes since the previous valuation. Our calculations consider the contribution rates required for the current benefit structure.

4.6 Financial development

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

- the investment return achieved on the Fund's assets with the **discount rate** used to calculate the Fund's **funding target**;
- the assumptions made at the previous valuation for pension and pay increases with the increases actually awarded;
- the market derived implied inflation at the previous valuation with the market derived implied inflation at this valuation (used to set the **discount rate**).

Investment return achieved compared with discount rate used



4. Developments since the previous valuation (continued)

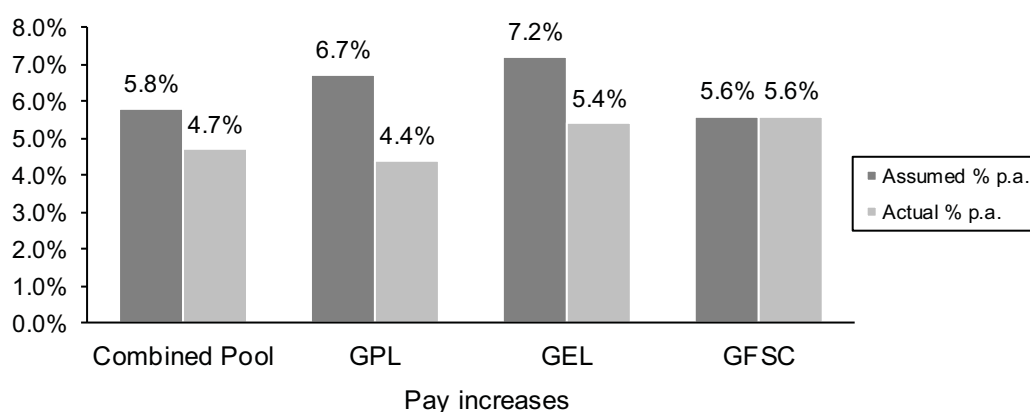
Over the three years since the previous valuation the rate of investment return achieved on the Fund was lower than expected.

Pension increase comparison



Average pension increases during the intervaluation period have been higher than expected for members of the Teachers' Scheme, and lower than expected for all other members. The pension increase for the Teachers' Scheme was based on UK CPI, rather than on Guernsey RPI.

Pay increase comparison

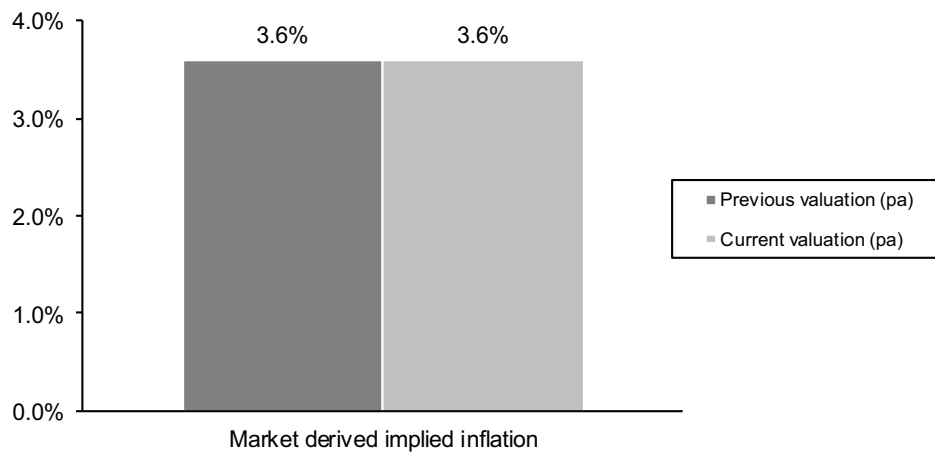


Average pay increases over the intervaluation period have generally been lower than expected.

The expected pay increase figures shown on the above chart include expected promotional increases for each section for the members who were present at both valuation dates and will reflect the different age profiles of these members in each section.

4. Developments since the previous valuation (continued)

Comparison of inflation rates



The market derived implied UK inflation at this valuation is the same as the market derived implied UK inflation at the previous valuation.

5. Funding objective

5.1 Introduction

A **funding target** is an assessment of the **present value** of the benefits that will be paid from a pension scheme in the future, based on pensionable service prior to the valuation date. In order to calculate a **funding target**, assumptions need to be made about the various factors that will influence the scheme in the future, such as the level of pay increases, when members will retire and how long members will live. These assumptions are used to project the future cash flows out of the scheme, which are then discounted back to the valuation date using the assumed rate of investment return to place a **present value** on the scheme's liabilities, ie the **funding target**.

5.2 Rule requirements

Under Rule 2 of the Fund, the States of Guernsey determine the Employer contributions to be paid into the Fund. For the Teachers' Scheme this is covered by Regulation 68.

The funding objective and the level of contributions payable is therefore determined by the States of Guernsey. In accordance with Rules 2(2)(f) and (g), the States of Guernsey also determine the contribution rates payable by the States Trading Companies and any other body for which an Actuarial Account has been established.

5.3 Setting the funding objective

The funding objective is that the Fund should meet its **funding target**.

The **funding target** which was adopted at the 2010 actuarial valuation by Treasury and Resources for the Combined Pool Section was to target a level of funds that would be sufficient to cover 90% of benefits that had accrued to 31 December 2007, and 100% of benefits accruing from 1 January 2008.

It was decided at the 2007 valuation that in a government backed scheme, such as the Fund, 100% funding is not necessary as part of members' pensions could be met by a pay-as-you-go system. If the assets held in respect of benefits accrued to 31 December 2007 remain at 90% of accrued benefits over time, then broadly 10% of the pension benefits would be payable from general revenue. If the whole of the benefit is paid from the Fund (despite the target underfunding) then in the absence of other sources of surplus emerging (such as better than expected investment returns) the funding level will worsen over time. 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). The States of Guernsey 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.

The **funding target** for the Actuarial Accounts was that their liabilities should be 100% funded.

These **funding targets** were adopted by Treasury and Resources for the 2013 actuarial valuation.

5. Funding objective (continued)

5.4 The funding target

Pension scheme liabilities are a series of future cash payments. Other than immediate and deferred annuities provided by an insurance company, the assets that would provide the closest match to these cashflows are a combination of fixed interest and index-linked gilts. Hence a **funding target** could be equal to the **present value** of the expected payments discounted at the market yields on gilts of appropriate term. The expected payments for active members would relate to pensionable service up to the valuation date and would include an allowance for expected future increases to Pensionable Pay.

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

The **funding targets** assume the Fund continues in its present form. This is not the same as the cost of securing the benefits if the Fund were to wind-up.

The Fund's assets are currently invested in equities and other return seeking assets. This investment strategy is expected to produce a target real return of 4% pa above UK inflation over the long term. Treasury and Resources have decided to take most of this higher expected return into account in the **funding target** and to accept the funding risks that this involves. The **funding target**, assuming 100% funding, is therefore calculated as the **present value** of the expected payments discounted at the expected rate of UK inflation over the appropriate mean term of the liabilities plus 3.25% pa. In the case of the Combined Pool Section this value is then reduced to 90% of the calculated value in respect of benefits accrued to 31 December 2007, in accordance with the **funding target** adopted by Treasury and Resources as described in section 5.3. It should be noted that if the assumed investment return is not achieved, the funding position could worsen, and additional contributions may be required. To the extent that the expected funds are not achieved from investment returns they would need to be met from additional States' contributions.

The **discount rate** was set on the basis that the investment strategy of the Fund would not change over time (ie the target return for the Fund on which the investment strategy is based will remain unchanged over time) in view of its particular circumstances. It should be noted that the **discount rate** is not an asset return projection for the three years until the next actuarial valuation, but the return that needs to be achieved (on average) every year into the future until all liabilities are met. The **discount rate** should therefore be appropriate for the long term.

The assumptions adopted are set out in Section 6.

5.5 Speed of reaching funding target

An adjustment to the contribution rate could be used to eliminate a **funding surplus** or a **funding shortfall** relative to the **funding target** over an agreed period of time. There are a number of ways in which such an adjustment may be determined. For example the **funding surplus** or **shortfall** for each section could be eliminated over the future working lives of the section's current active membership. Alternatively the **funding surplus** or **shortfall** could be eliminated over a shorter, fixed, period.

5. Funding objective (continued)

5.6 Funding target - method

If each section of the Fund had no **funding surplus** or **funding shortfall** and its assets were exactly equal to its **funding target**, contributions would still be required to cover the cost of benefits expected to accrue to members in the future.

It has been agreed to use the **Projected Unit Method** with a 1 year control period to calculate this future service contribution rate. This measures the increase in the **funding target** (assuming 100% funded) relating to benefits expected to accrue to active members over the year following the valuation date.

The **Projected Unit Method** was also adopted for the previous valuation. We assume that there will be sufficient new entrants for the future service contribution rate to remain stable until the next valuation.

5.7 Comparison with funding objectives for previous valuation

The funding objective is unchanged from the previous valuation of the Fund.

We have measured the funding position of the Combined Pool Section relative to the **funding target** of 90% of accrued liabilities up to 31 December 2007 and 100% of accrued benefits for service on or after 1 January 2008.

The funding target of 100% of accrued liabilities has been maintained for the Actuarial Accounts.

5.8 Stability of contribution rate

The contribution rate for each section of the Fund will remain broadly stable before and after eliminating a **funding surplus** or a **funding shortfall** if the funding objective remains unchanged, all assumptions made are borne out in practice and the age/sex/salary profile of the active membership of the section is stable and only the proportion of benefits for which funding is being made is paid out of the section. If the funding objective changes, contribution rates are likely to change.

However, as the Combined Pool Section liabilities in respect of service to 31 December 2007 are targeted to be 90% funded at the valuation date but 100% of all the benefits are to be paid from the Fund, the funding level for benefits accrued at 31 December 2007 would be expected to fall by the time of the next valuation and additional contributions may be required at that time.

6. Assumptions used to calculate funding target

6.1 Facts and assumptions

The benefit structure of the Fund, its membership and its assets at the valuation date are all known facts. However, the Fund's future finances also depend on uncertain factors such as future investment returns, pay and pension increases, how long members live and employee turnover. Assumptions are therefore needed about the long-term future, covering the period until all the present members have retired and all benefits arising from their membership have been paid. The assumptions should therefore reflect the outlook for the long term rather than recent experience or the experience expected over the period until the next actuarial valuation. The assumptions adopted for this valuation have been agreed by the Treasury and Resources Department.

6.2 Sensitivity of assumptions

Although the valuation results are sensitive to the choice of the absolute levels of the financial assumptions, it is important to note that the differences between the rates have a bigger impact on the results of the valuation than the absolute levels of each assumption. Hence the valuation results are particularly sensitive to the difference between the **discount rate** and the rate of pay or pension increases.

The valuation results are also sensitive to the assumptions made for the life expectancy of current and prospective pensioners.

These sensitivities are considered further in Section 11.

6.3 Derivation of financial assumptions

As set out in Section 5, the **discount rate** used to calculate the **funding target** has been set equal to the rate of UK inflation over the appropriate mean term of the liabilities at the valuation date plus 3.25% pa both for active members and deferred pensioners over the period to retirement and during the period while benefits are in payment to pensioners. As the target return adopted by Treasury and Resources applies to the whole of the assets, it is appropriate, at this time, to assume the same **discount rate** both pre and post retirement.

The UK inflation assumption used in calculating the **discount rate** has been derived as the annual UK inflation spot rate provided by the Bank of England as at the valuation date calculated at the mean duration of the Fund's liabilities. For the local inflation assumption, this is then combined with an allowance of 0.25% pa to allow for higher expected levels of inflation to be experienced locally compared with those in the UK.

Pensions for all sections except the Teachers' Scheme have been assumed to increase at the rate of local inflation during deferment and when in payment. For the Teachers' Scheme future pension increases are instead effectively linked to UK CPI inflation, so it has been assumed that pensions will increase at the rate of UK CPI inflation (assumed to be UK RPI inflation less 0.7% pa) during deferment and when in payment.

Pensionable Pay has been assumed to increase at the rate of local inflation plus 0.5% pa for all sections. As stated above, this assumption should be a long term assumption not the expectation of salary awards over the period to the next actuarial valuation. Over the long term salaries tend to increase at a higher rate than inflation. For example analysis has shown that general salary increases awarded over the last nine years have been in excess of

6. Assumptions used to calculate funding target (continued)

0.5% pa above inflation. In addition promotional salary scales have been included as described in Appendix D.

In our opinion, the derivation of financial assumptions in this way is compatible with taking assets at market value.

The table below shows the key financial assumptions used for this valuation and those used for the previous valuation.

Key financial assumptions		
	Current valuation % pa	Previous valuation % pa
Pre-retirement outperformance premium	3.25 (over UK inflation)	3.25 (over UK inflation)
Post-retirement outperformance premium	3.25 (over UK inflation)	3.25 (over UK inflation)
UK Price inflation	3.6	3.6
Guernsey Price Inflation	3.85	3.85
Pre-retirement discount rate	6.85	6.85
Post-retirement discount rate	6.85	6.85
Pay increases	4.35	4.35
Pension increases – Teachers’ Scheme	2.9	2.9
Pension increases – All Other Sections	3.85	3.85

6.4 Financial assumptions

The valuation results are sensitive to the choice of financial assumptions. Important points to bear in mind are:

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

6.5 Changes in financial assumptions

The financial assumptions are unchanged from those used for the previous valuation.

6.6 Changes to post-retirement mortality assumption

It has been agreed to adopt the latest published mortality tables, the Self Administered Pension Schemes (SAPS) tables (known as the “S2 series”) which are based on UK occupational pension scheme experience from 2004-2011.

The S2 series contain “All” tables which summarise the mortality experience of the full data received and also the following tables based on subsets of the data received:

6. Assumptions used to calculate funding target (continued)

- “Light” tables which summarise the mortality experience of those pensioners with the largest pensions (in excess of £14,750 pa for males and £5,500 pa for females). This represents the top 17% and 18% of pensioners in the data collected for males and females respectively. These pensioners tend to experience “lighter” mortality, ie they live for longer.
- “Heavy” tables which summarise the mortality experience of those pensioners with the lowest pensions (below £1,700 pa for males and below £850 pa for females). This represents the bottom 19% and 22% of the data collected for males and females respectively. These pensioners tend to experience “heavier” mortality.

In addition, there is a set of “Middle” tables for males which summarises the mortality experience of those pensioners not in the light or heavy tables.

Following analysis of the experience of the Fund over a 6 year period, it was agreed to adopt the following tables:

- the “Light” tables for female teachers and GFSC
- the “Middle” tables for male teachers
- the “All” tables for non-teachers, GPL, GEL and dependants, as these groups comprise both office and manual workers.

In order to allow for future improvements in mortality we have again used the latest available information which is a Mortality Projection Model published by the Continuous Mortality Investigation (CMI). The current version of the model is known as “CMI_2013”. The model takes recent rates of mortality improvements and blends them into a long-term rate.

We have suggested that a long term trend of 1.5% pa for the annual improvements in mortality rates for both males and females is a reasonable fit to past data.

Our recommendation, which was accepted by the Treasury and Resources Department, was to update the post-retirement mortality assumption to make use of the latest available information. Our recommended assumption was:

- S2 “All” base tables for non-teachers, GPL, GEL and dependants, S2 “Middle” tables for male teachers and S2 “Light” tables for females teachers and GFSC
- with the following scaling factors:

• Males – non-teachers, GEL, GPL	110%
• Females – non-teachers, GEL, GPL	100%
• Males – teachers	100%
• Females – teachers	80%
• Dependants	95%
• GFSC	100%
- allowing for future improvements in line with the CMI_2013 Core Projections assuming a long-term annual rate of improvement in mortality rates of 1.5% for men and women.

6. Assumptions used to calculate funding target (continued)

The life expectancy at age 65 for a non-teacher currently aged 65 and for a non-teacher currently aged 45, at age 65, is set out below:

	2010 valuation basis years	2013 valuation basis years
Male aged 65	22.5	21.8
Female aged 65	24.7	24.6
Male aged 45	24.4	24.0
Female aged 45	26.6	26.9

6.7 Changes to other demographic assumptions

Following our recommendations, it has been agreed to adopt other assumptions some of which differ from those used at the previous valuation. These have been based on an analysis of the experience of the Fund over the intervaluation period.

6.7.1 Normal health retirements

Our analysis of Public Servants over the six year period up to the valuation date showed that more members than expected retired at age 60. In relation to police officers, more members than expected retired at age 50. We have revised the assumed incidences of retirement to allow for this experience.

Retirement rates for the other groups were found to remain appropriate and so we have retained the same assumptions for this valuation.

6.7.2 Ill health retirements

We have revised our ill health retirement assumptions for some of the membership groups to reflect actual experience over the intervaluation period. The revised assumptions anticipate a lower number of ill health retirements over the next intervaluation period.

6.7.3 Withdrawals from service

Our experience showed that for most sections the number of withdrawals has greatly exceeded the expected number based on the assumptions used for the 2010 valuation. However, for male Police/Fire members and GEL members the number of withdrawals was below the expected number. It is important not to overestimate the number of withdrawals. We have revised our assumptions for male Police/Fire members and GEL members to anticipate a lower number of withdrawals over the next intervaluation period.

6.7.4 Promotions

We have revised the salary scales which are adopted. These include an age based allowance for future promotional increases. After analysis, we believe that the allowance included in the scales for promotional increases for older members, who would for the most part have already reached the top of their relevant salary scales is now excessive. We have

6. Assumptions used to calculate funding target (continued)

therefore capped these increases at age 50, such that no further promotional increases are assumed from that age onwards.

6.7.5 Family statistics

At the 31 December 2010 valuation, we assumed that 85% of male members and 80% of female members were married at retirement or earlier death. We have amended our assumptions to 85% of male members and 75% of female members to be married at retirement or earlier death. This is the standard assumption required in actuarial valuations for the purpose of the UK Pension Protection Fund.

6.8 Net effect of changes in assumptions

Overall these changes decrease the value placed on the Fund's liabilities compared with the previous valuation.

7. Funding position – Combined Pool Section

7.1 Funding position

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

	£'000	£'000
Funding target in respect of:		
Active members	426,264	
Deferred pensioners and refunds due	49,098	
Pensioners and dependants	494,269	
Funding target (90% of accrued benefits to 31 December 2007, 100% thereafter)		969,631
Market value of the assets		970,123
Assets in excess of target funding liabilities		492

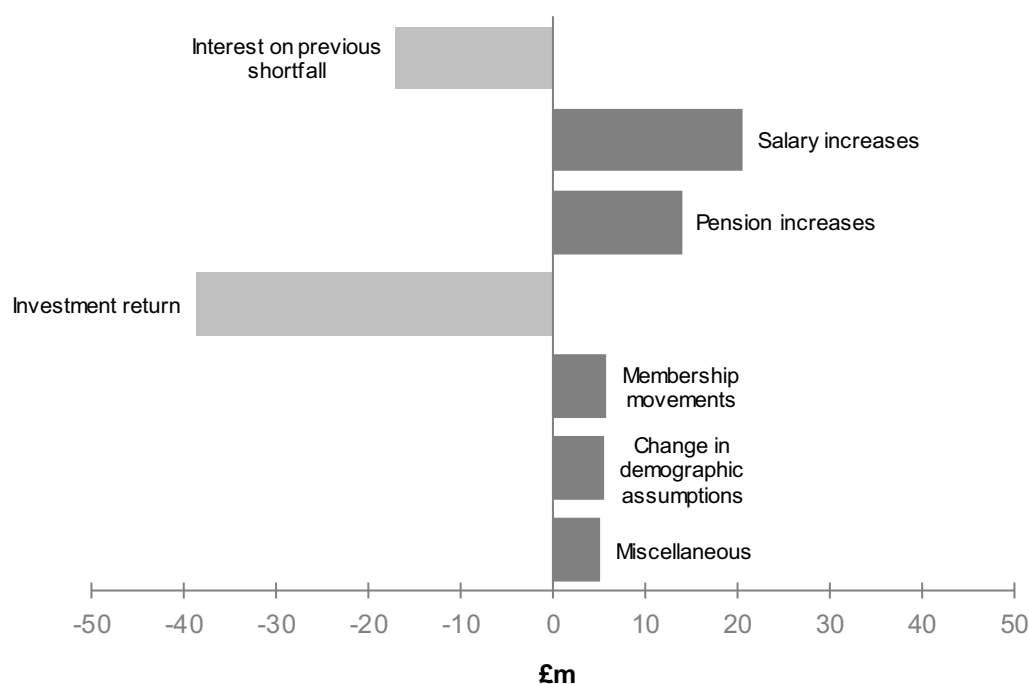
The Combined Pool Section has assets in excess of the target funding liabilities of £492,000 relative to the **funding target** of £969,631,000.

The assets represent 92.2% of the value of the total liabilities of the Combined Pool Section. If the **funding target** had been 100% of accrued liabilities, a **funding shortfall** of £82,109,000 would have been revealed.

7. Funding position – Combined Pool Section (continued)

7.2 Change in funding position

At the previous valuation the Combined Pool Section had a **funding shortfall** of £77,338,000 on the 100% **funding target** basis. The funding position (on a 100% **funding target**) has therefore worsened by £4,771,000 since the previous valuation. We have analysed the reasons for the change and indicated the impact of each factor in the chart below.



The main reason for the change in the past service position is that the investment return obtained on the assets was much lower than assumed. This effect was partially offset by the actual levels of pay and pension increases granted since the previous valuation which were lower than assumed.

The net effect of the changes in the demographic assumptions at this valuation has been to decrease the value placed on the liabilities in respect of the Combined Pool Section.

7.3 Future benefit accrual

We have also calculated the Employer contribution rate for benefits expected to accrue to members in future. This is the rate of contribution that would normally be appropriate if there was no **funding surplus** or **funding shortfall**.

The Employer's future service contribution rate on the basis of our assumptions is 14.2% of Pensionable Pay which includes an allowance for expenses of 0.25%. The corresponding rate at the previous valuation was 13.9%.

The main reasons for the increase at this valuation are the changes made to the demographic assumptions and the change in the age profile of the membership.

7. Funding position – Combined Pool Section (continued)

Additional contribution rates in excess of the basic Employer rate are required in respect of the special benefit groups. We have assumed that the additional rates for each of these groups will be maintained.

A summary of the future service contribution rates applicable to each group is set out below.

	Employer future service contribution rate % pa
Base Employer rate	14.2
Special benefit groups	
Police and Firefighters	
entrants on or before 31.10.91	29.2 (+15%)
entrants between 31.10.91 and 31.12.07	24.2 (+10%)
entrants after 31.12.07 Police	20.2 (+6%)
Fire	18.2 (+4%)
Senior Police and Fire Officers – entrants before 01.01.08	21.2 (+7%)
Mental Health Officers – entrants prior to 01.12.98	23.2 (+9%)
Crown Officers	
entrants on or before 31.10.91	24.2 (+10%)
entrants between 01.01.92 and 31.12.03	23.2 (+9%)
entrants after 1.1.04	20.9 (+6.7%)

7.4 Allowance for funding position

We have also calculated the required contribution rate if the assets in excess of the target funding liabilities were amortised over the average future working lifetime of the current active members, a period of 12 years. Since the **funding surplus** within the Combined Pool Section is relatively very small, the required basic rate of Employer contributions would remain at 14.2% of Pensionable Pay.

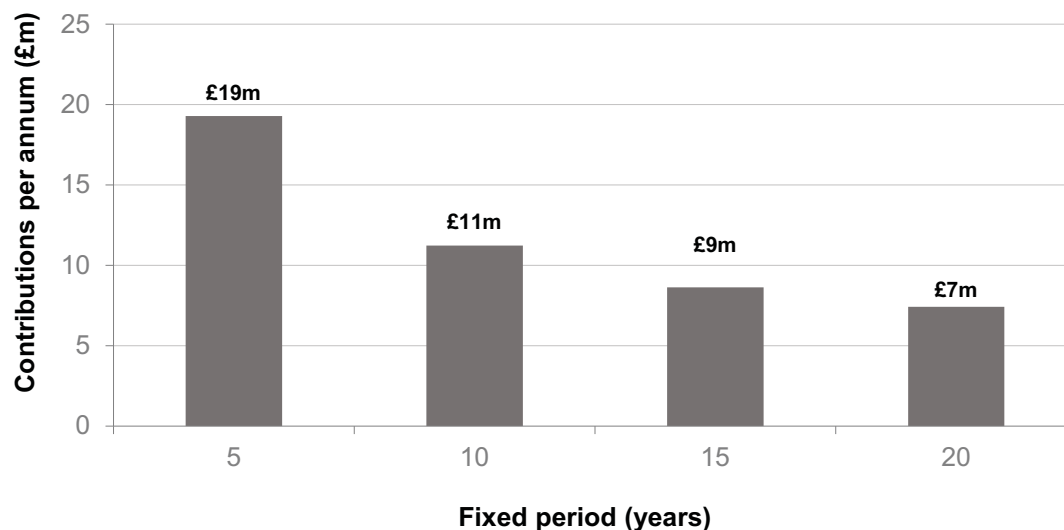
The additional contribution rates for the special groups, as set out above, would also be paid.

If the target funding level was 100% and the **funding shortfall** revealed was amortised over the average future working lifetime of the current active members, an increase of 4.1% of Pensionable Pay would be required resulting in a total Employer contribution rate of 18.3% of Pensionable Pay.

7. Funding position – Combined Pool Section (continued)

The fixed annual contributions which would be required to meet the **funding shortfall** (relative to the 100% **funding target**) if the contributions were spread over 5, 10, 15 or 20 years from 1 January 2014 (rather than spread as an addition to the contribution rate) are shown in the following chart.

Funding shortfall spread over fixed period



8. Funding position – Guernsey Post Limited

8.1 Funding surplus

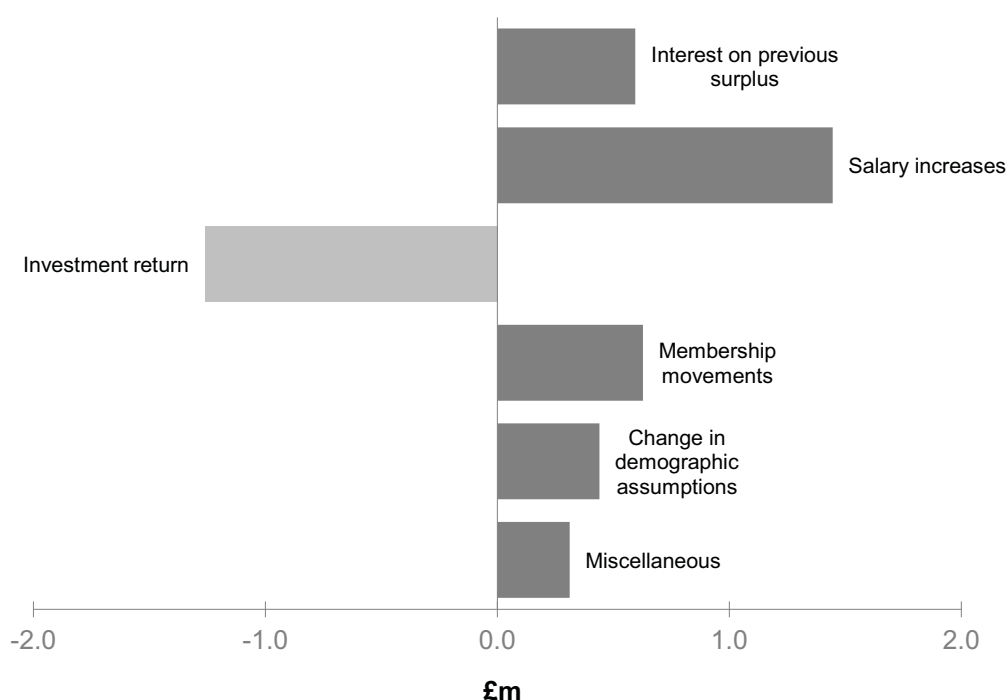
The funding objective is to bring the assets of each section of the Fund into line with the **funding target**. We have therefore compared the market value of the assets in the Fund in respect of the Guernsey Post Limited Actuarial Account with the **funding target** as at the valuation date. The result of this comparison is as follows:

	£'000	£'000
Value of past service ongoing liabilities:		
Active members	20,561	
Deferred pensioners and refunds due	1,367	
Pensioners and dependants	8,699	
Funding target		30,627
Market value of the assets		35,486
Funding surplus		4,859
Funding ratio		115.9%

The Guernsey Post Limited Actuarial Account has a **funding surplus** of £4,859,000 relative to the **funding target** of £30,627,000 and a **funding ratio** (assets as a proportion of the **funding target**) of 115.9%.

8.2 Change in funding position

At the previous valuation the Guernsey Post Limited Actuarial Account had a **funding surplus** of £2,702,000. The funding position has therefore improved by £2,157,000 since the previous valuation. We have analysed the reasons for the change and indicated the impact of each factor in the chart below.



8. Funding Position – Guernsey Post Limited (continued)

The main reason for the change in the past service position is that the actual levels of pay increases granted since the previous valuation were lower than assumed. This was partly offset by the investment return obtained on the assets which was much lower than assumed.

The net effect of the changes in the demographic assumptions at this valuation has been to reduce the value placed on the liabilities in respect of the Guernsey Post Limited Actuarial Account.

8.3 Future benefit accrual

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

The Employer's future service contribution rate on the basis of our assumptions is 15.2% of Pensionable Pay which includes an allowance for expenses of 0.25%. The corresponding rate at the previous valuation was 14.2%.

The increase is mainly due to the change in the age profile of the membership. However, this has been partly offset by the changes in the demographic assumptions.

8.4 Allowance for funding surplus

We have also calculated the contribution rate assuming that the **funding surplus** would be amortised over the average future working lifetime of the current active members, a period of 13 years. Allowing for this amortisation period, the required rate of Employer contributions could reduce by 5.8% of Pensionable Pay to 9.4% of Pensionable Pay.

This can be compared to the current contribution rate being paid by Guernsey Post Limited of 14.2% of Pensionable Pay.

9. Funding position – Guernsey Electricity Limited

9.1 Funding surplus

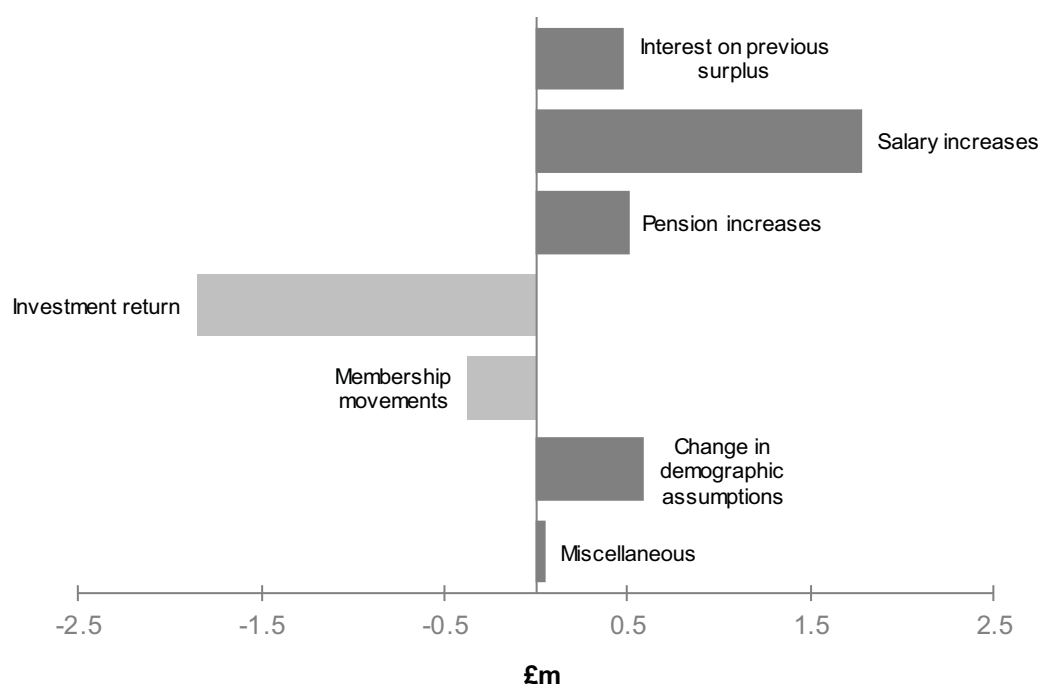
The funding objective is to bring the assets of each section of the Fund into line with the **funding target**. We have therefore compared the market value of the assets in the Fund in respect of the Guernsey Electricity Limited Actuarial Account with the **funding target** as at the valuation date. The result of this comparison is as follows:

	£'000	£'000
Value of past service ongoing liabilities:		
Active members	24,636	
Deferred pensioners and refunds due	1,693	
Pensioners and dependants	20,258	
Funding target		46,587
Market value of the assets		49,952
Funding surplus		3,365
Funding ratio		107.2%

The Guernsey Electricity Limited Actuarial Account has a **funding surplus** of £3,365,000 relative to the **funding target** of £46,587,000 and a **funding ratio** (assets as a proportion of the **funding target**) of 107.2%.

9.2 Change in funding position

At the previous valuation the Guernsey Electricity Limited Actuarial Account had a **funding surplus** of £2,183,000. The funding position has therefore improved by £1,182,000 since the previous valuation. We have analysed the reasons for the change and indicated the impact of each factor in the chart below.



9. Funding position – Guernsey Electricity Limited (continued)

The main reason for the change in the past service position is that the actual levels of pay and pension increases granted since the previous valuation were lower than assumed. This was partially offset by the investment return obtained on the assets which was much lower than assumed.

The net effect of the changes in the demographic assumptions at this valuation has been to reduce the value placed on the liabilities in respect of the Guernsey Electricity Limited Actuarial Account.

9.3 Future benefit accrual

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

The Employer's future service contribution rate on the basis of our assumptions is 14.9% of Pensionable Pay which includes an allowance for expenses of 0.25%. The corresponding rate at the previous valuation was 14.6%.

The main reason for the increase at this valuation is the changes in the demographic assumptions since the previous valuation.

9.4 Allowance for funding surplus

We have also calculated the contribution rate assuming that the **funding surplus** would be amortised over the average future working lifetime of the current active members, a period of 13 years. Allowing for this amortisation period, the required rate of Employer contributions could be reduced by 3.4% of Pensionable Pay to 11.5% of Pensionable Pay.

This can be compared to the current contribution rate being paid by Guernsey Electricity Limited of 14.6% of Pensionable Pay.

10. Funding position – Guernsey Financial Services Commission

10.1 Funding surplus

The GFSC Actuarial Account closed to future accrual of benefits with effect from 1 July 2014. We have allowed for this post valuation event within the actuarial valuation calculations. We have allowed in our calculations for 6 months of expected Employees and member contributions together with further accrual of benefits (to 30 June 2014) and from that date for all active members to become deferred members ie the salary linkage to their accrued benefits was removed from that date.

The funding objective is to bring the assets of each section of the Fund into line with the **funding target**. We have therefore compared the market value of the assets in the Fund in respect of the Guernsey Financial Services Commission Actuarial Account with the **funding target** as at the valuation date (with assets adjusted for 6 months of expected employer and member contributions and liabilities adjusted for 6 months' further accrual of benefits). The result of this comparison is as follows:

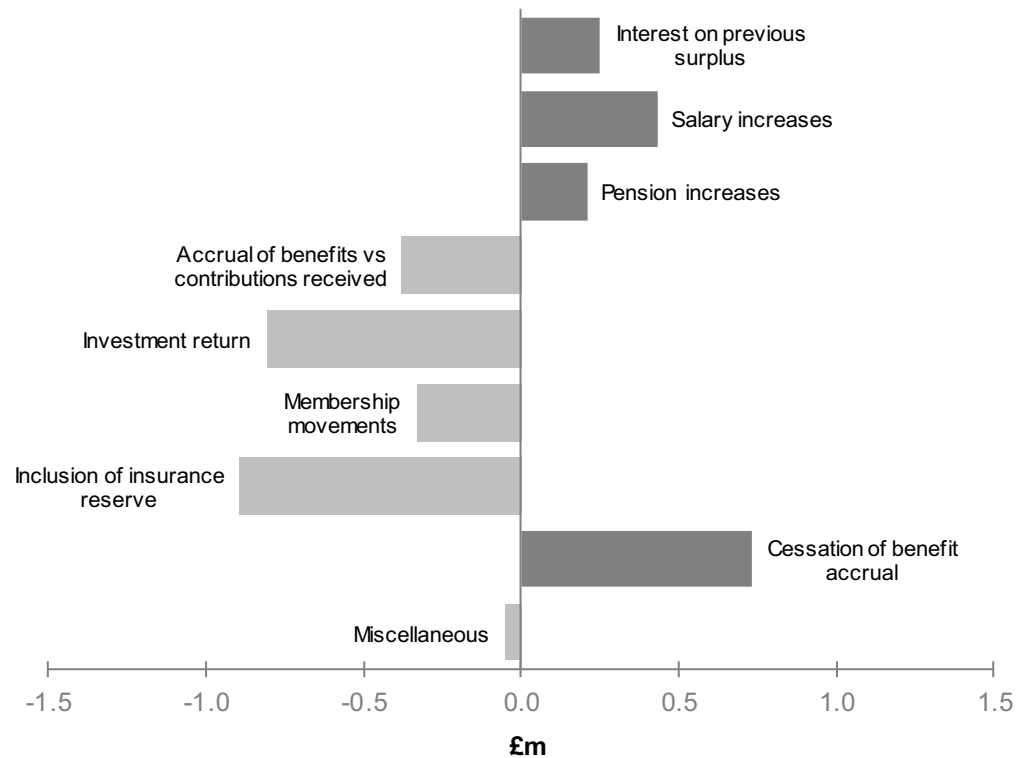
	£'000	£'000
Value of past service ongoing liabilities:		
Active members (until 30 June 2014)	8,537	
Deferred pensioners and refunds due	4,291	
Pensioners and dependants	4,260	
Funding target		17,088
Market value of the assets		17,403
Funding surplus		315
Funding ratio		101.8%

The Guernsey Financial Services Commission Actuarial Account has a **funding surplus** of £315,000 relative to the **funding target** of £17,088,000 and a **funding ratio** (assets as a proportion of the **funding target**) of 101.8%.

10.2 Change in funding position

At the previous valuation the Guernsey Financial Services Commission Actuarial Account had a **funding surplus** of £1,145,000. The funding position has therefore worsened by £830,000 since the previous valuation. We have analysed the reasons for the change and indicated the impact of each factor in the chart below.

10. Funding position – Guernsey Financial Services Commission (continued)



The main reasons for the change in the past service position are the inclusion of an insurance reserve and the investment return obtained on the assets was much lower than assumed. These effects were partly offset by the reduction in liabilities resulting from the cessation of benefit accrual with effect from 1 July 2014.

The net effect of the changes in the demographic assumptions at this valuation has been to slightly reduce the value placed on the liabilities in respect of the Guernsey Financial Services Commission Actuarial Account.

10.3 Allowance for funding surplus

Treasury and Resources will decide the basis of the charges to cover future administration expenses of the GFSC Actuarial Account. We suggest the **funding surplus** is utilised to pay the expenses of administration over the period until the next valuation.

11. Risks

11.1 Purpose of funding

The primary purpose of funding is to provide members with more security for their pensions than if they relied on their employer to pay them directly. However, the Fund faces some significant risks in relation to its funding position. Some of the key factors that could lead to **funding shortfalls** are considered below.

11.2 Funding does not eliminate risk

Despite a scheme being funded, there is still the risk that the assets would not be sufficient to pay all of the promised benefits. There are a number of risks that a scheme is exposed to, including:

- Sponsor covenant risk
- Funding approach risk
- Investment risk
- Mortality risk
- Options risk

11.3 Sponsor covenant risk

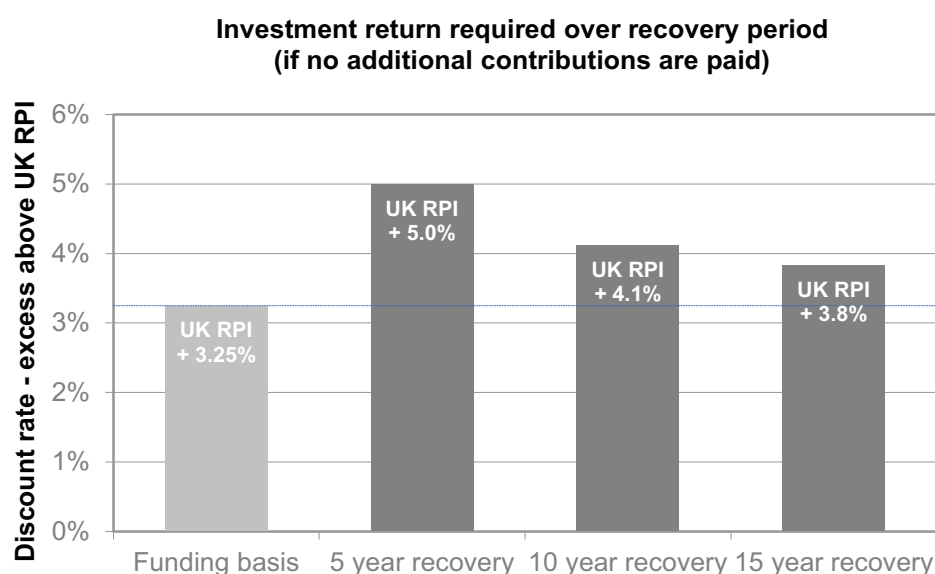
Although the Treasury and Resources Department can request additional support from the States if additional **funding shortfalls** materialise, the Fund has the enduring risk of the willingness and ability of the States to continue to pay contributions to the Fund and to make good any shortfalls.

11.4 Funding approach risk

As the funding approach is to target only 90% of accrued benefits for service to 31 December 2007, this is expected to lead to a worsening funding level over time as 100% of benefits are paid out of the Fund. 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). Thus, a **funding target** of 90% (for benefits accrued to 31 December 2007) is not sustainable over the long term. The States of Guernsey 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. Paying a significant proportion of pension benefits from general revenue rather than through the Fund would mean that members had less security for their benefits as the funding for their benefits would be drawn from the same pool as other direct States' expenditure.

The following chart illustrates the investment return required over 5, 10 or 15 year recovery periods to meet the **funding shortfall** on the 100% funding objective if no additional contributions are paid.

11. Risks (continued)



11.5 Investment risk

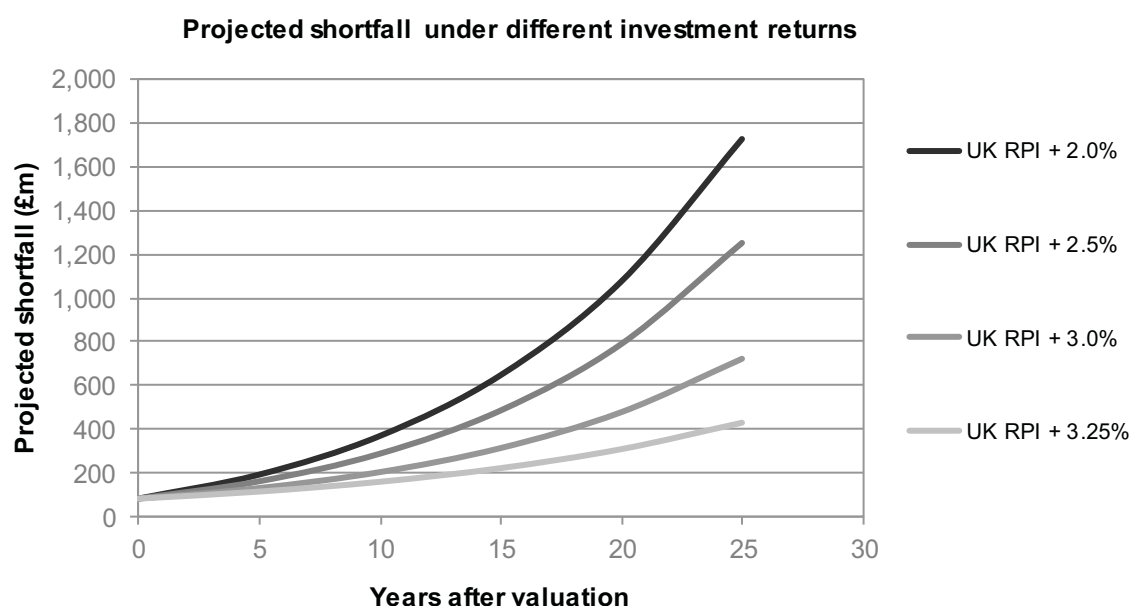
The majority of the Fund's liabilities are linked to inflation via either pension increases or pay increases. The assets that most closely match the Fund's liabilities in terms of future cashflows are a combination of index-linked gilts and derivative instruments to match inflation-linked liabilities and fixed-interest gilts and/or investment grade corporate bonds to match the fixed liabilities.

The Fund's investments are mismatched because the States of Guernsey has (having taken advice) chosen to invest some of the Fund's assets in asset classes, such as equities, that are expected to produce higher future returns than gilts over the long term with the aim of reducing the contributions that would otherwise be required. The more mismatched the investment strategy is, the greater the potential risks. Equity markets can fall significantly and hence investing in equities exposes the Fund to the risk of falls in the funding level relative to accrued liabilities. These risks are compounded where additional returns from equities are anticipated in the **discount rate**. Treasury and Resources will need to consider the States' ability to cope with the funding of the Fund in such situations. Alternatively, the future investment return on the assets may be positive, but insufficient to meet the funding objective. The more mismatched the investment strategy is, the greater the risks.

The return achieved on the Fund's assets may be lower than allowed for in the valuation. It is for Treasury and Resources to decide upon the level of the investment outperformance to assume for the valuation calculations. This will depend upon how much risk they are willing to accept for funding purposes. To the extent that the expected funds are not achieved from the investment returns, they would need to be met from additional employer contributions.

The following graph illustrates the projected **funding shortfall** under different investment returns highlighting how the shortfall increases if investments underperform. It assumes no additional contributions are paid to meet the shortfall. It should be noted that if the experience of the Fund is as expected in all respects and no **funding shortfall** payments are made, the amount of the shortfall will increase over time. If asset return only matches liability growth, the shortfall will grow in nominal terms.

11. Risks (continued)



11.6 Mortality risk

Members could live longer than foreseen, for example, as a result of a medical breakthrough. This would mean that benefits are paid for longer, resulting in higher liabilities.

11.7 Options risk

Members might exercise options resulting in extra costs that were not funded for. For example, if members choose to commute less of their pension for tax free cash at retirement than allowed for in the calculations, then this will result in higher costs for the Fund, or members could retire earlier than assumed.

11.8 Impact of adverse risks

It is important for the Treasury and Resources Department to understand the situations in which **funding shortfalls** could arise, to form a view on the willingness and ability of the States to support the Fund, and to consider what actions to take if this view changes.

To help the Treasury and Resources Department understand the susceptibility of the funding position to these risks, we have considered the valuation results on a range of bases and the results are considered below.

11.9 Risk factors

In order to illustrate the sensitivity of the funding position, we have investigated the following risk factors on the **funding target** basis:

Net discount rate: this is the effect of lower than expected investment returns or a potential change to the **discount rate** net of inflation. This could arise if there were a change in the expectations of future investment returns above inflation.

11. Risks (continued)

Guernsey inflation: this is the effect of Guernsey inflation exceeding UK inflation by a different level than expected over the long term.

Pay increases: this is the effect of pay increases exceeding Guernsey inflation by a different level than expected over the long term.

Life expectancy: this is the effect of a potential change in life expectancies, which is likely to arise due to new information becoming available eg new mortality tables being published. While in theory this may not result in a step change (since it will emerge over time), in practice the impact will appear immediately as a result of changing the relevant assumption.

Retirement age: this is the effect of all existing members retiring at their Normal Retirement Dates ie at age 50 for Police/Fire and at age 60 for all other sections. The assumption in the valuation is that Police/Fire members will retire between ages 50 and 55 and that members in other sections will retire between ages 60 and 65.

Commutation: this is the effect of members commuting their pensions to receive a different proportion of the maximum lump sum available than expected over the long term. The assumption in the valuation is that members will choose to receive 75% of the maximum lump sum on retirement.

11.10 Risk modelling

We have produced valuation results on a range of alternative assumptions to indicate how sensitive the results are to changing assumptions and the actual experience of the Fund. In the case of the Combined Pool Section we have shown these results on the 100% funding objective.

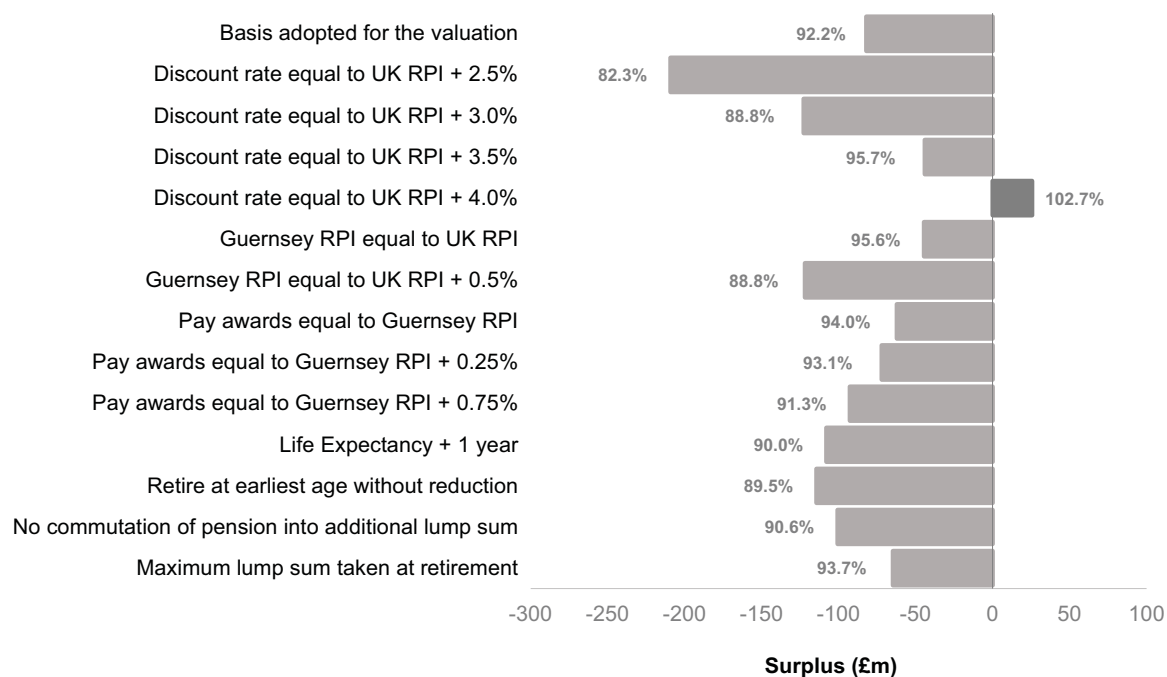
The results have been produced on the following alternative bases. All results show the change from the assumption adopted for the valuation, with all other assumptions unchanged.

1. the discount rate is set as UK inflation plus 2.5% pa (ie 0.75% pa lower)
2. the discount rate is set as UK inflation plus 3% pa (ie 0.25% pa lower)
3. the discount rate is set as UK inflation plus 3.5% pa (ie 0.25% pa higher)
4. the discount rate is set as UK inflation plus 4% pa (ie 0.75% pa higher)
5. Guernsey inflation is set equal to UK inflation (ie 0.25% pa lower)
6. Guernsey inflation is set equal to UK inflation plus 0.5% pa (ie 0.25% pa higher)
7. general pay increases are set equal to Guernsey inflation (ie 0.5% pa lower)
8. general pay increases are set equal to Guernsey inflation plus 0.25% pa (ie 0.25% pa lower)
9. general pay increases are set equal to Guernsey inflation plus 0.75% pa (ie 0.25% pa higher)

11. Risks (continued)

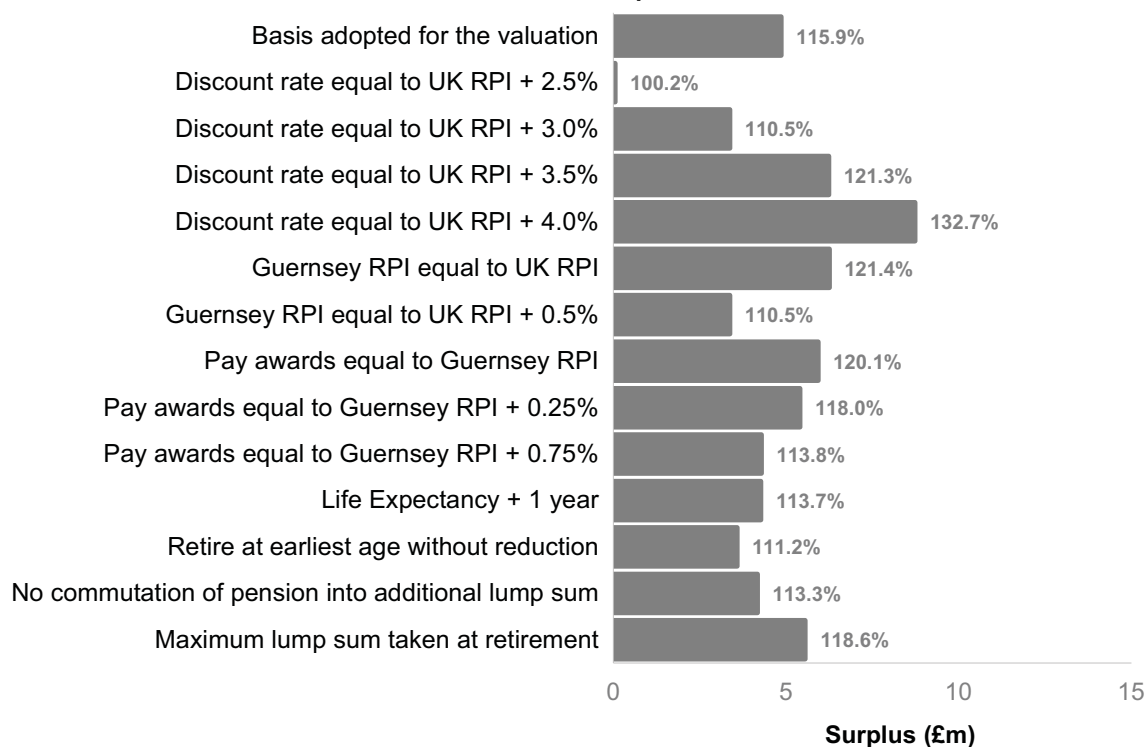
10. life expectancy from age 65 for current and future pensioners is one year higher
11. existing members retire at their Normal Retirement Dates ie at age 50 for police/fire and at age 60 for all other sections.
12. members do not exchange any part of their pension to receive an additional lump sum on retirement
13. members exchange their pension to receive the maximum lump sum available on retirement

Sensitivity of the funding level and the funding surplus to changes to the assumptions - Combined Pool

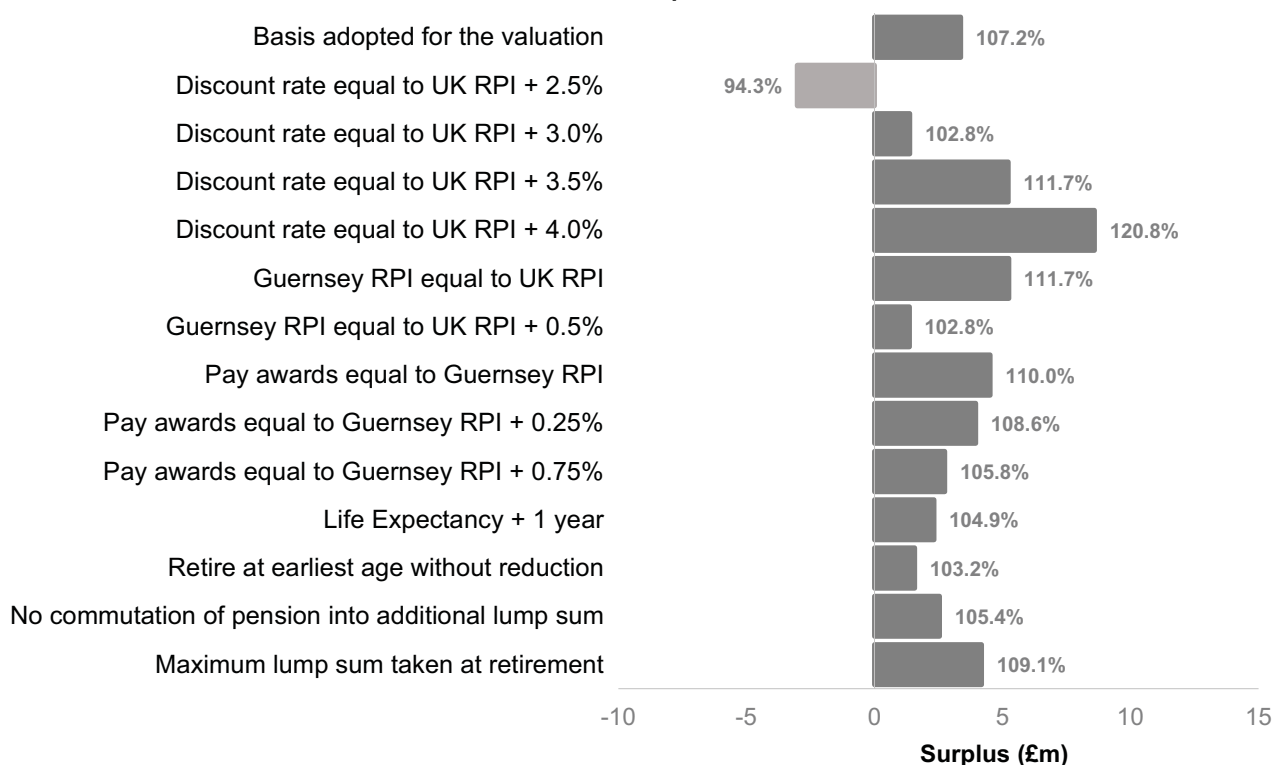


11. Risks (continued)

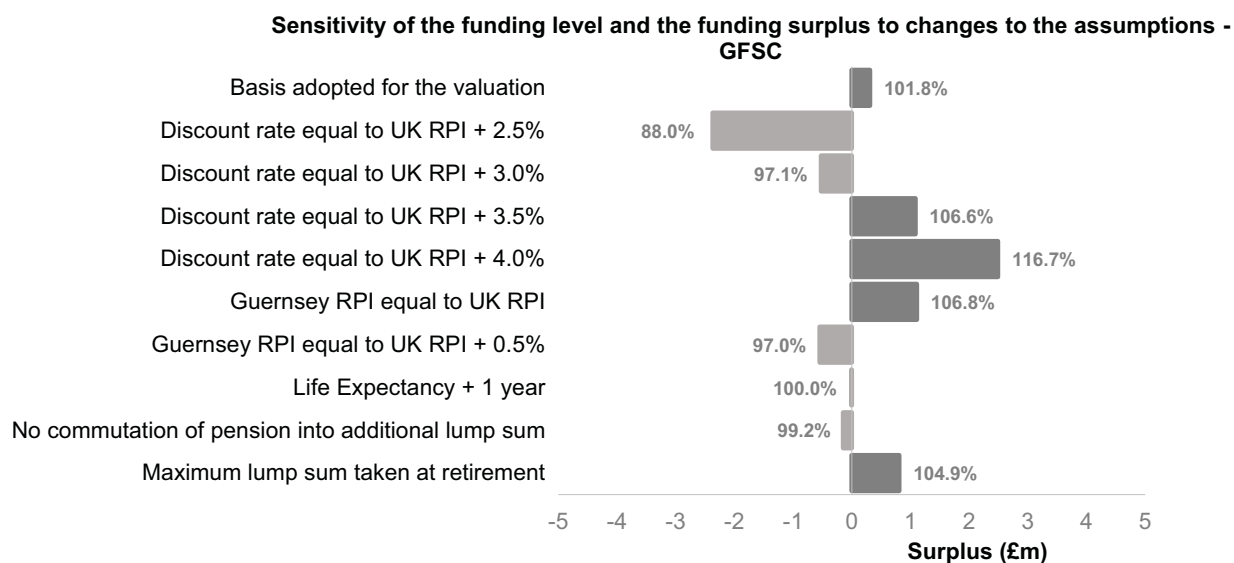
Sensitivity of the funding level and the funding surplus to changes to the assumptions - GPL



Sensitivity of the funding level and the funding surplus to changes to the assumptions - GEL



11. Risks (continued)



11.11 Comments

These results show that the funding level is very sensitive to future investment market changes. Reduced expectations of future investment returns could lead to a reduction in the Fund's **funding ratio** and an increase to the contributions required.

The primary reason for the possible volatility in the funding position is that the States of Guernsey's investment policy involves a deliberate mismatch between the Fund's assets and liabilities, in the expectation that this will result in higher investment returns over the long term than a policy that was more matched.

The results also show that, like many pension schemes, the Fund is susceptible to variations in future mortality experience. In addition, the results show that the Fund is also susceptible to the choices members make regarding their retirement such as when the member retires and whether they will exchange pension for a cash lump sum.

The scenarios considered are not "worst or best case" scenarios, and a combination of these events could either compound or (with a converse event) mitigate one another.

12. Summary and conclusions

12.1 Summary of results – Combined Pool Section

- At the valuation date the assets of the Combined Pool Section exceeded the target funding liabilities by £492,000 relative to the **funding target** of 90% in respect of benefits accrued to 31 December 2007 and 100% in respect of benefits accrued from 1 January 2008.
- On the basis used to set the **funding target**, the recommended long-term rate of Employer contributions payable in respect of future benefit accrual within the Combined Pool Section is 14.2% of Pensionable Pay. Additional contributions are required in respect of the special benefit groups as detailed in Section 7.
- If the **funding target** was 100% of accrued liabilities there would be a **funding shortfall** of £82,109,000.
- A summary of the actuarial valuation results is as follows:

	Funding target 90% of accrued benefits to 31 December 2007, 100% thereafter	Funding target 100% of accrued benefits
Assets in excess of target funding liabilities	£492,000	(£82,109,000)
Funding level in relation to target funding liabilities	100.1%	92.2%
Future service Employer contribution rate	14.2%	14.2%
Past service adjustment	-	4.1%
Total contribution rate required from the Employer	14.2%	18.3%
Contribution rate currently being paid	14.1%	14.1%

12.2 Summary of results – Guernsey Post Limited

- At the valuation date, there was a **funding surplus** of £4,859,000 relative to the **funding target** in respect of the Guernsey Post Limited Actuarial Account. This corresponds to an ongoing **funding ratio** of 115.9%.
- On the basis used to set the **funding target**, the recommended long-term rate of Employer contributions payable in respect of future benefit accrual within the Guernsey Post Limited Actuarial Account is 15.2% of Pensionable Pay.
- A summary of the actuarial valuation results is as follows:

Funding surplus	£4,859,000
Funding level	115.9%
Future service Employer contribution rate	15.2%
Past service adjustment	(5.8%)
Total contribution rate required from the Employer	9.4%
Contribution rate currently being paid	14.2%

12. Summary and conclusions (continued)

12.3 Summary of results – Guernsey Electricity Limited

- At the valuation date, there was a **funding surplus** of £3,365,000 relative to the **funding target** in respect of the Guernsey Electricity Limited Actuarial Account. This corresponds to an ongoing **funding ratio** of 107.2%.
- On the basis used to set the **funding target**, the recommended long-term rate of Employer contributions payable in respect of future benefit accrual within the Guernsey Electricity Limited Actuarial Account is 14.9% of Pensionable Pay.
- A summary of the actuarial valuation results is as follows:

Funding surplus	£3,365,000
Funding level	107.2%
Future service Employer contribution rate	14.9%
Past service adjustment	(3.4%)
Total contribution rate required from the Employer	11.5%
Contribution rate currently being paid	14.6%

12.4 Summary of results – Guernsey Financial Services Commission

- At the valuation date, there was a **funding surplus** of £315,000 relative to the **funding target** in respect of the Guernsey Financial Services Commission Actuarial Account. This corresponds to an ongoing **funding ratio** of 101.8%.
- A summary of the actuarial valuation results is as follows:

Funding surplus	£315,000
Funding level	101.8%

12.5 Developments since the valuation date

Since the valuation date, equity markets have been volatile.

This experience since the valuation date will have led to volatile funding positions for each section of the Fund on the **funding target** basis.

12.6 Contributions – Combined Pool

The total rate of Employer contributions to be paid following the valuation will be determined by the States. The Employer contributions required to fund for 100% of future benefit accrual would be 14.2% of Pensionable Pay.

This contribution rate includes an allowance for expenses of 0.25% of Pensionable Pay. Members will continue to contribute at the basic rate of 6.5% of Pensionable Pay, increased for the special benefit groups as detailed in the Rules of the Fund. This rate does not include any Additional Voluntary Contributions members may choose to make.

12. Summary and conclusions (continued)

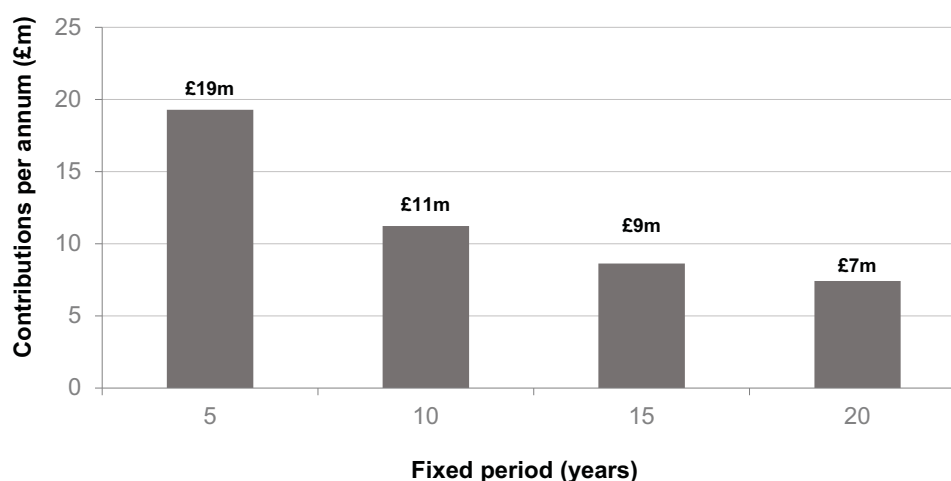
Additional contributions should continue to be paid in respect of the special benefit groups as detailed in the table below.

	Additional Employer contribution rate %pa
Special benefit groups	
Police and Firefighters	
entrants on or before 31.10.91	+15%
entrants between 31.10.91 and 31.12.07	+10%
entrants after 31.12.07 Police	+6%
Fire	+4%
Senior Police and Fire Officers – entrants before 01.01.08	+7%
Mental Health Officers – entrants prior to 01.12.98	+9%
Crown Officers	
entrants on or before 31.10.91	+10%
entrants between 01.01.92 and 31.12.03	+9%
entrants after 1.1.04	+6.7%

If the **funding target** was 100% of accrued liabilities, additional contributions of 4.1% of Pensionable Pay would be required to amortise the **funding shortfall** resulting in a base level of Employer contributions of 18.3% of Pensionable Pay.

The fixed annual contributions which would be required to meet the **funding shortfall** (relative to the 100% funding target) if the contributions were spread over 5, 10, 15 or 20 years from 1 January 2014 (rather than spread as an addition to the contribution rate) are shown in the following chart.

Funding shortfall spread over fixed period



12. Summary and conclusions (continued)

12.7 Contributions – Guernsey Post Limited

If allowance were made for a contribution reduction of 5.8% of Pensionable Pay to amortise the **funding surplus** in respect of the Guernsey Post Limited Actuarial Account, the total rate of Employer contributions to be paid following the valuation could be 9.4% of Pensionable Pay.

This contribution rate includes an allowance for expenses of 0.25% of Pensionable Pay. Members will continue to contribute at the basic rate of 6.5% of Pensionable Pay. This does not include any Additional Voluntary Contributions members may choose to make.

12.8 Contributions – Guernsey Electricity Limited

If allowance were made for a contribution reduction of 3.4% of Pensionable Pay to amortise the **funding surplus** in respect of the Guernsey Electricity Limited Actuarial Account, the total rate of Employer contributions to be paid following the valuation could be 11.5% of Pensionable Pay.

This contribution rate includes an allowance for expenses of 0.25% of Pensionable Pay. Members will continue to contribute at the basic rate of 6.5% of Pensionable Pay. This does not include any Additional Voluntary Contributions members may choose to make.

12.9 Contributions – Guernsey Financial Services Commission

Since the GFSC Actuarial Account is now closed to future accrual, no future service contributions are payable. We suggest the surplus is utilised to pay the expenses of administration over the period until the next valuation.

12.10 Implementation of any revised contributions

Any revised contribution rates for the Combined Pool Section could be implemented from 1 January 2015 and for Guernsey Post Limited and Guernsey Electricity Limited could be implemented from 1 April 2015.

12.11 Monitoring the Fund

The next formal valuation is due to take place as at 31 December 2016 when the contribution levels will be reviewed.

Signed for BWCI Consulting Limited

Steven Jones, FIA

Diana Simon, FIA

Appendix A

Outline provisions of the Fund

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

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

The Fund in respect of Teachers was established with effect from 1 January 1977 by the Teachers' Superannuation (Guernsey) Regulations, 1978, and has been subsequently modified by a number of amendments. This Fund was closed to new entrants on 31 October 2005. Since that date new teachers join a separate section established in the Public Servants scheme. The majority of members of the Teachers' Scheme transferred to this new section.

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

An Actuarial Account was established with effect from 1 January 2002 for the Guernsey Financial Services Commission in accordance with paragraph 2 of the Third Schedule to the States of Guernsey (Public Servants) (Pensions and Other Benefits) Rules. This Account was closed to new entrants from 1 January 2008 and closed to future accrual of benefits with effect from 1 July 2014. All active members became deferred members at that date.

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

By a resolution passed on 12 December 2007 the States of Guernsey amended the Rules of all sections to introduce a new tier of benefits for all sections that applies for all members who commence service on or after 1 January 2008.

Appendix B**Membership data****Active members at 31 December 2013**

		Number Of Cases	Total Pay (£ pa)
Public Servants (including special groups)	Men	1,664	64,859,343
	Women	2,129	66,990,748
Teachers Scheme	Men	27	1,317,480
	Women	78	3,258,063
Teachers Section of Combined Pool	Men	202	9,898,912
	Women	459	20,260,625
Guernsey Post Limited	Men	162	5,055,792
	Women	48	1,516,329
Guernsey Electricity Limited	Men	180	6,482,552
	Women	25	865,769
Guernsey Financial Services Commission	Men	23	1,574,166
	Women	24	1,359,281
Total	Men	2,258	89,188,245
	Women	2,763	94,250,815

Deferred pensioners at 31 December 2013

		Number Of Cases	Amount of deferred pension (£ pa)
Public Servants (including special groups)	Men	110	766,502
	Women	151	820,179
Teachers Scheme	Men	50	233,649
	Women	107	356,858
Teachers Section of Combined Pool	Men	11	105,940
	Women	23	124,152
Guernsey Post Limited	Men	3	17,438
	Women	5	36,371
Guernsey Electricity Limited	Men	11	81,401
	Women	2	8,234
Guernsey Financial Services Commission	Men	15	163,327
	Women	20	98,665
Total	Men	200	1,368,257
	Women	308	1,444,459

Notes: Deferred pension amounts include revaluations up to the valuation date.

There were also 1,062 former members at the valuation date who were entitled to a refund of their member contributions to the Fund.

Pensioners at 31 December 2013

		Number of cases	Amount of pension (£ pa)
Public Servants (including special groups)	Men	1,268	17,012,489
	Women	903	5,860,211
	Widowers	32	108,077
	Widows	397	2,307,501
Teachers Scheme	Men	34	487,823
	Women	57	414,338
	Widowers	4	8,060
	Widows	15	63,507
Teachers Section of Combined Pool	Men	254	4,542,458
	Women	379	4,913,491
	Widowers	10	39,313
	Widows	52	317,360
Guernsey Post Limited	Men	47	451,077
	Women	4	10,861
	Widows	3	16,461
Guernsey Electricity Limited	Men	86	1,087,942
	Women	7	68,567
	Widows	4	17,599
Guernsey Financial Services Commission	Men	11	210,348
	Women	5	21,912
	Widows	1	7,935
Total	Men	1,700	23,792,137
	Women	1,355	11,289,380
	Widowers	46	155,450
	Widows	472	2,730,363

Note: This excludes children's pensions.

Assets

The Fund's audited accounts for the year ended 31 December 2013 show its assets (excluding the States Members' Pension Fund) as £1,072,691,000. These can be categorised as follows:

	Market Value (£'000)	% of Total
Equities	588,394	55
Alternatives	190,926	17
UK Gilts	31,328	3
Corporate Bonds	135,753	13
Property	97,587	9
Cash and Net Current Assets	28,703	3
TOTAL	1,072,691	100

Appendix D Assumptions for funding target

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

Financial Assumptions

Discount rate

- before retirement	6.85% pa
- after retirement	6.85% pa
Rate of UK price inflation	3.6% pa
Rate of Guernsey price inflation	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 – All Other Sections	3.85% pa
Rate of deferred pension increases – Teachers Scheme	2.9% pa
Rate of deferred pension increases – All Other Sections	3.85% pa

Demographic Assumptions

Post-retirement mortality

- S2 “All” base tables for non-teachers, Guernsey Electricity Limited, Guernsey Post Limited and dependants allowing for future improvements in line with CMI_2013 Core Projections assuming a long-term annual rate of improvement in mortality rates of 1.5%
- S2 “Middle” base tables for male teachers allowing for future improvements in line with CMI_2013 Core Projections assuming a long-term annual rate of improvement in mortality rates of 1.5%
- S2 “Light” base tables for female teachers and Guernsey Financial Services Commission allowing for future improvements in line with CMI_2013 Core Projections assuming a long-term annual rate of improvement in mortality rates of 1.5%
- with the following scaling factors of:
 - Males – non-teachers, GEL, GPL 110%
 - Females – non teachers, GEL, GPL 100%
 - Males – teachers 100%
 - Females – teachers 80%
 - Dependants 95%
 - GFSC 100%

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	21.8	24.6
Current 45 Year Old, assuming survival to age 65	24.0	26.9

Appendix D

Assumptions for funding target (continued)

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 (see sample rates below).

Ill-Health retirements

Allowance has been made for ill-health retirements before the age of normal retirement by means of age related scales (see sample rates below). 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 (see sample rates below).

On withdrawal, for most sections of the Fund, 25% of members are assumed to leave a deferred pension in the Fund and 75% are assumed to take a refund of their own 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 75% of females are assumed to be married at retirement or earlier death.

Commutation

Each member is assumed to commute their pensions to the extent required to receive 75% of the maximum lump sum available to them.

Promotional salary increases

Allowance made for age-related promotional increases (see sample rates below).

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 D**Assumptions for funding target (continued)****Sample rates**

The tables below illustrate the allowances made for withdrawals from service, early retirements and ill health retirements at various ages. Also shown is the allowance included for promotional pay increases, which is shown as the percentage increase over the next year.

	Percentage leaving the Fund in the next year as a result of withdrawal from service			
Current age	Established Staff, Teachers and GPL employees	Unestablished Staff	Police and Fire members	GEL employees
20	17.7	26.5	8.8	13.2
25	12.7	19.0	6.3	9.5
30	8.8	13.1	4.4	6.6
35	5.7	8.5	2.8	4.3
40	3.3	4.9	1.6	2.5
45	1.4	2.1	0.7	1.0
50	0.0	0.0	0.0	0.0
55	0.0	0.0	0.0	0.0
60	0.0	0.0	0.0	0.0

Appendix D Assumptions for funding target (continued)

Current age	Percentage of Existing Members leaving the Fund in the next year as a result of retirement in normal health						
	Established Staff	Male Un-established Staff	Female Un-established Staff	Police and Fire members other than Senior Officers	Teachers	GEL	GPL
50	0	0	0	40	0	0	0
51	0	0	0	20	0	0	0
52	0	0	0	20	0	0	0
53	0	0	0	20	0	0	0
54	0	0	0	20	0	0	0
55	0	0	0	100	0	0	0
56	0	0	0	100	0	0	0
57	0	0	0	100	0	0	0
58	0	0	0	100	0	0	0
59	0	0	0	100	0	0	0
60	50	30	55	100	75	60	67
61	10	7.5	7.5	100	30	15	15
62	10	7.5	7.5	100	30	15	15
63	10	7.5	7.5	100	30	15	15
64	10	7.5	7.5	100	30	15	15
65	100	100	100	100	100	100	100

GFSC employees are assumed to start to receive their pensions from age 60. Senior Officers in the Police and Fire sections and New Members are assumed to retire at their Normal Retirement Ages.

Appendix D Assumptions for funding target (continued)

Current age	Percentage leaving the Fund in the next year as a result of retirement in ill health					
	Male Established Staff	Male Unestablished Staff, Male Teachers	Female Established Staff, Female Unestablished Staff, Female Teachers	GEL and GPL Employees	Male Police and Fire members	Female Police and Fire members
30	0.01	0.01	0.00	0.01	0.05	0.01
35	0.01	0.01	0.00	0.01	0.05	0.01
40	0.05	0.03	0.02	0.03	0.18	0.03
45	0.10	0.07	0.03	0.07	0.41	0.07
50	0.21	0.14	0.07	0.14	0.86	0.14
55	0.50	0.33	0.17	0.33	0.00	0.00
60	1.88	1.25	0.63	1.25	0.00	0.00

The assumption for ill health retirements is set to zero at the point at which normal retirement is assumed.

Age retirement and ill health retirement rates apply to active members of the Fund only, current deferred pensioners are assumed to start to receive their pensions immediately on reaching their normal retirement ages.

Current age	Percentage promotional pay increase over year	
	Established Staff, Teachers, Police and Fire members, GEL and GPL Employees	Unestablished Staff
20	9.1	3.1
25	5.6	1.1
30	4.3	0.5
35	3.9	0.5
40	3.5	0.5
45	3.2	0.5
50	0	0
55	0	0
60	0	0

This Appendix explains the background to actuarial valuations.

Background to valuations

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

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

The information used in a valuation

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

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

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

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

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

The valuation process and the actuarial report

The valuation is carried out by a scheme's actuary. The main results of the actuarial valuation are:

- An assessment of the surplus or shortfall in the scheme at the valuation date, which shows how the scheme's assets compare to its **funding target**
- The long term cost of providing the scheme's benefits
- The actuary combines the results of these two calculations to estimate the contributions needed to meet the scheme's **funding target** in the future. This may be lower or higher than the long term cost in order to adjust for the past service surplus or shortfall.

What happens next?

The pension scheme's legal documents will set out the process which must be followed to agree the rate of contribution which the employers pay to the scheme.

Appendix E**General background (continued)**

The results of the valuation will also be used to decide whether the investment policy needs to change. This is because as part of the report, the actuary is required by professional guidance to highlight any particular investment risks. These are useful pointers to consider as part of any investment review.

Attained Age Method (AAM)

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

Defined accrued benefit method

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

Discount rate

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

Funding ratio

This is the ratio of the value of assets to the **funding target**.

Funding surplus

This is the value of assets less the **funding target**. If the **funding target** is greater than the value of assets, then the difference is called the **funding shortfall**.

Funding shortfall

This is the **funding target** less the value of assets. If the value of assets is greater than the **funding target**, then the difference is called the **funding surplus**.

Funding target

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

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

Present value

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

Projected Unit Method (PUM)

One of the common methods used by actuaries to calculate a contribution rate for a pension scheme. This method calculates the **present value** of the benefits expected to accrue to members over a control period (often one year) following the valuation date. The **present value** is usually expressed as a percentage of the members' pensionable pay. It allows for projected future increases to pay through to retirement or date of leaving service. Provided that the distribution of members remains stable with new members joining to take the place of older leavers, the contribution rate calculated can be expected to remain stable, if all the other assumptions are borne out. If there are no new members however, the average age will increase and the contribution rate can be expected to rise.

Transfer Value

Members generally have a legal right to transfer their benefits to another pension arrangement before they retire. In taking a transfer, members give up their benefits in the scheme, and a sum of money (called the **transfer value**) is paid into another pension scheme, which then provides the member with pension benefits.

Actuarial valuation as at 31 December 2013

We have carried out an actuarial valuation of the States Members Pension Fund as at 31 December 2013. The valuation has been carried out on broadly the same actuarial basis as the Superannuation Fund valuation.

Developments since the previous valuation

The States Members New Scheme closed to new members and to future accrual with effect from 1 May 2012. All active members of the Scheme became deferred pensioners on this date.

Previously we had assumed an active States Member would retire at age 70. However as a deferred member, we assume the member would start to receive their pension at age 65. The effect of the closure is therefore to place a higher value on the liabilities.

Funding shortfall

The funding objective is to bring the assets of the Fund into line with the **funding target**. We have therefore compared the market value of the assets of the States Members Pension Fund with the **funding target** as at the valuation date (set in the same way as for the Superannuation Fund but with a **funding target** of 100%). The results below include both the Old and New States Members Pension Funds. The result of this comparison is as follows:

	£'000	£'000
Value of past service ongoing liabilities:		
Deferred pensioners	2,219	
Pensioners and dependants	3,406	
Funding target		5,625
Market value of the assets		3,806
Funding (shortfall)		(1,819)
Funding ratio		67.7%

The States Members Pension Fund has a **funding shortfall** of £1,819,000 relative to the **funding target** of £5,625,000 and a **funding ratio** (assets as a proportion of the **funding target**) of 67.7%.

Change in funding position

At the previous valuation the States Members Pension Fund had a **funding shortfall** of £1,304,000. The funding position has therefore worsened by £515,000 since the previous valuation. This is mainly due to the interest on the previous shortfall, the investment return being lower than expected and the change in the assumed age members will start to receive their pensions due to the Fund closure.

Allowance for funding shortfall

There is no requirement to make regular contributions to provide benefits in relation to future service as the Fund is closed to benefit accrual. The shortfall will need to be met by capital payments. The fixed annual contributions which would be required to meet the **funding shortfall** if the contributions were spread over 5, 10, 15, 20, 25 or 40 years from 1 January 2014 are shown in the table below.

Fixed period (years)	Contributions per annum (£)
5	427,000
10	249,000
15	191,000
20	164,000
25	149,000
40	130,000

Appendix II

	Total employer contribution rate %pa
Base employer rate (including Teachers)	14.1
Special Benefit Groups	
Police and Firemen	
entrants on or before 31.10.91	29.1 (+15%)
entrants between 31.10.91 and 31.12.07	24.1 (+10%)
entrants after 31.12.07 Police	20.1 (+6%)
Fire	18.1 (+4%)
Senior Police and Fire Officers – entrants before 01.01.08	21.1 (+7%)
Mental Health Officers – entrants prior to 01.12.98	23.1 (+9%)
Crown Officers and Magistrates	
entrants on or before 31.10.91	24.1 (+10%)
entrants between 01.01.92 and 31.12.03	23.1 (+9%)
entrants after 01.01.04	20.8 (+6.7%)

Appendix III

GUERNSEY ELECTRICITY LIMITED


**Guernsey
Electricity**

Registered Office:
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Vale
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Deputy G St Pier
Minister
Treasury & Resources Department
Sir Charles Frossard House
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27 January 2015
IHB.12465/SB

Dear Deputy St Pier

ACTUARIAL VALUATION

Thank you for providing a copy of the triennial Actuarial Valuation of the States of Guernsey Superannuation Fund which was considered by the Board at its meeting in December 2014. In respect of the Guernsey Electricity Limited Actuarial Account, it was noted that:

- The current level of employer contributions is 14.6%;
- The funding target is 100% of liabilities;
- There is a surplus against the funding target of £3.4m;
- The employer contribution rate required to meet benefits expected to accrue for future service is 14.9% of pensionable pay;
- Amortising the funding surplus over the average future working lives of scheme members (estimated to be 13 years) would reduce the contribution rate by 3.4%.

The Board decided that, it would wish to have an employer contribution rate which takes account of the spreading of the current surplus over the average future working lives of members. Therefore, it is requested that the Treasury and Resources Department recommends the States to agree that the employer contribution rate for Guernsey Electricity Limited be decreased from 14.6% to 11.5% with effect from 1 April 2015.

Yours sincerely

I H BEATTIE
Chairman

Appendix IV



Treasury and Resources Minister
 Treasury and Resources Department
 Sir Charles Frossard House
 PO Box 43
 La Charroterie
 St Peter Port
 Guernsey
 GY1 1FH

27th January 2015

Dear Minister,

Actuarial Valuation

Thank you for providing a copy of the triennial Actuarial Valuation of the States of Guernsey Superannuation Fund which was considered by the Board at its meeting in January 2015. In respect of the Guernsey Post Limited Actuarial Account, it was noted that:

- The current level of employer contributions is set at 14.2%;
- The funding target is 100% of liabilities;
- There is a surplus against the funding target of £4.9m;
- The employer contribution rate required to meet benefits expected to accrue for future service is 15.2% of pensionable pay;
- Amortising the funding surplus over the average future working lives of scheme members (estimated to be 13 years) would reduce the contribution rate by 5.8%.

In considering all of the above, the Board questioned the level of the underlying assumptions applied in arriving at the reported surplus and were unanimous in their view to set the employer contribution rate at the current level of affordability for the business.

Therefore, it is requested that the Treasury and Resources Department recommends the States to agree to set the contribution rate for Guernsey Post Limited at 15% with effect from 1 April 2015.

Yours sincerely

 A handwritten signature in blue ink, appearing to read "Steve Sheridan".

Steve Sheridan
Finance Director

Direct line: 01481 733501
 E-mail: ssheridan@guernseypost.com

(N.B. The Policy Council supports the propositions in the particular context of this report. However, the Policy Council asks the States to note that in its report on reform of the arrangements for public sector pensions, due to be debated in April 2015, it will be drawing upon information contained in the actuarial report, including the comments on risks in the current arrangements.)

The States are asked to decide:-

IV.- Whether, after consideration of the Report dated 27th January, 2015, of the Treasury and Resources Department, they are of the opinion:-

1. To note the Actuarial Valuation of the States of Guernsey Superannuation Fund as at 31st December 2013.
2. To agree that, except for Guernsey Electricity Limited and Guernsey Post Limited, the employer and additional employer contribution rates in respect of the States of Guernsey Superannuation Fund shall remain as set out in Appendix II of that Report.
3. To agree that the employer contribution rate for Guernsey Electricity Limited be decreased from 14.6% to 11.5% with effect from 1st April 2015.
4. To agree that the employer contribution rate for Guernsey Post Limited be increased to 15.0% with effect from 1st April 2015.
5. To agree that the annual sum paid into the Superannuation Fund in respect of the States Members Pension Schemes from the revenue budget of the Treasury and Resources Department shall be increased to £149,000 with effect from 2015 and maintained in real terms.

TREASURY AND RESOURCES DEPARTMENT

THE INCOME TAX (GUERNSEY) (EMPLOYEES TAX INSTALMENT SCHEME) (AMENDMENT) REGULATIONS, 2014

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

6th January 2015

Dear Sir

1. Executive Summary

- 1.1. At present the Income Tax (Guernsey) (Employees Tax Instalment Scheme) (Amendment) (No. 2) Regulations, 2009, allow the Director of Income Tax to collect unpaid tax through an individual's wages, by allowing the amount unpaid to be added to the tax required to be deducted under the coding or direction notice. The taxpayer's consent is required to use this procedure for amounts in excess of £1,000.
- 1.2. The limit of £1,000 was set in 2009 and the mechanism has proved to be a useful process for collecting unpaid tax, the advantage to the taxpayer being that it is collected over the course of a year rather than requiring direct payment.
- 1.3. The Department proposes that the limit be increased from the current £1,000 to £3,000, to further facilitate the collection of States revenues.
- 1.4. The attached Income Tax (Guernsey) (Employees Tax Instalment Scheme) (Amendment) Regulations, 2014, ("the Regulations") contain the relevant provisions to enable the matters dealt with in the above paragraphs to be introduced. Section 81A(5) of the Law requires approval by Resolution of the States before the Regulations may have effect.

2. Principles of Good Governance

In preparing this Report, the Department has been mindful of the States Resolution to adopt the six core principles of good governance defined by the UK Independent Commission on Good Governance in Public Services (Billet d'État IV of 2011). The Department believes that the proposal in this Report complies with those principles.

3. Resource Implications

- 3.1. It is not anticipated that the Regulations will give rise to any significant increase in resources available to the Director of Income Tax; indeed the Regulations should reduce the necessity for action through the Courts in a number of cases involving debts of £1,001 - £3,000, thereby saving such resources.

4. Recommendations

- 4.1. The Department recommends the States to approve, under section 81A(5) of the Income Tax (Guernsey) Law, 1975, as amended, the Regulations set out in paragraph 1 and appended to this Report.

Yours faithfully

G A St Pier
Minister

J Kuttelwascher
Deputy Minister

A H Adam
R A Perrot
A Spruce

Mr J Hollis
(Non-States Member)

GUERNSEY STATUTORY INSTRUMENT2015 No.

**The Income Tax (Guernsey)
(Employees Tax Instalment Scheme)
(Amendment) Regulations, 2014**

*Made**25th November, 2014**Coming into operation**27th March, 2015**Laid before the States**, 2015*

THE TREASURY AND RESOURCES DEPARTMENT, in exercise of the powers conferred on it by sections 81A(4) and 203A of the Income Tax (Guernsey) Law, 1975¹, as amended, and all other powers enabling it in that behalf, hereby makes the following regulations:-

Amendment of 2007 regulations.

1. In regulations 2(2)(c) and 8(3) of the Income Tax (Guernsey) (Employees Tax Instalment Scheme) Regulations, 2007, as amended², for "£1,000"³ substitute "£3,000".

¹ Ordres en Conseil Vol. XXV, p. 124; section 81A was inserted by Vol. XXVII, p. 118; and section 203A was inserted by Order in Council No. XVII of 2005. Also amended by the Machinery of Government (Transfer of Functions) (Guernsey) Ordinance, 2003 (No. XXXIII).

² G.S.I. 2007 No. 19; amended by 2009 No. 22 (repealed without coming into force); 2009 No. 49; and 2011 No. 6.

³ The figure of £1,000 was substituted by G.S.I. 2009 No. 49.

Citation.

2. These Regulations may be cited as the Income Tax (Guernsey) (Employees Tax Instalment Scheme) (Amendment) Regulations, 2014.

Commencement.

3. These Regulations shall come into force on the 27th March, 2015.

Dated this 25th day of November, 2014

DEPUTY G. A. ST PIER

Minister of the Treasury and Resources Department

For and on behalf of the Department

EXPLANATORY NOTE

(This note is not part of the regulations)

These Regulations increase from £1,000 to £3,000 the maximum amount of underpaid tax which, under the Income Tax (Guernsey) (Employees Tax Instalment Scheme) Regulations, 2007, can be deducted at source from the emoluments of an employee without their express consent.

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

The States are asked to decide:-

V.- Whether, after consideration of the Report dated 6th January, 2015, of the Treasury and Resources Department, they are of the opinion to approve, in pursuance of Section 81A(5) of the Income Tax (Guernsey) Law, 1975, as amended, The Income Tax (Guernsey) (Employees Tax Instalment Scheme) (Amendment) Regulations, 2014.

COMMERCE AND EMPLOYMENT DEPARTMENT**SPECTRUM CHARGE**

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

18th December 2014

Dear Sir

1. Executive Summary

- 1.1. Radio spectrum is a finite natural resource. Over the past decade, in the UK, Ireland and a number of other EU countries, spectrum used for the provision of mobile network services has typically been awarded to operators through auctions. This award process can be very costly to set up and tends to involve significant upfront payments by the successful bidders.
- 1.2. By contrast, due to the limited size of the Channel Islands' telecommunications markets, often with limited economies of scale for operators, there is a real need to focus investment in services and infrastructure (rather than on auction set up costs and bids). Therefore, the preferred approach in the Islands has been awarding spectrum through a comparative selection process, whereby the regulator assigns spectrum to those operators that are best able to demonstrate that they will put this resource to good use, for the ultimate benefit of consumers.
- 1.3. This approach has not involved significant upfront payments for operators on the scale of those experienced by mobile network operators in spectrum auctions in the UK and other EU countries. For instance, in the UK, the five winning bidders of the 4G mobile spectrum auction held in 2013 paid a combined total of over £ 2.3 billion.
- 1.4. Since mobile network operators utilise Guernsey's finite radio spectrum resource for commercial gain, and because they are not subject to the substantial upfront costs associated with spectrum auctions, the Department believes that it would be appropriate for local operators to make a financial contribution to the Island for the utilisation of the local spectrum resource. It is proposed that this is done through a spectrum charge levied by the States of Guernsey.

1.5. The Commerce and Employment Department proposes to introduce a charge on mobile network operators in Guernsey for the utilisation of the Island's radio spectrum at the rate of 2% of relevant turnover per annum, to be payable from 2016 onwards.

1.6. The Commerce and Employment Department therefore asks the States:

1.6.1. To approve the introduction of an annual spectrum charge on the relevant turnover of telecommunications operators holding a Licence issued by the Guernsey Competition and Regulatory Authority (GCRA) for the provision of Licensed Mobile Telecommunications Services within the Bailiwick of Guernsey, at the rate of 2% of said turnover, to be payable for 2016 onwards.

1.6.2. To approve that the proceeds from the spectrum charge be allocated to States of Guernsey General Revenue income.

1.6.3. To direct the Law Officers of the Crown to prepare the necessary legislation to enable the introduction of the spectrum charge.

2. Radio spectrum and its management

2.1. Radio spectrum is a finite natural resource. UK communications regulator Ofcom manages the parts of the radio spectrum which are available for civilian use. Other parts of the radio spectrum are set aside for military use and are not managed by Ofcom.

2.2. Ofcom manages the civilian radio spectrum resource for the Channel Islands and Isle of Man, by virtue of the powers given to it under the Wireless Telegraphy Act 2006 ("WTA") and the Communications Act 2003, as extended to the Islands.

2.3. The term 'radio spectrum' refers to that part of the electromagnetic spectrum which carries radio waves. The radio spectrum is made up of a range of radio frequencies, from extremely low frequencies (3 KHz) up to extremely high frequencies (300 GHz).

2.4. Within this, radio frequencies in the so-called spectrum 'sweet spot' – between about 300 MHz and 3 GHz – are most in demand because they can carry substantial data over a reasonable distance, and are therefore suitable for a variety of applications. The demand for spectrum in this set of frequencies includes mobile communications, television broadcasting, and wireless broadband. (This is illustrated in a diagram depicting the radio spectrum, in Appendix 1.)

- 2.5. Any business wishing to become a mobile network operator in Guernsey needs to obtain a Licence to provide Mobile Telecommunications Services within the Bailiwick of Guernsey from the GCRA. In addition, locally licensed mobile network operators also need a WTA radio spectrum licence issued by Ofcom in order to use a specified set of radio spectrum frequencies for the provision of their mobile telecommunications services.

3. Rationale for a spectrum charge

- 3.1. In many EU countries over the past decade – including the UK – spectrum has been awarded to mobile network operators through auctions. Most recently, in the case of new 4G spectrum in the 800 MHz and 2.6 GHz spectrum bands, auctioned licences have generally been paid upfront by operators, to cover the term of the license (typically 15-20 years).¹ For instance, in the UK, the five winning bidders of the 4G mobile spectrum auction held in 2013 paid a combined total of over £ 2.3 billion.
- 3.2. Due to the limited size of the Channel Islands' telecommunications markets, often with limited economies of scale for operators, there is a real need to focus investment in services and infrastructure (rather than on auction set up costs and bids). Therefore, the preferred approach in the Islands has been awarding spectrum through a comparative selection process.²
- 3.3. This is a process whereby the regulator assigns spectrum to those operators that are best able to demonstrate that they will put this resource to good use, for the ultimate benefit of consumers. For instance, the award of new 4G spectrum in the 800 MHz and 2.6 GHz spectrum bands is currently being undertaken by the Channel Island Competition and Regulatory Authorities (CICRA) using this approach.³ Therefore, unlike in many EU countries, local operators are not subject to substantial upfront costs upon being awarded a spectrum licence.
- 3.4. It is worth noting that CICRA is also using this process to ensure that operators make more efficient use of the radio spectrum, including through the defragmentation of operators' spectrum holdings and the alignment of spectrum blocks held across Guernsey and Jersey. This is being undertaken with the cooperation of the operators concerned.

¹ In some countries, upfront payments have also been followed by annual or other periodic payments during the licence period. See: Analysis Mason, *4G spectrum allocation in the Channel Islands*, 04 March 2013, p 103. Available from:

<http://www.cicra.gg/files/Spectrum%20review%20from%20Analysys%20Mason.pdf>

² See CICRA 13/38, p 12, and CICRA 13/54, p 11. Available from:

http://www.cicra.gg/media_centre/publications_sector.aspx?sector=3

³ The Channel Islands Competition and Regulatory Authorities, or 'CICRA', is the name given to the Guernsey Competition and Regulatory Authority (GCRA) and the Jersey Competition Regulatory Authority (JCRA). The GCRA regulates the telecommunications sector in Guernsey.

- 3.5. The Department considers that the radio spectrum frequencies assigned for telecommunications purposes in the Island are a limited natural resource.
- 3.6. Since local mobile network operators utilise this spectrum resource for commercial gain, and because they are not subject to the substantial upfront costs associated with spectrum auctions, the Department believes that it would be appropriate for the operators to make a financial contribution to the Island for the utilisation of the local spectrum resource. It is proposed that this is done through a spectrum charge levied by the States of Guernsey.

4. Impact analysis

- 4.1. In formulating its proposals for the introduction of a spectrum charge, the Department has taken into account other existing spectrum-related charges paid by local mobile network operators, including:
 - a) *The annual Administrative Incentive Pricing (AIP) fee paid to Ofcom in return for holding a WTA licence.* This is based on the amount of radio spectrum that is allocated to a given licensed operator, at the rate of £ 8,000 per 2×5MHz block of spectrum, per Bailiwick, per annum. The AIP fee covers Ofcom's administrative costs, contributes to incentivising operators to use the spectrum they hold efficiently, and goes towards Ofcom's other work including the coordination of Channel Islands spectrum use with France in order to minimise any risk of interference.
 - b) *The one-off GCRA fees for the allocation of new spectrum.* Sure, JT and Airtel-Vodafone paid a fee of £ 250,000 each to the GCRA (then the Office or Utility Regulation, or OUR) when they were assigned 3G spectrum in Guernsey. More recently, the companies have paid a significantly lower fee of £ 50,000 each to CICRA, as part of the application process for 4G spectrum (this fee covering both Guernsey and Jersey). These one-off fees were charged in order to cover the GCRA's administrative costs incurred in assigning the spectrum to operators.
- 4.2. The Department considers that the annual AIP fee paid to the UK regulator and the one-off administrative fee paid to the local regulator have a different purpose to the proposed spectrum charge.
- 4.3. The Department consulted on the potential introduction of its spectrum charge in 2013. Responses were received from the established mobile network operators (Sure, JT and Airtel-Vodafone), the GCRA (via a response from CICRA), the Guernsey International Business Association, three companies operating in the ICT sector and one individual.

- 4.4. As part of the feedback received, concern was expressed at the proposed level of the charge, which at the time had been set at 5% of relevant turnover. In response to this, the Department subsequently confirmed its intention to go ahead with the introduction of a spectrum charge, but at the lower rate of 2% of relevant turnover.⁴
- 4.5. This introductory rate will be reviewed over time, and the Department may, if it thinks it appropriate, seek to increase or decrease it in due course.
- 4.6. The mobile network operators also advised that they intended to pass on any spectrum charge to their customers, by adding it to their customers' bills or invoices as a distinct item, in the same way as they itemise GST separately for their Jersey customers. Although this is a commercial matter for the businesses concerned, this would go against the spirit of the charge. An alternative commercial approach would be for operators to absorb the cost of the spectrum charge.

5. Calculation of the charge

- 5.1. The proposed spectrum charge will be based on operators' relevant turnover arising from their activities which utilise spectrum for mobile telecommunications purposes in Guernsey, at a rate of 2% of that turnover.
- 5.2. Relevant turnover is the total gross revenue received by an operator in respect of all mobile network services – provided under a Licence issued by the GCRA for the provision of Licensed Mobile Telecommunications Services within the Bailiwick of Guernsey – minus income from roaming-out services.
- 5.3. Total gross revenue consists of the revenue earned from the sale of goods and services which utilise local radio spectrum to enable customers to send and receive calls and data wirelessly (for example through the use of 2G, 3G, 4G or subsequent technologies).
- 5.4. This includes revenue generated from: the sale of contracts for mobile telephony and/or data services (inclusive of any handsets or other connected devices provided as part of these contracts); connection and usage charges; and handsets, connected devices and accessories purchased on their own, but which can be used to facilitate access to mobile telephony and/or data services.

⁴ See: *Commerce and Employment Department's response to the consultation on the charge on telecommunications activities utilising radio spectrum*, 27th November 2013. Available from: www.gov.gg/spectrum .

- 5.5. Roaming-out services are used by customers of Guernsey operators when they are off-Island. These services rely primarily on radio spectrum outside of the Island, and therefore revenue generated from these should be excluded from the calculation of the charge. (Conversely, revenue generated by Guernsey operators from roaming-in services – services used by customers of non-Guernsey networks when they are visiting the Island – are still covered by the charge, as they rely primarily on the Island’s radio spectrum.)
- 5.6. It is worth noting that, in addition to mobile network services, some of the fixed telecommunications services provided by local operators can sometimes rely in part on the use of radio spectrum through the provision of fixed wireless data links. Such technology is currently used to provide data links between Guernsey and, respectively, Herm, Sark and Alderney. These inter-Island wireless links utilise radio spectrum as a substitute for subsea fibre optic cables, and are effectively part of the Islands’ fixed network infrastructure.
- 5.7. In future, fixed wireless data links may also provide Guernsey businesses and households with increased choice for high speed internet access, particularly for those more remote premises for which establishing a fixed connection – via copper and/or fibre – would be commercially unviable or technically difficult.
- 5.8. Although fixed wireless data links utilise radio spectrum to connect remote fixed locations together, they are covered by GCRA licenses for fixed rather than mobile telecommunications services.
- 5.9. Therefore, for the avoidance of doubt, the charge will not be applied to revenue generated through fixed wireless data links.
- 5.10. The Department recognises that the mobile network services market and licensees’ businesses are continually evolving, and that it may therefore be necessary to periodically revisit, for example, the definition of relevant turnover or the level of the charge. To ensure flexibility, the Department would like the legislation to enable such amendments to be made through appropriate secondary legislation.

6. Collection of the charge

- 6.1. In order to assist the operators, the calculation and collection of the spectrum charge will as far as possible be aligned with the method used by CICRA for calculating its telecoms licence fees.⁵

⁵ See *Channel Islands Telecoms Licence Fees – Report on the Consultation and Decision Document*, CICRA, October 2013, Document No.: 13/45. Available from: http://www.cicra.gg/_files/Telecoms%20Licence%20Fees%20Report%20and%20Decision.pdf

- 6.2. The spectrum charge for a given year will be calculated based on the latest available audited financial statements. An invoice will be issued before the start of the year of charge. Payment of the invoice will be required either in one lump sum by 1st January of the year of charge, or alternatively in regular instalments over the course of the year, for example by monthly standing order. The exact payment schedule for a given operator will depend on the amount due, and will be subject to prior agreement with the Department.
- 6.3. In practical terms, for the charge due for 2016, operators will be invoiced on or before 1st December 2015. Operators will be required to pay either in one lump sum by 1st January 2016, or alternatively in regular instalments over the course of 2016.
- 6.4. Each operator will be required to provide the following information in advance:
 - 6.4.1. A set of audited financial statements for their mobile network operations.
 - 6.4.2. An audited certified statement of relevant turnover identifying total gross turnover, the revenue streams for which the charge will apply, and those for which it will not (as defined in Section 5).
- 6.5. It is proposed that the operators are requested to provide this information by 30st September. Operators with a financial year ending up to 30th June will be required to provide information relating to their financial year ending in 2015. For those with a financial year ending after 30th June, they will be required to provide information relating to their financial year ending in 2014.
- 6.6. Assuming States approval of the spectrum charge, the Department will engage with the operators in order to finalise and agree the above suggested arrangements and timings for the calculation, invoicing and payment of the charge.
- 6.7. If the necessary legislation is not in place by the fourth quarter of 2015, in time for the charge to be applied from the beginning of 2016, the Department will reserve the right to issue an invoice for part of the 2016 calendar year, as appropriate.
- 6.8. The legislation will also need to contain appropriate and proportionate enforcement provisions.
- 6.9. Based on the latest available figures for mobile retail services turnover in Guernsey (excluding roaming-out revenue), it is anticipated that the charge will generate in the order of £350,000 per year.⁶

⁶ This is based on 2% of the latest available figures for operators' combined relevant turnover for the Guernsey market, obtained from: CICRA, *Telecommunications Market Report* 2011, Document No: CICRA 13/28, May 2013, Figures 3.4, p8, and 5.15, p29. Available from: http://www.cicra.gg/_files/Market%20Statistics%202011%20-%20FINAL5625656323.pdf

- 6.10. The proceeds from the spectrum charge will be allocated to States of Guernsey General Revenue income.

7. Resource implications

- 7.1. There is no requirement for additional financial resources associated with this policy.
- 7.2. The Department has been advised that the necessary legislation could be drafted within 6 weeks, assuming no unforeseen difficulties emerge during the drafting process.
- 7.3. It is expected that the administration of the charge will take approximately one day of finance staff time per year, which will be accommodated within existing staff levels.

8. Principles of Good Governance

- 8.1. 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'État IV of 2011). The Department believes that all of the proposals in this Report comply with those principles.

9. Consultation

- 9.1. The aforementioned public consultation exercise was undertaken in 2013; this included feedback from the GCRA (via CICRA) and the licensed mobile network operators who would be subject to the spectrum charge. The Law Officers and Ofcom have also been consulted on specific aspects of this policy.

10. Recommendation

- 10.1. The Commerce and Employment Department therefore asks the States:
 - 10.1.1. To approve the introduction of an annual spectrum charge on the relevant turnover of telecommunications operators holding a Licence issued by the Guernsey Competition and Regulatory Authority (GCRA) for the provision of Licensed Mobile Telecommunications Services within the Bailiwick of Guernsey, at the rate of 2% of said turnover, payable from 2016 onwards.
 - 10.1.2. To approve that the proceeds from the spectrum charge be allocated to States of Guernsey General Revenue income.
 - 10.1.3. To direct the Law Officers of the Crown to prepare the necessary legislation to enable the introduction of the spectrum charge.

Yours faithfully

K A Stewart
Minister

A H Brouard
Deputy Minister

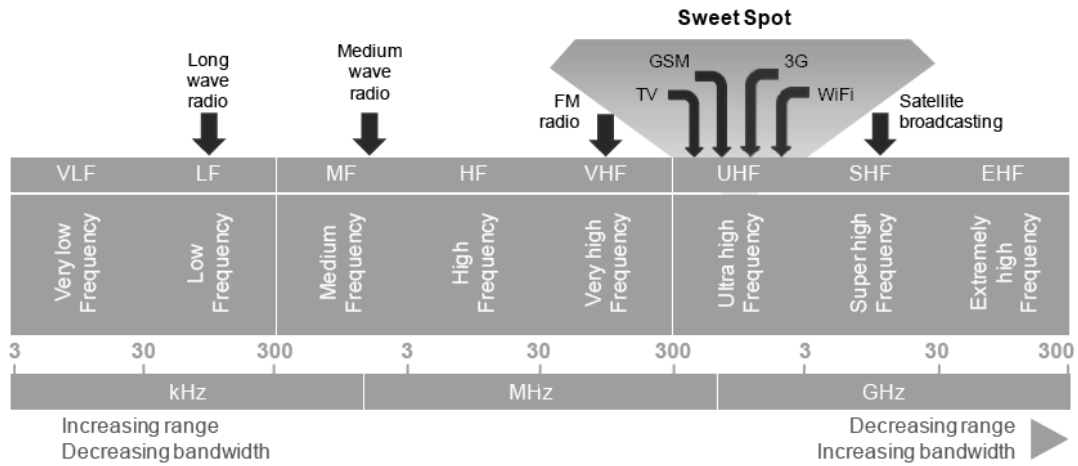
D de G De Lisle
G M Collins
L S Trott

Advocate T Carey
Non States Member

APPENDIX 1

Diagram of the radio spectrum

Source: Ofcom.



(N.B. The Treasury and Resources Department supports this States Report and welcomes the additional income of approximately £350,000 which will accrue to General Revenue.)

(N.B. The Policy Council supports the proposals contained in this Report and is of the view that the spectrum charge is an appropriate charge for the business use of a public asset (the electromagnetic spectrum in the range 300MHz to 3GHz). Most governments have some form of charging system for the use of the electromagnetic spectrum, usually in the form of an upfront capital charge, and so the Policy Council view is that the annual charge set at 2% of relevant turnover is both appropriate and proportional.)

The States are asked to decide:-

VI.- Whether, after consideration of the Report dated 18th December, 2014, of the Commerce and Employment Department, they are of the opinion:-

1. To approve the introduction of an annual spectrum charge on the relevant turnover of telecommunications operators holding a Licence issued by the Guernsey Competition and Regulatory Authority (GCRA) for the provision of Licensed Mobile Telecommunications Services within the Bailiwick of Guernsey, at the rate of 2% of said turnover, payable from 2016 onwards.
2. To approve that the proceeds from the spectrum charge be allocated to States of Guernsey General Revenue income.
3. To direct the preparation of such legislation as may be necessary to give effect to their above decisions.

STATES' ASSEMBLY & CONSTITUTION COMMITTEE

AMENDMENTS TO THE RULES OF PROCEDURE OF THE STATES OF DELIBERATION, THE RULES RELATING TO THE CONSTITUTION AND OPERATION OF STATES' DEPARTMENTS AND COMMITTEES AND RELATED MATTERS

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

27th January 2015

Dear Sir,

EXECUTIVE SUMMARY

The States' Assembly & Constitution Committee intends to maintain its practice of submitting to the States of Deliberation more or less annually a policy letter containing any proposals for reform which, in the opinion of the Committee and based on experience of events over the previous 12 months or so, would benefit the way the States function as a democratic parliament and government. This is the second such report produced by the present Committee. It also considers suggestions made by Members of the States in response to a letter to them from the Chairman of the Committee and made on other occasions – some of which have led to the Committee recommending reform and some of which have not. The Committee had originally intended to submit this policy letter for inclusion in the Billet d'État for the February States' meeting but it decided to defer it to March in order to discuss fully with the Treasury & Resources Department those proposals which relate to Rules of Procedure concerning financial matters.

This report proposes amendments to:

- ❖ The Rules of Procedure of the States of Deliberation:
 - Rule 1: Convening of Meetings;
 - Rule 2: Reports, etc. in Billets d'État;
 - Rules 2 and 24: definition of requête;
 - Rule 3: Hours of sittings, extensions and adjournments;

- Rule 5: Question Time;
- Rule 5A: Urgent Questions;
- Rule 5B: Questions where information sought is in the Public Domain;
- Rule 6: Written questions;
- Rule 8: Statements;
- Rule 11: Order;
- Rule 12: Rules of Debate;
- Rule 13: Amendments, sursis and motions to withdraw;
- Rule 14: Closure and voting;
- Rule 15: Proposals to alter taxation or increase expenditure;
- Rules 18 and 19: Motions of No Confidence;
- Rule 20: Elections;
- Schedule 1: Declaration of Interests;
- New Rule: Communications.

This report also proposes amendments to:

- ❖ The Rules relating to the Constitution and Operation of States Departments and Committees (hereinafter the “Committee Rules”):
 - Rule 3: Policy Council and Chief Minister;
 - Rule 4: Departments and Ministers;
 - Rule 7: Term of Office;
 - Rule 12: Nomination of Candidates for Election by the States;
 - New Rule: Deputies’ access to information of committees they served on previously;
 - New Rule: Register of elections/appointments to sub-committees and extra-government bodies;

- New Rule: Confidentiality of correspondence between States' Members and committees.

This report also proposes amendments to:

❖ the Code of Conduct

- Rule 33: Procedure for Complaints;
- New Rule: Communications by the Panel;
- New Rule: Confidentiality of correspondence between States' Members and committees.

This report proposes that there be no change to the following Rules of Procedure:

- Rule 4: Opening of Meetings etc.;
- Rule 5(4): Supplementary questions;
- Rule 12(4): Debates on general policy principles;
- Rule 12(6): Interruptions;
- Rule 12(6A): Give way rule;
- Rule 13(4): Amendments – seven Members standing;
- Rule 17: Requêtes.

This report proposes that suggestions from Members to introduce the following new Rules of Procedure should not be implemented:

- Being officially excused from States' meetings;
- Including Written Questions in the “Hansard” series;
- Proxy voting;
- Ban on use of electronic devices in States' meetings;
- An enhanced majority for changing the Rules.

This report proposes that suggestions from Members to introduce the following new Committee Rules should not be implemented:

- Deadlines for making nominations;
- A ban on any form of remote attendance at committee meetings.

A number of other items which the Committee had considered or were suggested for inclusion in this policy letter are not included. The Committee has decided that they would be better dealt with in a separate policy letter which will be submitted by the Committee later in 2015. The items which will be considered in that second policy letter are set out in paragraph 110.

In line with the practice started in 2013, the Committee has distributed to States' Members a copy of the Rules of Procedure and the Committee Rules with the changes proposed in the Recommendations shown tracked.

REPORT

THE RULES OF PROCEDURE OF THE STATES OF DELIBERATION

Rule 3 – Hours of sittings, extensions and adjournments

1. Rules 3(1) and 3(2) set out precisely the hours when the States ordinarily will sit. There is a proviso that the Presiding Officer can propose an extension but only, save in exceptional circumstances, to 18.30. At the sitting at the end of July 2014 the States sat for increased hours in order to conclude all the business of the July meeting and avoid adjourning items either into the summer recess period or for a full two months until the September meeting. It has been suggested that the present rule is perhaps too prescriptive in stating the hours that the States will sit.
2. The Committee agrees that the Rule is too prescriptive. It therefore proposes to make amendments to the present wording of Rules 3(1) and 3(2) to make them less prescriptive. It also recommends that the Presiding Officer should be able to propose extended sitting hours in any circumstances. **The proposed changes will give more flexibility in deciding the hours when the States sit and are set out in detail in the Recommendations 1(c), (d) and (e).**

Rule 4 – Opening of meetings etc.

3. Rule 4 provides, inter alia, that there shall be a roll call at the start of each day of a States' meeting and that Members shall not be entitled to speak or vote until their presence has been recorded. Late attendance is recorded by a Member seeking the permission of the Presiding Officer to be *relevé/e* (relieved of the need to pay a fine for non-attendance). These days the reason for a Member's absence is often given by another Member at the roll call but in divisions (*appels*

nominal) the written records list the Member simply as being absent. There is no provision for Members officially to be excused, for example if they are absent on States' business.

4. There is an expectation, though not an obligation, that Members will attend all of every meeting. A formal system for excusing Members for specific reasons would give proper recognition to the absence of those Members who are unable to attend a meeting.
5. It has been suggested to the Committee by a Member of the States that a provision should be introduced for Members to be formally excused if they need to leave a meeting before it concludes so that their having been excused can be recorded in the written records.
6. During an *appel nominal*, Her Majesty's Greffier does not call out the name of any Member who has been listed as *indisposé/e* or *absent/e de l'île* (or otherwise listed as absent) at the roll call. Their absence is not, therefore, repeatedly announced. In addition, the practice has developed for Members to give more detailed reasons at the roll call for the absence of a colleague (which results in some interesting "French" descriptions at times). The fact that a Member is unfortunately ill or is out of the island on other States' business is therefore generally known and publicly recorded. Furthermore, the Committee is not inclined to recommend anything which might make it easier for Members to be absent from meetings of the States.
7. The Committee does not believe that any change is required to the present Rules.

Rule 5 – Question time

8. Rule 5(2)(b) states that a question cannot be asked in a States' meeting if the information is readily accessible in the public domain. It would assist the Presiding Officer to rule questions out of order on those grounds if the condition had to be met from the very start of the process by including those words in Rule 5(1).
9. The Committee proposes that sub-Rule 5(2)(b) be removed and sub-Rule 5(1) be amended to state that questions may be put provided that they do not seek information which is readily accessible in the public domain. Those changes are set out in Recommendations 1(f) and (g).
10. Rule 5 prescribes the procedure for asking questions during the question time period at the beginning of States' meetings. Sub-rule 5(4) provides that no Member may ask more than two supplementary questions in respect of each principal question. The important element is that supplementary questions can arise only out of the principal reply: they cannot be about a supplementary question nor a supplementary answer. This can be restrictive and result in the

need for a further question or questions to be asked at a subsequent meeting or result in a Rule 6 (written) question being asked. In many cases the answers could probably be given at the time if the topic of the series of questions could be widened.

11. However, it would be difficult to restrict where the questioning could lead as the questions went step-by-step ever further from the original question. Nor does the Committee believe that a system, such as pertains in the House of Commons, where the initial question is a bland non-question, usually about the Prime Minister's engagements for the day, followed by the 'real' question, is appropriate in the Guernsey context. All committees of the States are comparatively small and do not have the considerable resources to devote to anticipating the questions that a Minister or Chairman might be asked in a particular States' meeting. It is difficult to make question time more spontaneous when the heads of committees, howsoever titled, are replying on behalf of their committees and therefore cannot commit themselves, at least in terms of policy, to anything which their committee cannot support.
12. The Committee therefore proposes that Rule 5(4) should not be amended.
13. At present, under the terms of Rule 5(5), if more than one Member asks questions at a States' meeting they are asked in the order in which the Members will vote at that meeting – namely, the order will rotate so that in successive meetings successive electoral districts will be first. On occasion, as happened at the September 2014 meeting, several Members will ask questions on the same general topic. Presently, they cannot be grouped but must be asked in voting order, unless the States resolve to suspend the provisions of Rule 5(5), which is what happened in September 2014.
14. **The Committee believes that it is sensible to group questions if they are on the same broad topic and proposes that the Rule be amended to permit that.** The first principal question would be put by the first questioner and the answer given. Then any supplementary questions arising out of that answer would be put and answered. Next there would be any further questions on that topic from that first Member and the answers and any supplementary questions and answers relating to them. Then the next person with a question on that topic would ask their first principal question and so on. The new wording proposed to be added to Rule 5(5) is set out in Recommendation 1(h).

Rule 5A – Urgent Questions

15. Rule 5A sets out the rules for asking urgent questions and the circumstances in which they can be asked. To qualify as an "Urgent Question", a question must, *inter alia*, be of an urgent character and relate to a matter of public importance; not relate to the business of the day; and not seek information which is readily accessible in the public domain. The Committee believes that there should also be provision to enable Members to ask questions about matters of public

importance which may not be of an “urgent character” but which relate to matters which have become known or been announced within one week of the start of a States’ meeting. If such questions have not been submitted at least five clear days before the meeting, as required in Rule 5, they either have to wait until the next meeting, even though they might be time-critical, or the questioner has to ask a written question under Rule 6 which may be an unnecessarily cumbersome solution.

16. **The Committee proposes that Rule 5A be amended to permit questions on matters of public importance which relate to matters which have only become known or been announced within one week of the start of a States’ meeting.** The proposed amendment to Rule 5A(2) is set out in Recommendation 1(j).
17. In addition, the change regarding questions which seek information which is readily accessible in the public domain needs also to be made in respect of Rule 5A. **The Committee proposes that sub-Rule 5A(2)(c) be removed and sub-Rule 5A(1) be amended to state that questions may be put provided that they do not seek information which is readily accessible in the public domain.** Those changes are set out in Recommendations 1(k) and (i). Consequential changes are also needed to the references in 5B(1) and those are set out in Recommendation 1(l).

Rule 6 – Questions for written reply

18. Rule 6 sets out the requirements and responsibilities for asking written questions. However, it does not require the receiving States’ committee to acknowledge receipt of the question. For the avoidance of doubt and so that the questioner knows that the period for the question to be answered has begun, the Committee proposes that the Rule should be amended to require the addressee to acknowledge in writing receipt of the question.
19. **It is proposed that the new sub-Rule should require the addressee to acknowledge receipt of the question in writing to the questioner by letter or e mail within three clear days (excluding Saturdays, Sundays and public holidays) of receipt.** The wording is set out in Recommendation 1(m).
20. At present Rule 6(2) gives the person who has been asked a question 15 clear days to provide an answer (and, on application to the Presiding Officer, that period can be extended to 30 clear days). Committees generally only provide the answer just before the deadline. Therefore, even if a question is asked straight after one States’ meeting, the answer may be received too late to lodge a follow up question, by way of a Rule 5 question, for the next States’ meeting. In addition, many questions are on relatively straightforward matters where it should be possible for the answer to be provided in a shorter period. It has therefore been suggested by a Member of the States that the present time limits should be reduced.

21. The Committee notes those reasons to reduce the time limits. However, having given careful consideration to this matter and reflected on the feedback from a Department which is frequently required to answer complex questions, the Committee believes that the existing time limits should not be shortened.
22. Although committees seldom use it, as noted above there is provision in the Rules for a committee to seek more time to answer questions. At the moment such an extension is permitted if it is “in the interests of good government”. The Committee believes that that is not necessarily the best test to apply. **It believes that it would be better for the Presiding Officer to determine whether to grant an extension on the basis of whether it would be reasonable to expect a committee to answer the question/s within the period of 15 days.** The change is set out in Recommendation 1(o).
23. There has also been a suggestion that Rule 6 questions and answers should be printed as part of the “Hansard” series as they are connected to the States through the Rules of Procedure. Some other British Isles’ jurisdictions include written questions in their “Hansard” while others keep them separate. In all cases they are posted on a part of the assembly’s website. In Guernsey written questions are posted on the States’ website and are accessed from the same page in the section about the States of Deliberation.
24. The Committee has considered this suggestion but decided that there is no need to publish Rule 6 questions and answers in the “Hansard” series as they are published already. Little would therefore be added and, in any event, “Hansard” should be protected as an account of proceedings in the States.

Rule 8 – Statements

25. Rule 8(c) sets out the conditions for making a statement to a States’ meeting about committee or other States’ business. In the opinion of the Committee there has been an increasing tendency to make statements on matters which more properly ought to be dealt with as an item in a Billet d’État since dealing with matters by means of statements limits the ability of Members properly to discuss and question them. In particular, the Committee would cite the example of the statement made on the 25th June 2014 by the Minister of the Education Department setting out the progress which the Department had made on implementing its Vision “Today’s Learners; Tomorrow’s World”. The statement was lengthy (17 minutes). That statement was apparently made in fulfilment of a Resolution of the States¹ when the expectation of many Members had been that the Resolution would be met by means of a policy letter in the normal way. Members had not seen the contents in advance, which inevitably

¹ Billet XV of 2013, Article 9 number 2 “To direct the Education Department to report back to the States of Deliberation annually on: - the progress it has achieved in developing the vision and progressing the actions identified in the vision; any new actions which have been identified as part of the vision; and demonstrate how the community has been engaged in the process.”

afforded less scope for the preparation of questions. As a statement, it could not be debated.

26. Notwithstanding the example above, the Committee does not believe that it would be appropriate to introduce a time limit on statements. By its very nature a statement on an urgent matter may need to give Members a detailed explanation of an important new issue. Nevertheless the Committee hopes Members will make statements that are as short and succinct as is appropriate for their subject matter. It also hopes that any matter that the States should have the ability to debate or upon which there is a States' Resolution requiring a committee to report back to the States, such as the example given in the previous paragraph, is brought as a written report and not a statement.
27. The Committee does not propose at present that sub-Rule 8(c) be amended to define the circumstances under which statements are allowed. However, if statements continue to be made on matters which could reasonably have been dealt with by means of a written report to the States, the Committee will, without delay, propose a change to the current Rule.
28. Rule 8(c) also states that after a Member has made a statement the Presiding Officer shall allow a period of up to 15 minutes (or more at his discretion) for questions to be asked within the context of the statement. However, unlike Rule 5 questions, there is currently no limit on the length of individual questions and answers.
29. In order to ensure that questions and answers are focussed and in order to obtain consistency in the Rules where sensible, **the Committee believes that it would be logical to introduce to Rule 8 (within the overall time limit) the same time limits as apply to Rule 5, namely one minute maximum duration for the question and one and a half minutes for the answer**, and the proposed change to the Rules to achieve that is set out in full in Recommendation 1(p).

Rule 11 – Order

30. Rule 11 states that the Presiding Officer shall be responsible for maintaining order at States' meetings. It also sets out that every Member has a duty to observe due decorum and follow the rulings of the Presiding Officer. In light of the liberalisation of the rules relating to the broadcasting of States' Meetings², the Committee believes that certain standards for Members should be set down in a document, rather than simply being by convention. **Rather than prescribe such matters in the Rules of Procedure the Committee proposes that the Presiding Officer should be able to issue directives regarding matters such as standards of dress and conduct during Meetings.** The proposed new Rule is set out in Recommendation 1(q).

² Article 16 of Billet d'État XVI of 29th July 2014

Rule 12 – Rules of Debate

31. Rule 12(4) allows a committee to bring a report to the States for them to debate general principles of policy. The committee concerned can request that its recommendations be considered without amendment. If the general policy is approved, the committee then returns to the States with detailed proposals which can be amended in the normal way.
32. The report entitled “Improving Governance in the States of Guernsey”³ noted that suggestions had been made by the Public Accounts Committee that establishing additional stages in the Assembly’s decision-making process would provide better governance. The previous Public Accounts Committee (i.e. the 2008-12 Committee) suggested that the States’ Assembly & Constitution Committee should give serious consideration to a process not dissimilar to the use of “white” and “green” papers in the United Kingdom, thereby dividing decision making into two formal stages. It was suggested that this would provide the opportunity to explore and challenge decisions at an early stage, could reduce the need for requêtes and could prove cost-effective by reducing abortive work in preparing detailed proposals which were subsequently rejected by the States.
33. The States resolved, inter alia, that the Committee should bring proposals for the revision of Rule 12(4) to enable committees to obtain a clearer direction from the States in progressing policy matters whilst still having the ability to make adjustments to detailed proposals at a later date.
34. It was argued by the previous Public Accounts Committee that if proposals had to be approved in principle as a first stage, a committee might have firmer guidance about their acceptability to the States in advance of drawing up detailed proposals. The debate can also offer guidance to the sponsoring committee on whether adjustments to the proposals are needed and the general attitude of the States to the matter. However, proposals are often the culmination of other pieces of work or the general views of the States are already known. In those cases, requiring a committee to bring a matter to the States in two stages would create extra work and delays. It could also result in the States endorsing proposals in principle when they may not be in possession of sufficient information about the implications of such proposals, only for the detailed proposals which emerge at the second stage to be scrutinised inadequately on the basis that they had already been approved “in principle”.
35. Concerns were also expressed that two key elements of Rule 12(4) are a) that a committee must be of the opinion that its proposals concern general policy and b) that such proposals cannot be amended by the States. However, “general policy” is not qualified. Committees could, therefore, bring far-reaching

³ Article 16 of Billet d’État V of 2012: resolution 1(u) of 8th March 2012
 Joint Report of the Public Accounts Committee, Scrutiny Committee and States Assembly and
 Constitution Committee entitled “Improving Governance in the States of Guernsey”

proposals to the States without the Assembly being able to consider amendments and the Committee has no wish to encourage such a practice.

36. The Committee does not believe that the Rule is presently being misused and it therefore does not see any need to compel committees to bring policy matters in two stages. Committees can, and do, bring proposals under Rule 12(4) when appropriate and so the Committee does not believe that it needs to bring proposals to the States to amend the current wording of Rule 12(4), as required by the States' Resolution. **It proposes instead that the Resolution should be rescinded and that is set out at Recommendation 4(a).**
37. Rule 12(6) permits a Member to raise a point of order, but only to draw attention to a breach of the Rules of Procedure, or a point of correction, in respect of an inaccurate or misleading statement made by the speaker. Such points can be made as an interruption during another Member's speech. It has been suggested by a Member of the States that points of order and correction should be permitted only after the speech has concluded, in order to prevent the Member speaking from being disrupted mid-flow. The Committee does not agree with this suggestion. A point of order draws attention to a breach of the Rules of Procedure. Therefore, it needs to be made immediately to prevent a possible continuing or further breach of the Rules. A point of correction corrects an inaccurate or misleading statement made by another Member. Again, it needs to be corrected as soon as possible to avoid confusion.
38. The Committee, therefore, proposes no change to Rule 12(6).
39. Rule 12(6A) enables a Member to make an interjection relevant to the point being made by the Member speaking. It allows the Member who is speaking to "give way" to the would-be interjector. It was introduced only in September 2013 in the last review of the Rules. However, the Committee received a representation from a Member of the States that the Rule should be scrapped.
40. Despite the fact that this is a new Rule, the Committee believes that the use which has been made of it shows that Members appreciate the ability to "chip in" to the speech or make a comment to elicit further information from the speaker. No Member is obliged to give way. It is at the absolute discretion of the Member speaking whether to give way and so the speaking Member can simply refuse to give way and continue speaking until finished.
41. The Committee, therefore, proposes no change to Rule 12(6A).

Rule 13 – Amendments, sursis and motions to withdraw

42. Rule 13 sets out the process for laying amendments, sursis and motions to withdraw. In some areas the Rule goes into detail but in others it is effectively silent. The Committee therefore believes it would be helpful to codify the process for the avoidance of doubt.

43. Rule 13(1) puts an obligation on H.M. Greffier to circulate any amendment which is lodged by the deadline of 15.00 on the day preceding seven clear days before the States' meeting starts. However, no arrangements are set out with regard to amendments which emerge after that deadline. **The Committee believes that all amendments, sursis and motions to withdraw should be circulated by H.M. Greffier, regardless of when they are submitted so that there is no doubt that all Members have received them.** As at present, this would be by the method requested by the Member if they arrive by the seventh clear day before the meeting, excluding Saturdays, Sundays and Public Holidays. After that he would circulate them electronically, with a paper copy of all such items, whenever received, provided at the States' meeting, and the necessary change to give effect to this is set out in Recommendation 1(r).
44. Rule 13(2) does not impose the time limit referred to above on amendments which are proposed on behalf of the Department or Committee which submitted the original proposal. That exemption does not extend to amendments proposed by requérants in respect of their own requêtes. It has been suggested, and the Committee agrees, that the necessity to comply with the deadline in Rule 13(2) should not apply to amendments proposed by requérants in respect of a requête which they have signed. If this change is not agreed they will be further disadvantaged in comparison with others if the proposals set out in paragraph 74 are approved. **The Committee is therefore proposing that Rule 13(2) be amended accordingly** and that is set out in Recommendation 1(s).
45. At present, although a few Members do read out the text of their amendment or sursis when they lay it, there is no requirement to do so. Notwithstanding the proposals above concerning the circulation of amendments, the Committee believes that it would be helpful to all Members, officers and those listening to States' debates outside the Chamber if on more occasions amendments, sursis and other motions lodged *séance tenante* were read out before debate on them commenced.
46. Reading out the item focusses attention on the matter. It gives time for other Members to find their copy of the precise amendment which is about to be debated. It confirms the text of the final version, as these items can go through several iterations before being finalised. Amendments lodged just before the States' meeting or *séance tenante* may not yet be on the website when debate on them commences and reading them out would assist those listening.
47. Some amendments are lengthy and run to several pages. The Committee does not believe that it would be appropriate to require all amendments to be read out in full but, for the reasons set out above, does believe that more should be. **It is, therefore, proposing altering the way that an amendment, or sursis or motion to withdraw, is laid. A Member would state that he or she wished to lay an amendment. The proposer would state the name of the proposed seconder and the Proposition to which it related to establish that Members**

knew what was about to be debated. The proposer could then either read out the text of the amendment, sursis or motion to withdraw him- or herself or ask the Greffier to read out the full text of it. The Committee is also proposing that, if the proposer does not exercise that right, any other Member should be able, at that stage, to ask for the item to be read out by the Greffier. After it had been read out, if that right had been exercised, the proposer would then formally propose it and make the speech supporting its proposal. Consideration of the amendment would then follow the existing procedure.

48. The wording of the proposed new Rule 13(3) is set out in Recommendation 1(t).
49. Rule 13(4) enables a Member, immediately after an amendment or sursis has been proposed and seconded, to ask the Presiding Officer to invite Members who support debate on the amendment or sursis to stand in their places. If fewer than seven stand then the matter is not debated.
50. On the grounds that on virtually every occasion that it is raised sufficient Members stand to ensure debate, it has been suggested that the Rule should be abolished as pointless. The Committee believes nevertheless that the Rule should be retained. For example, if it were felt that a Member was constantly bringing amendments which were bound to lose heavily, the amendment could be disposed of quickly using this Rule. That, of course, is the precise reason why the Rule was first introduced and it cannot be known whether such circumstances may arise in the future.
51. Under Rule 13(7) the Minister or Chairman of the Department or Committee from which the matter originated, or a *requérant*, may speak immediately before the proposer of the amendment exercises his/her right to reply to the debate, unless that Member has already spoken in the debate.
52. **The Committee suggests that it would be more helpful if the Rule were amended to give the Minister or Chairman of the Department or Committee from which the matter originated (or a representative of the Department or Committee nominated in their stead), or a *requérant* the right to be asked by the Presiding Officer whether they wish to take the opportunity to speak either immediately after the proposer of the amendment or immediately before the proposer's reply (or at any other time during the debate), at their choice.** For the avoidance of doubt, the proposed change is emphatically not to provide for the Minister or Chairman of the Department or Committee from which the matter originated (or a representative of the Department or Committee in their stead) or a *requérant* to have 'two bites of the cherry' in amendment debates but rather to establish that he or she is able to determine when exactly to speak on the amendment. The proposed new wording of the Rule is set out in Recommendation 1(u).

Rule 15 – Proposals to increase taxation or increase expenditure

53. Rule 15 sets out qualifications on proposals to alter taxation or increase expenditure.
54. Rule 15(1) provides for the Presiding Officer to postpone a vote on whether to alter taxation where the proposal has been opposed or not assented to by the Minister of the Treasury & Resources Department. Though used extremely infrequently, the Committee believes that Rule 15(1) continues to serve as a valuable safeguard to promote the greatest caution and reflection when considering potentially far-reaching proposals to alter taxation. However, the precise wording of the rule is not fully consistent with Guernsey's committee system of government. **The Committee proposes, therefore, that the qualification of non-opposition or assent be put into the hands of the Treasury & Resources Department (i.e. the five elected Members on that committee) rather than the Minister alone.** That is set out in Recommendation 1(bb). This change has been discussed with the Treasury & Resources Department which supports it.
55. Rule 15(2) states that any resolution of the States which may have the effect of increasing revenue expenditure but which does not incorporate an estimate of that increase, an indication of how that increase could be funded and an explanation of any effect on the Fiscal and Economic Policy Plan shall take effect only if and when a subsequent resolution has been made which complies with those conditions; and the second part of Rule 15(2) obliges committees of the States to provide Members with information pertaining to the aforementioned conditions. Rule 15(2) has a relatively-recent origin: it was established only in 2010. Several Members of the States have asked the Committee to propose scrapping the rule because they believe it has the potential unreasonably to deny the democratic will of the States. **The Committee has, therefore, included at the end of this policy letter a proposal to rescind the rule to enable the States to do so if they wish. However, the Committee's recommendation – which is put as an alternative to scrapping the rule – is instead to reform the rule in order to address its clear weaknesses and somewhat illogical effects while maintaining its core purpose: to ensure that when considering matters of public expenditure the States act responsibly and always on the basis of good information.**
56. The Committee puts forward several arguments in favour of reform of the rule.
57. First, since its inception the rule has, to put it kindly, attracted a wide variety of interpretations and been applied with considerable inconsistency. There have been occasions when 'spending' resolutions have been made (and implemented) with incomplete references, made more or less in passing, to the qualifications of the rule. There have been other occasions when the rule has been held out as an almost impassable hurdle to the laying before the States of particular motions.

The Law Officers have advised the Committee that few, if any, of the Rules of Procedure are so challenging to interpret with clarity and consistency.

58. Second, the rule, as an unintended consequence, encourages hypothecation of income. Requiring Members who wish to lay amendments proposing a relatively small sum of expenditure also to identify precisely the source of income to fund that expenditure may dissuade them from pursuing the amendment, but they are equally likely to pursue it and possibly identify a source of income without a full understanding of its effects on public finances. The hypothecation of income has been discouraged by successive Treasury & Resources Departments and their predecessors, but in its present construction Rule 15(2) has the opposite effect. This has been less of a problem during years of deficit, but this unintended consequence of the rule has the potential to become a much greater problem if the States are fortunate to return to budget surpluses. It is the responsibility of the Treasury & Resources Department to advise the States on budgetary matters and that rôle could be undermined by a rule which invites – indeed obliges – individual members to locate ‘pots’ of funding in isolation from the broader fiscal policy context.
59. Third, Rule 15(2) in its present construction completely ignores capital expenditure, which typically accounts for nearly 10% of public expenditure annually, and also has been held not to apply to expenditure funded from Social Security contributions, which typically accounts for more than 25% of public expenditure annually. The Committee can see no valid reason for exempting such large portions of public expenditure from the rule.
60. Fourth, the rule has no logical start or end point. For example, the States may be presented with an article of legislation which, if approved, would introduce duties to raise £4million, in order to fund items of expenditure arising from earlier resolutions. A Member may lay amendments to the legislation in an effort to modify the proposed duties and to seek to raise £3million rather than the £4million originally proposed. Such an amendment may engage Rule 15(2) – on the grounds that foregoing income could require, under the test in (a) (ii), an indication of how expenditure increases could be funded – and that of itself could result in the would-be proposer feeling unable to pursue his or her amendment. The effect of there being no such modifying amendment around which a majority of Members felt able to coalesce could be that the original article is rejected by the States in its entirety – and the Members voting to reject it, despite their actions foregoing income of £4million rather than £1million, would not in any way have to address the conditions set out in Rule 15(2), although the commitments to expenditure arising from earlier resolutions would not have been rescinded. The Committee is of the view that a rule which has the potential to create such circumstances is absurd – not least because it could act in contradiction to its purpose of encouraging responsible stewardship of public finances – and is therefore in need of amendment.

61. Fifth, there are several examples of Rule 15(2) having encouraged the States to approve policy proposals carrying expenditure commitments on the understanding that the conditions of the rule – in particular how the expenditure will be funded – will be addressed at some indeterminate point in the future. Indeed, at the inception of the rule, such an approach was actively promoted by its advocates. This may technically suit committees of the States, but in terms of the public standing of the States and their policy-making processes it surely cannot be healthy to agree to a new policy or service – and for the public naturally to believe that, upon such agreement, the new policy or service will be implemented efficiently – without any real idea of whether, and if so when, funding will be available to carry it into effect.
62. Sixth, the Rules of Procedure are intended to serve the States by providing for clear, well-understood, equitable and democratic processes; they are not intended to frustrate the democratic will of the majority of elected Members. It is for committees and Members proposing a particular course of action to set out their case as well as they are able and it is for the States to scrutinise and judge the merits and demerits of the proposals and to approve whatever resolutions they consider to be in the Island's best interests with a view to those resolutions being carried into effect.
63. Seventh, at the moment an amendment is not subject to Rule 15(2) until it becomes a Proposition. This means that amendments are not actually captured by the Rule, although in practice the interpretation has been that they are. In the opinion of the Committee rules should be worded so as to make their intended effect clear and in some respects the opposite is true of Rule 15(2) in its present form.
64. In the opinion of the Committee, the States should be furnished with full and credible information about the potential financial consequences of a proposal before they vote on it and the Treasury & Resources Department should have every opportunity to fulfil its mandate “to advise the States on matters relating to the allocation and administration of all States’ resources...the raising of States’ income and control of financial resources...and to be responsible for examining and submitting annually to the States the budget estimates of income and expenditure on capital and revenue account, to submit recommendations on how such expenditure should be financed...[and] reviewing and commenting as appropriate on the resource implications associated with all proposals and reports which are to be placed before the States...”
65. In considering how best to reform the weaknesses and illogical, if largely unintended, consequences of the present Rule 15(2), the Committee has endeavoured to protect the entirely proper purpose of the rule; to allow that purpose to be applied with clarity, equitably and democratically; to respect the responsibilities entrusted by the States to the Treasury & Resources Department; and to ensure that the States are furnished with full and credible financial information before voting on all propositions irrespective of whether they fall

into the revenue account, capital account or are funded by social security contributions.

66. One option would be for the States to delete Rule 15(2) in its entirety, which is Recommendation 1(v). **The alternative, which is what the Committee proposes, is that any recommendation made by a committee of the States, amendment, sursis or requête must have appended to it an estimate of the financial implications to the States of carrying the proposal into effect.** The proposed wording of the revised Rule 15(2) is set out in Recommendation 1(w). The Committee has engaged with the Treasury & Resources Department concerning this change and met with its members who support the proposed revised Rule.
67. Other proposals which would affect the way in which the States consider matters with financial implications are now considered before reverting to considering changes in Rule number order.

Rules 1 and 3 – Annual Budget Meeting

68. Rule 1 sets out the procedure for the convening of meetings of the States, including the timetable for the issuing of Billets d'État. Although there are specific rules relating to the issuing of Budget Billets and the laying of amendments to them, there are no other specific provisions about the Budget. It has been suggested that the Budget meeting, because of its importance, should be held on a dedicated day. It has also been suggested that the ability of Members to lay amendments to the Budget would be enhanced if the timetable relating to its publication and/or the rules relating to when amendments to it could be proposed were altered. The Committee agrees with these suggestions.
69. Under the terms of Rule 13(2) any Member who proposes an amendment to the Annual Budget (*inter alia*) must furnish copies of it to specified office holders before 15.00 on the day before the seventh working day before the meeting. As Rule 1(3) presently permits the Annual Budget Billet to be published as few as three weeks before the meeting at which it is to be considered, Members may have seven working days only in which to draft any amendment which they wish to lay against it. That gives relatively little time if a Member needs to consult with other Members, any relevant committees, the Treasury & Resources Department and H.M. Procureur. **The Committee proposes, with the support of the Treasury & Resources Department, that the deadline for issuing the Billet d'État which contains the Annual Budget of the States should be extended to four weeks.** That change is set out in Recommendation 1(x).
70. In recent years the Budget debate has been convened so that it is considered before the rest of the business for that month. Its importance would be further enhanced if it were guaranteed a meeting of its own which could be on a day which is presently a reserve day for holding an adjourned States' Meeting.

71. **The Committee, with the support of the Treasury & Resources Department, proposes that the Annual Budget meeting should be held on a day reserved for that alone with no other ordinary business scheduled for the same day and that meeting should begin on the second Wednesday in November, which is presently the reserve date for any business not completed at the October States' meeting.** Any unfinished business from October could be adjourned to the day after the Budget meeting. The new Rule to give effect to this is set out in Recommendation 1(y)

Rule 2 – Reports etc. in Billets d'État

72. The proviso to Rule 2(1)(a) gives the Policy Council the right to defer by a month the inclusion of a report or requête in a Billet d'État if in its opinion the proposals do not comply with the corporate policy of the States. The Committee believes that all proposals with financial implications which are put before the States should have been given proper consideration by the Treasury & Resources Department before they appear in a Billet. **The Committee proposes to give the Department the right to apply to the Policy Council for a matter to be deferred by one month if in the opinion of the Department there are financial implications which have not been satisfactorily addressed in the policy letter or requête.** The proposed amendment is set out in Recommendation 1(z) and has been discussed and agreed with the Treasury & Resources Department.
73. It is important that this proposal is read in conjunction with the proposals at paragraph 74 which recommends an additional change to Rule 13 (regarding time limits on the circulation of amendments) and with the proposals at paragraphs 53 to 66 which recommend reforms to Rule 15 (regarding amendments, sursis, recommendations etc. with financial implications). The Committee believes that taken as a package these reforms will ensure that the States are always aware of the financial implications of options before them while protecting both the rights of committees and Members to lay proposals before the States and the proper pre-eminence of the States (rather than any one or more of their committees) as the Island's government.

Rule 13(2) (part 2)

74. In proposing that Members be given more time to consider the Budget before amendments have to be submitted, the Committee also believes that it would be sensible generally to give the Treasury & Resources Department more time to reflect on propositions and proposed amendments relating to financial matters before the deadline is reached. **The Committee is proposing that any amendment submitted on behalf of the Treasury & Resources Department by the Minister or another representative of that Department should have a later deadline if the Department wishes to propose an amendment to Propositions which have financial implications and it is proposing that the deadline for such amendments be not later than 15.00 on the day preceding**

the second clear working day before the meeting. The Committee has discussed this proposal with the Treasury & Resources Department which supports the proposals. The exact wording is set out in Recommendation 1(aa). It should be noted that the sponsoring committee (and requérants, if the Committee's Recommendation is accepted) is not caught by any time limits regarding the submission of amendments.

Rule 14 – Closure and voting

75. Rule 14(1) is the “*guillotine*” motion which enables a Member who has not already spoken in debate (except to open the debate or interject) to request the Presiding Officer to close a debate. An *appel nominal* is taken and if at least two-thirds of those voting support it debate is closed (subject to provisos) and the matter goes straight to the vote. Two Members contacted the Committee to suggest that the Rule should either be abolished or that it take effect on a simple majority if raised after a set period of time.
76. In recent years the States have only very infrequently voted to end a debate in this way. It has, therefore, been suggested that the Rule should be abolished as pointless. The Committee believes that the Rule should be retained. For example, if a Member or Members were constantly extending the length of debates with unnecessary or overlong speeches this Rule could be used. In respect of removing the requirement that at least two-thirds of Members voting must approve it, there are several points to consider. It could be argued that a closure motion is interfering with the democratic right of Members to give their views. If a simple majority only were required, in effect this would mean that in any debate the side with the majority could end the debate at any time they chose. However, other than amendments to the Reform Law, which could potentially have a far greater effect and which can on application be brought back to the States for a further vote unless they were originally carried by a two-thirds majority, this is now the only Rule where a simple majority is not sufficient for approval. In a democratic institution the will of the majority should prevail. **The Committee is proposing, by a majority with the Chairman dissenting, that this Rule be subject to a simple majority only in future and that is set out in Recommendation 1(cc).**
77. At present, Members can vote only if they are present in the Royal Court Chamber and in their places. It has been suggested by a Member of the States that there should be a provision for Members to leave a voting slip with a fellow Member if they are unable to be present for a vote (effectively proxy voting).
78. Such a system could increase the numbers of Members voting in divisions and ensure their views were taken into account. There are several practical issues. The whole point of holding a debate is to try to influence other Members to vote the same way as the speaker. The Proposition in the Billet d'État may well have been, and often is, amended before the vote on it is taken, perhaps by an amendment laid *séance tenante*. The Member might want to vote on an

amended Proposition in a different way from on the original. The colleague who would be casting the proxy vote would have to cast the vote regardless but it might not accurately reflect the absent Member's intentions at the point when the vote was held. Potentially it could encourage absenteeism.

79. The Committee does not therefore believe that such a system of proxy voting should be introduced.

Rule 17 – Requêtes

80. Rule 17 enables seven Members to bring a *requête* to the States. Although Members contemplating bringing a *requête* often seek the opinion and/or advice of the committee which would be affected or fellow Members or civil servants, there is no requirement so to do. It has been suggested that *requêtes* should only be accepted if the *requérants* have written to the relevant States' committee with their request and that committee has refused to progress it.
81. Such a provision might limit the number of *requêtes* which are brought, although having to find seven Members to support a proposal is already quite a high bar and the number of *requêtes* laid before the States is really rather low. (In contrast, in Jersey, for example, a proposition can be lodged by one Member.) The Committee does not support the introduction of such a requirement as a committee could agree to implement the request but then determine that its priority was such that its implementation was delayed for so long that a *requête* needed to be brought anyway to achieve progress. Imposing such a requirement on would-be *requérants* might also cause unnecessary delay in bringing a matter to the attention of the States. It should also be noted that under the present rules all committees with an interest in the subject matter of a *requête* are invited to comment before the *requête* is published in a Billet d'État. Therefore, the Committee recommends no change to the current Rule.

Rules 18 and 19 – Motions of no confidence

82. Rules 18 and 19 enable seven Members to bring a motion of no confidence in a Department or Committee or the Chief Minister or Deputy Chief Minister. The Rules require the motion to include a statement that it is a motion of no confidence, the full details of the basis of the motion, and a statement that the subjects have been invited to resign but have not done so within five working days of the invitation. Although the reasons for bringing the motion must be included in the motion itself, there is no absolute requirement to have given those reasons for expecting them to resign to the subjects in the preliminary letter inviting them to resign. Sometimes it may be obvious from events why a motion is being brought, but not always and all the reasons may not be known.
83. **Therefore, it has been suggested that the required invitation to resign should be accompanied by the proposed motion itself so that the subjects know all the reasons why they are being asked to resign and can base their**

decisions whether or not to resign on them before responding. It would also give them more time to prepare their “defence”.

84. The Committee supports reform of Rules 18 and 19 and the proposed new wording is set out in Recommendations 1(dd) and (ee).

Rule 20 – Elections

85. Rule 20(2)(a) provides that, although the ballot itself is secret, the results of votes for committee posts are published afterwards. For the quadrennial elections they are published after the whole series of meetings for elections to posts are concluded. In other cases, the list of how Members cast their votes must be published as soon as possible after the meeting. However, so as not to influence who Ministers and Chairmen propose to sit on their committees, the Committee believes that the results of any elections which lead to vacancies on committees should not be published until the elections for all those vacancies on that committee have themselves been held.
86. There are arguments for and against maintaining open voting (i.e. publishing votes cast) for the reasons set out when this Rule was originally adopted. The Committee proposes that it should continue. Nevertheless it recognises that an increasing number of Members question the wisdom of open voting. **Alternative recommendations are, therefore, included. Recommendation 1(ff) would end the practice of publishing how Members voted in elections while Recommendation 1(gg) would extend the provisions of the present Rule 20(2)(a)(i) to all elections as set out above.**
87. Rules 20(3), 20(4) and 20(5) provide that if there is more than one candidate in elections for the posts of Chief Minister, Deputy Chief Minister, Ministers and Chairmen the candidates shall face a period of questions from other Members of the States, after they have made a five minute speech. Having reflected on the occasions in 2014 when there were elections to these posts, the Committee believes that the process might usefully be restructured slightly in order that the most productive use is made of the States’ time available. In proposing reforms, the Committee is mindful that in Guernsey’s system of government neither a Minister nor a Chairman – and in particular not a candidate for either of those offices – can say definitively what a committee would and would not do under his or her leadership as he or she is one among five, seven, nine, 11 or whatever, and the Committee believes this important consideration was perhaps not afforded the emphasis it should have been when the original ‘question time’ proposals were conceived.
88. In other elections it is only the proposer who can speak about the candidate. A proposer may be able to speak about the qualities and attributes of a candidate in a way in which the candidate him- or herself cannot for fear of accusations of blatant self-aggrandizement or arrogance. The opinions of a ‘third party’ may well be received better. **The Committee has concluded that proposers of**

candidates should be able to address the States as part of the election process, for a period not exceeding five minutes.

89. The Committee has reflected on advice from some Members who have experienced contesting elections since the introduction of the new process and acknowledges that candidates can be very restricted in setting out the often multifarious reasons for their candidature in the five minutes which are currently permitted. **The Committee has concluded that henceforth candidates should be permitted to address the States for a period not exceeding ten minutes.** This change, together with that proposed in the preceding paragraph, would provide members of the States with more information about the candidates' background, skills and ideas before deciding how to cast their votes.
90. The Committee envisages that a period for questions would remain after the speeches of proposers and candidates because such a period appears generally to have been well-received by the States. However, it is evident that the period for questions tends to 'run out of steam' some time before the conclusion of the time allotted. **The Committee is therefore proposing that the period of questions be limited to 15 minutes multiplied by the number of candidates. Thus, if the Committee's proposals are approved, the maximum time for these elections would fall from 35 minutes per candidate to 30 minutes.** These changes are set out at Recommendation 1(hh).

"Government of Guernsey" Law

91. By Resolution of the 8th March 2012⁴, the States resolved that the Policy Council and the Committee should consider the case for setting out the framework for the organization of the legislature and the machinery of government in one "article" of legislation. It was thought that such a Law would be called something like "The Government of Guernsey Law" and would replace the Reform Law and create "Standing Orders" which would replace the Rules of Procedure, Committee Rules and the Code of Conduct. Although some years ago preliminary work was done on drafting such a Law, the Committee believes that it is not an efficient use of its resources to pursue it. It has also concluded that such a Law would not necessarily be consistent with Guernsey's committee system of government, which was endorsed by a large majority as recently as July 2014 – it would be better in a system where the government and the parliament are identifiably distinct. However, as indicated in paragraph 149, the Committee will propose merging the Rules of Procedure and Committee Rules when it works on the complete redrafting of those Rules later in 2015.
92. **The Committee therefore proposes that the Resolution should be rescinded as set out in Recommendation 4(b).** The Committee sought the opinion of the Policy Council and it is grateful that the Council unanimously supports the Committee in this matter.

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Article 16 of Billet d'État V of 2012: resolution 1(b) of 8th March 2012 (see also footnote 4)

93. At present, the Clerks to the States are H.M. Greffier and the senior Deputy Greffiers, who include the Committee's Principal Officer. The Committee is obliged by the terms of a Resolution of the States⁵ to examine, in conjunction with the Presiding Officer and H.M. Greffier, the case for the establishment of a distinct Parliamentary Secretariat which would be exclusively concerned with supporting what at the time were somewhat erroneously called "Parliamentary Committees" and the activities of the States of Deliberation. Such a body might, perhaps, be called the "States Greffe" to distinguish it from the judicial rôle of the Greffe when serving the courts. Such a split exists in Jersey and the Committee believes that there is merit in investigating such a separation. **However, it believes that it would be more appropriate for the States' Review Committee to consider this matter and indeed notes that Committee's commitment to do so.** This is set out in Recommendation 4(c).

Definition of items submitted for debate by the States

94. For a few years, the documents which are included in the main body of each Billet d'État for debate, such as this one, have been referred to in the Rules of Procedure as "reports". However, that does not distinguish them from other documents which have been written or commissioned by the States and which are also referred to as "reports". The Committee believes that it would be helpful for these two very different types of document to be distinguished the one from the other and that the first type – those laid before the States in a Billet d'État – should revert to being known as "policy letters" in the Rules of Procedure. Indeed, very often Members refer to them as "policy letters" in debate. However, any document which is contained in an appendix to a Billet d'État or which is a report pursuant to paragraphs 33 and 34 of the Code of Conduct for Members of the States of Deliberation or a report appended by the Policy Council to a requête will continue to be known as a "report".
95. **It proposes at Recommendation 1(II) that any reference to "report" in the Rules which is a reference to a report which is to be debated in a States' meeting should be changed to "policy letter".**

Communications

96. Until 2009 while the States were in session States' Members were precluded from communicating by any means with a person in the public gallery. The Committee proposed⁶ a replacement Rule but, although the States resolved to remove the old Rule, nothing was approved in its place. The bans on communicating with people in the Public Gallery therefore no longer apply. It has been suggested that the ban on communicating with people in the public gallery should be reinstated.

⁵ Article 16 of Billet d'État V of 2012: resolution 1(aa) of 8th March 2012

⁶ Article 11 of Billet d'État XXI of 2009

97. The Committee believes that communication with persons in the public gallery is potentially disruptive to States' proceedings. **The Committee is proposing the reintroduction of a ban on communication by Members with persons in the public gallery while the States are in session, which is set out in Recommendation 1(a).**
98. The rejection in 2009 of the recommendation from the Committee's predecessor to require electronic devices to be switched off during States' meetings was also mentioned in the present Committee's policy letter on broadcasting in 2014⁷. Some Members of the States do not agree with the present arrangements and believe that a less liberal regime might be favoured by the States. They suggest that, at the very least, the use of electronic devices should be restricted.
99. Since their use was permitted, a number of Members have taken to using electronic devices during States' meetings. Some Members now rely on their devices to monitor their e mails, read their Billets d'État and/or read their speeches from them. It is acknowledged that some Members use them during States' meetings for purposes which are wholly unrelated to either the business before the meeting or the work of the States more generally.
100. With the exception of the States of Jersey, the States are the only British Isles' assembly to allow completely unrestricted use of any type of electronic communications device during meetings.
101. Although four Members of the Committee would prefer restrictions or even a complete ban on the use of electronic devices during States' meetings other than when they are being used for work directly related to the business before the States, the Committee reluctantly accepts that their use is now so prevalent that it is unlikely that such a recommendation would succeed. Therefore, it does not propose any change in this area, although it appreciates that amendments to the recommendations of this policy letter may be laid by any of the number of States' Members who have contacted the Committee about this matter.

Enhanced majority for changing the Rules

102. At present, the recommendations in this policy letter, like virtually all recommendations, need to secure a basic majority to become Resolutions. It has been suggested by one Member of the States that they should need an enhanced majority to succeed. This could be set at say two-thirds of voting Members.
103. Although the Rules should not be changed on a whim, the Committee does not see any need for requiring an enhanced majority. At present closure motions under Rule 14(1) require two-thirds of those voting to approve them but they involve stifling the democratic right of Members to speak (although the Committee is proposing that this rule be changed, see paragraphs 75 and 76). Proposals to change the Reform Law can be brought back to the States for a

⁷ Article 16 of Billet d'État XVI of 2014

further vote on the application of at least seven Members unless they had been carried by a majority of at least two-thirds of Members voting originally. However, the implications of changing the Reform Law are potentially much greater than amending the Rules of Procedure.

104. In contrast, the Budget Report, capital projects which can involve spending millions of pounds, and far-reaching policy proposals are all approved by a simple majority.
105. The Committee does not believe that there is any need for changes to the Rules of Procedure to be subject to an enhanced majority and makes no recommendation for change.

Minor changes to wording

106. In a couple of areas the Committee believes that minor changes should be made to the Rules to reflect, *inter alia*, other changes which have already been made or modern methods of communication, for example.
107. In September 2013 the number of Members permitted to lay a *requête* or a Motion of No Confidence was altered to exactly seven. However, the Committee omitted to recommend changes to some of the old references to *requête*. **Rules 2(1) and 24(1) need to be amended to state that a *requête* is signed by exactly seven Members.** The proposed wording is set out in Recommendations 1(b) and (ii).
108. At present, Rule 6(2) requires the Member who is answering a Rule 6 question to submit not only an electronic copy of the question and answer to H.M. Greffier but also a paper copy. In this age of electronic communications this is probably superfluous as a paper copy can be printed at the Greffe if needed and Rule 6 questions and answers are posted on the States' website and can, therefore, be seen without attending the Greffe.
109. The Committee therefore recommends that Rule 6 is amended so that it simply requires a copy to be provided to the Greffe and the proposed wording is set out in Recommendation 1(n).

OTHER POSSIBLE RULE CHANGES

110. In addition to the changes proposed above, Members of the States suggested a number of other possible changes to the Committee. However, the Committee believes that those listed below would be better dealt with in a separate policy letter, produced to be consistent with the proposals emanating from the States' Review Committee's second report, to be brought to the States in 2015. It would deal with the convening of meetings, the procedure for the submission of policy letters and other reports, generally how the States manage and consider the business before them, and rules of debate, including *inter alia* whether there

should be time limits on speeches or debates or limits on the numbers of speakers. The following suggestions for change have, therefore, not been considered in this policy letter:

- a. Convening of meetings and period of notice required;
- b. Hours of sittings, extensions and adjournments;
- c. The order of business;
- d. Time limits on speeches;
- e. Balance of views to be heard early in debate;
- f. Limit on number of speeches per debate;
- g. Time limits on debates / categorization of business to determine those limits;
- h. Items e, g and h in respect of debates on Motions of No Confidence;
- i. Ability for the States to sit “in Committee”.

COMMITTEE RULES

Rule 3 – Policy Council and Chief Minister

111. In Rule 3(2) the posts which may be held by the Chief Minister are set out. However, since the Committee Rules were last amended there is now a States’ Review Committee and a Constitutional Investigation Committee, both of which are chaired *ex officio* by the Chief Minister. In addition, there is no Emergency Powers Authority but there is a Civil Contingencies Authority. **Rule 3(2) therefore needs to be rewritten to take into account those changes and the proposed alteration is set out in Recommendation 2(a).**

Rule 4 – Departments and Ministers

112. At present, all Departments and the Legislation Select (LSC) and Parochial Ecclesiastical Rates Review Committees (PERRC) can nominate up to two non-States Members in a non-voting capacity. They are nominated by the body on which they will sit for approval by the States. No other nominations are permitted. (It should be noted that the seats for non-States Members on the Public Accounts, States’ Review and Constitutional Investigation Committees are permanent seats which must be filled. Persons to fill those seats are elected by the States and a person can be elected who was not the nominee of the particular committee.)
113. By the terms of Rule 7(3) if a postholder resigns from a position then the resignation automatically takes effect on the election by the States of a successor to the office vacated. However, in the case of a non-States Member of a Department or the LSC or PERRC the body may decide not to appoint a successor. In that case the resignation would not automatically become effective. This potentially awkward consequence of the present wording of the Rules arose in 2014 when Mr Denis Mulkerrin resigned as the non-States Member on the Education Department. That Department decided that it did not

wish to replace him. Therefore, in order to make the resignation effective, the Department had to obtain a specific Resolution of the States accepting the resignation which was not ideal, and in theory there was the possibility of the States not accepting it.

114. It has been suggested that it would be better for Departments and the LSC and PERRC to have the power to accept the resignations of their non-States Members themselves. However, the Committee considers that as the appointments are made by the States they must be the body which terminates them. One solution would be to alter the Rules so that the entire procedure is the responsibility of Departments and those two Committees. They would decide whether to have non-States Members (if permitted by their specific constitution); who to elect; whether to accept a resignation; whether to terminate an appointment; who to appoint instead; or whether not to appoint a successor.
115. The Committee's proposals set out below would create more flexibility for committees. In respect of the regime for the appointment of non-States members, the current arrangements requiring the involvement of the States date back to the time when alternative candidates could be proposed and when non-States members were full voting members of committees. In those former times it was right that the power of appointment rested with the States.
116. Other Members of the States can no longer nominate a different person in opposition to the choice of the Department or the LSC or PERRC and have never rejected the person nominated, and as non-States members no longer have a vote on Departments or those Committees their rôle has changed to something much more advisory. **Therefore, the Committee considers that it would be more logical to give the entire responsibility to Departments and those two Committees. For the avoidance of doubt, the proposed new Rules give a non-voting member the right to resign and they also clarify that a replacement need not be made. As non-States members are in official posts and effectively part of the Island's government, the Committee is proposing that the appointment of anyone to these posts and any subsequent resignation or termination of office should be formally notified to the States. This would be done by way of a letter to the Presiding Officer from the relevant committee to be published as an appendix to a Billet as soon as possible.**
117. If this amendment to the Rules is approved then the States will have accepted that, although they elected the present non-States members whose positions will be affected by the Rule change to those positions, they would no longer be able to dismiss them or appoint their successors as the power would have passed to the Departments and the two Committees themselves. Such a change does not conflict with the Resolutions made by the States pursuant to the first report of the States' Review Committee (in July 2014), which approved the structure of the States which will apply with effect from May 2016. **On balance, the**

Committee recommends that this Rule change, like all the others, has effect immediately.

118. The necessary changes to the Rules are set out in Recommendations 2(b), (d) and (i).
119. Rule 4(3) states that Ministers are precluded from holding certain other offices. First, a Minister shall not hold office as the Minister of any other Department simultaneously. Therefore, when Deputy Luxon was elected as the new Minister of the Health & Social Services Department in October 2014 he ceased at that moment to be the Minister of the Public Services Department. Second, a Minister cannot sit as the Chairman or an ordinary member of either the Public Accounts or Scrutiny Committees. Therefore, when Deputy Ogier was elected as the new Minister of the Public Services Department in November 2014 he ceased at that moment to be a member of the Scrutiny Committee. The Committee believes that the Rules should be expanded to make completely clear what happens in these circumstances.
120. **The Committee therefore proposes that Rule 4(3) be amended to state clearly that a Member who is elected as a Minister ceases at that moment to be a member of one of the precluded committees.** The additional text is set out in Recommendation 2(c). **It also proposes that a Minister will cease to hold the original post of Minister as soon as elected to be the Minister of another Department. In both cases it proposes to put beyond doubt that the holding of the precluded office would cease automatically and immediately upon election to the ministerial position, rather than requiring a letter to the Presiding Officer and on the election of a successor because of the special circumstances in these cases.** The proposed amendment to Rule 4(3) is set out in detail in Recommendation 2(c).

Rule 7 – Term of Office

121. Several Members of the States have suggested that there should be provision for the members of a Department or Committee to recommend the States to remove one of their number if the working relationship with the others had irretrievably broken down. It could be argued that this is already recognised in the Committee Rules at Rule 7(8). **Nevertheless, the Committee believes that there is merit in setting out the specific right of a majority of a committee to seek the removal of one member.**
122. The Committee would sincerely hope that any such new provisions would only ever be used extremely rarely. However, it accepts that there may be occasions when the relationship between one Member of a committee and the rest had deteriorated to the extent that the majority felt that the departure of the single Member was the only way for the committee to function properly. In one extreme case the States were obliged to abolish a committee and reconstitute a new one with the same mandate when a Member, whose relationship with his

fellow committee members had completely broken down, refused to resign; and the Committee regards this as a wholly unsatisfactory means of the States securing their preferred outcome.

123. The proposed new wording of Rule 7(8) is set out in Recommendation 2(e).

Rule 12 – Nomination of Candidates for Election by the States

124. Since September 2013 a person who proposes a candidate who is not a States' Member to a vacant post has been obliged to provide the States with a full report in writing containing background information about the candidate, the person's willingness to stand and the reasons for the candidate having been put forward. However, there is no requirement to indicate that checks have been carried out to ensure that there would be no potential conflicts of interest. It has been suggested that the States should know if the appointment would lead to any potential conflicts of interest or, if there are, whether it is believed that they could be managed.
125. The Committee agrees that more should be known about candidates and that a statement about any possible conflict of interest would be helpful to States' Members when deciding whether to appoint the candidate. **It is, therefore, proposing that a candidate would be required to provide a completed Declaration of Interests form in advance of the election to the committee which, or person who, was going to put the matter to the States. The committee or person would have all the necessary information about the person and would then need to decide if anything about the candidate meant that they were unsuitable to be appointed. That Committee or person would then be obliged to include a statement that it had satisfied itself, or him- or herself, that there was no conflict of interest if the candidate were appointed, or if there was potentially one it could be managed, in the background information given to the States regarding the candidate. The Committee is also proposing that the Declaration in respect of the appointed candidate only be published on the States' website with the Declarations of Interest of States' Members.** This new provision would apply to appointments made by the States [Rule 12] and also by Departments under the proposed revised Rule 4(2D).
126. The proposed new Rule is set out in Recommendation 2(f) in respect of States appointments and is covered by Recommendation 2(b) in respect of appointments made by Departments and Recommendation 1(jj) in respect of both categories.
127. At present, a Member who asks or replies to a question in the States or a supplementary question and who has a direct or special interest as defined in Rule 5(7) of the Rules of Procedure must declare the interest to the meeting. The identical conditions apply in respect of debates. A Member must declare such an interest immediately before speaking on the proposition or before the

vote is taken. In respect of the Member, the requirement to lodge a general declaration of interests and update it each year means that much information is known. However, at present there is no requirement to declare family members who work for a committee to which a Member seeks election. In a small community such as Guernsey this is likely to occur relatively frequently. Some Members already declare such a connection voluntarily and the connection may be generally known anyway.

128. It has been suggested that, when seeking election, a Member should declare any close family members who work for the Department or Committee to which election is sought. In the interests of openness and accountability, the Committee agrees with the suggestion but it believes that it would make more sense to require such information to be included in an amended Declaration of Interests. States' employees often move between departments and so if the declaration only had to be made on the day of the election it might soon be meaningless. The Declaration of Interests is a more permanent record and has to be updated each year. **The Committee proposes to add a new section to the Declaration of Interests in which Members would be required to declare the job title and normal place of work of any close relative (that is their parent, spouse, cohabiting partner, child, grandchild or sibling) if that person was an employee of the States.**
129. The proposed new Rule is set out in Recommendation 1(kk).
130. It has been suggested that there should be a deadline under Rule 12 for making nominations for vacant posts to give Members more notice of who is standing.
131. It would give Members longer to think about who they might vote for. However, the Committee believes that it might occasionally mean that some candidates were not put forward because the deadline had passed. Additionally, although it should not occur very often except after a General Election, it might prevent an unsuccessful candidate for one post being proposed for another. The Committee therefore does not think that such a Rule should be introduced.

New Rule – Department and Committee correspondence

132. Although the Rules are silent on the matter, there is currently a presumption that once a Member has left a post information which he or she might have held (but which the Member had destroyed because of the sheer volume of material which Members now receive) can no longer be provided to the Member. It has been suggested that Members should have a right to ask for copies of any documents which they were given when they were a Member of a particular committee.
133. Any Member who has the space and/or inclination never to throw out committee papers will have information which fellow States' Members who served on the same States' committee at the same time no longer have or can access. **The Committee therefore proposes that any States' Member (while still a States'**

Member) should be able to request a committee on which the Member served to provide a copy of any document which that Member was given when a member of the committee concerned, except any sensitive material which at the time of their membership of the committee they were allowed to see but not retain. The proposed new Rule 14B is set out in Recommendation 2(g).

134. It is generally assumed that all correspondence between Members of the States and States' committees should be treated as confidential to the parties concerned. However, there was an occasion in 2013 when correspondence received by a States' Department was shared with an outside organization without the agreement of the States' Member who had sent it. That Member, who was understandably aggrieved, wrote to the Committee which took up the matter with the Department concerned.
135. There is a Code of Practice for Access to Public Information which enables members of the public and the media formally to request information from States' committees and sets out the guiding principles regarding disclosure. There is a presumption of disclosure but there are various exceptions where disclosure can be refused to protect the interests of Guernsey and the States. Much correspondence between States' Members and committees is already covered by the exemptions to disclosure (for example, because it is about the personal circumstances of parishioners or is internal discussion and policy advice) but the Committee believes that States' Members may feel inhibited from raising other matters with committees if they knew that their correspondence might be disclosed without their consent. **The Committee is, therefore, proposing that all correspondence between Members of the States and States' committees should be confidential, unless the author of it expressly agrees to its disclosure.**
136. The proposed text to achieve that is also set out in Recommendation 2(g).

New Rule – Register of Appointments

137. Any decision of the States to elect any person to a particular office is, like all Resolutions of the States, a matter of public record. However, in addition to appointments made by the States, Departments and Committees sometimes make appointments to extra-governmental bodies, such as Guernsey Finance. There is no central record of who has been appointed to such posts and finding out may therefore not be easy. It has therefore been suggested that there should be a central register of all such appointments.
138. The Committee agrees and proposes the creation of a central register of all such appointments. The Committee believes that H.M. Greffier would be the best person to be given responsibility for such a register as he is already responsible for keeping the register of Declarations of Interest. **Any Department or Committee which made any appointment which fell within the definition**

for notification would need to inform H.M. Greffier so that the register could be updated. In the interests of openness, the register would be published on the States' website and would also be included in "Members of the States of Deliberation and the Membership of States' Departments and Committees" (which is contained in the "gold book"). This new Rule is set out in Recommendation 2(h).

Ban on any form of remote attendance at meetings

139. On the 27th March 2014, the States considered a policy letter from the Committee entitled "Remote attendance at meetings of committees of the States". In line with the Committee's recommendations they resolved not to permit remote attendance at meetings of States' committees. The situation therefore remains that Members cannot vote or count towards the quorum unless physically present at the meeting. Notwithstanding that Resolution, it has been suggested that all remote attendance at committee meetings, and not just subject to those limitations, should be banned, whether by members of the committee, officers or others.
140. Although the Committee was pleased that the States agreed with its majority view and would not wish to see that Resolution overturned, it does not believe that a complete ban, as has been suggested, should be introduced. There will be occasions when the attendance of a Member from a remote location, even subject to the limitations which apply, will be of benefit to the committee. In addition, a ban on other persons attending from a remote location, especially consultants or advisers, could have cost implications if they were able only to attend committee meetings by means of physical attendance in Guernsey. Therefore, no change to the present position is proposed.

CODE OF CONDUCT

141. Article 20A of The Reform Law (inserted by the Reform (Guernsey) (Amendment) Law, 2006) introduced the concept of parliamentary privilege to Guernsey statute law. It confers absolute privilege on Members in respect of any words spoken in the States or in any report to the States or one of their committees. It provides a complete defence to any legal proceedings arising from what was said or published, even if those words were spoken or published maliciously, or when their being spoken or published would otherwise constitute a criminal offence. However, it is important to note that this parliamentary privilege does not extend to words sent from the Royal Court Chamber, even if the States are in session, to the outside world. In other words, it does not cover the contents of any form of electronic communication sent from the Royal Court Chamber. Nor are Members covered generally simply by being States' Members. Members should therefore be conscious in all forms of communication in which they engage of the strict limits on the coverage of parliamentary privilege.

142. In paragraphs 134 and 135 the Committee proposes a new section in the Committee Rules to enshrine in those Rules the principle that correspondence between States' Members and committees is confidential. **The Committee believes that the explicit requirement for committees not to disclose correspondence from Members to third parties without the express consent of the Member who sent it should also be set out in the Code of Conduct.** A new section to set that out is therefore included as Recommendation 3(a).
143. There was an occasion in 2014 when a complaint (which was subsequently withdrawn) was made by a member of the public about the actions of a States' Member. Unfortunately the States' Member concerned found out that he was the subject of a complaint when he heard it on the radio. **Although the Committee has been assured that in future such information will not be made known publicly until the relevant Member or Members have been informed, the Committee believes that it would be sensible to set down in the Code that a Member against whom a complaint is lodged should be informed of that fact immediately by the secretary to the States' Members' Conduct Panel.** The proposed new section is set out at Recommendation 3(b).
144. On the infrequent occasions when the Committee has been obliged to lay before the States a report from a Code of Conduct Panel on the conduct of a States' Member, there has been some debate as to whether the Committee could put its own recommendations to the States or whether it simply acts as a conduit to lay the Panel's recommendations before the States.
145. The Committee believes that section 33 of the Code of Conduct makes clear that the Committee's rôle is simply to lay the Panel's recommendations before the States. **Nevertheless it is proposing an alteration to section 33 to put that beyond doubt.** The proposed amendment is set out in Recommendation 3(c).

OTHER MATTERS

146. The Committee notes that some, though not all, committees continue to include in their policy letters a statement that they have complied with the principles of good governance. The Committee believes self-assessment of this kind serves no real purpose and that it would be better if another party commented on the extent to which a committee's policy letter and proposals complied with or failed expectations of good governance. **Accordingly the Committee is proposing that the Policy Council and/or the Treasury & Resources Department, as may be appropriate, should use their normal letters of comment to policy letters – and indeed to requêtes – to point out any cases where they believe a committee has failed to comply with expectations of good governance. This more independent assessment is likely to be of greater use to the States when considering policy letters. This proposal is included as Recommendation 5.**

147. A suggestion has been made that general election candidates should be required to declare all criminal convictions so that the electorate is fully informed about candidates' backgrounds before deciding whether or not to vote for them.
148. The Committee will be bringing a number of policy letters to the States in 2015 dealing with various aspects of the 2016 General Election. One of them will deal with possible changes to the Reform Law in areas where the Committee believes that its provisions are outdated or should be changed for other reasons. The declaration of criminal convictions and related matters will be considered in that policy letter.
149. The Rules of Procedure have been altered to a greater or lesser extent at least once a year in the last decade. This has resulted in a document which fulfils its purpose but is not necessarily cohesive or logically structured. For example, there are new rules which are labelled "A", gaps where Rules no longer exist and quite a lot of duplication. This is not ideal. The Committee therefore intends later in 2015 to carry out a complete review of the Rules with a view to considering whether they are all needed, a complete rearrangement to tidy them up, any consequential rewriting needed, and generally to put them in a more logical order. The Committee will also propose combining the Rules of Procedure and the Committee Rules and the Code of Conduct. The proposed rewording of the Rules, which of course will be presented to the States in the normal way, will be carried out so as to be fully consistent with the States' Review Committee's proposals for the new structure of government which will be implemented with effect from 1st May 2016. The intention is for the new structure of government to be accompanied with a clearer and more coherent set of rules governing the procedures of the States and their committees.

CONSULTATION / RESOURCES / NEED FOR LEGISLATION

150. The Presiding Officer and H.M. Greffier have been consulted pursuant to Rule 14(6) of the Rules relating to the Constitution and Operation of States Departments and Committees. The Law Officers have not identified any reason in law why the proposals set out in this policy letter cannot be implemented. The Committee has also consulted the Chairman of the States' Members Conduct Panel in respect of the proposed changes to the Code of Conduct, the Policy Council in respect of the "Government of Guernsey" law and the Treasury & Resources Department in respect of any financial or other resource implications and also the proposed changes to the Rules of Procedure which could affect it.
151. The comments of the Policy Council are attached. The approval of the recommendations would have no financial or other resource implications for the States and consequently the Treasury & Resources Department has not requested that a statement be appended setting out its views thereon pursuant to Rule 2(1)(b). Nor would approval require any legislation.

152. The Committee will circulate in a separate document the revised rules as they would look if the States approved all of its recommendations, in accordance with its undertaking earlier this term.

RECOMMENDATIONS

153. The States' Assembly & Constitution Committee recommends the States of Deliberation to resolve:

1. that the Rules of Procedure of the States of Deliberation shall be amended with immediate effect as follows:

- (a) After Rule 1 insert a new Rule 1A in the following terms:
 "Communications
 1A
 While the States are in session Members shall not have any communication with a person in the public gallery."
- (b) In Rule 2(1) delete the words "of any 7 or more States Members addressed" and replace with "of any seven Members (but not more than seven) addressed";
- (c) In Rule 3(1) delete the words "for special reason" and insert "ordinarily" before "commence";
- (d) In Rule 3(2) insert the word "ordinarily" after "concluded";
- (e) Replace the proviso to Rule 3(2) with "PROVIDED THAT the Presiding Officer may propose at any time that the Meeting continues outside those times or is adjourned to another day.";
- (f) In Rule 5(1) insert at the end: "provided that they do not seek information which is readily accessible in the public domain."
- (g) In Rule 5(2) delete paragraph (b); rename (c) and (d) as (b) and (c) respectively; insert after the ";" at the end of each of (a) and (b) the word "and"; and replace the ";" at the end with "."
- (h) In Rule 5(5), immediately before the full stop insert: ", provided that any Member who asks a question which is on the same topic as one asked by a Member earlier in the order shall immediately follow the earlier Member. It shall be for the Presiding Officer to determine whether the questions are on the same topic."

- (i) In Rule 5A(1) insert at the end: “provided that it does not seek information which is readily accessible in the public domain.”
- (j) In Rule 5A(2)(a), replace the existing text with: “shall relate to a matter of public importance and shall be of an urgent character or relate to a matter which has only become known or been announced in the preceding seven days; and”
- (k) In Rule 5A(2) delete paragraph (c); rename (d) and (e) as (c) and (d) respectively; and insert after the “;” at the end of each of (b) and (c) the word “and”
- (l) In Rule 5B(1) replace “Rule 5(2)(b) or Rule 5A(2)(c)” with “Rule 5(1) or Rule 5A(1)”
- (m) At the end of Rule 6(1) add the following sentence: “The recipient of the question shall acknowledge receipt in writing to the questioner by letter or e mail within three clear days (excluding Saturdays, Sundays and public holidays) of receipt”.
- (n) In Rule 6(2) delete the words “in electronic format” and all the words after “and the Greffier,” in the first paragraph and the words “either in writing or electronic format” in the first proviso;
- (o) In Rule 6(2) rename the first “(b)” in the second proviso as “(a)” and replace the words “in the interests of good government so directs” in it with “determines that it would be unreasonable to expect the question to be answered within 15 clear days”
- (p) At the end of Rule 8 add the following words: “Each individual question shall not exceed one minute in duration and the answer thereto shall not exceed one and a half minutes in duration.”
- (q) Immediately after Rule 11(1) insert a new Rule 11(1A) in the following terms: “The Presiding Officer may issue directives relating to the presentation and conduct of Members during meetings.”
- (r) Replace Rule 13(1) with the following: “Any Member who intends to lay before the States an amendment, sursis or motion to withdraw shall cause it to be delivered to the Greffier who shall circulate it to all Members. If the

amendment, sursis or motion to withdraw was delivered to the Greffier by 15.00 on the day preceding the seventh clear day before the meeting excluding Saturdays, Sundays and Public Holidays, the Greffier shall circulate it in the way the Member has requested as soon as practicable. Between that time and the day of the meeting the Greffier shall circulate by electronic means any amendment, sursis or motion to withdraw which has been delivered to him. The Greffier shall provide a paper copy of each amendment, sursis and motion to withdraw, whenever it may have been delivered to him, at the start of each Meeting, or as soon as practicable if he receives it during the Meeting.”

- (s) In Rule 13(2) insert the following immediately after “original proposal”: “or one proposed by a lead requérant (or a representative from among the requérants) in respect of the requête of which he or she is a signatory”
- (t) Reinststate a paragraph numbered 13(3) in the following terms: “A Member who wishes to lay an amendment, sursis or motion to withdraw shall state the name of the proposed seconder and the Proposition to which it relates. The Member may then read out the text of the amendment, sursis or motion to withdraw; or that Member or any other Member may ask that the text be read out by the Greffier. After it has been read out, if that right has been exercised, the proposer will formally propose it and make any speech supporting it.”
- (u) In Rule 13(7) insert after “Chairman” the words: “(or a representative instead)” and delete the words after “right to speak on the amendment or sursis” and replace them with the following: “immediately after its proposer has proposed the amendment or sursis or immediately before its proposer replies to the debate under Rule 12(1) or at any other time during the debate.”

EITHER

- (v) Delete the text of Rule 15(2) in its entirety.

OR

- (w) If Recommendation 1(v) is not approved, delete the text of Rule 15(2)(a) and replace it with the following:
“Every Policy Letter, Requête, amendment or sursis laid before the States shall include or have appended to it an estimate of the financial implications to the States of carrying

the proposals into effect.” and delete the words “sub-paragraphs (i), (ii) and (iii) of” in Rule 15(2)(b).

- (x) Amend Rule 1(3)(a) to read: “not less than 4 weeks in the case of a Billet d’État in which the only business is the Annual Budget of the States and not less than 3 weeks in the case of a Billet d’État in which the only business is the Annual Accounts of the States.”
- (y) After Rule 3, insert a new Rule 3A in the following terms:
 “Annual Budget Meeting
 3A The meeting held to consider the Annual Budget of the States shall be held on the second Wednesday in November.”
- (z) After the proviso to Rule 2(1)(a) insert an additional proviso in the following terms: “PROVIDED FURTHER THAT the Policy Council shall, on the application of the Treasury & Resources Department, defer the inclusion of a policy letter or requête in a Billet d’État until the next meeting of the States when, in the opinion of the Department, the proposals have financial implications which have not been addressed in the policy letter or requête as the case may be.”
- (aa) In Rule 13(2) insert at the end after the word “Holidays” the following: “or, in respect of an amendment to propositions which have financial implications and which is proposed to be moved by the Minister or another representative of the Treasury & Resources Department, not later than 15.00 on the day preceding the second clear day before the meeting excluding Saturdays, Sundays and Public Holidays.”
- (bb) In Rule 15(1) delete the words “the Minister of”
- (cc) in Rule 14(1) delete the words “two-thirds or more” and replace them with “the majority”
- (dd) Immediately after Rule 18(2) insert a new Rule 18(2A) in the following terms: “Before submitting the request to the Policy Council the seven Members shall invite in writing all the Members of the Department or Committee, including the Minister or Chairman thereof, to tender their resignations of such membership, which invitation shall have attached to it the full text of the proposed request.”
- (ee) Immediately after Rule 19(2) insert a new Rule 19(2A) in the following terms: “Before submitting the request to the Presiding Officer the seven Members shall invite in writing

the Chief Minister or Deputy Chief Minister, as the case may be, to tender his resignation of such office, which invitation shall have attached to it the full text of the proposed request.”

EITHER

- (ff) In Rule 20(2)(a) delete all the words after “secret ballot” and replace the comma with a full stop.

OR

- (gg) If Recommendation (ff) is not approved, in Rule 20(2)(a)(ii) insert the following text after “held,”: “unless the particular Department or Committee still has a vacancy”
- (hh) In each of Rules 20(3)(d)(i) and 20(4)(a)(ii) and 20(5)(a)(ii) delete “each candidate (or the candidate if there is only one) to speak for not more than 5 minutes” and substitute “, in respect of each candidate in turn (or the candidate if there is only one), first the proposer to speak for not more than 5 minutes and then the candidate to speak for not more than 10 minutes; ”; and in each of Rules 20(3)(d)(ii)(6) and 20(4)(b)(6) and 20(5)(b)(6) replace the numeral “30” with the numeral “15”
- (ii) In Rule 24(1) in the definition of “requête” delete the words “any 7 or more Members” and replace with “any seven Members (but not more than seven)”;
- (jj) On page 1 of Schedule 1 to the Rules of Procedure of the States of Deliberation insert after the words “States of Deliberation” where first appearing the following: “or Rule 12 of The Rules concerning The Constitution and Operation of States’ Departments and Committees” and at the end of the first paragraph insert the words “or as a person who is a non-States member of a States’ Department or Committee pursuant to Rule 12 of The Rules concerning The Constitution and Operation of States’ Departments and Committees”
- (kk) In Schedule 1 to the Rules of Procedure of the States of Deliberation insert a Part 12 in the following terms:
 “Part 12
 Employment by the States of close Family Members
 Declare here the name, familial relationship, job title and usual place of work of any of the following who is an

employee of the States, that is to say parent, spouse, cohabiting partner, child, grandchild or sibling.”

- (II) In any place in the Rules of Procedure where there is a reference to a “report” or “reports” and it means a document or documents which will be considered by the States in a meeting (but not a document which is contained in the appendix to a Billet d’État or which is a report pursuant to paragraphs 33 and 34 of the Code of Conduct for Members of the States of Deliberation or a report appended by the Policy Council to a requête) replace that word “report” or “reports” with “policy letter” or “policy letters” as the case may be;
2. That the Rules relating to the Constitution and Operation of States’ Departments and Committees shall be amended with immediate effect as follows:
- (a) Delete the text of Rule 3(2) and replace it with the following: “The Chief Minister shall not sit on any States’ Department or States’ Committee other than in any position held ex officio.”
 - (b) Delete the text of Rule 4(2) and replace it with the following:
 - 4(2) “Any Department may elect up to two non-voting members, who shall not be sitting Members of the States, and whose appointments, subject to the provisions below, shall expire at the same time as the terms of office of the four sitting Members of the States. Such Members shall have the same rights and duties as ordinary Members (other than the right to vote).
 - 4(2A) Before electing any such non-voting members the Department concerned shall be provided by each candidate with a completed Declaration of Interest as set out in Schedule 1 to the Rules of Procedure of the States of Deliberation.
 - 4(2B) Any such non-voting member may resign from the office at a date earlier than that on which it would otherwise terminate, by a letter addressed to the Minister, and notwithstanding Rule 7(3) such resignation will take effect immediately. Notwithstanding Rule 7(2), a replacement need not be elected.
 - 4(2C) By decision of the voting members the term of office of any such non-voting member may be terminated with immediate effect. A replacement need not be elected.
 - 4(2D) Immediately after the election the Department shall submit a letter to the Presiding Officer for publication as an appendix to a Billet d’État setting out the full name of the person or

persons so elected, the date of the election and a statement that the Department had seen a completed Declaration of Interest in respect of that person before the election and was satisfied that the appointment of the person would not lead to a conflict of interest, or if there was potentially one it could be managed. The Declaration in respect of the person appointed shall be lodged with the Greffier and published by him as if the person concerned was subject to the provisions of Rule 23 of the Rules of Procedure of the States of Deliberation.

4(2E) Immediately after a resignation or any termination of office the Department shall submit a letter to the Presiding Officer for publication as an appendix to a Billet d'État stating the name of the person who has ceased to be a non-voting member of the Department.

- (c) At the end of the existing Rule 4(3), add the following immediately before the full stop: “, and accordingly when a person is elected Minister of a Department that person ceases to be the Minister of any other Department, Chairman or an ordinary Member of those Committees and an ordinary Member of more than one other Department (at that person’s option) with immediate effect”
- (d) In the third bullet point at Rule 5(1)(c) replace “nominate” with “appoint”, delete the second sentence, and add an additional sentence in the following terms “The provisions governing these appointments are as set out in Rules 4(2) to 4(2E) inclusive as if, for these purposes only, the Committee is a Department.”
- (e) Amend Rule 7(8) to read: “If a majority of the voting members of a Department or Committee believe that the continued membership of that Department or Committee by one member is hindering the ability of the Department or Committee to fulfil its mandate then the majority may bring a recommendation to the States that the period of office of the said one member should be terminated with immediate effect, and the States may, notwithstanding the other provisions of this rule, by resolution so terminate that period of office.”
- (f) In Rule 12 insert after “candidate,” the following words: “including a statement that the proposer had seen a Declaration of Interest from the candidate and was satisfied that there would be no conflict of interest if the candidate were appointed, or if there was potentially one it could be managed,” and add a new sentence at the end in the following

terms: “The Declaration in respect of the successful candidate shall be lodged with the Greffier and published by him as if the person concerned was subject to the provisions of Rule 23 of the Rules of Procedure of the States of Deliberation.”

- (g) Immediately after Rule 14A insert a new Rule 14B in the following terms: “***Department and Committee correspondence***

14B (1) For the avoidance of doubt, all correspondence, howsoever received, between a Department or Committee and a Member of the States shall be treated as confidential under the Code of Practice for Access to Public Information unless expressed otherwise and shall not be disclosed to any third party, whether within the States or outside, in whole or in part, by any means, without the express consent of the author of that correspondence.

14B (2) Any Member of the States while he or she continues to be a Member of the States may request from a Department or Committee of which the said Member was formerly a member a copy of any document which he or she was given when a member of that Department or Committee, except any material which he or she was allowed to see but not retain.”

- (h) Immediately after Rule 16A insert a new Rule 16B
“Register of Appointments

Any Department or Committee of the States which appoints one of its members to a position on the board of an extra-governmental body which is not a States’ committee, or which has a member who has been appointed to such a position by the board of an extra-governmental body which is not a States’ committee, shall notify H.M. Greffier of that appointment. The cessation of any such appointment shall also be notified to H.M. Greffier. H.M. Greffier shall keep a record of that appointment in a document known as the ‘Register of Appointments’ and shall cause that document to be posted on the appropriate part of the States’ website.”

- (i) In the third bullet point of Rule 18(3) replace “nominate” with “appoint”, delete the second sentence, and add an additional sentence in the following terms “The provisions governing these appointments are as set out in Rules 4(2) to 4(2E) inclusive as if, for these purposes only, the Committee is a Department.”

3. That the Code of Conduct for Members of the States of Deliberation shall be amended with immediate effect as follows:
 - (a) Immediately after section 19, insert a new section 19A in the following terms: “For the avoidance of doubt, all correspondence, howsoever received, between a Department or Committee and a Member of the States shall be treated as confidential under the Code of Practice for Access to Public Information unless expressed otherwise and shall not be disclosed to any third party, whether within the States or outside, in whole or in part, by any means, without the express consent of the author of that correspondence.”
 - (b) Immediately after section 27, insert a new section 27A in the following terms: “Immediately upon receipt of a complaint the secretary to the Panel shall notify the Member concerned that a complaint has been made.”
 - (c) In Section 33 delete all the words in the first sentence after “Committee” and replace them with “which, in turn, shall submit that report to the Presiding Officer for inclusion in a Billet d’État with the recommendations of the Panel”.
4. That the following Resolutions of the States be rescinded with immediate effect:
 - (a) Resolution 1(u) of Article 16 of Billet d’État V of 2012 of 8th March 2012;
 - (b) Resolution 1(b) of Article 16 of Billet d’État V of 2012 of 8th March 2012;
 - (c) Resolution 1(aa) of Article 16 of Billet d’État V of 2012 of 8th March 2012.
5. That the Policy Council and /or the Treasury & Resources Department, as appropriate, shall append to a policy letter or requête a statement to the effect that the proposals in it do not comply with the principles of good governance, if in their opinion that be the case, and such statements shall not be included in the body of the policy letter or requête.

Yours faithfully,

Deputy M J Fallaize

Chairman

The other Members of the States' Assembly & Constitution Committee are:

Deputy R Conder (Vice-Chairman)

Deputy E G Bebb

Deputy A H Adam

Deputy P A Harwood



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Deputy Matthew Fallaize
 Chairman, States Assembly and Constitution Committee
 Royal Court House,
 St Peter Port GY1 2PB

18th November, 2014

By email only: matthew.fallaize@gov.gg

Dear Deputy Fallaize,

Re: Drafting of a “Government of Guernsey” Law - Rescission of Resolution 1 (b) on Article 16 of Billet d’État V of 2012 (“the Resolution”)

I read your Committee’s letter dated 5th November with interest and wish to thank you for setting out the background to the development of a “Government of Guernsey” Law.

Policy Council Members were pleased to note that your Committee is undertaking a review of the Rules of Procedure, with a view to proposals being made to amalgamate these with the Committee Rules.

As regards your Committee’s proposal to rescind the Resolution, Policy Council Members’ views concur unanimously with that of your Committee’s. Accordingly, the Policy Council raises no objections to your Committee’s proposals to seek the rescission of this Resolution.

Yours sincerely,

Jonathan P. Le Tocq
 Chief Minister

C.c: Adrian.nicolle@gov.gg

The States are asked to decide:-

VII.- Whether, after consideration of the Report dated 27th January, 2015, of the States Assembly and Constitution Committee, they are of the opinion:-

1. That the Rules of Procedure of the States of Deliberation be amended with immediate effect as follows:
 - (a) After Rule 1 insert a new Rule 1A in the following terms:
 “Communications
 1A
 While the States are in session Members shall not have any communication with a person in the public gallery.”;
 - (b) In Rule 2(1) delete the words “of any 7 or more States Members addressed” and replace with “of any seven Members (but not more than seven) addressed”;
 - (c) In Rule 3(1) delete the words “for special reason” and insert “ordinarily” before “commence”;
 - (d) In Rule 3(2) insert the word “ordinarily” after “concluded”;
 - (e) Replace the proviso to Rule 3(2) with “PROVIDED THAT the Presiding Officer may propose at any time that the Meeting continues outside those times or is adjourned to another day.”;
 - (f) In Rule 5(1) insert at the end: “provided that they do not seek information which is readily accessible in the public domain.”;
 - (g) In Rule 5(2) delete paragraph (b); rename (c) and (d) as (b) and (c) respectively; insert after the “;” at the end of each of (a) and (b) the word “and”; and replace the “;” at the end with “.”;
 - (h) In Rule 5(5), immediately before the full stop insert: “, provided that any Member who asks a question which is on the same topic as one asked by a Member earlier in the order shall immediately follow the earlier Member. It shall be for the Presiding Officer to determine whether the questions are on the same topic.”;
 - (i) In Rule 5A(1) insert at the end: “provided that it does not seek information which is readily accessible in the public domain.”;
 - (j) In Rule 5A(2)(a), replace the existing text with: “shall relate to a matter of public importance and shall be of an urgent character or relate to a matter which has only become known or been announced in the preceding seven days; and”;

- (k) In Rule 5A(2) delete paragraph (c); rename (d) and (e) as (c) and (d) respectively; and insert after the “;” at the end of each of (b) and (c) the word “and”;
- (l) In Rule 5B(1) replace “Rule 5(2)(b) or Rule 5A(2)(c)” with “Rule 5(1) or Rule 5A(1)”;
- (m) At the end of Rule 6(1) add the following sentence: “The recipient of the question shall acknowledge receipt in writing to the questioner by letter or e mail within three clear days (excluding Saturdays, Sundays and public holidays) of receipt”;
- (n) In Rule 6(2) delete the words “in electronic format” and all the words after “and the Greffier,” in the first paragraph and the words “either in writing or electronic format” in the first proviso;
- (o) In Rule 6(2) rename the first “(b)” in the second proviso as “(a)” and replace the words “in the interests of good government so directs” in it with “determines that it would be unreasonable to expect the question to be answered within 15 clear days”;
- (p) At the end of Rule 8 add the following words: “Each individual question shall not exceed one minute in duration and the answer thereto shall not exceed one and a half minutes in duration.”;
- (q) Immediately after Rule 11(1) insert a new Rule 11(1A) in the following terms: “The Presiding Officer may issue directives relating to the presentation and conduct of Members during meetings.”;
- (r) Replace Rule 13(1) with the following: “Any Member who intends to lay before the States an amendment, sursis or motion to withdraw shall cause it to be delivered to the Greffier who shall circulate it to all Members. If the amendment, sursis or motion to withdraw was delivered to the Greffier by 15.00 on the day preceding the seventh clear day before the meeting excluding Saturdays, Sundays and Public Holidays, the Greffier shall circulate it in the way the Member has requested as soon as practicable. Between that time and the day of the meeting the Greffier shall circulate by electronic means any amendment, sursis or motion to withdraw which has been delivered to him. The Greffier shall provide a paper copy of each amendment, sursis and motion to withdraw, whenever it may have been delivered to him, at the start of each Meeting, or as soon as practicable if he receives it during the Meeting.”;
- (s) In Rule 13(2) insert the following immediately after “original proposal”: “or one proposed by a lead requérant (or a representative from among the requérants) in respect of the requête of which he or she is a signatory”;

- (t) Reinstatement a paragraph numbered 13(3) in the following terms: “A Member who wishes to lay an amendment, sursis or motion to withdraw shall state the name of the proposed seconder and the Proposition to which it relates. The Member may then read out the text of the amendment, sursis or motion to withdraw; or that Member or any other Member may ask that the text be read out by the Greffier. After it has been read out, if that right has been exercised, the proposer will formally propose it and make any speech supporting it.”;
- (u) In Rule 13(7) insert after “Chairman” the words: “(or a representative instead)” and delete the words after “right to speak on the amendment or sursis” and replace them with the following: “immediately after its proposer has proposed the amendment or sursis or immediately before its proposer replies to the debate under Rule 12(1) or at any other time during the debate.”

EITHER

- (v) Delete the text of Rule 15(2) in its entirety.

OR

- (w) If Recommendation 1(v) is not approved, delete the text of Rule 15(2)(a) and replace it with the following:
“Every Policy Letter, Requête, amendment or sursis laid before the States shall include or have appended to it an estimate of the financial implications to the States of carrying the proposals into effect.” and delete the words “sub-paragraphs (i), (ii) and (iii) of” in Rule 15(2)(b).;
- (x) Amend Rule 1(3)(a) to read: “not less than 4 weeks in the case of a Billet d’État in which the only business is the Annual Budget of the States and not less than 3 weeks in the case of a Billet d’État in which the only business is the Annual Accounts of the States.”;
- (y) After Rule 3, insert a new Rule 3A in the following terms:
“Annual Budget Meeting
3A The meeting held to consider the Annual Budget of the States shall be held on the second Wednesday in November.”;
- (z) After the proviso to Rule 2(1)(a) insert an additional proviso in the following terms: “PROVIDED FURTHER THAT the Policy Council shall, on the application of the Treasury & Resources Department, defer the inclusion of a policy letter or requête in a Billet d’État until the next meeting of the States when, in the opinion of the Department, the proposals have financial implications which have not been addressed in the policy letter or requête as the case may be.”;

- (aa) In Rule 13(2) insert at the end after the word “Holidays” the following: “or, in respect of an amendment to propositions which have financial implications and which is proposed to be moved by the Minister or another representative of the Treasury & Resources Department, not later than 15.00 on the day preceding the second clear day before the meeting excluding Saturdays, Sundays and Public Holidays.”;
- (bb) In Rule 15(1) delete the words “the Minister of”;
- (cc) in Rule 14(1) delete the words “two-thirds or more” and replace them with “the majority”;
- (dd) Immediately after Rule 18(2) insert a new Rule 18(2A) in the following terms: “Before submitting the request to the Policy Council the seven Members shall invite in writing all the Members of the Department or Committee, including the Minister or Chairman thereof, to tender their resignations of such membership, which invitation shall have attached to it the full text of the proposed request.”;
- (ee) Immediately after Rule 19(2) insert a new Rule 19(2A) in the following terms: “Before submitting the request to the Presiding Officer the seven Members shall invite in writing the Chief Minister or Deputy Chief Minister, as the case may be, to tender his resignation of such office, which invitation shall have attached to it the full text of the proposed request.”

EITHER

- (ff) In Rule 20(2)(a) delete all the words after “secret ballot” and replace the comma with a full stop;

OR

- (gg) If Recommendation (ff) is not approved, in Rule 20(2)(a)(ii) insert the following text after “held,”: “unless the particular Department or Committee still has a vacancy”;
- (hh) In each of Rules 20(3)(d)(i) and 20(4)(a)(ii) and 20(5)(a)(ii) delete “each candidate (or the candidate if there is only one) to speak for not more than 5 minutes” and substitute “, in respect of each candidate in turn (or the candidate if there is only one), first the proposer to speak for not more than 5 minutes and then the candidate to speak for not more than 10 minutes; ”; and in each of Rules 20(3)(d)(ii)(6) and 20(4)(b)(6) and 20(5)(b)(6) replace the numeral “30” with the numeral “15”;

- (ii) In Rule 24(1) in the definition of “requête” delete the words “any 7 or more Members” and replace with “any seven Members (but not more than seven)”;
 - (jj) On page 1 of Schedule 1 to the Rules of Procedure of the States of Deliberation insert after the words “States of Deliberation” where first appearing the following: “or Rule 12 of The Rules concerning The Constitution and Operation of States’ Departments and Committees” and at the end of the first paragraph insert the words “or as a person who is a non-States member of a States’ Department or Committee pursuant to Rule 12 of The Rules concerning The Constitution and Operation of States’ Departments and Committees”;
 - (kk) In Schedule 1 to the Rules of Procedure of the States of Deliberation insert a Part 12 in the following terms:
“Part 12
Employment by the States of close Family Members
Declare here the name, familial relationship, job title and usual place of work of any of the following who is an employee of the States, that is to say parent, spouse, cohabiting partner, child, grandchild or sibling.”;
 - (ll) In any place in the Rules of Procedure where there is a reference to a “report” or “reports” and it means a document or documents which will be considered by the States in a meeting (but not a document which is contained in the appendix to a Billet d’Etat or which is a report pursuant to paragraphs 33 and 34 of the Code of Conduct for Members of the States of Deliberation or a report appended by the Policy Council to a requête) replace that word “report” or “reports” with “policy letter” or “policy letters” as the case may be.
2. That the Rules relating to the Constitution and Operation of States’ Departments and Committees be amended with immediate effect as follows:
- (a) Delete the text of Rule 3(2) and replace it with the following: “The Chief Minister shall not sit on any States’ Department or States’ Committee other than in any position held ex officio.”;
 - (b) Delete the text of Rule 4(2) and replace it with the following:

4(2) “Any Department may elect up to two non-voting members, who shall not be sitting Members of the States, and whose appointments, subject to the provisions below, shall expire at the same time as the terms of office of the four sitting Members of the States. Such Members shall have the same rights and duties as ordinary Members (other than the right to vote).

4(2A) Before electing any such non-voting members the Department concerned shall be provided by each candidate with a completed

Declaration of Interest as set out in Schedule 1 to the Rules of Procedure of the States of Deliberation.

4(2B) Any such non-voting member may resign from the office at a date earlier than that on which it would otherwise terminate, by a letter addressed to the Minister, and notwithstanding Rule 7(3) such resignation will take effect immediately. Notwithstanding Rule 7(2), a replacement need not be elected.

4(2C) By decision of the voting members the term of office of any such non-voting member may be terminated with immediate effect. A replacement need not be elected.

4(2D) Immediately after the election the Department shall submit a letter to the Presiding Officer for publication as an appendix to a Billet d'État setting out the full name of the person or persons so elected, the date of the election and a statement that the Department had seen a completed Declaration of Interest in respect of that person before the election and was satisfied that the appointment of the person would not lead to a conflict of interest, or if there was potentially one it could be managed. The Declaration in respect of the person appointed shall be lodged with the Greffier and published by him as if the person concerned was subject to the provisions of Rule 23 of the Rules of Procedure of the States of Deliberation.

4(2E) Immediately after a resignation or any termination of office the Department shall submit a letter to the Presiding Officer for publication as an appendix to a Billet d'État stating the name of the person who has ceased to be a non-voting member of the Department;

- (c) At the end of the existing Rule 4(3), add the following immediately before the full stop: “, and accordingly when a person is elected Minister of a Department that person ceases to be the Minister of any other Department, Chairman or an ordinary Member of those Committees and an ordinary Member of more than one other Department (at that person’s option) with immediate effect”;
- (d) In the third bullet point at Rule 5(1)(c) replace “nominate” with “appoint”, delete the second sentence, and add an additional sentence in the following terms “The provisions governing these appointments are as set out in Rules 4(2) to 4(2E) inclusive as if, for these purposes only, the Committee is a Department.”;
- (e) Amend Rule 7(8) to read: “If a majority of the voting members of a Department or Committee believe that the continued membership of that Department or Committee by one member is hindering the ability of the Department or Committee to fulfil its mandate then the majority may bring

a recommendation to the States that the period of office of the said one member should be terminated with immediate effect, and the States may, notwithstanding the other provisions of this rule, by resolution so terminate that period of office.”;

- (f) In Rule 12 insert after “candidate” the following words: “including a statement that the proposer had seen a Declaration of Interest from the candidate and was satisfied that there would be no conflict of interest if the candidate were appointed, or if there was potentially one it could be managed,” and add a new sentence at the end in the following terms: “The Declaration in respect of the successful candidate shall be lodged with the Greffier and published by him as if the person concerned was subject to the provisions of Rule 23 of the Rules of Procedure of the States of Deliberation.”;
- (g) Immediately after Rule 14A insert a new Rule 14B in the following terms:

“Department and Committee correspondence

14B (1) For the avoidance of doubt, all correspondence, howsoever received, between a Department or Committee and a Member of the States shall be treated as confidential under the Code of Practice for Access to Public Information unless expressed otherwise and shall not be disclosed to any third party, whether within the States or outside, in whole or in part, by any means, without the express consent of the author of that correspondence.

14B (2) Any Member of the States while he or she continues to be a Member of the States may request from a Department or Committee of which the said Member was formerly a member a copy of any document which he or she was given when a member of that Department or Committee, except any material which he or she was allowed to see but not retain.”;

- (h) Immediately after Rule 16A insert a new Rule 16B
“Register of Appointments
 Any Department or Committee of the States which appoints one of its members to a position on the board of an extra-governmental body which is not a States’ committee, or which has a member who has been appointed to such a position by the board of an extra-governmental body which is not a States’ committee, shall notify H.M. Greffier of that appointment. The cessation of any such appointment shall also be notified to H.M. Greffier. H.M. Greffier shall keep a record of that appointment in a document known as the ‘Register of Appointments’ and shall cause that document to be posted on the appropriate part of the States’ website.”;

- (i) In the third bullet point of Rule 18(3) replace “nominate” with “appoint”, delete the second sentence, and add an additional sentence in the following terms “The provisions governing these appointments are as set out in Rules 4(2) to 4(2E) inclusive as if, for these purposes only, the Committee is a Department.”
- 3. That the Code of Conduct for Members of the States of Deliberation be amended with immediate effect as follows:
 - (a) Immediately after section 19, insert a new section 19A in the following terms: “For the avoidance of doubt, all correspondence, howsoever received, between a Department or Committee and a Member of the States shall be treated as confidential under the Code of Practice for Access to Public Information unless expressed otherwise and shall not be disclosed to any third party, whether within the States or outside, in whole or in part, by any means, without the express consent of the author of that correspondence.”;
 - (b) Immediately after section 27, insert a new section 27A in the following terms: “Immediately upon receipt of a complaint the secretary to the Panel shall notify the Member concerned that a complaint has been made.”;
 - (c) In Section 33 delete all the words in the first sentence after “Committee” and replace them with “which, in turn, shall submit that report to the Presiding Officer for inclusion in a Billet d’État with the recommendations of the Panel”.
- 4. That the following Resolutions of the States be rescinded with immediate effect:
 - (a) Resolution 1(u) of Article 16 of Billet d’État V of 2012 of 8th March 2012;
 - (b) Resolution 1(b) of Article 16 of Billet d’État V of 2012 of 8th March 2012;
 - (c) Resolution 1(aa) of Article 16 of Billet d’État V of 2012 of 8th March 2012.
- 5. That the Policy Council and /or the Treasury & Resources Department, as appropriate, shall append to a policy letter or requête a statement to the effect that the proposals in it do not comply with the principles of good governance, if in their opinion that be the case, and such statements shall not be included in the body of the policy letter or requête.

APPENDIX

STATES' ASSEMBLY & CONSTITUTION COMMITTEE

RECORD OF MEMBERS' ATTENDANCE AT MEETINGS OF THE STATES OF DELIBERATION, THE POLICY COUNCIL, DEPARTMENTS AND COMMITTEES

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

20th January, 2015

Dear Sir,

On the 29th October, 2010 the States resolved, *inter alia*:

1. ...
2. *That departments and committees shall maintain a record of their States Members' attendance at, and absence from meetings and that the reason for absence shall also be recorded.*
3. *That the records referred to in 2 above, together with a record of States Members' attendance at meetings of the States of Deliberation, shall be published from time to time as an appendix to a Billet d'État.*

In laying this report before the States, the Committee would draw attention to the fact that the tables in it record only the attendance by Members of the States at Departmental and Committee meetings. They do not show attendance at Departmental or Committee sub-committee meetings or presentations. Nor do they show the amount of work or time spent, for example, on dealing with issues raised by parishioners, correspondence and preparing for meetings.

I should be grateful if you would arrange for this report, in respect of statistics provided by Her Majesty's Greffier, Departments and Committees for the twelve months ending 31st October 2014, to be published as an appendix to a Billet d'État.

Yours faithfully,

M. J. FALLAIZE

Chairman
States' Assembly & Constitution Committee

PART I - REPORT BY DEPARTMENT/COMMITTEE

NAME OF MEMBER	TOTAL NUMBER OF MEETINGS	MEMBER PRESENT		MEMBER ABSENT			
		Whole Meeting	Part of Meeting	Indisposed	States' business	Personal business/ holiday	Other

POLICY COUNCIL

P. A. Harwood	11	9	2				
J. P. Le Tocq	28	26			1	1	
G. A. St. Pier	28	24	2		1	1	
K. A. Stewart	28	24	1	1	1	1	
M. G. O'Hara	28	23		1	3	1	
R. W. Sillars	28	25	1		1	1	
R. Domaille	17	11	1		1	4	
M. H. Dorey	28	27				1	
D. B. Jones	28	25		3			
P. A. Luxon	28	28					
A. H. Langlois	28	22			2	4	
Y. Burford	11	11					
P. L. Gillson	15	14				1	

Alternate Members:

S. A. James, M.B.E.	6	6					
A. Spruce	1	1					
F. W. Quin	3	3					
M. P. J. Hadley	3	3					
D. A. Inglis	5	5					
A. R. Le Lièvre	1	1					
B. J. E. Paint	1	1					
M. J. Storey	1	1					
H. J. R. Soulsby	1	1					
B. J. Brehaut	1	1					
J. Kuttelwascher	2	2					
A. H. Brouard	2	2					

COMMERCE AND EMPLOYMENT DEPARTMENT

K. A. Stewart	28	24			2	2	
A. H. Brouard	28	27				1	
D. de G. De Lisle	28	26				2	
L. B. Queripel	24	23		1			
H. J. R. Soulsby	28	27			1		

CULTURE AND LEISURE DEPARTMENT

M. G. O'Hara	23	22			1		
D. A. Inglis	23	21			2		
D. J. Duquemin	23	22			1		
P. R. Le Pelley	23	21			2		
F. W. Quin	23	20	1		1	1	

EDUCATION DEPARTMENT

R. W. Sillars	30	26	3		1		
A. R. Le Lièvre	30	25	1		1	3	
R. Conder	30	25	2		3	1	
C. J. Green	30	28	1	1			
P. A. Sherbourne	30	28				2	

NAME OF MEMBER	TOTAL NUMBER OF MEETINGS	MEMBER PRESENT		MEMBER ABSENT			
		Whole Meeting	Part of Meeting	Indisposed	States' business	Personal business/ holiday	Other

ENVIRONMENT DEPARTMENT							
R. Domaille	18	16				2	
Y. Burford	31	28		1		2	
A. Spruce	18	16				2	
B. L. Brehaut	31	27	3			1	
B. J. E. Paint	18	18					
P. A. Harwood	13	12				1	
A. R. Le Lièvre	13	11	1	1			
J. A. B. Gollop	13	12	1				

HEALTH AND SOCIAL SERVICES DEPARTMENT							
M. H. Dorey	37	37					
B. L. Brehaut	37	34	2			1	
E. G. Bebb	37	34	2			1	
M. J. Storey	37	27		4		6	
S. A. James, MBE	2	2					
A. H. Brouard	29	26	1			2	

HOME DEPARTMENT							
J. P. Le Tocq	13	12	1				
P. L. Gillson	15	14				1	
F. W. Quin	29	28	1				
M. K. Le Clerc	29	26			2	1	
A. M. Wilkie	29	26	1		1	1	
M. M. Lowe	29	27				2	

HOUSING DEPARTMENT							
D. B. Jones	25	23		1		1	
M. P. J. Hadley	25	23				2	
P. R. Le Pelley	25	25					
B. J. E. Paint	25	23		1		1	
M. J. Storey	6			6			
P. A. Sherbourne	19	14			1	4	

PUBLIC SERVICES DEPARTMENT							
P. A. Luxon	23	23					
S. J. Ogier	23	21				2	
Y. Burford	16	13	1	1		1	
D. J. Duquemin	23	20	2			1	
R. A. Jones	23	22	1				
P. A. Harwood	7	5				2	

SOCIAL SECURITY DEPARTMENT							
A. H. Langlois	31	27			4		
S. A. James, MBE	31	28			3		
J. A. B. Gollop	31	26	1		1	3	
C. J. Green	11	10					
M. K. Le Clerc	31	29			1	1	
D. A. Inglis	20	18			2		

NAME OF MEMBER	TOTAL NUMBER OF MEETINGS	MEMBER PRESENT		MEMBER ABSENT			
		Whole Meeting	Part of Meeting	Indisposed	States' business	Personal business/ holiday	Other

TREASURY AND RESOURCES DEPARTMENT

G. A. St. Pier	60	57	1			2	
J. Kuttelwascher	60	57				3	
A. Spruce	60	53				7	
R. A. Perrot	60	52	3		1	4	
A. H. Adam	60	53	2			5	

LEGISLATION SELECT COMMITTEE

R. A. Jones	16	16					
J. A. B. Gollop	16	14			2		
E. G. Bebb	16	6	2	1	3	4	
L. B. Queripel	16	12			1	3	
D. de G. De Lisle	16	15				1	

PUBLIC ACCOUNTS COMMITTEE

H. J. R. Soulsby	11	11					
M. K. Le Clerc	11	9		1		1	
S. A. James, MBE	11	7	1	2		1	
P. A. Sherbourne	11	8	1		2		
E. P. Arditti	2	2					
P. A. Harwood	6	6					

SCRUTINY COMMITTEE

E. P. Arditti	3	3					
R. A. Jones	11	11					
P. R. Le Pelley	11	9	1		1		
S. J. Ogier	11	11					
P. A. Sherbourne	11	8			2	1	
H. J. R. Soulsby	11	11					
Lester C. Queripel	11	10				1	
Laurie B. Queripel	11	10		1			
B. J. E. Paint	11	8	1			2	
A. M. Wilkie	5	4			1		

STATES' ASSEMBLY & CONSTITUTION COMMITTEE

M. J. Fallaize	16	15	1				
P. L. Gillson	8	6			2		
E. G. Bebb	16	12	1	1		2	
R. Conder	16	11	4			1	
A. H. Adam	16	13	2			1	
P. A. Harwood	8	8					

PAROCHIAL ECCLESIASTICAL RATES REVIEW COMMITTEE

J. A. B. Gollop	7	7					
M. M. Lowe	7	7					
R. Conder	7	7					
C. J. Green	7	7					
D. de G. De Lisle	7	7					

NAME OF MEMBER	TOTAL NUMBER OF MEETINGS	MEMBER PRESENT		MEMBER ABSENT			
		Whole Meeting	Part of Meeting	Indisposed	States' business	Personal business/ holiday	Other

STATES' REVIEW COMMITTEE

P. A. Harwood	5	2	2		1		
J. P. Le Tocq	9	5			4		
M. J. Fallaize	14	14					
G. A. St Pier	14	13			1		
R. Conder	14	11	1	1	1		
M. H. Dorey	14	13			1		

CONSTITUTIONAL INVESTIGATION COMMITTEE

P. A. Harwood	1	1					
J. P. Le Tocq	7	7					
R. A. Perrot	8	8					
L. S. Trott	8	8					
H. J. R. Soulsby	8	8					
R. A. Jones	8	8					

SOCIAL WELFARE BENEFITS INVESTIGATION COMMITTEE

A. R. Le Lièvre	9	9					
P. L. Gillson	9	6	1			2	
M. K. Le Clerc	9	9					
C. J. Green	2	2					
M. P. J. Hadley	9	9					
P. R. Le Pelley	9	7	2				
R. A. Perrot	9	6	2		1		
J. A. B. Gollop	7	7					

PART II - REPORT BY MEMBER/ELECTORAL DISTRICT**Summary of Attendances at Meetings of the Policy Council, Departments and Committees**

NAME OF MEMBER	TOTAL NUMBER OF MEETINGS	MEMBER PRESENT		MEMBER ABSENT			
		Whole Meeting	Part of Meeting	Indisposed	States' business	Personal business/ holiday	Other
ST PETER PORT SOUTH							
P. A. Harwood	51	43	4		1	3	
J. Kuttelwascher	62	59				3	
B. L. Brehaut	69	62	5			2	
R. Domaille	35	27	1		1	6	
A. H. Langlois	59	49			6	4	
R. A. Jones	58	57	1				
ST PETER PORT NORTH							
M. K. Le Clerc	80	73		1	3	3	
J. A. B. Gollop	74	66	2		3	3	
P. A. Sherbourne	71	58	1		5	7	
R. Conder	67	54	7	1	3	2	
M. J. Storey	44	28		10		6	
E. G. Bebb	69	52	5	2	3	7	
L. C. Queripel	11	10				1	
ST. SAMPSON							
G. A. St. Pier	102	94	3		2	3	
K. A. Stewart	56	48	1		3	4	
P. L. Gillson	47	40	1		2	4	
P. R. Le Pelley	68	62	3		1	2	
S. J. Ogier	34	32				2	
L. S. Trott	8	8					
VALE							
M. J. Fallaize	30	29	1				
D. B. Jones	53	48		4		1	
L. B. Queripel	51	45		2	1	3	
M. M. Lowe	36	34				2	
A. R. Le Lièvre	53	46	2	1	1	3	
A. Spruce	79	70				9	
G. M. Collins	0	0					
CASTEL							
D. J. Duquemin	46	42	2		2		
C. J. Green	50	47	1	1		1	
M. H. Dorey	79	77			1	1	
B. J. E. Paint	55	50	1	1		3	
J. P. Le Tocq	57	50	1		5	1	
S. A. James, MBE	50	43	1	2	3	1	
A. H. Adam	76	66	4			6	

NAME OF MEMBER	TOTAL NUMBER OF MEETINGS	MEMBER PRESENT		MEMBER ABSENT			
		Whole Meeting	Part of Meeting	Indisposed	States’ business	Personal business/ holiday	Other
WEST							
R. A. Perrot	77	65	5		3	4	
A. H. Brouard	59	55	1			3	
A. M. Wilkie	34	30	1		2	1	
D. de G. De Lisle	51	48				3	
Y. Burford	58	52	1	2		3	
D. A. Inglis	48	44			4		
SOUTH-EAST							
H. J. R. Soulsby	59	58			1		
R. W. Sillars	58	51	4		2	1	
P. A. Luxon	51	51					
M. G. O’Hara	51	45		1	4	1	
F. W. Quin	55	51	2		1	1	
M. P. J. Hadley	37	35				2	
ALDERNEY REPRESENTATIVES							
E. P. Arditti	5	5					
L. E. Jean	0	0					
R. N. Harvey	0	0					
TOTAL							
Number of meetings	2423	2159	61	29	63	111	
		89%	2.5%	1%	2.5%	5%	
AVERAGE PER MEMBER							
	51.5	46	1	<1	1	2	

PART III – REPORT OF ATTENDANCE AND VOTING IN THE STATES OF DELIBERATION

NAME OF MEMBER	TOTAL NUMBER OF DAYS (or part)	DAYS ATTENDED (or part)	TOTAL NUMBER OF RECORDED VOTES	RECORDED VOTES ATTENDED
ST PETER PORT SOUTH				
P. A. Harwood	33	33	81	78
J. Kuttelwascher	33	32	81	77
B. L. Brehaut	33	33	81	80
R. Domaille	33	30	81	73
A. H. Langlois	33	32	81	77
R. A. Jones	33	33	81	81
ST PETER PORT NORTH				
M. K. Le Clerc	33	33	81	79
J. A. B. Gollop	33	33	81	81
P. A. Sherbourne	33	33	81	81
R. Conder	33	33	81	78
M. J. Storey	33	23	81	42
E. G. Bebb	33	30	81	72
L. C. Queripel	33	32	81	80
ST SAMPSON				
G. A. St. Pier	33	32	81	77
K. A. Stewart	33	33	81	69
P. L. Gillson	33	32	81	76
P. R. Le Pelley	33	33	81	81
S. J. Ogier	33	33	81	79
L. S. Trott	33	33	81	77
VALE				
M. J. Fallaize	33	32	81	77
D. B. Jones	33	28	81	57
L. B. Queripel	33	33	81	80
M. M. Lowe	33	33	81	80
A. R. Le Lièvre	33	31	81	77
A. Spruce	33	30	81	73
G. M. Collins	33	32	81	80
CASTEL				
D. J. Duquemin	33	33	81	81
C. J. Green	33	33	81	79
M. H. Dorey	33	33	81	81
B. J. E. Paint	33	28	81	73
J. P. Le Tocq	33	32	81	75
S. A. James, MBE	33	31	81	77
A. H. Adam	33	33	81	79

NAME OF MEMBER	TOTAL NUMBER OF DAYS (or part)	DAYS ATTENDED (or part)	TOTAL NUMBER OF RECORDED VOTES	RECORDED VOTES ATTENDED
WEST				
R. A. Perrot	33	32	81	75
A. H. Brouard	33	33	81	76
A. M. Wilkie	33	31	81	73
D. de G. De Lisle	33	33	81	80
Y. Burford	33	33	81	80
D. A. Inglis	33	33	81	80
SOUTH-EAST				
H. J. R. Soulsby	33	33	81	80
R. W. Sillars	33	32	81	78
P. A. Luxon	33	33	81	79
M. G. O'Hara	33	25	81	51
F. W. Quin	33	33	81	81
M. P. J. Hadley	33	33	81	80
ALDERNEY REPRESENTATIVES				
E. P. Arditti	5	5	9	9
L. E. Jean	33	31	81	70
R. N. Harvey	28	26	72	63

Note:

The only inference which can be drawn from the attendance statistics in this part of the report is that a Member was present for the roll call or was subsequently *relevé(e)*.

Some Members recorded as absent will have been absent for reasons such as illness.

The details of all recorded votes can be found on the States' website –
<http://www.gov.gg/article/80939/States-Members-Voting-Records>