BILLET D'ÉTAT

XI
2018

WEDNESDAY, 18th APRIL, 2018

LEGISLATIVE BUSINESS

Legislation Laid Before the States

The Boarding Permit Fees Order, 2018
Animal Welfare (Amendment of Schedule 2) Regulations, 2018
Animal Welfare (Guernsey) Ordinance, 2012 (Commencement) Order, 2018
The Misuse of Drugs (Modification) Order, 2018

OTHER BUSINESS

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APPENDIX

1. Election of a non-voting member of the Committee *for* Education, Sport & Culture

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BILLET D'ÉTAT

TO
THE MEMBERS OF THE STATES
OF THE ISLAND OF GUERNSEY

I hereby give notice that a Meeting of the States of Deliberation will be held at **THE ROYAL COURT HOUSE,** on **WEDNESDAY,** the **18th April, 2018** at **9.30 a.m.,** to consider the items listed in this Billet d'État which have been submitted for debate.

R. J. COLLAS
Bailiff and Presiding Officer

The Royal Court House
Guernsey

22nd March, 2018

STATUTORY INSTRUMENTS LAID BEFORE THE STATES

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

No. 3 of 2018

THE BOARDING PERMIT FEES ORDER, 2018

In pursuance of section 17 of the Tourist Law, 1948, as amended, the Boarding Permit Fees Order 2018, made by the Committee *for* Economic Development on 25th January, 2018, is laid before the States.

EXPLANATORY NOTE

This Order prescribes the fees payable by an applicant for a boarding permit valid during the period 1st April 2018 to 31st March 2019 and replaces the Boarding Permit Fees Order (2), 2017.

The Order is to come into force on 1st April 2018

No. 7 of 2018

ANIMAL WELFARE (AMENDMENT OF SCHEDULE 2) REGULATIONS, 2018

In pursuance of sections 26(3) and 79 of the Animal Welfare (Guernsey) Ordinance, 2012, The Animal Welfare (Amendment of Schedule 2) Regulations, 2018, made by the Committee *for the* Environment & Infrastructure on 15th February, 2018, are laid before the States.

EXPLANATORY NOTE

These Regulations amend Schedule 2 to the Animal Welfare (Guernsey) Ordinance, 2012 to the effect that any person undertaking the artificial insemination of a cow or the transplantation of bovine embryos from a donor cow to a recipient cow will require a licence from the Committee for the Environment & Infrastructure.

These Regulations come into force on the 15th February, 2018.

No. 8 of 2018

ANIMAL WELFARE (GUERNSEY) ORDINANCE, 2012 (COMMENCEMENT) ORDER, 2018

In pursuance of sections 79 and 86 of the Animal Welfare (Guernsey) Ordinance, 2012, The Animal Welfare (Guernsey) Ordinance, 2012 (Commencement) Order, 2018, made by the Committee *for the* Environment & Infrastructure on 15th February, 2018, is laid before the States.

EXPLANATORY NOTE

This Order brings into force provisions, in particular in Part VI (regulation of activities involving animals) and related transitional licensing provisions in Schedule 3 to the Animal Welfare (Guernsey) Ordinance, 2012, to provide for the licensing of the artificial insemination of cows and the transplanting of bovine embryos. The Order also commences the power to amend Schedule 2 of the Ordinance in section 26(3) of the Ordinance.

This Order comes into force on the 15th February, 2018.

No. 1 of 2018

THE MISUSE OF DRUGS (MODIFICATION) ORDER, 2018

In pursuance of section 30(3) of the Misuse of Drugs (Bailiwick of Guernsey) Law, 1974, as amended, "The Misuse of Drugs (Modification) Order, 2018" made by the Committee *for* Health & Social Care on the 10th January 2018 is laid before the States.

EXPLANATORY NOTE

This Order amends the Misuse of Drugs (Bailiwick of Guernsey) Ordinance, 1997 ("the Ordinance") to except cannabidiol preparations of a specified description from various prohibitions in the Misuse of Drugs (Bailiwick of Guernsey) Law, 1974 relating to import, export, possession, supply and administration of a controlled drug.

This Order inserts a new paragraph 10 in Schedule 5 to the Ordinance to describe these preparations. The preparations excepted are preparations of cannabidiol (CBD) containing an aggregate of not more than 3% cannabinol or cannabinol derivatives relative to CBD by weight (as attested to by an official certificate of analysis), not containing any other controlled drug, and not containing any herbal material visible to the naked eye.

Article 2 of this Order amends the Ordinance by inserting a new subsection (1A) in section 3 of the Ordinance, to disapply the exception from the export prohibition in the case of exportation of such cannabidiol preparations in the course of a business carried on by the exporter. Exportation in the course of business would require a licence to be issued by the Committee for Health & Social Care, in order to be exempt from the prohibition on exports.

Article 3 of this Order amends the Ordinance by inserting a new subsection (2B) in section 7 of the Ordinance, to permit any person to supply such cannabidiol preparations to any other person who may lawfully have that drug in his possession.

Article 4 of this Order amends the Ordinance by inserting the new paragraph 10 in Schedule 5 to the Ordinance.

Article 5 is the interpretation provision. Articles 6 and 7 are the citation and commencement provisions respectively.

As with other substances in Schedule 5, wholesale dealers and retail dealers of such CBD preparations are also required to keep invoices and similar records for two years, under section 22 of the Ordinance.

This Order came into force on the 1st February, 2018.

The full text of the statutory instruments can be found at:
http://www.guernseylegalresources.gg/article/163343/2018

P.2018/23

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

REQUÊTE

REDUCTION IN PAYMENT TO THE PRESIDENT OF THE STATES' ASSEMBLY & CONSTITUTION COMMITTEE

The States are asked to decide:-

Whether, after consideration of the Requête titled "Reduction in Payment to the President of the States' Assembly & Constitution Committee" dated 21st February, 2017, they are of the opinion:-

> To delete " , President of the States' Assembly & Constitution Committee" wherever appearing in column 1 of the Tables appearing in section 2.1 of the Rules for Payments to States Members, Non-States Members and Former States Members.

The above Proposition has been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

REQUÊTE

REDUCTION IN PAYMENT TO THE PRESIDENT OF THE STATES' ASSEMBLY & CONSTITUTION COMMITTEE

THE HUMBLE PETITION of the undersigned Members of the States of Deliberation SHEWETH THAT:

1. At their meeting on 8 November 2017 the States approved the current Rules for Payments to States Members, Non-States Members and Former States Members ("the Rules")[1]. Under the Rules, the President of the States' Assembly & Constitution Committee is entitled to remuneration which is the same as that which is available for Presidents of the Principal Committees, the President of the Scrutiny Management Committee and members of the Policy & Resources Committee.

2. Your Petitioners are of the view that the duties and responsibilities that attach to the offices referred to in Recital 1 to this Petition (other than that of President of the States' Assembly & Constitution Committee) are such that the available remuneration for holders of the relevant offices under the Rules appears in general terms to be appropriate. They do not however believe that to be the case in the instance of the office of President of the States' Assembly & Constitution Committee.

3. Given the comparative nature and degree of the duties and responsibilities that Your Petitioners believe attach to the office of the President of the States' Assembly & Constitution Committee, they take the view that the level of remuneration should be the same as that available for "ordinary Deputies" – i.e. those Deputies who do not hold any of the offices referred to above. Were an Alderney Representative to hold the office, Your Petitioners believe that the level of remuneration should be the same as that available for "ordinary Alderney Representatives".

THESE PREMISES CONSIDERED, YOUR PETITIONERS humbly pray that the States may be pleased to resolve:

To delete " , President of the States' Assembly & Constitution Committee" wherever appearing in column 1 of the Tables appearing in section 2.1 of the

[1] See Proposition 37 on item 1 of Billet d'État No. XX of 2017, as amended.

Rules for Payments to States Members, Non-States Members and Former States Members.

AND YOUR PETITIONERS WILL EVER PRAY

GUERNSEY

This 21st day of February 2018

Deputy N R Inder

Deputy C P Meeveld

B J E Paint

Deputy B J E Paint

Deputy M P Leadbeater

Mary Lowe

Deputy M M Lowe

Deputy V S Oliver

Deputy R G Prow

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

STATES' ASSEMBLY & CONSTITUTION COMMITTEE

REFERENDUM ON GUERNSEY'S VOTING SYSTEM
CAMPAIGN GROUP ASSESSMENTS PANEL

The States are asked to decide:-

Whether, after consideration of the policy letter entitled "Referendum on Guernsey's Voting System - Campaign Group Assessments Panel" dated 28th February, 2018, they are of the opinion:-

1. To appoint Sir de Vic Carey, Jurat Stephen Jones and Graham Daldry as the three members of the Campaign Group Assessments Panel.

The above Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

STATES' ASSEMBLY & CONSTITUTION COMMITTEE

REFERENDUM ON GUERNSEY'S VOTING SYSTEM
CAMPAIGN GROUP ASSESSMENTS PANEL

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

28th February, 2018

Dear Sir

1 Executive Summary

1.1 The purpose of this policy letter is to ask the States to appoint Sir de Vic Carey, Jurat Stephen Jones and Graham Daldry as the three members of the Campaign Group Assessments Panel, as required by "The Electoral System Referendum (Guernsey) Law, 2018".

2 Background

2.1 The policy letter entitled 'Referendum on Guernsey's Voting System[1]' stated as follows:

> *13.1 It is important in advance of the referendum for information to be made readily available about each of the options A to E. It is also important that no individual or group should be able unduly to influence the outcome of the referendum by spending disproportionate amounts of money promoting their preferred option(s).*
>
> *13.2 The Committee recommends that these objectives can best be met by providing for the appointment of official campaign groups to promote each of the options A to E and by imposing restrictions, which would not be dissimilar from those imposed at General Elections, on how much could be spent and by whom in the promotion of any of the options.*

[1] Pages 16 – 18 of the policy letter P.2017/49 contained in Billet XIV (21st June, 2017)

13.3 *There is merit in options A to E having only one campaign group each: the Committee believes the ideal scenario would be five campaign groups in total. This approach is conventional for referendums held in other jurisdictions.*

13.4 *These officially-recognised campaign groups should be able to claim a limited grant from the States. This would encourage the formation of such groups, defray some of the costs they incur in promoting their favoured option and help create conditions in which the groups start with a fair and equal chance of succeeding. The Committee suggests that such grants need be no more than £5,000 per campaign group, i.e. a maximum of £25,000 in total. Campaign groups should be permitted to spend money in addition to any States' grant, but a cap would need to be placed on such expenditure. The Committee envisages that each campaign group would be permitted to spend in the region of £10,000. All expenditure incurred by campaign groups would need to be declared to the Returning Officer after the referendum. The Committee believes that no person or group other than an official campaign group (other than the States in the provision of technical information) should be permitted to spend any money or incur any money's worth in value to promote an outcome.*

13.5 *The Committee suggests that the process for appointing campaign groups should be along the following lines. Applications would be invited from persons wishing to work together as an official campaign group for an option. Applicants, who could be serving or former Deputies or members of the public, would be evaluated by an appointment panel of, say, three independent persons put forward by the Committee for approval by the States. The key criterion should be that persons applying to be an official campaign group for an option appear to the appointing panel to be the most able to promote the case in favour of that particular option.*

2.2 The States agreed on 22nd June, 2017 that campaign groups should be permitted along the lines set out in *'paragraphs 13.1 to 13.9 inclusive'* of that policy letter.

2.3 The States approved the draft Projet de Loi entitled "The Electoral System Referendum (Guernsey) Law, 2018" on 7th February, 2018 and authorised the Bailiff to present a most humble petition to Her Majesty praying for Her Royal Sanction thereto.

2.4 Section 9 of the Projet de Loi sets out the requirements for establishing a Campaign Group Assessments Panel:

Campaign Group Assessments Panel.

***9**. (1) There shall be a Campaign Group Assessments Panel ("**the Panel**").*

(2) Subject to subsection (3), the Panel shall consist of 3 members appointed by the States on the recommendation of the Committee.

(3) The following may not hold appointment as a member of the Panel –

(a) a serving member of the States,

(b) a qualifying individual who has made an application under section 8(1).

(4) The functions of the Panel are –

(a) to review and assess any application made under section 8(1) referred to it by the Committee, and

(b) to certify whether or not, in the opinion of the Panel, the campaign group which has submitted the application is capable of publicising and representing adequately the Option to which the application relates.

(5) Where -

(a) more than one application has been made under section 8(1) in respect of the same Option,

(b) the Committee has referred the applications to the Panel for review, assessment and certification under subsection (4), and

(c) the Panel has certified more than one of the applications referred to it as adequate,

the Panel shall also indicate, based on the contents of the applications, which campaign group it believes would most effectively publicise and represent the Option concerned.

(6) Where a campaign group has been appointed in respect of an Option under section 10(1), the Panel shall not consider an application under section 8(1) in respect of that same Option unless the campaign officials for the campaign group appointed

for that Option –

(a) have been notified of the application,

(b) consent to consideration of the application by the Panel, and

(c) have been given an opportunity to make representations relating to the application to the Panel.

3 Membership of the Panel

3.1 The Committee is keen to ensure the Panel has a strong knowledge of Guernsey, its political and electoral system, and has marketing and communications experience.

3.2 The Committee considered a number of potential candidates and is pleased to recommend the appointment of the following individuals to the Panel:

- Sir de Vic Carey
- Jurat Stephen Jones
- Graham Daldry

3.3 Sir de Vic Carey has served as an Advocate of the Royal Court, a People's Deputy, HM Comptroller, HM Procureur, Deputy Bailiff and Bailiff of Guernsey. He also served as President of the Guernsey Court of Appeal and as a Judge of the Jersey Court of Appeal.

3.4 Jurat Stephen Jones was elected Jurat in 2008 and is a Lieutenant Bailiff of Guernsey. He retired as Island Director of Barclays Bank in 2002 after a long career in the Island's finance sector. He was presented with the Special Award at the 2017 Community Awards for his extensive contribution to various charities in the Island for more than 30 years. He has been Chairman of both the Lloyds Bank Foundation of the Channel Islands and the Guernsey Community Foundation where he was involved with assessing the quality and integrity of applications for funding.

3.5 Graham Daldry is the Creative Director at Specsavers in Guernsey and is the creator of the *'Should've gone to Specsavers'* campaign. He is the head of the UK's largest in-house advertising agency and has worked in advertising for over 20 years. He was the co-founder of Creative Industries Guernsey and has worked to promote creative industries and provide training in creative skills on the Island for nearly 20 years. He also helped found the Guernsey Literary Festival and was a member of the Guernsey Arts Commission for nearly 10 years.

4 Compliance with Rule 4

4.1 Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, motions laid before the States.

4.2 In accordance with Rule 4(1), the Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications. She has advised that there is no reason in law why the Propositions should not to be put into effect.

4.3 In accordance with Rule 4(4) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the propositions above have the unanimous support of the Committee.

4.4 In accordance with Rule 4(5), the Propositions relate to the duties of the Committee *"to advise the States and to develop and implement policies in relation to the constitution…of the States of Deliberation [and]…elections to the office of People's Deputy"* and also fulfil the requirements of Section 9 of "The Electoral System Referendum (Guernsey) Law, 2018"

Yours faithfully

Deputy P. J. Roffey
President

vacant
Vice-President

Deputy M. H. Dorey
Deputy M. K. Le Clerc
Deputy H. L. de Sausmarez

<u>THE STATES OF DELIBERATION</u>
<u>of the</u>
<u>ISLAND OF GUERNSEY</u>

STATES' ASSEMBLY & CONSTITUTION COMMITTEE

REFERENDUM ON GUERNSEY'S VOTING SYSTEM
CAMPAIGN GROUP ASSESSMENTS PANEL

The President
Policy & Resources Committee
Sir Charles Frossard House
La Charroterie
St Peter Port

28th February, 2018

Dear Deputy St Pier,

Preferred date for consideration by the States of Deliberation

In accordance with Rule 4(2) of the Rules of Procedure of the States of Deliberation and their Committees, the States' Assembly & Constitution Committee requests that the Proposition be considered at the States' meeting to be held on 18th April, 2018.

The Committee proposes that the referendum should take place on 10th October, 2018 and it is therefore important that the policy letter is presented to the States of Deliberation on 18th April, 2018 to enable the necessary arrangements to be put in place to enable the Campaign Group Assessments Panel to be established.

Yours sincerely,

Deputy P. J. Roffey
President

vacant
Vice-President

Deputy M. H. Dorey
Deputy M. K. Le Clerc
Deputy H. L. de Sausmarez

P.2018/27

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE AND
COMMITTEE *FOR* EMPLOYMENT & SOCIAL SECURITY

THE TRANSFORMATION OF INCOME TAX AND CONTRIBUTIONS SERVICES

The States are asked to decide:-

Whether, after consideration of the Policy Letter entitled "The Transformation of Income Tax and Contributions Services", dated 29th January, 2018, they are of the opinion:-

1. To direct the Policy & Resources Committee and the Committee *for* Employment & Social Security to develop a single service for the collection of Income Tax and Social Security Contributions, based on the Target Operating Model described in section 5 of the appended Policy Letter which will replace the existing Income Tax and Contributions service areas.

2. To replace the office of Director of Income Tax and the operational contributions responsibilities of the Committee *for* Employment & Social Security and the Administrator of the Social Insurance Law ("the Administrator") with a statutory official to be called the Director of the Revenue Service ("the Director"), to be appointed by the Policy & Resources Committee.

3. To empower the Policy & Resources Committee to appoint one or more Deputy Directors of the Revenue Service to assist the Director, replacing any existing Deputy Director of Income Tax roles.

4. To approve the transfer of all functions, powers and responsibilities of the Director of Income Tax to the Director of the Revenue Service, ensuring the Director is responsible for the care and management of the income tax functions under the Income Tax (Guernsey) Law, 1975 as amended, and all Ordinances and regulations made under it, subject to the general direction and control of the Policy & Resources Committee, including administration of the currently suspended Dwellings Profit Tax (Guernsey) Law, 1975, any referrals made by the Greffier under the Document Duty (Anti-Avoidance) (Guernsey) Law, 2017 and, for the avoidance of doubt, the implementation and administration of any approved international agreement (within the meaning of section 75C of the Income Tax Law).

5. To approve the transfer of the relevant contributions functions of the Committee *for* Employment & Social Security, including any relevant contributions functions

delegated to the Administrator, to the Director so that the Director is responsible for the care and management of contributions functions under the Social Insurance (Guernsey) Law, 1978 as amended, and all Ordinances and regulations made under it, subject to the general direction and control of the Policy & Resources Committee, noting that responsibility for contributions policy will remain with the Committee *for* Employment & Social Security.

6. To authorise the Policy & Resources Committee to make regulations providing for the transfer of any further functions arising under the Income Tax (Guernsey) Law, 1975 or the Social Insurance (Guernsey) Law, 1978, or any Ordinance or regulations thereunder, between the Policy & Resources Committee, Committee *for* Employment & Social Security, Director and/or Administrator.

7. To approve the replacement of the existing route of appeal to the Guernsey Tax Tribunal within the Income Tax (Guernsey) Law, 1975 and the provision for review by the Committee *for* Employment & Social Security within the Social Insurance (Guernsey) Law, 1978 with an independent Revenue Service tribunal, aligning the rules, procedures and processes for both types of appeal and removing the age limit included in the Guernsey Tax Tribunal membership conditions. Any subsequent appeals, on a point of law, would continue to be made to the Royal Court.

8. To provide that any decision described in section 74(1)(a) of the Social Insurance (Guernsey) Law, 1978 as to whether the contribution conditions for any benefit are satisfied shall be determined by the Administrator rather than the Director of the Revenue Service, recognising the Administrator's expertise in benefits matters, with right of appeal to the Social Insurance Appeals Tribunal.

9. To approve the replacement of the current oath provisions within section 206 of the Income Tax (Guernsey) Law, 1975 with a general prohibition against the disclosure of information obtained, received or created under or for the purposes of the Income Tax (Guernsey) Law, 1975 and all Ordinances and regulations made under it, including provision relating to members of the Revenue Service tribunal, together with any consequential amendments required.

10. Without prejudice to 9 above, to standardise the confidentiality and prohibition of disclosure of information provisions of the Income Tax (Guernsey) Law, 1975 and the Social Insurance (Guernsey) Law, 1978, including provisions as follows:

    a. To clarify, for the avoidance of doubt, that the prohibition of disclosure and confidentiality provisions bind persons subject to them at any time and place and in perpetuity,
    b. To introduce criminal sanctions in the event that a person gains or attempts to gain access to information obtained, received or created under, or for the purposes of, the Income Tax (Guernsey) Law, 1975 or

the Social Insurance (Guernsey) Law, 1978, or any Ordinances or regulations thereunder, which they have no lawful authority or other legitimate purpose to access,

c. To elevate the sanctions for a violation of the prohibition of disclosure and confidentiality provisions to imprisonment for a term not exceeding 2 years or a fine not exceeding twice level 5 on the uniform scale (level 5 is currently £10,000), or both,
d. To provide for the confidentiality and prohibition of disclosure provisions to apply to any person that accesses such information, including persons who do so accidentally or in an unauthorised manner and persons requested to perform any task in the course of which they may obtain access to such information.

11. To provide that the Director, or any person authorised by him, may disclose any information obtained, received or created by him under or for the purposes of the Income Tax (Guernsey) Law, 1975 or the Social Insurance (Guernsey) Law, 1978, or any Ordinance or regulations, thereunder, in accordance with specified gateways, including the following:

    a. To any person for the time being authorised to carry out any duties in connection with the operation of either Law, including for the avoidance of doubt, those persons authorised to carry out any duties in relation to the payment of benefits under the Social Insurance (Guernsey) Law, 1978,
    b. For the purposes of civil proceedings in connection with the operation of either Law,
    c. For the purposes of criminal proceedings or the investigation of crime, or
    d. With the express consent of the person to whom it relates.

    Such provision will also include a reciprocal basis for the Administrator to disclose any information obtained or received by him under or for the purposes of the Social Insurance (Guernsey) Law, 1978, or any Ordinance or regulations thereunder, to the Director.

12. In addition to 11, to provide that the Director, or any person authorised by him, may disclose information to other persons or entities for the performance of their respective functions, in accordance with existing statutory gateways including the following:

    a. To the electronic census supervisor or any census officer,
    b. In respect of legal proceedings to obtain or enforce an order for the making of payments for maintenance or education of a spouse or child.
    c. To any officer appointed under section 13(1) of the Minimum Wage (Guernsey) Law, 2009,

d. To the Administrator of Population Management,
e. To the Committee *for* Home Affairs in connection with the performance of their functions under the Right to Work (Limitation and Proof) (Guernsey) Law, 1990 and the Housing (Control of Occupation) (Guernsey) Law, 1982.
f. To a police officer (which for the avoidance of doubt includes a customs officer),
g. To the Guernsey Financial Services Commission, or a body in another country or territory which carried out any similar functions to the Commission, and
h. To the Committee *for* Employment & Social Security and the Administrator.
i. and also to the Policy & Resources Committee under the proposed Economic Statistics (Guernsey and Alderney) Law, 2018

and to make any amendments to the relevant legislation (including standardisation of the text and appropriate safeguards) necessary to enable effective data sharing by and with the Director, including power for the Director to disclose information for the purposes of the preparation of the general estimate of the revenue of the States and the provision of economic advice, analysis, measures and statistics.

13. To amend the Disclosure (Bailiwick of Guernsey) Law, 2007 to enable the disclosure of information by the Director to a police officer (which for the avoidance of doubt includes a customs officer) for the purposes of civil forfeiture.

14. To introduce the ability for the Director to issue Statements of Practice under the Social Insurance (Guernsey) Law, 1978, for the purpose of providing practical guidance or administrative relief, where the administrative effort of pursuing revenues outweighs the benefits, in connection with the administration of the contributions and benefits functions of that Law, and to amend the Income Tax (Guernsey) Law, 1975 to enable the Director to issue Statements of Practice for the purpose of providing administrative relief, where the administrative effort of pursuing revenues outweighs the benefits.

15. To delegate authority to the Policy & Resources Committee to approve a Capital vote of a maximum of £5m to fund the next phase of the Revenue Service programme. £2.5m of which is to be charged to the Capital Reserve and £2.5m to the Guernsey Insurance Fund and which will be released in phases and on approval of the necessary business cases.

16. To direct the preparation of legislation as necessary to give effect to these proposals.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE AND
COMMITTEE *FOR* EMPLOYMENT & SOCIAL SECURITY

THE TRANSFORMATION OF INCOME TAX AND CONTRIBUTIONS SERVICES

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

18th January, 2018

Dear Sir

1. **Executive Summary**

1.1. The Income Tax and Contributions service areas are critical to the proper functioning of the public service, collecting about 77% (£464m in 2016) of the total States of Guernsey revenue. The current operating model for these services, however, will not be able to meet the future needs of Guernsey and Alderney.

1.2. Currently Contributions and Income Tax operate as separate services, with the potential for duplication and inefficiency. The services have not been constructed around customer needs and neither service is presently designed or equipped to provide user-friendly digital services. In addition, both service areas are limited by complex and inflexible legacy IT systems.

1.3. A fundamental shift in the way the services work will be required to meet the States' present and future challenges. To protect revenue collection, respond to customer demands and ensure that public money is spent effectively, the Revenue Service programme (previously known as the Contributions & Tax Services Programme) was set up to transform the services of Income Tax and Social Security Contributions. The vision of the programme was defined as **"to create a customer focused and cost-efficient service for the revenue collection**

of income tax and social security contributions, supported by an efficient organisational structure and IT systems".

1.4. The Revenue Service programme has been prioritised in the "transform" category of the capital portfolio and is being funded equally from the Capital Reserve and the Guernsey Insurance Fund. The programme meets the criteria for a "large" programme[1], as such it is being managed in a series of phases, with funding being sought and released by the States at key decision points for each Phase:

- **Phase 1 (Completed):** Assess the business justification and risk profile and develop the Target Operating Model ("TOM").
- **Phase 2 (the next phase):** Based on the TOM, create a single service and organisational structure; mitigate the risks associated with the current IT systems; improve customer understanding and satisfaction by introducing new and improved digital services and greater automation (to include a single sign-on function, online ID verification and online repayments and status updates); and, using information and data deduced throughout the phase, develop the specification and start the procurement process for the replacement IT solutions.
- **Phase 3 (the Final Phase):** Complete procurement of, and then implement, the right replacement IT solutions for the service, as identified in Phase 2.

1.5. The Programme Board has identified the direction for transformation through the development of a TOM. The model describes how Income Tax and Contributions services can be best organised to deliver the States' strategy and serve the needs of customers. The chosen model focuses on introducing a **single, fully integrated service for the collection of income tax and contributions.**

1.6. The model does not propose any changes to the policy responsibilities of either Committee, nor does it propose aligning all of income tax and contribution rules. The responsibility for contributions policy will remain with the Committee *for* Employment & Social Security and Income Tax policy will be retained by the

[1] A "large" programme is defined as a programme with potential funding requirements above £10m. Total funding for all phases of the Revenue Service programme, including funding from the Capital Reserve and Guernsey Insurance Fund, is likely to be over £10m.

Policy & Resources Committee. No functions of the Benefits service are included in the model and no other forms of revenue collection are incorporated.

1.7. The implementation of the TOM is intended to deliver three key outcomes aligned to the Policy & Resource Plan and the framework for Public Service Reform. These outcomes direct the transformation activities for Income Tax and Contributions. The outcomes are;

- **Improved customer satisfaction –** this will involve streamlining customer interactions whilst providing a more modern and flexible service built around customers' needs. A well-designed service should make it easy for the States and customers to get things right first time,
- **Service improvements and a single organisational structure for the collection of revenue –** this will require a focus on process efficiency and effectiveness, supported by service integration, investment in skills and the removal of duplication, and
- **Significantly reduced operating costs –** this will require the programme to design and deliver a value for money service that collects as much as possible of the revenue due to the States, but in an efficient and cost-effective manner.

1.8. To date, the Policy & Resources Committee and the Committee *for* Employment & Social Security have authorised expenditure totalling £914k (£457k from the Capital Reserve and £457k from the Guernsey Insurance Fund), this has been used to support Phase 1 of the programme and the development of the model. Phase 2 of the programme, which is detailed in this Policy Letter, requires funding of up to £5m (£2.5m from the Capital Reserve and £2.5m from the Guernsey Insurance Fund).

1.9. Phase 2 will deliver a single integrated service that puts customers at its centre, a service able to help all customers from the start. At the end of the Phase, customers will be able to check their tax or contributions status, and receive or make payments, using simple, personalised and secure digital services which make it easy for them to meet their obligations.

1.10. The Phase will also protect the States' future revenue collection by mitigating risks associated with the current operating model and IT platforms and by helping the service keep pace with change. The data and insights gathered within Phase 2 will be essential for the design and procurement of future IT, without which the risk of purchasing or implementing an unsuitable or inadequate solution would be much greater. It is anticipated that a further Policy Letter will be developed to address Phase 3, which will include the replacement of the legacy IT systems.

1.11. The programme approach has been informed by lessons learned from past States projects, such as the implementation of SAP and the replacement of the Benefits IT system, as well as from similar initiatives in other jurisdictions. To ensure that the programme is able to deliver its outcomes and minimise risk to revenue collection, the Programme will invest time to fully understand the requirements of the two service areas before introducing change, will fully resource and plan for the change management process, and will regularly engage with customers to ensure transformation is focused on customer needs.

1.12. Wherever possible, the ethos of the programme is to work alongside and integrate wider States programmes and initiatives so as to deliver States strategy as effectively and efficiently as possible. This will be particularly important when considering the customer experience work in Phase 2, services such as a single sign-on and ID verification will need to be approached with a shared service intent and will need to build on work already completed. The required funding for this phase includes about £2m to help develop digital services which will be used across the States. The development of these functions within the Revenue Service programme should simplify their introduction in other service areas.

2. Introduction

2.1. In June 2017, the States approved the Medium Term Financial Plan[2]. Part of this plan set out the proposed capital portfolio for the next period, the ultimate objective of which is to support the delivery of States strategy through appropriate investment in systems and infrastructure. The "transform" category of projects included a programme of transformation for income tax and social security contributions collection.

2.2. The Revenue Service programme (previously the Contributions & Tax Services Programme) is focused on the operations of the Income Tax and Social Security Contributions service areas, which sit within the mandates of the Policy & Resources Committee and the Committee *for* Employment & Social Security respectively. The programme was established to ensure that these service areas can keep pace with change and continue to provide a viable service in the future. A key part of this transformation is the integration of Income Tax and Contributions into a single service.

2.3. The service areas have many similarities, driven by their mutual administration of revenue collection on behalf of the States. The parallels between these

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[2] Policy & Resource Plan - Phase Two - Medium Term Financial Plan - www.gov.gg/mtfp

services and the extent to which they serve the same customers make a coordinated approach to their ongoing management essential.

2.4. The functions provided by these service areas play a vital role in supporting public services. Combined, the Income Tax and Contributions service areas collected £464m in 2016; 77% of the total revenue of the States. The significance of these service areas, and the potential impact and risk associated with change, make it essential for the States to have an opportunity to understand and influence the direction and scope of the Revenue Service programme at an early stage.

2.5. This Policy Letter sets out the case for change, what the programme needs to achieve, and the proposed shape and methodology for transformation. To progress the programme, funding will be required for resources and for subject matter expertise. Operational reform will also require some legislative change, for example to the Statutory Roles within the Income Tax and Social Insurance Laws and the services' data disclosure and confidentiality provisions.

3. The Problem and the Opportunity – Why is Change Needed?

3.1. An effective and customer-focused revenue collection scheme is critical to supporting a well-functioning economy and achieving the States' fiscal, economic and social ambitions. The current operating model for Income Tax and Social Security Contributions, however, cannot readily deliver the service Guernsey and Alderney require.

3.2. The type of service that was acceptable 10 or 20 years ago no longer meets the demands of customers today. Digital services, social media and the proliferation of self-service are all reshaping what individuals and businesses expect from the public sector. Furthermore, availability of data, access to technology, and agile working patterns have all created greater demand for personalised and responsive services with 24/7 availability.

3.3. The economic environment within which Income Tax and Contributions operate also continues to evolve. Economic uncertainties and increased international compliance requirements have put additional pressures on businesses and the public service, compounded by changing skill requirements and an ageing demographic (which is forecast to reduce the number of economically active tax payers and the contributors to social insurance whilst increasing demand on public services).

3.4. In acknowledgement of these and other challenges, and to help focus effort towards a "better tomorrow", the States developed the Policy & Resource Plan[3]. The Plan sets out the States' Vision for the islands. To facilitate the delivery of this Vision, it will be necessary to redesign the way public services are delivered, a process which is guided by the framework for Public Service Reform[4].

3.5. The States relies on the Income Tax and Contributions service areas for the majority of its revenue collection. In addition, both services interact with the majority of Guernsey and Alderney's population and businesses and Income Tax in particular engages regularly with other jurisdictions in order to meet Guernsey's international tax commitments. The services, therefore, have a prominent role to play in achieving the States' economic objectives, international standards policy and have considerable influence over customer satisfaction and the islands' reputation.

3.6. To achieve the States' aims, Income Tax and Contributions functions need to be carried out in such a way as to collect the correct amount of revenue owed to the States at a sustainable level of cost and in a customer-focused manner. At the same time, the service areas need to provide a service capable of supporting the economy, and protecting and promoting Guernsey and Alderney's international position.

3.7. The current operating model for Income Tax and Contributions imposes a series of constraints on service delivery that will significantly limit the role they can play in delivering the States' strategy. Without change, this will result in the services becoming an increasing resource burden and source of public dissatisfaction.

3.8. <u>The Current Operating Model</u>

3.8.1. The current operating model for the collection of income tax and contributions comprises two separate administrations, working under different Committees and legislative requirements, and with generally different processes, data and customer interactions.

3.8.2. The present arrangements have evolved over time, but were never designed with consideration of both service areas' activities or with a focus on future customer needs. Waste, inefficiencies and customer dissatisfaction are generated by duplication in functions, legacy processes and limitations in data availability and sharing.

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[3] Future Guernsey - Policy & Resource Plan - www.gov.gg/policyandresourceplan
[4] A Framework for Public Service Reform 2015 – 2025 - www.gov.gg/change

3.8.3. Current processes and infrastructure do not provide the flexibility or data to inform policy or continuous improvement, or to implement change efficiently. Instead, changes require significant cost and time to implement. Capacity for change and improvement is further limited by a technical emphasis in the service areas. The current operating model is focused on the employment of staff with professional and technical expertise. Training and experience in cross-functional skills such as project management and business development is less consistent and few individuals have experience in these areas.

3.8.4. In both service areas, operations rely on manual processing or interventions and there are few digital services for, or interfaces with, customers. Part of this constraint results from the legacy IT systems which support the operations of each service area, ITAX in Income Tax and SIR in Contributions. The applications are both highly bespoke and utilise an outdated operating system and programming language, they also rely on limited specialist support. These features make the systems more difficult and expensive to maintain than modern applications. Income Tax is further burdened by its ageing and inadequate electronic document management and workflow system.

3.8.5. Independent taxation provides a good example of the limitations of the current operating model. In the 2018 Budget, the States agreed to end joint assessment for married couples, whilst keeping the ability to transfer unused allowances between married individuals and co-habiting individuals with children. This change is anticipated to increase the number of persons in the Income Tax system by approximately 13,000 (as married couples move to being assessed independently of each other). Without changes to the current model and supporting IT systems, this change in policy will be complex, expensive and time-consuming to introduce and would be difficult for the Income Tax service to support without an increase in resources.

3.8.6. Whilst both the Income Tax and Contributions IT systems will need replacing to improve resilience and agility, it is evident that wholescale transformation will be required to protect revenue collection and support the delivery of States priorities. This includes reshaping the organisational structure, the culture and customer interactions, as well as implementing technological solutions.

4. The Aim – What needs to be achieved through transformation?

4.1. The Revenue Service programme mandate and brief were approved by the previous political boards of the Treasury & Resources and Social Security Departments in 2016. They defined the vision of the programme as **"to create a customer focused and cost efficient service for the revenue collection of income tax and social security contributions, supported by an efficient organisational structure and IT systems"**.

4.2. A single programme was established for both Income Tax and Contributions service areas in order to provide the opportunity for more integrated public services and greater efficiencies and to ensure that changes are designed around customer needs rather than departmental boundaries. This is not an uncommon approach, of the 31 OECD (Organisation for Economic Co-Operation and Development) countries with separate contributions schemes, 12 countries now administer their collection through the same revenue body.

4.3. Based on the strategic framework of the programme and the business needs of the two service areas, three key outcomes have been identified for the Revenue Service programme:

- **Improved customer satisfaction –** this will involve streamlining customer interactions whilst providing a more modern and flexible service built around customers' needs. A well designed service should make it easy for customers to get things right and difficult to get things wrong,
- **Service improvements and a single organisational structure for the collection of revenue –** this will require a focus on process efficiency and effectiveness, supported by service integration, investment in skills and the removal of duplication, and
- **Significantly reduced operating costs –** this will require the programme to design and deliver a value for money service that collects revenues due to the States in an efficient and cost effective manner.

4.4. The delivery of the Revenue Service programme outcomes will require a thorough transformation of existing services. To guide and direct the course of this transformation, the first phase of the programme developed a Target Operating Model ("TOM") to describe the future organisation and operation of the Income Tax and Contributions services.

5. The Target Operating Model – What does Transformation Look Like?

5.1. A TOM is a high level representation of how a system can be best organised in order to efficiently and effectively deliver an organisation's strategy. In developing a TOM for Income Tax and Contributions, it was intended to design a framework by which the operations of the revenue collection service could meet the needs of customers and fully contribute to the States' vision.

5.2. The focus of the Revenue Service programme in 2017 was TOM development, supported by expertise from an independent consultancy firm. The process included a review of the current budget, IT systems and capabilities, culture, service processes, organisational structure and customer needs. This was used to identify the pinch points for each service, the root causes for customer and organisational issues, and the opportunities for change which would deliver the greatest benefits.

5.3. As part of this process, key stakeholders and customers of the two service areas were engaged and customer journeys explored. For example, interviews were conducted with members of the Income Tax Customer Advisory Forum (“CAF”), which includes representation from the Guernsey Society of Chartered & Certified Accountants (“GSCCA”), employees and the self-employed, as well as a sample of other employers and business representatives.

5.4. The information and insights gathered were used to develop a structure for future transformation, including a series of guiding principles for change. These principles were used to help select the proposed TOM and will continue to be applied as the programme moves forward.

5.5. <u>Guiding Principles</u>

5.5.1. The programme developed its design principles based on the strategic requirements of the programme, stakeholder and customer preferences, and the specific business needs of the two service areas. These principles are:

- **A common IT platform:** sharing technological solutions and operating systems across Income Tax and Contributions;
- **Optimal simplicity consistent with policy:** providing customers with services that are easy to understand and simple for the services to apply, but without changing Income Tax or Contributions policy and with minimal legislative change;
- **Reduce and prevent demand where possible:** improving services so that it is easy for customers to provide the right information and the potential for customer and operational errors is reduced;
- **Clear leadership and ownership at all levels from the outset:** empowering and supporting staff to deliver services effectively;
- **Minimise duplication of roles and responsibilities across the services:** ensuring duplication is identified and removed to provide a more efficient service for the organisation and a streamlined customer journey;
- **A single dataset:** working from the same data to improve the quality and accuracy of operations and reduce administrative burden for individuals and businesses;
- **Capture once use many times:** recognising the data that is available and reducing the burden placed on customers;
- **One view of the customer:** joined up services which provide a consistent customer experience and which use shared customer data to aid accuracy;

- **Digital by default:** providing a digital service to customers that fits more seamlessly into their lives and which the service area uses to improve the quality and efficiency of its operations;
- **A new culture which invests, respects, and builds on the strengths of the existing services:** recognising and protecting the expertise, experience and care within the current model and bringing this through into the future; and
- **Deliver early successes, building momentum and confidence:** building staff and public trust of the service and accelerating the rate at which future improvements can be made.

5.5.2. Together these provide a set of rounded and ambitious aims, the achievement of which will deliver sustainable improvements to operations and generate benefits across the community. In order to ensure that the principles can be applied, the programme has used them to help develop a model for future operations.

5.6. The Target Operating Model

5.6.1. By analysing the current arrangements and exploring the models used in other jurisdictions, a number of options for future transformation were identified. These options were then assessed based on their alignment to the guiding principles and the programme outcomes. The TOM was identified as the creation of a **single, fully integrated Contributions and Income Tax service**, the model is illustrated in figure 5.1.

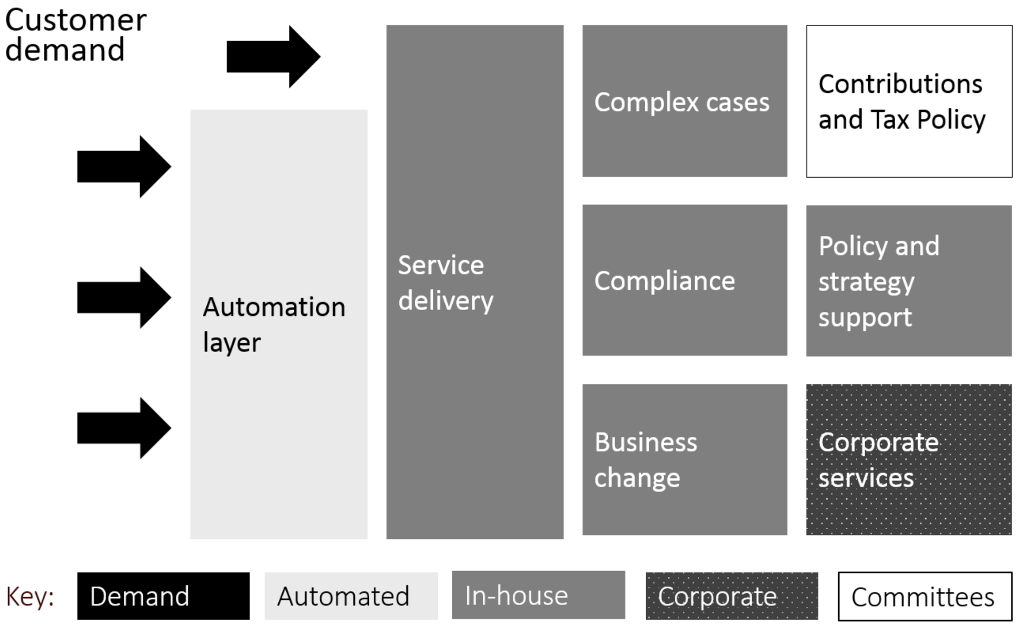

Figure 5.1: The structure of the fully integrated model.
The model comprises a number of layers. Customer demand is filtered through the layers and supported by units focused on continued improvement and development of the service (please note that the size of the boxes does not reflect team sizes).

5.6.2. The TOM creates a replacement service which is centred on the customer and which is capable of delivering current and future Income Tax and Contributions functions in a flexible, sustainable and reactive manner. The model would be supported and enabled by new technology solutions, the development of staff, and by implementing a new reporting structure.

5.6.3. Income Tax and Contributions policy would remain within the mandate of the two Committees; the Policy & Resources Committee and the Committee *for* Employment & Social Security. There would be no change to the existing policy responsibilities, for example benefits and contributions uprating policy would remain the responsibility of the Committee *for* Employment & Social Security. The future service would be required to implement policy as set by the Committees and the States, including potential future policy changes such as independent taxation and secondary pensions.

5.6.4. The TOM includes a service delivery function which would provide an end-to-end operation for all aspects of customer interface across tax and contributions collection. It would "own" all activities in a straight forward customer journey, including: enquiries, registration, returns, payment processing and simple assessments. The function would provide expertise for supporting digital and non-digital enquiries, as well as central phone and counter services. It would also support the services currently provided by the States of Alderney office, which would continue to be available on Alderney.

5.6.5. A Revenue Service compliance unit would lead on compliance and investigation activities across the future integrated service, including all of the work required to support debt collection. A single approach in this area will help to promote customer compliance and ensure a streamlined customer experience. Risk and intelligence capability within this unit would help to inform compliance and investigation activity, collaborative working with other service areas (including Law Enforcement where relevant) and future service design.

5.6.6. A complex case unit would deal with the most complicated cases not able to be automated or cases where significant technical expertise is required. This will enable the approach of the service to be tailored to particular customer segments; in particular, customers with more involved affairs, such as high net worth individuals and those with complex business and investment interest, would be handled by this unit and would be provided with a service that meets their needs rather than the needs of other customer segments.

5.6.7. To ensure that the future service is able to adapt to evolving technologies, customer expectations and international requirements, the TOM includes a business change and development unit. This unit would provide the resources, skill set and data to maximise continuous improvement opportunities within the service, it would provide business and data analysis resource and performance management and business continuity services. It would also account for the increasing need for expertise on the bespoke systems used to exchange information with other jurisdictions and meet our international obligations. This will help to ensure that the service is smarter, more sustainable, and better able to provide insights and inform decisions across the States.

5.6.8. The future service would continue to be a customer of key corporate services such as Information Systems and Support ("ISS"), Human Resources and Finance**.** In addition, it would liaise closely with the two Committees to better support the policy making process through improved data provision and customer insights and greater flexibility. It would also provide for an increased focus on, and resourcing in, international tax relations, which are vital to maintaining Guernsey and Alderney's place in the world.

5.7. Potential Benefits

5.7.1. The structure and elements of the TOM have been designed to deliver significant benefits. The core benefits are aligned to the programme outcomes of improved customer satisfaction, delivering service improvements and reduced operating costs.

5.7.2. The TOM will;

- **Protect revenue collection** by mitigating risks associated with the current IT systems,
- Provide the opportunity to realise **significant savings** by removing service duplication, integrating similar activity, introducing greater automation and removing some IT maintenance, postage and staff costs, these savings can then be transferred to areas where they will generate greater value;
- **Improve customer experience** by making new services easier to use, tailoring the experience for customer segments, making greater use of digital services and simplifying administration for businesses and individuals;
- Enable the service to demonstrate a deeper understanding of its customers whilst **increasing flexibility** in handling future policy changes such as independent taxation and secondary pensions**;**
- Allow investment in the functions that will **deliver the greatest value to the islands**, including international reputation, complex and high risk cases, and intelligence led compliance; and
- Provide **greater opportunities for staff** development and progression in the future service.

5.7.3. At this point the long-term programme benefits require further definition, the next phase will help refine and quantify the full benefits by measuring the impact of digital services, identifying the possible process changes and developing the specification for the future IT solution. More detail on the potential benefits can be found in Appendix 1.

5.8. Risk Profile

5.8.1. The programme has a direct impact on the future revenue collection of the States and, as such, has significant risk implications. In addition the current model relies on old legacy technology which has limited technical resource available to support and which is vulnerable to failure. The programme recognises that effective risk management will be essential to support its activities going forward.

5.8.2. The major areas of risk are:

- **The required resources and expertise may not be available,** due to business as usual pressures, current reliance on old legacy systems and undocumented processes, retirement or turnover. It will be necessary to second subject matter experts into the programme and ensure effective succession plans are developed and maintained;

- **The States may not have the capacity to support the programme,** other high profile programmes and change requirements within the States will put pressure on corporate resources, such as IT change support, procurement support and HR. To mitigate this will require some external resource in the programme and careful planning and liaison with corporate services;
- **Customers and staff may not embrace changes**; this will be tackled through proactive change management and support for staff and through outreach and communication campaigns with customers;
- **Integration may be constrained by conflicting cultures and objectives,** different cultures exist in Income Tax and Contributions which result in staff working in different ways and taking different approaches. This will be mitigated by creating a replacement service to which all employees will belong and through joint working early in the change process;
- **An adverse impact on the Social Security Benefits service** where changes in Contributions rule sets may reduce the efficacy of the interrelated benefits functions. This will require a thorough understanding of the relationship between the two functions and for Revenue Service programme proposals to be reviewed by key staff within the Benefits service. It is not intended to run a parallel project in Benefits, and;
- **Uncertainty of technology development timeframes and costs,** particularly surrounding the potential co-existence of old and new technology platforms; this will be mitigated by further work to understand the timescales for the desired changes and the approach to change, as well as by including contingencies within the programme plan.

5.8.3. Emphasis will be placed on developing the capabilities required to appropriately manage and mitigate risks and issues.

6. The Next-Steps – How can the Programme Start to Deliver?

6.1. The Revenue Service programme has been prioritised in the “transform” category of the capital portfolio and is being funded equally from the Capital Reserve and the Guernsey Insurance Fund. It meets the criteria for a “large” programme (as it has potential total funding requirements above £10m). The programme is being managed in phases with funding being sought and released by the States at key decision points, this seeks to ensure that the programme delivers on important milestones and that delivery of outputs and expenditure are controlled.

Phase 1: Identify Direction (Complete)

- Assess Business Justification,
- Assess Risk Profile, and

- Develop the TOM.

Phase 2: Creation of a Single Service, Risk Mitigation and the Identification of Detailed Technology Requirements (Next Phase)

- Create a single service with a single organisational structure,
- Introduce legislative change to enable the single service to operate effectively and with the necessary legal powers,
- Improve customer satisfaction, and generate customer insights, through a single sign-on service, ID verification service, online repayments and other digital services,
- Mitigate the risks associated with the current IT systems in Income Tax and Contributions,
- Describe the current rules, methodology and data quality and use to define the future requirements, and
- Using outputs and lessons from these workstreams, develop procurement requirements for the final phase and start the procurement process.

Phase 3: Implement New IT Solution and Associated Processes (Final Phase)

- Procure the right IT solution for the Revenue Service,
- Implement the IT changes and the new processes that the change enables, and
- Implement an updated staffing structure based on the new processes.

6.2. The programme approach will continue to be informed by past States projects, such as the implementation of SAP and the replacement of the Benefits IT system, and by lessons from projects in other jurisdictions, including the integration of contributions and tax administrations in Sweden, the UK and Estonia. Past experience emphasises the need to fully understand service requirements, including the detail of the rules to be applied, demand levels and customer needs, before investing in a solution. The programme will also fully resource and plan for change management to ensure staff and customers are supported through the process.

6.3. To date, the Policy & Resources Committee and the Committee for Employment & Social Security have authorised expenditure totalling £914k (£457k from the Capital Reserve and £457k from the Guernsey Insurance Fund). This has been used to initiate the programme and develop the TOM and this Policy Letter. The next phase of the programme, which is detailed in this section, requires funding of up to £5m (£2.5m from the Capital Reserve and £2.5m from the Guernsey Insurance Fund). It is anticipated that a further Policy Letter will be developed to address the long-term replacement of the legacy IT systems, this will be a significant and complex project the cost of which will be defined in Phase 2.

6.4. Phase 2 Priorities and Costs

6.4.1. The next phase of the programme (Phase 2) is focused on developing the single organisational structure for the Revenue Service, introducing secure and simple digital services to improve the customer experience, and analysing data and rules to produce the specification and start the procurement process for the future IT solution.

6.4.2. The digital services introduced in this phase will have wider use across the States of Guernsey. By developing them through the Revenue Service programme, they will be informed, and potentially adopted, by the majority of the States' customers and should prove easier to introduce in other service areas.

6.4.3. The Phase will require significant engagement with customer groups across the islands, with staff and subject matter experts in both service areas and in Alderney, with similar jurisdictions to learn further from their experiences, and with other States of Guernsey services and change programmes. This will help to ensure that Phase outputs, and the outputs of future phases, meet the needs of customers and the wider organisation.

6.4.4. The work has been broken down into four tranches to help monitor and control progress and spend. The key outputs and achievements associated with each tranche will require spend on external and internal expertise and on technological solutions. The tranches, and their estimated cost, are broken down in sections 6.5 to 6.8.

6.5. Tranche 1

6.5.1. At the end of Tranche 1, customers will be able to contact a single service to deal with their contributions or tax obligations. The service will have more of its operations online, with each function being accessible using the same log-in details and having been designed to minimise the need to provide information more than once.

6.5.2. Tranche 1 will involve the extraction of data from the current IT systems into a separate database. This will allow the data to be accessed and analysed more easily. As a result, more of the customer experience can be digitised and patterns and demand, as well as the service rules, can be documented to inform the future IT requirements.

6.5.3. As part of the tranche, all staff members will be moved into the Revenue Service, which will replace the current Income Tax and Contributions services (initially the existing physical locations will be used, although there may be scope for the movement of teams in the future). The organisational structure of the Revenue Service will be designed around customer needs rather than internal processes.

6.5.4. Total estimated cost for Tranche 1: £2,195,000

6.6. Tranche 2

6.6.1. Tranche 2 will introduce enhanced security for customers and for the service in recognition that an increasing suite of digital services will be introduced. By implementing online ID verification systems, further and more personalised digital services can be advanced in future tranches. Without this facility, online services would have to be more limited.

6.6.2. The tranche will also include activity to validate the rules documented in Tranche 1. At the end of the phase, greater assurance will be available that the rule set is accurate and that any differences or conflicts between income tax and contributions rules have been accounted for.

6.6.3. Total estimated cost for Tranche 2: £1,210,000

6.7. Tranche 3

6.7.1. By the end of Tranche 3, customers will be able to receive any money owed to them digitally, speeding up the repayment process and minimising effort required from the customer.

6.7.2. A risk-based approach will also be developed in this tranche. The approach will be informed by the data analysis carried out in Tranche 1. Its adoption will ensure that the effort required from customers, as well as the resource needed from the service, is proportional to a customer's individual circumstances.

6.7.3. Total estimated cost for Tranche 3: £935,000

6.8. Tranche 4

6.8.1. Tranche 4 is the last tranche of Phase 2. At the end of this tranche, customers will have the facility to check their own tax or contributions status online through a safe, secure and easy to use service. This will increase the accessibility of the service and will simplify the customer experience provided, reducing the burden placed on both individuals, employers and company customers.

6.8.2. Building on the data and lessons documented over the whole Phase, Tranche 4 will deliver the specification for the future IT solution and start the procurement process needed to secure it. This will ensure the future IT systems used by the

Revenue Service are appropriate, adequate and truly designed around customer and user's needs. The future solution will integrate the new digital services introduced in Phase 2.

6.8.3. Total estimated cost for Tranche 4: £660,000

6.9. Release of Funding

6.9.1. Total funding required for Phase 2 is estimated to be £5m. Funding will be split equally between the Capital Reserve and the Guernsey Insurance Fund. It is proposed that delegated authority be granted to the Policy & Resources Committee for the phased release of the funding.

6.9.2. The Committee would release funding for the tranches based on the delivery of previous activities, the production of any necessary business cases, and following the Programme Board's agreement (which includes representation from both service areas and both Committees).

6.9.3. To ensure that the Revenue Service programme's expectations and intentions are realistic, and that the programme remains aligned to organisational strategy, a rigorous assurance plan will be maintained over the life of the programme. The assurance process will provide independent and impartial confirmation that the programme, and its key projects and activities, are on track and provide value for money. The first key step in the plan is an independent review of the Programme Business Case. The review will be presented to the Policy & Resources Committee and Committee *for* Employment & Social Security before any spending is approved in Phase 2.

6.10. Estimated Timescales

6.10.1. The Revenue Service programme plan includes an indicative 18 month timeline from the approval of this Policy Letter's propositions to the completion of the majority of Phase 2 and the start of benefit delivery. A further Policy Letter will be submitted at the end of the phase which will include details on the progress to date and the requirements for the replacement IT solution.

6.11. Enabling Legislation

6.11.1. In order to introduce a single, fully integrated Revenue Service for the collection of income tax and contributions and to provide a consistent experience for customers, some legislative change will initially be required, although this programme does not propose aligning all of income tax and contribution rules. More detail on the proposed changes can be found in Appendix 2, however, in summary, Propositions 2-15 are required to enable:

- The replacement of the statutory official role of Director of Income Tax and the contributions functions of the Administrator of the Social Insurance Law and the Committee *for* Employment & Social Security with a single statutory official, the Director of the Revenue Service,
- Replacement of the current routes of appeal to the Guernsey Tax Tribunal and the Committee *for* Employment & Social Security with a single aligned route to an independent Revenue Service Tribunal,
- Alignment of the data safeguarding and confidentiality requirements for the Revenue Service, whilst ensuring that existing legal gateways for the disclosure of information to other persons or bodies may continue (examples include disclosure of information to enable the payment of benefits, for the investigation of crime and for the Rolling Electronic Census, amongst others), and
- The disclosure of information for the purposes of the general estimate of the revenue of the States and the provision of economic advice and analysis.

6.11.2. This will not change any responsibility for policy setting, which for income tax matters will remain with the Policy & Resources Committee, and for contributions and benefits will remain with the Committee *for* Employment & Social Security.

7. **Compliance with Rule 4**

7.1. Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, motions laid before the States.

7.2. In accordance with Rule 4(1), the Propositions in this Policy Letter have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications. She has advised that there is no reason in law why the Propositions should not be put into effect.

7.3. In accordance with Rule 4(3), the Committee has included Propositions which request the States to approve funding of £5m. Further detail on the financial implications of the Propositions is provided in section 6.

7.4. To comply with Rule 4(4) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the Propositions attached to this Policy letter have the unanimous support of the Policy & Resources Committee and the Committee *for* Employment & Social Security.

7.5. In accordance with Rule 4(5), the Propositions relate to the duties of the Policy & Resources Committee and Committee *for* Employment & Social Security in respect of "raising and collecting taxes and revenues" and "social insurance" respectively. The Committees worked together to develop the Propositions.

Yours faithfully

Policy & Resources Committee	**Committee *for* Employment & Social Security**
G A St Pier President	M K Le Clerc President
L S Trott Vice-President	S L Langlois Vice-President
A H Brouard J P Le Tocq T J Stephens	M J Fallaize J A B Gollop E A Yerby
	M J Brown Non-States Member
	A R Le Lièvre Non-States Member

APPENDIX 1
POTENTIAL PROGRAMME BENEFITS

The Target Operating Model ("TOM") for the Revenue Service programme has the potential to deliver a range of benefits across Guernsey and Alderney, as well as benefits to the organisation itself. The possible scope of financial and non-financial benefits is described within this appendix.

These benefits are aligned to the programme outcomes. They are at a high level at this stage, however greater investigation and analysis in Phase 2 will provide further detail and surety. Benefits will be defined and presented for each of the business cases required in Phase 2.

1A Non-Financial Benefits

The Revenue Service programme is intended to significantly improve customer satisfaction and deliver greater operational efficiency.

The intention is to provide a trusted, single service for the collection of tax and contributions, where individual, employer and company information may be submitted, updated and calculated on-line. This will allow an individual, employer or company to check on the status of their tax or contributions accounts on-line, and make payment of any amounts due, in real-time, 24/7. Using the following series of measures, amongst others, the programme will improve customer experience and further reduce the stress and administrative burden of contribution and tax submissions:

- Use of a well signposted log-in, common to an ever-growing set of services across the States. For authentication purposes, this would use details that an individual is familiar with and which are used regularly, such as email and mobile number. This would reduce the likelihood of forgetting sign-in details, bringing authentication processes in line with modern, accepted, international standards and, therefore, maintaining the security of the service;
- Assessments or classification would happen instantaneously[5] where possible, otherwise customers would be able to monitor the progress of their query online. Once an assessment or invoice is received, the individual would then be able to pay or receive repayment immediately[6], concluding the transaction in

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[5] Currently it generally takes between one day (if fully automated) and six months to provide customers with income tax assessments.

[6] Currently an individual has thirty days to pay any tax owing on assessment. If a repayment is being made to an individual, they are advised by a statement accompanying the assessment and a cheque is posted separately up to four weeks later.

one interaction. Currently over 80% of Income Tax on-line submissions are fully automated with no or minimal review, this provides a good platform from which automated customer interaction can be extended;

- During submission or online interaction, improved help and assistance would be provided by displaying known data and through plain English hints & tips on what is being asked for;

<u>Example Customer Experiences:</u>

<table>
<tr><td colspan="3">Meet Andy. Andy is a self-employed builder with 5 employees.</td></tr>
<tr><td colspan="2">Current Challenges:</td><td>Goals:</td></tr>
<tr><td colspan="2">- Andy has different references as an individual and an employer, and his references differ between Income Tax and Contributions,
- Andy is not sure which contributions card he needs to return to the office,
- As tax isn’t deducted at source on his business income, Andy isn’t clear what he needs to pay and when.</td><td>- Make sure he pays the correct amount of income tax and contributions, both for himself and for his employees,
- Not miss any filing or payment deadlines and be penalised or subject to late payment surcharges.</td></tr>
<tr><td colspan="3">Future Journey:</td></tr>
<tr><td>February</td><td colspan="2">Andy decides to register online as an individual, in addition to his online employer registration.
- Andy registers online using familiar details and links his employer and individual accounts.</td></tr>
<tr><td>End of the Quarter</td><td colspan="2">Andy receives an electronic reminder of his filing and payment obligations as an employer and a self-employed individual.
- Andy logs in online after receiving the reminder,
- He is able to submit the details of his own employment and the returns for his employees,
- Andy then pays the total sum owed online,
- Andy receives electronic confirmation that his payment has been received and his employer obligations have been met for the quarter.</td></tr>
<tr><td>January</td><td colspan="2">Andy receives an electronic reminder that his Income Tax return for the year before last is now late.
- Andy logs into his online account before work,
- His existing data presented. He updates his details and adds any additional information required. Andy then submits the information for tax assessment. He is then provided with an immediate assessment advising him that he owes £360,
- Andy is able to pay online immediately and receives confirmation that no further action is needed in relation to that year.</td></tr>
</table>

<table>
<tr><td colspan="3">Meet Nicky. Nicky is a single accountant with two young children. She is employed, with a small share portfolio.</td></tr>
<tr><td colspan="2">Current Challenges:</td><td>Goals:</td></tr>
<tr><td colspan="2">- On-line registration for Income Tax is relatively complicated and log-in details are only used once a year, and
- Information which is received at different times of the year and in different formats all needs to be entered into the same form.</td><td>- Make sure she has paid sufficient contributions to receive benefits and to receive her full pension,
- Pay the right amount of income tax, and
- Not miss the 30th November personal income tax return deadline and be penalised.</td></tr>
<tr><td colspan="3">Future Journey:</td></tr>
<tr><td>January</td><td colspan="2">Following press and communications broadcast around Guernsey on the new digital Revenue Service, Nicky decides to register.
- She registers online using familiar details, and
- Receives login details via email.</td></tr>
<tr><td>February</td><td colspan="2">Nicky receives a share dividend.
- Nicky logs into her account, and
- Uploads dividend details into her account so she doesn’t forget or have to find the paperwork next year.</td></tr>
<tr><td>May</td><td colspan="2">Nicky is concerned that she hasn’t made enough contributions as her employer’s finance department had a change in staff and some contributions might have been missed.
- Nicky logs into her account and checks her current contributions status. She is relieved to see her social insurance, long-term care and health contributions are up to date.</td></tr>
<tr><td>July</td><td colspan="2">Nicky receives notice of an increase in mortgage interest and a new mortgage statement.
- Nicky updates her mortgage details in her account,
- Nicky is immediately advised of any changes to her tax code, and
- Nicky’s employer is informed of any tax code changes and amends the amount of tax automatically taken from her next month’s pay.</td></tr>
<tr><td>January</td><td colspan="2">Nicky decides to submit tax details early.
- Nicky logs in one evening,
- Existing data is presented, including salary, share and mortgage information. Nicky confirms existing details and adds any missing data. She then submits the information for income tax assessment.
- She is provided with an immediate assessment which advises her that she is owed £430, and
- The online services ask Nicky for her bank details and processes the £430 repayment immediately via BACS.</td></tr>
</table>

1B Financial Benefits

The Programme intends to significantly reduce operating costs. This will be achieved by removing service duplication and integrating similar activities, introducing greater automation, and modernising service provision. When the programme is completed, the cost for IT maintenance and development, customer interaction and the service workforce are all likely to be reduced.

Maintenance and Development Costs

Specialist support is currently required for the IT systems in Income Tax and Contributions. In addition, due to the age and complexity of the technology, developments to the existing IT systems and rules rely on particular contractors to implement. More modern systems should further reduce IT costs by enabling some updates or changes to be completed internally (subject to sufficient in-house expertise being included with the Revenue Service) or at more competitive rates.

External providers currently cost the service areas approximately £794,000 a year. Replacing the legacy systems will likely save the majority of this operating cost.

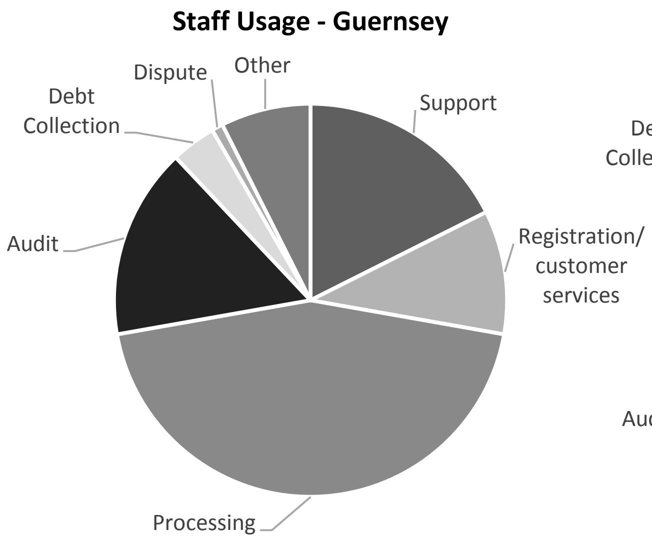
Using Digital Services

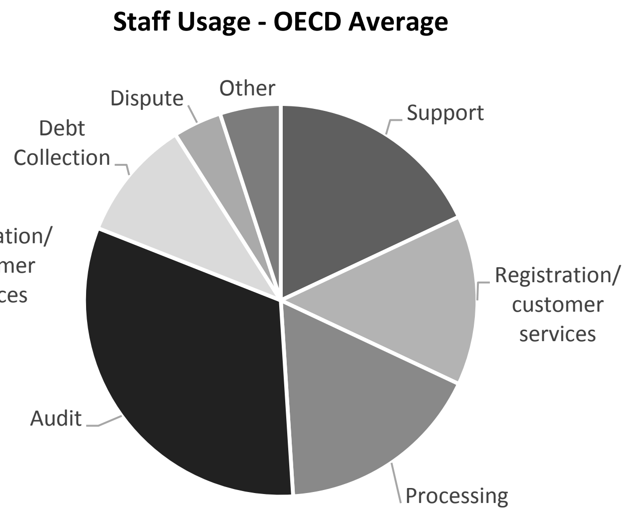
In order to ensure data security and as a result of the limitations of the existing IT systems, Income Tax and Contributions currently have a reliance on postal interaction with customers. By being able to use secure online services and offer personalised access to customers, the services will be able to save the majority of the cost associated with payments by cheque and large postal communications such as the sending out of coding notices. For example, Income Tax's postal budget is currently over £80,000.

Workforce Changes

Removing duplication and introducing greater digitisation and automation is predicted to, over time, reduce the amount of resource required to run the Revenue Service. It is anticipated that, through a combination of redeployment and natural wastage (voluntary retirement and resignation) the workforce employed by the Revenue Service will be able to be maintained at a smaller number.

The charts below illustrate staff usage by function in Guernsey's Income Tax and Contributions service areas and as an average for collection administrations in OECD[7] countries.





This illustrates a different pattern of staff usage in Guernsey. Whilst the average pattern for OECD countries may not be found to be the most appropriate staff distribution locally, it does indicate that there is scope for a change in employment patterns based on greater automation. Experience in other change programmes would further indicate that workforce changes are possible and, if approached correctly, could deliver savings.

Total Financial Benefits

At this point the long-term programme benefits require further definition, which the next phase will help refine and quantify by measuring the impact of digital services. Based on other change programmes which increased automation and introduced digital services, it is anticipated that the programme may be able to deliver a total recurring saving of up to 30% of current costs, which would equate to approximately £1 to 3m per annum.

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[7] Tax Administration 2017 – Comparative Information on OECD and Other Advanced and Emerging Economies

APPENDIX 2
LEGISLATIVE ENABLEMENT

The Income Tax and Contributions service areas currently operate under two different sets of legislation; this involves separate statutory official roles, appeals processes, and data sharing and confidentiality requirements.

The Income Tax service operates under the Income Tax (Guernsey) Law, 1975. The Law places the care and management of Income Tax with a Director, subject to the general direction and control of the Policy & Resources Committee. The Director has day-to-day control of the service (and the administration of any approved international agreements), supported by any Deputy Directors appointed. Any appeals are referred to the Guernsey Tax Tribunal, with subsequent appeals on a point of law made to the Royal Court.

The Social Insurance (Guernsey) Law, 1978 sets out the arrangements under which the Contributions service operates. The Law provides for the determination of claims and questions to be adjudicated by the Committee *for* Employment & Social Security. Any subsequent appeals, on a point of law, are made to the Royal Court. Unlike in the Benefits section of the Law, no tribunal process is in place. The Committee are able to delegate some powers to the Administrator of the Social Insurance Law ("the Administrator").

In order to introduce a single, fully integrated Revenue Service for the collection of income tax and contributions and provide a consistent experience for customers, some legislative change is required, as set out below. These changes will enable the Revenue Service to run effectively and also provide as consistent a journey as possible for customers.

These propositions will not, however, change responsibility for policy functions, which for income tax will remain with the Policy and Resources Committee, and for contributions and benefits will remain with the Committee *for* Employment & Social Security, nor do they propose aligning all of income tax and contribution rules.

Statutory Official

The Committees are proposing the replacement of the statutory official role of Director of Income tax and the contributions functions of the Administrator and the Committee *for* Employment & Social Security with a single statutory official – the Director of the Revenue Service ("the Director").

The Director would be responsible for the functions currently carried out by the Director of Income Tax and would be responsible for the care and management of the

Contributions functions in the Social Insurance Law, under the general direction and control of the Policy & Resources Committee for operational matters.

Policy functions for contributions and benefits would remain with the Committee *for* Employment & Social Security and policy functions for income tax would remain with the Policy & Resources Committee.

<u>Route of Appeal</u>

The Committees are proposing replacement of the current routes of appeal to the Guernsey Tax Tribunal and the Committee *for* Employment & Social Security with a single aligned route to an independent Revenue Service Tribunal.

Specifically, for contributions this would mean that appeals "as to the class of insured person in which a person is to be included and as to the liability of an insured person to pay contributions of any class" would be taken to the Revenue Service Tribunal rather than the Committee *for* Employment & Social Security. Questions regarding "whether the contributions conditions for any benefit are satisfied" would continue to be determined the Administrator, with a right of appeal to the Social Insurance Tribunal.

An independent Revenue Service Tribunal would help to align the appeals processes for income tax and contributions and would provide a more consistent customer experience. References from the Revenue Service Tribunal on a point of law (with the consent of all parties) or an appeal against the decision of the Revenue Service Tribunal would continue to be heard by the Royal Court.

It is also proposed that the age limit currently included within the membership conditions for the Guernsey Tax Tribunal not be carried across to the Revenue Service Tribunal. This will ensure that the most suitable members can be recommended irrespective of age.

The existing Guernsey Tax Tribunal has been consulted on these proposals, and has confirmed it is willing to work towards its replacement with a Revenue Service Tribunal.

<u>Data Safeguarding and Confidentiality</u>

The Committees are also proposing alignment of the data safeguarding and confidentiality requirements for the Revenue Service, which will continue to keep pace with modern frameworks and technology, whilst ensuring that existing legal gateways that allow for the disclosure of information to other persons for the performance of their functions may continue (examples include disclosure of information to enable the payment of benefits, for the investigation of crime and for the Rolling Electronic Census amongst others).

The Committees are also proposing expanding the existing legal gateways to allow for the disclosure of information for the purposes of the preparation of the general estimate of the revenue of the States and the provision of economic advice and analysis. This recognises the strategic importance of such data in calculating Guernsey's Gross Domestic Product and informing future policy.

To ensure that the operations of Law Enforcement are appropriately supported, the Committees are also proposing enabling the Director to disclose information to Law Enforcement for the purpose of civil forfeiture.

Both the Income Tax Law and Social Insurance Law include provisions as to data safeguarding and confidentiality. These need aligning to ensure they remain fit for purpose, keep pace with modern frameworks/technology and meet the requirements of the Revenue Service.

The Income Tax Law currently requires an oath of secrecy to be taken before an individual can be provided with any records. It is proposed to remove this requirement and replace it with a general prohibition in the Law against the disclosure of information. This would bring Income Tax into line with the provisions in place for Contributions data.

It is an opportune time to make the following proposals in respect of the confidentiality and disclosure provisions, which include putting some matters beyond doubt:

- Extend criminal sanctions to cover situations where records are accessed without a lawful authority or legitimate purpose;
- Elevate sanctions to bring them more into line with best practice and to ensure sanctions are the same for each service. Currently a violation of Income Tax disclosure and confidentiality provisions is sanctioned by imprisonment for a term not exceeding six months and/or a fine up to level 4 on the uniform scale (£5,000). For Contributions, a violation is sanctioned by imprisonment of one months and/or a fine of up to level 2 on the uniform scale (£1,000). It is proposed to align sanctions under both Laws to a term not exceeding two years and/or a fine not exceeding twice level five on the uniform scale (Level 5 is £10,000 currently), in order to reflect the importance placed on the confidentiality and security of the data to be held by the Revenue Service;
- Extend the confidentiality and disclosure provisions to cover any person that accesses records accidently or in an unauthorised manner and any person who has been requested to perform any task in which they may obtain access to records, even if they are not directly employed by the service; and
- For the avoidance of doubt, clarify that disclosure and confidentiality provisions remain in place in perpetuity.

Other Legislative Enablement

Whilst significant changes to Income Tax or Contributions policy, or major legislative reform, are outside the scope of the programme, smaller changes to the operational requirements in the legislation will be considered where they align activities and improve the quality of service provided to customers, ensuring that the greatest possible benefits can be achieved.

Further benefits may be driven by helping to enable a more risk based approach to assessment and collection, this can be supported by enabling Statements of Practice to be issued for contributions, as they are for income tax, and at the same time enabling them to be issued for the purpose of giving administrative relief, where the administrative effort of pursuing revenues outweighs the benefits.

As the programme progresses, areas of operational inconsistency between Income Tax and Contributions are likely to be identified, the alignment of which may help to drive better integration or a better customer experience. The Committees intend to report back to the States where potential legal changes are identified, but only when these will offer greater benefit than cost.

P.2018/28

<u>THE STATES OF DELIBERATION</u>
<u>of the</u>
<u>ISLAND OF GUERNSEY</u>

POLICY & RESOURCES COMMITTEE

MISCELLANEOUS AMENDMENTS TO THE TAXATION OF REAL PROPERTY (GUERNSEY AND ALDERNEY) ORDINANCE, 2007

The States are asked to decide:-

Whether, after consideration of the Policy Letter entitled 'Miscellaneous Amendments to the Taxation of Real Property (Guernsey and Alderney) Ordinance, 2007', dated 5th March 2018, they are of the opinion:-

1. To agree to the amendment of the Taxation of Real Property (Guernsey and Alderney) Ordinance, 2007, as detailed within this Policy Letter.

2. To direct the preparation of such legislation as may be necessary to give effect to the above decision.

The above Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

MISCELLANEOUS AMENDMENTS TO THE TAXATION OF REAL PROPERTY (GUERNSEY AND ALDERNEY) ORDINANCE, 2007

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

5th March 2018

Dear Sir

1. Executive Summary

1.1 The Taxation of Real Property (Guernsey and Alderney) Ordinance, 2007 ("the Ordinance"), legislates for the collection of Tax on Real Property (TRP) and came into effect on 1st January 2008, replacing the previous Tax on Rateable Value (TRV) system originally introduced in 1947. TRP is administered by the Cadastre and calculated based on the measurements and usage of a property. Property owners are responsible for payment of TRP. This Policy Letter proposes a number of technical amendments to the Ordinance to assist with its application.

2. Proposed Amendments

2.1 As a result of observations and experience over the past ten years in the application of TRP, the Committee is recommending that the following amendments should be made:

2.1.1 Currently the Ordinance does not include any reference as to whether measurement should be made on the usable area alone, or based on the floor level as a whole, irrespective of whether all of that area is usable or not. In order to assist with the internal measurement and assessment of properties, specific provision should be made for mezzanine floor areas and the measurement thereof. It is proposed that the assessment should be based on usable area and section 2 should be amended accordingly.

2.1.2 The States Cadastre uses aerial photography and, where necessary, ground surveys to provide an accurate assessment of properties. The Ordinance currently focuses on aerial photography (which information is used to produce the States of Guernsey Digital Map) as the means by which the Cadastre may maintain the register. It is proposed that, for the avoidance of doubt, the assessment of property by ground surveys is expressly permitted by section 6.

2.1.3 Although the Ordinance allows for assessments to be revised following a notification of a change of either (a) measurement, or (b) usage of the property, there is no provision for repayment to be made in respect of prior years, including where an overpayment has occurred as a result of the property owner failing to notify the Cadastre. Therefore, it is proposed to introduce a statutory scheme to allow the Committee to make such repayments for a period of up to 4 years following the payment.

2.1.4 There is currently no mechanism within the Ordinance for property owners to formally appeal the application of a late payment penalty applied to their account. It is accordingly proposed that owners are able to formally appeal late payment penalties that have been applied by the Committee and this will be included in section 31.

2.1.5 Under section 14, the Cadastre must notify an owner of any changes to their property assessment as soon as is reasonably practical. For reasons of efficiency, it is proposed that the issue of the annual account should be a means of notifying the owner of changes to the property assessment.

2.1.6 Section 15 places a duty on the owner to notify the Cadastre of any change to a property reference i.e. any change to the property, within 28 days. It is proposed that this is amended to require property owners to notify the Cadastre by the 31st December of that year in which the change takes place, in order that any changes take effect on the assessment for the following year of charge.

2.1.7 The Ordinance does not currently provide for the resignation or removal of members of the TRP Appeals Panel. It is proposed that provision is included within Part II of the Ordinance to allow for panel members to resign or be removed by the States on the recommendation of the Committee.

2.1.8 Section 39(2) states that: "The Tribunal shall, before making such a determination, hear any representations of the parties as to the question in issue". It is proposed that this is amended to include both written and oral representations.

2.1.9 At the present time the Ordinance does not allow for the issue or receipt of information or documents to be served by email or other electronic means. With the acceptance of email as a common means of communication, it is proposed that section 48 is amended to allow for electronic methods of advice, such as e-mail, to be acceptable as a formal means for the service of documents and notifications issued from and received by the Committee.

2.1.10 The appeal forms are currently included in Schedule 5. The inclusion of the appeal forms within the legislation makes it difficult for the Tax on Real Property Appeals Panel to amend the forms to ensure that when lodging an appeal the appellant provides the Tribunal with all the evidence, material and facts it will need to properly consider the appeal. Further, it also limits the ability to make the forms accessible in electronic format. It is proposed that section 33(1)(a) be amended to provide for appeals to be submitted on the forms prescribed by the Panel and for Schedule 5 to be deleted. This will mirror the procedure for other appeal tribunals, enable the Panel in future to modify the forms without requiring an amendment to the legislation and also allow for the forms to be made available electronically.

2.1.11 The Ordinance does not include provision for the assessment of mixed use properties. The Cadastre has assessed properties on the basis of mixed use, where the owner can prove that mixed use exists and there is clear demarcation between the use areas. Allowing for properties to be assessed for mixed use is fair and allows the Committee to be transparent in its decision making. Therefore it is proposed that section 3 should be amended to allow for assessment on a mixed use basis.

2.1.12 Under section 54 the definition of real property "means land, buildings and other property constituting immovable property under the law of Guernsey"; there is however, no definition within the Ordinance of immovable property. It is therefore proposed that a suitable definition of immovable property should be added to Part III of Schedule 1.

2.1.13 The definition of warehousing in Part III of Schedule 1 is: *"Warehousing means any building used for the storage, transfer or distribution of goods for the purposes of a business, trade or undertaking".* The Committee believes there is a degree of subjectivity in this definition which could lead to difficulties, e.g. a retail business could argue that the warehousing description, in its current state, is applicable to the areas of their retail property used for the storage or display of sale goods. To resolve this potential issue it is proposed that the classification of warehousing is extended to include the wording *"other than any real property that is connected to or is supporting another principal use"*.

2.1.14 The definition of "domestic" in Part III of Schedule 1 is (c) *"in relation to garaging or parking, a building (or part of a building) or land used solely for the storage or parking of one or more private vehicles or for domestic storage"*. However, there is no definition of "garaging or parking". It is proposed that a definition of garaging or parking for both domestic and non-domestic use is introduced which is limited to a building (or part of a building) or land used solely for the storage or parking of one or more private vehicles or for domestic storage.

2.1.15 The Ordinance allows for a use class to be assigned for buildings that are in the course of construction or renovation and are not yet useable for the purpose for which they are intended. This property reference enjoys a lower tariff and buildings can often remain in the "development buildings" classification for a number of years. To qualify for this categorisation, planning permission should have been provided by the Planning Authority for the work to be undertaken by the owner. It is proposed that the definition of development buildings in Part III of Schedule 1 should be amended to include the requirement for formal planning approval before the "*development buildings*" classification can be assigned.

2.1.16 There is currently no definition of quays, breakwaters or harbours within Part III of Schedule 1. It is proposed to include a cross-reference to section 58(1) of the Harbours Ordinance, 1988 to provide a collective definition of "quays", "breakwaters" and "harbours", which will then include "*Harbours, breakwaters and quays includes dolphins, jetties, wharfs, piers, walls, slipways, steps, hards, roads and land.*"

2.1.17 Under Part II of Schedule 1 buildings used principally for religious ceremony are exempt from TRP. It is proposed that this classification is widened to "*Buildings used principally for religious ceremony and connected purposes*" in order to exempt ancillary buildings to churches, chapels etc.

2.1.18 At present, private residential, nursing and care homes do not have their own definition within the Ordinance nor are they clearly provided for within another property reference. For the past decade Cadastre have placed these buildings within B.4.1 Hostelry, which states:

(a) any tourist property from which food is provided for consumption on the premises (whether indoors or outdoors),
(b) any public house, or
(c) any social club,

It is proposed that, private residential, nursing or care homes are expressly included within the "Hostelry" definition found in Part III of Schedule 1.

3. Resource Implications

3.1 There are no resourcing implications anticipated with these changes, other than the staff time required for the legal drafting of an Ordinance under section 1 of the Taxation of Real Property (Enabling Provisions) (Guernsey and Alderney) Law, 2005.

4. Compliance with Rule 4

4.1 Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, motions laid before the States.

4.2 In accordance with Rule 4(1), the Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.

4.3 In accordance with Rule 4(3), there are no Propositions which request the States to approve funding.

4.4 In accordance with Rule 4(4) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the Propositions have the unanimous support of the Committee.

4.5 In accordance with Rule 4(5), the Propositions relate to the duties of the Committee in maintaining a register of property ownership for the purposes of assessing and collecting taxes based on real property unit values.

4.6 Also in accordance with Rule 4(5), the Committee has consulted with the Tax on Real Property Appeals Panel.

Yours faithfully

G A St Pier
President

L S Trott
Vice-President

A H Brouard
J P Le Tocq
T J Stephens

P.2018/29

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

STATES' TRADING SUPERVISORY BOARD
AND
COMMITTEE *FOR THE* ENVIRONMENT & INFRASTRUCTURE

WASTE STRATEGY IMPLEMENTATION – HOUSEHOLD CHARGING MECHANISMS

The States are asked to decide:-

Whether, after consideration of the joint Policy Letter of the Committee *for the* Environment & Infrastructure and the States' Trading Supervisory Board entitled "Waste Strategy Implementation – Household Charging Mechanisms", dated 5th March 2018, they are of the opinion:-

1A To:-

a) rescind Resolution 5 of 16th February, 2017 on Article III of Billet d'État V of 2017, insofar as it:-

    i. directs the Policy & Resources Committee to make available a loan from the proceeds of the States of Guernsey Bond Issue (of December 2014) to fund the initial capital costs of the new waste management facilities and services referred to in that resolution; and

    ii. directs the States' Trading Supervisory Board to fund the related loan interest and capital repayments from the Solid Waste Trading Account;

b) approve a capital vote of a maximum of £32million, charged to the Capital Reserve, to fund a grant to the Solid Waste Trading Account of the capital costs of new solid waste management facilities and services required for the implementation of the island's solid waste strategy as referred to in Resolution 4 of 16th February, 2017 on Article III of Billet d'État V of 2017; including the repayment of any amounts advanced from the loan from the States of Guernsey Bond issue (of December 2014) together with any interest accrued and associated charges; and

c) rescind Resolution 7 of 16th February, 2017 on Article III of Billet d'État V of 2017 insofar as it directs the States' Trading Supervisory Board to recover the capital costs referred to in paragraph b) from charges made to householders, businesses and other users of waste management services.

Or, only if Proposition 1A shall have been defeated,

1B To:-

a) approve a capital vote of a maximum of £16million, charged to the Capital Reserve, to fund a grant to the Solid Waste Trading Account of 50% of the capital costs of new solid waste management facilities and services required for the implementation of the island's solid waste strategy as referred to in Resolution 4 of 16th February, 2017 on Article III of Billet d'État V of 2017;

b) limit the loan from the proceeds of the States of Guernsey Bond issue (of December 2014) (as approved by Resolution 5 of 16th February, 2017 on Article III of Billet d'État V of 2017) to a maximum value of £16million; and

c) rescind Resolution 7 of 16th February, 2017 on Article III of Billet d'État V of 2017 insofar as it directs the States Trading Supervisory Board to recover the capital costs referred to in paragraph a) from charges made to householders, businesses and other users of waste management services.

Or, only if Proposition 1B shall have been defeated,

1C To reaffirm Resolution 5 and Resolution 7 of 16th February, 2017 on Article III of Billet d'État V of 2017, directing the Policy & Resources Committee to make available a loan from the proceeds of the States of Guernsey Bond Issue (December 2014) to fund the capital costs of the facilities and services to implement the solid waste strategy; and directing the States' Trading Supervisory Board to recover all solid waste management costs fully through charges to householders, businesses and other users.

2. To direct that the initial waste charges are set so that the following balance between the Waste Disposal Authority fixed charge and the residual waste bag/tag charge is approximately achieved (unless there are material reasons not to do so, which are explained when the Ordinance relating to the Waste Disposal Authority Charges for Households is proposed to the States):

a) a zero-rated annual fixed charge with all costs apportioned to bag charges so that the charge for a standard sized waste bag, including a 50 pence risk contingency, is estimated as:-

i. £3.90 if the initial capital costs are to be wholly funded from the Capital Reserve;

ii. £4.40 if the initial capital costs are to be 50% funded from the Capital Reserve; or

iii. £4.80, if the initial capital costs are to be wholly recovered through waste charges.

OR, only if Proposition 2a) shall have been defeated,

b) an annual Waste Disposal Authority fixed charge equivalent to 20% of the total household charges to be recovered by the Waste Disposal Authority, with the balance being recovered through bag charges, so that the charge for a standard sized waste bag, including a 50 pence risk contingency, and the annual Waste Disposal Authority fixed charge, respectively, are estimated as:-

i. £3.20 and £45 if the initial capital costs are to be wholly funded from the Capital Reserve;

ii. £3.60 and £50 if the initial capital costs are to be 50% funded from the Capital Reserve; or

iii. £4.00 and £55 if the initial capital costs are to be wholly recovered through waste charges.

OR, only if Proposition 2b) shall have been defeated,

c) an annual WDA fixed charge equivalent to 40% of the total household charges to be recovered by the WDA, with the balance being recovered through bag charges, so that the charge for a standard sized waste bag including a 50 pence risk contingency, and the annual WDA fixed charge, respectively, are estimated as:-

i. £2.50 and £85 if the initial capital costs are to be wholly funded from the Capital Reserve;

ii. £2.80 and £100 if the initial capital costs are to be 50% funded from the Capital Reserve; or

iii. £3.10 and £110 if the initial capital costs are to be wholly recovered through waste charges.

3. To approve that in relation to Waste Disposal Authority charges for households:-

a) the Waste Disposal Authority will have the option of collecting the fixed charge annually, twice yearly or quarterly as it prefers;

b) a fixed penalty charge of £25 per month or interest at 10% per annum (whichever is higher) can be levied in the event of late payment; and

c) payment must be made within 30 days of an invoice and unpaid debts, including interest, will be recoverable by the Waste Disposal Authority as a civil debt.

4. To direct the Policy & Resources Committee to make available to the Solid Waste Trading Account an overdraft facility on such terms as the Policy & Resources Committee shall agree with the States' Trading Supervisory Board.

5. To direct the preparation of such legislation as is necessary to give effect to their above decisions.

The above Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

<u>THE STATES OF DELIBERATION</u>
<u>of the</u>
<u>ISLAND OF GUERNSEY</u>

STATES' TRADING SUPERVISORY BOARD
AND
COMMITTEE *FOR THE* ENVIRONMENT & INFRASTRUCTURE

WASTE STRATEGY IMPLEMENTATION - HOUSEHOLD CHARGING MECHANISMS

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

5th March, 2018

Dear Sir

1 Executive Summary

1.1 The implementation of the island's waste strategy represents a significant evolution in waste management and will contribute to a more sustainable Guernsey, by reducing emissions and pollution, and promoting more responsible use of resources for future generations.

1.2 The strategy focuses on minimising the amount of waste that is generated, reusing and recycling as much as is practical, and then recovering energy from the residual material that is left. This aims to ensure maximum benefit is derived from the valuable resources that go into creating the products and materials that we as a community consume on a daily basis.

1.3 Charges for waste services will be a key driver in achieving the desired behaviour change, to reduce waste overall and increase the proportion that is reused or recycled.

1.4 The States has approved the introduction of a new system of household waste charges. These will recover the costs of waste and recycling collections; subsequent processing and export of materials for recycling, recovery or disposal; and other waste management services and initiatives provided by the Waste Disposal Authority (WDA).

1.5 In December 2017, the States' Trading Supervisory Board (STSB) and the Committee *for the* Environment & Infrastructure (C*f*E&I) were directed to devise proposals for financing some or all of the capital costs from the Capital Reserve. They were also directed to provide a range of options for recovering costs through the combination of a pay as you throw bag charge for general refuse and an annual fixed, standing charge per household.

1.6 This policy letter details options for both the capital funding element and the split between any fixed charge and a pay as you throw element.

1.7 The majority of the costs that will be incurred by the States in the provision of waste management facilities and services are fixed. In other words, they will not increase or decrease in the short term irrespective of the amount of waste that is produced, reused, recycled, recovered or disposed of.

1.8 In setting the respective charges, a key assumption is the number of general refuse bags which will be produced, 'paid for', and set out for collection. If the initial assumption is overestimated, this will lead to a shortfall in anticipated income.

1.9 The aim of the waste strategy is to drive behaviour change, and new facilities and services are being introduced to enable and encourage this. They represent a significant change to the way household waste and recycling is collected, processed, and paid for. It is difficult to accurately predict the immediate impact, particularly in terms of reduction in overall waste generated.

1.10 The proposals for the split between fixed and pay as you throw charges all put the main emphasis on the per bag charge to recover most of the costs incurred. Given there is uncertainty regarding the numbers of bags that will be produced, and therefore paid for, there is risk that the STSB may not fully recover the costs incurred in providing waste facilities and services once the changes are implemented.

1.11 It is therefore proposed that the initial bag charge includes a contingency element. This will not affect the overall cost of the waste strategy, and any surplus or deficit can be adjusted for in future years.

2 Background

2.1 The cost of waste management in Guernsey has historically been low, in the context of other household costs. It has been known for some time that a modern, more sustainable approach will cost significantly more, and result in a step change in household waste bills.

2.2 It is estimated that the average cost to households will increase from around £130 in 2018 to approximately £365 a year in future – equivalent to around £7 per week. This is for all the collection, sorting, on-island processing, export and treatment for all household waste and recycling.

2.3 Currently households pay for the collection and disposal of their residual waste through the 'refuse rate' levied by the Parish Douzaines. Bills are calculated based on Tax on Real Property (TRP) values. Different households therefore pay hugely differing amounts, depending on the size of their property, for what is essentially the same service, irrespective of how much they use it.

2.4 This provides no link between how much waste a household generates and the charge for its collection, processing and disposal. It therefore offers no incentive to adopt the behaviours that are priorities of the waste strategy – first and foremost to reduce waste, and also increase the proportion that is either reused or recycled.

2.5 The States has agreed household waste charges should reflect the principles of cost recovery and polluter pays. This will support and encourage behaviour change, and enable households to influence how much they pay.

2.6 The principles of the revised charging mechanism were approved in February 2014[1]. Further detail in relation to waste charging policy and legislation was agreed in December 2014[2].

2.7 In 2015 the States approved the Parochial Collection of Waste (Guernsey) Law, 2015 (not yet in force) and the Environmental Pollution (Guernsey) (Amendment) Law, 2015[3].

2.8 Household waste charges will comprise:-

- The cost of collecting food waste, recycling, and general 'black bag' waste will be covered by an annual fixed charge. This will be levied by each parish, as a flat rate per household, and is expected to be in the region of £85 a year.

- The subsequent processing of this waste and recycling, and other related waste management facilities, services and initiatives provided by the States of Guernsey, will be covered by charges levied by the WDA:-

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[1] Billet d'État II of 2014: Implementation of the Solid Waste Strategy.
[2] Billet d'État XXVI of 2014: Waste Strategy – Household Waste Charging Mechanisms.
[3] The Environmental Pollution (Guernsey) (Amendment) Law, 2015 came into force in December 2015 except certain parts including that allowing the States to provide by Ordinance for charges for recovery and disposal of waste collected from households.

a) A ‘pay as you throw’ charge for general refuse (i.e. ‘black bags’).

b) An annual fixed charge, levied as a flat rate charge per household, which could initially be set at zero.

c) There is also a provision to apply a pay as you throw charge for recycling, although this will initially be set at zero.

2.9 The estimated average annual cost of £365 referred to in paragraph 2.2 includes all of the above charges.

2.10 In 2017, the current Assembly considered two joint policy letters from STSB and C*f*E&I in relation to the solid waste strategy. These detailed the progress of the strategy implementation, costs, financing arrangements and the proposed new charges.

2.11 One of the resolutions arising from the February 2017 policy letter directs STSB to recover all solid waste management costs of the States through charges to householders, businesses and other users of waste management services[4].

2.12 The States also agreed the capital costs of any associated infrastructure for the waste strategy implementation should be funded through a loan from the Bond, and directed STSB to “fund the loan interest and capital repayments from the Solid Waste Trading Account”[5].

2.13 Further detail of the charges to be levied by parishes were agreed in December 2017. However, two successful amendments directed STSB and C*f*E&I to return to the States with further proposals before the final details of the charges to be levied by the WDA would be agreed.

2.14 The resolution resulting from the first amendment directed C*f*E&I and STSB:-

> “to consult with the Policy & Resources Committee and return to the States as soon as possible with proposals for financing all or part of the capital elements of the waste strategy from the Capital Reserve and to repay all or part of any borrowing incurred so far in this respect.”[6]

2.15 C*f*E&I and STSB have consulted the Policy & Resources Committee (P&RC) regarding funding the capital elements of the waste strategy from the Capital Reserve. The feedback is detailed in Appendix 1.

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[4] Billet d’État V of 2017 - Implementation of the Solid Waste Strategy: Resolution 7.
[5] Billet d’État V of 2017 - Implementation of the Solid Waste Strategy: Resolution 5.
[6] Billet d’État XXIV of 2017 – Waste Strategy Implementation - Household Charging Mechanisms: Resolution 4.

2.16 The resolution resulting from the second amendment directed C*f*E&I and STSB:-

> "to provide a range of options relating to the per bag charge on residual waste, including an option that zero-rates the annual fixed charge."[7]

2.17 The actual level of the WDA charge(s) will be determined by the total amount that must be recovered through household waste charges. That in turn will be influenced by the decision on capital funding, so that must be resolved before agreeing the 'pay as you throw' per bag charge and any fixed annual charge.

2.18 Therefore considering both issues in a single policy letter adds a degree of complexity to the options around bag charges, which would be more clearly defined once the source of capital funding is determined.

2.19 However, Ordinances need to be approved and commenced to give effect to the new charging mechanisms. The timescales for that is already tight if the charges are to be introduced in early 2019, as now planned. Any delay to this could result in the Solid Waste Trading Account moving into a deficit position.

2.20 In addition, decisions on both the capital funding and levels of charges are interdependent. Rather than deal with these in isolation, and incur additional delay, it is logical to deal with these matters together and in context.

3 Capital Funding

3.1 The total capital costs of the waste strategy implementation are estimated to be £31.7 million.

3.2 Under extant States resolutions, these costs are to be funded through a loan from the Bond and repaid by the users of these facilities and services through waste charges. Those charges would therefore have to include annual repayments of £2.25 million, comprising approximately £1.6 million per year in capital and £650,000 interest.

3.3 STSB and C*f*E&I have also been directed to produce proposals for funding some or all of the investment from the Capital Reserve. This will reduce or eliminate the capital repayment and interest requirements, and in doing so reduce the total whole life costs to be recovered from waste charges.

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[7] Billet d'État XXIV of 2017 – Waste Strategy Implementation - Household Charging Mechanisms: Resolution 7.

3.4 Under the loan financing and repayment arrangement, the overall waste strategy programme costs to be recovered through waste charges, over 20 years, is estimated to be around £268 million. Table 1 shows the impact that different proportions of funding from the Capital Reserve will have on this total.

Capital Reserve funding scenario		**Interest reduction**	**Total be recovered by waste charges (20 years)**
0%:	-	-	£268 million
25%:	£7.9 million	£3.4 million	£257 million
50%:	£15.9 million	£6.7 million	£246 million
75%:	£23.8 million	£10.1 million	£234 million
100%:	£31.7 million	£13.4 million	£223 million

Table 1 - reduction in whole life strategy costs based on funding from the Capital Reserve.

Impact on household charges

3.5 Later sections of this policy letter deals with the question of what proportion of the costs that will be incurred by the States in providing household waste management services should be recovered through a per bag charge, and what proportion through an annual WDA fixed charge. However, that will be influenced by the decision on capital funding, and therefore, to provide some context, the general impact on household charges is outlined below.

3.6 Approximately 70% of the waste strategy capital costs are directly attributable to household services. That is based on the cost of the new waste transfer station being apportioned according to the anticipated split between household and commercial tonnages entering the facility, plus specific services such as the Household Waste Recycling Centre.

3.7 If funded by a loan from the bond, the repayments and interest attributable to households is therefore around £1.6 million per year, which is equivalent to around £60 per household. In other words, if capital costs do not need to be recovered through charges, households would save on average £60 a year on their future waste bills.

3.8 The tables below illustrate the potential impact different levels of funding from the Capital Reserve could have on a per bag charge and WDA annual fixed charge. The modelling assumes any remaining balance of the capital investment requirement will be funded through a loan from the Bond, to be repaid with interest over 20 years, and the cost recovered through waste charges.

3.9 Table 2 shows the estimated per bag charge that would be required, on a break even basis, if the WDA fixed charge is initially set at zero.

3.10 Table 3 shows the balance between the bag charge and a WDA charge for the same capital funding scenarios.

3.11 The modelling that was carried out to calculate these figures required a number of assumptions that could significantly impact on the final charges and/or the recovery of costs incurred. This is dealt with in later sections. **It should be stressed that the tables only show the break-even bag/fixed charges, with no contingency included.**

	Percentage of Capital Reserve funding				
	0%	**25%**	**50%**	**75%**	**100%**
	Required bag charge for zero WDA fixed charge				
	£4.32	£4.08	£3.85	£3.61	£3.38

Table 2: Estimated price per bag if WDA fixed charge is initially set at zero.

	Percentage of Capital Reserve funding				
	0%	**25%**	**50%**	**75%**	**100%**
Bag charge	**Annual WDA fixed charge (per household/£)**				
£1.50	£180	£165	£150	£135	£119
£2.00	£148	£133	£118	£103	£88
£2.50	**£116**	**£101**	**£86**	**£71**	**£56**
£3.00	£84	£69	£54	*£39*	*£24*
£3.50	£53	*£38*	*£23*	*£8*	-
£4.00	*£21*	*£6*	-	-	-

Table 3: Indicative impact on household waste charges of capital funding options

Capital Reserve

3.12 In June 2017[8] the States agreed the projects to be funded by the Capital Reserve in the period 2017-2020, as well as the amounts to be apportioned to the categories of Maintain, Transform and Grow.

3.13 P&RC has identified that the Capital Reserve has sufficient funding available to meet the costs of the capital elements of the waste strategy. However, it will result in reduced funding for other projects or a requirement to further increase the appropriations from General Revenue.

3.14 Funding for projects within the Maintain and Transform categories is fully or over-subscribed, based on current estimates. To reallocate any to the Waste Strategy capital investment would require an adjustment to the ratios of funding available within each category and, potentially, projects currently identified for funding.

3.15 Moreover, the effect of replacing the planned borrowing from the bond will be that past and current taxpayers will pay for assets that will be used to provide a service to future users.

3.16 By contrast, funding the capital costs through a loan from the bond, to be repaid through an available revenue stream of waste charges, is in keeping with the States agreed approach to capital funding of assets which have a clearly identified income stream.

3.17 To provide a range of capital funding options, three scenarios are included in the propositions. These are described below, and have been used in later sections as the basis for calculating potential WDA bag charges and fixed charges:-

- **Bond funded.** As previously agreed, all capital costs to be paid for through a loan from the Bond and repaid with interest through waste charges over 20 years.

- **Split funded.** 50% of the capital costs (c £15.9 million) to be funded by a transfer from the Capital Reserve, with the remainder to be paid for through a loan from the Bond and repaid with interest through waste charges over 20 years.

- **Capital Reserve funded.** All initial capital costs (c £31.7 million) for new waste management infrastructure and services to be funded by a transfer from the Capital Reserve.

[8] Billet No. XII of 2017 - The Policy & Resource Plan – Phase Two.

3.18 Either of the above Capital Reserve funding scenarios will apply only to the immediate £31.7 million (estimated) capital costs of the waste strategy implementation. All future and ongoing capital requirements, for plant replacement and other maintenance, will be met through waste charges.

4 Household waste management costs

4.1 In addition to the initial capital investment (and any associated interest), the total whole life costs of the waste strategy include estimated operating costs of £223 million in over 20 years. This includes household collection costs, which are estimated to be around £46 million, or equivalent to around £85 a year per household. The parishes will levy a charge to recover these collection costs.

4.2 The remaining £177 million (estimated) will be recovered by the WDA from domestic and commercial customers. This total has been apportioned based on the respective household and commercial tonnage throughputs that are anticipated over this period and the specific services provided for each sector.

4.3 For households, the operating costs are equivalent to around £220 per household per year. These will be recovered through WDA charges, along with any requirement for capital repayment and interest

4.4 Table 4 summarises the costs to be recovered under each of the capital funding scenarios detailed in paragraph 3.17.

	Estimated total annual costs per household		
	Bond funded	**Split funded**	**Capital Reserve funded**
Capital & Interest	£60	£30	-
Operating costs	£220	£220	£220
WDA total	**£280**	**£250**	**£220**
Parish collection charge	*£85*	*£85*	*£85*
Total	**£365**	**£335**	**£305**

Table 4: Breakdown of estimated household costs

4.5 More than 75% of the WDA operating costs are fixed costs. In other words, they will not increase or decrease in the short term irrespective of the amount of waste that is produced, reused, recycled, recovered or disposed of.

4.6 There is potential to reduce these costs over time. For instance, if the amount of waste being generated falls sufficiently, it may be possible to reduce the operating hours of the transfer station. However that is not expected to be an opportunity in the short term.

4.7 Of the annual costs that will be incurred by the WDA, only around £1.4 million (c £50 per household) would be termed ‘variable’. That will reduce if the amount of waste generated is less than has been modelled; the proportion that is reused or recycled is greater than forecast; or the tonnage exported for recovery is lower than anticipated.

5 Household ‘set out rates’

5.1 The term ‘set out rate’ refers to the number of bags households put out for collection. An assumption has been used for modelling different charge options, based on survey data gathered in Castel and St Peter Port in 2016, involving more than 1,000 households. This indicated the current weekly set out rate is, on average, in the region of 1½ to 2 bags per week.

5.2 A bag is defined as a 90 litre bag, suitable for a standard-sized dustbin. For the benefit of small waste producers, and for instances households in small properties, there will also be a smaller pay as you throw charge that will apply to bags of up to 45 litres – otherwise referred to as a half size bag.

5.3 The number of ‘paid for’ bags that will be ‘set out’ once the new charging arrangements are introduced is unknown. Given the reliance on the per bag waste charge to recover some or all of the costs incurred by the States, that could have a significant impact on cost recovery.

5.4 The assumption used in the modelling has therefore taken as a starting point the upper level of the current estimated range (i.e. two bags per week). This was then adjusted down by 25%, to reflect the reduction that is likely - but difficult to estimate - due to the introduction of separate food waste collection, pay as you throw charges, and reduced frequency of general refuse collection (standard fortnightly).

5.5 Therefore to estimate the income from bag charges over the 20 years, it has been assumed that households will initially set out on average around 1.5 bags of general refuse per week, gradually reducing to around 1.15 by year 2030 onwards. This would give an average over 20 years of around 1.25 bags per household per week.

5.6 Those assumptions are based on observed behaviour, but there remains a high degree of uncertainty regarding current overall set out rates. For example:-

- A number of larger multiple occupancy developments in St Peter Port have relatively small units of accommodation, which might be expected to produce less than average waste. However they also have communal bin stores. It was possible to count how many bags were set out but not the number of apartments these came from, as some may have been unoccupied at the time. These developments are therefore excluded from the sample data.

- Although the sample areas was considered to be broadly representative, there was no breakdown in terms of household size, composition, income, etc to compare with the island as a whole. All these factors can influence levels of waste production, therefore extrapolating the results across the island could lead to an over- or under-estimate. However it is simply not practical to survey every household.

- The data was gathered over a four week period, and there is a tendency for waste levels to fluctuate at different times of the year.

5.7 In calculating bag charges, the more relevant figures are future set out rates. Those are more difficult still to accurately predict, as they will depend on a number of factors, the impacts of which are as yet unknown. Not least is any shift in terms of waste behaviour that is expected to result from the changes to collection and charging arrangements.

6 Balance of fixed vs bag charges

6.1 Charging is a key instrument to influence behaviour in relation to waste generated and the proportion reused and recycled. Any charging mechanism introduced should be robust enough to drive change while remaining affordable for households.

6.2 As outlined above, the actual levels of the WDA charges will be determined by the total costs that need to be recovered. That in turn is dependent on the decision that the States will make with regard to the source of the capital funding for the strategy. However there are a number of factors that need to be considered in deciding on an appropriate split.

6.3 **Waste Hierarchy**. The new charging mechanisms are expressly intended to encourage sustainable waste management. They should therefore provide an incentive to reduce waste, first and foremost, as well as a financial benefit to reuse and recycle instead of disposing of materials. The States have also agreed the polluter pays principle should apply to waste charges, so that those who produce the most should pay the most.

6.4 **<u>Affordability</u>**. A more modern, sustainable approach to managing the island's waste will cost significantly more than the current disposal methods. In addition, the States have agreed household waste charges will no longer be linked to TRP, to reflect a polluter pays approach. Until now, owners of large properties effectively subsidised waste charges for those with smaller properties. The change means the majority of households will see a significant increase compared to their current waste bills, whatever their waste behaviour.

6.5 **<u>Cost recovery</u>**. The States generally, and STSB specifically, have a responsibility to ensure costs incurred in providing waste services can be met.

6.6 Figure 1 illustrates the potential range of bag charges and the WDA fixed charges to recover an annual cost of either £220 or £280 per household. These represent the "Bond funded" and "Capital Reserve funded" scenarios referred to in paragraph 3.17 and in Table 4. (Note: for simplicity the "Split funded" scenario is not shown, but would lie between the two lines.)

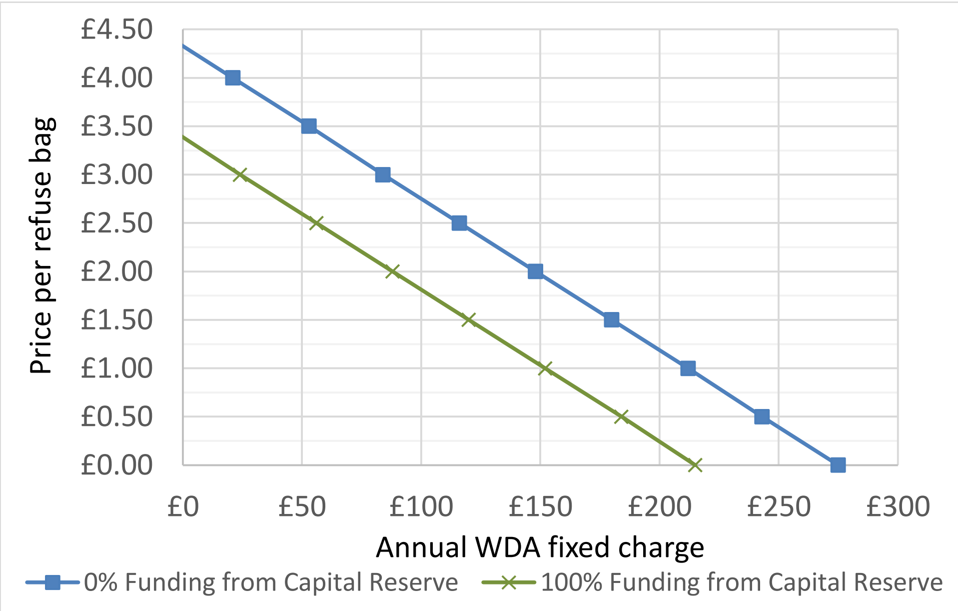

Figure 1 - Variation of fixed vs bag charges

7 Risks

7.1 There are a number of matters of principle in deciding the balance between fixed or standing charges and any 'polluter pays' element. However, in practical terms there are also a number of very significant risks if the balance is not set correctly.

7.2 These risks are magnified at this point, given the uncertainty around some of the initial assumptions and, more broadly, the outcomes in terms of the desired behaviour change. The implementation of the new collection services and charging arrangements represent a fundamental shift in how households will both manage and pay for their waste, the immediate effects of which are as yet unknown.

7.3 There are even inherent risks in successful delivery of the strategy objectives. A higher than anticipated reduction in the number of refuse bags produced (which does not necessarily translate to an equivalent overall tonnage reduction) may result in a shortfall in income from pay as you throw charges. That shortfall is greatest if bag charges are relied on to recover a high proportion, or all, of the WDA costs, but can be mitigated by applying a WDA fixed charge.

7.4 The gate fee for commercial waste at the transfer station will also potentially be significantly higher than the current disposal charge at Mont Cuet, which is expected to drive tonnages towards the private sector. The assumption of 30% of throughput being from commercial sources is considered conservative, but there is still significant uncertainty regarding this income. This could add to any shortfall arising from bag charges.

7.5 The transition will also result in a step change in household waste costs - albeit from a low base compared to most other household bills. There is a risk, in terms of buy-in to the waste strategy, if islanders who currently generate very little waste and are keen recyclers still see very large (unexpected) increases in their bills. This can be mitigated by adopting a higher weighting for bag charges, therefore reducing the element of ‘unavoidable cost’.

7.6 Conversely, there is a risk that high bag charges could drive unwanted behaviours, including fly-tipping, nuisance burning of waste, contamination of recycling bags/food waste, etc. As current fly-tipping incidents demonstrate, even relatively small scale avoidance can cause amenity issues and incur costs. Monitoring and enforcement costs could also increase given greater the incentive for non-compliance.

7.7 Most of this risk is associated with the fact that the island is moving from having no direct charge for black bag waste, to a ‘pay as you throw’ system. It is likely that the minimum charge for a standard size (i.e. up to 90 litres) general refuse bag will be £2.50. That is an increase of £2.50 on current direct charges. Consideration of higher bag charges should be seen in the context of how much increased risk of unwanted behaviours there is in an additional costs of 70p per bag (for a £3.20 option) or £1.40 (for a £3.90 option).

Option	Advantages	Disadvantages
Higher bag charges	• Provides maximum encouragement to reduce waste and recycle, in keeping with the strategy objectives. • Reduces unavoidable cost, putting households more in control of waste bills. • Better reflection of polluter pays principle • Fairer on people who generate less waste and recycle a higher proportion • More progressive than a fixed charge	• Increased risk of avoidance/ fly-tipping, which impacts on amenity and cost recovery. • Does not truly reflect 'user pays' for fixed costs of universal service provision. • High reliance on 'consumption' charge is riskier for cost recovery, particularly with high proportion of fixed cost. • Higher incremental cost can put greater burden on those with least control – e.g. larger families, properties with restricted/no outdoor space.
Higher fixed charge	• Provides greater certainty over cost recovery. • Can reduce incentive to avoid charges. • Less regular outlay required.	• Lower incentive to reduce waste/recycle may not drive behaviour. • Higher increase in bills unavoidable for most households, risking buy-in to waste strategy. • Flat rate is regressive and hits smaller and lower income households hardest, even if they produce less waste. • Higher outlay for households producing less than average waste.

Sensitivity

7.8 The Environmental Pollution (Guernsey) Law, 2004 provides a standard power to charge for services provided, so that any significant shortfall or surplus in recovering the costs for those services would be adjusted for in future years.

7.9 As outlined in Section 5, a key risk to cost recovery is the uncertainty over the actual number of bags that will be set out for collection. Any overestimation in setting the bag charge will result in a shortfall in anticipated income.

7.10 Over reliance on bag charges also limits the scope for adjusting for any shortfall, other than through further increasing the bag charge. The States has mitigated against that by retaining the option of a WDA fixed charge, even if that is initially set at zero.

7.11 However, recovering all costs through bag charges, even if only at the outset, still risks a significant shortfall being incurred immediately post-implementation which can only then be recovered through increased future charges.

7.12 By way of illustration, if the initial set out rate was 20% lower than the assumption of 1.5 bags per week, the WDA will see a shortfall in the first year of between £1.2 million and £1.5 million (depending on the requirements to recover capital costs through waste charges).

7.13 By way of illustration, the uplift required to address a shortfall/deficit of £1million would represent an additional £40 on an annual fixed charge, per household, or an increase of between 60p and 80p per bag on the per bag charge. Alternatively, any increases could be split between the fixed and per bag elements.

7.14 A more conservative approach to balance that risk would be to apply a WDA charge initially, and then look to adjust the balance in future years. That is in effect using all of the mechanisms that are available while assessing the overall effectiveness of each in terms of delivering the objectives of the strategy.

7.15 If, for instance, 40% of the WDA charges were recovered by a fixed charge, the shortfall referred to in paragraph 7.12 would be £700,000 to £900,000. That still represents a very substantial cost to be recovered in future years, but significantly reduced compared to relying solely on bag charges.

7.16 In light of this very substantial risk (in either scenario) - reflecting the sensitivity around the number of waste bags that are likely to be generated, and the degree of uncertainty around future waste behaviour - it is proposed that the initial per bag charge should include an additional contingency of 50p. This will offset any potential over-estimate in the anticipated household set-out rates, and will reduce the potential for a large shortfall to be incurred in the first year.

7.17 This will not impact the overall cost of the waste strategy, for which the current estimate of £7 per household per week still applies. It is the intention that once the strategy is implemented, the level of the WDA charges would be kept under review. Any initial contingency will only serves to mitigate some of the risk to cost recovery, and would be adjusted for as required in future years.

7.18 In summary:-

- Current financial modelling is based on largely predictable costs, but with significant uncertainty in the number of refuse bags (i.e. "set out") to recover these costs.

- A number of factors will impact on future set out, such as food waste collection and pay as you throw charging. The effect of these is unknown.

- A WDA fixed charge significantly reduces the risk of a deficit (or surplus) due to any under (or over) estimate in set out.

8 Setting the bag and fixed charge

8.1 Evidently, there are a number of factors that need to be considered in setting the charges, not least of which is the 'polluter pays' principle. Given the current unknowns and unpredictability, there is no one right answer.

8.2 Therefore while a fixed charge does not reflect a 'polluter pays' approach, STSB would prefer a conservative approach at the outset of the strategy while the risk to cost recovery is high. As well as providing greater certainty over income - albeit still subject to a number of assumptions - it would hopefully avoid any requirement for significant adjustments in the immediate future.

8.3 In preparing the Regulations for each year's charges, STSB has given an undertaking to consult with the C*f*E&I and if there was concern regarding the split both Committees could propose a change to the Ordinance to require the charges to provide for a specified split.

8.4 The December 2017 policy letter included an example of a £2.50 bag charge and WDA charge of £116. That would have provided a roughly even split between the amount recovered through fixed charges (including the parish charge) and through pay as you throw charges. For the WDA elements (i.e. excluding the parish charge) around 40% of costs would be recovered through the fixed charge. In weighing up the various risks, STSB considered that balance to be an appropriate starting point.

8.5 It is clear, both from the December 2017 debate and from other feedback received, some States Members wish to see greater emphasis on the polluter pays approach. It does not necessarily follow from the direction given to the C*f*E&I and STSB that the majority of the Assembly are of that view. It may simply reflect a wish for States Members to decide on the initial charges.

8.6 Three scenarios are therefore presented. The first reflects the previous STSB preference for recovering around 40% of costs through a fixed charge and 60% through the bag charge. Alternative options are provided - for all the costs to be recovered through the bag charge (i.e. with a zero fixed charge); or an interim scenario (i.e. a 20% fixed charge).

8.7 As already noted, the decision regarding funding the capital investment (see Section 3) will affect the actual price levels. Table 5 therefore indicates the respective bag and fixed charges for the 60%, 80% and 100% options for each of the funding scenarios detailed in paragraph 3.17. These are all modelled based on an assumed average household set out initially of 1.5 bags per week. They also exclude any proposed contingency (i.e. an additional 50p per bag).

Proportion recovered through fixed charges:-	**40%**		**20%**		**0%**	
	Bag	**Fixed**	**Bag**	**Fixed**	**Bag**	**Fixed**
Bond funded	£2.60	£110	£3.50	£55	£4.30	£0
Split funded	£2.30	£100	£3.10	£50	£3.90	£0
Capital Reserve funded	£2.00	£85	£2.70	£45	£3.40	£0

Table 5: Potential WDA Per bag and fixed charge combinations for different split options and capital funding scenarios

8.8 There is of course a cost associated with invoicing and administering any new fixed charge. It is estimated that at the outset, the administrative costs associated with an annual fixed charge would be in the region of £3-£4 per household. Therefore, the cost of collecting a charge of less than £50 a year would represent more than 5% of the total to be recovered.

8.9 While the resulting impact on the bag charge cannot be ignored, STSB does not consider it economically efficient to levy an annual charge of less than £50.

9 Affordability and waste charges

9.1 Each household's actual costs will depend on how much waste they produce. The apportionment between fixed and pay as you throw charges will heavily influence this, as is shown in Figure 2. These include the parish collection charge, estimated at £85 per year, to reflect total household waste costs.

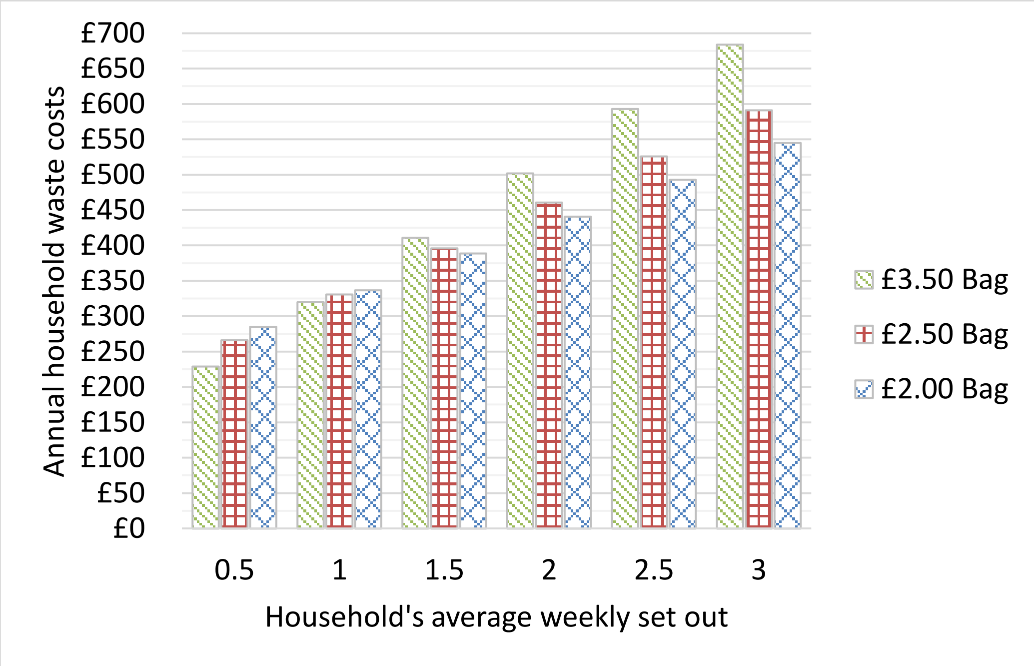

Figure 2 - Projected household costs based on waste volumes and pay as you throw bag charges, with capital funded through a bond loan.

9.2 The 'premium' to be paid for each extra bag a household producers is higher the greater the bag charge. This can be considered the incentive to reduce general refuse, and to reuse and recycle more.

9.3 Table 6 illustrates what the effective annual cost of each additional bag of refuse produced by a household each year. This is the difference a household would pay each year if they averaged, for example, two bags a week instead of one bag a week. This varies depending on how much of the cost is apportioned to the bag charge and how much to a fixed charge.

Household annual cost/saving for **each** extra bag per week	
£4.00 per bag	£208
£3.50 per bag	£182
£3.00 per bag	£156
£2.50 per bag	£130
£2.00 per bag	£104

Table 6: Effective annual cost of each additional bag of refuse per week.

9.4 The December 2017 policy letter outlined how it was proposed the income support system would absorb the cost of fixed charges applied by both the parishes and the WDA for households claiming benefits.

9.5 In consultation with officers at the Committee *for* Employment and Social Security (C*f*E&SS), it was estimated that there will be a net cost averaging £1.70 per week for each household that claims the additional expense. It is difficult to estimate how many may actually claim, but assuming that all eligible households are compensated, the cost implication for general revenue was estimated to be approximately £200,000 per annum.

9.6 Should the C*f*E&SS wished to cover the cost of one bag per week for each household, it was anticipated that, at £2.50 per bag, this would add an additional £294,000 to the annual cost of income support.

9.7 How charges are structured and the overall amounts will influence the support C*f*E&SS has to provide, and how that is applied. Both the structure and charges are as yet unknown, and several potential scenarios are outlined this policy letter. Therefore further consultation with C*f*E&SS is pending these decisions.

9.8 Overall, however, given that the impact of the December 2017 resolutions is more likely to reduce the overall costs than to increase them, the previously indicated impact on general revenue are considered to be an upper limit.

9.9 Table 7 shows the costs that will be incurred based solely on the amount of refuse bags set out, on average, each week. It also provides an indication of what different household types **might** pay if it is assumed everyone on average produces the same amount of waste. If that were the case, the number of people resident in a household becomes the main differentiating factor.

9.10 Smaller households, such as single adults and single pensioners, would have the lowest net increase in costs because they are assumed to produce less waste. Larger households - with children - would be assumed to produce more waste and therefore face higher charges.

9.11 This average disposal rate is a necessary over-simplification. In reality, behaviour varies significantly between households, and the number of occupants may not be the most significant factor.

9.12 The examples in Table 7 are consistent with the charging options in paragraph 8.7, and include the proposed initial 50p risk contingency for bag charges. The shaded area indicates where annual costs will be below the estimated average of around £365 per household.

9.13 The calculations do not take account of income support assistance that will be available to many households for whom affordability might be an issue.

9.14 The propositions provide the Assembly with a range of options, as directed by the December 2017 States Resolution.

			Bond funded			Split funded			Capital Reserve funded		
		Per bag charge:	£4.80	£4.00	£3.10	£4.40	£3.60	£2.80	£3.90	£3.20	£2.50
		WDA fixed charge:	£0	£55	£110	£0	£50	£100	£0	£45	£85
		Parish charge (estimate)	*£85*	*£85*	*£85*	*£85*	*£85*	*£85*	*£85*	*£85*	*£85*
Average set out		**Total household costs**									
1 half bag	Single pensioner / Single adult (5,500+)	Weekly	£4.03	£4.69	£5.30	£3.83	£4.40	£4.96	£3.58	£4.10	£4.52
		Annual	£210	£244	£276	£199	£229	£258	£186	£213	£235
	Single parent with 1 child / Couple (7,500+)	Weekly	£6.43	£6.69	£6.85	£6.03	£6.20	£6.36	£5.53	£5.70	£5.77
		Annual	£335	£348	£356	£314	£322	£331	£288	£296	£300
	Single parent, 2 children / Couple, 1 child (7,500+)	Weekly	£8.83	£8.69	£8.40	£8.23	£8.00	£7.76	£7.48	£7.30	£7.02
		Annual	£459	£452	£437	£428	£416	£403	£389	£380	£365
	Single parent - 3 children / Couple - 2 children (1,500+)	Weekly	£11.23	£10.69	£9.95	£10.43	£9.80	£9.16	£9.43	£8.90	£8.27
		Annual	£584	£556	£517	£543	£509	£476	£491	£463	£430
	Couples with 3 or more children (450+)	Weekly	£13.63	£12.69	£11.50	£12.63	£11.60	£10.56	£11.38	£10.50	£9.52
		Annual	£709	£660	£598	£657	£603	£549	£592	£546	£495

Table 7 - Household costs based on amount of waste generated, for different splits between WDA fixed and per bag charges.

10 Billing, income collection and debt recovery

10.1 In line with the guiding principles of public service reform, the WDA is keen that the organisation and delivery of waste services is centred on and designed around those that need and use them. With this in mind, the WDA has been of the view that it would be far more user-friendly for householders to be billed by, and make payments to, a single point of contact, rather than separately for collection services and processing costs.

10.2 There has been considerable engagement with the Douzaines to discuss this potential opportunity. The view of STSB and CfE&I is that joint billing would be simpler and clearer for service users, and would have the added benefit of reducing duplication and administration costs. The co-ordination and management of this function could be carried out either by the WDA or the parishes, but any such arrangement would ideally need to apply island-wide.

10.3 By a significant majority the parishes are not in favour of joint billing, and have indicated they do not wish to engage in further dialogue on the subject. Parish Waste Rates are therefore now expected to be billed separately to any WDA fixed charge, at least in the immediate term.

10.4 Work is underway with colleagues in Corporate Customer Services on the practicalities involved in billing. This will be aligned with bills issued by other service areas, so any WDA charge can be managed alongside other States' charges to minimise the financial burden on households. The work with Corporate Customer Services will also include using existing corporate resources to collect and monitor payment of the WDA fixed charge.

10.5 It was intended to complete the outstanding legislative elements by mid-2018, and introduce the new charging arrangements when waste exports begin later this year. That is no longer possible, given that clarity around the likely level of charges is required before the required Ordinances can be progressed.

10.6 New collection arrangements will therefore commence in September this year, ahead of the commissioning of the new transfer station at Longue Hougue, but the revised system of charges will not be implemented until 2019.

10.7 This transition period will enable households to familiarise themselves with the new collections before the introduction of the new charges. However, it will result in an income shortfall for the Solid Waste Trading Account during 2018, which will be covered either through existing balances or recovered by the WDA in future years.

10.8 The programme team is working with the parishes to support them in planning for a seamless change to the new arrangements.

11 Administration of any WDA fixed charges

11.1 In relation to the fixed charge to be levied by the WDA in respect of dwelling houses, lodging houses and business premises admitted into the parish waste collection and transfer service, the STSB and the C*f*E&I recommend the following proposals for approval by the States.

11.2 Payment of any fixed charge would be due on such date as the WDA specifies and within 30 days of such a date and the WDA would be able to charge annually, twice yearly or quarterly.

11.3 Unpaid debts, including interest, should be recoverable by the WDA as a civil debt. If two or more persons are liable their liability will be joint and several.

11.4 Any late payment penalty will be levied as a fixed charge of £25 for each month or part of a month in which the amount due is not paid, or interest on the amount due at 10% per year calculated from the due date until the date payment is made.

11.5 These recommendations are consistent with the arrangements already agreed for the Parish Waste Rate.

12 Communication and education

12.1 The new charging and collection arrangements represent significant changes to how the island manages its waste. Communications will play a key role in the effective transition to this new environment, and in ensuring islanders both understand the new arrangements and are able to make maximum use of them. An extensive programme will be delivered, in the same way as was implemented ahead of the successful launch of kerbside recycling in 2014.

13 Legislation

13.1 The Laws setting out the powers for the States to provide for the new parish and WDA charges have been approved and received Royal Assent. However some parts of the legislation still need to be finalised and brought into force, in particular two new charging Ordinances.

13.2 It is proposed that the charging Ordinances will be finalised for approval by the States in 2018 and the remaining parts of the legislation brought into force in early 2019.

13.3 The WDA Charging Ordinance will set out the actual levels of the different fixed and per bag charges at the point of implementation. Any subsequent changes to the level of charges would be by WDA Regulations in accordance with the mechanism set out in the Ordinance, following consultation by the WDA with the C*f*E&I.

13.4 The Law Officers of the Crown have been consulted on the contents of this Policy Letter.

14 Consultation, Joint Working and Policy Context

14.1 In accordance with Rule 4(5), it is confirmed that the propositions relate to the waste policy responsibilities of the C*f*E&I and the waste disposal and recovery functions of STSB.

14.2 In accordance with Rule 4(5) the preparation and agreement of the propositions and content of the Policy Letter has involved joint working between the C*f*E&I and STSB. The Committee *for* Employment & Social Security has been consulted with regard to the implications of the new charges for their service areas. The Policy & Resources Committee has also been consulted on the propositions and Policy Letter.

15 Propositions

The States are asked to decide whether they are of the opinion:-

1A To:-

a) rescind Resolution 5 of 16th February, 2017 on Article III of Billet d'État V of 2017, insofar as it:-

   i. directs the Policy & Resources Committee to make available a loan from the proceeds of the States of Guernsey Bond Issue (of December 2014) to fund the initial capital costs of the new waste management facilities and services referred to in that resolution; and

   ii. directs the States' Trading Supervisory Board to fund the related loan interest and capital repayments from the Solid Waste Trading Account;

b) approve a capital vote of a maximum of £32 million, charged to the Capital Reserve, to fund a grant to the Solid Waste Trading Account of the capital costs of new solid waste management facilities and services required for the implementation of the island's solid waste strategy as referred to in Resolution 4 of 16th February, 2017 on Article III of Billet d'État V of 2017; including the repayment of any amounts advanced from the loan from the States of Guernsey Bond issue (of December 2014) together with any interest accrued and associated charges; and

c) rescind Resolution 7 of 16th February, 2017 on Article III of Billet d'État V of 2017 insofar as it directs the States' Trading Supervisory Board to recover the capital costs referred to in paragraph b) from charges made to householders, businesses and other users of waste management services.

Or, only if Proposition 1A shall have been defeated,

1B To:-

a) approve a capital vote of a maximum of £16 million, charged to the Capital Reserve, to fund a grant to the Solid Waste Trading Account of 50% of the capital costs of new solid waste management facilities and services required for the implementation of the island's solid waste strategy as referred to in Resolution 4 of 16th February, 2017 on Article III of Billet d'État V of 2017;

b) limit the loan from the proceeds of the States of Guernsey Bond issue (of December 2014) (as approved by Resolution 5 of 16th February, 2017 on Article III of Billet d'État V of 2017) to a maximum value of £16 million; and

c) rescind Resolution 7 of 16th February, 2017 on Article III of Billet d'État V of 2017 insofar as it directs the States Trading Supervisory Board to recover the capital costs referred to in paragraph a) from charges made to householders, businesses and other users of waste management services.

Or, only if Proposition 1B shall have been defeated,

1C To reaffirm Resolution 5 and Resolution 7 of 16th February, 2017 on Article III of Billet d'État V of 2017, directing the Policy & Resources Committee to make available a loan from the proceeds of the States of Guernsey Bond Issue (December 2014) to fund the capital costs of the facilities and services to implement the solid waste strategy; and directing the States' Trading Supervisory Board to recover all solid waste management costs fully through charges to householders, businesses and other users.

2. To direct that the initial waste charges are set so that the following balance between the Waste Disposal Authority fixed charge and the residual waste bag/tag charge is approximately achieved (unless there are material reasons not to do so, which are explained when the Ordinance relating to the Waste Disposal Authority Charges for Households is proposed to the States):

a) a zero-rated annual fixed charge with all costs apportioned to bag charges, so that the charge for a standard sized waste bag, including a 50 pence risk contingency, is estimated as:-

i. £3.90 if the initial capital costs are to be wholly funded from the Capital Reserve;

ii. £4.40 if the initial capital costs are to be 50% funded from the Capital Reserve; or

iii. £4.80, if the initial capital costs are to be wholly recovered through waste charges.

OR, only if Proposition 2a) shall have been defeated,

b) an annual Waste Disposal Authority fixed charge equivalent to 20% of the total household charges to be recovered by the Waste Disposal Authority, with the balance being recovered through bag charges, so that the charge for a standard sized waste bag, including a 50 pence risk contingency, and the annual Waste Disposal Authority fixed charge, respectively, are estimated as:-

i. £3.20 and £45 if the initial capital costs are to be wholly funded from the Capital Reserve;

ii. £3.60 and £50 if the initial capital costs are to be 50% funded from the Capital Reserve; or

iii. £4.00 and £55 if the initial capital costs are to be wholly recovered through waste charges.

OR, only if Proposition 2b) shall have been defeated,

c) an annual WDA fixed charge equivalent to 40% of the total household charges to be recovered by the WDA, with the balance being recovered through bag charges, so that the charge for a standard sized waste bag including a 50 pence risk contingency, and the annual WDA fixed charge, respectively, are estimated as:-

i. £2.50 and £85 if the initial capital costs are to be wholly funded from the Capital Reserve;

ii. £2.80 and £100 if the initial capital costs are to be 50% funded from the Capital Reserve; or

iii. £3.10 and £110 if the initial capital costs are to be wholly recovered through waste charges.

3. To approve that in relation to Waste Disposal Authority charges for households:-

a) the Waste Disposal Authority will have the option of collecting the fixed charge annually, twice yearly or quarterly as it prefers;

b) a fixed penalty charge of £25 per month or interest at 10% per annum (whichever is higher) can be levied in the event of late payment; and

c) payment must be made within 30 days of an invoice and unpaid debts, including interest, will be recoverable by the Waste Disposal Authority as a civil debt.

4. To direct the Policy & Resources Committee to make available to the Solid Waste Trading Account an overdraft facility on such terms as the Policy & Resources Committee shall agree with the States' Trading Supervisory Board.

5. To direct the preparation of such legislation as is necessary to give effect to their above decisions.

16 Committee Support for Proposition(s)

16.1 In accordance with Rule 4(4) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the propositions above have the unanimous support of the members of STSB and the C*f*E&I.

Yours faithfully,

C N K Parkinson
President, STSB

J C S F Smithies
Vice-President, STSB

S J Falla, MBE
J C Hollis
Non-States Members, STSB

B L Brehaut
President, C*f*E&I

M H Dorey
Vice-President, C*f*E&I

S L Langlois
H L de Sausmarez
S T Hansmann Rouxel
Members, C*f*E&I

Appendix 1

Policy & Resources
Committee

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President, Committee *for the* Environment & Infrastructure
Raymond Falla House
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President, States' Trading Supervisory Board
PO Box 30
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GY1 3AS

14th February 2018

Dear Charles and Barry

Waste Charging Implementation – Household Charging Mechanisms

As per the December 2017 States resolution, the Policy & Resources Committee is responding to your consultation on proposals for financing all or part of the capital elements of the waste strategy from the Capital Reserve and to repay all or part of any borrowing incurred so far in this respect.

It is understood that a range of options will be put forward ranging from £nil to £31.7million of the capital costs being funded from the Capital Reserve instead of through a loan from the proceeds of the States of Guernsey bond issue.

As set out in the 2017 Budget Report (Billet d'État XXVI, 2016), the anticipated funding of £282million in the Capital Reserve for the period 2017-2020 was allocated to the following categories:

- Maintain (maintain the operation of existing services) - £85million;
- Transform (transform service delivery, in line with Public Sector Reform) - £141million; and
- Grow (benefit the island or a specific sector of the economy) - £56million.

The 2018 Budget Report (Billet d'État XX, 2017 – paragraph 6.81) revised the forecast capital availability for the 2017-2020 period as £340million which resulted in an estimated unallocated balance of £58million. However, there is a pipeline of large projects identified for which planning is commencing and are likely to require funding in the next capital portfolio, for example, Hydrocarbon supply and PEH re-profiling, with an estimated value in the region of £250million. Therefore, this £58million should be held to contribute towards the funding required in the next prioritisation period

As set out in the 2018 Budget Report, the forecast funding requirements for each category is £243million:

Category	Funding allocated £m	Forecast requirement £m
Maintain	84.6	37.5
Transform	141.0	184.7
Grow	56.4	20.6
Total	**282.0**	**242.8**

The capital portfolio is currently undersubscribed for the 2017-2020 period by approximately £39million. However, as set out in the 2018 Budget Report (paragraph 6.84) there is strong encouragement for the development of proposals in this period in the grow category that would support economic growth and the delivery of outcomes set out in the Policy & Resource Plan.

The Capital Reserve does have sufficient funding available to meet the costs of the capital elements of the waste strategy. This project would result in the Transform Category being further over-subscribed (before taking into account any changes that could be required following the approval of the Alternative Model for secondary and post-16 education) and therefore, as part of the 2019 Budget Report, the Policy & Resources Committee may need to recommend a redistribution of funding between categories.

Notwithstanding such movements, allocating funding from the Capital Reserve to the waste strategy will inevitably result in a commensurate reduction in the funding available for other projects or a requirement to further increase the appropriations from General Revenue to the Capital Reserve.

The funding of waste strategy infrastructure from the Capital Reserve would mean a reduction in the level of the Capital Reserve and hence a reduction in the amount of investment return received on that balance - for example, an investment return of 6% on the full value of the waste strategy infrastructure would result in a reduction in Capital Reserve income of nearly £2million per annum. This would directly reduce the funding available for projects in the next Capital Portfolio.

Funding the waste strategy from the Capital Reserve effectively means that general taxation is being used to fund provision of an asset for use by a trading entity which operates under a 'user pays' concept. The provision of trading entity assets through borrowing from the proceeds of the States of Guernsey bond issue is fully in line with the criteria for use of the bond agreed by the States including a secure income stream to repay the borrowing. **The provision of a loan from the Bond to fund the waste strategy was one of the uses detailed in the justification for the issue of a Bond, representing some 10% of the overall amount borrowed.**

The 2013 Budget Report (Billet d'État XXVI, 2012) identified a number of advantages of borrowing to finance projects to finance capital investment by trading entities, including:

- Flexibility to plan for future investment when it is most needed (rather than having to wait for sufficient cash balance to be accumulated);

- Increased perception of fairness as current consumers would be paying for the capital investment providing their service rather than paying for a cash reserve to pay for future investment for future customers;

- Flexibility to respond to changing requirements – e.g. changes in demand or technology; and

- Reduction of volatility in prices as capital expenditure costs would not create unnecessary peaks and troughs.

These advantages to borrowing remain relevant and are applicable to the Waste Strategy implementation due to the utility nature of the service. **The effect of replacing borrowing from the bond to funding from the Capital Reserve will be that past and current tax payers will be paying for assets which will be used to provide a service to future users who would usually pay through a fee based on their level of consumption of the service.**

Finally, should the States move away from the policy of user pays for funding capital assets used by trading entities, the Committee will need to review the policy on use of the proceeds of the States of Guernsey bond issue and, if necessary, would bring proposals to the States for expanding the range of entities and uses for which loans can be made.

Yours sincerely

Gavin St Pier
President
Policy & Resources Committee

Appendix 2 - Sensitivity of bag charges and set out rates

EXCESS/SHORTFALL (ROUNDED)										
Fixed:		**0%**			**20%**			**40%**		
Cap Reserve:		**0%**	**50%**	**100%**	**0%**	**50%**	**100%**	**0%**	**50%**	**100%**
Charge:		£4.29	£3.83	£3.37	£3.44	£3.06	£2.69	£2.58	£2.30	£2.02
Fix:		£0	£0	£0	£55	£49	£43	£111	£99	£87
-30%		- 2,240,000	- 2,000,000	- 1,760,000	- 1,790,000	- 1,600,000	- 1,410,000	- 1,350,000	- 1,200,000	- 1,060,000
-20%		- 1,500,000	- 1,340,000	- 1,170,000	- 1,200,000	- 1,070,000	- 940,000	- 900,000	- 800,000	- 710,000
-10%		- 750,000	- 670,000	- 590,000	- 600,000	- 540,000	- 470,000	- 450,000	- 400,000	- 360,000
0%		-	-	-	-	-	-	-	-	-
10%		750,000	670,000	590,000	600,000	540,000	470,000	450,000	400,000	360,000
20%		1,500,000	1,340,000	1,170,000	1,200,000	1,070,000	940,000	900,000	800,000	710,000

Appendix 3 – February 2017 States Resolutions

IN THE STATES OF THE ISLAND OF GUERNSEY
ON THE 16th DAY OF FEBRUARY, 2017
(adjourned from the 15th February, 2017)

The States resolved as follows concerning Billet d'État No V
dated 2nd February 2017

STATES' TRADING SUPERVISORY BOARD
AND COMMITTEE *FOR THE* ENVIRONMENT & INFRASTRUCTURE
IMPLEMENTATION OF THE SOLID WASTE STRATEGY

P.2017/3

III:- After consideration of the Policy Letter entitled 'Implementation of the Solid Waste Strategy' of the States' Trading Supervisory Board and the Committee *for the* Environment & Infrastructure: -

1. To rescind Resolution 2 of 1st February, 2007 on Billet d'État I of 2007, Resolution 2 of 30th November, 2007 on Article XII of Billet d'État XXIV of 2007, Resolution 4 of 9th December, 2010 on Article V of Billet d'État XXIV of 2010 and Resolution 1 of 22nd February, 2012 on Article VII of Billet d'État IV of 2012, and approve revised recycling targets to apply only to waste generated by households as follows:

    a. 60% by the end 2022; and

    b. 70% by the end of 2030.

2. To rescind the following resolutions of 12th February, 2014 on Article I of Billet d'État II of 2014 –

    a. Resolutions 4 and 5, in relation to tendering for the Transfer Station and the transportation and export of residual waste to an off-island energy from waste facility;

    b. Resolution 6, in relation to the approval of recommended tenderers and the release of relevant funds for capital and operational costs for the Transfer Station and the transportation and export of residual waste to an off-island energy from waste facility;

    c. Resolution 7, in relation to tendering for other on-Island infrastructure; and

    d. Resolution 8, in relation to the approval of recommended tenderers and the release of relevant funds for capital costs up to a total sum not to exceed £29.5 million.

3. To approve the change in the method of treatment of food waste from on-island In-Vessel Composting to the export and transportation of food waste and its subsequent treatment at a suitable off-island facility.

4. To authorise the States' Trading Supervisory Board:-

   a. to tender for the export and transportation of food waste and its subsequent treatment at a suitable off-island facility;

   b. to continue the tender process for the export and transportation of residual waste and its subsequent treatment at an off-island energy from waste facility;

   c. to continue the tender process for the construction or operation or the construction and operation of –

      i. a Transfer Station;

      ii. a Materials Recovery Facility;

      iii. a Household Waste Recycling Centre; and

      iv. a Repair and Reuse Centre and any other general site infrastructure at Longue Hougue,

   and to direct the States' Trading Supervisory Board, on receipt of tenders, to submit a full business case or cases in relation to such infrastructure and services, to the Policy & Resources Committee, in accordance with any requirements of the Policy & Resources Committee.

5. To authorise the States’ Trading Supervisory Board to approve tenderers for any of the facilities or services referred to in proposition 4, subject to prior approval of a full business case relating to the facilities or services in question by the Policy & Resources Committee and to direct the Policy & Resources Committee, upon its approval of such a full business case and the approval of the relevant tender by the States' Trading Supervisory Board, to make available a loan from the proceeds of the States of Guernsey Bond Issue (of December 2014) to fund the capital costs of such facilities or services; and to direct the States' Trading Supervisory Board to fund the loan interest and capital repayments from the Solid Waste Trading Account.

6. If any of the costs of the Solid Waste Strategy exceed those indicated in the Policy Letter, to delegate authority to the Policy & Resources Committee to approve revisions to the relevant estimated capital and operational costs.

7. To note that all solid waste management costs of the States referred to in the Policy Letter are to be managed through the Solid Waste Trading Account in accordance with Resolution 2 of 12th February, 2014 on Article I of Billet d'État II of 2014 and to direct the States' Trading Supervisory Board to recover such costs fully through charges to householders, businesses and other users of waste management services.

<u>THE STATES OF DELIBERATION</u>
<u>of the</u>
<u>ISLAND OF GUERNSEY</u>

COMMITTEE *FOR THE* ENVIRONMENT &
INFRASTRUCTURE AND
STATES' TRADING SUPERVISORY BOARD

WASTE STRATEGY IMPLEMENTATION - HOUSEHOLD CHARGING MECHANISMS

The President
Policy & Resources Committee
Sir Charles Frossard House
La Charroterie
St Peter Port

5th March, 2018

Dear Sir,

Preferred date for consideration by the States of Deliberation

In accordance with Rule 4(2) of the Rules of Procedure of the States of Deliberation and their Committees, the Committee *for the* Environment and Infrastructure (C*f*E&I) and the States' Trading Supervisory Board (STSB) request that the 'Waste Strategy Implementation – Household Charging Mechanisms' Policy Letter be considered at the States' meeting to be held on 18th April 2018.

As you are aware, discussion at the December 2017 States meeting resulted in a direction for the STSB and the C*f*E&I to consult with your Committee and to return to the States as soon as possible, with proposals for financing all or part of the capital elements of the waste strategy from the Capital Reserve. STSB and C*f*E&I have met jointly to discuss funding options, which have also been shared with and formally responded to by the Policy & Resources Committee. This Policy Letter is the outcome of the joint discussions.

The implementation of the waste strategy is on a critical path. In order to ensure new collection and charging arrangements can be introduced according to the current timeline, a clear direction from the States on the preferred capital funding option and the balance of fixed and per bag charges is urgently required. This Policy Letter is the catalyst for that direction and discussion at the April 2018 States' meeting will facilitate the implementation of the waste strategy in line with planned timescales and avoid further delay.

Yours faithfully,

Deputy C N K Parkinson
President
States' Trading Supervisory Board

JC S F Smithies
Vice President

S J Falla MBE
J C Hollis
Non-States Members

Deputy B L Brehaut
President
Committee *for the* Environment & Infrastructure

Deputy M H Dorey
Vice President
Deputy S L Langlois
Deputy H L De Sausmarez
Deputy S T Hansmann Rouxel

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2 March 2018

Dear Sir

Election of Non-voting member of the Committee *for* Education, Sport and Culture

In accordance with Rule 46(5) please accept this letter as notification of the election of Mr Andrew Warren as a non-voting member of the Committee *for* Education, Sport & Culture.

In accordance with Rule 46(5) please publish a statement, as an appendix to a Billet d'État, setting out that Mr Warren was elected on 2 March 2018 to serve as a non-voting member of the Committee *for* Education, Sport & Culture, and that the Committee had seen a completed Declaration of Interest and a completed Declaration of Unspent Convictions before the election. The Committee *for* Education, Sport & Culture was satisfied that the appointment of Mr Warren would not lead to a conflict of interest. A Declaration of Unspent Convictions has been lodged with the Greffier for publication in accordance with Rule 29.

Yours faithfully

SIGNED

Deputy M J Fallaize
President
Committee *for* Education, Sport & Culture