

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

ESTABLISHMENT OF THE SOCIAL INVESTMENT FUND

The States are asked to decide:-

Whether, after consideration of the policy letter entitled 'Establishment of the Social Investment Fund', they are of the opinion:

1. To note that the Social Investment Fund will be established in 2020 as a Company Limited by Guarantee.
2. To rescind Resolutions 1, 2 and 4 of Article XIII, Billet d'État XX 2014 ('Culture and Leisure Department – Channel Islands Lottery – Administration Arrangements, Forfeited Prize Account and 2011-2013 Reports and Accounts).
3. To replace Resolution 3 of Article XIII, Billet d'État XX 2014 ('Culture and Leisure Department – Channel Islands Lottery – Administration Arrangements, Forfeited Prize Account and 2011-2013 Reports and Accounts) with "To direct that any Channel Island Lottery proceeds are to be retained in the Channel Islands Lottery (Guernsey) Fund Appropriation Account and to delegate authority to the Policy & Resources Committee to approve their use for:
 - (i) Funding initiatives designed to help and support individuals experiencing gambling problems locally;
 - (ii) Providing a ring-fenced annual grant to the Committee *for* Education, Sport & Culture specifically for funding Beau Sejour Leisure Centre; and
 - (iii) Transferring to the Social Investment Fund.
4. To agree that a ring-fenced annual grant of a maximum of £700,000 per annum for the three years 2021 – 2023 be provided from the Channel Islands Lottery (Guernsey) Fund Appropriation Account to the Committee *for* Education, Sport & Culture specifically for funding Beau Sejour Leisure Centre.
5. To note that the grant arrangement set out in proposition 4 will be reviewed by no later than December 2022 and proposals for any change made by the Policy & Resources Committee, following consultation with the Committee *for* Education, Sport & Culture, in the appropriate Budget Report.
6. To approve the transfer of the uncommitted balance of the Channel Islands Lottery (Guernsey) Fund Appropriation Account as at 31 December 2019 to the Social Investment Fund.

7. To agree that any balance of the Channel Islands Lottery (Guernsey) Fund Appropriation Account from 2020 onwards be transferred to the Social Investment Fund.

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

ESTABLISHMENT OF THE SOCIAL INVESTMENT FUND

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

10 February, 2020

Dear Sir

1. Executive summary

- 1.1. In early 2017 the Association of Guernsey Charities proposed that a social investment commission or comparable body be established as a vehicle that would use both public and private funds drawn from a variety of sources to invest in the charitable and third sector, and would help build even greater partnership and joint working between the States and the charitable and third sector. Similar bodies have been set up in other jurisdictions as a way of developing and supporting the third sector work to deliver desired outcomes in an efficient and sustainable way.
- 1.2. Following consideration of the 2018 Budget Report, the States agreed a proposal to establish such a body¹. Work has been undertaken to establish the body as a Company Limited by Guarantee called the Social Investment Fund.
- 1.3. The Social Investment Fund's primary purpose will be to use funds to invest in the Bailiwick's charitable and community sector organizations in order to deliver the following four main themes of the States of Guernsey's Future Guernsey Plan:
 - Healthy community;
 - Inclusive and committed to social justice;

¹ [Billet D'État XX of 2017 Resolution 29 of The States of Guernsey Annual Budget for 2018](#)

- Safe and secure place to live; and
 - Lifelong learning.
- 1.4. In order to receive funding, organisations will need to demonstrate that their objectives meet the Future Guernsey Plan themes, together with any identified priorities outlined by the Policy & Resources Committee.
- 1.5. During 2018-19 work has been undertaken to unlock funding for investment by the Social Investment Fund from resources such as:
- The Guernsey surplus of the Channel Islands Lottery;
 - Dormant accounts;
 - Seized Asset Funds;
 - HM Receiver General funds; and
 - The transfer of the jurisdiction of the probate function enabling a grant to be made to good causes.
- 1.6. A working group has advised on the establishment of the Social Investment Fund, comprising expertise from the Association of Guernsey Charities, the Guernsey Community Foundation and the Lloyds Bank Foundation for the Channel Islands. This group looked at process, governance and structure together with the Policy & Resources Committee and officers.
- 1.7. In February 2019 the Policy & Resources Committee appointed three independent members of the Shadow Social Investment Fund following an open and transparent recruitment process:
- Jurat Stephen Jones OBE, who will also chair the Social Investment Fund
 - The Very Reverend Tim Barker, the Dean of Guernsey
 - Susie Crowder
- 1.8. The Social Investment Fund will be established as a Company Limited by Guarantee, as is common with formalised States of Guernsey partnerships with external partners (recent examples being the Guernsey Employment Trust and the Health Improvement Commission). The Social Investment Fund will come into formal operation in 2020 and this policy letter details its operating structure and prospective funding sources. It is proposed that the current uncommitted balance of the Channel Islands Lottery (Guernsey) Fund Appropriation Account and any future balances, after funding an annual grant to Beau Sejour Leisure Centre and initiatives designed to help and support individuals experiencing gambling problems locally, are transferred to the Social Investment Fund.

2. Background and rationale

- 2.1. The establishment of a Social Investment Commission or Fund followed a Resolution as part of the 2018 Budget Report:

“To direct the Policy & Resources Committee to establish a social investment commission during 2018, to begin operation from 1 January 2019.”

2.2. This followed on from a proposal in early 2017 from the Association of Guernsey Charities. The objective was to establish a body that would use both public and – if donated in the future – private funds drawn from a variety of sources to invest in the charitable and third sector, and would help to build even greater partnership and joint working between the States and the charitable and third sector. Similar bodies have been set up in other jurisdictions as a way of developing and supporting the third sector work to deliver desired outcomes in an efficient and sustainable way.

2.3. In the 2017 Medium Term Financial Plan², the Policy & Resources Committee set out its commitment to the establishment of a social investment commission or similar body:

“In order to support this, the Committee wishes to exploit all available sources of finance which might support the commissioning of services and enable investment in longer term preventative strategies that could significantly reduce the pressure on the future public service. The second phase of this work would involve ensuring that funding which is currently paid by way of grants and subsidies to the third sector is used to help deliver on desired outcomes. Therefore, the Committee is working with the Association of Guernsey Charities to explore the establishment of a social investment commission as a vehicle to act as an enabler of social investment projects and funder of the same.”

2.4. Since the States’ support for this proposal, work has taken place to establish the structure, governance, funding and objectives of the Social Investment Fund. This work benefited from the advice of an expert working group comprising:

- Wayne Bulpitt CBE – Chairman of the Guernsey Community Foundation
- Johanna Le Poidevin – Executive Director of the Lloyds Bank Foundation for the Channel Islands
- Peter Rose – Vice-Chairman of the Association of Guernsey Charities.

3. Governance

3.1. The Social Investment Fund will be established as a Company Limited by Guarantee (“LBG”) as is common with formalised States of Guernsey partnerships with external partners (for example the Guernsey Employment Trust, the Health Improvement Commission and Guernsey Finance). It will also be registered as a charity/non-profit organisation (“NPO”).

3.2. The Social Investment Fund will be managed by a Board of Directors, comprising three expert independent members and two States’ representatives. The appointment of three independent members (“the independent members”) was agreed by the Policy & Resources Committee in February 2019 following an open and transparent application

² [2017-21 Medium Term Financial Plan](#)

and interview process. The independent members were appointed to serve a maximum of two full terms of three years and, alongside the States representatives on the board, will become directors of the company from the date that the Fund is incorporated. It is currently proposed that the directors will retire in rotation, to ensure continuity for the Fund's operation. Pending the incorporation of the company, the members have agreed to serve as independent members of the shadow board of the Social Investment Fund.

- 3.3. The recruitment of the board members was undertaken from December 2018 to January 2019. Applications were received from nine candidates, with six candidates invited to interview by a panel comprising Deputy Le Tocq, Deputy Stephens and the States Treasurer.
- 3.4. The three independent members appointed by the Policy & Resources Committee are:
 - Jurat Stephen Jones, OBE - who will also chair the Social Investment Fund
 - The Very Reverend Tim Barker – the Dean of Guernsey
 - Susie Crowder
- 3.5. The Board also comprises two members who are strategic leaders from within the States of Guernsey. In the first instance, the roles will be filled by:
 - The Strategic Lead for Place Policy to ensure alignment to policy objectives and States' commissioning intentions; and
 - The States Treasurer to ensure: integration with States funding, that longer term impacts for the States are considered and that opportunities for partnership funding are explored.
- 3.6. In addition, a Social Investment Fund support officer has been appointed on a two-year contract to provide a secretariat for the grant process, and to support grant applicants in submitting bids. This has been funded from the allocation made from the Transformation and Transition Fund to establish the Social Investment Fund.
- 3.7. The Social Investment Fund will be accountable to the States through the Policy & Resources Committee in terms of its funding decisions and distributions. Once incorporated, the Policy & Resources Committee, on behalf of the States, will be the member of the company. The Social Investment Fund will provide annual accounts to the Committee and hold an Annual General Meeting with the Committee as the voting member.
- 3.8. The Policy & Resources Committee will put in place a governance document which will set out: the relationship between the States and the Fund; specify the funds for the Fund to hold; set any limits for awards to be made; and set out its policy for reserves. This governance document will also provide for the Policy & Resources Committee to set the criteria for the prioritisation of funding awards to be made by the Social Investment Fund. These priorities could be revised by the Committee in line with any revisions to States' policies, operational and/or funding priorities.

- 3.9. The Social Investment Fund will report to the States of Deliberation through the submission of an annual report to the Policy & Resources Committee for inclusion in the Future Guernsey Plan annual update. It will also hold an annual meeting with a presentation of its work to the charitable sector. It will be expected to provide more regular updates as its work progresses and as may be requested by the Policy & Resources Committee. It will also be encouraged to meet with the States' Principal Committees to understand better their priorities and challenges.
- 3.10. To ensure transparency in its operations, the Social Investment Fund will publish the details of the funding arrangements it enters into with applicants.

4. Objectives

- 4.1. The Social Investment Fund's primary purpose is to use funds drawn from public and, potentially in the future from private sources, to invest in the charitable and community sector to help deliver the following four main themes of the States of Guernsey's Future Guernsey Plan:
- Healthy community;
 - Inclusive and committed to social justice;
 - Safe and secure place to live; and
 - Lifelong learning.
- 4.2. The Fund will work in partnership with the charitable and third sector, including third sector associations and other grant makers. The Fund will assist organisations in applying for funds; will be responsible for evaluating and approving funding applications from qualifying applicants; and will encourage public services to work closely with the third sector through commissioning and partnering models. Over time, and with the agreement of States' Principal Committees, it may also take on further responsibility for ensuring that relevant grants and subsidies from the States are targeted to achieving desired outcomes.
- 4.3. The Social Investment Fund has a number of supporting objectives:
- Supporting charities or NPOs as well as partnerships, including States Committees and operational areas, in delivering services that support the outcomes of the Future Guernsey Plan in the Bailiwick;
 - Working with the States and charities or non-governmental organisations to undertake and support the commissioning of services and investment in longer-term preventative strategies, community and charitable projects. This will have the aim of providing better outcomes, reduce future pressure on public services and potentially ensure that current grants and subsidies are targeted at delivering the desired outcomes;
 - Fostering greater resilience and capacity in the charitable and third sector; and
 - Providing short or medium-term loans to charities or non-governmental organisations to invest in augmenting existing services where there is a

demonstrable community need and a return on investment for the Social Investment Fund over time.

5. Approach to funding

5.1. The Social Investment Fund will:

- Be empowered to make impact investments in the Bailiwick (referred to in paragraph 5.7 below);
- Work with applicants to build a more sustainable approach to funding, rather than encouraging year-on-year grants. In doing so, it recognises the significant work led by the Association of Guernsey Charities to support its members in taking a more sustainable approach to funding and service provision; and
- Work with other grant-giving bodies to ensure that grant investment across the Bailiwick is co-ordinated, efficient and effective.

5.2. Funding support may take the form of grants, or potentially loans, or may be funded by a combination of both depending on the project. However, the Fund will need to be mindful of the need to ensure its funds are sustainable and the best means to achieve this.

5.3. The intention is that the Fund will make available funding to organisations that can demonstrate a real, measurable contribution to achieving successful outcomes under the Future Guernsey Plan and any priorities within that Plan as will be defined through the governance document. The scale and level of support from the Fund will depend on the anticipated outcomes and will require strong supporting evidence before funding is made available. Projects seeking support will need to be clear on the outcomes they aim to achieve, their sustainability and on the criteria by which success will be measured. One of the early tasks will be, guided by the priorities of the States, to develop and publish the criteria against which funding applications will be assessed, clearly linked to the Future Guernsey Plan.

5.4. Central to the Fund's success will be its work to support organisations to apply for funds but also encouraging public services to look at ways to work more closely with the third sector through commissioning or partnering.

5.5. The Social Investment Fund will need to be satisfied that the organisations it intends to support have the right governance and capability to deliver the outcomes envisaged under any application for funding (as referred to in section 6 below). This will include being satisfied about the capability of the charity to adequately safeguard any grants provided to it or to service any loans that may be advanced. This will require regular monitoring of performance in the delivery of the funded project against targets. In the event that performance is less than satisfactory, the Fund will have freedom to take such measures it believes necessary to mitigate any risks to its funds. It is hoped that such measures would not be needed but the Board should be expected to operate with longer-term sustainability in mind.

- 5.6. It is also expected that a “small grants” programme will be run for grants with a streamlined application, approval process and reporting requirement that will be managed by a not-for-profit partner of the States. This would succeed the current programme run by the Association of Guernsey Charities for distribution of the Christmas lottery proceeds. All grants made under this scheme will also be required to provide a link to the Future Guernsey Plan priorities.
- 5.7. The Social Investment Fund will develop and publish its approach to assessing applications for funding to include its expectations on governance, the likely terms attached to loans or grants and the steps it will take in the event of underperformance. Given the mix of planned funding sources, there is scope for some flexibility in the manner in which the funds will be put to work. There are some limitations on how certain fund sources can be made available and the purpose to which they are used. It is likely that some of the funds may be made available by way of loans, others (such as lottery funds) may be made available as grants and others (such as Seized Assets Funds) may require targeted investment to achieve specific outcomes. The Fund will have certain flexibility on how it allocates funds, keeping in mind the need for it to be sustainable long-term. It is also expected that the Fund may be able to support organisations through a form of social impact investment, where payments are normally made based on achieving agreed outcomes and can be used to finance services, costs or infrastructure.
- 5.8. The Social Investment Fund will focus on outcomes, and will encourage applications for funding to address these outcomes when applying for funds. That means that it will be easier for applicants to set out what the funding will achieve and, therefore, why it is needed; and it will also make it straightforward to monitor and determine if those outcomes have been or are being achieved.

6. Applicants’ governance

- 6.1. As well as applicants for funds needing to demonstrate that their applications satisfy the Future Guernsey Plan outcomes, the Social Investment Fund will need to be satisfied that the organisations it intends to support have the right governance arrangements in place and also the capability to deliver the outcomes envisaged under any application for funding. This will include the Social Investment Fund being satisfied about the capability of the organisation to adequately safeguard any grants provided to it or service any loans. This will require regular monitoring of performance in the delivery of the funded project against agreed targets and outcomes.
- 6.2. The Social Investment Fund will devise and publicise these monitoring processes for applicants. In the event that a recipient’s performance is not satisfactory, the Social Investment Fund will have freedom to take such measures that it believes necessary to mitigate any risks to its funds. It is hoped that such measures would not be needed but the Social Investment Fund should be expected to operate with longer-term sustainability in mind.

- 6.3. The Social Investment Fund will develop and publish its approach to assessing applications for funding, including its expectations on governance, the likely terms attached to grants or loans and the steps it will take in the event of underperformance. Clear application processes for funds will be put in place and shared with applicants. The Social Investment Fund officer will also provide support and advice to applicants, to enable them to effectively and successfully apply for funds.
- 6.4. These governance requirements will be aligned with the best practice guidelines established by the Association of Guernsey Charities and reproduced below³:

The charity's aims - the Constitution or Governing Document

A charity should be formally set up with clearly documented aims and rules by which it will be run. This should be set out in the charity's governing document (e.g. a constitution). A Charity may be constituted in a number of ways and these guidelines do not attempt to address specifically charities constituted as a company, by way of trust deed etc.

The UK Charity Commission has some helpful guidance and some model documents on constitutions for charities.

A charity should review its Constitution periodically to keep it up to date and to keep pace with the charity's development.

Governing committee

A charity should be run by a clearly identifiable body of people (which may be a governing committee, a board of trustees, a board of directors etc, described herein as the "Committee") who take responsibility, and are accountable, for controlling the charity so that it is effectively and economically run. The Constitution should clearly identify who within the charity has this role. The Committee should be of a manageable size and comprise members who together have the skills, knowledge and experience needed to run the charity effectively and economically given its complexity.

Unless the charity is constituted in a way which might limit their liability, the Committee, and if relevant the members, are effectively trustees and are jointly and severally liable for any debts and claims incurred by the charity.

The members of the Committee should submit themselves for re-election by the Beneficiaries periodically, and minimally every 3 years.

Management of the charity's activities

A charity which works effectively for its Beneficiaries takes steps to discover and

³ [Link to the AGC website](#)

understand their changing needs, and directs its charitable activity towards meeting those needs.

There should be an item in the agenda in which the affairs of the charity are discussed and managed and General Meetings where members and Beneficiaries have the opportunity to ask questions of and provide feedback to the Committee. One General Meeting in each year should be the Annual General Meeting which should deal with the election of Committee members and the presentation, approval and adoption of the annual accounts.

Integrity

No charity should use its resources on any activities which do not contribute, directly or indirectly, to achieving its stated aims. Donations which are received in response to a public appeal should be used by the Committee in accordance with the terms of that appeal. Funds donated for the general purposes of the charity may be used more generally toward achieving the charity's aims.

The Committee should act without regard to their personal interests. They should act solely in the interests of their charity, regardless of how or by whom they were appointed.

No-one should be a member of the Committee who has been convicted of a criminal offence involving dishonesty or deception, is an undischarged bankrupt, is disqualified as a company director or has a criminal conviction inappropriate in the context of the charity's activities.

Any monies paid to members of the Committee other than refund of properly incurred expenses should be approved at the annual general meeting.

Competence and effective management

The Committee is responsible for the charity having procedures and internal controls that are adequate for the nature and scale of the charity's activities. The Committee should manage and account for the charity's resources well and deploy them to the best advantage of its present and future Beneficiaries.

The Committee should include a treasurer whose responsibility is to keep proper records of the charity's assets, liabilities, income and expenses and prepare accounts annually. These accounts should be approved by the Chairman of the Committee and the Treasurer, and presented to and approved by the Beneficiaries at an annual general meeting.

The Association recommends that Charities should appoint an independent accountant to review and provide an independent accountant's report, or audit report, on the annual accounts and in particular if annual income or assets exceed £5,000.

Risk management

The Governing Committee should consider the risks of any activity in which the charity engages and should ensure that the individuals organising and involved in such activity have sufficient skills and are fit and proper persons and that any risks, either physical or financial, are minimised and properly explained, if appropriate, to others involved.

Legal compliance

The Governing Committee should take steps to ensure it complies with the law in respect of any activities in which it engages.

Reputation

A charity should conduct its external relations, fund-raising and publicity in a way that enhances its own reputation and that of charities generally.

Self Assessment

The Association recommends that Charities assess their compliance with best practice annually.

- 6.5. Recipients of funds, in the form of grants and loans, will need to agree to a standard of transparency and have governance in place which meets the minimum standards of compliance for charities and non-profit organisations. In addition, applicants will be required to satisfy due diligence checks. By having these measures in place, this will help to reduce any risks regarding potential misuse of public funds and ensure that funds are used for the purposes awarded.
- 6.6. The Social Investment Fund will require registration of all recipients of its funds either as non-profit organisations (NPOs) or as charities with the Guernsey Registry for Guernsey and Alderney organisations and with the Sark Registrar for Sark based organisations. Registered NPOs are currently subject to a number of legal and regulatory requirements, including that registered organisations must maintain records regarding all financial transactions made for up to six years, file annual statements with the Registrar unless exempt, and inform the Registrar of any changes regarding their registered details.
- 6.7. In addition, from the end of December 2019, registered organisations have been required to comply with the 2018 guidance issued by the Policy & Resources Committee, although at this stage these requirements have not been legally binding upon organisations. These governance requirements were subsequently outlined in the policy letter entitled “Charities and other Non Profit Organisations”⁴, considered by the

⁴ [Policy Letter Billet D’État I of 2020](#)

States in January 2020 and States resolutions.⁵ These resolutions provided for the introduction of legislation which will set out the legal requirements that organisations will be required to comply with in the future, as detailed in paragraph 6.8 below.

6.8. The 2018 requirements include enhanced governance measures for registered organisations regarding:

- The organisation’s constitution;
- Risk mitigation measures in place;
- Identification of donors;
- Identification of beneficiaries;
- Financial controls; and
- Financial probity and transparency measures.

6.9. As part of the Social Investment Fund’s compliance checks, prior to the release of any award, the proposed outline of the applications process is that recipients will be required to complete a detailed registration form. The completed form will inform the Social Investment Fund’s compliance checks to ensure that all funds received and transferred are properly accounted for and that the charity has appropriate measures in place to mitigate the risk of its funds (from any source) being used unlawfully, including through the payments of bribes, for financing terrorism or for money laundering purposes.

6.10. As part of the application process, it is proposed that applicants for funds will also be required to complete an enhanced due diligence questionnaire. The Social Investment Fund will then review the completed questionnaire before reaching a final decision on whether or not the organisation should receive funding for the particular project.

6.11. Any charity or third sector organisation applying for funding will need to ensure that its governance measures, financial controls and safeguarding measures (where required) satisfy the minimum standards required.

7. Funding for the Social Investment Fund

7.1. The Policy & Resources Committee has already used its delegated authority to allocate £205,000 of the social policy development funding within the Transformation and Transition Fund to support the establishment of the Social Investment Fund and fund the officer for an initial period of two years. Following its establishment, it is intended that the Social Investment Fund’s future expenses will be met from its income.

7.2. The 2018 Budget Report included that as part of the work *“to establish the [Social Investment Fund] and source additional funding, the Policy & Resources Committee intends to work to unlock funds that might currently be out of reach, but which could be used for public benefit by the commission including, for example, balances held in dormant bank accounts and by HM Receiver-General.”* This has been the focus of much

⁵ [States resolutions 15 January 2020, Billet D’État I of 2020](#)

work during 2018-19.

- 7.3. It is anticipated that funding from the following sources will be available for the Social Investment Fund. In some cases, separate policy letters, future States' resolutions and enabling legislation will be required to effect the allocation to the Social Investment Fund.

Guernsey Surplus of the Channel Islands Lottery

- 7.4. The Guernsey Lottery was established in 1971 as a means of providing funding for special States' led projects of benefit to the community. In the following year, the States of Deliberation agreed to refine the objective of the Lottery in order for it to contribute only to the Beau Sejour Leisure Centre ('Beau Sejour'), which was then under development. When the Lotteries of Guernsey and Jersey merged to form the Channel Islands Lottery in 1975, a States Resolution determined that the Guernsey portion of the proceeds should continue to be directed towards the operation of Beau Sejour in recognition of its value to the local people.
- 7.5. In 1989, the States resolved that the proceeds from one draw each year would be donated to the Association of Guernsey Charities which would then be able to allocate the grant between its members. The Christmas Draw, as the largest draw of the year, has routinely been allocated for this purpose.
- 7.6. Prior to 1998, Beau Sejour was sustained mainly on the proceeds from Lottery sales. However, between 1990 and 1996, the Centre's Cash Reserves were depleted to cover an emerging funding shortfall. The resulting States' review of funding arrangements in 1997 identified that Lottery proceeds alone were no longer sufficient to support the Centre.
- 7.7. In February 1998, the States agreed to the former Recreation Committee's recommendation that Beau Sejour receive General Revenue funding as the operating deficit at that time could not be fully covered by the contribution from Lottery profits alone. Lottery support is essential for Beau Sejour to remain able to provide amenities inclusively across the population and the centre has continued to benefit from the proceeds (2017: £493,000; 2018: £625,000; 2019 (budget): £667,000; 2020 (budget): £659,000).
- 7.8. The increases in Lottery sales in the early 2000s and greater efforts to secure efficiencies and reduce operating costs at Beau Sejour created a situation where Lottery proceeds were likely to exceed the operating deficit of the centre. Therefore the Culture & Leisure Department presented a policy letter to the States in September 2014 making recommendations on, inter alia, the administration arrangements for the Channel Islands Lottery and the use of surplus funds. (Billet d'État XX, 2014)

7.9. Following consideration of this policy letter, the States agreed⁶:

1. *“To agree that the proceeds from the annual Christmas Draw be donated to registered, local charitable bodies as authorised by the Treasury and Resources Department upon the recommendation of the Culture and Leisure Department.*
2. *To confirm that the annual proceeds of the Channel Islands Lottery, aside from the annual Christmas Draw, continue to be transferred to the Beau Sejour Centre up to the level of the Centre’s operating deficit for that same calendar year.*
3. *To direct that any Channel Islands Lottery proceeds exceeding the operating deficit of the Beau Sejour Centre, excluding the Christmas Draw, is to be retained within the Appropriation Account to be used either for major projects that will enhance the Department’s properties or for the funding of events which have a particularly special significance to the Island’s heritage and unique cultural identity [or to fund initiatives designed to help and support individuals experiencing gambling problems locally].”⁷*
4. *To delegate authority to the Treasury and Resources Department to approve use of the Appropriation Account.”*

7.10. Since the time when this arrangement was put in place, the Lottery Appropriation Account has been used to contribute towards the 2015 Liberation Day celebrations (£50,000) and the 2021 Island Games (£200,000). The balance as at end of 2018 for the Lottery Appropriation Account was £1.9 million with a remaining commitment £400,000 of £400,000 to the 2021 Island Games. In 2019, the Policy & Resources Committee approved two further uses of the Lottery Appropriation Account: £30,000 to fund a strategic review of the incidence and impact of gambling related issues locally; and £90,000 to contribute towards funding the 2020 Liberation Day celebrations.

7.11. The Policy & Resources Committee acknowledges the importance of Beau Sejour and that a subsidy is necessary in order to continue to support the wide range of services which deliver substantial benefits to the local community. As set out in the 2014 policy letter, Beau Sejour:

- Provides an important resource to sports which are not economically capable of using or establishing facilities elsewhere on the Island and serves as a focus for the growth and development of less traditional or mature sports;
- Provides significant support to cultural offerings including GADOC (the Guernsey Amateur Dramatic and Operatic Club) and the Eisteddfod;
- Hosts a number of specific initiatives aimed at promoting healthy lifestyle choices and social wellbeing in cooperation with Health & Social Care, such as the Lifefit programme; and

⁶ [States resolutions 25 September 2014 Billet d’État XX of 2014](#)

⁷Additional wording introduced by amendment made by [Resolution 54 States Budget for 2019, Billet D’État XXIV of 2018](#)

- Is an important facility for community events and has extensive capacity in terms of banqueting, conferences and meeting rooms.

7.12. Overall the Beau Sejour Leisure Centre plays an important role in almost all aspects of the local community and makes a significant contribution to the strategic aims of the States. The Policy & Resources Committee therefore believes that the Centre should continue to receive lottery funding and, after consultation with the Committee *for* Education, Sport & Culture, is proposing that a ring-fenced annual grant is provided from the Lottery proceeds which will provide more planning certainty. The Committee is proposing that the grant is initially set at a maximum of £700,000 which exceeds the current deficit and would allow additional community projects to be developed and delivered.⁸ It is proposed that the grant is set at this level for three years 2021-2023 with a review to take place by no later than December 2022. This review would include consultation with the Committee *for* Education, Sport & Culture and any proposals for change would be included in the appropriate Budget Report.

7.13. In many other jurisdictions, proceeds from lotteries are distributed entirely to the benefit of the community through organisations outside of government. Lottery surpluses are often used to support charities, sport and active living; the arts and heritage. The surplus funds which have been accumulating in the Lottery Appropriation Account could contribute to significant community benefit if applied for such purposes and allocating the funds outside government would not preclude the type of initiatives funded to date, such as Liberation Day celebrations. Therefore, it is proposed that the uncommitted balance of the Channel Islands Lottery (Guernsey) Fund Appropriation Account as at 31 December 2019 is transferred to the Social Investment Fund and, from 2020, this Account is allocated as follows⁹:

1. To continue to fund initiatives designed to help and support individuals experiencing gambling problems locally;
2. To provide a ring-fenced annual grant of a maximum of £700,000 per annum for the three years 2021 – 2023 to the Committee for Education, Sport & Culture specifically for funding Beau Sejour Leisure Centre; and
3. The balance be transferred to the Social Investment Fund.

Dormant Accounts

7.14. In line with numerous other jurisdictions, the Policy & Resources Committee has been exploring the establishment of a statutory scheme which will require the transfer of balances in dormant bank accounts¹⁰. There is a proven and successful mechanism in

⁸ The existing arrangement will remain in place whereby General Revenue funding will be provided if the funding from the Lottery Appropriation Account is less than the agreed grant.

⁹ Existing resolutions from 2014 and 2018 regarding the Lottery and the Lottery Appropriation Account will be updated if the propositions (2-5) on page 1 of this policy letter are approved.

¹⁰ In general terms a dormant account is defined as an account where contact has been lost by a bank with a customer (natural and legal persons, wherever they reside) for at least fifteen years.

the UK, Jersey and the Isle of Man for collecting money from dormant bank accounts and using those funds for good causes.

- 7.15. A policy letter is being finalised for consideration by the States in the first quarter of 2020 which will seek agreement to establish such a scheme which would involve the balances of all dormant accounts to be transferred to a statutory fund – the Bailiwick Dormant Accounts Fund (BDAF) – which would be the responsibility of the Policy & Resources Committee.
- 7.16. A proposal will be included in the policy letter that funds contained within the BDAF will be made available for good causes and that the Policy & Resources Committee be given authority, once a policy has been put in place regarding the level of distributable funds, to nominate third parties to manage the distribution of such funds. It is the intention of the Committee that the Social Investment Fund be nominated in the first instance to manage such distributions to good causes.
- 7.17. It is not possible, at this stage, to estimate the level of funds contained within dormant accounts or how much of the BDAF could be made available for good causes, given the requirement that the BDAF would be required to repay any account holders who later reclaim their funds.
- 7.18. Following consideration of the policy letter entitled “Insolvency Law Review – Amendments to the Companies Law”¹¹ the Committee *for* Economic Development was tasked with preparing a policy letter with regard to the establishment of a statutory scheme for unclaimed dividends. The President of the Committee *for* Economic Development updated the States in January 2020 that the implementation of such a scheme, both conceptually and practically, is complex, that there remain a number of legal issues which require further consideration and that potential synergies are being explored with proposals being developed for the dormant bank accounts scheme.

Seized Assets Fund

- 7.19. The Seized Assets Fund was set up in 1995 to create a much needed additional resource in the fight against drug trafficking. HM Receiver General currently has oversight of this Fund, and has established a dedicated committee called the Seized Asset Fund Committee, comprising senior civil servants, the Law Officers and the Head of Law Enforcement to govern the Fund. The Fund receives and holds forfeited assets confiscated locally and from foreign jurisdictions, through criminal as well as civil proceedings. Expenditure of the Fund is agreed according to its expenditure policy which requires that once all costs have been recovered, any identifiable victims compensated and any assets sharing agreements honoured, the remainder is paid into

¹¹ [Resolutions regarding Billet D’État VII of 2017](#)

the Seized Assets Fund Criminal Justice Account or the Seized Assets Fund Community Account.

- 7.20. The Criminal Justice Account is ring-fenced for use by law enforcement and the Law Officers and used to provide financial support for selected complex or resource-intensive investigations, individually identified international co-operation initiatives, and procurement of specific specialist equipment.
- 7.21. Through the Community Account, support is provided for broader States work and charitable purposes such as community orders, crime prevention, drug and alcohol rehabilitation, and mental health initiatives; projects such as the Drug and Alcohol Strategy; groups such as Victim and Witness support, and other relevant charitable or not for profit groups.
- 7.22. The Seized Assets Fund had an unaudited balance of £15 million at the end of 2019.
- 7.23. Following consideration of the 2019 Budget Report, the States resolved:

“To agree to a review of the governance and operation of the Seized Assets Fund to be carried out jointly by the Policy & Resources Committee and the Committee for Home Affairs, consulting with HM Receiver General and other interested parties as appropriate and direct the Committees to report back to the States no later than December 2019 with recommendations for the future governance and operation of the Fund”

- 7.24. The review has now been completed and a policy letter is being prepared which the Committee for Home Affairs and the Policy & Resources Committee will be presenting for consideration by the States early in the second quarter of 2020. The policy letter will propose seeking to put the Fund on a statutory footing and recommend new governance arrangements.
- 7.25. In addition, the policy letter is likely to recommend that, whilst the majority of the Fund should be used to fight financial crime, a portion of the Fund and future net receipts to it should be applied for good causes and the Policy & Resources Committee considers that the Social Investment Fund would be the most appropriate vehicle for managing the distribution of such funds.

HM Receiver General

- 7.26. The HM Receiver General holds monies which are due to the Crown. These include escheats and forfeitures which devolve to the Crown following the deaths of persons leaving no known heirs or beneficiaries, and also include any assets of companies that may remain at their dissolution.
- 7.27. The current incumbent of the role of HM Receiver General is currently exploring with the Ministry of Justice whether the Lord Chancellor might consent to any of the monies HM Receiver General holds on trust for the Crown being distributed for good causes

following a certain period of time. However, this is a complex area which requires careful consideration and further research (as funds would need to be repayable in circumstances where rightfully entitled heirs make legitimate claims to their funds or where Companies are restored to the register and make application to the Court for the return of any assets which may have fallen *bona vacantia* to the Crown).

- 7.28. The funds are currently being audited but funds (taking into account the current potential liabilities noted above) are currently in the region of £8 million (with a net balance of just under £4 million plus contingent liabilities).

Participatory Budgeting Fund

- 7.29. Participatory (or community) budgeting is a means of the community engaging with government and deciding where to spend part of a public budget. This is an increasingly popular initiative in other communities which should deliver social and economic dividends, including through community building by participants prioritising projects requiring one-off funding that they assess will address the greatest community need. For example, in Guernsey this could have been used for projects such as the restoration works at La Vallette; replacement of the Town Christmas lights; provision of new playground equipment at the public parks; or providing one-off support for sporting, cultural or arts events.

- 7.30. Following consideration of the 2019 Budget Report, the States resolved¹² to establish a Participatory Budgeting Fund, with an allocation of £1m in part as a ‘dividend’ to the local community arising from the exceptional financial results recorded in 2017, in order to pilot such an approach.

- 7.31. The Policy & Resources Committee stated in the Budget Report that *“the process would work best when it is not directly administered by government so will seek to partner with a third-sector organisation to undertake the prioritisation exercise.”* The Committee now considers that the Participatory Budgeting Fund should be administered by the Social Investment Fund once the criteria for the Participatory Budgeting Fund have been finalised following consultation about the criteria with the Committees *for* Education, Sport & Culture, Health & Social Care and Home Affairs, together with any other relevant committee of the States, in accordance with the 2018 resolution.

General Revenue Grant

- 7.32. The Policy & Resources Committee has been working with the Dean of Guernsey and officials of the Ecclesiastical Court as a working group to develop proposals which would transfer the jurisdiction to grant probate in relation to personal property from the Ecclesiastical Court to the Royal Court. This proposal will be set out in a policy letter to be considered by the States in early 2020.

¹² [States Resolution 5 & 5A, 9 November 2018](#), (Billet d’État No XXIV)

- 7.33. The Ecclesiastical Court historically has generally made a surplus from undertaking the probate function in relation to personal property. The value of this surplus fluctuates annually, in the same way as probate income fluctuates, as it is dependent on the number and value of estates processed. The average level of surplus for the last five years based on the figures provided by the Ecclesiastical Court was £540,000.
- 7.34. At present, surplus income from probate fees is transferred to the Deanery Fund LBG, a charitable organisation with a mission statement to support charitable and community functions, including the advancement of the Church of England in the Bailiwick of Guernsey.
- 7.35. The Policy & Resources Committee considers it appropriate that charities continue to benefit following the transfer of jurisdiction. The Committee will therefore be recommending that an annual grant is made from 2021 to the Social Investment Fund which will provide certainty regardless of the size or existence of a probate specific surplus in any one year. The policy letter entitled “Review of the Jurisdiction of the Ecclesiastical Court in relation to Grants of Representation regarding personal property” concerning the proposed transfer of the jurisdiction of probate for personal property will include a proposal for this grant which the Policy & Resources Committee considers should be in the range of £300,000 - £500,000 per annum and set at £400,000 for the first two years from 2021, with proposals for future years to be included in the appropriate Budget Report.

8. Consultation and engagement

- 8.1 Currently the charitable sector benefits from funding support from a number of sources. Leading funding bodies in the Bailiwick include the Association of Guernsey Charities, the Guernsey Community Foundation and the Lloyds Bank Foundation for the Channel Islands, all three of which have contributed significantly to the Social Investment Fund’s development. There are also numerous individual, family and business grant-givers.
- 8.2 The Social Investment Fund will work as appropriate with these partners and will take a leading role in co-ordinating funding arrangements and strategy in relation to the funding of individual charities and non-governmental organisations.
- 8.3 The Social Investment Fund will continue to work closely with the Association of Guernsey Charities on the distribution of the Christmas lottery funds, for when the Social Investment Fund takes on responsibility for this function. This will ensure that the applications processes are in place and appropriate support for applicants provided.
- 8.4 The Committee *for* Education, Sport & Culture has been consulted regarding the proposals for the future use of the Lottery surplus and has indicated its agreement to the arrangements for the future funding for Beau Sejour and the allocation of lottery surpluses to the Social Investment Fund.

8.5 HM Receiver General has been consulted regarding the future potential uses of the HM Receiver General Funds and is supportive of this approach as outlined in paragraphs 7.19 to 7.28.

9. Compliance with Rule 4

9.1 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.

9.2 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 be put into effect.

9.3 In accordance with Rule 4(3), the Propositions are not requesting the States to approve funding.

9.4 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 above have the unanimous support of the Committee.

9.5 In accordance with Rule 4(5), the Propositions relate to the duties of the Committee to develop and promote the States overall policy objectives.

Yours faithfully

G A St Pier
President

L S Trott
Vice-President

J P Le Tocq
T J Stephens
A H Brouard