



# BILLET D'ÉTAT

WEDNESDAY, 31st May, 2000

XII  
2000

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2. Projet de Loi entitled "The Adoption (Amendment) (Guernsey) Law, 2000", p. 603.
3. The Supplementary Benefit (Implementation) (Amendment) Ordinance, 2000, p. 603.
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5. States Advisory and Finance Committee – Constitutions of the Appointments Board, Legislation Committee, Rules of Procedure Committee and Constitution of the States Review Committee, p. 659.
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7. States Advisory and Finance Committee – Counterfeiting in connection with the Euro, p. 685.

#### *Statutory Instruments laid before the States*

- The Rabies (Amendment) Order, 2000, p. 687.  
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The Social Insurance (Classification) (Amendment) Regulations, 2000, p. 687.  
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# ***B I L L E T   D ' É T A T***

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**TO THE MEMBERS OF THE STATES OF  
THE ISLAND OF GUERNSEY**

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I have the honour to inform you that a Meeting of the States of Deliberation will be held at the **ROYAL COURT HOUSE, on WEDNESDAY, the 31st May, 2000, at 10 a.m.**

**PROJET DE LOI**

ENTITLED

**THE DRUG TRAFFICKING (BAILIWICK OF GUERNSEY) LAW, 2000**

The States are asked to decide:-

I.—Whether they are of opinion to approve the Projet de Loi entitled “The Drug Trafficking (Bailiwick of Guernsey) Law, 2000”, and to authorise the Bailiff to present a most humble Petition to Her Majesty in Council praying for Her Royal Sanction thereto.

**PROJET DE LOI**

ENTITLED

**THE ADOPTION (AMENDMENT) (GUERNSEY) LAW, 2000**

The States are asked to decide:-

II.—Whether they are of opinion to approve the Projet de Loi entitled “The Adoption (Amendment) (Guernsey) Law, 2000”, and to authorise the Bailiff to present a most humble Petition to Her Majesty in Council praying for Her Royal Sanction thereto.

**THE SUPPLEMENTARY BENEFIT (IMPLEMENTATION) (AMENDMENT)  
ORDINANCE, 2000**

The States are asked to decide:-

III.—Whether they are of opinion to approve the draft Ordinance entitled “The Supplementary Benefit (Implementation) (Amendment) Ordinance, 2000”, and to direct that the same shall have effect as an Ordinance of the States.

## STATES ADVISORY AND FINANCE COMMITTEE

## LOW INCOME EARNERS AND HOUSEHOLDERS

The President,  
States of Guernsey,  
Royal Court House,  
St. Peter Port,  
Guernsey.

3rd April, 2000.

Sir,

I have the honour to refer to the Requête on Low Income Earners and Householders submitted to the States for consideration at its meeting of March 1998. The full text of the Requête is included in the report of the Social Policy Working Group attached to this policy letter but it included reference to the belief of the signatories that "action must be taken with the minimum of delay to tackle the problem of "relative poverty" in our Island".

The Advisory and Finance Committee requested the Social Policy Working Group, which is made up of senior officers of the major committees which have responsibility for "social" matters, to research and prepare a report on the issues involved and to suggest how those issues may best be addressed. At the end of 1998 the Group submitted its report to the Advisory and Finance Committee, a copy of which is attached, prior to consultation with the signatories of the Requête and the committees represented by the Social Policy Working Group.

On page 4 of the report, the Group comments:

"The Requête begs the question as to what is "relative poverty"? A person can be deemed to be poor if their standard of living is seen to be low relative to what the community in which they live considers to be an acceptable standard of living. However, the problem with defining relative poverty is that, with a changing society, relative standards will be constantly changing. Moreover, what society considers to be an acceptable standard of living may vary with age; for example, an acceptable standard of living for a young person recently having started work may be different to an acceptable standard of living for a person who is in a job where promotion prospects are limited or non-existent. Both, however, may have low incomes.

From a societal point of view, defining an acceptable standard of living is more difficult for people on low incomes, than for people on middle or high incomes, where, at least superficially, an acceptable standard of living is assured by the level of income received.

However, the way in which income is spent must also enter into the equation, when assessing relative poverty.

Relative poverty cannot, therefore, be determined solely on levels of income, or on the cost of basic living and the extent to which income covers this cost. There will also be groups of people who need assistance in achieving a balance between income and expenditure."

The Group goes on to suggest that an appropriate definition of relative poverty would be

"Individuals, families or groups of people whose resources are so limited that they are excluded from what the local community considers to be an acceptable way of life."

On page 48 of the report, the Group concludes:

"The Social Policy Working Group is unanimous that there is insufficient data on relative poverty in Guernsey (particularly on levels of disposable income) in order to give a definitive answer to the signatories of the Requête on the best method(s) of addressing their concerns. However, as shown in this report, a large number of options are available and the Group feels that, based on the limited data currently available, it is unlikely that any one option will deal with all the problems encountered by low income households. A package of interrelated measures will thus be required."

The report was circulated, and a presentation made to the signatories of the Requête and to the committees with an interest in its outcome. At their request, the signatories were invited to meet the Social Policy Working Group to discuss the content of the report. The signatories and the committees consulted were requested to comment on the adequacy and accuracy of the information contained in the report and to suggest what package of measures they would propose required further investigation. A copy of the response dated 13 June from Deputy Pritchard on behalf of the signatories is attached to this letter.

There is a general acceptance that the current data available to identify and quantify the nature and extent of relative poverty in Guernsey is inadequate. The Advisory and Finance Committee is therefore commissioning a suitably experienced social research institution to undertake, under the supervision of the Social Policy Working Group, a Poverty Survey to provide more extensive, meaningful and up to date data on which future policy decisions can be based. Details of the proposed survey categories and indicators are attached to this letter. The Committee believes however that the commencement of further investigation of a package of measures which might be used to address relative poverty in Guernsey should not be delayed whilst the Poverty Survey is undertaken.

As the report from the Social Policy Working Group shows, over the past decades a wide range of direct support and services which benefit those on low incomes have been developed and introduced. The Advisory and Finance Committee believes that it is now time to review the adequacy or otherwise of those services and support against the current economic and other circumstances of the Island. It may be that there needs to be a change of emphasis in some areas or that new measures need to replace existing outdated measures. The Committee agrees however that if changes are to be made, it will involve a package of interrelated measures rather than a simple "quick-fix" single measure.

In considering what package of measures should be further investigated, the committee would stress the magnitude of the task involved. Not only will considerable staff resources need to be put in to researching, analysing and developing those measures but States members will have to address issues which relate to the fundamental social policy and which requires a coordinated and corporate approach. This further research should also be linked, where applicable, to other areas of policy review currently being undertaken by the States, for example the work of the Fiscal Policy Working Group.

Whilst it is almost certain that not all of the individual measures will eventually be found to be required, the Advisory and Finance Committee is recommending that a package of measures broadly based on those suggested by the signatories to the Requête should be further investigated. These measures are:

- (i) Review the existing Supplementary Benefit and Public Assistance rates;
- (ii) Review the ways of alleviating the burden of high housing costs, including consideration of:
  - (a) the introduction of a Housing Allowance;
  - (b) the introduction of a Housing Benefit;
  - (c) the introduction of tax relief on private rental costs;
  - (d) the availability of, and access to States housing.

(The areas for further investigation outlined above will be in addition to the measures already agreed by the States of Guernsey to increase the provision of "affordable housing".)

- (iii) Investigate the possibility of providing more free or subsidised child care places; and/or the introduction of child care allowances;
- (iv) Investigate setting up more family centres;
- (v) Investigate extending the scope of the Medical Expenses Assistance Scheme;
- (vi) Investigate a "re-balancing" of the Income Tax system to reduce the burden on the lower paid.

The Advisory and Finance Committee has consulted with the committees which will need to be actively involved in these investigations, namely the Guernsey Social Security Authority, Children Board, Housing Authority and Income Tax Authority, and they have all agreed that they and their staff will give priority to undertaking the work involved. The Advisory and Finance Committee is writing to each of the aforementioned committees to agree who will act as the lead committee to undertake the proposed further investigations. Other committees will be involved in the process on an ad hoc basis.

As is commented above, this exercise relates to the fundamental social policy of the Island and will require the investment of considerable resources to undertake. Whilst not waiting until completion of the poverty survey to commence the work, assessing the results of that survey will be an essential prerequisite to bringing forward proposals in some areas.

Whilst the committees involved, including the Advisory and Finance Committee, have agreed to give the matter priority it is in the nature of the work of the States that priorities sometimes have to be rearranged to meet political imperatives. For these reasons it is impossible to put a timescale on completion of the whole exercise or to impose target dates for completion of each element. The Advisory and Finance Committee will however update the States on progress with the exercise at least 6 monthly, through the Budget and Policy and Resource Planning reports.

The Advisory and Finance Committee therefore recommends the States to:

1. Note the report of the Social Policy Working Group.
2. Agree that further investigation of the following measures should be undertaken.
  - (i) Review the existing Supplementary Benefit and Public Assistance rates;

- (ii) Review the ways of alleviating the burden of high housing costs, including consideration of:
  - (a) the introduction of a Housing Allowance;
  - (b) the introduction of a Housing Benefit;
  - (c) the introduction of tax relief on private rental costs;
  - (d) the availability of, and access to States housing.
- (iii) Investigate the possibility of providing more free or subsidised child care places; and/or the introduction of child care allowances;
- (iv) Investigate setting up more family centres;
- (v) Investigate extending the scope of the Medical Expenses Assistance Scheme;
- (vi) Investigate a "re-balancing" of the Income Tax system to reduce the burden on the lower paid.

I am, Sir,  
 Your obedient Servant,  
 L. C. MORGAN,  
 President,  
 States Advisory and Finance Committee.



## **Social Policy Working Group Response to the Requête on Low Income Earners and Householders**

### **1. Introduction**

In March 1998, a Requête regarding low income earners and households (see Billet d'Etat VI), was debated by the States. The Requête was led by Deputy Mrs J Pritchard and signed by nine other Members of the States (see Appendix 1).

The Rêquete outlined a number of concerns as follows:

- the problem of “relative poverty” needed to be tackled
- there are a significant number of low income earners and low income families
- other than Supplementary Benefit there is little help directed at those on low incomes
- Islanders start to pay income tax at £5,750 (£6,100 - 1999)
- on top of this people have to pay Social Security contributions
- the very high cost of living and in particular the cost of housing
- a combination of these factors leads to the “poverty trap”.

The Requête concluded that:

- extra help should be given to low income earners using a broad approach including the use of Social Security.

The States accepted the prayer of the Requête and resolved as follows:

“To instruct the States Advisory and Finance Committee, in consultation with the Guernsey Social Security Authority, the States Income Tax Authority and any other party it deems appropriate, to consider the requirements of low income earners, in particular low income householders, to enjoy a reasonable standard of living and report back to the States on how this might be achieved as soon as may be, but in any case no later than one year’s time.”

In its letter of comment on the Requête, the Advisory and Finance Committee stated that it intended, in the first place, to involve the signatories in a process to identify more clearly their concerns and intentions. It also stated that it would commission appropriate expertise from outside the States to prepare a summary of the existing situation and to identify the possible implications of implementing the type of measures described by the signatories.

This would be with a view to presenting a progress report to the States seeking specific guidance on the type of measures it would be prepared to support.

## 2. **Action Taken**

Subsequent to acceptance of the Requête, the Advisory and Finance Committee wrote to the Requête signatories seeking clarification of their concerns. The feedback received provided little in the way of additional guidance.

The Advisory and Finance Committee also commissioned, Dr Paul Spicker, its Social Policy Advisor, to provide a baseline report on the Guernsey situation for consideration by the Social Policy Working Group. Dr Spicker's observations and comments have been incorporated into this report produced by the Social Policy Working Group, the membership of which is shown in Appendix 2.

## 3. **Report Structure**

This report examines the main contentions made in the Requête comments on the conclusions put forward by its signatories and outlines various measures that could be taken by the States to deal with the issues identified. These measures are put forward as options for consideration and not as recommendations, because more detailed research would be required to decide if implementation would be appropriate.

As such, therefore, this report takes the form of a progress report, as originally envisaged by the Advisory and Finance Committee in responding to the Requête.

## 4. **Contention 1 - The problem of "relative poverty" needs to be tackled**

### *Social Policy Working Group response*

The Requête begs the question as to what is "relative poverty"? A person can be deemed to be poor if their standard of living is seen to be low relative to what the community in which they live considers to be an acceptable standard of living.

However, the problem with defining relative poverty is that, with a changing society, relative standards will be constantly changing. Moreover, what society considers to be an acceptable standard of living may vary with age; for example, an acceptable standard of living for a young person recently having started work may be different to an acceptable standard of living for a person who is in a job where promotion prospects are limited or non-existent. Both, however, may have low incomes.

From a societal point of view, defining an acceptable standard of living is more difficult for people on low incomes, than for people on middle or high incomes, where, at least superficially, an acceptable standard of living is assured by the level of income received. However, the way in which income is spent must also enter into the equation, when assessing relative poverty. Relative poverty cannot, therefore, be determined solely on levels of income, or on the cost of basic living and the extent to which income covers this cost. There will also be groups of people who need assistance in achieving a balance between income and expenditure.

Relative poverty can thus have many dimensions as summarised below:

**Material circumstances** - individuals or families are unable to meet their basic needs i.e. food, heat, clothing etc. and have a low standard of living compared with others.

**Economic circumstances** - there is a lack of income (earnings) or a lack of wealth (possessions) and individuals or families have low income and/or wealth compared with others.

**Social circumstances** - individuals or families are excluded from “normal” social activities and may have a lack of security.

Before any strategies can, therefore, be developed to assist those people who are considered to be in relative poverty it is important that a definition of the problem is agreed. The European Union has the following definition of the poor:

“The poor shall be taken as to mean persons, families and groups of persons whose resources (material, cultural and social) are so limited as to exclude them from the minimum acceptable way of life in the Member State in which they live.”

A local definition of relative poverty could thus be as follows:

**“Individuals, families or groups of people whose resources are so limited that they are excluded from what the local community considers to be an acceptable way of life.”**

The issue of relative poverty has wide social connotations but this report mainly concentrates on the material and economic aspects of relative poverty.

##### 5. **Contention 2 - There are a significant number of low-income earners and low income families**

##### *Social Policy Working Group response*

What is low income? Whether or not a particular level of income results in relative poverty depends on an individual's circumstances i.e. are they in a single or multiple person households, are they the sole income earner in the household etc.? Age is also a factor when considering the level of income, which leads to relative poverty - a school leaver on a low income may not be considered to be in relative poverty, whereas a middle-aged man on the same low income might be considered to be. In addition a number of individuals/families have special needs which can be costly. Because relative poverty is difficult to measure, e.g. the relative poverty of a single pensioner and a single parent is not, in most cases, the same.

Although relative poverty has many dimensions, economic circumstances are generally considered to be the major factor. In the UK, two standards to determine a low-income household have been used in the past:

- (i) the current Supplementary Benefit level with an additional 40% for housing costs (an historic standard as Supplementary Benefit no longer exists in the UK)
- (ii) 50% of the median income.

Income data for Guernsey has been obtained from the Household Expenditure Survey (HES). The last survey was conducted in 1992/1993 and a further study is currently being conducted.

In 1993, the Supplementary Benefit ceiling (including an allowance for housing costs) was £149.50 per week (£181 per week in 1999) and, therefore, this could be considered to be a measure of the absolute level of poverty. (Historically, Supplementary Benefit requirement levels were considered to be the minimum requirement to subsist in Guernsey. However, no recent work has been done to compare the current requirement rate with the current cost of living in Guernsey.)

On the other hand, there is a problem with using a benefit level as a standard in that, once benefits increase, more people move into the definition of low income. Using a standard that is based on median income has the advantage that low income is relative to other incomes in the community.

Figure 1 shows the HES income data for 1992/1993 - it can be seen that, in 1992/1993, the median household income was £18,631 (£358.30 per week). The survey indicates that there were 10,915 households above and below the median income. 50% of the median, which is a figure used to determine a low-income household, is £9,315.50 (£179.15 per week).

Table 1 shows that 3,800 Guernsey households<sup>1</sup> had below average income in 1993, broken down into three categories of households: pensioners, households mainly dependent on Supplementary Benefit or Public Assistance and other households. (Pensioners could also be mainly dependent on Supplementary Benefit, however, for the purposes of this table, pensioner households have been separately categorised.)

A comparison of the 1993 data and the results of the 1998 survey (which will be completed by June 1999) may show a shift in the Island's income profile and may change the conclusions of this paper.

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<sup>1</sup> The definition of "household" in the HES is the same as the one used when compiling the census and is as follows - a private household is taken to be one person or group of persons living at the same address sharing common housekeeping (shared meals or a shared lounge). A lodger or boarder who has one meal a day with a household is included with that household.

However, a person who has no meals with the household and no shared lounge is classified as a separate household, even if the kitchen and bathroom facilities are shared. However, a group of persons sharing one room, but not necessarily eating together on a regular basis and not taking meals provided by another household in the same dwelling, are classified as one households.

**Table 1 - Household Income Data, 1993**

	<b>Households at or below 42% of the median</b> (equal to Supplementary Benefit ceiling of £149.50 per week)	<b>Households below 50% of the median income</b> (£179.15 per week)
<b>Pensioners</b>	2,470	3,080
<b>Households mainly dependent on Supplementary Benefit or Public Assistance</b>	480	480
<b>Other Households</b>	0	240
<b>Total Households below threshold</b>	2,950	3,800

Significantly, Table 1 shows the number of households that had income equal to or below the 1993 Supplementary Benefit level (42% of the median) and the number of households that had income equal to or below 50% of the median. This is in line with the two UK standards used to define low income.

In considering Supplementary Benefit (and Public Assistance) levels it should be noted that these benefits are income supplements based on a consideration of the financial circumstances of different applicants and, therefore, do not guarantee every applicant an income up to the benefit ceiling (Benefit Limitation) (see Section 6.1.1).

Looking at Table 1, the Social Policy Working Group concluded that attention should mainly be focused on those households that are not occupied by pensioners or those in receipt of benefits, but whose income is equal to or less than 50% of the median (i.e. the 240 Other Households).

This is because, as described later in this paper, solving the problems experienced by those in receipt of Supplementary Benefit/Public Assistance or who are pensioners could be addressed by increasing the benefit levels. However, this could have an effect on general revenue and, in isolation from other measures, would be a somewhat simplistic solution. It is clearly more difficult to solve the problems of those households with low incomes when they are not currently in receipt of any benefits.

Finally, it should be noted that Table 1 shows income levels only and cannot be used as a measure of relative poverty as income deals with the economic circumstances of relative poverty and not the material and social circumstances.

Possibly the best measure of relative poverty is an assessment of the disposable income available to a household once essential living expenses (e.g. fuel, heat, housing etc.) have been met. However, there is no specific data, other than the Medical Expenses Assistance Scheme, where any attempt is made to assess the level of disposable income available to a household.

This makes it very difficult, if not impossible, to assess the true extent of relative poverty in Guernsey. In the conclusions to this report, it is noted that, due to the lack of published or unpublished data regarding relative disposable income, further detailed research would be necessary to obtain this information before any firm conclusions could be reached.

6. **Contention 3 - Other than Supplementary Benefit there is little help directed at those on low incomes**

*Social Policy Working Group response*

The Requête states that there is little help directed at those who have low incomes but actually there are a number of measures currently available to assist those individuals/families who have low incomes or earnings. However, before considering these measures, in detail, it is helpful to identify, in broad terms, how different types of measures can be effective in assisting low-income households.

The test of the effectiveness of a measure is dependent on whether it succeeds in benefiting the people it was intended for. Three ways in which measures can be directed towards those on low incomes are shown below:

a) **Categorical benefits** - these are benefits or services that are generally available for everyone, but which are of particular benefit to those on low incomes or low earnings. A subsidised bus service is a good example of a categorical benefit. It is available to all but it is of particular benefit to, and would be used more frequently by, those who have low incomes. The Youth Service Play Scheme is also a good example.

Categorical benefits may not only favour the “poor”, some may favour the “rich”. Table 2 shows the distributive effects of local services in the UK. (Source: *Who benefits from local services?* Bramley and Smart, 1993.)

b) **Selectivity** - this describes benefits and services that are available specifically for people on low incomes or earnings. Means testing is often used as a way of selecting those who are to receive a benefit or service. It is administratively costly and complicated but it often stands for want of anything else. Supplementary Benefit is a good example of a selective benefit. It is an effective solution for people on low fixed incomes but it can lead to problems for those people who receive benefits because of low earnings. If a person puts in extra effort to increase earnings, benefits are withdrawn, leading to the “poverty trap”. The poverty trap is produced by the combined effect of taxation and benefit withdrawal as income rises (see Section 9).

c) **Universality with clawback** - this type of benefit or service is available to everyone regardless of need. The benefit or service is reduced for those on higher incomes as it is clawed back usually through the tax system. This type of benefit often causes confusion as people find it difficult to understand why they should give back to the government what the government has given them.

**Table 2 - The distributive effects of local services in the UK**

<b>Strongly Pro-Rich</b>	<b>Moderately Pro-Rich</b>	<b>Neutral or Ambiguous</b>	<b>Moderately Pro-Poor</b>	<b>Strongly Pro-Poor</b>
Further education Education 16+ Adult Education	Waste tips Car parks Markets Libraries Museums Sports Swimming Arts Entertainment	<u>Neutral</u> Primary Schools Secondary Schools Mental illness/ handicap Playgrounds <u>Ambiguous</u> Nursery Schools School meals Careers Youth Special transport Consumer advice	Social care for elderly people: day care meals home care Child care Disabled Buses Bus Passes Community centres	Social Housing Housing advice Welfare rights

*N.B. Table 2 shows the effects of local services in the UK only. If a similar exercise was carried out for Guernsey, the results may be significantly different.*

Whilst deciding how best to identify groups of people to receive benefits or services it is important to recognise that, whatever type of benefit or service is chosen, it may have a number of drawbacks i.e. those people which you wish to receive the benefit or service may not come forward for assistance; some people may receive a benefit or service even though it was not the intention for them to receive it; and people may see means-testing as being intrusive.

With this background in mind, the following are measures that are currently available to assist those individuals/families who have low incomes or earnings:

## 6.1 Statutory Forms of Assistance

The most obvious forms of assistance to persons with low incomes or earnings are Supplementary Benefit and Public Assistance, which are statutory welfare benefits.

### 6.1.1 **Supplementary Benefit**

Supplementary Benefit offers financial assistance to individuals or families classified under the Supplementary Benefit Law up to the statutory maximum benefit payable (£181 per week in 1999, including rent allowance). Individuals and their dependants can qualify for Supplementary Benefit if they fall into the following categories:

<b>Category</b>	<b>Description</b>
Handicapped person	Somebody badly and permanently disabled by either illness or mental or physical handicap
Person who is temporarily sick	Person unable to work temporarily because of illness or injury
Elderly person	Person aged 60 years and above
Person who is unable to support themselves	Person incapable of working because of physical and mental infirmity and is likely to remain so incapable for a long time
Single parent	Person totally or partially maintaining a child being a member of the same household, other than someone who is living with their spouse, or is deemed by the Administrator to be cohabiting with a woman as her husband or with a man as his wife
Pregnant woman	Pregnant woman not living with her husband or with a man as his wife
Spouse/partner of a prisoner	Person partly or totally maintaining a child that is of the same household when that person is not living with their spouse because the spouse has been detained in legal custody
Man caring for children	Man who has given up his work to care for his children at home while his wife is in hospital
Person caring for spouse, partner or parent	a person who had ceased work to care for a spouse, parent or partner who is sick and unable to care for themselves

Supplementary Benefit is paid based on statutory “requirement rates” agreed annually by the States. There are different rates for single householders and married couples, non-dependent adults and dependent children. The 1999 weekly requirement rates for long-term claims<sup>1</sup> are as follows:

<b>Category</b>	<b>Requirement Rate</b>
<b>Married couples</b>	£140.25
<b>Single households</b>	£85.75
<b>Non-householders</b>	
18 years or over	£75.00
16 to 17 years	£53.25
13 to 15 years	£39.50
11 to 12 years	£30.50
5 to 10 years	£26.50
under 5 years	£21.00

In addition, a rent allowance may be payable on top of the weekly benefit. Where the combined requirement rate and the rent allowance exceed the “benefit limitation” (£181 per week) then the amount of Supplementary Benefit payable is limited to the “benefit limitation” level. (This issue is given further consideration below.)

At any one time approximately 2,000 individual claims for Supplementary Benefit are in payment. In 1997 Supplementary Benefit expenditure on weekly benefit payments amounted to £4,996,915. In addition to cash payments, Supplementary Benefit can also offer claimants financial assistance with various medical costs - expenditure on medical expenses in 1997 amounted to an additional £732,647.

<sup>1</sup> Claims exceeding 6 months in duration



### 6.1.2 **Public Assistance**

Public Assistance offers financial assistance to individuals or families whose income from all sources is less than the maximum benefit payable (£181 per week - 1999 level) and who do not classify for assistance under the Supplementary Benefit Law. In 1997 the Public Assistance Authority received a total of 5,025 separate claims which resulted in expenditure of £388,775 in weekly benefit payments.

The Public Assistance Authority also administers a scheme for assistance with medical expenses via the Central Outdoor Assistance Board. Those individuals or families in receipt of Public Assistance can receive assistance with the costs of their medical treatment. In 1997, expenditure on medical expenses amounted to £17,439.

## 6.2 **Other Forms of Assistance**

In addition to Supplementary Benefit and Public Assistance, persons with low incomes or earnings can receive other forms of assistance as described below.

### 6.2.1 **Social Security Authority - Medical Expenses Assistance Scheme (MEAS)**

This is a means-tested scheme, which offers assistance with medical accounts, resulting from periods of intensive primary care, when it can be determined that paying the account will cause financial hardship. In 1997, approximately 100 persons were offered assistance under this Scheme at a cost to the Social Security Authority of £29,872. Assistance is given in the form of grants direct to the relevant surgery.

## 6.3 **States Housing Authority**

### 6.3.1 **States Houses and the Rent Rebate Scheme**

Standard States' House rents are intended to represent 95% of commercial rent levels although, in practice, they probably represent a lower proportion. Housing Authority rented accommodation is allocated to households on the basis of "need", of which low income is a factor. Further, the Housing Authority operates a rent rebate scheme in respect of States houses. Tenants can apply to have the standard rent reduced by providing verification of their monthly income. In 1997, 1,277 tenants out of a total of 2,089 received rent rebates. The total value of rebates was £2.141 million in 1997.

### 6.3.2 **States Home Loans**

States Loans are available to assist single persons, couples and families to purchase a dwelling, where they are a) first-time buyers, b) qualified residents and c) where the income of the principal earner is insufficient to sustain payments on a bank loan.

The general maximum States Loan in 1998 was £87,000. In 1998, 127 applications were made to join the States Home Loans Waiting List and 41 Loans were approved (although not all of them went to Court to finalise the purchase before the end of the year). The total value of these 41 Loans was £3,101,998.

However, detailed review of the Home Loans scheme was carried out in late 1998, following which, the Authority agreed that any Loan offered to an applicant would be the maximum that they could afford based, in the case of families or couples, on the main earner's income up to a general maximum equivalent to the Lower Quartile of the House Price Index (then £115,000).

In addition, the Authority agreed that the percentage of property value covered by a States Loan would generally be:

- 95% for any dwelling other than a flat which was **not** purpose built
- Up to 90% for non-purpose built flats, dependent upon:
  - (i) the condition of the property
  - (ii) the extent to which covenants were onerous.

### 6.3.3 States Home Improvement Loans

The Housing Authority can make loans available for essential repairs or improvements to a property. Essential works would include anything necessary to keep the dwelling wind and watertight, the installation of sanitary facilities, electrical rewiring, structural repairs etc. Central heating would only normally be included where there was a health need. The work needs to be essential rather than just desirable. The Authority also has special schemes for elderly persons and pensioners of limited means. In 1998, 18 improvement loans totalling £176,223 were granted.

## 6.4 The Cadastre Committee

### 6.4.1 The Rent Control Law

Premises can become subject to rent control, after three months tenancy, if the landlord and tenant cannot agree on the amount of rent that should be paid or who should be liable for other expenses associated with the tenancy. There are currently about 50 properties on the Rent Control Register. The reason so few properties are on the Rent Control Register may be because individuals/families accept the rent charged by the landlords or because they do not wish to be seen to be making trouble by asking for the property to become rent controlled.

However, requests for rent control are often made when the tenant has a grievance other than the rent charged. Once the rent has been set for a property it cannot be changed for 5 years unless the property changes considerably during that time.

The Cadastre Committee reviews all controlled rents annually. If the Committee decides to alter the rents, it will make a Variation Order setting out the alterations that can be made to controlled rents. This Order is published in La Gazette Officielle and a copy sent to the landlord and tenant of every controlled dwelling to which it applies.

## 6.5 The Board of Health

The Board of Health offers a number of services that are fully or partially subsidised. Table 3 shows the services, the full economic cost of providing each service and the subsidised charge levied.

**Table 3 - Subsidised services provided by the Board of Health<sup>2</sup>**

<b>Service Provided</b>	<b>Full economic cost<sup>3</sup></b> £ per week <sup>4</sup>	<b>Maximum charge to the resident or patient<sup>5</sup></b> £	<b>Variation £ per week</b> (shortfall met by BoH <sup>5</sup> )	<b>Cost to Board of Health</b> £ per annum <sup>6</sup>	<b>Income from the patient/resident</b> £ per annum <sup>6</sup>	<b>Variation</b> £ per annum <sup>6</sup>
<b>Short-stay</b> Duchess of Kent House King Edward VII Hospital Câtel Hospital <sup>6</sup>	Residential home bed - £285  Hospital bed - £858	£11.35 p/d £79.45 p/w	Residential home - <b>£210.80</b>  Hospital - <b>£722.80</b>	Not separately estimated	<b>£180,251</b>	Not known
<b>Long-stay</b> Duchess of Kent House King Edward VII Hospital Câtel Hospital <sup>7</sup>	Residential home bed - £285  Hospital bed - £858	Residential home – £227.54 p/w  Hospital - £258.46 p/w	Residential home - <b>£62</b>  Hospital - <b>£565</b>	<b>£7,327,000</b>	<b>£1,133,000</b>	<b>£6,794,000</b>
<b>Home Helps<sup>7</sup></b>	<b>£24 per hour<sup>6</sup></b>	£6 p/h (1996) £7.22 p/h (1999)	<b>£18 per hour</b>	<b>£338,620</b>	<b>£127,740</b>	<b>£210,880</b>

## 6.6 The Education Council

### 6.6.1 Tuition Fees

No fees are charged in respect of education provided in schools maintained by the States, but fees are charged for full- and part-time courses at the College of Further Education for students over the age of 22. Full-time students can, however, apply for a discretionary grant towards fees and maintenance. In recent years, there have been about three students in receipt of such assistance each year.

Assistance towards the fees for part-time courses is available on a means-tested basis. In 1997, 31 part-time students were assisted; of whom 19 were single parents. The approximate cost to the Council in terms of assistance for part-time fees was £2,000.

<sup>2</sup> The figures in bold are taken from the consultation document on *The Funding of Long-Term Care and Associated Services* November 1998

<sup>3</sup> 1998 figures

<sup>4</sup> Average cost

<sup>5</sup> 1996 figures

<sup>6</sup> Charges can be reduced following means testing

### 6.6.2 Educational Maintenance Grants

The Education Council can financially assist parents of children who have completed four years of secondary education by awarding educational maintenance grants. These grants are intended to assist parents meet the general living expenses of a child who wishes to stay on at school beyond the compulsory school attendance age.

Grants are assessed based on the gross income of the parents, against which a number of allowances are deducted. The grants are then awarded based on the balance of gross income and the age of the child. In 1997 grants are shown in Table 4.

**Table 4 – 1997 Educational Maintenance Grants**

<b>Gross Income</b>	<b>Number of Grants Awarded</b>
£0 - £5 ,000	4
£5,001 - £10,000	7
£10,001, - £15,000	11
£15,000 +	2
Supplementary Benefit	9
<b>Total</b>	<b>33</b>

(The gross income figure excludes income from a stepparent, which is disregarded.)

### 6.6.3 Higher Education Awards

Higher Education awards are offered to students from Guernsey and Alderney attending full-time courses outside Guernsey.

In the academic year 1997/98 the Education Council gave awards to 789 full-time students of which 86 were treated as independent of their parents as they had been in full-time employment for three years. The remainder were awarded grants subject to an assessment of parental contribution.

Of the 703 awards, 108 were made on the basis that there was a parental contribution of nil. This means that, generally, the gross income of the parents was below £16,000 in 1997. The cost of a full award varies according to the length of the academic year, location of the course and the tuition fees. The total expenditure on full-time higher education awards in 1997 was £4,283,595.

### 6.6.4 School Uniforms

The Education (Guernsey) Law 1970 gives the Education Council the authority to assist parents in meeting the cost of purchasing clothes for school use where the Council is satisfied that the parents cannot meet the full cost without financial hardship.

In the academic year 1997/98, clothing grants were awarded in respect of 860 children costing the Council £72,315.

### 6.6.5 Transport

The Education Council arranges school buses to and from many of the schools in the Island and provides bus tickets for children who use scheduled public transport. Under the Education (Guernsey) Law, 1970, school children who live beyond the statutory walking distance (one mile for children under 8, two and a half miles for children over 8) are entitled to free transport. Head teachers do have the discretion, where children live within the statutory walking distance, to issue free bus tickets in cases of financial hardship.

### 6.7 Legal Aid

In Guernsey, the term “legal aid” is used loosely to describe the unofficial system whereby, on the basis of a rota currently administered by the Law Officers of the Crown, advocates are found to represent persons in the Magistrate’s Court, primarily in criminal cases. Under this unofficial system, an advocate is entitled to charge the client. This charge is determined, amongst other things, by a rough assessment of means. The advocate will receive no payment out of public funds. In the majority of cases the means of a defendant are insufficient to make any payment to the advocate or to make only a nominal payment. This system is dependent upon the goodwill of the Bar and, to date, the Bar has been prepared to play its part in the system, despite an ever-increasing number of cases.<sup>2</sup>

In matters of divorce (and other matrimonial causes) legal aid may be granted, subject to a means test, and the recipients (referred to as assisted persons) are required to make a contribution to the advocate who was assigned the case. The maximum payment in 1998 was £50, in addition to which the recipient is required to meet the disbursements involved in the case (but not the court fees).

In addition to the above, the Social Security Authority, through discretionary Supplementary Benefit payments, will financially assist beneficiaries with legal expenses resulting from maintenance and affiliation proceedings.

### 6.8 Charitable Organisations

In addition to the services provided by the States, a number of charitable organisations offer assistance to persons with low incomes or earnings. These include:

#### 6.8.1 The Citizen’s Advice Bureau

The Citizen’s Advice Bureau offers a free debt counselling service on the Island. Those who take up the service are interviewed in order to determine their level of debt and an income and expenditure sheet are completed along with a list of creditors.

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<sup>2</sup> The Advisory and Finance Committee has been requested to carry out a review of the “legal aid” system by Conseiller Mrs M Lowe. The Batonnier has also recently expressed public concern about the present arrangements.

The Bureau will then liaise with the creditors on behalf of the individual. A repayment schedule is drawn up between the creditors and the Bureau. In most cases creditors will accept the amount of repayment offered once they realise that the Bureau is involved. Once a repayment schedule has been agreed the Bureau has no further involvement, even if the individual does not keep to the repayment schedule.

In 1996 the Citizen's Advice Bureau counselled 45 clients who had a total debt of £600,000 (average £13,333 per person). In 1997 they counselled 51 clients who had a total debt of £500,000 (average £9,803 per person).

The Bureau is able to offer this service free of charge as it receives an annual grant from the Social Security Authority to cover the cost of the manager's salary and any training that is required. In 1998, the grant awarded was £12,325.

#### **6.8.2 The Wesley Playgroup Project**

This was originally a mother and toddler group for those families who lived in the Bouet area of St Peter Port. At the time, there was a long waiting list for places at the Guernsey Welfare playgroup and it was decided that a playgroup should be set up at Wesley Methodist Church in the Bouet.

A grant from the Social Security Authority covers part of the staffing costs for the playgroup and it is up to the Project to meet the costs of upkeep and repair, heat and light, playgroup equipment and insurance. The grant awarded in 1998 was £10,300.

#### **6.8.3 Guernsey Welfare Service**

The Guernsey Welfare Service provides food, coal, gas and clothing vouchers for people who have low incomes or earnings. It tends to be those people who have young children or who are elderly. A grant from the Social Security Authority, amounting to £23,575 in 1998, covers the cost of one part-time social worker.

In addition to the grant, the Social Security Authority also pays an amount to Guernsey Welfare for transport costs. This began in 1996 when the Authority took over the funding of travel costs for children to be collected and taken to the playgroup at Brock Road. This part of the grant is not capped and amounted to £4,150 in 1998.

#### **6.8.4 The Women's Royal Voluntary Service (WRVS)**

The WRVS runs a number of services and the following are relevant to this report:

- Meals on Wheels Service
- The Russels Day Centre for older people
- The Jubilee Day Centre

The Russels Day Centre is based at Les Cotils in premises provided by the Board of Health. In addition, in 1998, the Board of Health gave the WRVS a grant of £1,500.

The grant from the Social Security Authority, £21,750 in 1998, goes towards the cost of running the Jubilee Day Centre and the WRVS providing blankets, food etc. for civil emergencies.

#### 6.8.5 The Salvation Army

The Salvation Army provides a Community Centre offering the following services:

- Parent and Toddler Drop-In Centre
- Youth Drop-In Centre
- Lunches for Youths (14 - 17)
- Friday Club for Children (7 - 12)
- After School Activities
- Adult Luncheon Clubs
- Day Care Facilities for the Elderly and the Disabled

A grant from the Social Security Authority, £14,000 in 1998, is paid towards the salary of the Centre Manager.

#### 7. Contention 4 - Islanders start to pay income tax at £5,750 (£6,100 1999)

#### Contention 5 - On top of this people have to pay Social Security Authority contributions

#### *Social Policy Working Group response*

##### 7.1 Income Tax Thresholds

Individuals or families who have low earnings or income may be exempt from paying income tax if their income is below the relevant threshold.

The 1999 married person's tax allowance is £12,200, the lone parent's allowance is £10,250 and the single person's allowance is £6,100. However, there are enhanced tax allowances for people who are aged over 64, and an allowance can also be claimed for dependent children who are aged over 19 years and in full-time education. Persons in receipt of Supplementary Benefit do not pay tax on that benefit, only income from other sources.

Table 5 shows the level of income tax payable per week in various circumstances for the year of charge 1999. The levels of income tax payable do not include any deductions for mortgage interest etc. and are, therefore, "worst case" levels. The allowances for 1999 showed an increase of 6.1% over the 1998 rates, 2% above the Guernsey Retail Price Index. This additional 2% rise reduces the number of people on low incomes being drawn into the tax net.

**Table 5** (Income figures correspond with the Social Security Authority Schedule)

<b>Income Tax Payable Per Week In Various Circumstances - Year of Charge 1999</b>					
<b>Weekly Income</b>	<b>Single</b>	<b>Lone Parent</b>	<b>Married</b>	<b>Married 1 aged 64</b>	<b>Married both aged 64</b>
<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
35	-	-	-	-	-
70	-	-	-	-	-
115	-	-	-	-	-
125	1.54	-	-	-	-
150	6.54	-	-	-	-
175	11.54	-	-	-	-
200	16.54	0.58	-	-	-
225	21.54	5.58	-	-	-
250	26.54	10.58	3.08	-	-
275	31.54	15.58	8.08	3.85	-
300	36.54	20.58	13.08	8.85	4.62
325	41.54	25.58	18.08	13.85	9.62
350	46.54	30.58	23.08	18.85	14.62
375	51.54	35.58	28.08	23.85	19.62
400	56.54	40.58	33.08	28.85	24.62

## 7.2 Social Security Contributions

The Social Security Authority 1999 earnings threshold is £35 per week (£151.67 per month, £1,820 per annum), below which employed persons are not liable to pay Social Security contributions. The earnings threshold of £35 per week is intended to allow people doing a few hours work in more than one job to build up a contribution record for their pension, but contributions paid on earnings between the threshold and the lower earnings limit of £70 a week (£303.33 per month, £3,640 per annum) may not give an individual entitlement to the full range of Social Security Benefits.

**Table 6 - Contribution Rates 1999** (Income figures correspond with Income Tax Schedule)

<b>Wages</b>	<b>Employee Pays</b>	<b>Self-employed Pays</b>
<b>£</b>	<b>£</b>	<b>£</b>
35	1.57	n/a
70	3.16	6.23
115	5.19	10.23
125	5.64	11.12
150	6.76	13.35
175	7.89	15.57
200	9.01	17.80
225	10.14	20.02
250	11.26	22.25
275	12.39	24.47
300	13.51	26.70
325	14.64	28.92
350	15.76	31.15
375	16.89	33.37
400	18.01	35.60
483 (max)	21.73	42.99



The concept of “non-reckonable” contributions payable on earnings between £35 and £70 per week being combined with similar contributions from another employment was designed to the advantage of low earners. The Administrator of the Social Security Authority considers that, with the passage of time, any advantage to a very small number of contributors has become heavily outweighed by a disadvantage to the majority of people earning small amounts of money from small amounts of part-time work. The Administrator intends recommending the Authority to abandon the non-reckonable contribution. This would mean that the earnings threshold and the lower earnings limit would be the same, currently £70 per week, and every contribution paid would be reckonable for benefit purposes.

### **7.3 Combined Effect of Income Tax Thresholds and Social Security Contributions**

The Social Policy Working Group accepts the contention of the Requérants as factually correct, other than to note that policy considerations for low income families should have regard to the married person’s tax allowance rather than the single person’s allowance.

### **8. Contention 6 - The very high cost of local living and in particular the cost of housing**

#### ***Social Policy Working Group response***

#### **8.1 Housing Costs**

##### **8.1.1 The Issues**

The high cost of living, in particular housing, could be seen to be the major issue for low-income earners. The housing market is affected by supply and demand for housing. In the current housing market there appear to be more individuals/families wishing to purchase a property than there are properties available for purchase. As an Island, Guernsey effectively has a “closed” housing market, which can lead to high prices. House prices are undoubtedly expensive and generally beyond the means of those on modest or low incomes, except by way of a States loan and, in most cases, additional secondary borrowing.

In the UK (with the exception of London) owner-occupied housing is available to purchase for virtually everyone who is in full-time work; whereas, for example, a first-time buyer in Guernsey on an annual income of £30,000 would not be able to get a mortgage on a starter home costing say £140,000. Between 1993 and 1997, the ratio of house prices to earnings in Guernsey has risen from 5.5:1 to 6.5:1. However, average house prices appeared to plateau in 1998 and average earnings have continued to rise, meaning that the ratio of house prices to earnings will be falling for Guernsey. In the UK the ratio has decreased from 4.4:1 to 4.2:1. (see Appendix 3) The cost of borrowing is likely to create an expenditure problem in terms of the proportion of income spent on housing. There is, however, tax relief on mortgage interest.

The rents charged in the private sector are perceived to be high when compared with mortgage repayments and the income data from the HES. The proportion of income spent on housing may have an effect on the standard of living experienced by the individual or family.

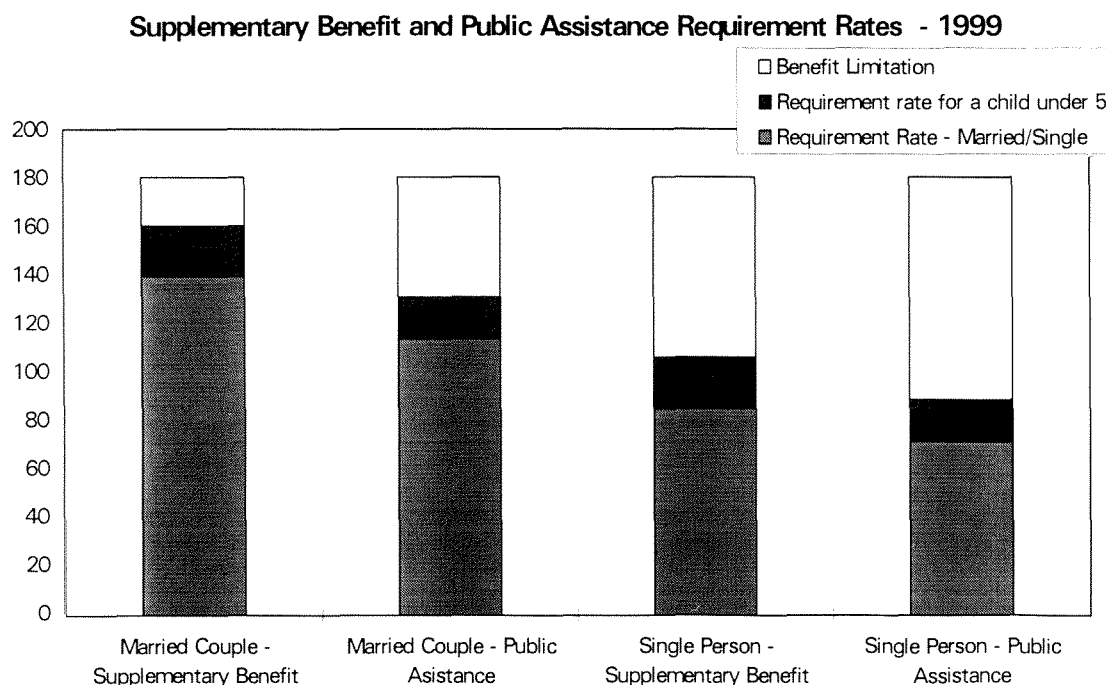
### 8.1.2 Existing Financial Assistance with Housing Costs

In addition to the Rent Rebate Scheme for States' tenants, financial assistance in the form of Supplementary Benefit and Public Assistance may include an allowance for rent. The Administrator of the Social Security Authority having regard to a report from a member of staff who has visited the accommodation determines the amount of the allowance for rent. If a charge, for example, for heating or furnishings were included in the rent then the rent allowance would be reduced accordingly.

If the Administrator regards the rent as excessive it may be that the amount he allows for rent does not equal the amount that the landlord is charging. In such cases, the beneficiary has to make up the amount from the rest of their benefit; and/or seek cheaper accommodation; and/or seek to have the property rent controlled. No matter how high the rent is the individual cannot receive more than the Supplementary Benefit "benefit limitation" of £181 per week to cover living expenses and rent.

Figure 2 shows the 1999 Supplementary Benefit and Public Assistance requirement rates for married couples and single claimants with a child under 5. The difference between the requirement rates and the benefit limitation of £181 per week is the additional amount of benefit that could be paid to cover housing costs.

**Figure 2.**



### 8.1.3 Supplementary Benefit “Benefit Limitation” Issues

The Social Security Authority carried out an analysis of all claims that were affected by the Supplementary Benefit “benefit limitation” in July 1998. These were claims where individuals or families had inadequate resources with which to meet their required need **after** the payment of Supplementary Benefit. The main factors were the number of dependant children and high rents. The length of the claim may exacerbate these factors, the ages of the children and a lack of capital.

A total of 131 people were found to be affected by the benefit limitation: of these 63 were single parents, 34 were people over 60, and 27 were short-term sick. The weekly shortfall in funds ranged from a few pounds to over £95 per week. Ten claimants had a need that exceeded the benefit limitation by more than £50 per week. Unsurprisingly, they had little or no capital with which to supplement their benefit.

Couples tend to be more disadvantaged than single people, because the requirement rate for couples is nearer to the benefit limitation (see Figure 2). Where there are dependants, because the requirement rate for dependants increases with age, claimants with teenage children are more affected by the benefit limitation than those claimants with younger children. Single parents are the most affected by the benefit limitation, as they suffer from a combination of high rent and the effect of separate requirement rates being paid for each dependant. Elderly couples are also particularly affected.

With respect to the cost of accommodation and its effect on the benefit limitation, States’ house tenants are advantaged over private sector tenants because the rent rebate assessment applied to the former takes account of the number of dependants, i.e. the rent payable decreases with the number of children. For private sector tenants the higher the rent the more the person is affected by the benefit limitation. 91 (69%) of the 131 people affected by the benefit limitation in July 1998 were in private rented accommodation.

It might be expected that in cases where a person is a Supplementary Beneficiary and where the rent is high (and it appears that the individual’s financial circumstances are not likely to improve in the mid-term), then they would move to cheaper accommodation. However, due to the scarcity of accommodation to rent it may well be that there are few opportunities to move to cheaper accommodation. Scarcity also keeps rents high. It is considered that the situation is likely to worsen in the short-term, as a result of the present shortage of housing.

### 8.1.4 Social Security Authority Analysis of Costs of Private-Rented Accommodation

Of the 2,000 claims for Supplementary Benefit, approximately 400 claimants occupy private rented accommodation. An analysis of 150 of these 400 Supplementary Benefit claims was carried out in November 1998, to determine the levels of rents charged and the proportion of weekly income<sup>7</sup> that was being spent on housing costs.

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<sup>7</sup> Weekly income is the total income for an individual/household regardless of any disregards on income that Supplementary Benefit may apply

The 150 cases analysed are a “snap-shot” of all those individuals/families who are living in private rented accommodation and who are in receipt of Supplementary Benefit. This sample includes both long-term and short-term beneficiaries. Nevertheless, it was felt that this sample would provide a reasonable cross-section of accommodation and rental charges at the lower end of the market.

It should, however, be noted that the analysis did not take into account the standard of accommodation. Whilst carrying out the research, a number of tenants were found to be living in accommodation that had outside toilets, or no bathrooms, or no cooking facilities etc.

Of the sample chosen, 54% of the rented accommodation was situated in St Peter Port, 15% in St Sampson’s and 13% in Vale. The rest of the rented accommodation was spread between Castel, St Andrew’s, St Martin’s, St Saviour’s and Torteval.

The results of the analysis can be seen in the following tables:

**Table 7 - Average rent charged and proportion of weekly income spent on private rented accommodation**

Type of Accommodation	Average rent Charged (£ per week)	Proportion of Weekly Income %
Bed Sit	64.18	46
Flat	78.30	49
House	61.94	40

Looking at the sample as a whole, disregarding the type of accommodation, the average rent charged was £71.53 per week. Drawing conclusions from the data in Table 7 should, however, be treated with caution, as a number of households analysed had either lived in their accommodation for a number of years without a significant increase in the rent (particularly in the case of pensioner households) or were leasing a property from family or friends at less than a market rent. Consequently, aggregating the data in order to calculate an average rent charged can distort the data, and the Working Group is of the opinion that the proportion of weekly income spent on rents is a more relevant statistic (see Table 8).

**Table 8 - Percentage of weekly income spent on private-rented accommodation**

Percentage of Weekly Income spent on Private Rented Accommodation	Number of Households	Proportion of the Sample %
40%+	109	73
50%+	44	29
60%+	8	5

The average proportion of income spent on housing costs was 46%. This data can be compared to the Office of National Statistics report on the 1996 - 97 UK Family Expenditure Survey. For the South East of England, which is one of the better regions to compare Guernsey with, the average weekly household expenditure for rented furnished accommodation was £82.46 and for rented unfurnished accommodation £69.77 per week.

It is significant that the Supplementary Benefit sample shows the lower end of the private sector rental market, and that those rents are comparable with the average of **all** rents in the South East of England. Consequently, it could be expected that an analysis of private rents as a whole might not be comparable with UK figures; indeed, such a study would probably show that rents in Guernsey were well in excess of prosperous regions in the UK.

A figure regarding the proportion of weekly income spent on housing is not available in the UK report, but it is notable that, as mentioned earlier, the figure of 40% of income applied to rent was used in relation to Supplementary Benefit claims in the UK and is thus a benchmark for use locally.

#### **8.1.5 Housing Authority Analysis of Costs of Private-Rented Accommodation**

In addition to the 150 Supplementary Beneficiaries sampled, the Housing Authority has carried out an analysis of the proportion of gross income spent on private sector rents by elderly persons and families who were on the Housing Authority waiting list for rental accommodation in October 1998. (It should be noted that there may be an element of double counting with the Supplementary Benefit sample as a number of individuals may appear in both samples.)

For elderly persons, of the 73 analysed, the average gross income was £152.13 per week and the average rent charged was £62.40 per week. Table 9 shows the percentage of weekly income spent on rent by those people.

**Table 9 - Percentage of weekly income spent on private-rented accommodation by elderly persons**

<b>Percentage of Weekly Income spent on Private Rented Accommodation</b>	<b>Number of Households</b>	<b>Proportion of the Sample %</b>
40%+	43	59
60%+	12	16

Of the 115 applications analysed for families, the average income was £238.24 per week and the average rent was £71.76 per week. Table 10 shows the percentage of weekly income spent on rent by those people.

**Table 10 - Percentage of weekly income spent on private-rented accommodation by families**

<b>Percentage of Weekly Income spent on Private Rented Accommodation</b>	<b>Number of Households</b>	<b>Proportion of the Sample %</b>
40%+	40	35
60%+	9	8

Of the total sample (188 applications) the proportion of weekly income spent on private rented accommodation is shown in Table 11.

**Table 11 - Percentage of weekly income spent on private rented accommodation**

<b>Percentage of Weekly Income spent on Private Rented Accommodation</b>	<b>Number of Households</b>	<b>Proportion of the Sample %</b>
40%+	83	44
60%+	21	11

## 8.2 Childcare Costs

In addition to the high cost of housing, the cost of childcare in Guernsey has an effect on whether a parent decides that they can afford to return to work or commence employment following the birth of a child.

Childcare tax relief and allowances for the less well off have been introduced in Jersey with effect from 1 January 1999. The basic principles of the scheme are that: (i) childcare will be subsidised to the extent that it produces a modest incentive for parents to enter or remain at work; and (ii) tax relief will be available for those in the lower ranges of taxable income. It has also been agreed that there will be a parallel scheme for non-taxpayers.

Childcare allowances will only be paid to those using a known, high quality, registered scheme for the under-fives. It has been proposed that tax relief be reduced as income rises and could eventually taper out altogether. It has been estimated that the cost of tax relief in 1999 will be £1.8 million and the cost of childcare allowances will be between £1 and £2 million. It is anticipated that the scheme will be extended to include children under twelve.

In Guernsey no such system of tax relief or child care allowances exist, although the Children Board can provide free or subsidised childcare where the child is considered to be at risk, or suffering from social deprivation. However, other than the Children Board provision, individuals or families who require childcare will have to purchase it in the private sector. The approximate cost of purchasing childcare in the private sector is £3 per hour for a childminder, £5.50 - £6 per morning for a pre-school playgroup and £100 - £120 per week for full-time care at a nursery

### 8.3 Family Centres

Family Centres provide a range of services, such as parenting skills and household management, which can be accessed on a “drop-in” basis. Parents have also sought assistance such as adult literacy classes, to enable them to enter the workforce. It is thought that an increase in the number of Family Centres could assist low-income households in managing to balance the problems of low incomes and the high cost of living. The Children Board have successfully set up a Family Centre in the Bouet in conjunction with the Housing Authority who have allowed them to use one of their properties for a period of three years.

In addition to the Family Centre in the Bouet, the Children Board run a Family Centre at Swissville and have drop-in centres at Shiloh Church and Spurgeon Church, which are open one morning a week. The Children Board also has a playbus, which goes to various locations around the Island, offering play opportunities for children 5 days a week and help and advice for parents.

Guidance on the use of financial resources can assist where expenditure is a problem, but this becomes more acute when resources are short. A lack of control over resources may be as a result of poor education. Two households may have identical incomes and circumstances, yet one may have no control over their resources and appear to be suffering relative to the other household. In addition, households may have little or no control over their resources for reasons that appear to be beyond their control e.g. if a member of the household has an alcohol problem or there are problems with domestic violence etc.

The Children Board have highlighted guidance and support as core issues when dealing with the problems of low income households and are trying to introduce the above measures to help.

### 8.4 Medical Treatment

For some households medical treatment can represent a large proportion of expenditure from weekly income. A number of households in Guernsey incur large medical bills as a result of intensive primary care e.g. in relation to asthma, physiotherapy, diabetes etc. Depending on the person's medical condition, bills can run to thousands of pounds per year.

Some households have a number of children who suffer from the same condition - either because of the state of their housing (e.g. asthma) or because it is a hereditary condition. Currently, if the condition does not require treatment by a Specialist and the household does not receive free medical treatment through Supplementary Benefit or Public Assistance, the only assistance available is means-tested under the Medical Expenses Assistance Scheme.

## 8.5 The Cost of Borrowing

The cost of borrowing is a major factor when looking at the expenditure of low-income earners or households. It is more expensive for people on low incomes or earnings to borrow money as it is unlikely that banks would offer those households a loan and they would, therefore, need to approach a private lending company whose interest rates are higher than a high street bank.

An individual or family in receipt of a modest or high income would be able to borrow from a bank and be charged an interest rate of about 6% per annum. The following examples, obtained from various companies, indicate the costs involved with £1,000 loan:

*Bank A* - interest charged on £1,000 is 18.1% APR. There are no administration charges and optional insurance. The loan would cost the applicant £98.42 per month over 12 months.

*Finance Company A* - interest charged on £1,000 is £247.25 per year. In addition to this there is a compulsory £60 protection waiver cover, covering death, disability, hospitalisation or unemployment. There is also a £15 arrangement fee. The total cost of borrowing £1,000 is £1,322.25 or £110.19 per month for 12 months.

*Finance Company B* - this company could not quote a specific APR rate as all loans are charged interest dependent on the risk. However, an example of the rates charged by this company has been obtained from a Medical Expenses Assistance Scheme file:

Amount borrowed	£3,000.00	
Arrangement fee	£ 50.00	
Insurance	£ 979.40	(33% of the amount borrowed)
Interest	<u>£2,892.20</u>	(96% of the amount borrowed)
Total	<u>£6,921.60</u>	

This loan was to be repaid back at £144.20 per month over 4 years.

## 9. Contention 7 - A combination of these factors leads to the “poverty trap”

### *Social Policy Working Group response*

What is the “poverty trap”? In strict terms, the poverty trap is produced by the combined effect of taxation and benefit withdrawal as income rises. An example would be an individual who was in receipt of Supplementary Benefit as a single parent with two children under 5 and rent of £90 per week. This person’s total income would be £173.75 per week Supplementary Benefit and £9.50 Family Allowance. Should this person return to work full-time and earn £200 per week, Supplementary Benefit would cease (including assistance with medical expenses) and, depending on the circumstances of the individual concerned, tax may become payable on the earnings. This person would then have to decide whether it is economically viable to commence full-time employment bearing in mind the benefits that would be lost.



Assessing the number of persons in Guernsey who are in the poverty trap is difficult, but the numbers should be reflected in the “Other Households” category shown in Table 1 of this report.

10. **Contention 8 - Extra help should be given to low-income earners using a broad approach including the use of Social Security**

***Social Policy Working Group response***

It is important that any solutions offered address the issues experienced by people who are defined as being in relative poverty:

*“Individuals, families or groups of people whose resources are so limited that they are excluded from what the local community considers to be an acceptable way of life.”*

Having, therefore, set down a definition of relative poverty and put forward standards by which to determine low income households and low earners, consideration needs to be given as to how help might be provided to the groups of people identified. As described previously in this report help can be provided for low income earners either by categorical, selective or universal approaches.

11. **Possible Solutions**

11.1 **Income related Solutions**

If it is decided that the issues experienced by those people who have low earnings or low incomes are purely income-related issues, then there are a number of solutions available that may alleviate the issues fairly quickly.

11.1.1 **Increase Benefit Rates (Categorical or Selective)**

One of the ways to address the issue of those who have low incomes or low earnings could be to increase the Supplementary Benefit benefit limitation or, for pensions, to increase pension levels. In a paper by the Director of Public Health (April 1998) regarding Indicators of Sustainable Development for Guernsey, the Index of Sustainable Economic Welfare includes changes in the distribution of income “reflecting the fact that an additional pound in the pocket means more to the poor than to the rich”.

Increasing the Supplementary Benefit benefit limitation would have the effect of increasing the number of beneficiaries as there are a number of people/families who would have income just above the current benefit limitation.

Based on claims experience and feedback by his department, the Administrator of the Social Security Authority takes the view that there is not a significant problem of relative poverty among Guernsey and Alderney pensioners.

The Administrator believes that the combination of the contributory Old Age Pension scheme and the non-contributory Supplementary Benefit scheme, available on a means-tested basis, provides an adequate social security cover for pensioners.

The rates of pension and Supplementary Benefit are set each year by the States, following proposals from the Social Security Authority. The Authority recently stated its policy that Old Age Pension should, where possible, increase by more than the increase in Guernsey RPI. Even so, the Administrator would not expect the Authority to be persuaded that a substantial increase in pension was called for to alleviate relative poverty. Without persuasive evidence, it would be inappropriate for the Authority to recommend increased contribution rates to fund a substantially increased benefit liability.

Guernsey Old Age Pension, £98.00 per week for a single person and £157.75 for a married couple (1999 rates), is not intended to cover all of the pensioner's needs. In common with the other contributory benefits, it is an assistance benefit.

Pensioners who cannot manage on their pension and other resources may claim Supplementary Benefit. The amount paid will depend on circumstances, particularly their housing arrangements, but the combined total of pension, other income and Supplementary Benefit will not exceed the benefit limitation of £181 per week.

However, being in receipt of Supplementary Benefit of any amount gives access to free medical, dental, physiotherapy and chiropody where savings are less than £2,000.

It should be noted that a strategy of increasing pension and Supplementary Benefit rates would do little for the 240 households in the "Other Households" category, listed in Table 1, which were not mainly dependent on benefit.

#### **11.1.2 Minimum Wage Regulations (Categorical/Selective)**

The Board of Industry has monitored the UK debate on the need for the introduction of a minimum wage and has regularly addressed the issue locally at Board level.

Within the Bailiwick, the Transport and General Workers Union has mainly led the impetus for the introduction of minimum wage legislation.

The Board of Industry has established a database of contacts from individuals who believe that they are not being treated fairly as far as their wages are concerned. To date, very few individuals have cited low pay as a particular issue.

The Board has stated it believes employers should treat their employees in a reasonable manner and ensure that they are fairly paid. It has also accepted that there may well be a minority of employers who are paying what most people would regard as a "less than fair wage". The Board is however, firmly of the view that the number of cases brought to its attention does not warrant the introduction of legislation.

Rather, the Board has encouraged employers to note the minimum wage legislation in the UK and to ensure that those at the lower end of the pay scale are treated favourably when companies establish their pay rates.

## 11.2 **Expenditure Related Issues**

If the issues highlighted are seen as mainly expenditure linked, high cost of living, in particular housing, rather than income-related, possible solutions could include:

### 11.2.1 **Increasing the Supply of Housing and Influencing Sale Price (Categorical)**

Compared with UK benchmark figures, there is a possible under supply of 1,167 units of accommodation in Guernsey. The average number of persons per household in Guernsey in 1996 was 2.55 compared to 2.40 in the UK. With the overall trend indicating decreasing average household size from 2.55 in 1996 to 2.31 by the year 2011 and increasing life expectancy, an additional 3,560 units of accommodation are required - an increase of 237 per annum.

The combination of under supply and people with relatively high incomes results in high house prices. Any measures introduced to assist individuals/families on low earnings or incomes in entering the housing market in isolation to measures to increase the supply of housing will not solve that problem, it will exacerbate it by adding to the demand for housing.

An alternative is to introduce specific measures e.g. ensuring the majority of new units of accommodation are suitable for people who have low incomes. In this context, the States resolved in July 1998 to give its full support to policies adopted by the Island Development Committee whereby:

“In the preparation of Outline Development Briefs, Planning and Design Statements and the consideration of individual applications, the general aim shall be to seek to ensure that the majority of new dwellings developed are of a type affordable to those of modest means.”

In late 1998, the States agreed proposals from the Housing Authority setting out the number of different types of dwellings to be built at Amherst and Bulwer Avenue together with the conditions to be attached to their sale, including purchase price. The emphasis here is upon providing houses for first- or last-time buyers, i.e. “affordable housing” for those with modest means.

The Island Development Committee policy referred to above requires an increase in supply generally. In light of the 15-year projections regarding the requirement for additional housing units on the Island, the Strategic and Corporate Plan states:

“In preparing revisions in the Urban and Rural Area Plans, provision should be made to allow for an average aggregate of 250 new homes per year to be created over the statutory life of each successive revised plan.”

### **11.2.2 Housing Allowances (Categorical)**

The 1998 Policy and Resource Planning Report referred to the factors of supply and demand affecting the housing market being reflected in the house prices and availability. The rents charged for private sector housing are similarly affected.

Consequently, if it is the high cost of private rented accommodation that is causing hardship, a housing allowance could be introduced in order to assist with the cost. An allowance could be in the form of a flat-rate benefit that was available for all households. A flat-rate benefit offers proportionately greater help to those on low incomes. This type of allowance would work as an income supplement and would not lead to a poverty trap, as it would not be withdrawn as income rises. There would be no distinction between owner-occupiers and private rented accommodation.

### **11.2.3 Housing Benefit (Universal with Clawback)**

An alternative to a housing allowance could be housing benefit. In the UK a rate of housing benefit is awarded (depending on the rent charged by the landlord).

This benefit is then withdrawn as income rises which creates a poverty trap and can present problems in terms of incentives to work. However, UK housing benefit has been described as one of the least successful schemes in the UK benefit system. This does not necessarily mean that such a scheme would be unsuccessful in Guernsey, particularly as the shape of a local scheme need not replicate that operated in the UK.

### **11.2.4 Tax Relief on Private Rental Housing (Universal with Clawback)**

The Income Tax Authority has put forward, for discussion purposes only, the possibility of a new kind of tax relief on private rental housing. In general terms tax relief would be available on rent paid over £2,600 per annum (£50 per week). It is also suggested that there could be a maximum level of relief available - say £2,600 per annum. This would mean that relief would be available for rent of £50 to £100 per week. If a sharp cut off at £100 was thought to be undesirable, then a phased reduction in relief could be introduced (universality with clawback).

The Income Tax Authority has added that measures would need to be taken to prevent fraud or other abuse.

The Authority, however, has no intention of recommending the introduction of this new kind of tax relief.

### **11.2.5 Changes to the Dwellings Profits Tax Law (Categorical)**

The existing Dwellings Profits Tax Law imposes a tax charge of 100% at the time of a sale, although there are a number of exemptions which, when satisfied, mean that no profits tax is levied. One exemption is under Section 9(1)(a) of the Law and applies when a sale involves a dwelling that has been owner occupied for twelve months. Where the property is not owner occupied it has to have been owned for five years.

Consideration could be given to amending the Dwellings Profits Tax Law as a possible means of reducing the turnover of dwelling houses, i.e. countering property speculation. The twelve months rule could be scrapped or extended, so that in future all properties (including those that are not owner occupied) would need to be owned for five years in order for the exemption rule to be applied.

A recent survey carried out by the Income Tax Authority regarding property sales during 1996 showed the following:

**Table 12 – 1996 Property sales by length of owner occupation**

<b>Length of owner occupation</b>	<b>Number of transactions</b>	<b>%</b>
1 year and a day	6	0.5%
Under 2 years	62	5.5%
Under 3 years	81	7.1%
Under 4 years	63	5.5%
Under 5 years	71	6.2%
Over 5 years	849	74.6%
<b>Total</b>	<b>1,138</b>	

However, although every property sale will fuel some price inflation, there is no evidence that property speculation is rife to justify extending the period of occupation from a year and a day for exemption.

Using the figures provided by the Income Tax Authority, an increase in the exemption period to 5 years would catch 25% of all conveyances, but it would stifle some property sales, which might currently stimulate the first-time buyers' market. An example would be first-time buyers wishing to sell their property three years after purchase because of an increase in purchasing power. Keeping the house for a further two years prevents it being released for another first-time buyer.

It is considered that the only person who is likely to profit from an early re-sale in a rising market is one who is not intending to purchase another dwelling. Consequently, if the market was stifled by an effective embargo on all re-sales for five years there might be even more pressure for new building.

#### **11.2.6 Assisted Childcare Placement (Categorical or Selective)**

In the UK, Local Authorities have set up day nurseries where children can be cared for at little or no cost due to subsidised places. There is only one private business in Guernsey that provides a crèche for its staff although a number of enquiries have been made to the Children Board regarding the legal requirements for such a service. Measures to assist low income households with the cost of childcare could be introduced e.g. providing States run day nurseries or providing assisted places in privately run operations i.e. some sort of partnership scheme. There are economic benefits to getting people into the workforce.

Significantly, it is likely that, if subsidised childcare was available, there would be a potential saving in terms of Supplementary Benefit paid to single parents in order to offset the costs of the new scheme. On the other hand, the introduction of free or subsidised childcare would be a selective measure, assisting only a limited number of people with low incomes or earnings.

#### **11.2.7 Family Centres (Categorical)**

Following the research carried out by the Social Policy Working Group, it may be decided that the problems experienced by low income households and low earners are not simply caused by low income or the way in which the low income is spent. It may be that education - in terms of educating individuals and families to manage their finances better - would help the current problems.

In order to do this effectively the facilities and services offered by the existing Family Centres on the Island could be increased or more Family Centres developed. As a categorical benefit as the service would be available to all, but would be of particular benefit to those on low incomes or who were low earners.

#### **11.2.8 Assistance with Medical Expenses (Selective)**

Medical expenses have already been examined in this paper. The Social Policy Working Group acknowledges that medical expenses can represent a significant proportion of income for some households who have low incomes. In order to address the problem, the current MEAS scheme could be expanded in order to cover general GP consultations for individuals or families who have low incomes or earnings.

Expanding the scope of the MEAS scheme would require consultation with the Advisory and Finance Committee as expenditure would increase and the scheme currently has a capped budget.

#### **11.2.9 Changes to the Social Insurance Law (Categorical)**

The worker's share of the social security contribution in Guernsey is 4.5%. So, if it were decided to make, say the first £100 a week of earnings free of a social security contribution, the worker would be £4.50 better off. This would, of course, mean a loss of income to the Guernsey Insurance Fund. This would need to be replaced by either increasing the grant from general revenue, increasing the percentage rate of contribution when it does apply or increasing the upper earnings limit.

Increasing the grant from general revenue is feasible, the implementation depending on whether or not there was a political decision to direct increased general revenue funds towards the lower paid.

Increasing the upper earnings limit, thereby asking high earners to contribute more than is necessary to insure themselves, would weaken the underlying insurance principle of the social insurance scheme, turning the contributions into more of a tax. It is unlikely that the Social Security Authority would support this.

Recouping the lost income to the Guernsey Insurance Fund through increased contribution rates from the main body of contributors, under the upper earnings limit, is feasible but would need to be approached carefully. Depending on family and housing circumstances, some people earning £200 to £300 per week could be needing more help than lower paid workers. It could be that people earning, say, £100 to £150 per week are part-time workers or seasonal workers. If contribution rates are generally increased to compensate for the loss of contribution income on very low earnings, workers with modest incomes could be made worse off.

Any changes in the Social Security system would also have to be fully investigated and checked by the Government Actuary with a view to their long-term effects.

### 11.3 **Other Additional or New Tax Allowances**

#### 11.3.1 **Tax Allowances for Childcare Costs (Categorical or Selective)**

One way of addressing the high cost of childcare would be a tax allowance on childcare costs.

In December 1998, Deputy Mrs P Mellor successfully put forward an amendment to the Budget Report directing the Advisory and Finance Committee to include in its 2000 Budget Report either:

- (a) firm proposals for the introduction of tax relief on monies paid in return for the provision of childcare services or
- (b) a clear and thorough explanation as to why the Advisory and Finance Committee did not consider it expedient to include such proposals.

If such an allowance was intended to increase the number of women in the workforce the benefit need not be clawed back through the tax system, but it would still only be a reduction of 20% of the childcare costs. Would a tax allowance really make a significant difference? It is also unlikely to benefit those who have low incomes as they are not likely to pay tax and, therefore, any allowance may have no real effect. Those households are still likely to find the cost of childcare in Guernsey prohibitive regardless of any tax allowances.

The idea of childcare tax relief and allowances has been raised earlier in this report as such schemes have been introduced in Jersey with effect from 1 January 1999 (see Section 8.2). It should be noted that the cost of tax relief and childcare allowances in Jersey is expected to cost between £2.8 and £3.8 million in 1999.

### 12. **Summary of Possible Options**

A number of options are available to ensure that Islanders do not experience relative poverty; namely:

- (i) Do nothing. It could be argued that benefits and services available in Guernsey, as described in this report, are adequate to meet the Island's needs

- (ii) Review the existing Supplementary Benefit and Public Assistance Rates. Are they still the minimum level necessary to subsist in Guernsey? (The cost implications need to be investigated fully)
- (iii) Increase the rate of Old Age Pension. (Actuarial advice on the impact on contributors would be needed)
- (iv) Consider amending the Social Insurance Law to reduce the amount of contributions paid by those who have low incomes. (Actuarial advice on the impact on contributors would be needed)
- (v) Investigate the possibility of introducing a Housing Allowance. (The cost implications of introducing such a scheme need to be investigated fully)
- (vi) Investigate the possibility of introducing a Housing Benefit. (The cost implications of introducing such a scheme need to be investigated fully)
- (vii) Investigate the possibility of introducing tax relief on private rental costs. (The cost implications of introducing such a scheme need to be investigated fully)
- (viii) Consider amending the Dwellings Profits Tax Law to counter property speculation
- (ix) Consider introducing Minimum Wage Regulations
- (x) Investigate the possibility of the Children Board providing more free or subsidised childcare places (Cost implications of introducing such a scheme need to be investigated fully)
- (xi) Consider setting up more Family Centres on the Island as a means of helping those who have low incomes or earnings to learn to balance low incomes with the high cost of living on the Island
- (xii) Investigate the possibility of introducing a tax allowance on childcare costs. (Cost implications of introducing such a scheme need to be investigated fully)
- (xiii) Consider extending the scope of the Medical Expenses Assistance Scheme to cover the cost of routine visits to the GP for individuals/families who have low earnings or incomes. (Any change to the scheme would require consultation with the Advisory and Finance Committee due to the Scheme's current capped budget)

### 13. **Conclusions**

The Social Policy Working Group is unanimous that there is insufficient data on relative poverty in Guernsey (particularly on levels of disposable income) in order to give a definitive answer to the signatories of the Requête on the best method(s) of addressing their concerns.



However, as shown in this report, a large number of options are available and the Group feels that, based on the limited data currently available, it is unlikely that any one option will deal with all the problems encountered by low income households. A package of interrelated measures will thus be required.

**APPENDIX 1 – Requête on Low Income Earners and Households**

**REQUÊTE**

LOW INCOME EARNERS AND HOUSEHOLDERS

(Billet d'Etat VI – 6 March 1998)

TO THE PRESIDENT AND MEMBERS OF THE STATES OF DELIBERATION

THE HUMBLE PETITION of the undersigned Members of the States of Deliberation

SHEWETH:-

A. That to the best of your Petitioner's belief and information:-

- (1) there is a significant number of low income earners and low income families in Guernsey;
- (2) these people are having to cope with the very high local cost of living and in particular the cost of housing;
- (3) other than the safety net of supplementary benefit there is little help directed at those on low income, for instance there is no family income supplement and no assistance with the cost of housing other than in the state sector;
- (4) islanders start to pay income tax at a standard rate of 20p in the pound at £5,750 income - that is £2.76 an hour for someone on a 40 hour week;
- (5) a combination of these factors leads to a poverty trap for low income earners in Guernsey, e.g. a person on £7,000 a year paying £4,000 for a private flat has a disposable income of just £3,000 after the cost of housing; yet they receive no help with the cost of housing nor help with living costs through social security and are expected to pay £250 out of their £3,000 disposable income in income tax, which situation is clearly not acceptable in a wealthy and caring island; and
- (6) on top of this such people have to pay social security contributions.

B. That your Petitioners believe that action must be taken with the minimum of delay to tackle the problem of 'relative poverty' in our island.

C. That, in the opinion of your Petitioners, during the States Budget debate in December 1997 there seemed to be a general consensus amongst members that extra help should be given to low income earners; that the majority of members rejected the idea of tackling the problem through income tax alone and expressed a wish to see a broader approach including the use of social security; and accordingly that your Petitioners wish to ensure that these fine words and sentiments are translated into action to tackle the poverty trap in which many low income earners find themselves in Guernsey.

THESE PREMISES CONSIDERED your Petitioners humbly pray that the States may be pleased to resolve as follows:-

To instruct the States Advisory and Finance Committee, in consultation with the Guernsey Social Security Authority, the States Income Tax Authority and any other party it deems appropriate, to consider the requirements of low income earners, in particular low income householders, to enjoy a reasonable standard of living and report back to the States on how this may be achieved as soon as may be, but in any case no later than one year's time.

AND YOUR PETITIONERS WILL EVERY PRAY

GUERNSEY this 2nd day of February 1998

*Jean Pritchard.*

JEAN PRITCHARD

*Patricia Mellor*

PATRICIA MELLOR

*D.P. Le Cheminant.*

D. P. LE CHEMINANT

*E. W. Walters*

E. W. WALTERS

*R. J. Le Moignan*

R. J. LE MOIGNAN

*Carol Fletcher*

CAROL FLETCHER

*Janine M. Le Sauvage*

JANINE M. LE SAUVAGE

*John A. B. Gollop*

JOHN A. B. GOLLOP

*B. J. Gabriel*

B. J. GABRIEL

*Michael Torode*

MICHAEL TORODE

**APPENDIX 2 – Membership of the Social Policy Working Group and other senior civil servants involved in producing this report**

Mr G Sauvage – Policy Analyst, Advisory and Finance Committee

Mr M Nelson – Assistant Policy Analyst, Advisory and Finance Committee

Mr M Nutley – Administrator, Social Security Authority

Dr S Langford – Chief Executive Officer, States Housing Authority

Mr A Hodgkinson – Chief Executive, Board of Health

Mrs J Gaggs – Director, Child Care Services, Children Board

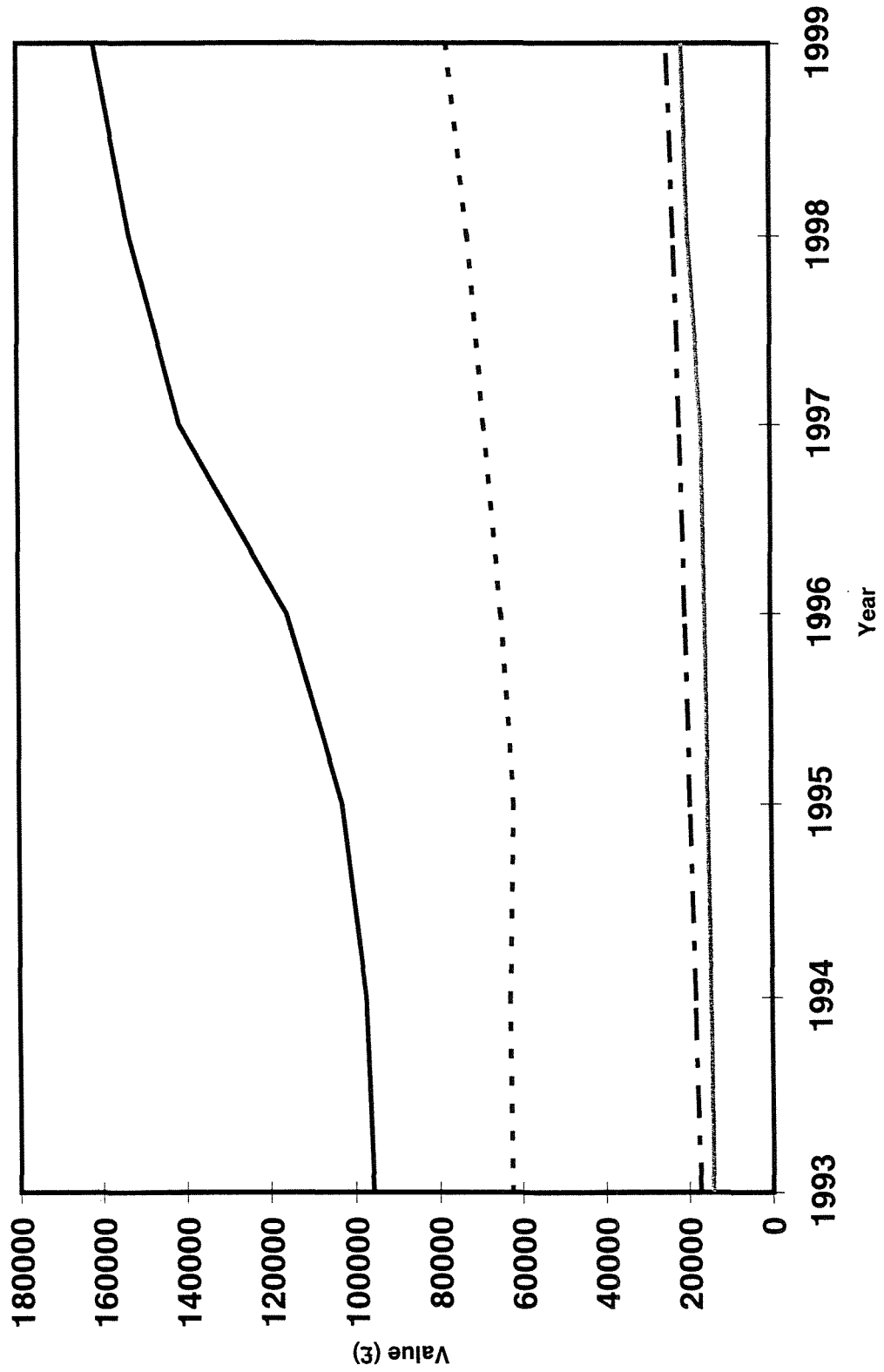
Mr B Castle – Chief Executive, Civil Service Board

Mr J Dickson – Head of Economics and Statistics, Advisory and Finance Committee

Mr K Forman – Administrator, Income Tax Authority

# House Prices & Earnings 1993 - 1999

## Appendix 3



## **APPENDIX 4 – Update to Social Policy Working Group Report**

The figures referred to in the Social Policy Working Group's report are detailed below at 1999 rates and/or amounts.

### **Guernsey Social Security Authority**

#### **Supplementary Benefit *(Section 6.1.1)***

The maximum weekly benefit payable is £190.00. The requirement rate figures for long-term claims effective from 1 January 2000 are as follows:

<b>Household Type</b>	<b>Rate</b>
Married couples	£143.25
Single households	£ 87.75
Non-householders	
18 years or over	£ 76.75
16 to 17 years	£ 54.50
13 to 15 years	£ 40.25
11 to 12 years	£ 31.25
5 to 10 years	£ 27.00
under 5 years	£ 21.50

At any one time there are approximately 1,750 individual claims to Supplementary Benefit. In 1999 expenditure on weekly cash benefits amounted to £6,762,217, including around £2 million paid to beneficiaries in long-term care.

#### **Medical Expenses Assistance Scheme *(Section 6.2.1)***

In 1999 the Social Security assisted 73 claimants at a cost of £29,008.

### **Public Assistance**

#### **Public Assistance *(Section 6.1.2)***

In 1999 the Public Assistance Authority received a total of 1,606 separate claims which resulted in expenditure of £119,524 in weekly benefit payments. Again, the maximum weekly benefit payable is £190.00.

The Authority also made medical payments to assist those families or individuals in receipt of Public Assistance and in 1999 made payments amounting to £5,872.

### **States Housing Authority**

#### **Rent Rebate Scheme *(Section 6.3.1)***

In 1999 1,155 tenants out of a total of 2,177 tenants received rent rebates. The total value of rent rebates was £2,132,000 in 1999.

### **States Home Loans** (*Section 6.3.2*)

In 1999 the Authority made 69 loans to first time buyers towards the purchase of a dwelling. The total value of these loans was £7,335,000.

The maximum States Loan available is now £130,000.

### **States Home Improvement Loans** (*Section 6.3.3*)

In 1999 the Authority approved 22 improvement loans. The total value of these loans was £358,444.

### **Cadastre Committee**

#### **Rent Control Law** (*Section 6.4.1*)

In December 1999 there were 31 properties on the Rent Control Register.

### **Board of Health** (*Section 6.5*)

**Table 3 - Subsidised services provided by the Board of Health**

<b>Service Provided</b>	<b>Full economic cost £ per week</b>	<b>Maximum charge to the resident or patient £ per week</b>	<b>Variation £ per week (shortfall met by BoH)</b>	<b>Full economic cost to Board of Health £ per annum</b>	<b>Income from the patient/resident £ per annum</b>	<b>Variation £ per annum</b>
<b>Short-stay</b>						
Duchess of Kent House	£445.00	£83.65	£361.35	Not separately illustrated	£6,363	Not known
King Edward VII Hospital	£765.00	£83.65	£681.35		£100,559	Not known
Câtel Hospital	£1,123.00	£83.65	£1,039.35		£19,495	Not known
<b>Long-stay</b>						
Duchess of Kent House	£445.00	£245.54	£199.46	£1,643,957	£382,316	£1,261,641
King Edward VII Hospital	£765.00	£279.00	£486.00	£3,976,741	£469,726	£3,507,015
Câtel Hospital	£1,123.00	£279.00	£844.00	£5,840,691	£459,742	£5,380,949
<b>Home Helps</b>	£10.45 per hour	£7.22	£3.23	£516,859	£107,548	£409,311

The calculation of the revised figures for the Board of Health's services shown in Table 3 above differs from those in the main report due to the following:

- 1) The full economic costs for the two hospitals and the Duchess of Kent House are derived from the actual cost of running these facilities plus an apportionment of overheads in respect of corporate HQ, Nurse Education Centre, staff accommodation and laundry services.

- 2) No distinction has been made in the above table between the costs of short and long-term beds due to the very high level of fixed costs associated with short-stay facilities which would tend to make such an exercise meaningless.
- 3) The charges made to short-stay residents or patients is based upon the Old Age Pension adjusted downwards by a relevant personal allowance. The weekly charges for long-stay residents/patients are derived from a formula calculated by the States Treasurer.
- 4) It should be noted that all charges illustrated are maxima and are subject to means testing.
- 5) The figures quoted under the heading Full Economic Cost to the Board of Health have been adjusted slightly to reflect that the basis of these costs is the full economic costs based on the weekly charges outlined in column 1.
- 6) Income and expenditure in respect of services in Alderney, services for people with a learning disability and community homes for people with a mental illness have been excluded from the analysis.

### **Education Council**

#### **Tuition Fees** (*Section 6.6.1*)

In 1999 the Council made grants to full-time students (aged over 22 years) at the College of Further Education totalling £18,798 (£14,753 – maintenance and £4,045 – tuition fees) and £2,629 (tuition fees) to part-time students.

#### **Education Maintenance Grants** (*Section 6.6.2*)

In 1999 34 applicants were awarded grants and the parental income was in the bands as shown below:

<b>Gross Income</b>	<b>Number of Grants</b>
£0 to £5,000	2
£5,001 to £10,000	8
£10,001 to £15,000	7
Over £15,000	5
Supplementary Benefit	12
<b>Total</b>	<b>34</b>

In 1999 the total expenditure on these grants amounted to £19,406.

#### **Higher Education Awards** (*Section 6.6.3*)

These awards are based on income in the previous financial year. In 1999/2000 the basic allowances are:

Married couple	£20,000
Single parent	£16,000



In September 1999 695 students received awards subject to parental contribution and 67 received independent (mature) student awards. Of the 695 awards subject to parental contribution 122 were made with a parental contribution assessed at nil, i.e. the students received full-rate grants. Expenditure on higher education awards in the financial year 1999 was £4,596,492. This includes some expenditure on part-time students.

In the academic year 1999/2000 the Council is committed to paying the following in respect of the 695 students in receipt of awards subject to parental contribution:

Maintenance grants	£1,076,725
Tuition fees	<u>£2,842,962</u>
Total	<u>£3,919,687</u>

#### **School Uniforms** (*Section 6.6.4*)

The Education Council awarded some 534 clothing grants to parents of primary school pupils and special placeholders (scholarship pupils) at the Grammar School and the Colleges. It is estimated that this figure represents about 330 families. The total cost of these awards in the calendar year 1999 was £40,990.

A joint Education Council/Guernsey Social Security Authority survey in 1993 of clothing grants awarded in respect of primary school pupils revealed that 69% of the families receiving clothing grants were also in receipt of Supplementary Benefit.

Clothing grants for secondary school pupils are awarded by the head teachers, under delegated authority. In 1999 expenditure was £25,230.

#### **Charitable Organisations** (*Section 6.8*)

In 1999 the Social Security Authority made the following grants to charitable organisations offering assistance to persons with low incomes or earnings:

<b>Charitable Organisation</b>	<b>Amount</b>	<b>Notes</b>
Citizen's Advice Bureau ( <i>Section 6.8.1</i> )	£12,325	Towards the cost of the manager's salary and training for staff and volunteers
Wesley Playgroup ( <i>Section 6.8.2</i> )	£11,845	Towards costs of upkeep and repair, heat and light, playgroup equipment and insurance
Guernsey Welfare Service ( <i>Section 6.8.3</i> )	£27,110	Towards the salary of a part-time organiser and the Guernsey Welfare Playgroup staff
Guernsey Welfare Playgroup ( <i>Section 6.8.3</i> )	£ 4,256	Towards the costs of transporting to and from the playgroup
WRVS ( <i>Section 6.8.4</i> )	£21,750	Towards the cost of running the Jubilee Day Centre and the provision of blankets, food, etc for civil emergencies
Salvation Army ( <i>Section 6.8.5</i> )	£14,000	Towards the salary of the Centre Manager

Le Four Cabot  
Route de St. André  
St. Andrew  
GY6 8UN

The President  
Advisory and Finance Committee  
Sir Charles Frossard House  
P.O. Box 43  
La Charroterie  
St. Peter Port  
GY1 1FH

13<sup>th</sup> June 1999

Dear *haine*

I would like to advise you of the views of the signatories of my Requête on Low Earners and Householders to the response document from the Social Policy Working Group. These should be taken as the consensus views of the signatories as the individuals each have their own personal views and preferences for action on the issues involved.

We were initially disappointed with the lack of information presented on the extent of poverty in Guernsey. We accept, however, the assurances from the Working Group that such information is not currently available in a usable form. We would point out that one of the criticisms of the original requête was that it did not include detailed evidence of the extent or form of poverty in the island. We believe the difficulty experienced by the Social Policy Working Group in this respect despite the resources at its disposal answers fully those criticisms. We would support any proposal to carry out a research exercise to obtain this information. This research exercise should not however delay the pursuit of a package of measures to address the problems of low income earners and householders.

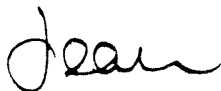
The consensus view of the signatories is that such a package should not revolve primarily around the use of new funds but should concentrate on redistributing existing funds towards those in need with the minimum of bureaucracy. The package of measures which the signatories favour should be pursued are:

a re-balancing of income tax payments so that those on low incomes pay less, those on high incomes pay more. This might be achieved either directly through the allowances arrangements or indirectly through a refund of income tax paid. We would stress that such tax measures would not involve altering the basic 20p flat rate of income tax but would instead concentrate on giving greater allowances to those on low incomes than to those on high incomes. This could be done either by additional allowances focused solely on lower earners or by relying on a more generous basic allowance which could be phased out for higher earners;

- action on housing and housing costs through:
    - a review of the number of States Houses available and the system for assessing eligibility for States Houses
    - assistance with the high cost of private sector rents
- this action should be in addition to the measures agreed by the States to increase the availability of new homes affordable by those on low incomes;
- a general review of Supplementary Benefit and Public Assistance levels of benefit;
  - the introduction of child care allowances (which is already being reviewed by the Advisory and Finance Committee and the Income Tax Authority following the Mellor amendment);
  - the targeting of existing allowances such as child benefit and payment for GP consultations on those who really need them allowing the level of these benefits to be increased.

The above should be considered to be the principle measures to address poverty to which immediate priority should be given. Individual signatories believe that there are other measures which should be assessed as and when the opportunity arises.

Yours sincerely



Deputy J.A. Pritchard



STATES OF GUERNSEY

**HOUSING  
AUTHORITY**7 - 9 FOUNTAIN STREET  
ST. PETER PORT  
GUERNSEY GY1 1BXTEL: 01481 710631  
FAX: 01481 713976

Your ref: .

Our ref:

The President  
Advisory and Finance Committee  
Sir Charles Frossard House  
P O Box 43  
La Charroterie  
St Peter Port  
GY1 1FH

*18* November 1999

Dear Conseiller Morgan

**REQUETE ON LOW INCOME EARNERS AND HOUSEHOLDERS**

Thank you for your letter dated 12 November 1999, which was considered by the Authority at its meeting held on 18 November 1999.

The Authority reaffirms its support for the *investigation* of the measures identified in the policy letter and concurs with the view that 'if changes are to be made, it will involve a package of interrelated measures rather than a simple "quick-fix" single measure.'

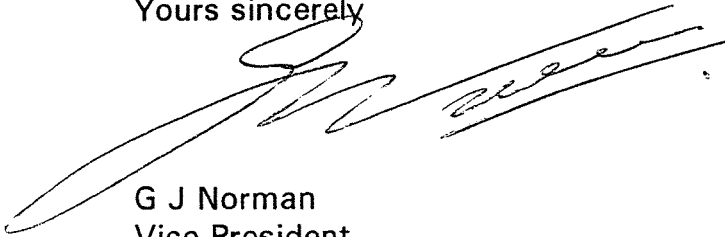
The Authority anticipates playing a major role in the investigation of means to alleviate the burden of high housing costs, but would stress that these investigations will require close liaison between a number of States' Committees.

On the question of the priority to be assigned to these investigations, the Authority understands and supports the desire to give the task a high priority. However, the Authority wishes to draw attention to the magnitude of the investigations that will need to be undertaken, which will inevitably be reflected in the length of time that they could take to complete.

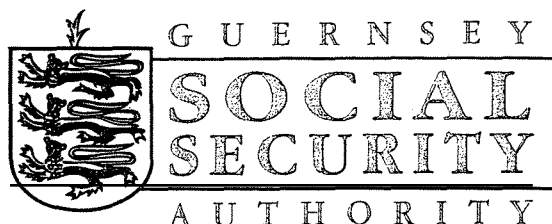
Furthermore, in common with other States' Committees, the Authority has a full and prioritised programme of other work it plans to undertake and limited resources to progress it. The Authority thus considers that decisions on the priority to be assigned to the various investigations will be better informed once the results of the survey of relative poverty are known, enabling a more focused timetable for co-ordination of the whole package of investigations to be drawn up.

Finally, the Authority was particularly struck by the large number of existing measures to assist low income households identified by the Social Policy Working Group in its report. The Authority considers it very beneficial that these measures have been collected together in one report and believes that dissemination of this information will go some way in resolving the difficulties faced by certain individuals who may be unaware of the services currently available.

Yours sincerely

A handwritten signature in black ink, appearing to read 'G J Norman', written over a horizontal line.

G J Norman  
Vice President  
States Housing Authority




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Edward T. Wheadon House, St. Peter Port  
Guernsey, Channel Islands. GY1 3WH  
Fax: (01481) 732501 Tel: (01481) 732581

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The President  
Advisory and Finance Committee  
Sir Charles Frossard House  
La Charroterie  
St Peter Port  
Guernsey GY1 1FH

Our Ref: OleT/PH

Your Ref:

Date: 3 December 1999

Dear Conseiller Morgan

**Requete on Low Income Earners and Householders**

Thank you for your letter of 12 November 1999, with enclosed draft policy letter that you intend to submit to the States at the beginning of 2000.

I can confirm that the Authority and its staff, will participate fully in investigating the package of measures listed in your report.

As social welfare is at the heart of all the Authority's activities, members agree that the investigations should have a high priority. For 2000, the Authority's top priority will remain the further development of a scheme of long-term care insurance, but every effort will be made to accommodate the work for the low income earners and householders around this.

With regard to the proposed review of existing supplementary benefit and public assistance rates, where the Authority would expect to take the lead, members note that the proposed poverty survey by an external body would be an important source of relevant information. To avoid duplication of effort, the survey would need to be complete before the adequacy of benefit rates was judged.

Yours sincerely

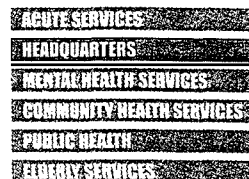
(O D Le Tissier)  
President



States of Guernsey

**BOARD OF  
HEALTH**

JOHN HENRY HOUSE,  
LE VAUQUIEDOR,  
ST. MARTIN'S, GUERNSEY  
GY4 6UU, CHANNEL ISLANDS.  
TEL. 01481 725241  
FAX. 01481 235341



JRLG/SPWG

Conseiller L.C. Morgan,  
President,  
Advisory & Finance Committee,  
Sir Charles Frossard House,  
La Charroterie,  
St. Peter Port,  
GY1 1FH

7<sup>th</sup> December, 1999

Dear Conseiller Morgan,

**Re Requête on Low Income Earners and Households**

Thank you for your letter dated 3rd December regarding the above. I apologise for the delay in replying.

The Chief Executive is a member of the Social Policy Working Group and he and the Director of Public Health both hold the view that relative poverty leads to a reduction in health status.

Although only peripherally involved in this matter I am sure that, given the views of the Chief Executive and Director of Public Health, the Board would wish to continue to support and assist the work involved in implementing the proposals.

Yours sincerely,

B. RUSSELL  
President



# States of Guernsey Income Tax

K.R.L. FORMAN  
ADMINISTRATOR

Income Tax Office,  
PO Box No. 37,  
2, Cornet Street,  
St. Peter Port, Guernsey,  
GY1 3AZ

Telephone: (01481) 724711  
Facsimile: (01481) 713911

QUOTE REF B&R.3  
YOUR REF.

3<sup>rd</sup> December 1999

The President  
Advisory & Finance Committee  
Sir Charles Frossard House  
PO Box 43  
Le Charroterie  
ST PETER PORT  
GY1 1FH

Dear Conseiller Morgan

## REQUETE ON LOW INCOME EARNERS AND HOUSEHOLDERS

Thank you for your letter of 12<sup>th</sup> November 1999.

The Authority reiterates its previous concerns regarding the possibility of introducing tax relief on private rental costs and in this respect I enclose, for ease of reference, a copy of my letter dated 24<sup>th</sup> March 1999, which deals with this issue.

The Authority notes that it is envisaged that there could be a package of inter-related measures. This will require close liaison between States committees concerned.

As a result, and to produce an effective result to the investigation, a substantial amount of staff time at senior officer level will be required. In terms of priority, you will be aware that the Authority's officers will be heavily engaged during 2000/01 following the acceptance by the States of the Reform to the Income Tax Law, in order to bring the new system into effect on time.

In common with other States committees, the Authority also is involved in matters of international taxation and has a prioritised programme of other work, with limited resources to progress it. It would appear that a key element will be the result of the survey of relative poverty which, hopefully, will define that term clearly so that any departmental investigations can be focused appropriately.

Yours sincerely

W L E R ROBILLIARD  
President  
Income Tax Authority



**REQUETE ON LOW INCOME EARNERS AND HOUSEHOLDS****STATES OF GUERNSEY CHILDREN BOARD RESPONSE**

The Children Board welcomes the package of measures that are presented in the Policy Letter, and agrees with the view that a number of interrelated measures will be required if assistance is to be available for those in most need.

The Children Board further supports the view that more data is needed to more accurately identify and quantify the nature and extent of relative poverty and is pleased to note the instigation of a research project.

The Children Board has a responsibility to ensure that services are provided to protect children and to promote their welfare; this includes children whose welfare is adversely affected by family poverty. One of the Children Board's main aims is to provide accessible services, within the Community to enable those in need to parent their children successfully, and to prevent more serious problems developing. Family Centre Services are being developed to meet this need.

The Children Board fully supports the proposal to investigate setting up more Family Centres. Furthermore, the project at the Marais Family Centre, which has been in operation for just over a year, has proved the need and value of such a resource. Through a number of resources, provided at the Centre, families have access to assistance with childcare; household management; health care; adult literacy and education and further activities are being developed. More importantly, it provides for support and friendship for families who may otherwise not cope with the pressures they face.

The development of Family Centres is already identified as a priority in the Children Board Policy Resource Plan, and aims to open a second Family Centre in an area of need in the year 2000, and to replace the Marais Family Centre in 2001 when the property is handed back to Housing Authority. The Children Board is able to staff these projects from its current establishment, and has made provision within its Capital Allocation for the development of these projects. With support from other Committees - particularly the Housing Authority and Advisory and Finance, these measures could be undertaken as a matter of priority. Such projects enable a large number of families to access services at a relatively low cost.

The Children Board supports the other measures that are being proposed. With regard to proposal (1) the Board is of the view that the Review of Supplementary Benefit and Public Assistance rates should be extended and be a total review of the system. In particular, the Children Board is concerned that people on benefit who endeavour to return to part-time employment, lose their entitlement to a number of benefits, making it uneconomic for them to seek employment. The Children Board would like to see measures introduced to enable beneficiaries to re-enter the workforce, and thus take partial responsibility for supporting themselves financially.

The Board supports the proposal III, and notes that such provision should include after-school and holiday arrangements.

The Children Board supports the other proposals and has no additional comments to add.

*Ann C. Robilliard*

**DEPUTY ANN ROBILIARD  
VICE PRESIDENT  
STATES OF GUERNSEY CHILDREN BOARD**

The States are asked to decide:—

- IV.— Whether after consideration of the Report dated the 3rd April, 2000, of the States Advisory and Finance Committee, they are of opinion:-
1. To note the report of the Social Policy Working Group.
  2. That further investigation of the following measures shall be undertaken-
    - (i) Review the existing Supplementary Benefit and Public Assistance rates.
    - (ii) Review the ways of alleviating the burden of high housing costs, including consideration of:
      - (a) the introduction of a Housing Allowance;
      - (b) the introduction of a Housing Benefit;
      - (c) the introduction of tax relief on private rental costs;
      - (d) the availability of, and access to States housing.
    - (iii) Investigate the possibility of providing more free or subsidised child care places; and/or the introduction of child care allowances.
    - (iv) Investigate setting up more family centres.
    - (v) Investigate extending the scope of the Medical Expenses Assistance Scheme.
    - (vi) Investigate a “re-balancing” of the Income Tax system to reduce the burden on the lower paid.

# STATES ADVISORY AND FINANCE COMMITTEE

CONSTITUTIONS AND MANDATES OF THE APPOINTMENTS BOARD, LEGISLATION COMMITTEE,  
RULES OF PROCEDURE COMMITTEE AND CONSTITUTION OF THE STATES REVIEW COMMITTEE

The President,  
States of Guernsey,  
Royal Court House,  
St. Peter Port,  
Guernsey.

26th April, 2000.

Sir,

**CONSTITUTIONS AND MANDATES OF THE  
APPOINTMENTS BOARD  
LEGISLATION COMMITTEE  
RULES OF PROCEDURE COMMITTEE  
CONSTITUTION OF THE STATES REVIEW COMMITTEE**

1. I refer to discussions that have taken place between yourself and the Advisory and Finance Committee (AFC) and H.M. Procureur concerning the duties that you undertake as President of various Committees of the States. Whilst the full implications of the recent judgment of the European Court of Human Rights are still under consideration we agreed that it is necessary to clarify your non-executive and non-political role as presiding officer of the States of Deliberation. The issue is one of perception and of recognising the need to eliminate any suggestion of bias as a result of your discharging the duties of judge in the Royal Court and your quasi judicial duties of convening and presiding over the States of Deliberation and the States of Election.
2. These discussions have caused the AFC to reconsider the Constitution and Mandates of the Committees listed above.

**A. Appointments Board**

3. The constitution of the Appointments Board is:

A President who shall be the President of the States  
Three members who shall be sitting members of the States  
The President of the States Civil Service Board  
Two delegates who shall be members of the Committee concerned  
with the appointment

and its mandate is to appoint officials to fill those offices in the States' service specified in the 1932 Loi sur la Constitution d'un Conseil de Nomination, as amended, when those offices become vacant.

4. You, Sir, have informed the AFC that it is your opinion that it is neither necessary nor appropriate for the holder of your office to discharge the duties of President of the Appointments Board. The Committee concurs with your view on the matter.
5. The Committee considers that the key rôle in the appointment of senior officials (and, indeed all other staff appointments) rests with the Civil Service Board and therefore recommends that the President of the Civil Service Board be ex-officio President of the Appointments Board. He is currently an ex-officio ordinary member of the Appointments Board. In order that the overall membership of the Board remains unchanged it is proposed that he should be replaced as an ordinary member of the Board by an ordinary member of the Civil Service Board.
6. Consequently it will be necessary to amend the Constitution and Operation of States Committees prescribed by resolution of the States of 30th April 1992, and subsequently amended, by adding at the end of sub-paragraph 5(2) the words "other than that of the Appointments Board.". That sub-paragraph currently provides that the President of the Civil Service Board shall not hold the presidency of any other standing States Committee.
7. In paragraph 19(3) it will be necessary to substitute the words "President of the Civil Service Board" in place of "President of the States" and to substitute "A member of the States Civil Service Board" in place of "The President of the States Civil Service Board".
8. At present your Secretary is the Board's senior officer. If the present proposals are approved, the Chief Executive of the Civil Service Board will assume the rôle of senior officer of the Appointments Board.
9. The Civil Service Board has been consulted and has advised that it fully supports the proposals.

#### **B. Legislation Committee**

10. The constitution of the Legislation Committee is:

A President who shall be the President of the States  
 Four members who shall be sitting members of the States  
 Two members who need not be sitting members of the States

and its mandate is to review and revise every Projet de Loi and draft Ordinance for the purpose of ensuring that the same is in accordance with and will effectually carry into effect any Resolution of the States. It may also, when necessary or expedient in the public interest, bring a draft Ordinance into effect prior to consideration thereof by the States.

11. You, sir, have indicated that whilst presiding over the Legislation Committee might well be an appropriate function to be discharged by the person who is presiding over the legislature as a whole you do not consider it is necessary for you to continue to discharge this function and that you feel it desirable that you should no longer involve yourself with the matters within that Committee's field of operation.
12. The AFC, having consulted H.M. Procureur is of the view that there is no reason why the President of the Legislation Committee should not be an ordinary member of the States. This will mean that the Legislation Committee will then have a standard constitution, that is a President who shall be a sitting member of the States, four members who shall be sitting members of the States and two members who need not be sitting members of the States. In practice, one of the Law Officers or Crown Advocates attends each meeting of the Committee. The AFC considers that their presence at Legislation Committee should be a requirement and therefore proposes that the Constitution and Operation of States Committees (referred to more fully in paragraph 6) be amended by adding a further sub-paragraph to paragraph 14A as follows:

"(4) One of the Law Officers or a Crown Advocate shall be present at all meetings of the States Legislation Committee."

and that the heading of paragraph 14A be changed to "Presence of Officers, etc. at Committee Meetings".

13. The Greffe provides secretarial services for the Committee and it is proposed that this should continue in future.
14. The Legislation Committee has been consulted and has advised that it supports the proposals.

#### **C. Rules of Procedure Committee (RoPC)**

##### **Constitution of the States Review Committee (CSRC)**

15. The constitution of the RoPC is:

A President who shall be the President of the States  
 The Senior Acting-President of the States (Vice-President)  
 Two Conseillers  
 Two People's Deputies  
 One Douzaine Representative.

The Conseillers and People's Deputies shall serve for a term of three years and shall retire in the year coincident with the triennial election of Conseillers and the General Election of People's Deputies.

The Douzaine Representative shall serve for a term of one year

and its mandate is to consider from time to time the Rules of Procedure in and in relation to Assemblies of the States of Deliberation of the Island of Guernsey; to receive representations from Members of the States concerning procedure and to make such recommendations to the States as it may think fit.

16. You, Sir, have pointed out to the AFC that whilst Rules of Procedure are a matter of direct concern to you as President of the States as it is your responsibility to interpret and apply them, the form that they take is essentially a political matter for the States to consider and decide. You have therefore indicated that you feel it is no longer appropriate or desirable that you should continue to chair that Committee, but you have indicated that in order to ensure the smooth working of the States you feel that the holder of your office should participate on a consultative basis in deliberations of the Committee where the Rules of Procedure are under scrutiny.
17. Your decision with regard to the Presidency of the RoPC is timely as that Committee's mandate needs to be reviewed as a consequence of the abolition of the office of Conseiller with effect from the 30th April, 2000.
18. Having regard to the need to reconstitute the RoPC, the AFC has considered whether it would be appropriate to combine the RoPC and the CSRC. The constitution of the CSRC is:

A President who shall be a sitting member of the States.  
Four members who shall be sitting members of the States.  
Two members who need not be sitting members of the States

and its mandate is

- a. To advise the States on matters relating to:

The constitutions of the States of Deliberation and the States of Election;

The constitution and operation of the States' Committees;

The system of election of Presidents and members of States' Committees;

Elections to public offices;

Parochial matters (other than those which fall within the mandate of another States' Committee).

- b. To develop, present to the States for approval and to implement policies on the above matters for the provision of services, introduction of legislation and other appropriate measures which contribute to the achievement of strategic and corporate objectives.
- c. To exercise the powers and duties conferred on it by extant legislation and States resolutions, in particular

The Reform (Guernsey) Law, 1948, as amended

The States Committees (Constitution and Amendment) (Guernsey) Law, 1991

- d. To be accountable to the States for the management and safeguarding of public funds and other resources entrusted to it.
19. The workload of both the RoPC and CSRC is not onerous and, consequently, both Committees meet only infrequently. The mandates of the two Committees are, in many ways, closely related and the officers of the two Committees regularly deal with enquiries relating to the other Committee.
  20. H.M. Greffier and the Head of External and Constitutional Affairs respectively provide the secretarial and support services to the RoPC and CSRC.
  21. The AFC is of the opinion that it would be appropriate for the two Committees to be combined. In addition to the existing mandates it is proposed that the new Committee should be mandated to advise the States on services and facilities provided for Members of the States and, generally, to advise on matters relating to the practical functioning of the States of Deliberation and the States of Election. This wider mandate will allow the new Committee to exercise a broader function with regard to the constitution, operation and procedure of the States. For the avoidance of doubt, however, the AFC wishes to state that, within the Rules of Procedure, the President of the States will continue to be the final arbiter with regard to the practical functioning of the States of Deliberation and Election.
  22. The title of the RoPC is too narrow for the new Committee and that of the CSRC tends to lead to confusion as it is often referred to as the "Constitution Committee". This is misinterpreted by some to refer to the constitution of the Island

rather than the constitution of the States. The AFC therefore proposes that the new Committee should be styled the States Procedures and Constitution Committee. This title reflects accurately the nature of the Committee's functions.

23. It is proposed that the Head of External and Constitutional Affairs will be the Committee's senior officer. However, the AFC considers that the President of the States and H.M. Greffier should be entitled to attend meetings of the Committee to enable them to advise on matters relating to the Rules of Procedure and on matters relating to the functioning of the States.
24. Consequently it is proposed that the Constitution and Operation of States Committees (referred to more fully in paragraph 6) be amended by adding a further sub-paragraph to paragraph 14A as follows:

"(5) The President of the States and H.M. Greffier shall be entitled to attend meetings of the States Procedures and Constitution Committee for the purpose of advising that Committee on matters relating to the Rules of Procedure and on matters relating to the functioning of the States."

25. It is proposed that the constitution of the States Procedures and Constitution Committee be

A President who shall be a sitting member of the States  
 Four members who shall be sitting members of the States  
 Two members who need not be sitting members of the States

This is the standard constitution of States Committees. The AFC considers that non-States members make a valuable contribution in the deliberations of many committees and believes that there is no reason why they should not sit as members of the new committee.

26. The RoPC has been consulted and the President has advised that he is content with the proposals.
27. The CSRC has been consulted and has advised that it supports the proposals.

#### **D. Recommendations**

28. The Advisory and Finance Committee recommends the States to agree:

- (1) to dissolve the Rules of Procedure Committee;
- (2) to dissolve the Constitution of the States Review Committee;



(3) (i) to establish a permanent committee of the States entitled the States Procedures and Constitution Committee;

(ii) that the mandate of that Committee shall be:

(a) To advise the States on matters relating to:

The constitutions of the States of Deliberation and the States of Election;

The Rules of Procedure in and in relation to the States of Deliberation of the Island of Guernsey;

The constitution and operation of States' Committees;

The system of election of Presidents and members of States' Committees;

Matters relating to the practical functioning of the States of Deliberation and States of Election and facilities provided for Members of the States;

Elections to public offices;

Parochial matters (other than those which fall within the mandate of another States' Committee).

(b) To develop, present to the States for approval and to implement policies on the above matters for the provision of services, introduction of legislation and other appropriate measures which contribute to the achievement of strategic and corporate objectives.

(c) To exercise the powers and duties conferred on it by extant legislation and States resolutions, in particular

The Reform (Guernsey) Law, 1948, as amended

The States Committees (Constitution and Amendment) (Guernsey) Law, 1991

(d) To be accountable to the States for the management and safeguarding of public funds and other resources entrusted to it.

(4) that the President of the Civil Service Board shall be ex-officio President of the Appointments Board;

- (5) that the Constitution and Operation of States Committees prescribed by Resolution of the States of 30th April, 1992, in pursuance of the States Committees (Constitution and Amendment) (Guernsey) Law, 1991 and amended by Section 11(4) of the Reform (Election of Conseillers and Minor Amendments) (Guernsey) Law, 1993 and by Resolution of the States of 25th November, 1992; 30th March, 1994; 26th July, 1995; 6th December, 1995; 31st July 1996; 30th September, 1998; 20th January, 1999 and 26th January, 2000 be further amended, as follows:-

(a) (i) at the end of sub-paragraph 5(2) add the words "other than that of the Appointments Board.";

(ii) in sub-paragraph 19(3) delete the words "President of the States" and substitute therefor "President of the Civil Service Board;

(iii) in sub-paragraph 19(3) delete the words "The President of the States Civil Service Board" and substitute therefor "A member of the States Civil Service Board";

(iv) delete sub-paragraph 19(14);

(b) (i) add two new sub-paragraphs after 14(A)(3) as follows:

"(4) One of the Law officers or a Crown Advocate shall be present at all meetings of the States Legislation Committee.

(5) The President of the States and H.M. Greffier shall be entitled to attend meetings of the States Procedures and Constitution Committee for the purpose of advising that Committee on matters relating to the Rules of Procedure and on matters relating to the functioning of the States.";

(ii) amend the heading of paragraph 14A to "Presence of Officers, etc. at Committee Meetings";

(6) (a) to elect a sitting member of the States as President of the States Procedures and Constitution Committee;

(b) to elect four sitting members of the States as members of the States Procedures and Constitution Committee;

- (c) to elect two members of the States Procedures and Constituion Committee, who need not be sitting members of the States.
  - (7) to elect a member of the States Civil Service Board as a member of the States Appointments Board.
  - (8) to elect a sitting member of the States as President of the States Legislation Committee.
29. I have the honour to request that you will be good enough to lay this matter before the States with appropriate propositions.

I am, Sir,  
 Your obedient Servant,  
 L. C. MORGAN,  
 President,  
 States Advisory and Finance Committee.

The States are asked to decide:—

V.— Whether, after consideration of the Report dated the 26th April, 2000, of the States Advisory and Finance Committee, they are of opinion:-

1. That the States Rules of Procedure Committee shall be dissolved.
2. That the Constitution of the States Review Committee shall be dissolved.
3. (1) That a permanent committee of the States entitled the States Procedures and Constitution Committee shall be established;  
 (2) that the mandate of that Committee shall be:
  - (a) To advise the States on matters relating to:
    - The constitutions of the States of Deliberation and the States of Election;
    - The Rules of Procedure in and in relation to the States of Deliberation of the Island of Guernsey;
    - The constitution and operation of States' Committees;
    - The system of election of Presidents and members of States' Committees;
    - Matters relating to the practical functioning of the States of Deliberation and States of Election and facilities provided for Members of the States;
    - Elections to public offices;
    - Parochial matters (other than those which fall within the mandate of another States' Committee).
  - (b) To develop, present to the States for approval and to implement policies on the above matters for the provision of services, introduction of legislation and other appropriate measures which contribute to the achievement of strategic and corporate objectives.
  - (c) To exercise the powers and duties conferred on it by extant legislation and States resolutions, in particular
    - The Reform (Guernsey) Law, 1948, as amended
    - The States Committees (Constitution and Amendment) (Guernsey) Law, 1991.
  - (d) To be accountable to the States for the management and safeguarding of public funds and other resources entrusted to it.
4. That the President of the States Civil Service Board shall be ex-officio President of the States Appointments Board.

5. That the Constitution and Operation of States Committees prescribed by Resolution of the States of the 30th April, 1992, in pursuance of the States Committees (Constitution and Amendment) (Guernsey) Law, 1991 and amended by section 11(4) of the Reform (Election of Conseillers and Minor Amendments) (Guernsey) Law, 1993 and by Resolution of the States of the 25th November, 1992; 30th March, 1994; 26th July, 1995; 6th December, 1995; 31st July, 1996; 30th September, 1998; 20th January, 1999 and 26th January, 2000, shall be further amended as follows:-
  - (a) (i) at the end of sub-paragraph 5(2) add the words "other than that of the Appointments Board.";
    - (ii) in sub-paragraph 19(3) delete the words "President of the States" and substitute therefor "President of the States Civil Service Board";
    - (iii) in sub-paragraph 19(3) delete the words "The President of the States Civil Service Board" and substitute therefor "A member of the States Civil Service Board";
    - (iv) delete sub-paragraph 19(14);
  - (b) (i) add two new sub-paragraphs after 14(A)(3) as follows:
    - "(4) One of the Law Officers or a Crown Advocate shall be present at all meetings of the States Legislation Committee.
    - (5) The President of the States and H.M. Greffier shall be entitled to attend meetings of the States Procedures and Constitution Committee for the purpose of advising that Committee on matters relating to the Rules of Procedure and on matters relating to the functioning of the States.";
  - (ii) amend the heading of paragraph 14A to "Presence of Officers, etc. at Committee Meetings".
6. (1) To elect a sitting member of the States as President of the States Procedures and Constitution Committee;
- (2) to elect four sitting members of the States as members of the States Procedures and Constitution Committee;
- (3) to elect two members of the States Procedures and Constitution Committee, who need not be sitting members of the States.
7. To elect a member of the States Civil Service Board as a member of the States Appointments Board.
8. To elect a sitting member of the States as President of the States Legislation Committee.

**STATES ADVISORY AND FINANCE COMMITTEE****REGULATION OF FIDUCIARIES AND ADMINISTRATION BUSINESSES**

The President,  
States of Guernsey,  
Royal Court House,  
St. Peter Port,  
Guernsey.

26th April, 2000.

Sir,

**Regulation of Fiduciaries and Administration Businesses****Background and consultation**

- 1.1 The Bailiwick of Guernsey has evolved into a major international centre for the provision of fiduciary and administration services which chiefly means the management of trusts and companies. Such services are an extremely important component of the finance industry as a whole. It is estimated that there are over 200 firms of fiduciaries currently involved in the provision of fiduciary services - ranging from trust companies owned by major international banks, to companies owned by advocates and accountants, to companies which are otherwise independently owned. The companies range in size from small owner-operated companies to those employing well over 100 staff. The total directly employed in the sector is some 1,300 which represents over 20% of the total number employed in finance. Total assets under administration are conservatively estimated at well over £50 billion.
- 1.2 There is a certain number of trust companies to be found in Alderney, and some companies and individuals in Sark have concentrated on the provision of directorship services.
- 1.3 The provision of fiduciary services is the only sector of the finance industry which is not presently supervised (in the formal sense) by the Guernsey Financial Services Commission. This question of regulation and supervision, however, has been under consideration since as long ago as 1984. The Committee is now of the opinion that the fiduciary sector should be regulated and supervised in a formal sense for the reasons which follow and, through the consultation process summarised in paragraph 1.6 below, it is clear that there is now widespread industry support for regulation.

- 1.4 The lack of any formal powers to exclude any dishonest and/or incompetent operators from this large and important sector represents an unacceptable risk to the good reputation and economic well-being of the Bailiwick. Appropriate regulation will enhance consumer protection and will be in accordance with suggestions made in the Edwards Report on Financial Regulation in the Crown Dependencies and with extremely similar legislative developments in Jersey and the Isle of Man. The Committee believes that appropriate regulation of fiduciary services is now widely expected of all major international finance centres, and the Committee is firmly of the opinion that the proposed legislation is both right and necessary for the Bailiwick.
- 1.5 In the Committee's view, regulation should apply across the Bailiwick because, if fiduciary services continue to be provided without regulation in one part of the Bailiwick, the reputation of the Bailiwick as a whole as a well-regulated centre in the top division of international finance centres will be at risk. There would therefore be a general reputational risk of leaving unregulated fiduciary business anywhere in the Bailiwick. There would also be a specific risk because, when bodies such as the Financial Action Task Force evaluate Guernsey, they will look at the Bailiwick as a whole.
- 1.6 The Financial Services Commission in December 1998 appointed a well qualified advisory committee (known as the Fiduciary Services Committee) containing representatives of the various sectors within the fiduciary industry in Guernsey, Alderney and Sark. After discussions with the Fiduciary Services Committee, the Commission published a Consultation Paper in May 1999. That was well received and number of respondents made suggestions about some of the proposals set out in the Paper. The Commission continued with its process of widespread consultation with the industry, and continued to receive valuable advice from the Fiduciary Services Committee. The Commission is now satisfied that the proposals set out in this Policy Letter command a very broad measure of consensus within the industry.

## **Proposal**

- 2.1 The Committee now proposes the enactment of enabling legislation to introduce a formal structure for the licensing and supervision of fiduciaries within the Bailiwick and to provide other necessary associated powers. This proposed regulatory structure will encompass all individuals, partnerships or companies offering or providing fiduciary services or administration business services from or within the

Bailiwick by way of business. The regulation will also extend to the use of Guernsey or Alderney incorporated companies to offer or provide such services regardless of whether the activities are undertaken in or controlled from the Bailiwick. The offering or provision of such services without a licence will constitute a criminal offence.

2.2 The activities to be regulated are as follows:

The carrying on by way of business in or from within the Bailiwick or by use of a company registered within the Bailiwick of trust formation or management including but without prejudice to the generality of the foregoing :

- (i) the formation and/or administration of trusts and/or other similar structures including foundations;
- (ii) acting as corporate and/or individual trustee, enforcer or protector for trusts and/or other similar structures including foundations; or
- (iii) the provision to structures mentioned in (i) above of trustees, enforcers and/or protectors;

whether established under the laws of the Bailiwick of Guernsey or elsewhere.

The carrying on by way of business in or from within the Bailiwick or by use of a company registered within the Bailiwick of company/corporate administration including but without prejudice to the generality of the foregoing:

- (i) the formation and/or administration of companies or partnerships and/or other entities whether incorporated / established in the Bailiwick of Guernsey or elsewhere;
- (ii) the provision to the foregoing of
  - corporate and/or individual directors; or
  - an individual or a company to act as company or corporate secretary or in any other capacity of officer of a company other than director; or
  - nominee services including acting as or providing a nominee shareholder or shareholders; or
  - registered office or accommodation addresses; or
- (iii) acting as a director of any company or other entity of a description set out in subparagraph (i) above.



The carrying on by way of business in or from within the Bailiwick or by use of a company registered within the Bailiwick of the provision of executorship services including acting or accepting appointment as executor of wills or acting as the administrator of estates. The Committee does not intend that the regulation of those acting by way of business as executors and administrators should trespass on the function of the Ecclesiastical Court in appointing executors and administrators to individual estates.

- 2.3 It may be noticed that the activities referred to above are only to constitute regulated activities if they are carried out by way of business. Activities which are not undertaken by way of business, such as acting as a trustee of a local charity, or acting as the executor of a friend's will, will not be regulated activities. Similarly, someone acting as trustee of an occupational pension scheme other than by way of business would not be regulated. Other activities will also be expressly excluded from the operation of the Law and these will include :

- (i) acting as a trustee or custodian of a collective investment scheme authorised by the Commission;
- (ii) acting as a director of a company with an established place of business within the Bailiwick and where no material services (other than acting as a director) are supplied to it by a fiduciary (this will effectively exclude from the Law directorships in local trading companies);
- (iii) acting as a director of a company quoted on a stock exchange recognised by the Commission;
- (iv) acting as a director of a company owned by the director and/or his or her spouse and/or by close family members of the director and/or by a trust of which the director and/or close family members are beneficiaries;
- (v) acting as a director of a company already subject to supervision by the Commission (for example, a directorship in a Guernsey captive insurance company or a Guernsey registered bank);
- (vi) acting as a director of a company which is a subsidiary of a company otherwise excluded by virtue of subparagraphs (ii) to (v) above;

- (vii) acting as book-keeper or company secretary of a company with an established place of business within the Bailiwick and where no material services (other than acting as bookkeeper or company secretary) are supplied to it by a fiduciary;
  - (viii) acting as the holder of advance payments in connection with the supply of goods or services;
  - (ix) acting as a guardian for the elderly, the young and the incapable, where such appointment is made by the Royal Court and where the discharge of such functions is subject to the supervision of the Royal Court.
  - (x) acting as executor and trustee to or as personal representative of estates of persons either resident or domiciled within the Bailiwick at the time of death, or acting as trustee of testamentary trusts created by persons either resident or domiciled within the Bailiwick at the time of death (this will effectively exclude from the Law the activities of advocates in connection with their acting as 'a family lawyer' for local clients).
  - (xi) advice given or documents drafted by an accountant or advocate in the normal course of his professional duties; the incorporation of companies and drafting of company minutes by an advocate; the preparation and audit of company accounts.
  - (xii) where the activities are merely incidental to and complementary with other activities which are otherwise regulated by the Commission provided that the incidental activities are undertaken without separate or additional remuneration.
- 2.4 Due to the complexity of financial services and the ingenuity of service providers, it is proposed that there should be a power for the Committee to make appropriate rules and regulations which may either add to or restrict exempted categories. The Committee would first consult with the Commission and with the authorities in Alderney and Sark. The normal formality of laying regulations before the States of Guernsey (which would have the power to annul them) would apply.

- 2.5 In order to give the Commission sufficient power and flexibility to regulate the sector pragmatically, it is proposed that the Commission should be granted a discretionary power to exempt a particular directorship or other appointment or activity from constituting a regulated activity if the Commission considers it appropriate in any particular cases.
- 2.6 Because of the diversity of size and functions within the fiduciary sector, the Committee is of the opinion that there ought to be two licence categories as against just one. The two categories envisaged are as follows:
- (i) a Full Fiduciary Licence which will only be available to companies and partnerships. This will permit the licence holder to offer and provide all fiduciary services. The holder of a Full Fiduciary Licence will, if proposals for the revision of the company incorporation system are approved by the States, be able to make applications for the incorporation of companies. Advocates will continue to be able to make such applications irrespective of whether they are licensed. It is anticipated that proposals will be placed before the States later this year.
  - (ii) a Personal Fiduciary Licence which will only be available to individuals. This will permit the licensed individual to act as a company director or as a co-trustee or protector of a trust. This restricted licence category will enable those individuals with the appropriate experience and personal qualities to continue to give the benefit of their wisdom and experience to clients in these defined roles.
- 2.7 The holder of a Full Fiduciary Licence will have to be able to comply with various additional requirements (such as capitalisation and the provision of audited accounts) as against the holder of a Personal Fiduciary Licence. As stated above, the latter category is a restricted licence category, and the holder of such a licence will be prohibited from advertising his or her services whether through newspapers, magazines or journals, an Internet website, unsolicited mailing or an exhibition stand. Licences of both categories will require annual renewal.

2.8 The essential element of the proposed regulatory structure is the simple concept that those involved in the provision of fiduciary services should be 'fit and proper' persons. This 'fit and proper' criterion is well-established and understood and runs right through the work of the Commission in the exercise of its statutory functions. The criterion embraces integrity, competence and solvency.

2.9 In its consideration of whether an applicant is 'fit and proper' the Commission will have regard to a large number of matters including the following:

- the applicant's reputation and character;
- absence of any criminal record (particularly relating to dishonesty);
- business background and previous experience;
- other business interests;
- history of incompetence, imprudence or involvement with insolvent businesses;
- educational and professional qualifications (for individual applicants);
- membership of professional or other relevant bodies;
- evidence of continuing professional development (for individual applicants);
- evidence of knowledge and understanding of legal obligations assumed;
- procedures for the vetting of clients and compliance with anti-money laundering legislation;
- possession of sufficient financial resources to be able to demonstrate solvency and liquidity having regard to the nature and scale of any activities undertaken or contemplated;
- possession of such insurance cover as may reasonably be required by the Commission having regard to the nature and scale of the activities undertaken or contemplated.

2.10 In considering an application for a Full Fiduciary Licence, the Commission will also have regard to such additional matters as:

- whether each director, controller, manager and partner of the applicant is a 'fit and proper' person;

- ability to comply with the 'four eyes' requirement by which is meant a minimum of two persons locally resident of appropriate standing and experience responsible for the everyday direction and control of the business;
- provision of audited financial statements (audited by a firm of accountants approved for such purpose by the Commission);
- staff of adequate number, skills, knowledge and experience properly to undertake and fulfil their duties and responsibilities;
- evidence of commitment to staff training, and the existence of long-term succession and staff development plans;
- adequate systems of control and record-keeping for business undertaken or contemplated and provisions for the proper maintenance and development of such systems;
- satisfactory complaints history;
- evidence of disaster recovery contingency planning;
- economic benefit to the Bailiwick or any part thereof.

#### **The Application Process**

- 3.1 All applications for either a Personal Fiduciary Licence or a Full Fiduciary Licence will have to be submitted on the appropriate forms accompanied by the required documents stated in such forms together with a non-refundable application fee. Personal Questionnaires (or "PQ's") will be required for all individual applicants and for the directors, controllers, managers or partners of corporate or partnership applicants. If an application is received by the Commission by a specified date after the Law comes into force, the applicant will be entitled to continue with its business until the final determination of the application.
- 3.2 The directors, controllers, managers or partners of corporate or partnership applicants will not have to apply for Personal Fiduciary Licences in respect of their involvement in the applicant. A licence granted to a Full Fiduciary Licence holder will be deemed to cover all named directors, partners, managers and employees of the fiduciary who—carry out regulated activities mentioned in paragraph 2.2 in their personal capacities but as part of their duties to the fiduciary. If, however, such individuals are also personally involved in fiduciary activities quite separately from the fiduciary, then the individuals concerned will need to make an application for a Personal Fiduciary Licence in respect of such activities.

- 3.3 Matters relating to licence fees will be prescribed by regulations made by the Committee. Different licence fees will be charged for the two different categories of licence. An applicant for a Personal Fiduciary Licence will be charged a minimum fee together with a further charge in respect of each client company or trust in relation to which the individual provides services subject to a maximum capped annual licence fee. An applicant for a Full Fiduciary Licence will be charged a licence fee on a sliding scale basis based on turnover. The general level of licence fees will take international comparisons into account, and be as competitive as possible consistent with the maintenance of a high-quality regulatory structure. The industry, however, will have to bear the costs of its own regulation.
- 3.4 A Full Fiduciary Licence fee shall be deemed to cover all named subsidiary or associated companies of the applicant which carry on regulated activities. In other words, there will be an effective group licensing system in operation.
- 3.5 The Commission will have the power to require further information from an applicant in connection with an application, and also to require the verification of information in a specified manner. The Commission will have the further power to require the attendance of the applicant at an interview to discuss the application and/or the business undertaken or contemplated.
- 3.6 It will be the responsibility of the Commission (after consulting the authorities in Alderney and Sark where an applicant intends to carry on business from one of those islands) to decide whether an applicant is 'fit and proper' and therefore whether a licence should be granted. The Commission may grant a licence subject to conditions or later revoke a licence. If the Commission decides to reject an application, to impose conditions upon the grant of an application or to revoke a licence, then it will be obliged (upon receipt of a written request from the applicant or licensee) to provide a statement of the reasons upon which it is basing its decision. There may be cases, however, in which the disclosure of particular information in a statement of reasons might prejudice an investigation either within the Bailiwick or outside of it, or otherwise be prejudicial to international co-operation with investigatory, regulatory or prosecuting authorities in other jurisdictions. In those circumstances the Commission could provide a truncated statement of reasons excluding the particular information and the applicant would be entitled to apply to the Royal Court (or, in the case of an applicant from Alderney or Sark, to the Court of Alderney or the Seneschal's Court respectively) for a decision on whether

the provision of truncated reasons was justified. The full reasons would not be disclosed to the applicant pending the court's decision.

- 3.7 An applicant aggrieved by the Commission's refusal to grant an application may appeal to the Royal Court (or, in the case of an applicant from Alderney or Sark, to the Court of Alderney or the Seneschal's Court respectively), on the grounds that the decision was ultra vires or an unreasonable exercise of powers. An appeal shall be instituted by way of summons which shall set out the material facts upon which the appellant relies and which shall be served upon the Chairman of the Commission within one month of the notice giving the decision. An applicant aggrieved by the imposition of conditions upon a licence, or aggrieved by the subsequent revocation of a licence, will also enjoy the benefit of such a right of appeal upon the same terms. Pending the hearing of an appeal, an applicant may continue to conduct his business as before the Commission's decision, unless otherwise ordered by the Court. On the appeal, the Court may make such order as it thinks fit.
- 3.8 The Commission, in consultation with the industry, will be drawing up Codes of Conduct (which may be amended from time to time) setting out required standards of best practice for those carrying on regulated activities. Any breach of such Codes will not of itself involve the commission of an offence or involve any liability, but may be taken into consideration by the court in deciding any question under the Law or by the Commission in its evaluation of whether an individual or partnership or company is or continues to be 'fit and proper'.

#### **Ancillary provisions**

- 4.1 The Commission will clearly need various powers to enable it to supervise the industry properly. Such powers have to be a delicate balance between the Commission's reasonable requirements as a regulator and the protection of the legitimate business interests of fiduciaries. Such business interests include a general right to confidentiality for the affairs of both fiduciaries and their clients save in certain defined situations in which the wider public interest must prevail. Accordingly, the Committee is of the opinion that the following powers for the Commission are necessary for the effective and efficient regulation of the industry, and that the appropriate balance has been struck between the objectives set out above in this paragraph. The Committee is also mindful of the pragmatic approach which the Commission has successfully adopted in its regulation of the banking, insurance and investment business sectors of the finance industry since the

Commission was set up some 12 years ago. A similarly pragmatic approach will undoubtedly be equally effective in the proposed regulation of fiduciary services.

- 4.2 The Commission will be given powers to enable it to ensure that only licensed individuals, partnerships and companies are engaged in the fiduciary business. It will be a criminal offence to carry on or offer to carry on regulated activities without a licence. It will also be an offence knowingly to give false information to the Commission, or (subject to specified exceptions, such as legal professional privilege) to refuse to give information to the Commission, or knowingly in any other way to deceive, mislead or obstruct the Commission. Where an offence is committed by a company with the consent or connivance of, or as a result of neglect on the part of, a controller, director or similar officer, that person will also be criminally liable.
- 4.3 The Commission may issue and serve an information notice on any person, partnership or company carrying on, or reasonably believed to be carrying on, fiduciary business in or from within the Bailiwick, or outside the Bailiwick if using a Guernsey or Alderney incorporated company. The information notice may require the party to whom it is addressed to furnish the Commission with such information as the Commission may reasonably require relating to that party's activities and for such information to be verified in a specified manner. The relevant party may also be required to attend before the Commission to answer questions appearing to the Commission to be relevant to any fiduciary activities apparently being carried on or to any asset being held by or to the order of the relevant party.
- 4.4 The Commission may at any time appoint one or more suitably qualified persons ("inspectors") to investigate and report to the Commission on the nature, conduct or state of a licensee's business or any particular aspect of it, or the ownership or control of the business. The Commission may recover the costs of the inspectors from the licensee.
- 4.5 The Commission will require the auditing of the annual accounts of the holder of a Full Fiduciary Licence by a firm of auditors approved by the Commission. Auditors who qualify a Full Fiduciary Licence-holder's accounts or resign their office will be required to notify the Commission and, in making such a report or communicating with the Commission in good faith, will not contravene any duty owed to the fiduciary.
- 4.6 The Commission may at any time require the production of books, papers or other records from a licensee or any other person who



appears to be carrying on fiduciary business or from any person who appears to the Commission to be in possession of such records, and take copies of them. The Commission may also require an explanation of them, and require production in a legible form of any record maintained otherwise than in a legible form.

- 4.7 Subject to the above provisions, the Commission does not intend as a general policy to investigate matters directly using its own staff but will be given such a power for use whenever it considers it necessary for the protection of the public or to uphold the reputation of the Bailiwick. The Commission will have powers to enter premises similar to those which it already has under The Banking Supervision Law, 1994. Those are primarily a power to enter premises under a warrant granted by the Bailiff where there are reasonable grounds for suspecting that an offence under the proposed Law has been committed, and a power to enter with the prior authority of at least two ordinary members of the Commission where an information notice has been served but not complied with. The Committee suggests that, where the premises are in Alderney or Sark, the application for a warrant should be made to the Chairman or a Jurat of the Court of Alderney or the Seneschal or his deputy respectively.
- 4.8 The Commission currently has power under Section 96B of The Companies (Guernsey) Law, 1994, as amended, to apply on behalf of the Committee for the compulsory winding-up of a Guernsey company. The Committee now feels however that the Commission as an independent regulatory authority should have such a power in its own right and not as an agent of the Committee.
- 4.9 The use of company and trading names suggesting that regulated business is being carried on should be restricted along the same lines as the provisions in The Banking Supervision Law (Bailiwick of Guernsey) Law, 1994 in relation to deposit taking. The main provisions would be as follows:
- (i) It would be an offence for anyone without a fiduciary licence to use without the Commission's consent a name suggesting that he was carrying on regulated fiduciary business, to hold himself out as being licensed, or to suggest that he was entitled to carry on regulated fiduciary business without a licence.
  - (ii) Any licence-holder wishing to change its name or trading name (or to use a trading name for the first time) would be required to give notice to the Commission. If the Commission considered the licence-holder's proposed name (or, due to changed circumstances or new information, its

existing name) misleading or undesirable, it could object. In the case of a new name, the Commission would have to raise any objection within 28 days of receiving that notice and, following any objection by the Commission, it would then be an offence to use that name. There would be an appeal procedure against any objections raised by the Commission, the grounds of appeal being that the objections were ultra vires or an unreasonable exercise of the Commission's powers.

- (iii) In addition, the Commission would have a power to apply to the Royal Court (or, in the case of an Alderney company, to the Court of Alderney) for a change in a company's name on the grounds, inter alia, that the present name falsely or misleadingly suggests that the company is carrying on or is licensed to carry on regulated activities.

4.10 As part of its supervisory system, the Commission will require the provision of an annual return from each licensee. The Committee would have power, after consultation with the Commission, to make and subsequently amend regulations setting out the information required, from time to time, to be provided in the annual return or between the making of annual returns. Such information will be needed to ensure an appropriate and effective level of regulation and to respond to evolving international obligations. Although the following list is not intended to be in any way exhaustive, the Commission presently envisages that the information required would include:

- (i) audited accounts and auditor's management letter;
- (ii) names of directors, managers, controllers and partners;
- (iii) number of staff employed;
- (iv) number of clients in total and broken down by types of services provided, for example company or trust administration, directorships, trusteeships, protectorships, etc., and
- (v) total estimated value of liquid assets under administration.

4.11 Licensees will be required to report material changes in ownership, management and control and there will be similar procedures for notification, and for the Commission to object to controllers, as those in the Banking Supervision (Bailiwick of Guernsey) Law, 1994 in relation to banks.

- 4.12 In addition to putting an effective licensing system in place, it is necessary to ensure the protection of anyone dealing with an unlicensed body conducting regulated business or with a regulated body which carries on business in contravention of the proposed law. Therefore in any case where regulated business has been carried on in contravention of the proposed law, the Royal Court on the application of the Commission should be able to appoint a receiver or make other orders in relation to assets as it may under The Banking Supervision (Bailiwick of Guernsey) Law, 1994 in relation to deposits.
- 4.13 The Law will need to set out when and how information received under it may be disclosed and the Committee recommends that it should be consistent with The Banking Supervision (Bailiwick of Guernsey) Law, 1994 in this respect. That provides that, subject to limited exceptions, it is an offence to disclose information received under the law without the consent of the persons to whom it relates and (if different) from whom it was obtained. The exceptions allow the Commission to disclose information, for example, for criminal proceedings or on a confidential basis between regulators. The law will also need to state that, in the absence of bad faith, no liability shall be incurred by the States of Guernsey or Alderney or Chief Pleas in Sark, or any Committee, or by the Commission or any member, officer or servant of any of them, for anything done or omitted to be done under the Law.

#### **Resource implications**

- 5.1 As stated in paragraph 3.3, the proposed regulation of fiduciary and administration businesses will be financed by the sector itself. This is in line with other areas of financial services regulation and means that there are no direct resource implications for the States. The level of licence fees charged by the Commission will have regard to the desirability of not adversely affecting the competitiveness of the Bailiwick's fiduciary and administration businesses as well as to the objective of ensuring a regulatory structure of appropriate quality.

#### **Geographical extent**

- 6.1 The proposal outlined above is to regulate those providing fiduciary services in and from within the Bailiwick. The Committee believes, for the reasons set out in paragraph 1.5, that regulation should be introduced under a Bailiwick law. The Commission has carried out extensive consultation in all the islands of the Bailiwick and has consulted the Policy and

Finance Committee in Alderney and the General Purposes and Advisory Committee in Sark. The authorities in Alderney and Sark agree in principle to the regulation of fiduciary services by way of a Bailiwick law. The Committee intends in due course to propose an amendment of The Financial Services Commission (Bailiwick of Guernsey) Law, 1987 relating to the Commission so that, inter alia, Sark's particular constitutional position is appropriately recognised in that law.

### **Recommendations**

- 7.1 The Committee recommends the States to approve the proposals set out in paragraph 2.1 to 4.13 above and to direct the preparation of such legislation as may be necessary to give effect to the proposals.

I have the honour to request that you be so good as to lay this matter before the States with appropriate propositions, including one directing the preparation of the necessary legislation.

I am, Sir,  
Your obedient Servant,  
L. C. MORGAN,  
President,  
States Advisory and Finance Committee.

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The States are asked to decide:—

- VI.— Whether, after consideration of the Report dated the 26th April, 2000, of the States Advisory and Finance Committee, they are of opinion:-
1. To approve the proposals set out in paragraphs 2.1 to 4.13 of that Report concerning regulation of fiduciaries and administration businesses.
  2. To direct the preparation of such legislation as may be necessary to give effect to their above decision.

**STATES ADVISORY AND FINANCE COMMITTEE****COUNTERFEITING IN CONNECTION WITH THE INTRODUCTION OF THE EURO**

The President,  
States of Guernsey,  
Royal Court House,  
St. Peter Port,  
Guernsey.

28th April, 2000.

Sir,

**COUNTERFEITING IN CONNECTION WITH THE INTRODUCTION OF THE EURO****Introduction**

The International Convention for the Suppression of Counterfeiting Currency ("the Convention"), signed in Geneva in 1929, called for the passing of domestic legislation in each contracting state to suppress or prevent counterfeiting and to establish communication throughout those states that would facilitate international action to that effect. United Kingdom legislation followed in 1935 and 1936 but implementation in the Island was delayed initially by the outbreak of World War II.

In 1950 the States of Deliberation agreed to implement the Convention in the Bailiwick and The Currency Offences (Guernsey) Law, 1950 (hereinafter referred to as "the 1950 Law") was enacted. The 1950 Law contains provisions dealing with offences relating to the counterfeiting, altering and defacing of coin; the forgery of paper money; the possession and uttering of false coin and paper money; the possession of implements for coining and forgery, etc.

The Council of the European Union has recently issued a draft Framework Decision on increasing protection by penal sanctions against counterfeiting in connection with euro banknotes and coins both prior to and subsequent upon their coming into circulation as from 1 January 2002. The purpose of the Framework Decision is to supplement the provisions and to facilitate the application of the Convention by the adoption of various measures.

The eventual instrument will be a decision binding on the member States of the European Union to whom it is addressed but it does not appear to relate to any provision of the treaty on European Union which extends to the Bailiwick. However, following consultation with the Law Officers of the Crown, the Advisory and Finance Committee is of the opinion that the States should take whatever steps are necessary to ensure that no part of the Bailiwick is used as a safe haven for the production of counterfeit notes and coins of any

currency whether before or after they are officially put into circulation.

In this regard the Committee believes that the 1950 Law is sufficiently robust to cover all of the proposed measures in the draft Framework Decision but for one exception, for which the Committee is recommending further legislation. Article 5 (a) of the draft Framework Decision provides that conduct in relation to counterfeiting should be punishable if it relates to the future banknotes and coins of the euro and is committed before 1 January 2002.

Section 1.(1) of the 1950 Law assigns meanings to a range of expressions used within its provisions. In particular, "currency notes" means "any notes (by whatever name called) which are legal tender in the country in which they are issued" and "foreign coin" means "any coin lawfully current in any foreign country". By the use of terms such as "are legal tender" and "lawfully current", these interpretations exclude notes and coins that are produced in advance of their introduction into circulation as legal tender, that is, the future banknotes and coins of the euro referred to in Article 5 (a) of the Framework Decision. The Advisory and Finance Committee believes it sensible to make provision in local legislation in this regard to accommodate equivalent measures to those in the draft Framework Decision.

#### **Recommendation**

The Advisory and Finance Committee therefore recommends that steps should be taken to provide in local legislation, as set out in this Report, that no part of the Bailiwick is used as a safe haven for the production of counterfeit notes and coins of any currency whether before or after they are officially put into circulation.

I have the honour to request that you will be good enough to lay this matter before the States, together with appropriate propositions, including one directing the preparation of the necessary legislation.

I am, Sir,  
Your obedient Servant,  
L. C. MORGAN,  
President,  
States Advisory and Finance Committee.

---

The States are asked to decide:—

VII.— Whether, after consideration of the Report dated the 28th April, 2000, of the States Advisory and Finance Committee, they are of opinion:—

1. That steps shall be taken to provide in local legislation, as set out in that Report, that no part of the Bailiwick is used as a safe haven for the production of counterfeit notes and coins of any currency whether before or after they are officially put into circulation.
2. To direct the preparation of such legislation as may be necessary to give effect to their above decision.

**STATUTORY INSTRUMENTS LAID BEFORE THE STATES**

**THE RABIES (AMENDMENT) ORDER, 2000**

In pursuance of the provisions of Section 4 of the Rabies (Bailiwick of Guernsey) Law, 1975, I lay before you herewith the Rabies (Amendment) Order, 2000, made by the States Agricultural and Milk Marketing Board on the 10th March, 2000.

EXPLANATORY NOTE

This Order allows pet cats and dogs which have been imported into England under the provisions of the Pet Travel Scheme to travel on to Guernsey, Sark, Herm and Jethou without restriction.

It also provides for local Veterinary Surgeons to authorise the official documents that must accompany pet cats and dogs that travel from Guernsey, Sark, Herm or Jethou into one of qualifying countries and then into England.

**THE SOCIAL INSURANCE (CLAIMS AND PAYMENTS)  
(AMENDMENT) REGULATIONS, 2000**

**THE SOCIAL INSURANCE (CLASSIFICATION) (AMENDMENT)  
REGULATIONS, 2000**

In pursuance of Section 117 of the Social Insurance (Guernsey) Law 1978 as amended, I lay before you herewith the following Regulations made by the Guernsey Social Security Authority on the 30th March, 2000:-

**THE SOCIAL INSURANCE (CLAIMS AND PAYMENTS)  
(AMENDMENT) REGULATIONS, 2000**

EXPLANATORY NOTE

These regulations increase the prescribed time for claiming sickness benefit, and for an increase of any benefit for a dependant, to three months.

**THE SOCIAL INSURANCE (CLASSIFICATION) (AMENDMENT)  
REGULATIONS, 2000**

EXPLANATORY NOTE

These amendments make no changes, but are required because of the consolidation of the Contributions Regulations.

**THE BANKING SUPERVISION (BAILIWICK OF GUERNSEY)  
(AMENDMENT) REGULATIONS, 2000**

In pursuance of the provisions of section 60(1)(c) of the Banking Supervision (Bailiwick of Guernsey) Law, 1994, I lay before you herewith the Banking Supervision (Bailiwick of Guernsey) (Amendment) Regulations, 2000, made by the States Advisory and Finance Committee on the 29th March, 2000.

**EXPLANATORY NOTE**

These regulations amend the Banking Supervision (Bailiwick of Guernsey) Law, 1994 by removing the Channel Islands Co-Operative Society Limited from Schedule 1 to the Law. The Society will therefore cease to be an exempted person for the purposes of the Law and henceforth will only be able to accept deposits within the meaning of the Law under the authority of a banking licence.

**THE POST OFFICE (INLAND POST) (AMENDMENT) ORDER, 2000**

**THE POST OFFICE (OVERSEAS LETTER POST) (AMENDMENT) ORDER, 2000**

**THE POST OFFICE (OVERSEAS PARCEL POST) (AMENDMENT) ORDER, 2000**

In pursuance of the provisions of section seventy of the Post Office (Guernsey) Law, 1969, as amended, I lay before you herewith the following Orders made by the States Post Office Board on the 19th April, 2000:-

**THE POST OFFICE (INLAND POST) (AMENDMENT) ORDER, 2000**

**EXPLANATORY NOTE**

This Order amends the Post Office (Inland Post) Order, 1993:

- (i) by amending the rates of postage for letters and parcels within the Bailiwick and to the United Kingdom;
- (ii) by amending the rates for several miscellaneous services.

**THE POST OFFICE (OVERSEAS LETTER POST) (AMENDMENT) ORDER, 2000**

**EXPLANATORY NOTE**

This Order amends the Post Office (Overseas Letter Post) Order, 1993 by amending the rates of postage for overseas letters, printed papers and small packets.

**THE POST OFFICE (OVERSEAS PARCEL POST) (AMENDMENT) ORDER, 2000**

**EXPLANATORY NOTE**

This Order amends the Post Office (Overseas Parcel Post) Order, 1993 by increasing the postage rates for overseas parcels.

**DE V. G. CAREY**  
Bailiff and President of the States

The Royal Court House,  
Guernsey.  
12th May, 2000.



# APPENDIX I

## STATES ADVISORY AND FINANCE COMMITTEE

### EMERGENCY DISASTER RELIEF

The President,  
States of Guernsey,  
Royal Court House,  
St. Peter Port,  
Guernsey.

17th March, 2000.

Sir,

### **EMERGENCY DISASTER RELIEF**

On 15 July 1999 the States approved the recommendations in the Policy and Resource Planning Report, including the following with regard to Emergency Disaster Relief:

*"That as regards emergency aid for disasters overseas:*

- (i) to authorise the Advisory and Finance Committee, in consultation with the Overseas Aid Committee, to increase the budget of that latter Committee by a total of up to £200,000 in any one financial year for the purpose of providing aid in respect of specific emergency disasters;*
- (ii) to direct the Advisory and Finance Committee to inform the States on each use of the above delegated power by means of a report appended to a Billet d'Etat for submission at the next available States meeting."*

The Advisory and Finance Committee wishes to inform the States that on 1 March 2000 it considered a request from the President, Overseas Aid Committee suggesting that that Committee's 2000 budget be increased for the purpose of contributing to the Disaster Emergencies Committee's Emergency Appeal in respect of the devastating effects of the recent severe flooding in Mozambique.

The Advisory and Finance Committee agreed to increase the 2000 budget of the Overseas Aid Committee by £25,000.

I have the honour to request that you be good enough to include this Report as an Appendix to the Billet d'Etat for the States meeting for May 2000.

I am, Sir,  
Your obedient Servant,  
L. C. MORGAN,  
President,  
States Advisory and Finance Committee.

## APPENDIX II

### STATES ADVISORY AND FINANCE COMMITTEE

#### REVENUE EXPENDITURE, CAPITAL PROJECTS AND ASSET PURCHASE FUND

The President,  
States of Guernsey,  
Royal Court House,  
St. Peter Port,  
Guernsey.

13th April, 2000.

Sir,

#### REVENUE EXPENDITURE, CAPITAL PROJECTS AND ASSET PURCHASE FUND

The financial procedures approved by the States in 1991 (Billet d'État VIII for April 1991), 1993 (Billet d'État XXIV for December 1993), 1995 (Billet d'État XV for July 1995) and 1998 (Billet d'État XIV for July 1998) require the Advisory and Finance Committee to report in an appendix to the May Billet d'État on the use of the delegated powers conferred on it to approve:

- (a) Increases in General Revenue operating costs;
- (b) Capital projects (straightforward replacements and projects under £100,000);
- (c) Use of Asset Purchase Fund.

The Committee has approved the following increase in revenue budgets since those reported in December 1999 (Billet d'État XX) in addition to those for the Overseas Aid Committee Emergency Disaster Relief previously reported and reported elsewhere in this Billet d'État:

#### 1999

£

#### Committee for Home Affairs - Police

Surrender of Semi-Automatic Weapons	
- Compensation Payments (Additional)	575

No further items have been approved for acquisition using the Asset Purchase fund since the previous report brought to the States on these matters in December 1999 (Billet d'État XX).

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The following capital projects have been approved by the Committee since those reported in December 1999 (Billet d'État XX).

	£
<b><u>Advisory and Finance Committee</u></b>	
States of Guernsey Mapping Project	
- Global Positioning Base Station	35,000
Treasury Receipting System - replacement	48,300
<b><u>States of Alderney</u></b>	
Hydraulic Cutting Equipment	5,700
Marquee - Purchase	7,000
Royal Connaught Residential Home - Renovation	46,000
States Housing - Central Heating Conversions	51,000
States Housing - Flat 2, High Street Conversion	
- Additional	9,902
<b><u>Board of Administration</u></b>	
Car Park Resurfacing - Fort Hommet, L'Eree and Saumarez Park	90,000
<b><u>Board of Health</u></b>	
King Edward VII Hospital - Catering Equipment	35,500
Princess Elizabeth Hospital - Adolescent Unit	36,075
<b><u>Education Council</u></b>	
School Workshops - Health and Safety Review	26,112
<b><u>Heritage Committee</u></b>	
Guernsey Museum and Art Gallery	
- Café Victoria Refurbishment	25,000
<b><u>Committee for Home Affairs</u></b>	
Police	
Equipment Additional	
Major Incident Tent	7,500
Equipment Replacement	
CCTV Microwave Link	41,780
General Office Photocopier	10,230
Paper Processing System	10,000
Photo Processing System	10,000
Radio Test Equipment	23,000
Secure Mail System - Upgrade	6,500
Vehicle Ramp	5,220
Vehicles	41,000
Voice Logging System Upgrade (Additional Sum)	6,256
Information Technology	
Intelligence Database - Phase II	50,000
Software/Workstations - Upgrade	68,000
Premises	
Firearms Range Construction - Fort Le Marchant	20,000

**Income Tax Authority**

Reform of Tax System - Computer Software	187,800
(On 29 July 1999, (Billet d'État XV), the States authorised the Advisory and Finance Committee to approve a capital vote in respect of this project).	

**Public Thoroughfares Committee**

SCADA Telemetry System - Replacement	263,105
--------------------------------------	---------

**Recreation Committee**

Playing Fields Equipment - Replacement	11,000
Transfer to Sports Loans Fund	14,750

**Board of Administration - Ports**

Airport

Emergency Gate Roadways - Upgrade	80,000
Fire Appliance - Vehicle 1 - Cab - Upgrade	77,682
Fire Appliance - Vehicle 2 - Cab - Upgrade	79,122
Lighting Upgrade - Phase II - Signs	35,286

I would be grateful if you would arrange for the publication of this letter as an Appendix to the Billet d'État for the May States meeting.

I am, Sir,  
 Your obedient Servant,  
 L. C. MORGAN,  
 President,  
 States Advisory and Finance Committee.

## APPENDIX III

### STATES ADVISORY AND FINANCE COMMITTEE

#### PURCHASE, SALE AND EXCHANGE OF LAND AND PROPERTY 1999

The President,  
States of Guernsey,  
Royal Court House,  
St. Peter Port,  
Guernsey.

13th April, 2000.

Sir,

#### **PURCHASE, SALE AND EXCHANGE OF LAND AND PROPERTY 1999**

Exercising the powers conferred on it by the resolutions of the States on Article LV of Billet d'État IX for 29 April 1976, on Article XX of Billet d'État VII for 29 March 1989, and resolution 16 of Billet d'État XV for 12 July 1995 the Advisory and Finance Committee approved during the calendar year 1999 the purchase, sale or exchange by the States of the land and property listed in the attached schedule.

The Committee's approval is granted subject to there being no objections raised by the Law Officers of the Crown or Advocates appointed to act for the States. Inclusion in the schedule does not imply that the transactions have been completed. The name of the interested Committee is shown in brackets at the end of the description of each approval.

I would be grateful if you would arrange for the publication of this letter and the attached schedule as an Appendix to the Billet d'État for the May States meeting.

I am, Sir,  
Your obedient Servant,  
L. C. MORGAN,  
President,  
States Advisory and Finance Committee.

**PURCHASE, SALE AND EXCHANGE OF LAND AND PROPERTY  
APPROVED BY THE STATES ADVISORY AND FINANCE COMMITTEE  
DURING THE PERIOD 1 JANUARY 1999 TO 31 DECEMBER 1999**

Date of Approval (see Note 1)	Item	Sum £ (see Note 2)
<b><u>PURCHASES</u></b>		
3 February 1999	Arlington Court Hotel (Board of Health)	900,000
30 March 1999	Land at Vazon Coast Road (Public Thoroughfares Committee)	3
12 May 1999	Land at Baugy Crossroads, Vale (Public Thoroughfares Committee - see Note 3)	4
7 July 1999	Land at Route des Blanchés, St Martin's (Public Thoroughfares Committee)	1
6 October 1999	Les Alouettes, Castel (Board of Health)	337,250
20 October 1999	1 La Vrangue Hill, St Peter Port (States Traffic Committee)	50,000
<b><u>SALES</u></b>		
6 January 1999	34 & 36 Pedvin Street, St Peter Port (States Housing Authority - see Note 4)	185,000
6 January 1999	38 Pedvin Street, St Peter Port (States Housing Authority - see Note 4)	73,000
6 January 1999	40 Pedvin Street, St Peter Port (States Housing Authority - see Note 4)	87,000
6 January 1999	42 Pedvin Street, St Peter Port (States Housing Authority - see Note 4)	85,000
6 January 1999	44 Pedvin Street, St Peter Port (States Housing Authority - see Note 4)	120,000
3 March 1999	27 Paris Street, St Peter Port (States Housing Authority - see Notes 4 & 5)	125,000
10 March 1999	Land at Belvedere House, St Peter Port (Board of Administration)	1,000
24 March 1999	Gable Wall at Hazeldene, Forest (Board of Administration)	nil

21 April 1999	Amherst Hospital Site, St Peter Port ( <i>States Housing Authority - see Note 6</i> )	400,000
5 May 1999	Land at Rear of 18, The Citadel, Fort George, St Peter Port ( <i>Board of Administration</i> )	13,500
12 May 1999	28 Pedvin Street, St Peter Port ( <i>States Housing Authority - see Note 4</i> )	98,000
12 May 1999	30 Pedvin Street, St Peter Port ( <i>States Housing Authority - see Note 4</i> )	98,000
25 May 1999	26 Pedvin Street, St Peter Port ( <i>States Housing Authority - see Note 4</i> )	75,000
25 May 1999	Belmore Vinery, Castel ( <i>Board of Administration</i> )	30,010
29 June 1999	Housing Target Area 9, Bulwer Avenue ( <i>States Housing Authority - see Note 6</i> )	605,000

**EXCHANGES**

13 January 1999	Exchanges of land at St James the Less, St Peter Port ( <i>Board of Administration</i> )	nil
29 June 1999	Exchange of land at Ville Baudu, Vale ( <i>States Water Board</i> )	nil

## Notes:

1. The date of approval shows the date on which the Advisory and Finance Committee first approved the sale or purchase listed.
2. In some cases approvals have been amended at the request of the relevant committee. The value shown is the most recently approved price for the sale or purchase. In cases where purchases have been completed, the value of realty only is shown.
3. Costs to be met by the Vale Douzaine on behalf of the States.
4. Properties identified by the States Housing Authority as being incompatible with the current needs of States tenants in accordance with the States resolution of January 1996, Billet d'État XXIV, December 1995). The net proceeds of such sales are credited to the States Housing Authority's Capital Allocation and set aside therein to assist with financing the construction of replacement housing stock.
5. Sale of property as individual flats was approved by the Advisory and Finance Committee on 3 March 1999 but was not completed. Revised approval granted in November 1999 for sale as single property.
6. Sales approved in principle by the States of Deliberation on 1 October 1998 subject to approval of terms, conditions and price by the Advisory and Finance Committee.

## APPENDIX IV

### STATES ADVISORY AND FINANCE COMMITTEE

#### PAYMENTS TO STATES MEMBERS, FORMER STATES MEMBERS AND NON-STATES MEMBERS OF STATES COMMITTEES

The President,  
States of Guernsey,  
Royal Court House,  
St. Peter Port,  
Guernsey.

26th April, 2000.

Sir,

In accordance with rule 1 of section VI of the Rules for Payments to States Members, Former States Members and Non-States Members of States Committees approved by the States on the 28th February 1996 I enclose, for publication as an appendix to a Billet d'État, a schedule setting out the amendments to the rates of payments, allowances and pensions which will take effect from the 1st May 2000.

The amounts have been increased by 4.3% which is the average general change in senior officer salaries.

I am, Sir,  
Your obedient Servant,  
L. C. MORGAN,  
President,  
States Advisory and Finance Committee.



PAYMENTS TO STATES MEMBERS, FORMER STATES MEMBERS AND NON-STATES MEMBERS OF STATES COMMITTEES

		<u>Sum paid since 1.5.1999</u>	<u>Sum to be paid from 1.5.2000</u>
<u>STATES MEMBERS</u>			
<u>Compensation Payment</u>	(per annum)	£8,400	£8,761
<u>Attendance Allowances</u>	(per half-day)	£25.21	£26.29
<u>Expense Allowance</u>	(per annum)	£1,681	£1,753
<u>Presidential Allowance</u>	(per annum)		
A+		£4,201	£4,382
A		£2,521	£2,629
B		£1,680	£1,753
C		£840	£876
D		Nil	Nil
Maximum Presidential Allowance per Member		£4,201	£4,382

Income Limits re Attendance Allowance

Married Members	£42,004	£43,810
Other Members	£25,202	£26,286

REPRESENTATIVE OF THE STATES OF ALDERNEY ALLOWANCE

(per half day)	£33.60	£35.04
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NON-STATES MEMBERS' ALLOWANCE

(per half day)	£33.60	£35.04
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PENSIONS (per week per year of Service)

Non-Contributory (In respect of service up to 31.12.1989)

Member	£2.53	£2.64
Spouse	£1.27	£1.32

Contributory (In respect of service from 1.1.1990)

Member	£5.05	£5.28
Spouse	£2.53	£2.64

## APPENDIX V

### STATES ADVISORY AND FINANCE COMMITTEE

#### STATES AUDIT COMMISSION: PURCHASING FOLLOW UP REPORT

The President,  
States of Guernsey,  
Royal Court House,  
St. Peter Port,  
Guernsey.

26th April, 2000.

Sir,

#### States Audit Commission: Purchasing Follow Up Report

The Advisory and Finance Committee has received a report from the States Audit Commission entitled "Purchasing in the States of Guernsey".

This report is a follow up report to the Commission's earlier report on purchasing which was published as an Appendix to the Billet d'Etat XXI for September, 1998.

The Commission has, under the provisions of the States Audit Commission (Guernsey) Law, 1997, requested the Committee to submit a copy of the report to the Bailiff for inclusion as an Appendix to a Billet d'Etat.

In its report the Commission acknowledges the progress that has been made at the corporate level on a number of its original recommendations. However, the Commission expresses its concern that "best purchasing practice has yet to be fully disseminated throughout committees".

The Purchasing Steering Group, referred to in the report, continues to work towards this end and in this, as well as in other aspects of its endeavours, has the support of the Committee.

In the meantime, the Committee urges all States committees to continue to make every effort to improve purchasing procedures and practices to ensure that the States receives value for money.

I am, Sir,  
Your obedient Servant,  
L. C. MORGAN,  
President,  
States Advisory and Finance Committee.



## **STATES AUDIT COMMISSION**

### **FOLLOW UP REVIEW OF THE COMMISSION'S REPORT ON “PURCHASING IN THE STATES OF GUERNSEY”**

## **CONTENTS**

### **SECTION**

- 1 INTRODUCTION**
- 2 EXECUTIVE SUMMARY**
- 3 PROGRESS AGAINST DETAILED RECOMMENDATIONS**
- 4 CONCLUSION**

### **APPENDICES**

- I TERMS OF REFERENCE: PURCHASING STEERING GROUP**
  - II STATES PURCHASING AND SUPPLY CHARTER**
  - III LOCAL SUPPLIERS: EXPLANATORY GUIDANCE NOTE**
-

## **1 INTRODUCTION**

### **1.1 Background**

The States Audit Commission report “Purchasing in the States of Guernsey” was published as an appendix to Billet D’Etat XXI, September 1998. At the time, the States of Guernsey’s annual expenditure, excluding payroll costs and grants, exceeded £75 million. This involved the purchase of a wide variety of goods and services, including such diverse items as stationery, computer consumables, motor vehicles, travel, specialist equipment and consultancy services, to name but a few examples.

The Commission’s report sought to achieve the following aims:

- Define the responsibilities of Committee Members and States employees, with respect to purchasing
- Re-emphasise the key principles of best purchasing practice
- Make specific recommendations to improve the purchasing practices within the States of Guernsey and generate greater value for money.

### **1.2 Review of Progress**

The Audit Commission has monitored the progress made since the publication of the report, and felt it appropriate that a formal follow up be performed.

The follow up review was completed in February 2000, and this report is intended to summarise the key areas of progress made.

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## 2 EXECUTIVE SUMMARY

The Commission was extremely pleased to note that definite progress had been made against a number of the original recommendations. Section 3 of this report provides details of the progress made against each of the original recommendations in the Commission's report. The Purchasing Steering Group, set up as a result of the original report, has worked steadfastly to generate continuous improvement, and has demonstrated a number of successes.

As yet, the improvements identified have been mainly qualitative. Although it is certain that these qualitative benefits will have derived real monetary savings for the States, these cannot be quantified, due mainly to the lack of quality purchasing and cost information available prior to the original review. The Commission would like to emphasise the importance of such information to enable valid target setting and performance measurement.

Furthermore, the successes achieved so far have been mainly at the corporate level. The work of the Internal Audit Department indicates that best practice has yet to be fully disseminated throughout committees. As noted in the Group's Annual Report,

**“few of the Purchasing Liaison Officers perceived their role as being proactive champions of change. The biggest challenge for the Group in 2000 is to capitalise on the goodwill of these officers in order to drive through the required changes in processes, and perhaps above all, in culture”**

The Commission would like to stress the need for learning and best practice to be filtered down to all levels within the organisation, so that every member of staff dealing with purchasing has the necessary understanding to halt the promulgation of historic bad practice.

In summary, the work of the Purchasing Steering Group has done much to improve the overall standard of purchasing practice within the States, and to increase awareness of purchasing issues. This work needs to be continued to ensure good purchasing practice is embedded throughout the States of Guernsey.

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### **3 PROGRESS AGAINST DETAILED RECOMMENDATIONS**

- 3.1 A formal Purchasing Steering Group, chaired by a senior member of staff of the Advisory & Finance Committee and involving senior staff from a cross-section of other committees, should be established to ensure that the recommendations contained within this report are implemented.

#### **Progress**

**On 19<sup>th</sup> August 1998, the Advisory & Finance Committee approved the formation of the Purchasing Steering Group. The group has been afforded top level support, with the States Treasurer acting as Chairman.**

**The terms of reference of the Group (see appendix I) includes a requirement for it to produce an annual report of "its activities and the progress made in improving purchasing within the States of Guernsey together with appropriate recommendations for future action". The annual report of the Group has been used as the basis for this progress report.**

**The Group's terms of reference require it to hold meetings "as and when considered appropriate but no less than four times a year". On average, the Group has met monthly, having held nine meetings during 1999.**

**In accordance with the Group's terms of reference, the minutes of the meetings, once approved by the Group, are passed for information to the Advisory & Finance Committee and the Audit Commission.**

- 3.2 A Central Purchasing Co-ordinating Function should be developed and maintained with a mandate to:
- a) Provide ongoing training, support and advice to staff involved in purchasing.
  - b) Research and make available to committees supplier and product information on commonly used goods and services to enable them to make their own informed purchasing decisions.
  - c) Establish contracts with suppliers for those goods and services where central negotiation could produce benefits to which committees would then have access.

#### **Progress**

**At its meeting on 18<sup>th</sup> August 1999, the Advisory & Finance Committee considered a request for additional staffing resources for the central Purchasing Co-ordinating function.**

**Although the Committee agreed that the States of Guernsey warranted an appropriately staffed Purchasing Co-ordinating unit, the Committee decided that it could not step outside the bounds of the staff limitation**

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policy. However, the Committee agreed in principle to the increase in staffing, subject to trade-offs becoming available elsewhere within the Committee.

At present, the Purchasing Co-ordinator role is filled on a super-numerary contract basis. The Commission believes that this report demonstrates the value of having such a function in place, and encourages the Advisory & Finance Committee to place this function as a priority when trade-offs become available.

The Purchasing Co-ordinator role has a remit in line with the above three tasks and a number of initiatives and processes have been implemented to achieve those aims. The progress against the three specific tasks noted above is as follows:

- a) "Provide ongoing training, support and advice to staff involved in purchasing."

See finding 3.6 for detailed progress

- b) "Research, and make available to committees, supplier and product information on commonly used goods and services to enable them to make their own informed purchasing decisions."

See finding 3.4 for detailed progress

- c) "Establish contracts with suppliers for those goods and services where central negotiation could produce benefits to which committees would then have access."

Before the formation of the Purchasing Co-ordination function, items such as advertising space, vehicles, electrical goods, stationery, computer consumables, petrol, and heating fuel oil were, to an increasing extent, being negotiated centrally. In addition, during the period covered by this report, the following central initiatives were undertaken:

#### *Travel*

Discussions had taken place during 1998 between the Purchasing Co-ordinator, the Board of Health, the Education Council and the Guernsey Social Security Authority regarding co-ordination of travel arrangements. These three committees make up approximately 80% of the total States travel spend.

The Board of Health and the Education Council agreed to co-ordinate their tender for a provider of travel agent services.

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A clause was included in the contract with the travel agent to allow further States committees to join the arrangement if they so wished. The Children Board has now also joined this agreement.

The Guernsey Social Security Authority (the bulk of whose travel is for people travelling on medical grounds for treatment off-island) decided that it was not appropriate for it to join with the other committees, but has substantially changed the way it purchased travel in previous years, and has a management contract with a local travel agent.

In addition to the above, separate discussions have been under way with local air travel providers to investigate improvements in both service and cost for States sponsored travellers.

### *Cleaning Materials*

In the past two years, the Education Council has reduced the stock lines held from 173 to 103 with a further 18 products to be phased out when current stocks consumed. In addition, the frequency of orders has reduced from 87 in 1995 to 27 in 1998.

In order to further improve this area, an arrangement is currently under negotiation where suppliers will deliver goods to the schools in response to orders received direct from schools. Furthermore, it has been agreed that, in conjunction with the supplier, further standardisation and rationalisation of products will be rigorously pursued.

The Commission is of the opinion that such joining of collective purchasing power is complementary, and does not detract, in any way, from the concept of 'Freedom within Boundaries'.

- 3.3 Every committee or, if appropriate department, should nominate, from amongst its existing staff, a senior manager who would be responsible for ensuring that best purchasing practices are established and maintained within that committee or department.

### Progress

A letter, sent by the President, Advisory & Finance Committee, asked committees to submit nominations for their "Purchasing Liaison Officer" (PLO). The letter also advised committees of other actions required of them as a result of the report. Committees have each nominated such a person as PLO, but PLO's are now required for some of the larger departments within committees

At the inaugural meeting of the PLO's, a presentation was made which highlighted areas of common concern and a brief overview of future plans

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**for improving purchasing practices and procedures in the States of Guernsey.**

**As part of the process for preparing the Group's annual report, the PLO's were asked to submit details of any initiatives or significant changes that had taken place in their committee in respect of purchasing.**

**From the responses of the PLO's, it was clear that there was a general recognition that improvements were needed and were welcomed. However, few of the PLO's as yet perceive their role as being proactive champions of change. The Group recognise that their biggest challenge in 2000 is to capitalise on the goodwill of these officers in order to drive through the required changes in processes and, perhaps above all, in culture.**

- 3.4 Those with responsibility for purchasing must have, and make use of, reliable up to date information on potential suppliers and the price and quality of goods and services on offer.

#### **Progress**

**Prices and other relevant information are now sent to the PLO's on a regular basis. During 1999, for a trial period, this information was also made available electronically on the States Intranet. Enhancement of this facility is still under development.**

- 3.5 The feasibility of developing and introducing an integrated computerised purchasing system should be assessed by carrying out a pilot project.

#### **Progress**

**As reported in the 1999 Policy and Resource Planning Report, there is a requirement to replace and extend the existing General Ledger and Accounts Payment processing system within the next few years. An important aspect when evaluating any new system will be its ability to facilitate e-commerce, electronic ordering, payment and commitment accounting.**

**A staff-level working party has been established to oversee this major project and includes four individuals who are also part of the Purchasing Steering Group.**

**The Purchasing Steering Group's annual report stated their belief that "with the introduction of a new corporate accounting and procurement system, this will provide the States with the single most important opportunity to substantially improve its purchasing practices and procedures. This will be achieved by significantly reducing processing and administration costs and providing better management information."**

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The latter, which is a major weakness at present, will allow individuals to purchase, using the most up-to-date and best available prices, as well as providing product and supplier statistics (for example, spend by product group and by supplier) to facilitate more effective purchasing, including maximising bulk-buying opportunities and hence discounts.

The Commission also hopes that the new system will generate sufficient quality purchasing and cost information, to enable meaningful performance measures to be set, measured and monitored. As noted above, without such data it is difficult, if not impossible, to measure the impact of purchasing initiatives in monetary value terms.

- 3.6 Purchasing for an organisation the size and complexity of the States of Guernsey is an activity that requires professionalism and skill. Those involved in purchasing must be provided with the necessary training and support to enable them to fulfil their obligations.

### Progress

Purchasing within States committees is spread across a wide number of staff. For the vast majority, their main expertise is in a different field and purchasing may form only a relatively small part of their job. It is estimated that only a handful of staff involved in purchasing have received any formal purchasing training.

The Purchasing Liaison Officers were asked to submit details of those purchasing within their committee/department so that the profile of those purchasing could be analysed and appropriate training planned.

The Civil Service Board has been consulted and, as a start, has agreed to fund two one-day training courses during 2000.

A meeting was held in November with a member of the training staff from the Chartered Institute of Purchasing and Supply (CIPS). As a result, an appropriate training programme will be devised.

The College of Further Education has been approached to see whether they had any plans or would consider running purchasing training courses similar to those offered by Highlands College in Jersey. In addition, a meeting was also held with the Guernsey Training Agency to see whether there could be a co-ordinated approach to purchasing training involving local industry. During 2000, these important matters will be pursued, and the Commission hopes to see them becoming a reality.

Additionally, a handbook is being compiled which offers further advice on purchasing issues and best practice. Liaison with the Law Officers on Standard Contract terms is also being undertaken.

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When completed, this document will include a template for the letter of invitation to tender, advice on information that should be included when writing the background to the tender, a template of the instructions to tenderers, model contract terms and details that could appear on the form "Response to Tender". The handbook is intended to also offer advice on other purchasing matters and will, of course, need to be updated in the light of changes such as the introduction of Purchasing Cards, internet purchasing etc.

The Commission hopes that the handbook will eventually become a 'one-stop' reference document, covering all the matters raised in its report, including:

- details of training courses available (see above)
- the new Purchasing & Supply Charter (see 3.7)
- guidance on the use of local suppliers (see 3.8)
- factors to be taken into account when assessing tenders, including purchase price, operating costs, disposals proceeds, product quality etc. (see 3.11, 3.12)
- environmental policy (see 3.13, 3.14, 3.15)
- methods for quantifying and managing stock-holding costs (see 3.16)
- approval / authorisation limits (see 3.17)
- service level agreements (see 3.19)
- relevant accounting guidelines and directives (see 3.20)

- 3.7 In order to facilitate a constructive relationship between the States and its suppliers, the States should prepare and issue a Suppliers' Charter setting out the respective duties and obligations of the States and its suppliers.

### **Progress**

After seeking the views of all States Committee and the Chamber of Commerce, the Advisory & Finance Committee approved the "Purchasing and Supply Charter" at its meeting on the 25<sup>th</sup> August 1999 (see appendix II).

Five thousand copies of the Charter have been printed for distribution to committees and suppliers. The Charter aims to set out the respective expectations and responsibilities of the States, as purchaser, and its suppliers.

- 3.8 The Advisory & Finance Committee should reinforce the guidance it has already provided, and if necessary obtain the support of a States Resolution, on the complex issue of whether or not, and to what degree, preference should be given to local suppliers.
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### **Progress**

**In August 1999, after a period of consultation, an Explanatory Guidance Note was issued by the Advisory & Finance Committee to all States committees on this issue (see Appendix III).**

**It is anticipated that the issue of the guidance note with its explicit guidance that "tenders should be sought from non-local suppliers if there is a reasonable expectation that they can offer best value" will ensure that, when purchasing, committees will be seeking to obtain overall best value for money without any artificial constraints.**

**The Internal Audit Department will work alongside the Purchasing Co-ordinator to monitor the effectiveness of this clarification of existing policy.**

- 3.9 Although the States Tendering Procedures Guideline provides comprehensive guidance on the broad procedures to be undertaken when tendering and on the standard clauses to be included in tender documents, they should be supplemented by further practical advice on their application.

### **Progress**

**As noted above in section 3.6, the Purchasing Handbook, which is in the process of being compiled, will include a template for the letter of invitation to tender, advice on information that should be included when writing the background to the tender, a template of the instructions to tenderers, model contract terms and details that could appear on the form "Response to Tender".**

**By their nature, tenders can be very varied and unique in their particular requirements. Hence, further detailed guidance in the form of written documentation is not appropriate. However, the Purchasing Co-ordinator is seen as a central resource, from whom committees can seek practical advice when preparing individual tendering documents. (See also recommendation 3.10 below.)**

- 3.10 In order to ensure compliance with the States Tendering Procedures and related guidance, those committees without a suitably experienced purchasing officer should submit any significant or potentially sensitive tenders to the Central Purchasing Co-ordinating Function for review.

### **Progress**

**Since the formation of the Purchasing Steering Group, a number of tenders and contracts were sent to the Purchasing Co-ordinator for comment or advice, examples of which include:**

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- \* **Tender and contract for the services of a Travel Agent.**
- \* **Tender and evaluation criteria for appointing consultants for the Police.**
- \* **Contract for the supply of services for Estate Management at Education.**
- \* **Tender for Environmental Impact Assessment for Waste to Energy Plant.**
- \* **Tender for consultants to perform a review of the requirements for regulation of "commercialised utilities".**
- \* **Tender for the provision of a School Bus Service.**

**Whilst all the tenders and contracts reviewed required comment, some required substantial change both in format and in content. However, in general, there has been a significant improvement in the quality of tender and associated documentation issued by the States to potential suppliers.**

- 3.11 When comparing tenders the lowest initial cost should not be the only, or even the most important, consideration. Purchase price, operating costs, disposal proceeds or cost etc. should also be quantified and evaluated to ensure that best value over the whole life of the purchase is obtained.

### **Progress**

**This is an objective which can only be achieved by promulgation throughout States committees, and by the general, continued awareness-raising in staff involved in purchasing. The guidance notes on the use of local suppliers refers to such matters, as will the Purchasing Handbook. Above this, continued re-emphasis through PLO's and training of purchasing staff will strive to achieve this and other best practice objectives.**

- 3.12 Product quality should also form part of the evaluation process. However, this area must be treated with care and should, as far as possible, be clearly spelt out in the tender documents so that suppliers have a clear understanding of the criteria against which their tender will be judged.

### **Progress**

**As per 3.11 above.**

- 3.13 A clear environmental policy in respect of purchasing should be developed in line with the general States Environmental Policy.
-

**Progress**

**The Purchasing Co-ordinator attended a meeting of the Environmental Working Group in January 1999 to discuss establishing a clear environmental policy in respect of purchasing, in line with the general States Environmental Policy.**

**The view of the Environmental Working Group was that, until it had addressed certain other issues, introducing an environmental policy on purchasing goods was premature. Progress on this issue has unfortunately been limited.**

- 3.14 Where a purchase is likely to have a significant environmental effect, the full environmental impact should be clearly set out and evaluated, together with any financial implications (including the cost of alternative solutions) to allow an informed and balanced decision to be made.

**Progress**

**See comments on 3.13 above**

- 3.15 Wherever possible the States should use its influence, as a customer, to encourage its suppliers to minimise any detrimental environmental effects of their products, for example, excessive packaging.

**Progress**

**See comments on 3.13 above**

- 3.16 The amount and timing of goods purchased should be carefully controlled to ensure that stock holding costs do not exceed the benefits of bulk purchasing.

**Progress**

**As noted in finding 3.11, this best practice objective will be achieved by on-going training and awareness-raising through courses, PLO's and the Purchasing Handbook.**

- 3.17 All individuals with responsibility for placing orders or approving invoices for payment must have formal authorisation limits setting out the maximum financial value of their authority. The financial limits should reflect the position and seniority of the individual concerned and any breach of the limits should be viewed as a serious matter. In order to control expenditure, the number of individuals with the authority to order goods and services should be kept to a minimum.
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### **Progress**

This issue is one which is covered as a matter of course during committee internal audits. Where committees do not employ a system of approval limits, this is raised as an audit point. Similarly, where committees do have such a system, Internal Audit recommend that this is kept up-to-date on a regular basis and as staff changes occur. This will be an on-going process of improvement and monitoring. In the majority of cases, committees have signatory lists in place, however, these have been left to become out-of-date. It is essential that the lists are considered a working document and regularly reviewed and updated to reflect leavers etc.

- 3.18 States departments, in particular the States Treasury, should investigate the use of more efficient methods of processing orders, invoices and payments.

### **Progress**

There have been a number of improvements and initiatives in this area:

#### **System Developments**

In order to keep an up to date record of outstanding orders and expenditure commitments, a computerised system has been developed in the Advisory & Finance Committee's General Office. It was clear that this system, with some modification, could be of considerable use to other sites in the States. A presentation of an upgraded version of the system was given in September 1999, followed by a series of training courses to enable staff from committees to utilise the system from the start of 2000.

At the start of 1999, the Purchasing Co-ordinator organised a presentation to staff of the Treasury and the Board of Health to explore the possibilities offered by the use of a purchasing card. It was agreed that the most appropriate way forward was to establish a pilot project at a number of designated departments at the Board of Health.

A Purchasing Card Steering Group was formed to oversee the project and, following a competitive tender exercise, NatWest was chosen as the purchasing card supplier. The cards are now in use at the Board of Health, and plans are being developed to roll the cards out to other committees.

There is tremendous potential in the use of purchasing cards for low value purchases within the States and can lead to considerable savings in the administrative costs associated with purchasing.

In December 1999, a joint presentation by representatives from the Purchasing Card Steering Group and NatWest was made to States employees and existing local suppliers. It was clear that there was substantial support for this project from all those attending the

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**presentation.**

**Finally, in the area of system developments, is the General Ledger / Purchasing system detailed in section 3.5 above.**

**Internal Audit has and continues to monitor closely the management and implementation of the above system development projects. Furthermore, the Advisory & Finance Administration and Accounting Guideline, entitled “Purchasing and Invoice Processing” needs to be revised to take account of new purchasing practices, such as the use of purchasing cards.**

- 3.19 Service Level Agreements should be drawn up in respect of all significant services (whether a charge is made or not) provided by one States department to another.

**Progress**

**Following the issue of the recent Administrative and Accounting Guideline, entitled “Service Level Agreements”, the number of Service Level Agreements in place throughout the States has increased significantly, but further work is still required. Those committees and departments which have taken on-board the principle and developed Service Level Agreements have seen the value of such a process.**

- 3.20 The provisions of the Administrative and Accounting Guideline "The Acceptance of Gifts and Hospitality by States Employees" should be extended to apply to all committee members in respect of purchasing.

**Progress**

**In the Advisory & Finance Committee President's letter dated 3<sup>rd</sup> December 1998, all committees were asked to confirm that they would comply voluntarily with the provisions of the existing Administrative and Accounting Guideline.**

**A simple confirmation of voluntary compliance with the Guidelines was received from the majority of committees. However, although agreeing to implement the principles of the Guideline, a number of committees suggested that it was not appropriate for Guidelines written specifically for States employees to apply to committee members.**

**As a result of the adoption of the Revised States Financial Procedures (May 1999), all existing Administrative and Accounting Guidelines are being reviewed and reissued as either Directives, Guidelines or Guidance Notes, or a combination. The revised Gifts and Hospitality Guideline will incorporate provisions specifically in respect of committee members.**

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In addition to the 20 specific findings of the Commission's report, the Terms of Reference of the Purchasing Steering Group (see **Appendix I**) include the requirement to:

“ Set targets against which improvements in the States purchasing activities can be measured, including bench-marking against comparable organisations”.

### **Progress**

In order to measure the increasing effectiveness of purchasing in the States, benchmarking will be developed. However, as in other jurisdictions, this is not a straightforward exercise. In Guernsey, benchmarking will initially be hindered by the lack of historic purchasing data as referred to above.

Nonetheless, progress has been made on developing a methodology for introducing benchmarking into the States based upon a basket of commonly used commodities. Selected commodities will be benchmarked year-on-year and measured against either the local retail price index or, in the case of items whose price is affected more by world-wide market prices (such as oil and paper products), against relevant indices.

The administrative costs of purchasing (including ordering and payment processing) will also be benchmarked. This is an area in which considerable savings can, and must, be made and will be assisted by initiatives such as Purchasing Cards.

The success of benchmarking is dependent upon the quality of the data collected, as well as the availability of meaningful comparisons. The Commission is aware that both constraints represent significant challenges for the States of Guernsey.

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#### **4 CONCLUSION**

The summary from the Purchasing Steering Group's recent staff-level Annual Report concluded:

“As acknowledged in the Audit Commission's report, making the necessary changes to States purchasing practices is a major undertaking. The Group is of the opinion that an encouraging start has been made, however, much remains to be done.”

The Commission will continue to monitor the progress against the original report on “Purchasing in the States of Guernsey”. At this stage, however, the Commission would like to encourage the Purchasing Steering Group, and all other States employees involved in the purchasing function, to maintain the good work performed so far, and to continue to drive out further benefits and savings.

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# APPENDICES

## APPENDIX I

### TERMS OF REFERENCE: PURCHASING STEERING GROUP

The Purchasing Steering Group is a staff level working group set up under the authority of the Advisory and Finance Committee.

#### Duties and Responsibilities

The purpose of the Purchasing Steering Group is to make a positive and proactive contribution to improving purchasing practices and procedures within the States of Guernsey.

In order to achieve this the Group shall initiate, and monitor, the necessary actions to:

- \* Raise the awareness of committees and their staff, at all levels, of the importance of ensuring best practice in respect of purchasing.
- \* Investigate and facilitate the provision of appropriate staff training.
- \* Investigate and evaluate methods for improving purchasing within the States, make appropriate recommendations to the Advisory and Finance Committee and, after receiving the appropriate approvals and, if necessary funding, ensure their satisfactory introduction, development and maintenance.
- \* Develop and promulgate a Suppliers' Charter.
- \* Set targets against which improvements in the States purchasing activities can be measured, including bench marking against comparable organisations.

In carrying out its activities the Group must take into account recommendations made by the States Audit Commission.

#### Chairman and Membership

The Chairman and membership of the Group shall be determined by the Advisory and Finance Committee and shall consist of:

States Treasurer or States Supervisor (Chairman)  
A senior staff representative of the Board of Health  
A senior staff representative of the Education Council  
A senior staff representative of a Trading Board  
A senior staff representative of a small Committee  
Purchasing Coordinator, Advisory and Finance Committee  
Director of Client Services, States Treasury

The membership of the Group may be enhanced for specific projects by relevantly experienced individuals, including non-States employees.

### Meetings

The Group will hold meetings as and when considered appropriate but no less than four times a year.

### Voting

Each person other than the person presiding at a meeting has one vote.

The person presiding at a meeting has no original vote, but in the event of an equality in the votes of the other persons present he or she has a casting vote.

### Minutes

Minutes of the Group's meetings shall be maintained and a copy presented to the Advisory and Finance Committee for inclusion on that Committee's next agenda. A copy should also be provided to the Audit Commission.

### Reporting

The Group shall produce an Annual Report of its activities and the progress made in improving purchasing within the States of Guernsey together with appropriate recommendations for future action.

The Annual Report shall be presented to the Advisory and Finance Committee for approval and adoption within three months of the end of each year.

A copy of the Annual Report shall be sent by the Advisory and Finance Committee to the Audit Commission for information.

### Termination

The Group may only be terminated following specific approval from the Advisory and Finance Committee.

## APPENDIX II

### STATES OF GUERNSEY PURCHASING AND SUPPLY CHARTER

#### Introduction

The States of Guernsey believes that purchasing is most effective for all parties concerned where a partnership, based on mutual trust and respect, exists between purchaser and supplier.

Therefore, the States of Guernsey is committed to developing a professional purchasing relationship with its suppliers to pursue its aim of acquiring quality products and services that meet its requirements, where appropriate using innovative solutions, to obtain best possible value for money.

To meet this aim all those involved in purchasing, both suppliers and purchasers, must work together constructively and positively for mutual benefit to achieve:

- \* A businesslike and efficient relationship within a framework of commercial confidentiality and best purchasing ethics.
- \* A continuous improvement in goods and services and the related processes to control and reduce both purchase price and administrative costs.

The States of Guernsey's responsibility to you, the supplier, is that:

- \* You shall be treated with courtesy and respect and dealt with promptly.
- \* Invitations to tender, requests for quotations and associated documentation will be written, as far as possible, in a simple and non prescriptive manner.
- \* Evaluation will be carried out fairly and impartially taking into account predetermined criteria.
- \* When evaluating submissions due account will be taken of any environmental benefits.
- \* You shall receive timely notification of the outcome of the evaluation process.
- \* In order that you are better able to respond to future tenders, feedback shall be available on request provided this does not infringe other competitors' rights or commercial confidentiality.
- \* Prompt payment shall be made in accordance with the agreed terms and conditions of contract.
- \* The relevant purchasing committee shall investigate and respond promptly to any complaints from suppliers about alleged unfair treatment.

The States of Guernsey's expectation of you is that:

- \* The States shall be treated as a valued customer.
- \* Only appropriately experienced and competent suppliers shall seek the opportunity to be considered to compete for business.
- \* Suppliers shall complete tender documents in the required manner and provide any reasonable information that is requested.
- \* Suppliers shall deliver goods and services as contracted, including, on time, to the correct delivery point, in the correct quantity and to the quality specified.
- \* Suppliers will keep confidential all information acquired by them during their commercial dealings with the States.
- \* If a supplier believes that they have been unfairly treated then any complaints shall be addressed to the relevant purchasing committee.



## APPENDIX III

### **LOCAL SUPPLIERS: EXPLANATORY GUIDANCE NOTE**

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#### **Introduction**

- 1.1 The purpose of this Explanatory Guidance Note is to provide committees and their staff with further detailed guidance on the issue of local suppliers supplementary to that included in the States Tendering Procedures Guidelines (issued in June 1995).
- 1.2 It is emphasised that the guidance on this matter may be revised if the economic circumstances of the Island, in particular as regards employment pressures, change. In such an event a revised Explanatory Guidance Note would be issued.
- 1.3 It is also emphasised that when comparing tenders the lowest initial cost should not be the only, or even the most important consideration. Purchase price, operating and maintenance costs etc. should be quantified and evaluated so that the lowest cost over the whole life of the purchase is determined.

#### **Use of Local and Non-Local Suppliers**

- 2.1 The primary duty of every committee is to secure the best possible value for money when purchasing goods and services.
- 2.2 If a local supplier fulfils the evaluation criteria and offers the best value for money, that supplier should be used.
- 2.3 Tenders should be sought from non-local suppliers if there is a reasonable expectation that they can offer best value.
- 2.4 Committees are not expected to undertake an exhaustive search for off Island suppliers. However, with the ever increasing ease of communication, including the use of the internet, potential suppliers, if they exist, should be relatively easy to identify.
- 2.5 **If there is a requirement for local support and after sales service that needs to be located on Island, a more expensive local supplier may be the most appropriate. Otherwise, it is not acceptable to purchase goods and services from a local supplier knowing that the same, or substantially similar, goods and services could be purchased elsewhere for a lower price.**

- 2.6 If a non-local supplier offers the lowest price, preference should only be given to local suppliers if there is a **demonstrable** benefit in doing so, for example a definite advantage in having nearby continuing support. The local supplier is thus offering the best overall value.
- 2.7 If it is necessary to consider the status of a supplier (i.e. "local" or "non-local") the determining factor is the origin of the majority of the value of the goods and services. The place of residence of the owner, employee etc. is of less relevance.
- 2.8 In many instances it will be relatively straightforward to determine whether suppliers are "local" or "non-local". **Each instance will need to be taken on a case by case basis.** However, merely having a company with local registration but non-local beneficial owners, employees etc. is not sufficient for it to be considered local especially when any profits are accrued off-island.
- 2.9 The local status of a supplier (even if it is registered locally with local employees) which merely imports goods and services with little real value added locally is also questionable.
- 2.10 Hence, only goods and services that are provided by local firms with a significant local content are likely to be considered "local" for this purpose.
- 2.11 However, the issue of who or what is "local" becomes less important since committees have a duty to seek to obtain best value regardless of the jurisdiction of provision. To a large extent what constitutes a local supplier becomes a moot point.

#### Use of Local Labour

- 3.1 The States Tendering Procedures Guideline includes the following clause which committees are required to include in all instructions to tenderers:

"Tenderers are advised that they are required to make the fullest possible use of local labour and materials. The use of any non local labour must be subject to the prior approval of (name of Committee) and declaration of the intended use of non local labour must be made at submission of tender. The use of non local labour which has not been disclosed in the tender or subsequently approved by the Committee would be regarded as a breach of contract by you and we would be entitled to terminate the contract without compensation to you."

- 3.2 The purpose of this clause is not to prohibit the use of non-local labour. It is used to encourage the fullest possible use of local labour where appropriate and to stop a tenderer reneging on any undertaking to use local labour.
- 3.3 Under no circumstances should any advertisement or tender be worded to give the impression that only local labour, or local companies, will be considered. To do so is likely to prejudice the submission of competitively priced quotations.

#### Advice and Guidance

- 4.1 Advice and guidance in respect of this matter can be obtained, in the first instance, from the States Purchasing Coordinator.

August 1999



# APPENDIX VI

## STATES OF GUERNSEY

### GUERNSEY RETAIL PRICES INDEX

STATES OF GUERNSEY  
ADVISORY  
& FINANCE  
COMMITTEE

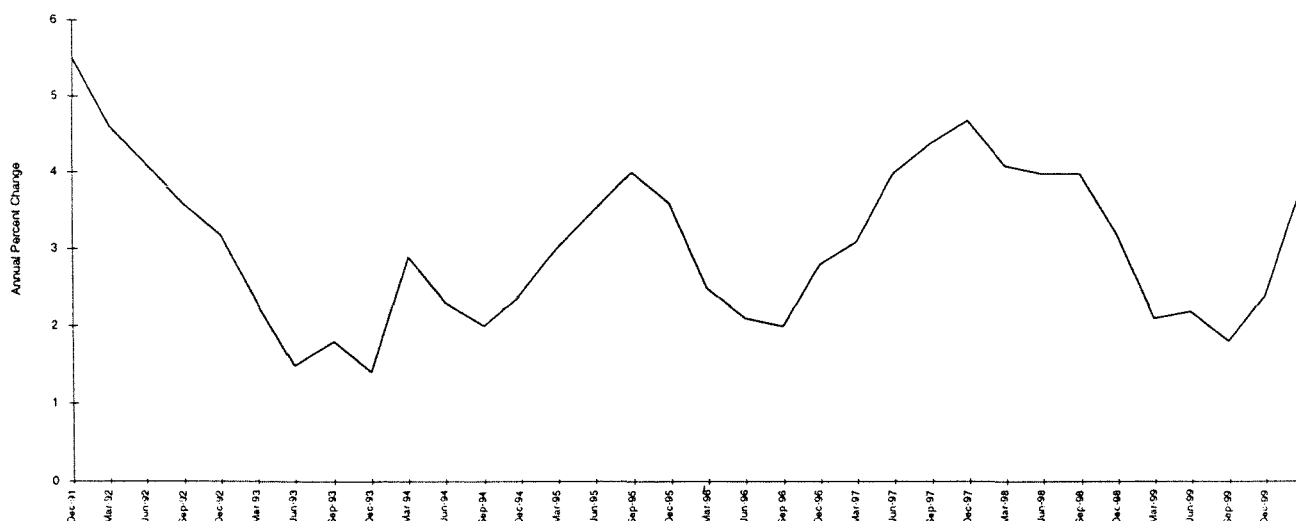
#### 3.8% annual change as at 31 March 2000

At the end of March, Guernsey's annual rate of inflation, as measured by changes in the Index of Retail Prices, was 3.8% compared with 2.4% at the end of the previous quarter.

The Index Figures at the end of March 2000 were 101.2 (Dec 1999 = 100), 120.1 (Mar 1994 = 100), 162.3 (Dec 1988 = 100), 216.9 (Dec 1983 = 100), 344.4 (Dec 1978 = 100).

Period	%	Period	%
3 Months	1.2	2 Years	6.1
6 Months	2.3	3 Years	10.4
9 Months	2.8	4 Years	13.8
12 Months	3.8	5 Years	16.6
18 Months	4.1	10 Years	43.5

ANNUAL RATE OF INFLATION



#### Annual % Changes

#### Quarterly % Changes

	March	June	September	December		March	June	September	December
1990	10.2	9.7	10.4	9.8		3.1	1.6	3.3	1.4
1991	8.6	8.7	6.1	5.5		2.0	1.7	0.8	0.9
1992	4.6	4.1	3.6	3.2		1.1	1.2	0.3	0.5
1993	2.3	1.5	1.8	1.4		0.2	0.5	0.5	0.2
1994	2.9	2.3	2.0	2.4		1.7	0.0	0.2	0.5
1995	3.0	3.5	4.0	3.6		2.2	0.5	0.7	0.2
1996	2.5	2.1	2.0	2.8		1.1	0.1	0.5	0.9
1997	3.1	4.0	4.4	4.7		1.5	1.0	1.0	1.2
1998	4.1	4.0	4.0	3.2		0.9	0.9	1.0	0.4
1999	2.1	2.2	1.8	2.4		-0.2	1.0	0.5	1.1
2000	3.8					1.2			

## PERCENTAGE CHANGES IN GROUP INFLATION AND THEIR CONTRIBUTION TO OVERALL INFLATION

### GUERNSEY INFLATION RATE (+3.8%)

	Weight	Annual percent change in groups	Contribution %
FOOD	127	-0.4%	-0.1
ALCOHOLIC DRINK	52	+0.8%	0.0
TOBACCO	19	+5.0%	0.1
HOUSING	216	+5.7%	1.2
FUEL, LIGHT & POWER	41	+14.6%	0.6
HOUSEHOLD GOODS	79	+0.3%	0.0
HOUSEHOLD SERVICES	33	+2.5%	0.1
CLOTHING & FOOTWEAR	56	-0.1%	0.0
PERSONAL GOODS	49	+4.2%	0.2
MOTORING EXPENDITURE	85	+11.7%	1.0
FARES/OTHER TRAVEL	33	+5.5%	0.2
LEISURE GOODS	63	+1.4%	0.1
LEISURE SERVICES	92	+3.6%	0.3
FOOD AWAY FROM HOME	55	+2.1%	0.1
<b>OVERALL</b>	<b>1000</b>		<b>3.8</b>
<b>Weight</b> is the proportion of the total index represented by each group. <b>Contribution</b> shows the effect of price changes in relation to the relative weight of the groups.			

#### Matters affecting the R.P.I during the last year

1. The main contributors to inflation during the last **year** were increases in the prices of motoring, fuel, light & power, housing and leisure services.
2. The main contributor to the motoring and fuel, light and power groups is the increase in the price of crude oil, which has led to large increases in petrol and domestic heating oil/gas .
3. The increases in mortgage lending rates have raised owner occupied costs, leading to large increases in the housing group over the last twelve months.

#### Matters affecting the R.P.I during the last three months

1. The main positive contributors to the RPI during the last **three months** were motoring (petrol), fuel, light and power, and household goods.
2. Within leisure services, there have been increases in the prices of local school fees and overnight stops in the UK.

*This release is also published on the States of Guernsey Web Site [http:// www.gov.gg/esu](http://www.gov.gg/esu) or you can contact them directly on (01481) 717012.*

## APPENDIX VII

### STATES GAMBLING CONTROL COMMITTEE

#### CHANNEL ISLANDS LOTTERY – REPORT AND ACCOUNTS IN RESPECT OF 1999

The President,  
States of Guernsey,  
Royal Court House,  
St. Peter Port,  
Guernsey.

29th March, 2000.

Sir,

#### **CHANNEL ISLANDS LOTTERY – REPORT AND ACCOUNTS IN RESPECT OF 1999**

In accordance with the provisions of Section 2 (5) of the Gambling (Channel Islands Lottery) (Bailiwick of Guernsey) Ordinance 1975, as amended, I have the honour to submit the Committee's annual report and accounts in respect of the operation of the Channel Islands Lottery during the financial year ending 31 December, 1999.

#### **A: DEVELOPMENTS DURING 1999**

The Channel Islands Lottery faced major problems during 1999 but the Committee is pleased to report that, by the end of the year, the Lottery had overcome these difficulties and was facing the future with more confidence.

The Double Chance format, with a combined serial number/instant prize ticket, introduced in 1998, has continued during 1999.

At the beginning of the year the Double Chance Lottery offered a fixed drawn first prize of £50,000. Unfortunately, during the first few months of the year, falling ticket sales made the fixed first prize untenable and the Lottery was suspended following Draw 11 on 27 May 1999.

The Committee was delighted that, in discussion with the States of Jersey Gambling Control Committee, and with the full support of the Lottery Agents in both Islands, it was possible to relaunch the Channel Islands Lottery with Draw 12 being held on 22 July 1999.

The relaunched Channel Islands Lottery retained the Double Chance format but the first prize was fixed at a minimum of £20,000 increasing along with increasing sales of tickets. Also introduced were 50 drawn prizes of £100. The other major change introduced was that draws now take place every three weeks rather than every two weeks.

The relaunched Channel Islands Lottery successfully continued on this restructured basis during the second half of 1999 and the Committee is pleased to be able to report that it will continue throughout 2000.

## **B: DRAWS**

Nineteen Draws were promoted during the year. The dates of the Draws were as follows:-

<u>Draw</u> <u>No</u>	<u>Date</u>	<u>Draw No</u>	<u>Date</u>
1	Thursday 7 January	12	Thursday 22 July
2	Thursday 21 January	13	Thursday 12 August
3	Thursday 4 February	14	Thursday 2 September
4	Thursday 18 February	15	Thursday 23 September
5	Thursday 4 March	16	Thursday 14 October
6	Thursday 18 March	17	Thursday 4 November
7	Thursday 1 April	18	Thursday 25 November
8	Thursday 15 April	19	Thursday 17 December
9	Thursday 29 April		
10	Thursday 14 May		
11	Thursday 27 May		

All the Draws were staged at the Channel Television Studios at La Pouquelaye in Jersey. The Draw is undertaken by the official Presiding Panel, comprising two members of the Jersey Public Lotteries Board and a member of this Committee or its staff attending as an independent Scrutineer.

## **C: SALE OF TICKETS**

During the year, six Agents were appointed by the Committee to sell tickets within the Bailiwick of Guernsey. Four appointments related to Guernsey and the remaining two appertained to Alderney and Sark respectively.

The Agents, who purchased Lottery tickets from the Committee at a discount, were responsible for the appointment of sub-agents to sell tickets on their behalf.

Ticket sales for each Draw in 1999 were as follows:-

<u>Draw No</u>	<u>Guernsey Committee</u>	<u>Jersey Committee</u>	<u>Total Sales</u>
1	70,200	93,400	163,600
2	58,800	75,000	133,800
3	60,900	75,600	136,500
4	56,400	71,400	127,800
5	55,100	72,500	127,600
6	53,300	72,500	125,800
7	53,100	72,000	125,100
8	53,100	72,000	125,100
9	50,700	62,500	113,200
10	47,700	56,400	104,100
11	47,700	57,500	105,200
12	55,400	90,500	145,900
13	62,500	87,500	150,000
14	62,500	87,500	150,000
15	62,400	83,900	146,300
16	58,500	77,800	136,300
17	58,100	72,400	130,500
18	54,200	68,900	123,100
19	<u>297,800</u>	<u>422,500</u>	<u>720,300</u>
	1,318,400	1,771,800	3,090,200

The total number of tickets issued by the Committee to Agents in the respective Islands of the Bailiwick were as follows:-

Alderney	24,700
Guernsey	1,286,200
Sark	<u>7,500</u>
	1,318,400

The sales which have been achieved in 1999 are due in no small part to the Agents who purchase, distribute and sell tickets on the Committee's behalf. These Agents have had to work particularly hard to implement the changes required to operate the new style lottery and, for this, the Committee wishes to place on record its sincere appreciation.



**D: PRIZES AWARDED**

During the year, the total number and value of prizes (including the value of the first prize) awarded at each Draw, were as follows:-

<u>Draw No</u>	<u>No of Prizes</u>	<u>Total Value of Prizes £</u>	<u>First Prize £</u>	<u>Max' Instant Prize £</u>
1	21,395	97,444	50,000	1,000
2	17,498	88,802	50,000	1,000
3	17,851	89,585	50,000	1,000
4	16,714	87,062	50,000	1,000
5	16,687	87,004	50,000	1,000
6	16,452	86,482	50,000	1,000
7	16,360	86,279	50,000	1,000
8	16,360	86,279	50,000	1,000
9	14,804	82,598	50,000	1,000
10	13,614	79,978	50,000	1,000
11	13,758	80,295	50,000	1,000
12	16,907	99,446	52,500	5,000
13	17,344	97,000	55,000	5,000
14	17,344	97,000	55,000	5,000
15	16,918	94,260	53,000	5,000
16	15,768	87,260	48,000	5,000
17	15,101	83,100	45,000	5,000
18	14,250	78,120	41,500	5,000
19	83,199	457,060	212,000	5,000

**E. PRIZES UNCLAIMED**

Prizes which are not claimed within twelve months of the Draw at which they were awarded are forfeited.

During 1999, all of the maximum periods for claiming prizes awarded by the twenty-four Draws held in 1998 expired and the prizes which remained unclaimed were forfeited. The total value of the prizes forfeited was £213,310.76, the apportionment of which resulted in the Committee receiving £87,744.23.

**F. DONATION TO THE ASSOCIATION OF GUERNSEY CHARITIES**

Traditionally the proceeds of the Christmas Draw are paid to the Association of Guernsey Charities.

In 1999 the Draw raised £47,423.78 which has been handed to the Association.

The Gambling Control Committee regrets that, because of an arithmetical error, the original calculation of the amount to be paid to the Association was significantly higher than the above figure.

The Committee made an interim payment of £38,842.74 to the Association and, following a review of the method of calculating the payment, approved the payment of a further £8,581.04 to the Association.

The Committee has agreed to the distribution of £43,243 as recommended by the Association (which includes a refund from last year's allocation and an amount from the Association's General Fund) as follows:

<u>Charity</u>	<u>Purpose</u>	<u>Proposed Allocation</u>
Guernsey Citizens Advice Bureau	Training and office furniture	£1,000
Guernsey Deaf Children Society	4 video recorders	£1,516
GADAC	Kitchen units	£3,000
Guernsey Welfare Society	Rent and salaries	£1,800
GSPD	Holiday for disabled people	£2,000
Guernsey Cheshire Home	Towards fuel costs	£10,000
MENFUN	Holidays (adults & children with Learning difficulties)	£1,500
MIND	Grants for people with mental problems	£2,500
Guernsey Hard of Hearing Assoc	Additional equipment for Resource Ctr.	£627
Gsy Sports Assoc for Disabled	Towards floor covering	£3,500
Sarnia Housing	Towards refurbishment Chilcott House	£5,000
Gsy Schizophrenia Fellowship	Holidays and training conferences	£1,500
Styx Playground	Insurance	£300
Les Bourgs Hospice Charitable Tst	Towards annual running costs	£5,000
Information Exchange	Towards salary & costs part-time admin Assistant for 1 year	£3,000
Hearing Music Trust	Towards launch cost & first year	
	Operating costs	<u>£1,000</u>
		<u>£43,243</u>

It is anticipated that the Association will shortly submit a proposed distribution of the further payment of £8,581.04 for approval by the Committee

**G. ACCOUNTS**

The accounts for the Channel Islands Lottery (Guernsey) Fund for 1999, which have yet to be audited, are attached. The accounts reveal that:

- (i) the promotion of the Lottery in the Bailiwick of Guernsey produced a surplus of £216,742 which was shared within the Bailiwick in proportion to the number of tickets sold in each Island as follows:-

Chief Pleas of Sark	£1,242
States of Alderney	£4,498
States of Guernsey	£211,002

- (ii) during the course of the year £163,500 was transferred from the Fund to the Beau Sejour Centre Account and a further £47,424 was donated to the Association of Guernsey Charities.

I am, Sir,  
Your obedient Servant,  
D. P. LE CHEMINANT,  
President,  
States Gambling Control Committee.

OPERATING ACCOUNT

**NOTE :** The balance on the Appropriation Account is payable ultimately to the Beau Sejour Centre under States Resolution 1 of 27 September 1972 and XXII of 26 February 1998.

D.P. Trestain  
States Treasurer  
27<sup>th</sup> March 2000