



BILLET D'ÉTAT

WEDNESDAY, 26th SEPTEMBER, 2007

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2007

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*APPENDIX I***HOME DEPARTMENT**

DATA PROTECTION ANNUAL REPORT 2006

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

4th June 2007

Dear Sir

I enclose the annual report from the Data Protection Commissioner setting out the activities of his office for the year ended 31 December 2006.

The report is prepared in accordance with the Commissioner's responsibilities under paragraph 5 of Schedule 5 to the Data Protection (Bailiwick of Guernsey) Law, 2001.

The Report also includes a statement of accounts as required by paragraph 3 (b) of the above Schedule to the Law.

The Home Department is pleased to support the work of the Commissioner and his office and recognises that high standards of data protection continue to be essential in ensuring the international reputation of the Bailiwick in this field.

Section 52 (b) of the Law requires the report to be laid before the States. I should therefore be grateful if you would arrange for its publication as an Appendix to the September 2007 Billet d'Etat.

Yours faithfully

G H Mahy
Minister

Enc

BAILIWICK OF GUERNSEY



DATA PROTECTION COMMISSIONER REPORT FOR 2006



MISSION STATEMENT

The Data Protection Office will encourage respect for the private lives of individuals by:

- *promoting good information handling practice,*
- *enforcing data protection legislation and*
- *seeking to influence national and international thinking on privacy issues.*

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*The Data Protection Commissioner's Annual Report for 2006****FOREWORD***

This is my sixth annual report to the States and the first covering my second term of office as Data Protection Commissioner for the Bailiwick of Guernsey.

During the year, the States approved a number of enhancements to the Data Protection legislation and an increase in Notification fees, which it is anticipated will come into effect during 2007.

The Rehabilitation of Offenders Law came into force in July. This Law limits the circumstances under which someone's spent convictions may be disclosed and, following an extensive period of consultation which had commenced in 2003, I issued a Code of Practice which specified the circumstances under which various categories of conviction and intelligence information could be disclosed in connection with employment and voluntary work.

The first prosecution in Guernsey that included allegations of Data Protection offences commenced in December 2006 and concluded in January 2007. One of the allegations was proven and the offender was fined. However, I am pleased to report that it was not necessary to serve any Enforcement Notices or Information Notices during 2006.

My office continues to receive numerous calls for advice from both individuals and businesses and we have continued the practice of giving short training courses to small groups of staff on request. Further guidance notes were issued and published on the website, which continued to be a popular way for people to obtain information.

We also received a number of requests for more detailed information about our activities and accordingly a Transparency Policy, concerning the disclosure of information held by the Office about individuals and organisations, was published.

Expenditure remained under control and income from notifications continued to rise, such that the overall cost of the office to the taxpayer reduced slightly in 2006. If the planned increase in fees comes into effect during the coming year, I would anticipate a further reduction in net cost in 2007.

The Guernsey Office will be organising one conference and hosting two international meetings of Data Protection authorities during 2007. These events help to ensure that the Office remains up to date with international developments and serve to reinforce the reputation of the Bailiwick as a well regulated jurisdiction that is ideally suited to the conduct of international business.

A handwritten signature in black ink, appearing to read 'Peter Hain', followed by a horizontal line.

Data Protection Commissioner, April 2007.

DATA PROTECTION LEGISLATION**Rehabilitation of Offenders**

The Rehabilitation of Offenders (Bailiwick of Guernsey) Law, 2002 (Commencement, Exclusions and Exceptions) Ordinance came into effect on 1st July 2006. This legislation provides that anyone who may have been convicted many years ago of relatively minor offences is normally deemed to be rehabilitated and is able to have a 'clean slate'.

Although not ostensibly Data Protection legislation, there are significant Data Protection ramifications in that the Rehabilitation of Offenders legislation makes it an offence for spent convictions to be disclosed other than in defined circumstances; consequently, the Commissioner issued a Code of Practice under section 51 of the Data Protection Law that specified in more detail how the Rehabilitation of Offenders and Data Protection legislation should be interpreted in the context of employment.

Section 56 of the Data Protection Law criminalises the practice of "enforced subject access" whereby an employer might require an employee or potential employee to obtain and then disclose a list of their previous convictions. It is anticipated that this section will be commenced in 2007.

Three guidance notes were published, corresponding to the three parts of the Code of Practice, directed towards:

- individuals,
- employers and
- the police disclosure unit.

Three categories of disclosure were identified:

- Basic Disclosures, which are available to all employers;
- Standard Disclosures, which include spent convictions, available to a limited set of employers; and
- Enhanced Disclosures, which include spent convictions and intelligence information, available only for specified categories of employment or voluntary work with children or vulnerable adults.

Training courses and presentations were given throughout the year, building on the consultation process that had commenced originally in 2003 and the Office responded to numerous queries as to the effect of this new legislation and the Code of Practice in particular circumstances.

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Amendments to the Law

At the meeting on 27th September 2006 the States approved proposed amendments to the Data Protection legislation as detailed in a letter from the Home Department dated 25th July 2006¹. The proposals were:

1. Following the commencement of the Rehabilitation of Offenders (Bailiwick of Guernsey) Law, 2002 on 1 July 2006, it is recommended that section 56 [enforced subject access] is brought into force and the Law is amended to include a definition of what constitutes a relevant record in section 56(5) so as to exclude a Disclosure issued by or on behalf of the Chief Officer of Police in accordance with any code of practice issued by the Commissioner under section 51(3) of the Law;
2. That section 54(3) [co-operation with the EU] of the Data Protection Law is brought into force;
3. That section 62 [application to the States and the Crown] is amended, as proposed by the Commissioner but subject to the qualification, insofar as the Crown is concerned, raised by Her Majesty's Procureur and described in paragraph 4 of this report;
4. That Section 43(1) [serving of a notice on any organisation] of the Law is amended, as proposed, and that an equivalent amendment is made to paragraph 4 of Schedule 1 to the Privacy and Electronic Communications regulations;
5. That the Law be amended to correct the small omissions and oversights identified and to create statutory immunity for the holder of the Office of Commissioner and certain persons acting for him with his authority;
6. That the fee for a notification or renewal of a notification be increased to £50, except in the case of not for profit organisations, where no fee will be payable.

It is anticipated that the legislation implementing these Resolutions will be enacted during 2007.

It is understood that the European Union may be considering enforcement action against the United Kingdom with regard to its transposition of the Data Protection Directive. If that action is successful there may be the need for consequential amendments to the UK legislation.

The States will be advised in due course if in the Commissioner's view any matching amendments to the Bailiwick legislation might be recommended in order to ensure the continued adequacy of the local Data Protection régime.

¹ Billet d'État XVI, September 2006 p. 1660

DATA PROTECTION ISSUES**Credit Reference Agencies**

Some Guernsey residents have reported difficulty in obtaining goods and services if such provision involves the use of the UK-based credit reference agencies (such as Experian, Equifax and Call Credit).

This is because a major element in a credit score is a reference to the UK electoral roll to confirm the name and address details of the applicant.

Guernsey residents do not appear on the UK electoral roll and the Guernsey electoral roll is not published or made available other than for election purposes.

However, following talks with the Deputy Registrar General of Electors (Electoral Roll), and the Home Department, that Department has agreed to issue certificates to anyone who is on the electoral roll and needs to provide evidence of residence for credit reference purposes. The three major UK credit reference agencies have undertaken to accept these certificates as evidence of residence.

The Commissioner welcomes this initiative, which should enable those residents who are on the electoral roll to have easier access to credit facilities in future.

Identity Theft

During the year there were some well-publicised incidents of identity theft concerning UK residents.

13,000 employees of the Department of Work and Pensions and of Network Rail had their identities stolen and used to make fraudulent claims for tax credits.

Twenty UK customers of HSBC were said to have suffered financial loss after a leakage of personal data from the bank's Indian data centre.

The Financial Services Authority was called in to investigate the circumstances surrounding the theft of a laptop belonging to an employee of Nationwide Building Society that contained confidential information about customers' accounts. The FSA found that the Building Society did not have adequate security measures and imposed a fine of £980,000. This is a much greater penalty than would normally be available under Data Protection legislation.

Identity Cards

Following much public criticism of its original proposals, the UK Government abandoned plans to create a National Identity Register from scratch, but instead proposed to use existing sources such as the National Insurance database, Passport Agency database and Drivers' database to underpin the proposed identity cards system.

It remains to be seen how the Government manages to address the errors and inconsistencies which undoubtedly will be found between these various sources of data.

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The UK Government also emphasised that it was not intended to store any health information on the identity card system, but questions were raised as to the extent of data sharing between government departments and agencies that might result from the adoption of this system.

The report on Service Transformation by Sir David Varney² that was published in December 2006 certainly envisaged a much greater level of data sharing in order to improve the level of service delivered to the citizen.

There is undoubted concern that this proposed increase data sharing might compromise individual privacy.

Notification of Security Breaches

The European Commission published proposals for an amendment to the Privacy Directive 2002/58/EC which would require providers of electronic communications networks to notify customers and regulators of any breaches of security that might result in personal data being made available to others.

This proposal went beyond the existing requirement that subscribers be informed of any risks to security and the measures that should be taken to guard against such risks.

Critics pointed out that a similar requirement already existed in California and 33 US States and had resulted in a flood of notifications to consumers and a consequential erosion of consumer confidence in conducting internet transactions.

Other commentators suggested that the proposed requirement did not go far enough and that other service providers, such as those providing financial services should be placed under a similar obligation.

Transmission of SWIFT Data to the US

In June, the Commissioner, in common with other European Commissioners, received a circular letter by email from Privacy International. A copy of that letter is shown below.

The Commissioner was concerned to hear of this problem, but was aware that the European Commissioners, in particular the Belgian Commissioner, was investigating this matter fully and felt that there was little that he could add to the process, as the alleged disclosures were essentially being made on the authority of the Belgian Office of SWIFT.

Subsequently, it was reported that the Belgian Office of SWIFT had contended that it was operating within the law as it had audited the subpoenas for information from the US and had come to an agreement that only those records concerned with alleged counter terrorism would be disclosed.

Despite these assurances, the Article 29 Group of European Commissioners delivered an adverse opinion on this matter³ and the European Data Protection Supervisor concluded⁴

² Service Transformation – A better service for citizens and businesses, a better deal for the taxpayer, http://www.hm-treasury.gov.uk/pre_budget_report/prebud_pbr06/other_docs/prebud_pbr06_varney.cfm

³ http://ec.europa.eu/justice_home/fsj/privacy/docs/wpdocs/2006/wp128_en.pdf

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that the secrecy surrounding the transfers to the US was regrettable and recommended that the European Central Bank promoted solutions to bring compliance within Data Protection rules within the oversight by the ECB of the SWIFT system.

Dear Commissioner **Harris**,

Complaint: Transfer of personal data from SWIFT to the U.S. Government

I am writing with regard to recently publicised activities of the Society for Worldwide Inter-bank Financial Telecommunications (SWIFT) involving the covert disclosure of personal information relating to residents of Guernsey.

This disclosure of data has been undertaken ostensibly on the grounds of counter-terrorism. The disclosures involve the mass transfer of data from the SWIFT centre in Belgium to the United States, and possibly direct access by U.S. authorities both to data held within Belgium and data residing in SWIFT centres worldwide.

It appears that the activity was undertaken without regard to legal process under Data Protection provisions, and it is possible that the disclosures were made without any legal basis or authority whatever. In all cases the disclosures were made without the knowledge or consent of the individuals to whom the data related. To the best of our knowledge, the disclosure activity is ongoing.

The scale of the operation, involving millions of records, places this disclosure in the realm of a fishing exercise rather than legally authorised investigation.

At this stage we do not have enough information to determine how many of Guernsey's residents have been the subject of these disclosures, but there is a probability that the SWIFT activities involve mass disclosure.

The office of Belgium's Prime Minister confirmed that: "the cooperative (SWIFT) had received broad administrative subpoenas for millions of records".

An "administrative subpoena" takes the form of a letter issued without judicial authority.

We are also concerned that this data could be used by US authorities for a range of non-terrorist related activities. As this information can amount to a profile of all financial transfers over periods of years the additional uses could vary widely to include taxation monitoring and even espionage.

We are concerned that the practice substantially violates Data Protection law and we request that your office institutes an investigation without delay.

We also ask that you intervene on behalf of Guernsey's residents to seek the immediate suspension of the disclosure programme pending legal review.

Privacy International

⁴http://www.edps.europa.eu/EDPSWEB/webdav/site/mySite/shared/Documents/EDPS/PressNews/Press/2007/EDPS-2007-1-EN_SWIFT.pdf

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NOTIFICATION

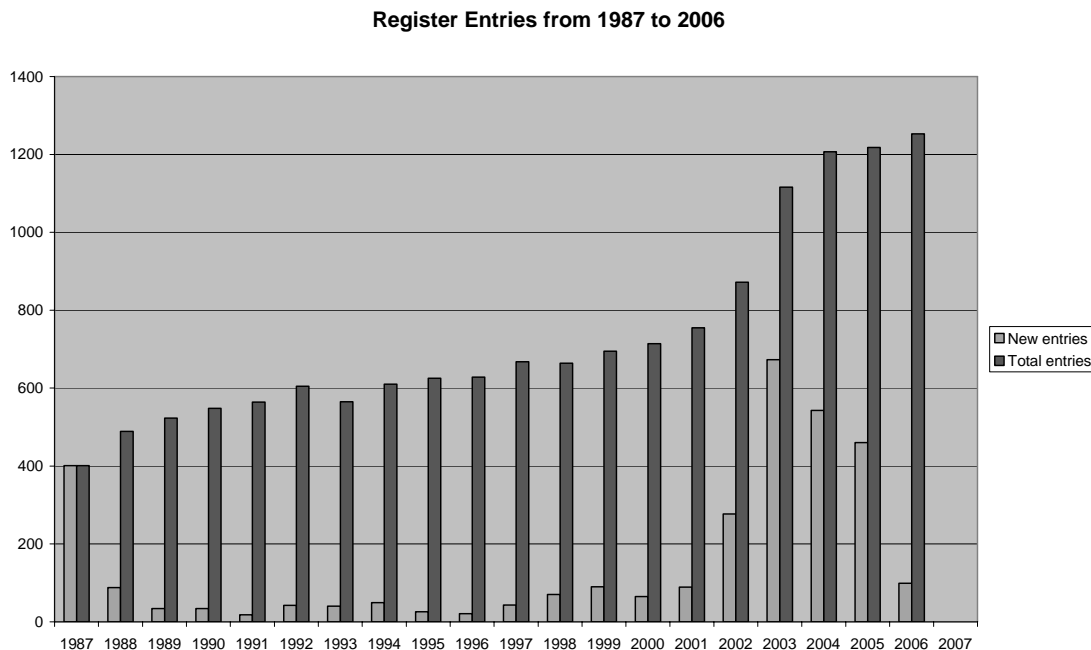
Section 17 of the Law requires Data Controllers to “Notify” the Commissioner of their processing of personal data. This Notification is on an annually renewable basis and covers all processing that is not exempt.

Exemptions from Notification exist for manual data, certain charitable and not-for-profit organisations and for the processing of data associated with the core business purposes of accounts, staff administration and marketing.

The annual fee for Notification was set in 2002 as £35, but in 2006 the States resolved that this fee should increase to £50 and it is anticipated that the legislation enabling this change will be enacted during 2007. At the same time, those charitable organisations which are exempt from the requirement to Notify will be able to Notify free of charge.

Register Entries

The chart below illustrates the rise in register entries since Registration under the original 1986 Law commenced in October, 1987. As noted in last year's report, the number of Notification entries appears to have stabilised at around 1250.



By the end of December 2006, there were 1253 Notifications on the register, whilst a total of 791 Registrations and 146 Notifications had been closed since 2002.

There were 99 new Notifications in 2006 and 65 closures - a net increase of 34, whilst in the peak year in 2003 there had been over ten times that activity, with 673 new Notifications and 227 closures – a net increase of 446.

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Internet Statistics

The Notification process may be completed online at <http://www.dpr.gov.gg>.

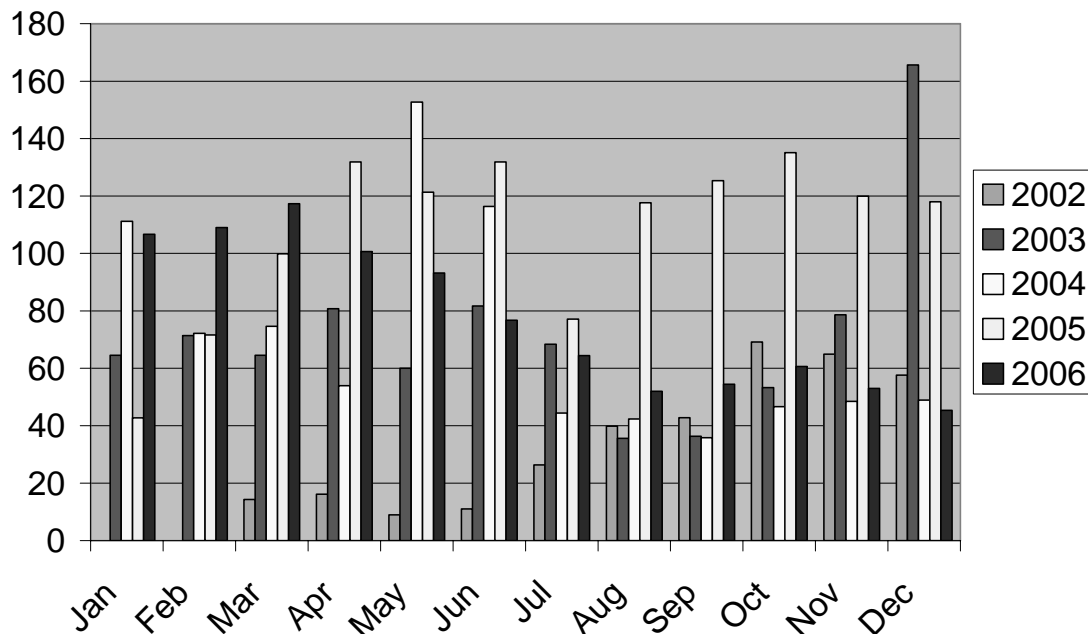
This site is used both by those wishing to create and maintain their own Notification entries and by the staff of the Data Protection Office.

Statistics gathered over the past three years show that approximately 38% of the Notification site accesses were for downloads of manuals and information, 20% for administration purposes and the remainder (42%) for online notification activities.

The chart below shows the variation in the average daily activity on the online Notification site between the commencement of Notification in 2002 and December 2006; the vertical axis represents the average daily rate of successful requests for pages of data from the site each month.

The variations in activity generally correspond with variations in the volume of new Notifications and renewals that are dealt with each month and have stabilised at a lower level, following the expiry and subsequent re-notification of all the Registrations under the 1986 Law that took place between 2002 and 2005.

Notification Site Activity between 2002 and 2006



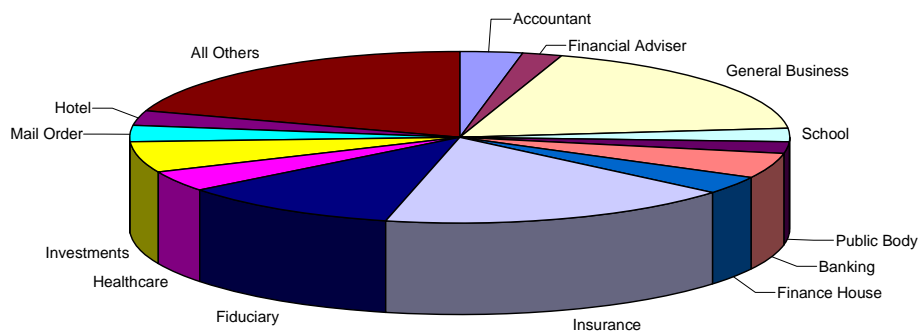
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Notifications by Sector

The Notification process requires data controllers to indicate the nature of their business activity. This requirement not only simplifies the process, as it allows for the generation of a standardised draft Notification based on a template, but also enables an indicative record to be maintained of the number of Notifications by industry sector.

The chart depicted below shows the cumulated distribution of notifications at the end of 2006 by industry sector, continuing a similar pattern to that of previous years.

Notifications by sector in 2006



The largest proportion of Notifications used a General Business template (18%), which clearly had the effect of skewing the detailed statistics to some extent; however, the remaining proportions were: Insurance (17%), Fiduciary (11%), Investments (6%), Banking (5%), Healthcare (4%), Mail Order and Finance House (both 3%), schools public bodies and financial advisers (2%), with 'All Others' [covering some 40 other classifications] being 20%.

Exemptions

Exemptions from the need to Notify may be claimed by those whose processing is limited to the core business purposes of accounts & records, staff administration and a limited amount of marketing to existing clients.

An exemption is also available to most voluntary organisations, charities and to those whose processing is limited to manual data. However, once CCTV is used by an organisation for the prevention and detection of crime, these exemptions from Notification are lost.

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Organisations that are exempt may choose to Notify voluntarily, thereby relieving themselves of a responsibility to provide information on request under section 24 of the Law. The number of voluntary Notifications fell by 8 to 39, (3% of the total).

In 2003, the Data Protection Office commenced the compilation of a list of those organisations that had informed the Commissioner that they were exempt from Notification and by the end of that year 303 organisations were so listed. The exempt list was primarily designed to assist in monitoring compliance and to avoid pestering those who had previously advised the Office that they were exempt.

During 2004, the exempt total rose to 447; in 2005, it fell to 441 and in 2006, the number of exempt organisations rose slightly to 446. This represents 26% of the overall total [of 1699 exempt and notified organisations].

Payment and communications methods

Renewal reminders issued during 2006 advised data controllers of the introduction of alternative means for the payment of fees.

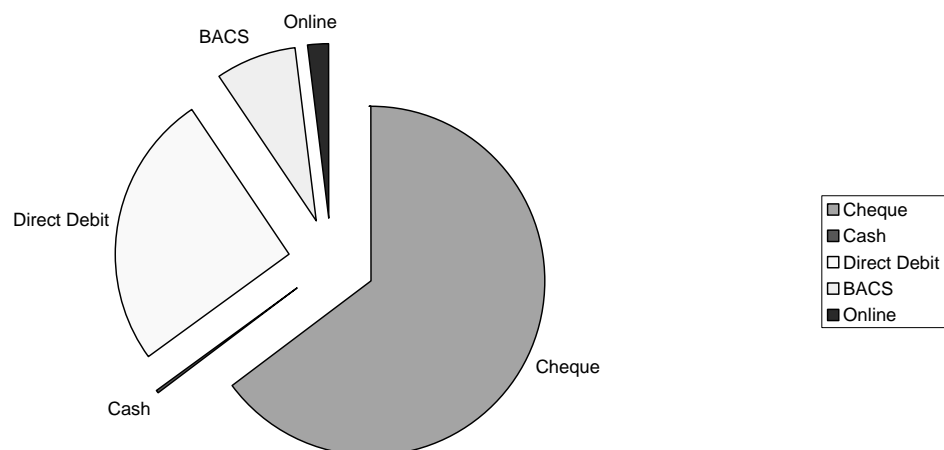
The number paying by these various means in 2006 was as follows:

Payment methods for Data Protection fees

Cheque: 803 (65%) Online: 24 (2%) BACS: 95 (8%)

Direct Debit: 317 (26%) Cash: 4 (0.3%)

Payment Methods



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During 2005, 286 (23%) of the fees were paid by annual Direct Debit, so this method of payment continues to show a small increase. BACS and Online methods had not been promoted until 2006, so it remains to be seen whether they become more popular.

1069 organisations (85%) provided an email address for communication purposes; this was used for the issue of automatic renewal reminders to those who did not renew by Direct Debit; of those, just 179 required a second reminder to be sent by post. There were 22 second reminders issued to organisations whose first reminder had been sent by post. It was necessary to resort to final reminders in 37 cases and this resulted in some payments being overdue. It appears that some data controllers do habitually ignore final reminders resulting in the need for follow-up action. Although in 2006 no referrals were made to the Police, a significant amount of administrative time was spent on pursuing these late payers and it is recommended that a financial penalty should be imposed in the case of those who are late in renewing their notifications.

The most common reason for second and final reminders was that the data controller's address or the email address of the administrative contact had changed since Notification. Data controllers were reminded that it is an offence for an organisation to fail to keep its registration particulars up to date.

Nevertheless, the use of automated email reminders and Direct Debits continues to reduce substantially the administrative effort involved in the Notification process.

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Security Statements

Part 2 of the Notification Form includes a security statement, in which data controllers are required to answer a number of questions related to their information security policy and provisions; the answers given were as follows:

Security Survey Answers	
Do your security provisions include:	YES
Adopting an information security policy?	86%
Taking steps to control physical security?	94%
Putting in place controls on the access to information?	90%
Establishing a business continuity plan?	89%
Training staff on security procedures?	83%
Detecting and investigating breaches of security?	85%
Adopting British Standard 7799 (ISO 9001)?	12%

These answers show that, in general, security is taken seriously by the overwhelming majority of organisations, but that the fairly onerous British Standard has been adopted by only a small minority of organisations.

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STAFFING AND STAFF DEVELOPMENT

Since its inception, the Office of the Data Protection Commissioner has comprised three people: the Commissioner and Assistant Commissioner, both of whom work full time and the Personal Assistant to the Commissioner, who works part-time.

The Commissioner is a statutory public appointment, but members of his staff are seconded from the Home Department of the Civil Service and are wholly responsible to him.

The Assistant Commissioner devotes the majority of her time to compliance activities, responding to enquiries from individuals and organisations and running training courses for the public and private sector.

The Personal Assistant undertakes all of the administrative activities for the office including the processing of Notifications and the reconciliation of the accounts.

The Commissioner remains of the view that, whilst his office remains responsible only for the Data Protection Law and the associated Privacy Regulations, the current establishment of one full time Assistant and one part time Personal Assistant represents a satisfactory minimum level of staffing resource, which enables him to discharge his responsibilities adequately under the Law.

The use of external consultancy has been limited to the provision of expert legal advice and for assistance in the planning of the international conferences.

The Commissioner is keen to encourage the academic, technical, administrative and professional development of his staff and to that end supports their attendance at training courses and relevant conferences and other forms of personal development.

The Commissioner remains a member of the E-commerce and IT Advisory Group of the GTA University Centre and of the Guernsey Digimap Management Board and attends relevant seminars and workshops organised by the GTA University Centre and the Guernsey International Section of the British Computer Society.

The Assistant Commissioner has attended some GTA seminars, participated in the UK Data Protection Forum and continued her legal studies with the Open University. She also furthered her knowledge by attending seminars in the UK organised by the Direct Marketing Association, White & Case and 'Data Protection Law and Policy'.

During 2006, the Personal Assistant enhanced her training by attending a specialised course run by the GTA University Centre dealing with the management of email.

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RAISING AWARENESS

There is a continual need to ensure that individuals are made aware of their rights under the Law and organisations that process personal data are made aware of their responsibilities.

The Awareness campaign for 2006 has included the following activities:-

- Delivering presentations and training
- Involvement in working groups
- Making use of the media.
- Giving compliance advice
- Developing the Internet web site

In addition, the Office has assisted in sourcing the provision of external training specialists for a number of organisations.

Delivering presentations and training

The Commissioner and Assistant Commissioner delivered a total 26 talks and presentations throughout the year to many professional associations and organisations in the public and private sectors. These included: schools, nursing homes, finance institutions, law firms, retail businesses and voluntary organisations.

The total audience reached in this way was around 358, compared to 916 in 2005.

The GTA ran a local course leading to the award of the ISEB Certificate in Data Protection. Three students graduated successfully from this course. The provision of further courses will be subject to demand and budgetary considerations.

Involvement in Working Groups

The Commissioner and Assistant Commissioner participated in the States Data Guardians Group. The activities of the group have initially been involved with the establishment of data sharing protocols between various departments and sections within the government.

Making use of the media

28 articles or letters relating to Data Protection were published in the local media during 2006, (compared with 15 in 2005) covering topics such as:

- The ISEB Data Protection qualification;
- ID cards;
- Rehabilitation of Offenders law;
- The Annual Report;
- Proposed amendments to the Data Protection legislation;
- The re-appointment of the Commissioner;
- Prosecution for alleged offences under section 55 of the Law;

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- Disclosure and retention of credit card numbers by merchants;
- A disciplinary case in the UK foundering on alleged incompatibility of Law;
- Use of CCTV in reports of criminal activity
- The issue of new Guidance Notes.

Guidance Notes Published by the Commissioner

The number of Guidance Notes published by the Commissioner during the year rose to **29**, compared with 23 in 2005.

The new publications, which were produced in printed form and also made available for download from the web site, were:-

- Three Guidance notes on the Rehabilitation of Offenders legislation
- Transparency policy
- Work references
- Marketing guidance for businesses.

A full list of available publications is given overleaf.

Approximately 905 hard copies of the literature were distributed to individuals and organisations during 2006, compared with 1664 copies in 2005.

It is not currently practical to estimate the number of electronic copies of these guidance notes that were viewed or downloaded from the website.

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Guidance Notes published by the Data Protection Office

Baby Mailing Preference Service: <i>How to stop the receipt of unwanted mail about baby products</i>
Be Open...with the way you handle information: <i>How to obtain information fairly and lawfully</i>
CCTV Guidance and Checklist <i>Explains how to comply with the law in relation to the use of CCTV</i>
Charities / Not-for-Profit Organisations
Data Controllers: <i>How to comply with the rules of good information handling</i>
Dealing with Subject Access Requests
Disclosures of vehicle keeper details <i>Explains when vehicle keeper details can be disclosed</i>
Exporting Personal Data
Financial Institutions
Mail, telephone, fax and e-mail preference service <i>How to stop the receipt of unsolicited messages.</i>
Marketing – A Guidance for Businesses
No Credit: <i>How to find out what credit references agencies hold about you and how you can correct mistakes</i>
Notification – a Simple Guide
Notification – a Full Guide
Notification Exemptions
Personal Data & Filing Systems (guidance on what makes information “personal” and explains what manual records are covered by the Law)
Privacy Statements on Websites – a Guidance
Respecting the Privacy of Telephone Subscribers
Recommended Disclosure Policy for the Central Records Office Of Guernsey Police
Rehabilitation of Offenders – Guidance for applicants – Police Disclosures
Code of Practice & Explanatory Guide – Disclosure of Criminal Convictions in connection with employment
The Data Protection Law and You: <i>A Guide for Small Businesses</i>
Spam – How to deal with spam
States Departments – a Guidance
Transparency Policy
Trusts and Wills – a Guidance
Violent warning markers: use in the public sector <i>How to achieve data protection compliance in setting up and maintaining databases of potentially violent persons</i>
Work References
Your rights under the Law: A Guidance for Individuals

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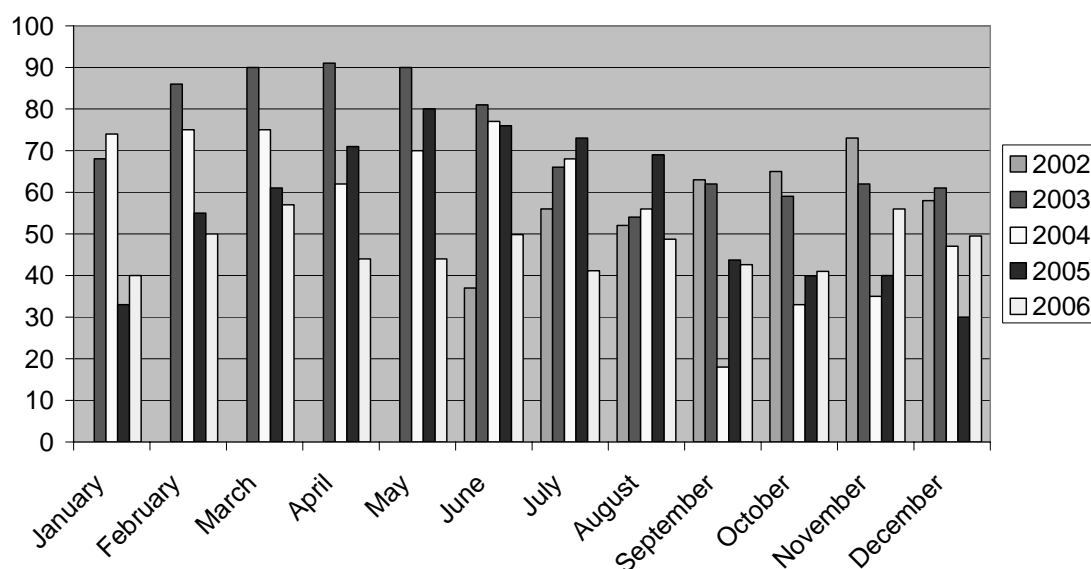
Developing the Internet Web Site

Work continued throughout the year to keep the information on the website: <http://www.gov.gg/dataprotection> up to date.

A chart of the average number of pages viewed per day between October 2004 and December 2006 is shown below. Currently, it would appear that about 50 pages per day are being accessed, compared with a peak of 90 pages per day in 2003; the most popular pages continuing to be those containing Guidance Notes.

It is reasonable to presume that the provision of ready access to information on the web site has reduced need for many people to make routine enquiries for information from the Data Protection Office. It is evident that many people who do call the office for advice have already obtained basic information by first consulting the Internet web site.

Average Daily Visits to Internet Site



It was noticed that the number of referrals from the old website: www.dataprotection.gov.gg continued at a reasonably high level throughout the year, so it was clear that many users had that old URL still saved in their browsers. There are no plans at present to discontinue that URL, although the underlying information on the web pages will be removed as it has not been updated since the transfer and so is now over two years out of date.

Registrations with the Preference Services

The Preference Services are administered by the Direct Marketing Association on behalf of Ofcom, the UK telecommunications regulator. The scope of the Preference Services covers the British Isles Integrated telephone numbering scheme and the Royal Mail Postcode areas, of which the Channel Islands and the Isle of Man are part.

The Telephone Preference Service, TPS, allows individuals to opt-out of the receipt of unsolicited marketing calls. Although the regulations covering the TPS apply only to marketing organisations based in the British Isles, in practice TPS registration appears to reduce but not eliminate the receipt of calls originating from overseas, as many reputable overseas telemarketers appear to screen their calls against the TPS database.

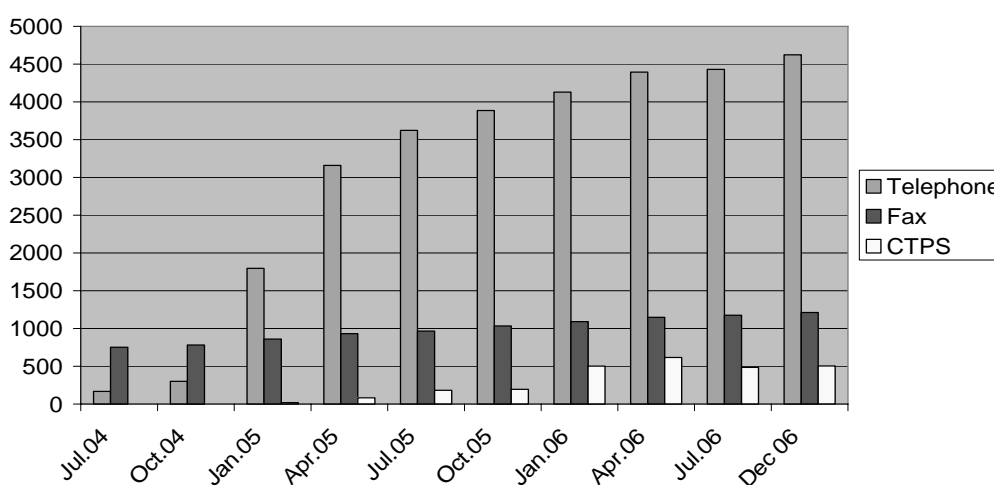
The Fax Preference Service, FPS, allows any individual or business with a fax machine to opt out of the receipt of unsolicited marketing faxes whereas the Corporate Telephone Preference Service, CTPS, is for use by organisations wishing to opt out of the receipt of marketing calls.

The Preference Services were initially promoted in Guernsey by the Office in 2004, following a number of complaints about marketing calls and a service was offered whereby the Office undertook the registration on behalf of local residents. The services are now advertised within the information pages at the front of the Cable & Wireless and Wave Telecom directories.

The chart below shows that registrations for TPS continue to show an increase, with over 4,500 numbers being registered, compared with around 4,000 at the end of 2005. Only 10% of those registrations were initially made by the Data Protection Office, which shows that the vast majority of people are now confident to register for themselves.

Registrations for FPS remain fairly static and those for CTPS have fallen slightly, possibly because this service is annually renewable and some businesses may have failed to realise this.

Registrations for Preference Services



ENFORCEMENT

The Law provides for a number of offences:-

- a) Failure to notify or to notify changes to an entry;
- b) Unauthorised disclosure of data, selling of data or obtaining of data;
- c) Failure to comply with a Notice issued by the Commissioner.

The Commissioner may serve an Enforcement Notice where he has assessed that a controller is not complying with the principles or an Information Notice where he needs more information in order to complete an assessment. With the advent of the Privacy in Electronic Communications Regulations, the Commissioner's power to issue Notices has been expanded to cover non-compliance with those Regulations.

Notices

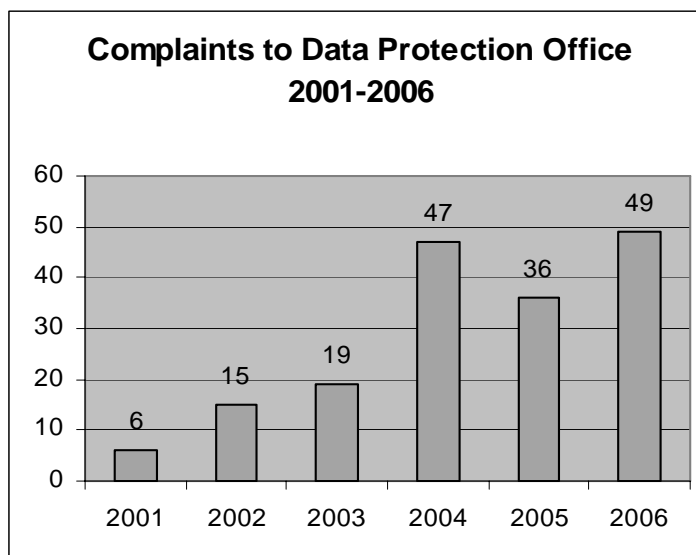
One data controller was served with a preliminary Information Notice, but no Information Notices were issued in 2006, compared with the 2 data controllers who were served with Information Notices in 2005.

No Enforcement Notices were issued in 2006, whereas in 2005, 2 data controllers were served with Enforcement Notices relating to email marketing.

Complaints

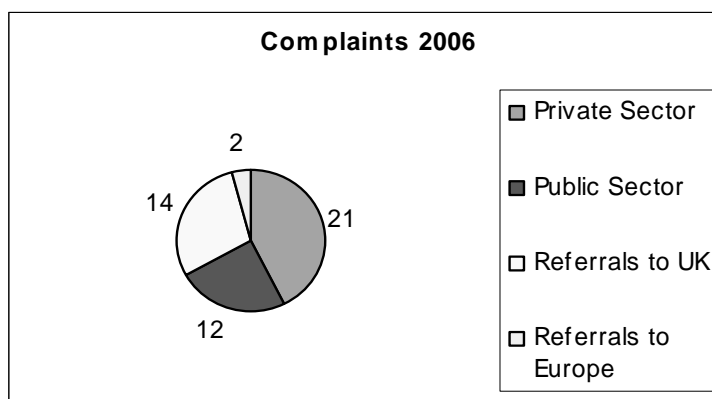
There were a total of 49 complaints received by the Commissioner during 2006, compared with 36 in 2005 and 47 in 2004.

A relatively smaller number of complaints were processed in prior years, as is shown opposite.



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The breakdown of complaints received in 2006 and depicted opposite, shows that 21 related to the private sector and 12 to the public sector. There were 14 complaints referred to the UK and of the 2 referred to Europe, 1 was to Denmark and 1 to Hungary.



The referral to Denmark was made because a Danish company that utilised a fulfilment house in Guernsey had presented inaccurate data in respect of a client in a UK national magazine. The Danish Data Protection Authority referred this complaint to the national authority with the relevant remit.

The complaint to Hungary was made by Guernsey's Assistant Data Protection Commissioner. The substance of this complaint was that her personal data were disclosed to another passenger at the border control on entering Budapest. The passenger was instructed to compare his passport with that of the Assistant Commissioner. The Assistant Commissioner reported this incident to the Hungarian Commissioner, the host of the conference she was attending.

An investigation was conducted and it was found that correct procedure had not been followed. The incident was dealt with in the course of a "commander class" on a training day and was built into the training material.

Also in line with the recommendations of the Hungarian Commissioner, the National Commander of the Hungarian Border Guards took the following measures:-

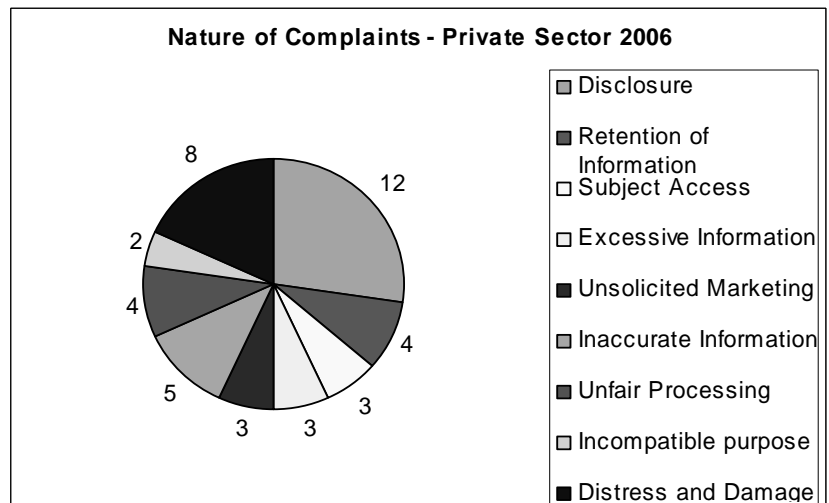
1. *The Ministry of Foreign Affairs for the Republic of Hungary was requested to obtain a passport sample of Guernsey together with samples of passports of Jersey and the Isle of Man. These were to be included in the passport sample and security features database (Document) of the Hungarian Border Guards.*
2. *A position has been issued that citizens of Guernsey shall qualify as citizens of beneficiary countries; this means they shall go through only minimum control as opposed to the more rigorous basic control when entering Hungary.*

The Hungarian Commissioner was confident that implementation of these measures should prevent any further problems for Bailiwick residents entering Hungary.

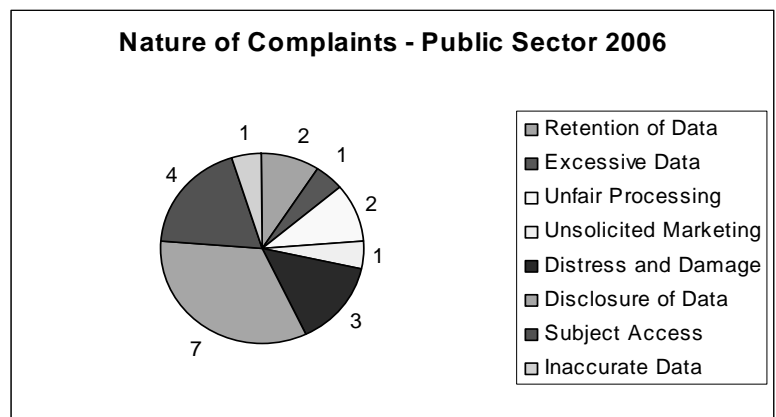
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A breakdown of the 21 complaints against the private sector can be seen opposite. A complaint may involve an alleged breach of one or more of the data protection principles. For instance an inappropriate disclosure of information may not only be a breach of security but could also be construed as unfair processing, i.e. using the personal information of a person without informing them that you will do this.

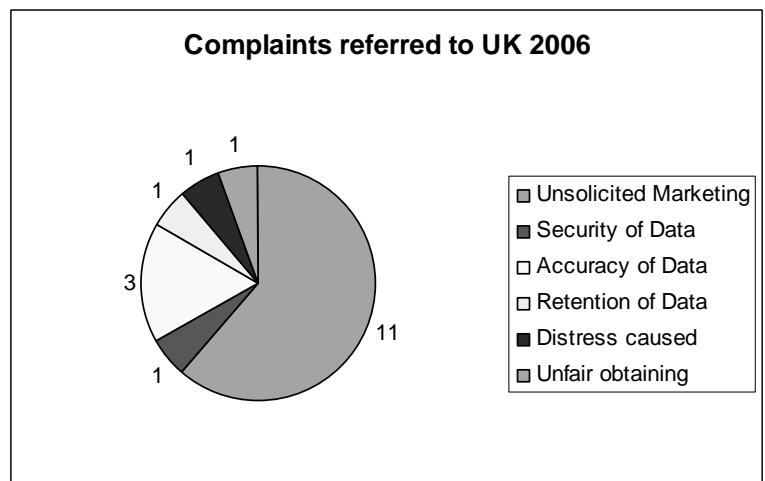
This may also have the effect of causing damage and distress. Likewise, damage and distress may also be caused if information is recorded inaccurately or used for a purpose which was not communicated to the individual at the time of collecting the information.



The 12 complaints made against the public sector mainly involved allegations of breaches involving disclosure of information and denying individuals right of access to their own information. Cases of alleged inaccurate processing and unnecessary retention of information were also included.



Of the 14 complaints referred to the UK Commissioner, 11 involved unsolicited marketing, 3 involved the inaccurate processing of data, with the remainder on data security, unnecessary retention of data, unfair obtaining of information and causing distress through the processing of data.



Case Studies

A selection of these complaints is detailed below.

Case Study 1

An individual complained that her landlord had disclosed her personal information, namely her work telephone number, to a third party, a contractor without her consent.

The contractor contacted her to arrange a time to access her property in order to carry out a repair.

The Tenants' Handbook stated that when reporting a repair tenants are required to give a daytime telephone number; it also stated "for internal repairs, we will arrange for a contractor to contact you to make an appointment".

The tenant had given her work telephone number as the daytime contact number.

Accordingly, the Commissioner was of the opinion that no unauthorised disclosure was made by the landlord. The tenant had been made aware through the Handbook that a contractor would make direct contact.

There was no breach of the first data protection principle; this principle states that personal information must be processed fairly and lawfully. The landlord was being fair in informing the tenant that she would be contacted by the contractor. The tenant had provided her work telephone number when reporting the fault thus implying that she consented to being contacted by the contractor. The disclosure of the telephone number to the contractor was fair and lawful in this case.

This complaint was resolved quickly and was of a relatively minor nature but a lesson can nevertheless be learned from it. The Commissioner would advise individuals that they should carefully read any information provided by any party, landlord or otherwise, with whom they enter into any agreement.

Case Study 2

An individual complained to the Commissioner that his request for an offence of over five years old to be deleted from his driving licence was refused.

The Rehabilitation of Offenders Law (ROO) is now in force within the Bailiwick and, in accordance with this law, an offence which incurred a fine and a driving suspension would be considered spent after five years.

The Data Protection Law states that personal data must be processed lawfully; this means that personal information must be processed in accordance with the requirements of other legislation.

This would imply that any conviction considered as spent under ROO should not appear on a driving licence.

Under ROO the time of an offence is calculated from the time when a sentence is imposed.

In investigating the complaint it was discovered that according to the Road Traffic Law 1987 (RTL) any driving endorsement / disqualification details remain on a person's driving licence until five years from the date that the disqualification ends.

Hence there would appear to be a conflict between the provisions in ROO and RTL.

The Commissioner was informed that case law in the UK upheld Road Traffic Act provisions over Rehabilitation of Offenders Act provisions.

However the UK Traffic Act was enacted after the UK ROO Act. In the Bailiwick ROO was enacted after RTL and normally, in the case of a conflict between statutes, the provisions of the later statute would prevail.

Whilst the Commissioner took no action in this case, he did suggest that political action would be desirable in order to resolve the apparent conflict between these two statutes.

Case Study 3

The 7th data protection principle states that: “Appropriate technical and organisational measures shall be taken against unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data.”

There have been a number of complaints from the public about alleged breaches of this principle which are described below:

a) A member of the public brought merchant copies of credit / debit card receipts to the Commissioner's office. He had found these lying in the road near some open disposal sacks outside a restaurant.

The full credit card number and expiry date were on these receipts.

The Commissioner asked for the restaurant concerned to explain what its usual procedure was in the processing of credit / debit card receipts.

While a sound procedure was usually followed there was an occasion when someone who did not usually work “in front of house” inadvertently put the receipts into a rubbish sack which was then presumably opened by a seagull. It was also stated that staff not aware of procedures are usually supervised.

While no further action was taken in this case the Commissioner warned that Enforcement action would be taken should a similar breach of the law happen in the future.

b) A person received another person's credit card along with his own from an automatic cash dispenser.

On investigation the bank stated that this was due to a one-off technical fault which had been rectified at the earliest opportunity.

The Commissioner advised that this incident would be kept on record and Enforcement action would be taken should a similar occurrence arise. The Financial Services Commission was also informed of the incident.

c) It is now a requirement that when credit / debit cards are used in non face to face transactions a security (CVV) number is requested. This is to make it more difficult for persons to obtain products and services by merely using the information recorded on credit / debit cards receipts. However while the Commissioner recognises the necessity for all organisations to ask for the CVV number he advises that, in the interest of security, CVV numbers should be recorded separately from other information and not retained for longer than is necessary for business purposes.

c(i) A complaint was received about a local business recording and retaining the CVV number with other information. The business reviewed its procedures and practices and established that it was possible to process the CVV number separately.

c(ii) There was a general enquiry about the legality of a local charity asking for CVV numbers on membership application forms. The collection of CVV numbers in this way would only apply to application forms which are posted. The charity concerned had a sound procedure in place for the secure storage and earliest possible disposal of the forms. In considering this and the nature of the charity and its resources the Commissioner concluded that the practice was acceptable as the CVV number was intended to validate transactions in non face-to-face environments, such as by post.

Case Study 4

The Data Protection Law applies to all marketing messages sent to individuals whatever medium is used. Under the Law individuals have the right not to be marketed by any organisation, they can inform marketers that they do not wish to receive any more communications and if this request is ignored a breach of the Law occurs.

The Privacy and Electronic Regulations apply to marketing by electronic means and give rights to both individuals and legal entities. Explicit consent must be obtained from an individual before any marketing emails are sent. In the case of a legal entity an initial communication may be sent without obtaining consent. However, all marketing emails sent to individuals and organisations must contain the identity of the sender and an unsubscribe facility must be provided within each message.

Complaints have been received from individuals that they continue to receive unsolicited marketing messages by email even though they may have unsubscribed from the mailing lists.

Frequently, it is mail order firms that are the focus of these complaints.

When these complaints are investigated a recurrent theme that emerges is the individual may have indeed unsubscribed but only from a single email address, despite having received emails addressed to more than one email address.

A mail order company cannot be expected to know that a particular individual may have more than one email address.

It is important that a recipient informs the sender of all email addresses that he or she has registered. Not to do so may result in the receipt of further unwanted messages.

Case Study 5

Two individuals shared a flat, one of whom complained to the Commissioner that her personal information had been disclosed by her landlady. It was further claimed that the landlady had accessed the information through her workplace. Such a disclosure would be considered an offence under section 55 of the Data Protection Law.

In her submission to the Commissioner the tenant provided a copy of the written complaint which had been signed by herself and her partner and sent to the landlady's employer. The tenant also enclosed a report containing the results of an investigation that had been carried out by the employer.

As the tenant considered this report was not clear on how the information came to be disclosed she asked the Commissioner to investigate her complaint further.

The information in question was of such a nature that it could only have been obtained through the landlady's workplace. The tenant claimed the disclosure resulted in an unwelcome outcome for her and her partner.

Detailed questions were therefore asked concerning the actual disclosure, whether or not the landlady had legitimate access to the information in the course of her employment and if access by company personnel to records was audited.

The employer responded to the effect that the company held no account in the name of the tenant who had complained. The account was in the name of her partner.

This meant that the complaint could not be continued as technically the company did not hold any personal information relating to the complainant.

The complainant was advised to ask her partner to resubmit the complaint. As this did not happen the complaint was closed.

The Commissioner would remind individuals that he can only investigate complaints against organisations if they are from individuals whose personal information is being processed by those organisations. Representatives may be nominated by those who are adversely affected by an organisation's data processing activities. In this case study investigation of the complaint might have been continued had the partner nominated the tenant to act for her.

Case Study 6

An employee requested a copy of the rules of his company's bonus scheme as well as a copy of the assessment of his entitlement to a bonus.

His request was refused and so he made a second request for the documents through an advocate. In its reply to the advocate the company stated that the employee had been fully informed of the details of the bonus scheme, the criteria for assessment and of his personal measurement against those criteria. The requested documents were considered internal and confidential to the company and so were further refused.

The employee then complained to the Commissioner.

The company was informed that if an organisation processes any individual's personal information then that individual has a legal right to have such information communicated to him in an intelligible form and be provided with a permanent copy of it. The copy need not be a copy *exactly as held* by the company as long as it is intelligible. The supply of all intelligible information would mean that the employee has fully explained to him all terminology, codes, abbreviations, and the logic in arriving at any decision affecting him.

Therefore the employee was entitled to have a copy of a summarisation relating to the calculation of his bonus. He was not entitled to a copy of the rules of the bonus scheme as these were guiding principles for the use of the company and not information personally relating to the employee.

The company complied with the Commissioner's recommendation.

International Conference of Data Protection Authorities

The Commissioner and Assistant Commissioner attended the 28th International Conference of Data Protection and Privacy Commissioners, which was held in London on 2nd and 3rd November. It was attended by delegates representing 58 data protection and privacy authorities from around the world.

The main part of the Conference, at which representatives of a wide range of governmental, law enforcement, civil society and private sector organisations were also present, considered the implications of a surveillance society.

A number of themes were emphasised by Commissioners:-

- **The ‘Surveillance Society’ is already with us.**

Surveillance involves the purposeful, routine and systematic recording by technology of individuals’ movements and activities in public and private spaces. Everyday encounters with modern and developing technology which records, sorts and sifts personal information include:

- systematic tracking, monitoring and recording of identities, movements and activities;
- analysis of spending habits, financial transactions and other interactions;
- ever-growing use of new technologies, such as automated video cameras, RFID etc;
- monitoring of telephones, e-mails and internet use; and
- monitoring of workplace activity.

- **Surveillance activities can be well-intentioned and bring benefits.**

So far the expansion of these activities has developed in relatively benign and piecemeal ways in democratic societies - not because governments or businesses necessarily wish to intrude into the lives of individuals in an unwarranted way. Some of these activities are necessary or desirable in principle - for example, to fight terrorism and serious crime, to improve entitlement and access to public services, and to improve healthcare.

- **But unseen, uncontrolled or excessive surveillance activities also pose risks that go much further than just affecting privacy.**

They can foster a climate of suspicion and undermine trust. The collection and use of vast amounts of personal information by public and private organisations leads to decisions which directly influence peoples’ lives. By classifying and profiling automatically or arbitrarily, they can stigmatise in ways which create risks for individuals and affect their access to services. There is particularly an increasing risk of social exclusion.

- **Privacy and data protection regulation is an important safeguard but not the sole answer.**

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The effects of surveillance on individuals do not just reduce their privacy. They also can affect their opportunities, life chances and lifestyle. Excessive surveillance also impacts on the very nature of society. Privacy and data protection rules help to keep surveillance within legitimate limits and include safeguards. However, more sophisticated approaches to regulation need to be adopted.

- **A systematic use of impact assessments should be adopted.**

Such assessments would include but be wider than privacy impact assessments, identifying social impact and opportunities for minimising undesirable consequences for individuals and society.

- **The issues are wide ranging and cannot be taken forward by data protection/privacy regulators alone.**

Engagement should be a common cause for all who are concerned about developments. Commissioners should work alongside relevant civil society organisations and also governments, private sector, elected representatives and individuals themselves to guard against unwarranted consequences.

- **Public trust and confidence is paramount.**

Although much of the infrastructure of the surveillance society has been assembled for benign purposes, continued public trust cannot be taken for granted. Individuals must feel confident that any intrusion into their lives is for necessary and proportionate purposes. Public confidence is like personal privacy - once lost it is difficult if not impossible to regain. Although surveillance society issues are broader than data protection and privacy, data protection authorities have an indispensable role to play. Increasingly in a surveillance society individuals often have no realistic choices, little control and few opportunities for self help. Personal information is collected and used in ways invisible to the ordinary individual. During the lifetime of data protection regulation the world has not stood still. The demands of states, private sector and citizens have changed and information processing technology has moved on at a fast pace. It is right for data protection authorities to reflect upon whether their traditional approaches remain relevant and effective. Activities such as complaint handling and audit/inspection are as important as ever but continued improvement in areas such as effective engagement with citizens and policy makers is now essential.

During the closed session of the Conference, the Commissioners welcomed an initiative from Alex Türk, President of the French Commission Nationale de l'Informatique et des Libertés (CNIL), urging them to re-state the fundamental importance of data protection and privacy in a fast-changing world and the need for urgent action to face new challenges. A copy of the Statement – “*Communicating Data Protection and Making It More Effective*” – together with further information about the conference, is published on the conference website: <http://www.privacyconference2006.co.uk/>.

The Commissioners reflected upon their own role and the challenges that these changes pose for them. Commissioners identified the following areas as necessary to allow them to rise to the challenges:

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- **Protection of citizens' privacy and personal data is vital** for any democratic society, on the same level as freedom of the press or freedom of movement. Privacy and data protection may in fact be as precious as the air we breathe: both are invisible, but when they are no longer available, the effects may be equally disastrous.
- **Commissioners should develop a new communication strategy** in order to make the public and relevant stakeholders more aware of these rights and their importance. Commissioners should initiate powerful and long term awareness raising campaigns and measure the effects of these actions.
- **Commissioners should also communicate better** about their own activities and make data protection more concrete. Only when these activities are meaningful, accessible and relevant for the public at large, is it possible to gain the necessary power to influence public opinion and to be heard by decision makers.
- **Commissioners should assess their efficiency and effectiveness**, and where necessary adapt their practices. They should be granted sufficient powers and resources, but should also use them in a selective and pragmatic manner, while concentrating at serious and likely harms, or main risks facing individuals.
- **Commissioners should reinforce their capacities in technological areas**, with a view to advanced studies, expert opinions and interventions, in close interaction with research and industry in the field of new technology, and share this work together. The excessively "legal" image of data protection must be corrected.
- **Commissioners should restructure the International Conference** to become a stronger voice on international issues and an unavoidable discussion partner for international initiatives with an incidence on data protection.
- **Commissioners should support the need of an International Convention** and the development of other global instruments. Problems that can only be dealt with effectively at international level – either in general or in specific sectors – should be addressed in this way with appropriate means.
- **Commissioners should promote the involvement of other stakeholders** of data protection and privacy, at national or international level, such as civil society and NGOs, to develop strategic partnerships where appropriate, with a view to making their work more effective.

Commissioners agreed to undertake a programme of follow-up activities along these lines and to consider and evaluate progress made at their next international conference. In addition to considering their own role, Commissioners also adopted the following important resolutions.

- Accreditation of eight new members - the data protection authorities of: Andorra, Liechtenstein, Estonia, Romania, Gibraltar and Canada - New Brunswick, Northwest Territories and Nunavut
- A resolution on conference organisational arrangements
- A resolution prepared by the International Working Group on Data Protection in Telecommunications on: "Privacy Protection and Search Engines".

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In conclusion, the challenges facing society and Data Protection and Privacy Commissioners are substantial. Not just in terms of surveillance but also due to the rapid changes in information processing technology, increased globalisation, irreversibility of some developments and lack of public awareness and education. Data protection safeguards, and the independent authorities which help set and enforce these safeguards, are indispensable in the modern information age. Commissioners have risen to the challenge and are committed to redoubling their efforts to ensure that data protection controls are even more relevant today and in the future than they were when many of today's developments were in their infancy.

European Spring Conference

The Assistant Commissioner attended the European Spring conference, which was held in Budapest on 24th and 25th April 2006. She was one of 103 delegates representing data protection authorities throughout Europe.

The conference focused on the challenges faced by data protection authorities in protecting the rights of individuals in regard to the processing of their information in the world of today.

For instance personal privacy is threatened by the increasing need for countries to exchange information in order to combat the increase in organised crime and terrorism. Data protection must not be an obstacle to this work but it is necessary to ensure that such exchanges of information are necessary and proportionate to achieve the desired aims.

Other threats to personal privacy come from innovations in technology such as Radio Frequency Identification (RFID) tags which make it possible trace the whereabouts of individuals.

Electronic health records may be perceived as a means of making health care delivery more effective and efficient but there are challenges in ensuring that they are accurate, up to date and most of all secure.

The conference discussed how data protection authorities could work together to achieve common data protection standards across jurisdictions in order to meet these challenges.

International Working Group on Data Protection in Telecommunications (IWGDPT)

The Commissioner attended the two meetings of the International Working Group that were held in 2006.

The 39th meeting was held in Washington, DC on 6th and 7th April and was preceded by an international workshop organised by the Privacy Office of the US Department of Homeland Security, entitled: "Transparency and Accountability – The Use of Personal Information within the Government".

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The 40th meeting of the Working Group was held in Berlin on 5th and 6th September. Representatives from China and Romania joined the Group for the first time at this meeting, which included 59 participants from 31 countries.

Both meetings covered similar topics, mainly concerned with the production of working papers addressing the following issues:

- IP Telephony (Voice over IP)
- Voice Analysis Technology
- Privacy and Search Engines
- Trusted Computing and Digital Rights Management
- Privacy and Cross-Border Marketing
- Online Availability of Electronic Health Records
- Spam
- E-Government
- RFID
- Vehicle Event Recorders
- Personal data within WHOIS databases
- Privacy aspects of the World Summit on the Information Society

The 41st meeting of the Working Group will be held in Guernsey on 12th and 13th April 2007 and be preceded by a public conference on 11th April.

Liaison between the British, Irish and Islands' Data Protection Authorities

The Commissioner and Assistant Commissioner joined representatives from the authorities of the UK, Ireland, Jersey, Cyprus and Gibraltar, who attended the annual meeting, which was held in the Isle of Man on 4th July 2006. The Commissioner from Malta was unfortunately unable to attend.

This was the first meeting at which Gibraltar had been represented and the delegates from Gibraltar outlined the role of the Gibraltar Regulatory Authority, which encompasses a range of responsibilities, including Financial Services, Telecommunications and Data Protection.

The Commissioner summarised the main issues being discussed at the International Working Group on Data Protection in Telecommunications and the Isle of Man Supervisor introduced the topic of mandatory notification of security breaches, a practice that originated in the United States.

The Authorities also discussed the different legislative and supervisory approaches that were being adopted to the facilitation of Public Access to Official Information, otherwise known as Freedom of Information.

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It is planned that the next meeting of the Authorities will be held in July 2007 in Guernsey.

Liaison with the UK Government

No meetings were held with staff from the Department of Constitutional Affairs during 2006. However, email contact with officials was maintained and the Department commenced publication of the Information Rights Journal, which provides specific information on policy and case law on Data Protection and Freedom of Information.

Data Protection Forum

The Assistant Commissioner attended three meetings of the Data Protection Forum that were held in London during 2006; the topics covered in the meetings were:

- *The development of international standards for data retention*
- *Data sharing across the public and private sectors*
- *The re-use of public sector information*
- *The work of the UK Information Tribunal*
- *The role and responsibilities of the UK Passport Agency*
- *Perspectives from data protection authorities in the UK, Ireland and Crown Dependencies*
- *Developments in European data protection*
- *Review of data protection issues during 2006*

It is considered that attendance at these meetings provides benefits which include:

- networking with key people involved in data protection, in many cases from parent companies with offices in Guernsey ;
- the opportunity to influence data protection policy-making;
- raising the awareness of pertinent issues and future trends that may affect both the public and private sectors.

Information Privacy Expert Panel

The Commissioner attended the three meetings of the British Computer Society [BCS] Information Privacy Expert Panel [IPEP], which were held in London during the year.

The IPEP includes members from academia, the public and private sectors and has considered various topics, including the UK Government proposals on Identity Cards and data sharing initiatives within the public sector.

The cost of attendance at these quarterly meetings of the IPEP and at any related meetings is borne by the BCS. Another positive outcome of this involvement has been the substantial sponsorship of the 2007 conference that was secured from the BCS.

OBJECTIVES FOR 2007

The primary objectives for 2007 will encompass the following areas:-

- ***Legislation***

Detailed work on the amendments to the Data Protection legislation will continue.

- ***Adequacy and International Transfers***

Work will continue to ensure that the European Commission's adequacy finding for the Data Protection régime in the Bailiwick is respected and that international data transfers comply with the eighth Data Protection principle.

- ***British Isles and International Liaison***

Work will concentrate on the organisation of the conference "Respecting Privacy in Global Networks" to be held in Guernsey on 11th April, the arrangements for the 41st meeting of the International Working Group on Data Protection in Telecommunications on 12th and 13th April and the meeting of the British Isles and Islands' meeting to be held on 12th July.

Participation in relevant UK, European and international conferences will continue as a means of enhancing the international recognition of the independent status and regulatory prowess of the Bailiwick and ensuring that local knowledge of international developments remains up to date.

- ***Raising Awareness***

The media will be used to continue the awareness campaign and a further series of seminars and talks for the public and private sectors will be mounted.

Collaboration with the Training Agency will continue over the organisation of courses leading to formal qualifications in data protection, such as the ISEB Certificate.

Promotion of relevant training using UK specialists will be done, with training being targeted separately to financial sector organisations, other private sector organisations and the public sector.

The publication of new literature and the review and revision of existing literature will be undertaken as the need arises.

Promotion of the Telephone and Fax Preference Services and periodic surveys to determine their use and effectiveness will be undertaken.

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- ***Compliance***

Targeted compliance activities will be organised to increase the notification level of local organisations. More rigorous enforcement will take place, including consideration of prosecution of non-compliant organisations.

The monitoring of websites and periodic surveys to assess compliance with data protection legislation and the privacy regulations will be done.

- ***Government***

Close liaison with the States of Guernsey Government departments will continue with the aim of promoting data sharing protocols and the further development of subject access procedures.

*The Data Protection Commissioner's Annual Report for 2006****FINANCIAL REPORT***

The Data Protection Office is funded by a grant from the States of Guernsey that is administered by the Home Department. This grant is based on a budgetary estimate of expenditure prepared annually by the Commissioner.

In accordance with Section 3 of Schedule 5 of the Law, all fees received are repaid into the General Revenue Account.

The Data Protection Office's Income and Expenditure, which are included within the published accounts for the Home Department, have been as follows:

<u>INCOME</u>	2006	2005
	£	£
Data Protection Fees ¹	43,382	41,686
<u>EXPENDITURE</u>		
Rent	15,526	16,276
Salaries and Allowances ²	138,328	137,251
Travel and Subsistence	10,588	9,751
Furniture and Equipment	13,806	14,237
Publications	2,886	2,609
Post, Stationery, Telephone	3,542	4,253
Heat Light, Cleaning	4,743	4,874
TOTAL EXPENDITURE	£189,419	£189,251
EXCESS OF EXPENDITURE OVER INCOME	<u>£146,037</u>	<u>£147,565</u>

NOTES

¹ Fees were £35 per notification or renewal of a notification.

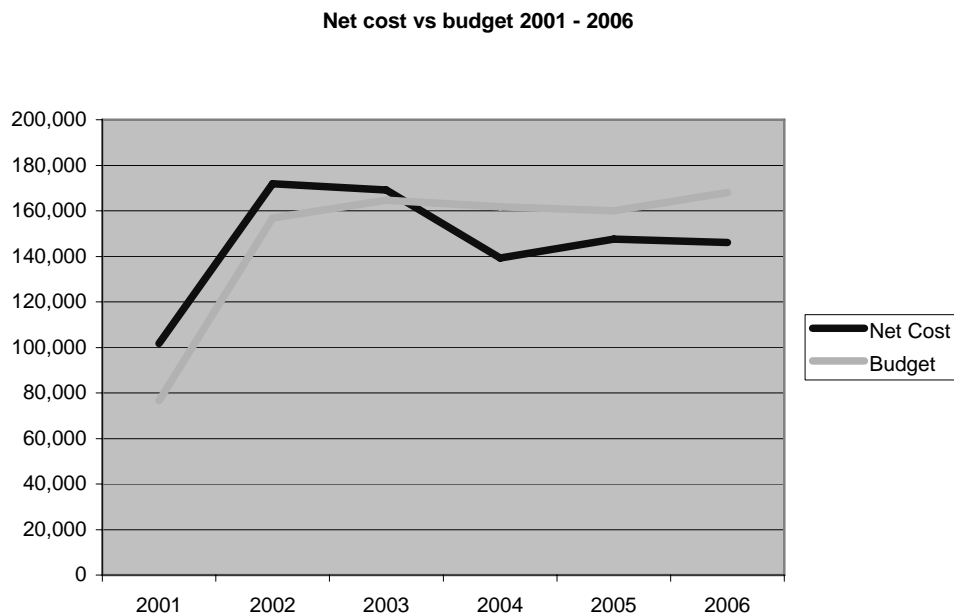
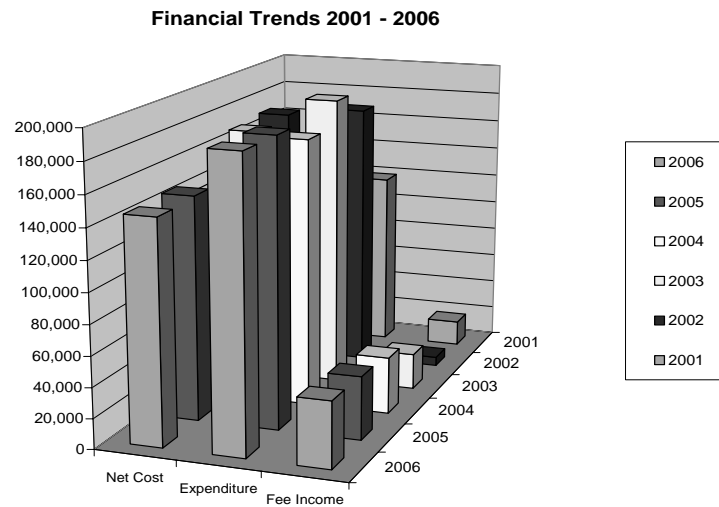
Income from fees is accrued on a monthly basis.

The cash received for notifications in 2006 was £43,505 (£42,665 in 2005) representing the 1,243 annual notifications and renewals that were processed during 2006.

² This includes an amount of £1,662 (£6,270 in 2005) for consultancy fees.

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The financial trends in income and expenditure since 2001 are shown graphically below.



Expenditure for 2006 was held at the same level as 2005 and a small increase in the income from fees enabled the net cost of the Office to be reduced and to remain below the authorised budget for the third year running. It is anticipated that the increase in Notification Fees which has been approved by the States would bring in an additional £17,000 of income in a full year, enabling the net cost of the Office to be reduced further.

It is confirmed that no gifts or hospitality were received by the Commissioner or his staff during 2006.

APPENDIX**THE DATA PROTECTION PRINCIPLES**

1. Personal data shall be processed fairly and lawfully and special conditions apply to the processing of sensitive personal data.
2. Personal data shall be obtained for one or more specified and lawful purposes.
3. Personal data shall be adequate, relevant and not excessive in relation to the purposes for which they are processed.
4. Personal data shall be accurate and kept up to date.
5. Personal data shall not be kept for longer than necessary.
6. Personal data shall be processed in accordance with the rights of data subjects.
7. Technical and organisational measures shall be taken against unauthorised or unlawful processing and against accidental loss or damage to personal data.
8. Personal data shall not be transferred to a country or territory outside the Bailiwick unless the destination ensures an adequate level of protection for the data.

THE PRIVACY AND ELECTRONIC COMMUNICATIONS REGULATIONS

1. Telecommunications services must be secure and information processed within such services must be kept confidential.
2. Traffic data should not be retained for longer than necessary and the detail of itemised billing should be under subscriber control.
3. Facilities should be provided for the suppression of calling line and connected line information.
4. Information on the subscriber's location should not generally be processed without consent.
5. Subscribers may choose not to appear in directories.
6. Automated calling systems may not be used for direct marketing to subscribers who have opted out.
7. Unsolicited faxes may not be sent to private subscribers unless they have opted in or to business subscribers who have opted out.
8. Unsolicited marketing calls may not be made to subscribers who have opted out.
9. Unsolicited email marketing may not be sent to private subscribers and must never be sent where the identity of the sender has been disguised or concealed.
10. The Data Protection Commissioner may use enforcement powers to deal with any alleged contraventions of the Regulations.

The Data Protection Commissioner's Annual Report for 2006

Further information about compliance with the Data Protection (Bailiwick of Guernsey) Law 2001 can be obtained via:

E-mail address: dataprotection@gov.gg

Internet: www.gov.gg/dataprotection

Telephone: +44 (0) 1481 742074

Fax: +44 (0) 1481 742077



Post: Data Protection Commissioner's Office
P.O. Box 642
Frances House
Sir William Place
St. Peter Port
Guernsey
GY1 3JE

APPENDIX II

EDUCATION DEPARTMENT

LA MARE DE CARTERET PRIMARY SCHOOL – VALIDATION REPORT

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

25th June 2007

Dear Sir

I enclose a summary of the La Mare de Carteret Primary School Validation Report, together with the Education Department's response and would be grateful if you would arrange for them to be published as an appendix to the Billet d'État for September 2007.

Copies of the full report will be made available for any member of the public to inspect at both the school and the Education Department.

Yours faithfully

M A Ozanne
Minister

Enc

**ISLANDS' FEDERATION FOR THE EVALUATION OF SCHOOLS
(IFES)**

Summary of the Validation Report

**LA MARE DE CARTERET PRIMARY SCHOOL
GUERNSEY**

March 2007

SUMMARY OF THE MARCH 2007 VALIDATION REPORT

LA MARE DE CARTERET PRIMARY SCHOOL

La Mare Primary is a two form entry school, taking children mainly from Castel, Vale and St Sampson's parishes. The intake has changed over the past five years with families moving into Les Genats from the town estates which are being demolished.

There are 255 pupils on roll, 122 boys and 133 girls, aged from 4 to 11.

They are taught by 19 full time staff, including the headteacher, and one part time teacher.

There are 15 classes, with an average class size of 17 and a pupil teacher ratio of 13 : 1.

Background

The school was visited by a validation team of six inspectors during the week of March 5th 2007. Five were Ofsted inspectors from the UK and one was an IFES trained headteacher from Jersey. The team met informally with staff at the school on Sunday and then spent four days inspecting the school.

The school provided comprehensive documentation and its self-review report in advance of the visit, having spent a year working on its self-evaluation activities. Additional information, such as children's work, videos, DVDs, photographs and portfolios of other evidence, was made available to the team during the week. All staff had attended the Education Department's IFES Internal Evaluator training course on how to carry out a self-review.

The evidence base to validate the school's findings was collected through:

- * scrutiny of a range of whole school and subject documentation, including School Improvement Plans since the last inspection, portfolios, minutes of meetings and SATs results; information and evidence about standards and progress had been provided from the last three years;
- * observation of 92 whole or part lessons;
- * examination and discussion of teachers' planning;
- * attendance at assemblies and some extra curricular activities;
- * examination of pupils' current and previous work;
- * approximately 18 hours of planned discussions with teachers and other staff, pupils and parents;
- * observation of pupils on arrival and departure from the school and at other times around the buildings and grounds;

- * scrutiny of 109 returns and 21 additional written comments from the confidential parental questionnaire.

At the end of the week, subject leaders received an oral feedback on their areas of responsibility, and the team's main findings were reported to the headteacher and his SMT, and then to the Education Department.

Main Findings

- * The school is well led by a committed and hard working headteacher who receives good support from his deputy and the teaching and support staff.
- * The school has made steady progress in many areas since the last inspection in October 2001. It has successfully carried out several organisational and curriculum changes in order to meet the different demands of its pupil intake.
- * A calm, stable and friendly ethos has been established which supports purposeful teaching and learning. Most children behave well and are happy at school. Attendance is good at around 95%. Welfare and guidance systems are well structured.
- * For those children with learning, behavioural or emotional difficulties, good provision is made through strengthened special educational needs (SEN) procedures, and the establishment of a nurture group and BESD support.
- * The school's self-review was well organised and carried out in a professional manner. It has led to the production of an accurate and mostly evaluative internal report which will be of considerable value in planning further development.
- * A number of new initiatives are impacting positively on the work of the school. These include the introduction of assessment for learning (AfL), enhanced ICT provision and training, the establishment of dedicated time for staff planning, preparation and administration (PPA), and the inception of performance management.
- * During the validation week, 92 lessons were observed, in addition to assemblies and some extra-curricular activities. Of these, 87% were judged to be of at least satisfactory standard, and a commendable 36% were either good or excellent. These figures are an improvement on those from the last inspection in 2001 when they were 85% and 22% respectively.
- * Examples of good teaching were seen in all subjects at each key stage, and were particularly strong in some KS2 classes and in some science, ICT, literacy, art, music, PE and history lessons. Good support is provided by the school's teaching assistants. Effective team teaching is a strong feature of the school.
- * The best lessons are characterised by high expectations of work and behaviour, firm class control, the sharing of learning objectives and success criteria, differentiated work for varying ability levels, good pace and timing, helpful marking, warm relationships and the provision of suitable praise and encouragement. Some of these

elements were lacking in the few unsatisfactory lessons observed.

- * Young children receive a good induction to school and feel secure in their reception classes. The Foundation Stage curriculum is appropriately based on the Early Learning Goals and children are making steady progress. The school has successfully implemented many of the recommendations from the last inspection.
- * The school provides a broad and mainly balanced curriculum, and meets the requirements of the National Curriculum (Guernsey). Children benefit from a good range of extra-curricular provision.
- * Planning has been considerably strengthened since the introduction of PPA time, and ICT is now used extensively in most curriculum areas. All classrooms have access to interactive whiteboards.
- * Monitoring of the curriculum has improved considerably since the last inspection, with opportunities for subject leaders to visit classrooms and scrutinise children's work. They carry out their duties conscientiously and made valuable contributions to the internal review and report. Subject portfolios are developing well, and now need to include examples of work at different attainment levels.
- * AfL is beginning to impact positively on pupils' work. The school is aware of the need to evaluate the impact of this initiative, along with other curriculum changes such as the introduction of mixed ability teaching and the basic skills programme.
- * The school is well organised and documented with relevant policies, schemes of work and information for parents. Staff roles and responsibilities are mostly clear with updated job descriptions.
- * The school is rightly seeking to raise standards in the core subjects of English, mathematics and science, particularly for higher attaining pupils. It also intends to rationalise assessment procedures and establish more accurate target setting, tracking and value added systems. It would welcome assistance on making judgements about attainment that take into account the nature of schools' catchment areas.
- * The school continues to make effective provision for the spiritual, moral, social and cultural development of its pupils. Acts of worship are satisfactorily organised and conducted. The school council is particularly well organised and active.
- * A regular pattern of minuted meetings at SMT, phase and staff levels ensure that staff are properly consulted over such issues as the School Improvement Plan (SIP) and that decisions are communicated effectively. Steady progress is being made in addressing the key areas identified in the current SIP which are AfL, ICT, mathematics, VSSE and EBD.
- * The school office is efficiently organised and run, and financial systems are sound. Good use is made of computerised administration systems and the networked ICT service. Staff are allocated delegated budgets in their subject areas which are used appropriately in line with school priorities. The school is acting upon the recommendations of a recent satisfactory Treasury audit. Due attention is paid to

issues of health and safety.

- * The school works hard to establish good working partnerships with parents and the local community. A supportive PTA raises extra funding for the school on an annual basis for such things as construction toys, gym equipment, hall lighting and refurbishment of the kitchen.
- * The returns from the parental questionnaire (Appendix A) reveal high levels of support for the work of the headteacher and his staff. Well over 90% of respondents report that their child likes school, is making good progress, and is expected to work hard. Parents believe that the school is well led and managed, that the standards of teaching are good, and that desirable values and attitudes are promoted.
- * Several parents provide valuable assistance in school and with extra-curricular sporting events and other activities. They also report that they are appreciative of the work of the hard working caretaking staff who ably maintain the buildings and manage traffic.
- * Communications with parents are mostly good, with a well planned system of meetings, newsletters, curriculum evening, handbooks and home/school books. Information is also placed on the school website. The school is sensibly reviewing its reporting system to meet the requests of some parents for more information about homework and children's progress and attainment levels.
- * The school is generously staffed, and many teachers have availed themselves of relevant in-service training opportunities. Duties are undertaken conscientiously.
- * The school is generally well resourced. The buildings have been considerably refurbished and enhanced, including a well appointed library and resource centre. Overall, the school makes effective use of its available human and physical resources.

Key Issues that the School Needs to Address

The school's internal report has correctly identified a number of issues for further attention, and these are endorsed by the validation team. In particular, the headteacher and his staff should:

- ensure that new initiatives on AfL, ICT, interactive whiteboards, use of SIMS and mixed ability teaching are suitably evaluated and developed;
- seek to raise standards in the core subjects of English, mathematics and science; provide more opportunities for investigative, individual and differentiated work to challenge the most able pupils;
- continue to enhance the monitoring roles of the SMT and subject leaders;
- further develop the use of assessment data to identify weaknesses in children's learning and attainment, and to improve target setting and tracking of pupil progress;

- review SEN structures and organisation, and evaluate the contributions of the nurture unit and BESD support;
- expand subject portfolios to include evidence of attainment levels and progress;
- address the issues raised in the returns from the parental questionnaire.

The school is responsible for drawing up an action plan after receiving the Report, showing what it is going to do about the issues raised and how it will incorporate them in the school's Improvement Plan.

*A follow-up visit to the school will be made in **summer/autumn 2008** in order to monitor and discuss the progress the school has made, and a written report will be made to the Director of Education.*

Response to the Validation Report on La Mare de Carteret Primary School

The Education Board and staff of La Mare de Carteret Primary School welcome and accept the Validation Report of May 2007. The Report commends the progress that has been made in many areas since the last validation and the lead taken by the Headteacher to successfully implement a number of new initiatives.

The school's self-review was professionally organised and led to the production of a comprehensive, accurate and mostly evaluative report which will be of considerable value in planning further development. The Board recognises the commitment and dedication of the staff in successfully implementing several organisational and curriculum changes in order to meet the different demands of its pupil intake and recognises the consequential progress. A number of new initiatives including Assessment for Learning, enhanced ICT provision and training, Planning, Preparation and Assessment time, and a Performance Management for teaching staff have been introduced which together with considerably improved monitoring of the curriculum are impacting positively on the school. The Board notes with satisfaction the improvements in the quality of teaching and learning since 2001 with a rise from 85% to 87% lessons observed being judged to be of at least satisfactory standard and from 22% to a commendable 36% for those judged either good or excellent. Effective team teaching and team work is a strong feature of the school as is the work of the teaching assistants.

The Board is extremely pleased that the establishment of the nurture group in 2004 and the developments with the support available for pupils with behavioural, emotional and social difficulties (BESD) have had a significant and positive impact on the whole school. There is a strong inclusive ethos in the school with effective reintegration to classes from the nurture group being carefully planned with much liaison with class teachers. The Headteacher and his staff have established a calm, stable and friendly ethos with well structured welfare and guidance systems in place. The positive relationships between staff and pupils are commended. The school should be justifiably proud of its school council which is very well established and a real strength of the school. Most children behave well and are happy at school. Relationships with parents and the community are good with many parents providing valuable assistance in a variety of areas. The pupils benefit from a good range of extra-curricular provision and a variety of experiences that further enrich the curriculum. There are high rates of attendance and a high level of support from parents for the work of the Headteacher and his staff.

The school's self-evaluation and the validation report have clearly identified its strengths and areas for development.

Key areas identified are:

- to continue to enhance the monitoring roles of the SMT and subject leaders
- to continue to raise standards of attainment in the core subjects and to provide more opportunities for investigative, individual and differentiated work

- to further develop the use of assessment data
- to review the SEN structures and evaluate the contributions of the nurture group and BESD support.

APPENDIX III

EDUCATION DEPARTMENT

GUERNSEY CAREERS SERVICE – VALIDATION REPORT

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

5th July 2007

Dear Sir

I enclose a summary of the Guernsey Careers Service Validation Report, together with the Education Department's response and would be grateful if you would arrange for them to be published as an appendix to the Billet d'État for September 2007.

Copies of the full report will be made available for any member of the public to inspect at the Education Department.

Yours faithfully

M A Ozanne
Minister

Enc

Centre for Guidance Studies

Careers Service Validation March 2007

Conclusions and Recommendations

1. Conclusions

The validation process concludes that Guernsey Careers Service (GCS) provides a good service and, in some cases, this has been described as 'excellent'. The service is moving forward and developing new policies and practices. Aims and objectives underpinning the work of the GCS have been developed and are being reviewed on a regular basis both within and outside the organisation. Over the coming year, measurable outcomes and targets should be established to provide evidence of the effectiveness of the GCS and continue to move the service forward.

The careers guidance interviews observed were of a high quality and demonstrate the ability of the GCS to effectively and impartially support young people with their transition choices.

Education and agency partners seem to appreciate the support given by GCS staff through various inputs and activities. However, the wide range of these support interventions may not be fully acknowledged. For example, the GCS website is used extensively and valued by school and college staff and by students; however, it does not systematically track usage and client feedback.

The programme of events organised by GCS staff is very highly rated and seen as having a direct positive impact on students in Guernsey. The events are of a high quality and contribute towards improving motivation and raising aspirations of young people. Project Trident is providing an effective work experience programme for students. The coordination of work-related learning would further support the direct involvement of employers in schools and help to better prepare students for the world of work. The development of employability skills for all students would be welcomed by partner agencies.

There is a high level of informal partnership working between the GCS and many external agencies. The GCS is well known to partners who value its input with young people. There are multi-agency approaches in place throughout Guernsey which appear to work well. However, there are no Service Level Agreements between the GCS and its partners. This proposed development could make explicit how partners and resources work together for the benefit of young people and their parents/carers. A brief referral sheet would form part of the agreement. In addition, the information gathered could also provide evidence for assessing the impact of agencies' contributions to Guernsey's Education and Employment Services' strategic and operational plans.

Overall, partners viewed the GCS as providing realistic advice to young people that is backed up by an up-to-date knowledge of legislation and employment. The GCS is able to link the educational world with the world of work.

2. Key challenges for the future

Analysis of the findings indicates that educational and partner respondents identify key delivery challenges for the future as:

- a) *Developing work with Year 9 students* – before choices are made about the 14-19 curriculum to focus on decision-making skills and awareness of personal strengths and weaknesses in relation to job choice.
- b) *Ensuring that all Year 9 students are able to attend Industry Awareness Week* – this is seen as a wonderful opportunity for students but reductions in funding has had an adverse effect.
- c) *The effective co-ordination of work-based learning* – this was raised by many respondents as the major issue for the future. The majority of respondents viewed this as essential in enabling young people to make an effective transition from education to training and work.
- d) *Using GCS to best effect in schools and post-16 institutions* - the majority of respondents asked for greater integration and presence of GCS within institutions.
- e) *Ensuring that students and parents/carers understand the changing nature of labour markets* – to give young people and their parents/carers a more realistic view of labour markets and the increasing need for qualifications. This is seen as a vital contribution from GCS in the future.
- f) *Development of a Service Level Agreement with key partners* – to identify how best to use GCS resources.
- g) *Clarifying the referral systems between GCS and partners* – to ensure that a young person's needs are met.

3. Recommendations

- 1. Include measurable outcomes and targets in 'The Way Forward' document.
- 2. Continue to develop the Partnership Agreement to include overall desired learning outcomes for students in each year group with numerical targets for group sessions, interviews, and action plans produced.

3. Undertake a joint audit with careers teachers of existing CEG programmes pre-16 to highlight best practice and identify any gaps in provision.
4. Identify how schools and GCS can best support CEG work with Year 9 students.
5. Continue to promote to school staff and students the value of both vocational and academic routes linked to opportunities for progression.
6. Develop agreed Entitlement Statements for pre-and post-16 students to clarify expectations of a universal and a targeted service.
7. Continue to listen to the student voice and take action accordingly.
8. Increase the promotion of GCS to students in schools.
9. Investigate the possibility of securing sponsorship to enable all Year 9 students to take part in Industry Awareness Week.
10. Continue to ensure that students, and their parents/carers understand the changing nature of the Guernsey labour market by the effective use of school leaver destination information in a variety of settings.
11. Develop 'Service Level Agreements' with key partner agencies.
12. Develop referral forms for use with all partner agencies.
13. Continue to contribute to the development of LMI.

Response to the Guernsey Careers Service Validation

The Board of the Education Department is delighted with the Validation Report on the Guernsey Careers Service (GCS).

The Validation was undertaken by Dr. Sandra Morgan, a visiting senior associate and inspector from the Centre for Guidance Studies based at the University of Derby.

The Report was produced following a self-assessment exercise undertaken by the GCS and a consultation with partner agencies and organisations including employers, schools and young people. The Validation Report collated the views of partners on the delivery and impact of the GCS. The validation also included direct observation of the Careers Advisory team in schools according to a structured observation schedule.

It is pleasing to note that the key finding was that GCS provides a good service and, in some cases, this has been described as excellent and that the guidance interviews observed were of a high quality and demonstrate the ability of GCS to effectively and impartially support young people with their transition choices.

The GCS has to work closely with a variety of education establishments and community organisations who appreciate the support given by GCS staff through various inputs and activities. The programme of events organised by GCS staff is very highly rated and seen as having a direct positive impact on students in Guernsey. The events are of a high quality and contribute towards improving motivation and raising aspirations of young people. Project Trident (the centrally organised work experience programme) is providing an effective work experience programme for students.

The GCS staff are described as being: efficient; well-organised; pro-active and keen to move forward; full of new ideas; having good communication skills, operating at different levels with students; experts who are always willing to help; approachable and friendly with school staff and students; and able to develop good relationships with school staff and students.

An important aspect of the service provision that the validation process considered was the arrangements for providing information, advice and guidance for students continuing in post-16 education. It is reassuring to note that the information given to students and the process of admissions into post-16 education across Guernsey was described as excellent.

In addition, the validation considered the value added and impact of the service and drew the following conclusions:

- The expertise of GCS staff is highlighted as adding value to educational institutions and they are seen as experts to be used for the benefit of students. The careers interview process is also seen to have a significant impact on some students.

- Respondents highlighted the value added provided through the effective use of school leaver destinations data. This is regarded as a unique contribution from GCS. The use of this data in schools is seen to have a direct impact on students.
- The flexibility of GCS staff in developing good relationships with students is seen as having a very positive impact. Students value their open and honest approach.
- All GCS events are seen as adding value. The HE Fair is identified by many respondents as making a ‘huge impact’ on students. This includes not only those in post-16 education, but younger students also. It gives them motivation and helps raise their aspirations. It is seen as a key factor in encouraging more young people to enter higher education.
- The GCS website is seen as making a positive impact on both staff and students. This gives added value to educational institutions that use it widely and rely on it for up-to-date information.

In terms of future developments, the Validation Report has made the following recommendations for the GCS:

- the development of work with Year 9 students (aged 13-14 years).
- Formalising arrangements with key partners
- developing students and parents’ knowledge of labour market information

The Head of Service is now producing revised aims and objectives for service delivery in the light of the validation findings.

APPENDIX IV

EDUCATION DEPARTMENT

ST PETER PORT SECONDARY SCHOOL – VALIDATION REPORT

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

12th July 2007

Dear Sir

I enclose a summary of the St Peter Port Secondary School Validation Report, together with the Education Department's response and would be grateful if you would arrange for them to be published as an appendix to the Billet d'État for September 2007.

Copies of the full report will be made available for any member of the public to inspect at both the school and the Education Department.

Yours faithfully

W J Morgan
Deputy Minister

Enc

**ISLANDS' FEDERATION FOR THE EVALUATION OF SCHOOLS
(IFES)**

CONFIDENTIAL

Summary of the Validation Report

ST PETER PORT SECONDARY SCHOOL

GUERNSEY

MARCH 2007

SUMMARY OF THE VALIDATION REPORT

ST PETER PORT SECONDARY SCHOOL

St Peter Port School is a non-selective secondary modern school for boys & girls aged 11 - 16

In due course the school will be closed as part of Guernsey's plans for secondary reorganisation.

There are 363 pupils on roll, 179 boys and 184 girls

They are taught by 32 full time staff, including the headteacher, and 1 part time teacher. The average class size is 17.1 and the student/teacher ratio is 11.1 : 1

Background

The school was inspected during the week of March 19th 2007. The validation team consisted of twelve experienced Ofsted inspectors from the UK and one from Jersey all of whom had completed the Islands' Federation for the Evaluation of Schools (IFES) training course. The team was led by a former senior HMI and Ofsted Registered Inspector.

The team was introduced to the staff at a Sunday afternoon meeting at St Peter Port, and then spent four days inspecting the school.

The school provided a range of documentation and information in advance of the visit, having spent a year working on its self-evaluation activities. Some staff had attended the Education Department's IFES Internal Evaluator training course on how to carry out a self review.

The evidence base to validate the school's findings was collected through :

- * observation of 116 whole or part lessons;
- * scrutiny of a wide range of whole school and departmental documentation from the last three years, including School Improvement Plans, minutes of meetings and examination results;
- * examination and discussion of teachers' planning;
- * attendance at assemblies, form tutor periods and some extra curricular activities;
- * examination of students' current and previous work;
- * approximately 24 hours of planned discussions with teachers and other staff, students and parents;

- * observation of students on arrival and departure from the school and at other times around the buildings and grounds;
- * scrutiny of 12 letters and 75 returns from the parental questionnaire.

At the end of the week, heads of department received an oral feedback on their subject area from the specialist inspector. The team leader and deputy leader reported the main findings of the inspection team to the headteacher at the school. This was followed by a verbal report to the Education Department.

Main Findings

- * St Peter Port School has continued to make good progress in many areas since the last inspection in March 2001.
- * The headteacher and his staff have worked hard and effectively to carry out a thorough self-evaluation and they are commended on the production of a largely accurate internal report. It is to the credit of all concerned that this was achieved against a background of uncertainties brought about by secondary reorganisation and impending closure.
- * The school is very well led by an able and dedicated headteacher. He receives very good support from a fully committed team of senior managers, teachers and non-teaching staff.
- * A calm, purposeful and friendly ethos has been established which allows for positive teaching and learning. There is a strong focus upon mutual respect and support.
- * During the validation week, 116 lessons were observed in addition to assemblies and some extra-curricular activities. Of these, 91% were judged to be of at least satisfactory standard, and a highly commendable 58% were either good or excellent. These figures are an improvement on those from the last inspection in 2001 when they were 83% and 46% respectively.
- * Examples of very good teaching and learning were seen in all subject areas, and were particularly strong in mathematics and in areas of humanities, ICT, careers, lifeskills, business and communication systems, art, music, PSHE and PE (games).
- * The school was calm and well ordered during the week. Relationships and behaviour are good. Attendance is electronically registered and is generally around 89%. Effective pastoral structures have been established to manage students who have emotional or behavioural problems. New SENCO and BECO appointments have also been made. There is now a need for a whole school SEN policy and development plan which defines roles more clearly and involves all staff in its implementation.

- * SMT roles and responsibilities are clearly defined and they are appropriately linked to different subject areas. They provide good leadership and support to the staff. Heads of department (HODs) and year tutors also operate efficiently and continue to develop their important monitoring roles.
- * The School Improvement Plan (SIP) is well considered and effectively drives the work of the school. Steady progress is being made in the identified areas of VSSE, assessment for learning (AfL), e-learning, 14+curriculum and academic tracking.
- * The school is well documented. Internal and external systems of communication are generally effective. There is an appropriate programme of minuted meetings at SMT, middle management and whole school levels.
- * The school provides a broadly based curriculum. New courses are being effectively developed in ICT, catering, the National Skills Profile (NSP), manufacturing, media, numeracy and photography. A wide range of vocational courses are offered at KS4 in conjunction with the Further Education College. Further development of these courses will be necessary when the school leaving age is raised.
- * There are strong systems for students' support, guidance and welfare. The impressive work in careers and lifeskills was evidenced during the week at the Y11 students' presentations for their Certificate in Vocational Education (COVE).
- * The heavy investment in ICT hardware, software and training is beginning to impact positively across the school curriculum. All classes now have interactive whiteboards. The SMT should continue to monitor the whole school use of ICT to ensure that it is not overused. There have been deleterious delays of over a year by an external contractor in installing necessary software.
- * With the exception of a predicted dip in performance in 2006, standards in the core subjects of English, mathematics and science have been rising since 2002, and are expected to be back on track in 2007. The school makes increasingly good use of MidYis and Yellis data, and the mathematics department is particularly successful in target setting and achieving standards which are higher than the national average.
- * With the cessation of externally moderated SATs, there is a need for a whole Island system of moderation for KS3 teacher assessments in order to accurately predict performance and monitor progress.
- * A comprehensive and detailed policy for assessment, recording and reporting effectively guides the work in these areas and is helping to establish uniformity across departments.
- * The school makes very good provision for the moral, social and cultural development of its students. The school council is developing well. The development of the spiritual dimension across the curriculum is sound, but would

benefit from further attention. Assemblies are well planned and conducted with good opportunities to praise and reward students' achievements. The policy for acts of worship could usefully be reviewed.

- * The school works hard and successfully to strengthen its relationships with parents and the local community. It receives good support from an active PTFA which raises additional funds for the benefit of students. The returns from the parental questionnaire (Appendix A) reveal high levels of support for the work of the school.
- * The school is well staffed, with a generous PTR. Professional development is encouraged and many staff have undertaken relevant in-service training courses. The school conforms to the Island's policy of performance management.
- * The school makes good use of its available staffing and accommodation. The site is well maintained and cleaned. Several classrooms and open areas benefit from informative displays of students' work. Health and safety issues are regularly reviewed.
- * The school is well resourced to meet the requirements of the National Curriculum (Guernsey). Financial procedures are sound, and effective use is made of computerised administration systems (SIMS and SAP). The school office is welcoming to visitors and efficiently run.
- * The school rightly intends proactively to manage the reorganisation and closure process in order to best protect the interests of students and staff. It is aware of the need for careful planning of its finances, staffing, accommodation and resources during the imminent period of change.

Key Issues that the School Needs to Address

The school's internal report correctly identifies a number of areas for development which are endorsed by the validation team. In particular, the headteacher and his staff could profitably:

- continue to use performance data more effectively to set targets, monitor progress and raise standards;
- monitor work and provide appropriate INSET to spread best practices in AfL and the use of ICT;
- seek to ensure the integrity of new KS3 assessment arrangements through Island wide moderation procedures;
- continue to develop the role of the form tutor in monitoring academic progress;
- ensure that the curriculum continues to develop to meet the needs of all students at both KS3 and KS4;

- implement a whole school policy and development plan for SEN following due consultation procedures;
- seek to sustain staff and student morale during the period of change.

In the light of impending closure, the school's internal VSSE report wisely states that the staff, students and parents intend to recognise and celebrate the contribution which has been made to the community over the last forty years. It is hoped that this final and positive full inspection report will assist in that process.

The school is responsible for drawing up an action plan after receiving the Report, showing what it is going to do about the issues raised and how it will incorporate them in the school's Improvement Plan.

A follow-up visit to the school will be made in summer 2008 in order to monitor and discuss the progress the school has made, and a written report will be made to the Director of Education.

Response to the Validation Report on St. Peter Port School

The Board of the Education Department is pleased to receive the Validation report for St. Peter Port School of March 2007, a report that highlights the very good progress made in many areas of School life since the previous Validation of 2001. The Validators recognise that the School's self-evaluation was well planned and organised with the full involvement of teaching and non-teaching staff. The Validating team were pleased to endorse as largely accurate the School's evaluative comments, judgements and the main findings and noted, in some areas, the School had understated some of its progress and achievements. The report commends all staff for their work on the self-evaluation report and notes that this is particularly creditable given the background of the School's imminent closure. The Board is pleased to note that the report highlights the dedication of the Headteacher and the very good support he receives from his fully committed staff.

Standards of teaching and learning have improved with 91% of all lessons seen being at least satisfactory, and a highly commendable 58% being either good or excellent in the quality of teaching and learning compared with 83% and 46% at the previous Validation. Very good teaching and learning were seen in all subject areas.

The Board is also pleased to note that the Validating team reported the School to be calm and well ordered, and relationships and behaviour to be good. They also commented on the purposeful and friendly ethos which underpins the positive teaching and learning. The report highlights the strong systems for students' support, guidance and welfare and the success of relationships with parents. The parental questionnaire revealed high levels of support for the work of the School.

The Report makes clear that the School provides very effectively for the moral, social and cultural development of its students, and praises the work of the School Council and the planning of School assemblies.

The Validating team further supported the School's own self evaluation in confirming and recommending a focus on the following areas as ways forward for the school:

- Continuing use of performance data in monitoring progress, setting targets and raising standards
- monitor work and provide appropriate In-service training to spread best practices in Assessment for Learning and the use of Information and Communication Technology;
- continue to develop the role of the form tutor in monitoring academic progress;
- ensure that the curriculum continues to develop to meet the needs of all students at both Key Stage 3 and Key Stage 4;

- implement a whole school policy and development plan for Special Educational Needs following due consultation procedures;
- seek to sustain staff and student morale during the period of change.

The School has incorporated these points in the 2007/2008 School Improvement Plan and work has already begun.

The Board is pleased to support the School's intention to celebrate with parents and students in 2008 the contribution which St. Peter Port School has made to the community over the last forty years and notes the positive contribution which this Validation Report will make to that process.

*APPENDIX V***CULTURE AND LEISURE DEPARTMENT****CHANNEL ISLANDS LOTTERY – 2006 REPORT AND ACCOUNTS**

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

25th June 2007

Dear Sir

I am pleased to be able to provide a report on the Bailiwick of Guernsey's performance within the Channel Islands Lottery for 2006. The need to report is a requirement of section 2 (5) of the Gambling Channel Islands Lottery Ordinance. The report is included as an appendix to a Billet d'Etat.

We regret to report that sales fell in 2006. However, on account of more streamlined administrative procedures we were able to generate savings meaning that the actual profits for the year showed an increase.

LOTTERY FORMAT

Throughout 2006 the Lottery was run on an instant prize scratch card basis, with the exception of Christmas, which also includes a draw of winning numbers.

Two separate scratch card games are run side by side; both now offer a maximum prize of £20,000.

Changes to the structure of the game and prize structure are routinely monitored after consultation with the Lottery Advisory Panel. The panel meets to review and make recommendations about the Lottery.

SALE OF TICKETS

Five main Agents are appointed to sell Lottery tickets within the Bailiwick of Guernsey, three in Guernsey, one in Alderney and one in Sark. The Agents purchase tickets from the Department who ensure that the tickets are on sale as widely as possible through a chain of sub-agents.

Total ticket sales in 2006 were as follows:-

	Bailiwick of Guernsey	Jersey	Total Sales
Scratch Cards	989,768	1,364,000	2,353,768
Christmas Draw	533,000	767,000	1,300,000
Total	£1,522,768	£2,131,000	£3,653,768

PRIZES UNCLAIMED

Prizes which are not claimed are forfeited after a given period of time. The total value of prizes unclaimed in the Bailiwick of Guernsey amounted to £31,904 in 2006. £25,800 was transferred to the Christmas Draw to support a minimum guaranteed prize structure for the draw. The balance of unclaimed prizes as at 31 December 2006 stood at £140,412.

DONATION TO THE ASSOCIATION OF GUERNSEY CHARITIES

The profits from the Christmas Bumper Draw are paid to the Association of Guernsey Charities for distribution to charitable groups. The amount paid to the association in respect of the 2006 Christmas Draw was £131,596.52.

With the Department's agreement the Association of Guernsey Charities has distributed the funds as detailed on the attached schedule.

ACCOUNTS

The accounts for the Channel Islands Lottery (Guernsey) Fund for 2006 are attached, these reveal that:

The promotion of the Lottery in the Bailiwick of Guernsey produced a surplus of £321,915 which was shared within the Bailiwick in proportion to the number of tickets sold in each Island as follows:-

Chief Pleas - Sark	£2,911
States of Alderney	£2,910
States of Guernsey	£316,094

Yours faithfully

Peter Sirett
Minister

The Association of Guernsey Charities

Channel Island Christmas Lottery 2006

Guernsey Charitable Grant Allocation

CHARITY	PURPOSE	GRANT
Citizens Advice Bureau	Towards training, salaries and translating costs	£13,000.00
Multiple Sclerosis Society – Guernsey Branch	Equipment for MS sufferers	£5,000.00
Guernsey Alcohol & Drug Abuse	Redecoration of exterior of Brockside	£3,000.00
Guernsey Welfare Service Limited	Vouchers for the needy and office rent	£9,000.00
Guernsey Cheshire Home	Cost of heating and motor vehicle expenses	£18,500.00
WRVS	Redecoration of day centre and signwriting	£2,512.50
Guernsey Jumbulance Holidays	Jumbulance hire holiday for 10 disabled people	£4,000.00
Methodist Homes for the Aged Guernsey Ltd	Towards costs of launch of new appeal	£5,000.00
Jubilee Hospital Radio	Towards costs of new studio	£6,000.00
Guernsey Schizophrenia Fellowship	Any of several costs	£3,000.00
The Guernsey Sailing Trust	Towards wind surfing and offshore sailing training	£5,000.00
Les Bourgs Hospice Charitable Trust	Towards running costs	£11,000.00
Drug Concern	Part salary of Drug Education Worker's post	£8,000.00
Guernsey Cardiac Action Group	Exercise cycle for patients unable to use treadmill	£9,248.00
GASP	Newsletters and stress relieving gadgets	£1,745.00
St. Martin's Community Centre	CCTV equipment	£2,776.00
Guernsey Bereavement Centre	Training, administration costs and equipment	£5,000.00
Les Naftiaux Youth & Community Centre	Public liability insurance premium	£980.00
Guernsey Sports Commission	Part salary of Community Sports Officer	£5,275.00
Lihou Charitable Trust	Any of several projects on Lihou island	£10,000.00
Guernsey Hedgehog Rescue Centre	Cost of building four outdoor pens	£2,420.00
Philippi Guernsey LBG	Towards costs of conferences and training	£3,000.00
Wigwam Support Group	Start up costs for special needs toddler group	£2,000.00
	TOTAL	£135,456.50

Note: This distribution includes £131,596.52 from the 2006 Christmas Lottery, plus £3,859.21 outstanding from the 2005 Christmas Lottery.

CHANNEL ISLANDS LOTTERY (GUERNSEY) FUND

	2006 £	2005 £
FORFEITED PRIZES ACCOUNT		
Balance at 1 January	134,308	133,743
Share of forfeited prizes	31,904	26,420
Transfer to Operating Account	<u>(25,800)</u>	<u>25,855</u>
Balance at 31 December	<u>£140,412</u>	<u>£134,308</u>
OPERATING ACCOUNT		
Forfeited prizes	25,800	25,855
Sale of tickets	<u>1,522,768</u>	<u>1,598,500</u>
	1,548,568	1,624,355
Agents' commission	(202,752)	(207,916)
Contribution to prize fund including forfeited prizes	(918,480)	(987,791)
Printing and stationery	(64,198)	(95,610)
Promotion	(9,861)	(18,005)
Staff costs	(19,866)	(16,912)
States of Jersey administration charges	(10,521)	(21,637)
Other expenses	<u>(975)</u>	<u>(1,828)</u>
Surplus	321,915	274,656
Chief Pleas of Sark – share of surplus	(2,911)	(1,794)
States of Alderney – share of surplus	(2,910)	(2,104)
States of Guernsey – share of surplus transferred to Appropriation Account	<u>(316,094)</u>	<u>(270,758)</u>
	<u>£-</u>	<u>£-</u>
APPROPRIATION ACCOUNT		
Balance at 1 January	11,671	5,266
Share of surplus transferred from Operating Account	<u>316,094</u>	<u>270,758</u>
	327,765	276,024
Donation to Association of Guernsey Charities	(131,597)	(114,353)
Transfers to Beau Sejour Centre	<u>(180,000)</u>	<u>(150,000)</u>
Balance at 31 December	<u>£16,168</u>	<u>£11,671</u>

Notes:

- a) The balance on the Appropriation Account is payable ultimately to the Beau Sejour Centre under States Resolutions I of 27 September 1972 and XXII of 26 February 1998.
- b) In accordance with the States Resolution of 23 February 1995 (Billet D'Etat V, February 1995), with effect from 2000 any forfeited prize money from expired Draws which remains unused in the current year will be retained for use as a contingency to support the prize funds in future Draws.

*APPENDIX VI***TREASURY AND RESOURCES DEPARTMENT****GUERNSEY ELECTRICITY LIMITED - SUBMISSION OF ANNUAL ACCOUNTS**

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

31st July 2007

Dear Sir

Under Section 8 of the States Trading Companies (Bailiwick of Guernsey) Ordinance 2001, the year end accounts of Guernsey Electricity Limited are required to be published as an appendix to a Billet d'Etat.

I therefore submit the Report and Financial Statements of that company for the year ended 31 March 2007.

As explained in the Director's Report, against a background of volatile costs in the global energy market and a period of intense regulatory price control, the profit before dividend for the financial year was £261,000 (2006: £668,000). The company will pay a dividend to the States of £86,000 (2006: £180,000).

I should be grateful if you would include this matter as an Appendix to the September 2007 Billet d'Etat.

Yours faithfully

L S Trott
Minister

Guernsey Electricity Limited

Report and financial statements

31 March 2007

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Guernsey Electricity Limited

Directors, officers and professional advisers

Directors:	KA Gregson	(non-executive Chairman)
	I Watson	(managing)
	IJ Limond	(finance)
	SJ Morris	(engineering)
	KJ Guille	(non-executive)
	JR Shaw	(non-executive)
	RJ Tee	(non-executive)
	Advocate IH Beattie	(non-executive)

Secretary: SB Pattimore

Bankers: Barclays Bank Plc
PO Box 41
Le Marchant House
St Peter Port
Guernsey
GY1 3BE

Legal advisers: Ozannes
1 Le Marchant Street
St Peter Port
Guernsey
GY1 4HP

Auditors: KPMG Channel Islands Limited
Chartered Accountants
20 New Street
St Peter Port
Guernsey
GY1 4AN

Registered office: PO Box 4
Electricity House
North Side
Vale
Guernsey
GY1 3AD

Company number 38692

Guernsey Electricity Limited

Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2007. These comprise the profit and loss account, statement of total recognised gains and losses, balance sheet, cash flow statement and notes to the financial statements set out on pages 12 to 27.

Incorporation

Guernsey Electricity Limited was incorporated on 24 August 2001.

Principal activities

The principal activities of the company are the generation, importation and distribution of electricity and the sale of associated goods and services.

Financial performance

During the year ended 31 March 2007, turnover from electricity sales amounted to £28,996,000 (2006: £26,631,000) which represents an increase of 8.88% (2006: 5.33%). Tariffs to our customers increased by 5.0% from 1 April 2006 following an increase of 5.5% on 1 January 2006. Our financial performance also reflects excellent control of costs in a very difficult energy market, and generally higher contribution from all parts of the business.

The profit for the year before the dividend paid amounted to £261,000 (2006: £668,000). The retained profit after dividend of £81,000 (2006: £362,000) has been transferred to the profit and loss account.

Dividend

During the year a dividend of £180,000 was paid (2006: £306,000), being £0.0016 per share (2006: £0.0028).

Future prospects

The global energy market is giving major concerns to governments, customers and companies operating in the energy industry. As directors of Guernsey Electricity Limited we share these concerns. However, the volatile costs in the global market are a severe risk which the company faces and manages on a daily basis. Although the directors are making efforts to minimise the impact on customers it is somewhat inevitable that charges to customers had to increase. After an intense regulatory price control which examined all the fundamentals of our business and the efficient costs of providing electricity to our customers, a final decision was determined which results in a tariff increase to our customers of 14.82% which comes into effect from 1 April 2007.

Customers

The number of customers as at 31 March 2007 is 28,685 (2006: 28,400).

Guernsey Electricity Limited

Directors' report - continued

Units

Importation through the cable link between Guernsey, Jersey and the European grid provided 55% (2006: 78%) of the island needs in the year ended 31 March 2007 and 45% (2006: 22%) was generated on the island, as shown by the units analysis below:

	2007	2006
Units imported MWh	197,020	276,813
Units generated MWh	<u>158,175</u>	<u>79,455</u>
Total units imported/generated MWh	<u>355,195</u>	<u>356,268</u>

This change in unit mix is a direct result of the company's ability to make efficient economic cost decisions on its sourcing with the ability to use the cable link and the generators on island.

Average price

The average price per kWh sold in the year ended 31 March 2007 was 8.71 pence (2006: 8.02 pence).

Reliability

The reliability of Guernsey Electricity's supply is measured by minutes lost per customer. Power failures can be caused by a failure of generation plant, a failure of the distribution network or a failure of the cable link. Customers lost 13.40 minutes due to generation activity (2006: Nil) and 20.72 minutes were lost per customer in respect of distribution and the cable link (2006: 12.46 minutes).

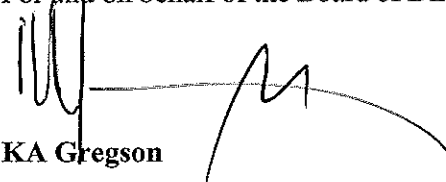
Directors and their interests

The directors of the company who served during the year and to date are as detailed on page 1. The directors have no beneficial interests in the shares of the company.

Auditors

A resolution for the reappointment of KPMG Channel Islands Limited will be proposed at the forthcoming Annual General Meeting.

For and on behalf of the Board of Directors


KA Gregson


I Watson
 Directors

6 June 2007

Guernsey Electricity Limited

Corporate governance

Directors

In accordance with The States Trading Companies (Bailiwick of Guernsey) Ordinance, 2001 as amended the non-executive directors are appointed by the States of Guernsey on the nomination of the States of Guernsey Advisory & Finance Committee, now the Department of Treasury & Resources. The first executive directors were appointed by the Advisory & Finance Committee after consultation with the non-executive directors. Further appointments of executive directors are made by the company's Board of Directors.

The company is controlled through the Board of Directors, which currently comprises five non-executive and three executive directors. As the Chairman is mainly responsible for the running of the Board, he has to ensure that all directors receive sufficient relevant information on financial, business and corporate issues prior to meetings. The Managing Director's responsibilities focus on running the business and implementing strategy. All directors are able to take independent professional advice in furtherance of their duties if necessary.

The Board monitors the exposure to key business risks and reviews the strategic direction. It also considers environmental and employee issues. The Board has established a number of standing sub-committees and each operates within defined terms of reference. The principal sub-committees are:

- Audit and Risk
- Land and Property
- Remuneration and Nominations

In addition senior management team meetings are held each fortnight.

Directors' remuneration

In accordance with The States Trading Companies (Bailiwick of Guernsey) Ordinance, 2001 as amended the remuneration of the non-executive directors is determined by the Department of Treasury & Resources. The remuneration of the executive directors is determined by the company's Remuneration and Nominations Committee, which comprises three non-executive directors.

Guernsey Electricity Limited

Corporate governance - continued

Relations with the shareholder

The company's issued share capital is wholly owned by the States of Guernsey. The States Trading Companies (Bailiwick of Guernsey) Ordinance, 2001 as amended provided for the States of Guernsey Advisory & Finance Committee (now Department of Treasury & Resources) to undertake on behalf of the States the role of shareholder. In accordance therewith the share certificates for the whole issued share capital are held equally in the names of the Minister and Deputy Minister of the Department of Treasury & Resources as nominees on behalf of the States of Guernsey. Provision is also in place for the States to give guidance to the Department of Treasury & Resources on the policies it wishes to be pursued in fulfilling this role. Each year the company submits its forward plan to the Department of Treasury & Resources.

Financial reporting

The company has a comprehensive system for reporting the financial performance of the company and each of its business units. Management and the Board of Directors review these monthly. The financial statements for the accounting period ending on the accounting reference date of 31 March are reviewed and signed on behalf of the Board of Directors, and will be presented to the shareholder at the forthcoming annual general meeting.

Internal control

An ongoing process for identifying, evaluating and managing the significant risks faced by the company is in place. The monitoring of this process is one responsibility of the Audit & Risk Sub-Committee and a system of developing the way in which the company captures and assesses its risks has been initiated.

Compliance

All business units have well established compliance procedures.

IT systems

The company has established controls and procedures over the security of data held on IT systems and has in place comprehensive disaster recovery arrangements. These arrangements are tested regularly and reviewed by an independent consultant.

Internal audit

Internal audit has a continuing role in monitoring and reporting on business risks. The internal auditor reported directly to the Audit & Risk Sub-Committee on all such matters during the financial year.

Risk management

The Board of Directors has overall responsibility for identifying, evaluating and managing major business risks facing the company. The Audit & Risk Sub-Committee provides assistance to the Board in these matters.

Guernsey Electricity Limited

Statement of directors' responsibilities

The directors are responsible for preparing financial statements for each individual year which give a true and fair view of the state of affairs of the company and of the revenue or deficit for that period and are in accordance with applicable laws. In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 1994. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Guernsey Electricity Limited

We have audited the financial statements (the "financial statements") of Guernsey Electricity Limited for the year ended 31 March 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 64 of The Companies (Guernsey) Law, 1994. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable Guernsey law and UK accounting standards as set out in the Statement of Directors' Responsibilities on page 6.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with The Companies (Guernsey) Law, 1994. We also report to you if, in our opinion, the company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report and Corporate Governance statement and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Accounting Standards, of the state of the company's affairs as at 31 March 2007 and of its profit for the year then ended; and
- have been properly prepared in accordance with The Companies (Guernsey) Law, 1994.

KPMG Channel Islands limited

*Chartered Accountants
Guernsey*

7 June 2007

Guernsey Electricity Limited

Profit and loss account for the year ended 31 March 2007

	<i>Note</i>	2007 £'000	2006 £'000
Turnover	2	32,505	29,369
Cost of sales		<u>(24,319)</u>	<u>(20,887)</u>
Gross profit		8,186	8,482
Net operating expenses		<u>(9,596)</u>	<u>(9,192)</u>
Operating loss	4	(1,410)	(710)
Loss on disposal of assets		<u>(91)</u>	<u>(85)</u>
Loss on ordinary activities before interest and exceptional item		(1,501)	(795)
Interest receivable	5	1,185	1,054
Interest payable	5	(9)	(13)
Other finance income	25	653	226
Exceptional item	6	<u>-</u>	<u>287</u>
Profit on ordinary activities before taxation		328	759
Taxation	7	<u>(67)</u>	<u>(91)</u>
Profit for the financial year after taxation		261	668
Dividend	8	<u>180</u>	<u>306</u>
Retained profit for the financial year	21	<u><u>81</u></u>	<u><u>362</u></u>

All activities derive from continuing operations.

The notes on pages 12 to 27 form an integral part of these financial statements.

Guernsey Electricity Limited

Statement of total recognised gains and losses for the year ended 31 March 2007

	<i>Note</i>	2007 £'000	2006 £'000
Profit for the year		261	668
Actuarial (loss)/gain recognised in the pension scheme	25	(561)	1,402
Movement on deferred tax relating to pension deficit	16	112	(280)
Total recognised (loss)/gain for the year	21	<u>(188)</u>	<u>1,790</u>

The notes on pages 12 to 27 form an integral part of these financial statements.

Guernsey Electricity Limited

Balance sheet at 31 March 2007

	Note	2007 £'000	2006 £'000
Tangible fixed assets	9	<u>91,681</u>	<u>92,255</u>
Investment	10	<u>50</u>	<u>100</u>
Current assets			
Stocks and work in progress	11	4,034	3,945
Debtors and prepayments	12	5,444	5,491
Balances with States Treasury	13	19,694	19,847
Cash at bank and in hand		<u>6</u>	<u>139</u>
		<u>29,178</u>	<u>29,422</u>
Creditors: amounts falling due within one year	14	<u>(5,954)</u>	<u>(5,994)</u>
Net current assets		<u>23,224</u>	<u>23,428</u>
Total assets less current liabilities		114,955	115,783
Creditors: amounts falling due after more than one year	15	(2,083)	(2,452)
Provision for liabilities and charges	16	(686)	(740)
Net pension deficit	25	<u>(2,672)</u>	<u>(2,709)</u>
Net assets including pension deficit		<u>109,514</u>	<u>109,882</u>
Share capital	17	109,209	109,209
Profit and loss account	21	<u>305</u>	<u>673</u>
Shareholders' funds	22	<u>109,514</u>	<u>109,882</u>

The financial statements on pages 8 to 27 were approved by the Board of Directors on 6 June 2007.

Signed on behalf of the Board of Directors


KA Gregson


I Watson
Directors

The notes on pages 12 to 27 form an integral part of these financial statements.

Guernsey Electricity Limited

Cash flow statement for the year ended 31 March 2007

	Note	2007 £'000	2006 £'000
Net cash inflow from operating activities	18	<u>2,859</u>	<u>3,754</u>
Returns on investments and servicing of finance			
Interest received		1,185	1,054
Interest paid		<u>(9)</u>	<u>(13)</u>
Net cash inflow from returns on investments and servicing of finance		<u>1,176</u>	<u>1,041</u>
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(3,925)	(3,331)
Proceeds of disposal of tangible fixed assets		2	9
Customers' contributions towards capital expenditure		582	331
CIEG lease termination payment		<u>(769)</u>	<u>-</u>
Net cash outflow from capital expenditure and financial investment		<u>(4,110)</u>	<u>(2,991)</u>
Dividends paid		<u>(180)</u>	<u>(306)</u>
Net cash (outflow)/inflow before use of liquid resources and financing		<u>(255)</u>	<u>1,498</u>
Management of liquid resources			
Net cash movements with States Treasury		153	(1,785)
Exceptional item	6	<u>-</u>	<u>287</u>
Net cash inflow/(outflow) from management of liquid resources		<u>153</u>	<u>(1,498)</u>
Decrease in cash	19 & 20	<u>(102)</u>	<u>-</u>

Movements in balances with States Treasury and the exceptional item are deemed liquid resources in accordance with Financial Reporting Standard 1 (as revised).

The notes on pages 12 to 27 form an integral part of these financial statements.

Guernsey Electricity Limited

Notes to the financial statements

Year ended 31 March 2007

1. Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with UK applicable accounting standards.

Transfer of undertaking

The company was established in accordance with the provisions of the States Trading Companies (Bailiwick of Guernsey) Law 2001 (Commencement) Ordinance and the States Trading Company (Bailiwick of Guernsey) Ordinance 2001 to take over the generation, importation and distribution of electricity previously carried out by the States of Guernsey Electricity Board with effect from 1 February 2002. The transfer value of the assets and liabilities introduced, together with the business undertaken in accordance with the enabling legislation, represents cost to Guernsey Electricity Limited. The directors have reviewed the amounts attributed and are satisfied that fair values have been applied and therefore no adjustment arises on any aspect of the transferred undertaking.

Sales of electricity

Sales of electricity include the estimated value of unbilled units at the year end. The unbilled units are valued at current tariff rates.

Hire purchase

The company provides hire purchase facilities on the provision of goods and services ancillary to the principal activities of the company. The sales value is included in turnover at the inception of the hire purchase transaction and interest is included in interest receivable over the finance period of the transaction.

Interest

Interest receivable and payable are accounted for on an accruals basis.

Deferred income

Customers' contributions towards capital expenditure are credited in equal annual amounts to the profit and loss account over the estimated life of the assets to which they relate.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Assets transferred from the States of Guernsey Electricity Board as at 1 February 2002 are being depreciated over their residual estimated useful lives from that date applying the periods noted below.

Guernsey Electricity Limited

Notes to the financial statements - continued

Year ended 31 March 2007

1. Principal accounting policies - continued

Tangible fixed assets and depreciation - continued

Depreciation is calculated so as to write off the cost of tangible fixed assets over the period of their estimated useful lives using the straight line method. The estimated life of each class of fixed asset is set out below. Depreciation commences in the year of acquisition or on completion of construction. Any shortfall of depreciation arising on the disposal or write-off of fixed assets is charged to the disposals account and any proceeds arising from the disposal are credited to that account. Land is not depreciated. The estimated lives are as shown below:

	Estimated life in years
Buildings	40
Buildings Equipment	10
Cable Link	25
Plant and machinery - Generation	25 – 30
- Distribution	35
- Street Lights	20
Distribution network comprising:	
Distributors	35
Meters	5 – 10
Cyclocontrol receivers	5
Motor vehicles	5
Furniture and equipment	3 – 10
Minor plant	5 – 10

Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. In respect of goods held for resale a provision is made based on the time elapsed since the goods were purchased. Provision is made for other stocks relating to strategic plant based upon the remaining useful economic life of the assets to which they relate.

Leases

Operating lease rentals are charged to profit and loss in equal annual amounts over the lease term.

Deferred taxation

Provision for deferred tax is made in full on timing differences which result in an obligation at the balance sheet date to pay tax at a future date, at rates expected to apply when they crystallise based on current tax rates and laws. Deferred tax assets are only recognised to the extent that it is regarded as more likely than not that they will be recovered. The pension scheme deficit shown in the accounts is net of the deferred tax asset. Deferred tax assets and liabilities are not discounted.

Guernsey Electricity Limited

Notes to the financial statements - continued

Year ended 31 March 2007

1. Principal accounting policies - continued

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Foreign currency profits and losses are dealt with in the profit and loss account.

Financial instruments

The company enters into forward exchange contracts to mitigate a large percentage of the risk of fluctuations in the currency rate between the Euro and the Pound Sterling in meeting its financial obligations for the import of electricity units from the European grid. Gains and losses on these contracts are deferred and recognised in the profit and loss account only when the delayed transaction has itself been reflected in the company's account.

The company does not hold or issue financial instruments for speculative purposes.

Pension costs

The employees' pension scheme is a defined benefits scheme. The company applies Financial Reporting Standard 17, "Post retirement benefits", ("FRS17"). In so doing current service cost and any past service cost is charged to the profit and loss account together with finance costs for the scheme. The difference between the expected and actual actuarial gains and losses are charged to the statement of total recognised gains and losses. Full actuarial valuations are carried out on a triennial basis and annual updates are carried out to disclose the values and assumptions in accordance with FRS17.

Joint arrangements

The Channel Islands Electricity Grid Limited is a joint arrangement between the Jersey Electricity Company Limited and Guernsey Electricity Limited. The company was formed to manage the project and the ongoing operation of the cable link between Guernsey, Jersey and France.

In accordance with Financial Reporting Standard 9, "Associates and Joint Ventures", ("FRS9") these financial statements include the company's entitlement to the assets, liabilities, cash flows and the shared items of this joint arrangement where the company's entitlements are fully determined by contracts with the other party to the joint arrangement.

2. Turnover

	2007 £'000	2006 £'000
Sales of electricity	28,996	26,631
Other sales	<u>3,509</u>	<u>2,738</u>
	<u>32,505</u>	<u>29,369</u>

All sales of electricity arise from customers in the Island of Guernsey. Other sales are made to customers throughout the Bailiwick of Guernsey.

Guernsey Electricity Limited

Notes to the financial statements - continued

Year ended 31 March 2007

3. Cable link

The company previously had an ongoing obligation to its supplier, Electricité de France, to meet the cost of a minimum amount of electricity. Following the new pricing arrangements entered into with EdF, there is no longer a revenue commitment effective from 1 December 2005. The company remains committed to contribute towards the reinforcement of the French network. This liability is being satisfied by a revenue payment of approximately £110,000 per annum over the period of the contract.

The company was party to arrangements entered into on 29 November 1999 with the Jersey Electricity Company Limited, being a 35 year lease and lease back arrangements in the amount of £70.13 million in respect of the installation and operation of the Interconnector system between France, Jersey and Guernsey. The counterparties in the arrangement were Natwest Offshore Limited and the Royal Bank of Scotland International Limited. A condition of the arrangement was that the Jersey rate of taxation remained at 20% throughout the period of the lease. However, Jersey tax changes have been introduced and the optimum time for the company to terminate its interest in the lease was December 2006. This was concluded with a final termination payment of £770,000.

4. Operating Loss

Operating loss is after charging/(crediting):

	2007 £'000	2006 £'000
Depreciation (note 9)	4,482	4,526
Investment impairment (note 10)	50	50
Rentals under operating leases	108	108
Auditors' remuneration - statutory audit	17	17
- non-audit services	18	6
Bad debts	28	17
Emoluments	46	47
- non-executive directors	437	402
- executive directors (including pension)		
Regulatory costs	372	447
- external (excluding audit)	220	230
- internal		
Other operating income	<u>(564)</u>	<u>(703)</u>

Guernsey Electricity Limited

Notes to the financial statements - continued

Year ended 31 March 2007

5. Interest

	2007 £'000	2006 £'000
Interest receivable:		
Deposits with banks and States Treasury	1,047	936
Hire purchase	<u>138</u>	<u>118</u>
	<u>1,185</u>	<u>1,054</u>
Interest payable:		
Bank overdraft	2	6
Security deposits	<u>7</u>	<u>7</u>
	<u>9</u>	<u>13</u>

6. Exceptional item

Of the £5,350,000 that the States of Guernsey Electricity Board had on deposit with the Bank of Credit and Commerce International when it ceased trading on 5 July 1991, £5,167,945 has been recovered. No distribution was received in the current year (2006: £286,937).

7. Taxation

The basis of assessment of trading income to Guernsey tax is a current year basis for all Years of Charge from the commencement of the company's activities in Year of Charge 2002.

Current taxation

No charge for Guernsey income tax at 20p in the £ arises due to the adjusted loss for tax purposes for the year.

Notes to the financial statements - continued
Year ended 31 March 2007

7. Taxation - continued

Deferred taxation

Provision of £67,000 (2006: £91,000) for Guernsey income tax at 20p in the £ has been made in the profit and loss account due to timing differences arising from capital allowances exceeding depreciation for the period, unrelieved trading loss for tax purposes and short term timing differences due to pension accounting under FRS17 and other short term timing differences.

The deferred tax charge in the profit and loss account for the year is:

	2007 £'000	2006 £'000
Timing differences on capital allowances and depreciation	413	1,066
Short-term timing differences (pension)	121	30
Short term timing differences (other)	(9)	-
Unrelieved trading losses	<u>(458)</u>	<u>(1,005)</u>
	<u>67</u>	<u>91</u>

8. Dividend

	2007 £'000	2006 £'000
Paid in the year, £0.0016 per share (2006: £0.0028 per share)	<u>180</u>	<u>306</u>

Guernsey Electricity Limited

Notes to the financial statements - continued

Year ended 31 March 2007

9. Tangible fixed assets

	1 April 2006 £'000	Additions £'000	Written off/ disposals £'000	31 March 2007 £'000
<i>Cost</i>				
Land and buildings	26,707	724	170	27,261
Cable link	28,928	136	-	29,064
Plant and machinery:				
Generation	31,230	592	10	31,812
Distribution	7,177	517	1	7,693
Distribution network	17,680	1,260	43	18,897
Motor vehicles, furniture and equipment, minor plant	<u>2,421</u>	<u>772</u>	<u>72</u>	<u>3,121</u>
	<u>114,143</u>	<u>4,001</u>	<u>296</u>	<u>117,848</u>
	1 April 2006 £'000	Charge for the year £'000	Written off/ disposals £'000	31 March 2007 £'000
<i>Depreciation</i>				
Land and buildings	3,630	667	89	4,208
Cable link	5,201	1,250	-	6,451
Plant and machinery:				
Generation	7,405	1,391	4	8,792
Distribution	870	194	1	1,063
Distribution network	3,419	640	40	4,019
Motor vehicles, furniture and equipment, minor plant	<u>1,363</u>	<u>340</u>	<u>69</u>	<u>1,634</u>
	<u>21,888</u>	<u>4,482</u>	<u>203</u>	<u>26,167</u>
Net book value	<u>92,255</u>			<u>91,681</u>

Included above are assets in the course of construction of £4,273,000 (2006: £3,849,000), which are not depreciated.

Guernsey Electricity Limited

Notes to the financial statements - continued

Year ended 31 March 2007

10. Investment

The company invested £250,000 in Marine Current Turbines Limited as part of its initiatives to keep abreast of the research and development of alternative energy sources. This investment is a minority interest and the holding is less than 5%. The benefits of this investment are spread over more than one year, and £50,000 has been charged to the profit and loss account for impairment (2006: £50,000).

11. Stocks and work in progress

	2007		2006	
	£'000	£'000	£'000	£'000
Fuel stocks		1,754		1,811
Purchased goods for resale	332		259	
Provision	<u>(4)</u>	328	<u>(4)</u>	255
Other stocks	2,714		2,637	
Provision	<u>(1,059)</u>	1,655	<u>(974)</u>	1,663
Work in progress		<u>297</u>		<u>216</u>
		<u>4,034</u>		<u>3,945</u>

12. Debtors and prepayments

	2007	2006
	£'000	£'000
Estimated value of unbilled units	3,014	2,862
Customer accounts outstanding	1,798	2,013
Other debtors	214	291
Prepayments	<u>418</u>	<u>325</u>
	<u>5,444</u>	<u>5,491</u>

Included in "Customer accounts outstanding" is an amount of £229,000 (2006: £157,000) due after more than one year.

13. Balances with States Treasury

The treasury department of the States of Guernsey is engaged to invest the company's liquid funds in excess of its daily requirements.

Guernsey Electricity Limited

Notes to the financial statements - continued

Year ended 31 March 2007

14. Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Bank overdraft	39	70
Trade creditors	1,789	2,055
Customer payments received in advance	3,020	2,784
Employee taxes and Social Security	138	259
Deferred income	68	152
Accruals and other creditors	<u>900</u>	<u>674</u>
	<u>5,954</u>	<u>5,994</u>

The company has a £2 million overdraft facility, and interest is payable quarterly at 1% over UK base rate. This facility is unsecured and is repayable on demand and is reviewed and approved by the Board annually.

15. Creditors: amounts falling due after more than one year

	2007 £'000	2006 £'000
Deferred income	<u>2,083</u>	<u>2,452</u>

16. Provision for liabilities and charges

	2007 £'000	2006 £'000
Deferred taxation:		
Balance at 1 April	63	(308)
Profit and loss account charge	67	91
Statement of total recognised gains and losses	<u>(112)</u>	<u>280</u>
Balance at 31 March	<u>18</u>	<u>63</u>
Which comprises:		
Capital allowances in excess of depreciation	6,848	6,435
Short-term timing differences (other)	(53)	(44)
Unrelieved trading loss for tax purposes	<u>(6,109)</u>	<u>(5,651)</u>
Provision for liabilities and charges	<u>686</u>	<u>740</u>
Deferred tax asset on pension deficit (note 25)	<u>(668)</u>	<u>(677)</u>

17. Share capital

	2007 £'000	2006 £'000
<i>Authorised:</i>		
125,000,000 ordinary shares of £1 each	<u>125,000</u>	<u>125,000</u>
<i>Issued and fully paid:</i>		
109,208,844 ordinary shares of £1 each	<u>109,209</u>	<u>109,209</u>

Two shares were issued on formation of the company and the remaining 109,208,842 shares were issued to equate to the consideration of £109,208,844 for the net assets acquired by the company from the States of Guernsey with effect from 1 February 2002.

Guernsey Electricity Limited

Notes to the financial statements - continued

Year ended 31 March 2007

18. Reconciliation of operating loss to net cash inflow from operating activities

	2007 £'000	2006 £'000
Operating loss	(1,410)	(710)
Depreciation charge	4,482	4,526
Pension service cost	1,500	1,259
Employers' pension cash contributions	(1,454)	(1,185)
Investment impairment	50	50
Deferred income	(132)	(152)
Increase in stocks and work in progress	(89)	(911)
Decrease in debtors and prepayments	47	237
(Decrease)/increase in creditors	<u>(135)</u>	<u>640</u>
	<u>2,859</u>	<u>3,754</u>

19. Reconciliation of net cash flow to movement in net funds

	2007 £'000	2006 £'000
Decrease in cash in the year	(102)	-
Cash used to (decrease)/increase liquid resources	<u>(153)</u>	<u>1,785</u>
Change in net funds	(255)	1,785
Net funds at 1 April	<u>19,916</u>	<u>18,131</u>
Net funds at 31 March	<u>19,661</u>	<u>19,916</u>

20. Analysis of changes in net funds

	At 1 April 2006 £'000	Cash flows £'000	At 31 March 2007 £'000
<i>Cash</i>			
Cash at bank and in hand	139	(133)	6
Bank overdraft	<u>(70)</u>	<u>31</u>	<u>(39)</u>
	69	(102)	(33)
Balances with States Treasury	<u>19,847</u>	<u>(153)</u>	<u>19,694</u>
	<u>19,916</u>	<u>(255)</u>	<u>19,661</u>

Guernsey Electricity Limited

Notes to the financial statements - continued

Year ended 31 March 2007

21. Profit and loss reserve

	2007 £'000	2006 £'000
Balance at 1 April brought forward	673	(811)
Retained profit for the year	81	362
Actuarial (loss)/gain recognised in the pension scheme, net of movement in deferred tax relating to pension deficit	(449)	1,122
	<u>305</u>	<u>673</u>
Balance at 31 March carried forward		

22. Reconciliation of movements in shareholders' funds

	2007 £'000	2006 £'000
Shareholders' funds at 1 April brought forward	109,882	108,398
Retained profit for the year	81	362
Actuarial (loss)/gain recognised in the pension scheme, net of movement in deferred tax relating to pension deficit	(449)	1,122
	<u>109,514</u>	<u>109,882</u>
Shareholders' funds at 31 March		

Guernsey Electricity Limited

Notes to the financial statements - continued

Year ended 31 March 2007

23. Commitments

Capital commitments for which no provision has been made in these financial statements amounted to £4,806,000 as at 31 March 2007 (2006: £3,354,000). These relate to outstanding commitments on capital projects across a range of asset categories.

Operating lease commitments

Commitments to make payments during the next year in respect of an operating lease are as follows:

	2007 £'000	2006 £'000
<i>Land and Buildings</i>		
Lease which expires:		
Within one year	5	-
Within two to five years	10	52
<i>Furniture and equipment</i>		
Lease which expires:		
Within one year	56	-
Within two to five years	<u>—</u>	<u>56</u>

24. Financial instruments

The company's commitment to forward contracts at the balance sheet date was as follows:

	2007 €'000	2006 €'000
Forward contracts to purchase Euro	<u>12,677</u>	<u>15,366</u>
	£'000	£'000
Contracted prices	<u>8,806</u>	<u>10,595</u>
Closing value at 31 March	<u>8,568</u>	<u>10,717</u>
Unrecognised and unrealised (losses)/gains	<u>(238)</u>	<u>122</u>

All forward contracts mature within eighteen months of the balance sheet date.

The sterling/euro rate at 31 March 2007 was 1.4795 (2006: 1.4338).

Guernsey Electricity Limited

Notes to the financial statements - continued

Year ended 31 March 2007

25. Pension Scheme

The employees of the company are members of the States of Guernsey Public Servants Pension Scheme (PSPS). This is a defined benefits pension scheme funded by contributions from both employer and employee to the PSPS at rates which are determined on the basis of independent actuarial advice, and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives.

The last triennial actuarial valuation of the PSPS was carried out as at 31 December 2004.

As the PSPS is a multi entity arrangement the States of Guernsey contracted the Scheme's qualified independent actuaries to identify the actuarial account for each entity and therefore the value of the pension fund assets and liabilities attributable to this company. The valuation at 31 December 2004 recommended the increase of employer's contribution from 8.35% to 16.3% from 1 April 2006 and this has been approved by the States of Guernsey. In recognising that further contribution was required to reduce the past service deficit, it was resolved by the Board of Directors to reduce the deficit by lump sums over a period of years. An additional sum of £400,000 has been provided for this year (2006: £412,000).

The total amount of pension contributions for the year ended 31 March 2007 was £1,454,000 (2006: £1,185,000). £Nil was accrued but not yet paid as at 31 March 2007 (2006: £Nil).

The company recognises the requirements of Financial Reporting Standard 17 ("FRS17") on Retirement Benefits on the following basis:

Financial Assumptions	31 March 2007 % p.a.	31 March 2006 % p.a.	31 March 2005 % p.a.
Discount rate	5.2	4.9	5.3
Inflation	3.2	3.0	2.9
Increases to deferred benefits during deferment	3.2	3.1	3.0
Increases to pensions in payment	3.2	3.1	3.0
Increases to salaries	4.7	4.5	4.4

Notes to the financial statements - continued
Year ended 31 March 2007

25. Pension Scheme - continued

Market value of scheme assets

	Market value at 31 March 2007		Expected return on assets	Market value at 31 March 2006		Expected return on assets	Market value at 31 March 2005		Expected return on assets
	£'000	%	% p.a.	£'000	%	% p.a.	£'000	%	% p.a.
Equities	27,999	80.65	8.50	25,706	79.72	8.00	19,379	76.82	7.75
Bonds	6,485	18.68	4.80	6,014	18.65	4.50	5,279	20.93	4.90
Cash and net current assets	<u>231</u>	<u>0.67</u>	5.25	<u>527</u>	<u>1.63</u>	4.50	<u>568</u>	<u>2.25</u>	4.75
Market value of the scheme assets	34,715	100.0	7.8	32,247	100.0	7.3	25,226	100.0	7.1
Present value of the Scheme liabilities	<u>38,055</u>			<u>35,633</u>			<u>30,166</u>		
Deficit in the scheme	(3,340)			(3,386)			(4,940)		
Related deferred tax asset (assuming Guernsey income tax at 20%)	<u>668</u>			<u>677</u>			<u>988</u>		
	<u>(2,672)</u>			<u>(2,709)</u>			<u>(3,952)</u>		

The asset and liability values on the FRS 17 basis reflect market conditions at the company's year-end date and can be expected to vary greatly from year to year, without prejudicing the scheme's long-term ability to provide the required benefits.

Notes to the financial statements - continued
Year ended 31 March 2007

25. Pension Scheme - continued

<i>Analysis of the amount charged to operating profit</i>	2007 £'000	2006 £'000
Current service cost	1,500	1,259
Past service cost	—	—
Total operating charge	<u>1,500</u>	<u>1,259</u>
 <i>Analysis of the amount charged to other finance costs</i>	 2007 £'000	 2006 £'000
Expected return on pension scheme assets	2,392	1,819
Interest on pension scheme liabilities	(1,739)	(1,593)
Net return	<u>653</u>	<u>226</u>
 <i>Analysis of amount recognised in the statement of total recognised gains and losses (STRGL)</i>	 2007 £'000	 2006 £'000
Actual return less expected return on pension scheme assets	(933)	4,000
Experience gains and losses arising on scheme liabilities	(884)	791
Changes in assumptions underlying the present value of scheme liabilities	<u>1,256</u>	<u>(3,389)</u>
Actuarial (loss)/gain recognised in STRGL	<u>(561)</u>	<u>1,402</u>
 <i>Movement in deficit during the year</i>	 2007 £'000	 2006 £'000
Deficit in scheme at beginning of the year	(3,386)	(4,940)
Movement in year:		
Current service costs	(1,500)	(1,259)
Contributions	1,454	1,185
Past service costs	—	—
Other finance income	653	226
Actuarial (loss)/gain	<u>(561)</u>	<u>1,402</u>
Deficit in scheme at end of the year	<u>(3,340)</u>	<u>(3,386)</u>

Notes to the financial statements - continued
Year ended 31 March 2007

25. Pension Scheme - continued

<i>History of experience gains and losses</i>	2007	2006	2005	2004
	£'000	£'000	£'000	£'000
Difference between the actual and expected return on scheme assets:				
Amount (£)	(933)	4,000	675	3,313
Percentage of scheme assets	(3%)	12%	3%	15%
Experience gains and losses on scheme liabilities:				
Amount (£)	884	791	2,039	(576)
Percentage of the present value of the scheme liabilities	(2%)	2%	7%	(2%)
Total amount recognised in statement of total recognised gains and losses:				
Amount (£)	(561)	1,402	2,521	485
Percentage of the present value of the scheme liabilities	(1%)	4%	8%	2%

26. Statement of control

The company is wholly owned and ultimately controlled by the States of Guernsey.

27. Related party transactions

There are no disclosable related party transactions in this financial year.

Of the company's annual income and expenditure, less than 20% of their respective value is due to transactions with other States entities.

APPENDIX VII

TREASURY AND RESOURCES DEPARTMENT

GUERNSEY POST LIMITED - SUBMISSION OF ANNUAL ACCOUNTS

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

31st July 2007

Dear Sir

Under Section 8 of the States Trading Companies (Bailiwick of Guernsey) Ordinance 2001, the year end accounts of Guernsey Post Limited are required to be published as an appendix to a Billet d'Etat.

I therefore submit the Report and Financial Statements of Guernsey Post Limited for the year ended 31 March 2007.

The profit before dividend was £665,000 and the company will pay a dividend to the States of £204,000. There was no dividend declared for the previous financial period, the six months ended 31 March 2006 (the year end having changed from the 30 September to better fit the business cycle).

As set out in the Chairman's statement, the operational performance of the business continues the trend of improvement seen over recent years.

I should be grateful if you would include this matter as an Appendix to the September 2007 Billet d'Etat.

Yours faithfully

L S Trott
Minister

Guernsey Post Limited
Annual report and financial statements
for the year ended 31 March 2007

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Corporate Details

Directors:

Dudley R Jehan (Chairman)
Gordon R Steele (Chief Executive)
Joe A Domican (Operations)
Andrew Duquemin (Non-Executive)
Steve Hannon (Non-Executive)
Martin Johnson (Finance)
Jeff Kitts (Non-Executive)
Advocate R A Perrot(Non-Executive)

Auditors:

KPMG Channel Islands Limited
Chartered Accountants
PO Box 20
20 New Street
St Peter Port
GUERNSEY
GY1 4AN

Actuaries:

BWCI Consulting Limited
Actuaries and Consultants
PO Box 68
Albert House
South Esplanade
St Peter Port
GUERNSEY
GY1 3BY

Registered office:

Envoy House
La Vrangue
St Peter Port
GUERNSEY
GY1 1AA

Grefe Registration Number:

38693

Chairman's Statement

I am pleased to present these financial statements for Guernsey Post Limited for the year ended 31st March 2007. As a commercialised service business, the challenge for the Company is to become more responsive to its customers and secure its future by operating profitably in the rapidly changing commercial environment in which it operates. Equally it is a vital tenet of the Board's thinking that it is a Guernsey company, wholly owned by the States of Guernsey on behalf of the people of the Bailiwick.

Financially, the Company continues to operate within the tariff regime set by the Office of Utility Regulation (OUR), which presents a great challenge. The 2006 tariff increases allowed by the OUR did not match the significant increases in Royal Mail charges for bulk mail prices and the Company had to absorb the difference for four months, reducing its profitability. The Company's membership of the States Public Sector Pension Scheme is accounted for in the financial statements. Although returns from the stock market - where the Scheme has significant assets - have improved, that has been offset by an increase in the forecast life expectancy of claimants. There remains an actuarial deficit in the balance sheet. Financing this continues to be a further drain on the Company's resources. Despite these two unavoidable areas of expenditure, the Company has generated a profit before tax and is able to make a dividend payment of £203,715 to the States Treasury.

The operational performance of the business continues the trend of improvement seen over the last few years. Quality of service measured across a range of delivery and customer key performance indicators met or exceeded 20 of the 21 targets set by the OUR. This is the best performance on record.

Our success in transforming the business was recognised last year by the Awards for Achievement, Best Large Business Award and earlier this year Guernsey Post was in the top three short-listed companies in the Global Mail Awards held in Paris.

The role of the Post Offices across the Bailiwick is seen as essential to the social fabric of our communities and any recent threat, perceived or real, of post office closures, has been met by public outcry. The Company has been investing in new products and services outside its traditional markets. This strategy of growing revenue to create a viable post office network has created an opportunity to reverse the trend of closures. The recent announcement of a new branch within the refurbished Market building demonstrates this commitment. Others may follow.

The philatelic business is both a valuable revenue earner for the Company and great publicity for the Bailiwick internationally. The range of stamps produced during the year includes Ramsar sets from both Guernsey and Alderney and a celebration of our Monarch's 80th birthday. The most successful issue of the year was the Andy Priaux World Touring Car Champion set which was launched in association with the Priaux Premature Baby Unit charity. The Company was able to make a significant donation to the charity from the philatelic revenues generated.

As part of its corporate social responsibility programme, Guernsey Post supported the BBC Guernsey campaign to raise funds for the Bailiwick's first MRI scanner through fund raising and organisational support.

The Company appointed a new Chief Executive in February 2007. Gordon Steele joined us from Post Office Limited, a commercial arm of Royal Mail, where he was Sales and Marketing Director. The challenge for our chief executive and his team is to continue the high level of customer performance at the lowest price against a background of worldwide decline in postal volumes and a demanding three year tariff determination set by the OUR. The tariff determination followed an OUR efficiency review of the Company's operations which concluded that a significant reduction in operating costs was achievable. If the Company cannot realise the required level of savings then the consequence will be that its ability to continue in its current form will be at severe risk. This also means that revenue opportunities will need to be found other than from regulated postal operations, for the Company to prosper.

Low Value Consignment Relief (VAT *de minimis*) which has supported our flower exporters and fulfilment industries, who contribute significantly to our community, continues to be under threat from the UK Treasury.

Changes to the makeup of the Board of Directors have been made since my last Chairman's statement. David Roberts has retired as the off-island non-executive director, having been appointed in 2000. He has made a significant contribution to Guernsey Post over the last seven years and I extend my thanks to him on behalf of the Company. Steve Hannon, who until recently, served the Company as interim Chief Executive, has been appointed as Mr Roberts's replacement. He brings with him a high level of UK postal operational knowledge, including that of emerging opportunities as the postal market is liberalised. Andrew Duquemin has also recently joined the Board. A Chartered Accountant, he brings with him extensive business experience in both local and international financial markets, which will be invaluable to the Company.

Finally, on behalf of the Board of Directors, I would like to thank all who have contributed to the success of the Company, and seek their continued support over the years ahead.



Dudley R Jehan
Chairman

Chief Executive's Report

I am pleased to report on a successful year for Guernsey Post, during which our service performance has been at the highest level. However, we face a difficult year ahead as the trading and regulatory environment hardens and disruption to the Royal Mail network impacts on our ability to deliver the mail.

Our financial performance is also a matter of some concern. Although the profit and loss account has improved since the previous report, we are not generating sufficient funds from our day-to-day operations to invest in the future development of the business. The interest received by the company on deposits is again the major net contributor to revenue. Achieving sustainable operational profits in future years remains the challenge.

We are showing a loss on ordinary activities before other income of £390,000, which is a significant improvement on the £520,000 loss of the previous six months. This is still disappointing but reflects accelerated depreciation charges and write-downs. After interest earned we generated an overall retained profit before tax of £814,000. It is a good result and allows the company to recommend a dividend payment to its shareholder.

The financial performance of Guernsey Post must be balanced with operational performance and in particular the quality standards set by the Regulator. Quality of Service has been the best on record; 20 of the 21 targets have been met or exceeded.

The volume of letters and parcels has held steady during the year, although we have seen evidence of continued growth in the volume of packets and a decline in letter volumes. This trend is expected to continue and will have the effect of reducing overall volumes in the future. Cost increases from Royal Mail have continued to outstrip both inflation and increases in prices allowed by the regulator, thus squeezing our operating margins.

On the retail side of our operation we have been able to maintain the network of Post Offices across the Bailiwick and we have started to provide new products and services for customers. These early steps, encouraging as they are, must be keenly supported and accelerated if we are to improve the financial viability of both Guernsey Post and its postal agents. We are looking closely at best practice across the branch network in the UK and other islands to learn, copy and adapt our offers to meet the needs of Guernsey's communities.

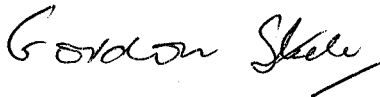
The philatelic business has had a good year achieving revenue growth with several successful stamp issues. This activity continues to make a valuable contribution to the Company's financial performance and the international awareness of Guernsey and Guernsey Post. This result bucks the trend of many other national postal authorities, many of which have failed to respond to the challenges presented by an ageing collectors' market.

Fulfilment businesses have once again provided a very significant contribution to the Company's performance. The organic growth seen by long-established companies has continued throughout the year and Guernsey Post has continued to work hard with these businesses. We support the Customs departments of both Guernsey and the UK to facilitate this volume growth and to ensure that VAT duty has been collected and paid to the appropriate authorities.

Controlling the expenditure of the company has been a major focus over the past year but we must now turn our attention to the future. It is vital that we invest in three areas: operating far more efficiently, developing new profitable products and services and developing our people. Only by doing all three things will we grow a successful operational business that delivers the benefits of commercialisation to the people of the Bailiwick and provides a cost effective service.

In order to operate more efficiently we have conducted a thorough review of our activities, examining our postal operation, and retail sites. A programme of change has been developed, based on the review's findings and its implementation will be one of the biggest challenges the business has faced since commercialisation. Our plans to extend our ranges will take us into direct competition with other businesses on and off the island and there is no guarantee of success. Both of these challenges mean that we must firstly develop our skills through recruitment and training and secondly change the culture of the organisation into one that is focused on both service and cost-effective commercial operations.

The performance of the company is dependent on the hard work and support of all my colleagues in Guernsey Post, who work to give customers excellent service while keeping costs to a minimum. My thanks go to all of them for their support and efforts.

A handwritten signature in black ink, reading "Gordon Steele". The signature is written in a cursive style with a long horizontal stroke at the end.

Gordon R Steele
Chief Executive

Directors' report

The directors present their annual report together with the financial statements for the twelve months ended 31 March 2007.

Principal activities

The Company's principal activity is the provision of a postal service for the Bailiwick of Guernsey through a postal network and retail counter operation in accordance with the licence awarded to it by the Director General of Utility Regulation. The Company also markets its postage stamps and other philatelic products to stamp collectors worldwide.

Results

The results for the year are shown in the profit and loss account on page 12.

Dividend

The directors recommend that a dividend for the financial year of £0.0091 per ordinary share is paid on 31st July 2007 to ordinary shareholders on the register at that date. The total value of the dividend is £203,715. As this dividend is being recommended and should be paid after the year end no provision has been made in the financial statements. (There was no dividend declared for the previous financial period, the six months ended 31st March 2006.)

Fixed assets

Fixed asset movements for the year are disclosed in note 5 to the accounts.

Directors

The directors of the Company, who served throughout the year except as noted below, were as follows:

J A Domican
M R Hall (deceased 2 July 2006)
D R Jehan
M Johnson
J Kitts
R A Perrot
D T Roberts
G R Steele (appointed 12 February 2007)

No director has an interest either beneficially or non-beneficially in any shares of the Company (2006: no interest beneficially or non-beneficially).

In accordance with the Articles of Association R A Perrot and J Kitts are due to retire by rotation and being eligible offer themselves for re-election at the forthcoming AGM.

Directors' report - continued

Statement of responsibilities

The directors are responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period and are in accordance with applicable laws. In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 1994 and The Post Office (Guernsey) Law 1969. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution for the reappointment of KPMG Channel Islands Limited as auditors of the Company at a remuneration to be determined by the Board from time to time is to be proposed at the forthcoming Annual General Meeting.

G R Steele
Chief Executive



D R Jehan
Chairman





KPMG Channel Islands Limited
 20 New Street
 St Peter Port
 Guernsey, Channel Islands
 GY1 4AN

Independent auditors' report to the members of Guernsey Post Limited

We have audited the financial statements (the "financial statements") of Guernsey Post Limited for the year ended 31 March 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 64 of The Companies (Guernsey) Law, 1994 and Section 10(1) of The Post Office (Guernsey) Law, 1969. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable Guernsey law and UK Accounting Standards as set out in the Statement of Directors' Responsibilities on page 9.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with The Companies (Guernsey) Law, 1994. We also report to you if, in our opinion, the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.



Independent auditors' report to the members of Guernsey Post Limited (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Accounting Standards, of the state of the Company's affairs as at 31 March 2007 and of its profit for the year then ended; and
- have been properly prepared in accordance with The Companies (Guernsey) Law, 1994 and Section 10(1) of The Post Office (Guernsey) Law, 1969

KPMG Channel Islands Limited
Chartered Accountants
Guernsey

26 July 2007

Profit and loss account <i>for the year ended 31 March 2007</i>		1 April 2006 to 31 March 2007 £'000	1 Oct 2005 to 31 March 2006 £'000
	Notes		
Income		31,209	13,661
Expenditure		<u>31,599</u>	<u>14,181</u>
Loss on ordinary activities before other income	2	(390)	(520)
Other income			
Interest receivable	3	738	232
Rents receivable		<u>59</u>	<u>31</u>
Profit/(loss) on ordinary activities before pension scheme costs and taxation		407	(257)
Other finance income	16	<u>407</u>	<u>96</u>
Profit/(loss) on ordinary activities before taxation		814	(161)
Taxation charge	4	(149)	(26)
Profit/(loss) for the financial period		<u><u>665</u></u>	<u><u>(187)</u></u>
Statement of total recognised gains and losses <i>for the year ended 31 March 2007</i>		1 April 2006 to 31 March 2007 £'000	1 Oct 2005 to 31 March 2006 £'000
Profit/(loss) for the financial period		665	(187)
Actuarial gains recognised in the Pension Scheme	16	1,817	559
Taxation effect of movement in actuarial gains		(363)	-
Total recognised gains and losses for the financial period		<u><u>2,119</u></u>	<u><u>372</u></u>

All activities derive from continuing operations

The notes on pages 15 to 29 form an integral part of these financial statements

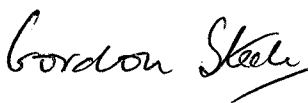
Balance sheet*At 31 March 2007*

		2007	2006
	Notes	£'000	£'000
Fixed Assets			
Tangible assets	5	15,009	15,984
Investment in subsidiary	6	-	-
		15,009	15,984
Current assets			
Stock		178	109
Debtors	7	5,046	3,029
Cash at bank and in hand	14	16,544	12,564
		21,768	15,702
Creditors: amounts falling due within one year	8	(12,054)	(7,562)
Net current assets		9,714	8,140
Total assets less current liabilities		24,722	24,124
Provision for liabilities and charges	9	62	1
Net Pension deficit	16	(536)	(1,994)
Total net assets		24,249	22,131
Financed by			
Share capital	11	22,386	22,386
Profit and loss account	12	1,863	(255)
	13	24,249	22,131

These financial statements were approved by the Board of Directors on 18th July 2007

Signed on the Board's behalf:

G R Steele
Chief Executive



D R Jehan
Chairman



The notes on pages 15 to 29 form an integral part of these financial statements

Cash flow statement*For the year ended 31 March 2007*

		1 April 2006	1 Oct 2005
		to	to
		31 March 2007	31 March 2006
	Notes	£'000	£'000
Net cash flow from operating activities	14	3,451	3,564
Returns on investments and servicing of finance			
Interest received		738	232
Rent received		59	31
Dividend paid		<u>0</u>	<u>(391)</u>
Net cash inflow from returns on investments and servicing of finance		797	(128)
Taxation		(29)	-
Capital expenditure			
Payment to acquire tangible fixed assets		(248)	(156)
Proceeds from sales of tangible fixed assets		<u>9</u>	<u>2</u>
Net cash outflow from capital expenditure		(239)	(154)
Increase in cash	14	<u>3,980</u>	<u>3,282</u>

The notes on pages 15 to 29 form an integral part of these financial statements

Year ended 31 March 2007

Notes to the financial statements

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

These financial statements have been prepared under the historical cost convention, and in accordance with applicable United Kingdom generally accepted accounting principles.

Income

Sales of stamps and the crediting of franking machines are accounted for on a receipts of funds basis. All other income is accounted for on an accruals basis.

Expenses

Postal operations expenses are charged as incurred. No provision is made for any charges which may be incurred in handling or delivering mail in respect of stamps and franking machine credits sold but unused at the balance sheet date.

Deferred Taxation

Provision for deferred taxation is made in full on timing differences which result in an obligation at the balance sheet date to pay tax at a future date, at rates expected to apply when they crystallise based on current tax rates and laws. Deferred tax assets are only recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted. The pension scheme deficit shown in the balance sheet is net of the deferred tax asset.

Pension costs

The amount charged to the profit and loss account is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. Such variations are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated remaining working life of the scheme members. The scheme is funded with assets of the scheme held separately from those of the Company.

The pension scheme is a defined benefit scheme. The cost of providing benefits is determined using the projected unit credit method, with an actuarial valuation being carried out at the balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the profit or loss and presented in the statement of total recognised gains and losses. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit deficit recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

Year ended 31 March 2007

Notes to the financial statements - continued

1. Accounting policies - continued

Dividends

Dividends are accounted for when they become obligations of the Company or when paid.

Stock

The cost of definitive stamps, including the non-value indicator self-stick range, is written off over the expected sales life of each type of stamp, which is unlikely to exceed three years. Commemorative stamp costs are fully written off in the year of issue.

Other stocks are valued at the lower of cost and net realisable value.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is not provided on freehold land, but is provided on other fixed assets and is calculated at the following rates so as to write off the cost of tangible fixed assets over their estimated useful lives using the straight-line method. A full year's depreciation is charged in the year of acquisition

	Estimated life in years	Depreciation % per annum
Freehold land	N/A	Nil
Freehold buildings	30 – 50	2 – 3.3
Furniture and fittings, office equipment and postal machinery	3 – 10	10 – 33.3
Transport	5	20

Investment in subsidiary

Investment in subsidiary is stated at cost. The subsidiary has not been consolidated on the basis that it is dormant, and non-consolidation does not have a material impact on these financial statements.

Notes to the financial statements - continued

2. Loss on ordinary activities before other income

Operating loss is after charging:	1 April 2006 to 31 March 2007 £'000	1 Oct 2005 to 31 March 2006 £'000
Staff costs	10,832	5,213
Auditors remuneration		
Audit Fees	13	11
Other services	6	14
Loss on disposal of fixed assets	169	2
Depreciation	1,046	385

Average full time equivalent employee numbers for the period were as follows:

	1 April 2006 to 31 March 2007	1 Oct 2005 to 31 March 2006
Operational staff including postmen and women, post office counters staff and philatelic production staff	225	230
All other staff	63	61
Total	<u>288</u>	<u>291</u>

3. Interest receivable

	1 April 2006 to 31 March 2007 £'000	1 Oct 2005 to 31 March 2006 £'000
States Treasury	673	222
Other	65	10
	<u>738</u>	<u>232</u>

Notes to the financial statements - continued

4. Taxation

The actual tax charge differs from the expected tax charge computed by applying the standard rate of Guernsey income tax of 20% as follows:

		1 April 2006 to 31 March 2007 £'000	1 Oct 2005 to 31 March 2006 £'000
This provision comprises:	Note		
Current taxation			
Expected tax charge		312	-
Which comprises:			
Current year tax charge		312	0
less: adjustment for prior year		(104)	(17)
		208	(17)
Deferred taxation			
Timing differences:	9	(59)	43
Actual tax charge		149	26

The Company is making full provision for tax, at the standard Guernsey tax rate of 20%, on its current year taxable profits. (2006: the basis of assessment for trading income to Guernsey tax was changing from a prior year basis to a current basis from 2006. The trading profits shown in the accounts are subject to transitional provisions under the Taxes & Duties (Provisional Effect) (Guernsey) Law 1992.)

	1 April 2006 to 31 March 2007 £'000	1 Oct 2005 to 31 March 2006 £'000
Profit/(loss) before tax from the profit and loss statement for the period	814	(161)
Tax at 20%	163	(32)
Effects of adjusting items		
Timing differences	119	32
Profit on disposals of fixed assets	33	-
Net rental income and expenses	(2)	-
Adjustment for pension costs	(1)	-
Prior year adjustment	(104)	-
Current tax charge	208	0
less: adjustment for prior year	-	(17)
Deferred tax - pension deficit	1	-
Deferred tax - losses utilised	81	-
Deferred tax - timing differences	(141)	43
Profit and loss taxation charge	149	26

Notes to the financial statements

5. Tangible fixed assets

	1 April 2006 £'000	Additions £'000	Written off/disposals £'000	31 March 2007 £'000
<i>Cost</i>				
Freehold land	2,505	-	-	2,505
Freehold buildings	12,101	24	-	12,125
Furniture and fittings	111	-	(22)	89
Office equipment	1,003	47	(14)	1,036
Postal machinery	3,064	46	(314)	2,796
Transport	750	132	(159)	723
	<u>19,534</u>	<u>249</u>	<u>(509)</u>	<u>19,274</u>
	1 April 2006 £'000	Charge for the year £'000	Written off/disposals £'000	31 March 2007 £'000
<i>Depreciation</i>				
Freehold land	-	-	-	-
Freehold buildings	867	243	-	1,110
Furniture and fittings	120	1	(22)	99
Office equipment	749	78	(14)	813
Postal machinery	1,345	620	(137)	1,828
Transport	469	104	(158)	415
	<u>3,550</u>	<u>1,046</u>	<u>(331)</u>	<u>4,265</u>
<i>Net book value</i>	<u>15,984</u>			<u>15,009</u>

The Company has reviewed the carrying value of certain items of postal machinery in line with the stance being taken in its claim against the supplier, Siemens. Because the equipment concerned has no economic value to the Company it has been depreciated to a £nil net book value in the financial statements. This equipment had a net book value as at 1 April 2006 of £538,000. The depreciation charge as a result of this impairment assessment amounted to £538,000 consisting of the normal annual depreciation charge of £111,000 and the accelerated depreciation of £427,000. At the balance sheet date the equipment had not been disposed of and this remains the case. The associated capitalised development support costs have been written off reflecting the lack of economic value of the asset to which this development support related. These had a net book value at 1 April 2006 of £177,000.

Notes to the financial statements - continued

6. Investment in subsidiary

	2007 £'000	2006 £'000
Independent Delivery Solutions Limited	-	-

Guernsey Post Limited owns all the share capital, consisting of two fully paid up £1 shares (2006: two fully paid up £1 shares) in Independent Delivery Solutions Limited. This is a dormant company and has never traded.

7. Debtors

	2007 £'000	2006 £'000
Trade debtors	4,847	2,809
Other debtors	101	83
Prepayments and accrued income	98	137
	<u>5,046</u>	<u>3,029</u>

8. Creditors

	2007 £'000	2006 £'000
Amounts falling due within one year		
Trade creditors	10,645	5,715
Other creditors	998	1,438
Accruals and deferred income	202	379
Taxation payable	209	30
	<u>12,054</u>	<u>7,562</u>

Notes to the financial statements - continued

9. Provision for liabilities and charges

	2007 £'000	2006 £'000
This provision comprises:		
Deferred taxation		
As at 1 April (2006: 1 October 2005)	(499)	(542)
Profit and loss account charge	(59)	43
Deferred tax on actuarial gain	363	-
As at 31 March	(195)	(499)

Which comprises:

Unrelieved pension scheme gains & losses	(133)	(498)
Other		
Capital allowances in excess of depreciation	(62)	80
Unrelieved tax loss for tax purposes	-	(81)
	(62)	(1)

10. Contingent assets and liabilities

The Company has made a claim in the German courts against Siemens, the supplier of certain mechanisation equipment, on the basis that the performance specification achievable is not consistent with that defined in the purchase contract. This case is currently progressing through the legal system, having been subject to the assessment of an independent expert, and at the balance sheet date the judgement of the Court is awaited.

The success of the claim cannot be accurately assessed prior to the delivery of the Judge's decision. In the event that the Company was required to pay the statutorily defined legal costs of Siemens this is likely to be around €12,000 (£8,200). This contingency was also the position at 31 March 2006

11. Share capital and reserves

	2007 £'000	2006 £'000
Share capital		

This provision comprises:	<u>22,386</u>	<u>22,386</u>
---------------------------	---------------	---------------

100% of the shares of the Company are owned beneficially by the States of Guernsey

12. Profit and loss reserves

	2007 £'000	2006 £'000
Which comprises:	(255)	(236)
Retained profit / (loss) for the period	665	(187)
Actuarial gain for the period	1,453	559
Dividends paid	-	(391)
As at 31 March	<u>1,863</u>	<u>(255)</u>

13. Reconciliation of movement in shareholders' funds

	2007 £'000	2006 £'000
Shareholder funds at 1 April (2006: 1 October 2005)	22,131	22,150
Profit/(loss) attributable to the shareholders	665	(187)
Dividend paid to shareholders during year	-	(391)
Actuarial gain	<u>1,453</u>	<u>559</u>
Net increase/ (decrease) in shareholder funds	2,118	(19)
Shareholder funds at 31 March	<u>24,249</u>	<u>22,131</u>

Notes to the financial statements - continued

14. Reconciliation of operating loss to net cash inflow from operating activities

	1 April 2006 to 31 March 2007 £'000	1 Oct 2005 to 31 March 2006 £'000
Operating loss	(390)	(520)
Depreciation charges	1,046	385
Net pension scheme service costs	401	265
Loss on disposal of fixed assets	169	2
(Increase) / decrease in stock	(69)	15
(Increase) in debtors	(2,017)	(521)
Increase in creditors	4,311	3,938
Net cash inflow from operating activities	<u>3,451</u>	<u>3,564</u>

Reconciliation of net cash inflow to movement in net funds

	1 April 2006 to 31 March 2007 £'000	1 Oct 2005 to 31 March 2006 £'000
Increase in cash balances	3,980	3,282
Net funds at 1 April	12,564	9,282
Net funds at 31 March	<u>16,544</u>	<u>12,564</u>

15. Capital commitments

Capital commitments for which no provision has been made in these financial statements amounted to £13,000 as at 31st March 2007. These related to the purchase of new photocopier and printing equipment. ((2006 £22,000, various pieces of postal equipment and a vehicle). Since the year end the Company has committed a further £51,000 on capitalised counter automation development.

Notes to the financial statements - continued

16. Pension Fund

Employees of the Company, where they are eligible and have chosen to join, are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme funded by contributions from both employer and employees at rates which are determined periodically on the basis of actuarial advice, and which are calculated to spread the expected costs of benefits payable to employees over the period of these employees' expected service lives. The assets of the scheme are held by the States of Guernsey and the liability to pay out any pension when it is realised lies also with the States. Under the scheme the employees are entitled to retirement benefits of 1/80th of final salary for each year as member of scheme on attainment of a retirement age of 60. Additionally a lump-sum payment is paid based on 3/80th of final salary for each year of employment. The scheme is a funded scheme. The most recent actuarial update of scheme assets and the present value of the defined benefit obligation was carried out at 31 March 2007 by Mrs D Simon, Fellow of the Institute of Actuaries.

The Company has revised its assumptions for the Company's pension scheme members' longevity used in the actuarial calculations. In previous years the assumptions have been based on the historic profile of States employees. However this was considered to be no longer appropriate given the different profile of employee and roles between States departments and those in Guernsey Post. As no statistically valid data is available for the Company's pension scheme members on which to base an appropriate forecast of mortality rates the Company has looked to comparable industries. The pension schemes in place for Royal Mail employees in the UK were considered to be the most comparable. The actuarial mortality assumptions used by the Royal Mail have been applied from the March 2007 actuarial calculation.

	Men aged 60	Women aged 60	Men aged 40	Women aged 40
Longevity adopted by the Company from 2007	85.8	87.4	88	90
Longevity rates used by the Company to 2006	84	87	83.5	86.5

The report by the actuaries on the valuation of the Superannuation Fund at 31 December 2004 indicated that a deficit existed. The employer's contribution rate to the Fund was increased with effect from January 2006 from 9% to 14%. However the employee contribution remained at 6%.

The total amount of superannuation contributions for the 12 months from 1 April 2006 to 31 March 2007 was £885,565 (2006: the 6 months from 1 October 2005 to 31 March 2006 was £355,061). As at 31 March 2007 the amount of contributions due but not paid to the Fund were £82,772 (2006: £80,915).

Summary of key financial assumptions:

	2007	2006	2005	2004
Discount rate	5.4%	4.9%	4.9%	5.5%
Inflation	3.2%	3.0%	2.9%	2.9%
Increases to deferred benefits during deferment	3.2%	3.0%	3.0%	3.0%
Increases to pensions in payment	3.2%	3.0%	3.0%	3.0%
Increases to salaries	4.7%	4.5%	4.4%	4.4%

Notes to the financial statements - continued

16. Pension Fund - continued

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The tables below set out a summary of the estimated market value of the assets as at 31 March 2007 and 2006, 30 September 2005 and 2004 together with the expected return

	Market value		Expected return on Assets
	£'000	%	% pa
31 March 2007			
Equities	17,916	80.7	8.75
Bonds	4,149	18.7	4.90
Cash and net current assets	148	0.6	5.25
Total	22,213	100	7.30
31 March 2006			
Equities	16,199	79.7	8.00
Bonds	3,790	18.7	4.50
Cash and net current assets	332	1.6	4.50
Total	20,321	100	7.3
30 September 2005			
Equities	14,066	78.4	7.25
Bonds	3,611	20.1	4.50
Cash and net current assets	264	1.5	4.50
Total	17,940	100	6.70
30 September 2004			
Equities	11,312	76.5	7.80
Bonds	3,132	21.2	4.90
Cash and net current assets	334	2.3	4.50
Total	14,778	100	7.10

Notes to the financial statements - continued

16. Pension Fund - continued

The fair value of the schemes assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Value of the scheme assets	22,213	20,322	17,941	14,778
Present value of the scheme liabilities	(22,882)	(22,814)	(20,823)	(20,043)
Resulting deficit	(669)	(2,492)	(2,882)	(5,265)
Related deferred tax asset	133	498	576	-
	<u>(536)</u>	<u>(1,994)</u>	<u>(2,306)</u>	<u>(5,265)</u>

Analysis of the amount charged to operating profit

	1 April 2006 to 31 March 2007 £'000	1 Oct 2005 to 31 March 2006 £'000
Current service cost	1,341	588
Past service cost	-	-
Contributions	(940)	(323)
Total operating charge	<u>401</u>	<u>265</u>

Analysis of the amount credited to other finance income

	1 April 2006 to 31 March 2007 £'000	1 Oct 2005 to 31 March 2006 £'000
Expected return on pension scheme assets	1,519	598
Interest on pension scheme liabilities	(1,112)	(503)
Net return	<u>407</u>	<u>95</u>

Notes to the financial statements - continued

16. Pension Fund - continued

Analysis of the amount recognised in the statement of total recognised gains and losses

	1 April 2006 to 31 March 2007 £'000	1 Oct 2005 to 31 March 2006 £'000
Actual return less expected return on pension scheme assets	(571)	1,346
Experience gains and loss arising on the scheme liabilities	1,530	(538)
Changes in assumptions underlying the present value of the scheme liabilities	858	(248)
Actuarial gain recognised in the STRGL	<u>1,817</u>	<u>559</u>

Movement in deficit during the year/period

	1 April 2006 to 31 March 2007 £'000	1 Oct 2005 to 31 March 2006 £'000
Deficit in scheme at beginning of the year/period	(2,492)	(2,882)
Movement in year:		
Current service cost	(1,341)	(588)
Contributions	940	323
Past service costs	-	-
Other finance income	407	96
Actuarial gain/loss	1,817	559
Deficit in scheme at end of the year	<u>(669)</u>	<u>(2,492)</u>

Notes to the financial statements - continued

16. Pension Fund - continued

History of experience gains and losses

	2007	2006	2005	2004	2003
Difference between the actual and expected return on scheme assets:					
Amount (£'000)	(571)	1,346	1,511	97	1,234
Percentage of scheme assets	(3)%	7 %	8 %	1 %	9 %

Experience gains and losses on scheme liabilities:

Amount (£'000)	1,530	(538)	3,384	465	(2,375)
Percentage of the present value of the scheme liabilities	7 %	(2)%	16 %	2 %	(13)%

Total amount recognised in statement of total recognised gains and losses:

Amount (£'000)	1,817	559	2,942	563	(3,053)
Percentage of the present value of the scheme liabilities	8 %	2 %	14 %	3 %	(17)%

Notes to the financial statements - continued

17. Related party transactions

R A Perrot, a director of the Company, is also a partner in Ozannes, a local law firm. Guernsey Post received legal services from Ozannes on a number of issues during the year transacted on an arm's length basis. The charges incurred by the Company payable to Ozannes during the year ended 31 March 2007 were £10,744 (6 months to 31 March 2006: £1,356).

J A Domican, a director of the Company, was a shareholder of Postal & Logistics Consulting Worldwide Limited (PLCWW) until September 2006 a period including part of the current financial year and the preceding six month reporting period. Guernsey Post received consultancy and management services from PLCWW during the year transacted on an arm's length basis. The charges incurred by the Company payable to PLCWW during the year ended 31 March 2007 were £35,945 (6 months to 31 March 2006: nil)

Through the normal course of its business activity the Company both purchases and provides services to its shareholder or entities under the controlling influence of the shareholder body. These entities include States Trading Companies, companies whose equity is wholly owned by the States, States departments and Boards operated by the States. All such transactions have been on an arm's length basis. The total value of the sales for the year ended 31 March 2007 amount to 1.6% of total turnover (6 months to 31 March 2006: 1.9%). The total value of purchases for the year amounted to 2.2% of total expenses (6 months to 31 March 2006: 2.3%).

The States also provides, through its treasury department, management of the Company's liquid funds in excess of short term needs. At 31 March 2007 the balance held was £13,759,141 (2006: £12,085,907).

*APPENDIX VIII***PUBLIC ACCOUNTS COMMITTEE**

2007 ANNUAL REPORT

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

30th July 2007

Dear Sir

In accordance with Resolution XII article V of Billet d'Etat XXIV of 2003, I am pleased to present the Public Accounts Committee's third Annual Report for the year ended 30 April 2007 and the last to be presented during this term of the States of Guernsey.

1 Executive Summary

Over the last twelve months, the Public Accounts Committee (the Committee) has continued to establish itself within the newly constituted States following the Machinery of Government changes in 2004. The Committee has found that there is now a greater understanding of its functions by both States members and public alike and that, by having the same access rights as Internal Audit, it will enable the Committee to operate more efficiently.

As a result of the reviews commissioned and completed, the Committee has identified potential savings and the generation of new sources of income in the order of £6.75m. The Committee has also recommended procedural improvements and some important financial concepts during the year such as corporate governance.

During the year ended 30 April 2007, the Committee has produced:

- its second Annual Report (published as an appendix to Billet d'Etat XIII, 26 July 2006)
- a States Report on the Industry Support Schemes in Guernsey (Billet d'Etat XVI, 27 September 2006)
- an interim report on the Clinical Block

- a report on Sickness Absence in the States of Guernsey (published as an appendix to Billet d'Etat XVIII, 29 November 2006)
- a States Report on Risk Management and Insurance in the States of Guernsey (Billet d'Etat III, 31 January 2007)
- a States Report on the Investigation into the Award of the Clinical Block Contract (Billet d'Etat V, 28 February 2007).

The Committee has also been working on five further reviews which will be presented to the States during the next twelve months and has identified three future reviews as a result of analysing the States Financial Performance for 2006.

The Committee has a vital role to play in Government and, with adequate resources, could provide greater assurance that public funds are being used effectively, efficiently and economically and that value for money is being achieved.

2. The Role of the Public Accounts Committee

The last year was interesting and challenging for the Committee. From a Committee with a low profile, it became involved in one of the most important investigations that the States has seen in recent years.

The Committee, since inception, has been trying to identify potential savings in public funds through the commissioning and evaluation of value for money reviews. These reviews are important and, therefore, time is taken in the gathering of information, producing a report, holding a hearing, and then taking a covering report to the States for debate. In addition, investigations are held into "overspends" on capital projects as and when they arise or are declared. Further details on these reviews can be found in Sections 4 and 5.

In the year 2005/06, the Committee identified savings of £1,383,200. During this last twelve months, the Committee's contribution to the States of Guernsey, in identifying potential savings and generating additional income, was at least £6.75m, which if achieved, would be 25 times the budgeted cost of running the Committee. Unfortunately, it is too early to identify actual savings as a result of the Committee's efforts.

Until now, the Committee has relied on goodwill in accessing documents to carry out its investigations. While the Committee continues to encounter delays in progressing reviews where legal issues are involved, it has encountered its first problem in setting up a review and gaining access to a recipient of public funds. Access has now been permitted.

In June 2007, the States debated a Report which now enables the Committee to have the same powers of access as those given to the States Internal Auditors.

3. Summary of States Financial Performance

In December 2005 (Billet d'Etat XXII 2005), the States supported the Treasury and Resources Department's aim that public sector financial restraint should be the primary objective for the 2006 Budget.

At the time of writing this Annual Report, the Treasury and Resources Department's Interim Report had not been released to the Committee and so the comments are based on the Assistant Chief Accountant's Financial Report on the States Accounts for the year ended 2006.

The Financial Report indicated that income was £325m against a predicted income of £306m and set at £322m for the 2007 budget. The increase in income was attributed to the better than expected income tax receipts.

In the 2006 Budget, the emphasis was to control public sector expenditure. With a budgeted expenditure figure of £297m, actual expenditure was £294.6m some £2.4m lower than predicted, but £3m higher than the previous year's expenditure figure of £291.6m. Therefore, as stated in the Assistant Chief Accountant's report "...the first decrease in real terms for many years and is a marked turnaround in the trend of year on year above inflation increases."¹

Whilst it was reported the majority of Departments reduced their expenditure in total by £9.3m against budgets, Social Insurance and Supplementary Benefits and Health Services were identified as increasing their expenditure by £3m and £2.5m over their budgets respectively².

The Committee is pleased to note that the majority of Departments have taken action to control expenditure and meet the States' objective for 2006 of restraining public sector finance. However, the Committee will be directing future reviews to the two Departments where there were major increases in expenditure – namely Social Security and Health and Social Services.

The Committee has an important role to play in government both to reduce and control expenditure by identifying areas where efficiencies and effectiveness can achieve better value and to bring accountability where it is not being applied.

4. Value for Money Audits

Since May 2006, the Committee has issued six reports, three of which were part of its programme of value for money reviews. The Committee had set a target of six reviews for the past year and this was met.

The National Audit Office (NAO) continued to be the main provider of value for money reviews during the year ended April 2007. In January 2004, the Advisory and Finance

¹ Billet d'Etat XVII, 27 June 2007, page 7 paragraph 5

² Ibid, page 7 paragraph 6

Committee entered into a contract with the NAO to provide four reports, with an option to extend the contract if necessary. The final two reports from the first part of its contract were published during this last year – that of Industry Support Schemes in Guernsey (published in Billet XVI, 2006), and Risk Management and Insurance in the States of Guernsey (published in Billet d’Etat III, 2007).

The States Report on Industry Support Schemes in Guernsey identified an opportunity to save or redirect **some £500,000** from the reappraisal of such support schemes. In addition, potential further savings from other schemes throughout the States may be achieved by reviewing the objectives and procedures followed in the award of grants and other financial support schemes.

The Risk Management and Insurance Report highlighted the progress made since a report on the same subject was issued by the former Audit Commission. The Committee’s Report promoted corporate governance and encouraged efficiencies and effectiveness through the use of risk management processes by Departments and the Policy Council.

In 2005, the Committee had negotiated a further four reviews to be undertaken by the NAO and the first of these, a report on Sickness Absence in the States of Guernsey, was appended to Billet d’Etat XVIII, 2006. The recommendations in respect of sickness absence were positively adopted. The Committee identified that a 10% reduction in current sickness levels could **save £600,000** a year in direct costs.

The Committee had carried out a tender process in early 2006 to find further providers of value for money reviews and, as a result of this work, awarded a contract to the Auditor General for Wales and the Wales Audit Office to look at the operations of Guernsey Water. The Committee has now held a hearing on this review and is in the final stages of preparing its report.

In its 2006 Annual Report, the Committee identified the sources of additional income that had been generated as a result of the research carried out by the NAO on income generation. During 2006/07, the States decided that an additional **net £1.25m** per year be generated and Departments indicated that further fees and charges (in the order of **£2m** net) could also be raised.³

In its report on Fees and Charges⁴, the Treasury and Resources Department listed the increased fees and charges between September 2005 and November 2006 and also identified possible new fees and charges, some of which have since been debated by the States and approved. The Committee was disappointed that the Report did not offer an impact analysis on the possible new fees and charges identified.

Last year, the Committee reported that little action had been taken on implementing its first report on Off-Island Placements. The NAO was commissioned to carry out a follow up in this area and has concluded that it has taken some two years to act on the

³ Billet D’Etat III, 31 January 2007, page 264

⁴ Ibid 1, page 269

recommendations within the report and that potential savings had not yet been achieved. The Committee will comment further when it publishes the report later this year.

The Committee also followed up its report on “Inter-Island Co-operation”⁵, by writing to the Policy Council in April 2006. In the former Chief Minister’s reply of August 2006, it was acknowledged that some progress had been made to encourage greater co-operation between the two Islands. Most Departments had continued to meet at both staff and political level and there was increased determination to work together to achieve efficiencies and economies of scale and to pass initiatives and experience from one island to another. In recent months, there has been further evidence of joint activities. As this is now part of the Government Business Plan, the Committee will no longer monitor progress in this area.

During the last year, third party providers of value for money reviews commissioned by the Committee have been working on the following:

- The Use of Consultants in the States of Guernsey (NAO)
- Review into Guernsey Water (WAO)
- Heritage Assets (NAO)
- Housing Associations (NAO)
- Off-Island Placements Follow Up (NAO)

The Committee’s own work on these reviews was delayed due to other priorities and is now currently working its way through to clear the backlog.

5. Project Reviews

The Committee was unable to complete any reviews on States’ projects with known “overspends” due to the fact that contracts were in the final stages of settlement or arbitration. Any review and report by the Committee may have jeopardised the final contract settlement. The Committee is committed to undertaking investigations into “overspends” – especially on the Airport and New Jetty. However, due to further legal issues outside the Committee’s control, it may be unable to report back to the States during this term of office.

A number of post implementation reviews on completed projects are outstanding and the Committee is waiting to receive these before determining what further action, if any, should be taken. The Committee is concerned by the continual delays in carrying out post implementation reviews and will be discussing ways in improving the situation with the Treasury and Resources Department.

However, one of the most important issues facing the States and the Island was initiated and investigated by the Committee. In September 2006, during a regular informal

⁵ Billet D’Etat II, 23 February 2005, page 263

meeting with the Health and Social Services Department, the Committee was informed that the contract for the proposed clinical block was not awarded to the lowest tender, confirming what the Committee had already learnt from other sources. The Committee carried out a brief investigation involving receipt of the relevant Policy Council minutes and published an interim report of its findings in October 2006, prior to a debate on the awarding of the contract. The Committee had planned to delay the award of the contract (and potentially **save £2.4m**) by placing a Sursis. This would have allowed the Committee to carry out further research into the Clinical Block tendering process. However, in the light of an amendment to be tabled by the Minister of Health and Social Services, the Committee decided not to place its Sursis. The States resolved to support the amendment which directed the Committee to carry out the review but after the contract had been awarded.

To fulfil the States Resolution, the Committee commissioned the Auditor General for Wales and the Wales Audit Office (WAO) to undertake a review into the events leading to the award of the Clinical Block contract. The results of this review were published in January 2007. Although the investigation was carried out by the WAO, the work heavily involved the Committee's staff. As a result, a backlog of work built up which has been listed in the previous section of this report.

The Committee is proud that the whole investigation from start to finish took less than six months to complete and it acknowledges that this would not have been possible without the co-operation of those involved in the process.

The Committee is also pleased to report that the Policy Council has already determined which Committees/Departments should be responsible for implementing the recommendations made by the WAO and has requested the relevant Committee/Department to advise the Policy Council of its conclusions by the end of July. Having reviewed the response, the Policy Council will then formally request implementation in accordance with the States Resolutions.

The Committee will report back to the States on the progress achieved later this year.

6. Operations and Procedures

At the time of writing, the Committee is about to report to the States on its operations and procedures. The Committee is grateful for the advice it has received from senior civil servants and the Law Officers in the preparation of the States Report.

The Committee is of the opinion that the States will need to consider the appointment of an independent person in the role of Auditor General, but has further research to carry out before it can bring proposals to the States.

The States of Guernsey is about to debate a Government Business Plan and the Committee is considering what, if any, its involvement should be in the scrutiny processes within that Plan. The Committee has also provided an Operational Plan for inclusion in the Business Plan.

The Committee also undertook to document its procedures in full by drawing up a business plan including identification of its own risks through SWOT analysis. This helped considerably when progressing the operational plan for the Government Business Plan.

Whenever there has been an opportunity, the Committee has actively been encouraging the States to consider Corporate Governance. In order to be open and transparent, it is important that government adopts the criteria from corporate governance, particularly in the areas of accountability and risk management, and applies these in its operations.

7. Committee Membership

There have been no changes to Committee membership during the past year. The balance between States and non States members has proved to be very successful with a mix of business acumen, financial knowledge, and States experience within the Committee.

A list of members can be found in Appendix I.

8. Committee Resources

This report has focussed on the volume of work that has been achieved during the past year, highlighting potential savings and income of £6.75m - equivalent to some 25 times the cost of running the Committee. Even then, so much more could be achieved for the States in identifying savings if more resources were attributed to the Committee.

The Committee had an establishment of one full time equivalent member of staff, supported by a Junior Executive. In addition, a temporary member of staff was employed under a six month contract from May to November 2006. In December, a supernumerary joined the Committee for three months until she was appointed to a permanent position within another department.

As a result of the shortage of graduates within the Junior Executive Scheme and its successor the Graduate Officer Scheme, the Committee has not been able to replace its Junior Executive at the end of the former incumbent's placement.

The Committee has been supported administratively by the Government Business Unit since October 2004. However, due to its own staff shortages, the Business Unit withdrew its minute-taking resource in February 2007 and the indications are that this resource will not be re-instated.

To give some permanency, cover and experience to support the Committee, a request was made to the Treasury and Resources Department to increase the Committee's establishment. This request was initially denied but, on appeal, the Committee was granted an increase of one member of staff.

However, the Committee is currently still operating with only one permanent member of staff and this will not change until the Autumn when the additional staff member takes up his or her appointment.

The Committee is mandated to ensure that public funds have been applied for the purposes intended by the States and that value for money is achieved. Providing appropriate staff and financial resources to the Committee will help guarantee that aim.

9. Dialogue with Third Parties

During this last year, the work relating to the Clinical Block Investigation took highest priority and many consultations were held at the highest level. But other work did continue some of which was delegated to its four working parties. The following briefly outlines this work:

Scrutiny Committee

The Committee's Chairman and Vice-Chairman regularly meet with their counterparts from the Scrutiny Committee. The Committees have evolved in different ways and the mandated liaison does ensure that both Committees learn from each other and avoid duplication of effort.

Internal Audit

The Internal Audit Unit has continued to present a quarterly update to the Committee's Audit Working Party. These updates identify the progress made on reports and staffing issues and highlight any review areas which may warrant further investigation by the Committee.

The Working Party was concerned that there was an increase in the number of frauds within the States during the past year, with two full investigations (one of which involved the Police) and six instances of potential unsubstantiated fraud. As resources within the States become more stretched, internal controls necessary to safeguard the assets of the States are being reduced or removed. The Internal Audit Unit transfers its staff to work on frauds when they are identified, thus reducing the amount of time directed to checking internal controls.

Continuing staff difficulties in Internal Audit has meant that the actual number of internal audits carried out through the year has been reduced. The Working Party is still concerned by the lack of professionally qualified staff in Audit and, indeed, the number of qualified financial staff leaving the States. These two facts may contribute to poorer control over the way public funds are handled.

External Audit

The Audit Working Party met with the States External Auditors to discuss the audit of

the States Accounts for 31 December 2005 and with the auditors of the Guernsey Financial Services Commission. The Committee is mandated to recommend to the States the appointment of the external auditors and has spent time in ensuring that is carried out in a structured and proper way.

Last year, the Committee successfully placed an amendment to appoint the external auditors for the Office of Utility Regulation and also took over responsibility for appointing the external auditors for Cabernet Limited. The Committee commenced a review on the categorisation of States bodies for which the States of Guernsey would appoint external auditors and it also reviewed the whole process of appointing external auditors.

The Committee, through the Audit Working Party, has tendered for the external auditors of the States and certain other bodies for the next five years.

Auditor General for Wales

The Auditor General for Wales visited the Island on a number of occasions during the year in relation to the reviews carried out by the Wales Audit Office.

Departments

It is the ongoing role of the Committee to establish links with Departmental staff and political representatives. Department representatives have frequently been invited to attend full Committee meetings and, during the year, the Chairman and Vice Chairman have visited seven Ministers and Chief Officers of Departments to discuss their roles and value for money issues.

The Committee will also gather information for their accompanying reports from senior Departmental staff through the holding of hearings or by letter. Co-operation from the relevant parties is very important if the Committee is to fulfil its mandate.

Legal Aid Steering Group

The Committee has had a watching brief on Legal Aid and met with the Chairman and staff to receive an update on progress made.

Government Business Plan Team

The Government Business Plan Team provided an update on its work and discussed the future involvement of the Public Accounts Committee in the scrutiny process. The Committee will be giving this further consideration to this responsibility during the coming year.

Construction Industry Forum

At the request of the Construction Industry Forum, the Contract Review Working Party

met with the Forum to discuss the way in which the States should approach capital projects. This was to complement the advice given to the Working Party from other bodies.

10. The Year Ahead

The indications are that the final year of the current membership of this Committee will be busy in completing reviews already commissioned (Section 4) and those planned (as indicated in Section 3). In addition, there are other reviews or progress reports which have already been approved or may arise during the year as a result of States Resolutions or Requêtees.

In reviewing the various States funds contained within the Assistant Chief Accountants Financial Report to the States Accounts, the Committee noted the varying performances from the invested income of the funds. The Committee plans to review the way in which all States funds are invested and managed to ensure that the maximum returns are achieved from investments.

The Committee is anticipating handing over a successful and established Committee in 2008 that truly plays its part in the future efficiencies and effectiveness of government.

Yours faithfully

Leon Gallienne
Chairman

Appendix 1**PUBLIC ACCOUNTS COMMITTEE****MEMBERSHIP****Full Committee**

Deputy Leon Gallienne (Chairman)
Deputy Chris Brock (Vice-Chairman)
Deputy Brian Gabriel
Deputy Scott Ogier
Deputy Jenny Tasker
Mr Michael Best
Mr Chris Bradshaw
Mr Eifion Thomas
Mr Tony Wills

Contract Review Working Party

Deputy Jenny Tasker (Chairman)
Deputy Brian Gabriel
Mr Michael Best

Public Trading Operations Working Party

Deputy Chris Brock (Chairman)
Deputy Scott Ogier
Mr Chris Bradshaw

Audit Working Party

Deputy Leon Gallienne (Chairman)
Mr Eifion Thomas
Mr Tony Wills

Procedure Working Party

Mr Chris Bradshaw (Chairman)
Deputy Leon Gallienne
Deputy Jenny Tasker

Appendix 2**Visitors to PAC Full Committee**

Visitors have included:

- Chief Executive, States of Guernsey
- Auditor General for Wales
- Engagement Director and Performance Manager, Wales Audit Office
- Head of Technical Unit and Head of Knowledge Management, Wales Audit Office
- NAO Director
- Assistant Purchasing Co-ordinator, Treasury and Resources Department
- States Treasurer
- Director of IT, Treasury and Resources Department
- Chairman, Legal Aid Steering Group, Administrative and Legislative Co-ordinator, Home Department and the Government Affairs Officer, Policy Council
- Government Business Plan team
 - Deputy Stuart Falla MBE
 - Deputy Geoff Mahy
 - Deputy Jean Pritchard
 - Strategic Advisor, Policy Development, Policy Council
- Director and Senior Manager, PricewaterhouseCoopers
- Chief Officer and Assistant Chief Accountant, Treasury and Resources Department

In addition a hearing was held on Sickness Absence involving:

- Chief Executive, States of Guernsey
- Head of Human Resources, Policy Council
- Chief Officer, Culture and Leisure Department
- Chief Officer, Environment Department

A hearing was also held on Guernsey Water:

- Chief Officer, Public Services Department
- Deputy Chief Officer, Public Services Department
- Director of Water Services, Guernsey Water

Appendix 3**Visitors to PAC Working Parties****Visitors to the Contract Review Working Party:**

- Director of States Property Services, Treasury and Resources Department
- Four members of the Construction Industry Forum
- Strategic Property Advisor, Treasury and Resources Department

Visitors to the Public Trading Operations Working Party:

- Engagement Director and Performance Manager, Wales Audit Office
- Head of Technical Unit and Head of Knowledge Management, Wales Audit Office

Visitors to the Audit Working Party:

- Audit Manager, Audit and Assurance Unit, Treasury and Resources Department
- Lead Director and Staff, KPMG (Channel Islands) Limited
- Director and Staff, PricewaterhouseCoopers LLP
- Director and Staff, Deloitte and Touche LLP
- NAO Director
- States Treasurer and Assistant States Treasurer
- Assistant Chief Accountant (formerly Assistant States Treasurer)

Visitors to the Procedure Working Party

- Chief Executive, States of Guernsey
- Former Senior Advisor, Policy Council

APPENDIX IX

PUBLIC SECTOR REMUNERATION COMMITTEE

**ESTABLISHED STAFF OF THE STATES OF GUERNSEY -
THE SALARY MINIMA & MAXIMA OF THE GENERAL GRADES**

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

8th August 2007

Dear Sir

In accordance with States Resolution XXXVI of 28 October 1987, as amended, I have the honour to enclose, for publication as an Appendix to a Billet d'Etat, details of the salary minima and maxima of the Established Staff general grades applying from 1 May 2007. The number of staff in each grade is also detailed.

Yours faithfully

J P Le Tocq
Chairman

ESTABLISHED STAFF OF THE STATES OF GUERNSEY
The Salary Minima & Maxima of the General Grades

	At 1.05.07 £	
Senior Officer 12	107586/121303	} Note 1
Senior Officer 11	98321/110857	
Senior Officer 10	89860/101315	
Senior Officer 9	82128/92594	
Senior Officer 8	75056/84629	
Senior Officer 7	68601/77343	
Senior Officer 6	62695/70693	
Senior Officer 5	57297/64607	
Senior Officer 4	52364/59043	
Senior Officer 3	47858/53960	
Senior Officer 2	43739/49315	} Note 2
Senior Officer 1	39972/45072	
Executive Grade V	37813/39948	
Executive Grade IV	34827/36791	
Executive Grade III	31715/33791	
Executive Grade II	28631/30651	} Note 3
Executive Grade I	25484/27539	
Administrative Assistant 2	21084/24027	
Administrative Assistant 1	16182/20592	} Note 4
Clerical Assistant	12701/16182	
Personal Assistant 2	28096/31122	
Personal Assistant 1	24571/27158	
Typist C	21820/23801	
Typist B	15154/21820	} Note 5
Typist A	12768/18587	
Other Grades	10533/38825	

NOTES:

There are 1844 Established Staff in total on the general grades. (All establishment figures are as at 31 January 2007.)

1. There are 317 staff (17% of total) on the Senior Officer grades.
2. There are 863 staff (47% of total) on the Executive Grades.
3. There are 358 staff (19% of total) on the Administrative Assistant, Clerical Assistant and equivalent grades
4. There are 106 staff (6% of total) on the Personal Assistant and Typist grades.
5. There are 200 staff (11% of total) on other grades i.e. Non-Standard, Miscellaneous, Home Staff, School Administration Assistant whose salaries broadly span Clerical Assistant to Executive Grade V.

Guernsey Retail Prices Index¹⁴⁹

Quarter 2 - 30 June 2007



POLICY COUNCIL
THE STATES OF GUERNSEY

Issue Date - 18 July 2007

Introduction

The Guernsey Retail Prices Index (GRPI) is the measure of inflation used in Guernsey. It measures the change in the prices of goods and services bought for the purpose of consumption or use by households in Guernsey. It is published quarterly by the States of Guernsey Policy and Research Unit. The calculation of the GRPI is based on the price change of items within a 'shopping basket'. Whilst some prices rise over time, others will fall or fluctuate and the Index represents the average change in these prices. *This is an abridged version of the RPI handout, produced for publication in the Billet. The full version is available for download on www.gov.gg/pru.*

Headlines

- At the end of June 2007 Guernsey's annual rate of inflation was **4.7%**. This is slightly lower than the figure at the end of March 2007, which was 4.8%. The equivalent figure for the UK was 4.4%. The Jersey figure was 4.3%.
- Guernsey's RPIX (inflation excluding mortgage interest payments) remained the same as last quarter at **3.1%**
- The **Housing** group, which has the largest weight within the Index, contributed **2.6%** of the overall increase, compared to 2.8% last quarter.
- The Index increased to **134.1** (1999 base).

Overview

The Guernsey RPI increased by 4.7% for all items ending 30th June 2007.

The Housing group continued to be the largest contributor to the RPI at 2.6% out of the overall figure. The continuing rise in this group is mainly due to the increasing cost of servicing a mortgage. This is a result of the combined effects of rising average house prices and interest rates, with another increase set by the Bank of England during the quarter.

The next highest contributors were Food, at 0.6%, followed by Alcohol and Food Away from home, which both contributed 0.4%. Personal Goods and Leisure Services groups contributed 0.3% and 0.2% respectively.

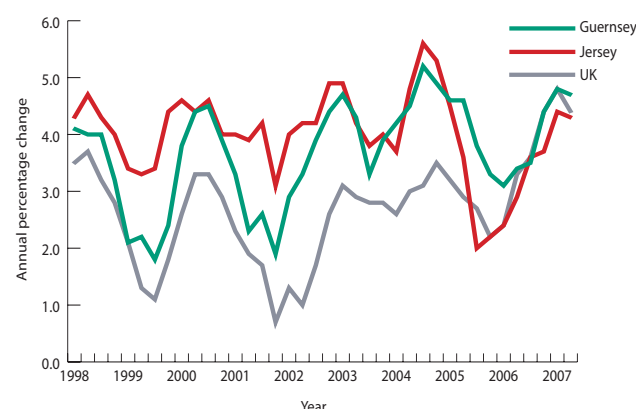
The Clothing and Footwear group was the only group to have a downward effect on the Index during the quarter, contributing -0.3%.

The RPI has decreased slightly this quarter (0.1% less than March 2007) following its rise from a 5 year low of 3.1% in March 2006.

Table 1: Annual Rates of Inflation

Year	March	June	September	December
2002	2.9	3.3	3.9	4.4
2003	4.7	4.3	3.3	3.9
2004	4.2	4.5	5.2	4.9
2005	4.6	4.6	3.8	3.3
2006	3.1	3.4	3.5	4.4
2007	4.8	4.7		

Figure 1: Annual Rates of Inflation



2008 GENERAL ELECTION**Members of the States:**

1. It may assist the Members of the States and other interested persons to have early notice of the likely timetable relating to the General Election and meetings of the States during March, April and May 2008. The date of the election of People's Deputies is subject to the States approving the draft Ordinance of the States entitled "The General Election Ordinance 2007".
2. The terms of office of the People's Deputies will expire on the 30th April, 2008.
3. The following timetable will apply in respect of the General Election of People's Deputies:
 - Nominations open Monday, 17th March
 - Nominations close Wednesday, 26th March
 - Election Wednesday, 23rd April.
4. The successful candidates will take the oath of allegiance and be sworn as Members of the States at a special sitting of the Royal Court which will be held immediately before the first meeting of the newly-elected States on Thursday, 1st May, 2008.
5. It is considered inappropriate (other than in an emergency) for States meetings to be held after nominations have opened. The last meeting before the General Election will, therefore, be held on Wednesday, 12th March, 2008 (continuing on the 13th and 14th March, if necessary).
6. I propose that meetings of the States should be held in May, 2008 as follows:
 - Thursday, 1st May: for the election of the Chief Minister;
 - Tuesday, 6th May: for the election of Ministers, the Deputy Chief Minister and Chairmen of States Committees;
 - Thursday, 8th May: for all other elections and urgent business which may have arisen since the March meeting of the States;

- Wednesday, 28th May: normal States meeting.

G. R. ROWLAND
Bailiff and Presiding Officer

The Royal Court House
Guernsey
16th August 2007