



BILLET D'ÉTAT

TUESDAY, 27th OCTOBER, 2009

XXVII
2009

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B I L L E T D ' É T A T

TO THE MEMBERS OF THE STATES OF THE ISLAND OF GUERNSEY

I have the honour to inform you that a Meeting of the States of Deliberation will be held at **THE ROYAL COURT HOUSE, on TUESDAY, the 27th OCTOBER, 2009,** immediately after the meetings already convened for that day, to consider the items contained in this Billet d'État which have been submitted for debate.

G. R. ROWLAND
Bailiff and Presiding Officer

The Royal Court House
Guernsey
9 October 2009

PROJET DE LOI

entitled

**THE INCOME TAX (GUERNSEY)
(AMENDMENT) LAW, 2009**

The States are asked to decide:-

I.- Whether they are of the opinion:-

- (1) To approve the Projet de Loi entitled “The Income Tax (Guernsey) (Amendment) Law, 2009” and to authorise the Bailiff to present a most humble petition to Her Majesty in Council praying for Her Royal Sanction thereto.
- (2) Considering it expedient in the public interest so to do, to declare that the said Projet de Loi shall have effect, from the date of this Resolution, under and subject to the provisions of the Taxes and Duties (Provisional Effect) (Guernsey) Law, 1992, and in accordance with the provisions of subsections (2) to (10) of clause 33 of the said Projet de Loi, as if it were a Law sanctioned by Her Majesty in Council and registered on the records of the Island of Guernsey.

PROJET DE LOI

entitled

**THE AIR TRANSPORT LICENSING (GUERNSEY)
(AMENDMENT) LAW, 2009**

The States are asked to decide:-

II.- Whether they are of the opinion to approve the Projet de Loi entitled “The Air Transport Licensing (Guernsey) (Amendment) Law, 2009” and to authorise the Bailiff to present a most humble petition to Her Majesty in Council praying for Her Royal Sanction thereto.

**THE PRISON ADMINISTRATION (ALCOHOL AND DRUG TESTING)
(AMENDMENT) ORDINANCE, 2009**

The States are asked to decide:-

III.- Whether they are of the opinion to approve the draft Ordinance entitled “The Prison Administration (Alcohol and Drug Testing) (Amendment) Ordinance, 2009” and to direct that the same shall have effect as an Ordinance of the States.

**THE EMPLOYERS' LIABILITY (COMPULSORY INSURANCE)
(EXEMPTIONS) ORDINANCE, 2009**

The States are asked to decide:-

IV.- Whether they are of the opinion to approve the draft Ordinance entitled “The Employers’ Liability (Compulsory Insurance) (Exemptions) Ordinance, 2009” and to direct that the same shall have effect as an Ordinance of the States.

**THE ROAD TRAFFIC (DRINK DRIVING) (GUERNSEY)
(AMENDMENT) LAW, 2006 (COMMENCEMENT) ORDINANCE, 2009**

The States are asked to decide:-

V.- Whether they are of the opinion to approve the draft Ordinance entitled “The Road Traffic (Drink Driving) (Guernsey) (Amendment) Law, 2006 (Commencement) Ordinance, 2009” and to direct that the same shall have effect as an Ordinance of the States.

**THE SARK GENERAL PURPOSES AND FINANCE COMMITTEE
(TRANSFER OF FUNCTIONS) (GUERNSEY) ORDINANCE, 2009**

The States are asked to decide:-

VI.- Whether they are of the opinion to approve the draft Ordinance entitled “The Sark General Purposes and Finance Committee (Transfer of Functions) (Guernsey) Ordinance, 2009” and to direct that the same shall have effect as an Ordinance of the States.

HOUSING DEPARTMENT

REVIEW OF THE RENT AND REBATE SCHEME

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

24th August 2009

Dear Sir

EXECUTIVE SUMMARY

1. The Department manages 1811 units of social housing, from bedsits to bungalows, maisonettes to terraced houses. Attached to each of these units is one of a range of standard weekly rents, reflecting the wide variety of accommodation.
2. Tenants who cannot afford to pay the full standard weekly rent can apply for help under the Department's Rent Rebate Scheme. A rent rebate is essentially a benefit payment, except that instead of giving tenants extra money to pay their rent the Department charges them a lesser amount. The value of the rebate equals the amount by which the standard weekly rent is reduced.
3. In November 2004 (Billet d'Etat XX), as part of a package of proposals by which a new Rent and Rebate Scheme was introduced, the States approved a formula devised by the Housing Department that would be used to calculate a number of standard weekly rents to apply to the Department's wide range of property types. In approving the formula, the States also directed the Department to '*carry out a fundamental review of the Rent and Rebate Scheme every five years and report the outcome of such reviews to the States*'.
4. The Department has now completed the first five-year review. It is satisfied that the 2004 rent-setting formula remains fundamentally fit for purpose, subject to some limited refinements, and recommends that the same formula be used to determine rents for 2010 and beyond.
5. It is important to note that, of itself, the formula does not take account of tenants' ability to **afford** the rents in question; nor does it aspire to reflect rents charged in the private rental sector. Because the Department does not set out to profit from its social housing, the rents that it needs to charge are less

(sometimes substantially less) than those charged for property of equivalent size and quality in the private sector.

6. However, the existence of a means-tested rebate scheme does ensure that tenants are not expected to pay more than they can reasonably afford, regardless of the level at which standard weekly rents are set. In essence, the rent-setting formula produces a set of 'ideal' rents and the rebate scheme scales them down to make them affordable to individual tenants. This is why the rent-setting formula is able to ignore any concept of affordability: the rebate scheme takes care of it.
7. As detailed in this Report, the intention is for the Rent Rebate Scheme to be subsumed into the Supplementary Benefit Scheme (or its successor) within the next few years, dependent on the Social Security Department being prepared to assume responsibility for assisting low-income tenants with the payment of rent. For this reason the Department does not intend changing the fundamental structure of the Rent Rebate Scheme, other than to recommend that non-dependant charges relating to young single working adults are increased to better reflect the value, to them, of the accommodation.
8. It should be noted that if all tenants were able to pay the 2010 rents in full, the Department would collect approximately £16.95m in 2010. In reality, because 97% of tenants will be in receipt of (or eligible to claim) a rent rebate, the Department anticipates collecting actual rental income of approximately £7.77m; and while this would be £93,500 more than in 2009, it would still fall some £9.1m short of the necessary amount. When the value of rebates paid to Guernsey Housing Association tenants is taken into account, this deficit increases to £9.86m.
9. At the time of writing, the Housing Department is awaiting notification from the Treasury and Resources Department of the level of the recommended allocation to the Corporate Housing Programme Fund in 2010 to meet this deficit, albeit the expectation is that it will be at least £8m (this being the allocation agreed by the States for 2009).
10. Finally, the States are asked to rescind their previous resolution directing the Department to carry out a fundamental review of the rent and rebate system every five years, in favour of the Department being obliged to report to the States only if it proposes significant changes to either the rent-setting formula or the rules for the assessment of a rent rebate.

RENT SETTING FOR STATES' HOUSING

11. Setting social housing rents and maintaining them over extended periods has always been challenging on account of the inherent tensions between: (a) the need to charge social housing tenants a rent they can afford; (b) the need to raise income sufficient to cover the cost of maintaining properties and managing tenancies; and (c) the need to ensure, as far as possible, that social housing rents

do not trail so far behind their private rental sector equivalents that tenants are unfairly advantaged and dissuaded from ever leaving States' housing. It will be noted that points (a) and (c) pull in opposite directions.

12. After the end of the Second World War the then Housing Authority sought to apply 'affordable' rent levels. In practice, this meant a system of unusually low rents and nominal surcharges – the rationale being that the lower the rent, the greater chance of it being affordable.
13. The introduction of the Rent Rebate Scheme in 1972 allowed the Authority to increase standard weekly rents, but it proved difficult to set rents that were both affordable and within reach of rapidly increasing private sector rents. During the years that followed, for want of a more appropriate mechanism, the Authority tended to use the Retail Prices Index as a basis for the annual rent increase.
14. By 2003 States house rents were so low that they represented only a fraction of the true cost of social housing provision, and tenants - even those who were not claiming a rent rebate – were enjoying a large subsidy whether they needed one or not. Twenty years of undercharging had led to:
 - An increase in demand for States' housing;
 - Tenants whose children had moved out choosing to remain in large properties, there being no financial incentive to downsize; and
 - Higher-earning tenants choosing not to move into the private sector on the grounds that it would involve a significant increase in rent.
15. All of the above not only led to an inefficient use of the Department's housing stock, but hid the true cost of providing social housing. Combined with the lack of subsidised housing in the private sector, the Department's excessively cheap rents served to distort the local housing market.
16. To begin to address these issues, in March 2003 (Billet d'Etat IV) the Housing Authority presented to the States, in the form of a 'green paper', a comprehensive review of its Rent and Rebate Scheme. The Authority was of the view that any rent-setting mechanism should be transparent, and that its effectiveness should be judged according to the extent to which the rents that it generated:
 - Reflected the true cost of providing social housing;
 - Encouraged tenants who were under-occupying to move to smaller, cheaper properties;
 - Enabled higher-earning tenants to move into private rental sector accommodation; and

- Were not excessively cheaper than rents charged in the local private rental sector for accommodation of a similar size and quality.

17. Having reviewed the matter, the Department believes that it remains relevant to have regard to these criteria when judging the appropriateness of the rents for its accommodation.

- **The rent-setting mechanism should be transparent**

The rent-setting mechanism is a mathematical formula that was approved by the States in 2004. By each year determining rents according to a set formula, the Department has introduced objectivity to a process that, before that date, paid little attention to the operation of the local housing market nor provided sufficient monies to enable the Department to meet its financial and other obligations as a social landlord.

- **Rents should reflect the true cost of providing social housing**

The rent-setting formula is predicated on the notion that rental income should, at the very least, be sufficient to make provision to cover the annual and future cost of managing, maintaining and rebuilding the Department's housing stock.

- **Rents should encourage tenants who are under-occupying to move to smaller, cheaper properties; and**
- **Enable higher earning tenants to move into private rental sector accommodation**

These criteria have become less relevant now that the Department's tenancy review policy is being implemented, as tenants who under-occupy or who earn in excess of the relevant income threshold can be required respectively to downsize or to leave States' accommodation. Rent levels no longer play such a significant role in tenant decision-making; however, it remains important that, in line with the following criteria, they are set at levels not too distant from rents for equivalent properties in the private rental sector.

- **Rents should have some regard to the level of rents charged in the local private rental sector for accommodation of a similar size and quality**

While the Department is cognisant of levels of rent in the private sector, standard weekly rents generated by the application of the formula cannot be adjusted to take account of private sector rents without deviating from the rent-setting process endorsed by the States in 2004.

However, over the past five years, comparisons between private sector rents and social housing rents made at the time of calculating the latter have led the Department to conclude that the difference in rents is not so significant as to dissuade or make it impossible for tenants to migrate to properties in the private rented sector, thereby freeing up States' housing for more needy people on the waiting list.

It is also important to note, in this regard, that if social housing rents had been significantly lower than rents charged for equivalent properties in the private sector, tenants in States' accommodation would be advantaged to an unreasonable extent compared with their private sector counterparts.

AFFORDABILITY

18. The concept of 'affordability' is deliberately absent from the five criteria quoted above, because the concomitant Rent Rebate Scheme ensures that standard weekly rents are reduced in accordance with individual tenants' ability to pay them.
19. The existence of a means-tested rebate scheme ensures that tenants are not expected to pay more than they can reasonably afford, regardless of the level at which standard weekly rents are set. In essence, the rent-setting formula produces a set of 'ideal' rents and the rebate scheme scales them down to make them affordable to individual tenants. This is why the rent-setting formula is able to ignore any concept of affordability: the rebate scheme takes care of it.

THE RENT-SETTING FORMULA

20. The central purpose of social housing rents is to generate enough income to cover the cost of maintaining, managing and, in time, rebuilding the States' housing stock.
21. The rent-setting formula agreed by the States in 2004 enables the Department to take the following into account when setting standard weekly rents:
 - The reinstatement value of the Department's stock;
 - The cost of carrying out minor property repairs;
 - The cost of carrying out major repairs;
 - Administration expenses; and
 - The number of void (empty) properties.

22. The rent setting formula is expressed as follows:

$$\text{Standard weekly rent} = \frac{(A+B+C+D) \times V}{52}$$

Where: A = 2% of the reinstatement valuation
 B = A share of the annual administration costs
 C = A share of the annual minor property repair costs
 D = Major repairs element equivalent to 1.2% of the reinstatement value
 V = Voids element applicable at any one time

23. Although elements A and D are expressed as set percentages (2% and 1.2% respectively), their actual value changes every year to reflect changes in reinstatement valuations and the budgeted cost of major repairs. As things stand, the values assigned to elements B and C (administration and minor repair costs) are calculated with reference to the Department's budget for the current year as opposed to the year to which the resultant rents will relate.
24. However, as a result of this review, the Department has concluded that the rent-setting formula will produce more meaningful results if the elements within it are assigned values that reflect actual budgeted amounts relating to the year of charge, rather than the year in which the calculations are taking place.
25. Taking this change into account, each element of the rent-setting formula is now considered in turn.

Reinstatement valuation

26. The component within the rent-setting formula that has the greatest influence on the final rent figure relates to a property's reinstatement value.
27. When calculating the cost of providing social housing it is necessary to take account of the need eventually to replace the property in question. The reinstatement cost of a property is the cost of rebuilding that property using modern materials and following modern practices, and providing up-to-date facilities in the process.
28. The rent-setting formula has always used 2% of the reinstatement value, this amount representing the capital contribution required over a fifty-year period (the theoretical life span of an average unit of the Department's accommodation) to provide sufficient funds to rebuild the dwelling completely¹.

¹ Although housing associations are now responsible for providing all new social housing, the States' funding for those projects is provided through Corporate Housing Programme funds, whose income sources are rents payable by the Department's tenants and the annual allocation from the States in lieu of income foregone through rent rebates. It is thus entirely appropriate that reinstatement values remain the core element of the rent-setting formula.

29. The Department's properties were valued as part of a comprehensive stock condition survey undertaken in 2000. These valuations have since been adjusted on several occasions as part of the annual rent setting exercise. In the 2004 States Report that described the new rent and rebate arrangements, the Department said that the reinstatement values at the core of the rent-setting formula would be kept up to date by increasing them in line with Tender Price Inflation (TPI).
30. In the same year, the Commerce and Employment Department and advisors from Sheffield Hallam University determined that Guernsey's TPI had increased by 79% since the stock condition survey four years earlier. In proposing the new rent-setting formula the Housing Department were mindful of the fact that similar increases would have a deleterious effect on rent levels, and considered inserting a 'smoothing process' into the formula that would mitigate the effects of any major fluctuations in TPI. The idea was ultimately dismissed on the grounds that it was impossible to predict accurately future TPI percentages.
31. Since 2004, the Department has inflated the original reinstatement valuation data on an annual basis using TPI information supplied by local Quantity Surveyors.
32. However, conscious that this was a less than ideal methodology, and of the fact that the original valuation data was now almost a decade old, the Department as part of this major review decided to obtain new reinstatement valuations in respect of all its stock.
33. To that end, the Department commissioned States Property Services to carry out a reinstatement valuation exercise. Quantity Surveyors employed by the States thus sampled 63 units of social housing – being representative of the total stock – and produced reinstatement data that was then adjusted to take account of local build costs².
34. The exercise was not particularly labour-intensive and so can easily be repeated every year, removing any dependence on TPI or other inflationary tools, and removing altogether the risk of the key element in the rent-setting formula losing its real value.
35. The Department considers the above exercise to have been a resounding success. The data was collected quickly and at considerably less cost than would have been the case had the work been undertaken by Quantity Surveyors outside the States; and there is now a procedure in place whereby critical data can be collected reliably, at speed and in a manner that can be repeated year-on-year.

² It is widely recognised that Guernsey has a higher cost of living than the UK, and this variation in prices is particularly apparent in the building industry. There are only a very limited number of materials that can be sourced locally, and so many heavy, bulky or delicate goods have to be imported. Local transport restrictions and higher labour costs also have an impact on construction rates.

Reinstatement period

36. In addition to devising a way in which reinstatement costs can be calculated afresh on an annual basis, the Department now proposes to increase the reinstatement period to which these costs relate.
37. In 2004 the Department proposed a reinstatement period of 50 years, this being the theoretical lifespan of an average unit of States' housing. However, in view of the extensive modernisation work that has been carried out in recent years, and the demolition or planned demolition of its most aged and unsuitable stock, the Department would now expect its properties to have an average life span of 60 years. (The Homes and Communities Agency expects social housing in the UK to have similar lifespan.)
38. The effect of increasing the reinstatement valuation period is to exert downward pressure on rents, as it extends the period over which the income necessary to rebuild properties needs to be collected.

Administration charge

39. The annual administration charge reflects the cost of managing 1811 units of social housing, i.e. managing the maintenance and modernisation of States' housing, allocating properties, dealing with tenancy issues, collecting rents and so on. All staffing costs associated with the management of social housing are thus included under this heading.
40. Ordinarily, the Department calculates this charge by dividing the non-maintenance related costs by the total number of units of accommodation that it is managing at that time. This year, in keeping with the Department's desire to calculate rents with reference to information relevant to the year in which they will be applied, the administration charge will be based on budgeted costs for 2010.

Minor and major repairs charges

41. The current rent-setting formula contains separate elements relating to minor and major repairs. For accounting purposes, the Department classes as minor any repairs costing less than £1,000. The total annual cost of minor repairs is divided by the number of units of social housing, and the result is used in the rent-setting formula.
42. The major repairs element, meanwhile, relates to:
 - maintenance costs in excess of £1,000;
 - ongoing or 'programmed' maintenance costs (i.e. replacing or upgrading windows, roofs, bathrooms, kitchens etc); and

- modernisation costs (large-scale investment projects involving extensive work to improve the fabric of multiple properties).
43. All of the foregoing is essential if the Department is to keep properties in good condition and make them as energy efficient as possible.
 44. The major repairs element is set at 60% of the reinstatement valuation spread over 50 years, equating to a contribution of 1.2% of the reinstatement valuation per annum. Extending the reinstatement period for the reasons described above will reduce this last figure to 1%, which in turn adds further downward pressure on rents.
 45. Separating minor and major repairs within the formula is necessary because of the need to calculate each of the elements in different ways. Whereas the Department expects the overall cost of minor repairs to be remain constant, when it comes to major repairs there is a possibility that, depending on the nature and the scale of work involved, and the scheduling of that work, expenditure will in some years be greater than others. An unusually expensive year would thus push rents up, whereas a year without, or with lesser, major modernisation work would pull them down again. The Department wants to avoid such annual fluctuations.
 46. Notwithstanding the foregoing, the Department has decided that these two elements of the formula need to be rebalanced for the following reasons:
 - To address the fact that the £1,000 threshold that differentiates minor and major repairs can be somewhat arbitrary and can hide the true cost of carrying out the type of repairs that are necessary on an ongoing basis;
 - To reflect the fact that ‘programmed’ maintenance costs are likely to remain relatively constant year-on-year;
 - To take account of the fact that large-scale modernisation work involving large numbers of properties over several years, will be necessary relatively infrequently.
 47. Thus, in order for rents to reflect better the true cost of providing social housing, the Department intends to re-class as ‘minor’ all property maintenance costs that do not relate to modernisation work. This element will be renamed ‘regular maintenance expenses’ and will be based on budgeted costs relating to the year of charge.
 48. For the purposes of calculating the 2009 rents, the minor repairs element was given a value of £520; for 2010 the equivalent value is £1,988, representing an increase to that specific element of the formula of 282%.

49. While the ‘regular maintenance expenses’ element is not given a heavy weighting within the formula, it is nevertheless fair to say that this rebalancing exercise has contributed to an increase in standard weekly rents that is larger than would otherwise have been the case. However, within the context of the overall changes proposed, this effect is justified and proper.

Voids charge

50. A voids charge takes into account rental income lost as a result of tenants vacating properties because they have left States’ accommodation or have transferred from one States’ property to another.
51. After a tenant has moved the opportunity is taken to carry out whatever renovation work is necessary before the property is re-let. The nature of the renovation can vary from minor decoration to major works including re-wiring, new kitchens and bathrooms, etc.
52. At any one time, a number of the Department’s properties are unoccupied due to the above process and, as a result, no rental income is collected from these properties. The rent formula takes account of this loss of income by increasing the overall amount of rent payable.

OVERALL EFFECTS OF CHANGES TO THE RENT-SETTING FORMULA

53. Taken together, the above changes, if approved, will result in a 5.86% increase in standard weekly rents, to take effect from January 2010.
54. **Appendix 1** compares the proposed rents with their 2009 equivalents. It must be noted that the process of recalculating reinstatement values created a set of 22 new rents. These new rents are different – in some cases substantially different – from their 2009 equivalents even before the application of the 5.86% increase.
55. It will be noted that in a few exceptional cases, as a result of the more accurate way of determining reinstatement values, the standard weekly rent attached to a property has actually decreased.
56. The Department considers this consolidation exercise to be necessary for the sake of transparency and simplicity; and in any case, the few minor reductions in standard weekly rents are more than compensated for by increases elsewhere.
57. Where rental values have increased, it is important to note that – as in all the years since the new Rent and Rebate Scheme was introduced in 2004 – only a minority of tenants will be expected to pay the full amount, with a very significant and growing majority being eligible to claim a rent rebate and pay a

reduced rent based on their financial circumstances³.

58. However, in a very small number of cases, where a tenant is able to pay the full standard rent for their property and the increase in that rent based on the new valuation is disproportionately high, the effect of that increase will be mitigated by the Chief Officer of the Department using his discretionary power by Regulation to award that tenant a rent rebate, for whatever term he deems appropriate, to enable them to adjust their finances appropriately.
59. Specific examples of how tenants would be affected by the proposed changes are referred to below and in **Appendix 2**.

THE FUTURE OF THE RENT REBATE SCHEME

60. Regardless of the way in which standard weekly rents are calculated, tenants who cannot afford to pay them can apply for a rebated rent. Tenants in receipt of a rebate will be charged a rent that is the equivalent of between 14% and 25% of their household income: the less well off the tenant, the lower the percentage. As a tenant's income increases, so does the percentage of their income that they are expected to spend on rent.
61. A rent rebate is effectively a means-tested benefit. The majority of other means-tested benefits – principally supplementary benefit – are administered by the Social Security Department.
62. In the most recent update on the Corporate Housing Programme (Billet d'Etat XVIII) the Housing Department reported in December 2008 that it was working closely with the Social Security Department to examine the future of the Rent and Rebate Scheme; in particular, the interaction of rent rebates and supplementary benefit, and the impact of the benefit limitation on public and private sector rents.
63. This review is ongoing; although the Social Security Department has agreed, in principle - and subject to States' approval - to assume responsibility for assisting low income tenants with the cost of social housing rents, thereby negating the need for a separate Rent Rebate Scheme. However, additional work needs to take place to determine the impact that any changes would have on tenants.
64. Furthermore, the Social Security Department has decided to carry out this additional work as part of a broader review of the provision of welfare benefits in Guernsey and Alderney – a review that is likely to result in a more integrated welfare system.

³ At the time of writing, only 13% of tenants pay the full standard weekly rent, with the remainder claiming a rebate. In 2010, if every tenant who is eligible for a rebate exercised their right to claim one, only 3.8% (69) would be expected to pay their rent in full.

65. As a result, the Social Security Department estimates that it will be at least 2012 before new a welfare system is in place. It is therefore expected that the Housing Department will continue to administer rent rebates for at least another two years.
66. With this in mind, the Department intends to make no major changes to the Rebate Scheme pending the proposed transfer of responsibility, other than, where possible, to align the two systems more closely to make the proposed transition as smooth as possible.

NON-DEPENDANT CHARGES

67. One of the major areas where the Rent Rebate Scheme and the Social Security Department's Supplementary Benefit Scheme differ is in the way in which non-dependants are treated. Thus the one area of the Rent Rebate Scheme that the Department proposes changing as part of this review relates to non-dependant charges.
68. In a social housing context, non-dependants are persons within the tenant's household who are above school-leaving age and not in full-time education. They are usually, but not always, tenants' adult children.
69. Non-dependant charges are added to the rebated rent figure. As referred to below, the basic charge is increased in multiples of £20 depending on the age, the earning capacity and the number of non-dependants in the household.
70. Some tenants accommodate entire families within the household – for example, a tenant with a wife and teenage daughter might share his property with an older son, daughter-in-law and grandchild.
71. The Department takes the view that in cases such as the one above, and more generally, it is not unreasonable to increase the amount of rebated rent charged so as to reflect the fact that the Department's property is meeting the housing needs of extra people – in many cases, people who, if they were living apart from the tenant, would not be able to access social housing in the first place. While it is the tenant who is liable to pay the extra amount, the expectation is that they will pass the charge on to the non-dependant(s) in the household.
72. When paying supplementary benefit to either a private rental sector tenant or a social housing tenant who is accommodating non-dependants, the Social Security Department pays a rent allowance that reflects the ratio of tenant (and dependants) to non-dependants, with each adult equalling 1 unit and each child equalling 0.5 units.
73. For example, if a tenant and her two dependant daughters (2 units) lived with her 19 year old son and his girlfriend (2 units), supplementary benefit would be paid on the assumption that the two non-dependants, accounting for half the household, were paying 50% of the rent.

74. In short, in these situations the Social Security expects non-dependants to pay more rent than the Housing Department.
75. The Department does not intend adopting the same approach to non-dependants as Social Security, but, in anticipation of a time when all forms of rent assistance are administered by that department, it recognises that there is scope to bring the two into closer alignment by making its charges for non-dependants less generous.
76. In 2009, the basic unit of charge per week in relation to a non-dependant is £20.00. Depending on the circumstances of the non-dependant, this charge increases to £40.00, £60.00 or £80.00. Working adults aged 21 and over pay between £20.00 and £40.00, depending on their gross income.
77. In 2010, the Department intends to apply equivalent charges of £22.00, £44.00, £66.00 and £88.00⁴.
78. In addition to increasing the basic unit of charge, the Department recommends reducing the number of instances where the lowest non-dependant rate would apply, as the Department is firmly of the view that all working adults who are benefiting from subsidised housing by proxy should make a reasonable financial contribution towards the cost of providing that housing.
79. The minimum charge of £22.00 will only be applied if the non-dependant is a pensioner, or a working single parent, or in receipt of benefit.
80. Thus, if its proposals are accepted, from January 2010 non-dependants aged 18, 19 or 20 who are not claiming benefits or in full-time education will be expected to pay the tenant (and ultimately the Department) £44.00 a week, as opposed to £20.00 in 2009. Although this increase may be viewed as significant, it is an increase that non-dependants currently face on their 21st birthday.
81. The schedule of rates attached as **Appendix 3** gives details of the circumstances in which each of the proposed charges would be applied.
82. It is estimated that the above proposals, if agreed, would generate additional income of £223,288.

HOW TENANTS ARE AFFECTED AS A RESULT OF THESE PROPOSALS

83. As noted above, the proposed 2010 rents are set out in **Appendix 1** of this Report. The number of standard weekly rents has reduced as result of rationalising property types for the purpose of reassessing reinstatement values.

⁴ Under the States Housing (Tenancies, Rent and Rebate Scheme) (Guernsey) Law, 2004 the Housing Department is empowered to make changes to these charges by Regulation.

84. Applying the revised rent-setting formula using new reinstatement valuation data and more up-to-date budgetary information produces standard weekly rents that represent an increase of 5.86% on 2009. However, more tenants than ever will be eligible to claim a rent rebate, with only a tiny minority – some 3.8% (69) - likely to experience the full increase in standard weekly rents.
85. Tenants in receipt of a rent rebate will only see their rent increase if they receive additional wages or benefits.
86. The 3% of tenants who are paying standard weekly rents will see their rent increase by an average of £8.78 a week, but their increased rent will still represent no more than 25% of their household income.
87. **Appendix 2** of this Report gives examples of how the proposed rent increases will affect different tenant households.

SUMMARY OF OVERALL FINANCIAL EFFECTS OF THE PROPOSALS

88. If every tenant paid their rent in full the Department could expect to collect £16.95m in 2010. However, because of the high number of tenants eligible for a rebate, tenants are expected to claim rebates worth £9.18m, reducing rental revenue to £7.77m.
89. The Housing Department enjoys 75% nomination rights in respect of Guernsey Housing Association allocations, meaning that three in four GHA tenants have come from the Department's own waiting list. As part of this arrangement, Department-nominated GHA tenants can claim a rent rebate. The rebate bill in respect of these tenants is expected to be £683,406 in 2010, taking the overall cost of rebates to £9.86m.

FUNDING OF RENT REBATES

90. Although rents are intended to generate enough income to enable the Department to manage, maintain and replace its housing stock, rental income is severely reduced as a result of the application of the Rent Rebate Scheme. The Department thus relies on an annual allocation from the Treasury and Resources Department to the Corporate Housing Programme Fund to meet the shortfall.
91. In October 2006 the Treasury and Resources Department, as part of its capital prioritisation report (Billet d'Etat XVII), recommended that from 2008, rent rebates should be refunded as part of the Housing Department's annual General Revenue budget in lieu of an annual capital allocation to the Corporate Housing Programme Fund. However, the allocation was capped at £7.5m in 2008 and

£8.0m in 2009⁵, although actual rebates paid to tenants totalled £8.3m in 2008 and are expected to be nearly £8.9m in 2009.

92. At time of writing, the extent to which the estimated £9.86m of rent rebates in 2010 will be 'refunded' to the Corporate Housing Programme Fund is still to be agreed.

DISCONTINUATION OF FIVE YEARLY-REVIEWS

93. When the new Rent and Rebate Scheme was agreed by the States in 2004, the Department recommended, and the States agreed, that it should undertake regular five-year reviews so that the States could be satisfied that rents were being set at appropriate levels, and that the process of setting them was operating as intended.
94. Following this review, and in the absence of any significant complaints from tenants or States Members about the Department's operation of the new Scheme over the past 5 years, the Department is now more confident than ever that the rent-setting formula represents a transparent, rigorous and objective way of setting rents.
95. Similarly, while the mechanics of the Rebate Scheme could be adjusted to make it less or more generous, any major changes will be inevitably superseded if the Scheme is to be subsumed within a new means-tested benefit scheme administered by the Social Security Department. Consequently, the Department is reluctant to re-engineer a complex scheme that is expected to be soon rendered obsolete, although ongoing discussions between the two departments may, within the next few years, prompt minor and/or incremental changes to the scheme that would both facilitate a smoother handover process and minimise the impact such a handover would have on tenants.
96. Both of the above prompt the Department to recommend that there is no longer a need for five-year reviews.
97. However, notwithstanding this recommendation, the Department considers it right and proper that the States should be given advance notice of any proposals that would change significantly the way in which rents are set, or rebates calculated.

LEGAL IMPLICATIONS

98. The changes to the rent-setting formula and the charges for non-dependants can be made by Statutory Instrument (Regulation).

⁵ It is important to note that this allocation to the Corporate Housing Programme Fund pays for all projects requiring funds as part of that Programme, among which are capital grants to the Guernsey Housing Association to provide new social rented and partial ownership housing, and the annual revenue grant to the Action for Children Guernsey Youth Housing Project.

STAFFING IMPLICATIONS

99. There are no staffing implications as a result of the proposals in this Report.

CONCLUSIONS AND RECOMMENDATIONS

100. Having carried out a fundamental review of the Rent and Rebate Scheme, the Department has concluded that the rent-setting formula, with some minor modifications, remains a reliable way of determining the true cost of providing social housing, while the Rebate Scheme continues to protect the least well-off by ensuring that low-income families pay a rent for social housing that they can afford.

Accordingly, the Housing Department recommends the States:

- i. To note that the formula for the setting of Standard Rents for Housing Department properties is to be amended as described in paragraphs 20 - 59 of this Report;**
- ii. To note that the basis for making charges for non-dependants accommodated in a tenant's household is to be amended as set out in paragraphs 67 - 82 of this Report;**
- iii. To rescind their Resolution of 24 November 2004, directing that the Housing Department be required to carry out a fundamental review of the Rent and Rebate Scheme every five years and to report the outcome to the States;**
- iv. To require the Housing Department to notify the States in advance of any proposed fundamental changes to the rent setting formula or the rules for the assessment of a Rent Rebate which the Department intends to make.**

Yours faithfully

D Jones
Minister

APPENDIX 1: Comparison of 2009 and 2010 standard weekly rents

Property type	Range of 2009 Standard Weekly Rents for similar properties	Households paying SWR in full, 2009	Standard Weekly Rent 2010	Households paying SWR in full, 2010 (see Note 1)
1 bed semi-detached house	£113.11 - £161.45	13	£104.84	18
1 bed flat	£113.11 - £139.24	27	£128.29	12
1 bed detached bungalow	£113.11 - £144.96	3	£129.44	3
1 bed bedsit	£113.11 - £169.88	7	£129.71	2
1 bed semi-detached bungalow	£113.11 - £165.37	7	£134.04	6
1 bed semi-detached cottage	£143.81 - £143.81	1	£139.62	1
2 bed flat	£113.11 - £203.36	14	£163.20	3
2 bed terrace	£164.17 - £237.44	9	£170.73	5
2 bed semi-detached house	£143.92 - £237.44	12	£180.37	3
2 bed maisonette	£160.74 - £164.17	1	£187.28	1
3 bed terrace	£117.79 - £209.24	51	£193.12	12
2 bed detached house	£117.79 - £209.24	0	£193.91	0
3 bed semi-detached house	£173.59 - £237.44	66	£214.31	3
2 bed detached bungalow	£143.92 - £186.49	3	£226.26	0
3 bed flat	£165.42 - £173.59	0	£234.75	0
4 bed semi-detached house	£183.39 - £261.72	8	£245.11	0
3 bed maisonette	£173.59 - £173.59	9	£246.79	0
3 bed detached bungalow	£154.32 - £183.39	0	£250.33	0
3 bed house	£154.32 - £247.24	2	£262.81	0
3 bed detached cottage	£194.65 - £247.24	0	£285.42	0
4 bed detached house	£271.52 - £271.52	0	£328.92	0
		233		69

See
note 2

Note 1: The number of households paying a full weekly rent in 2010 (69) is based on the assumption that everyone who is eligible for a rebate will apply for one.

Note 2: Although in this category the number of tenants paying a full rent has increased, the fact that the Department will be charging a lower rent means that they will actually be better off overall

APPENDIX 2

Please note that: in all cases, rebated tenants' income is predicted to increase by 2%.

Example 1: Mrs A, single pensioner, no dependants, rebated rent

2009 Standard Weekly Rent (SWR)	2009 Income	2009 Rent paid	2009 Value of Rebate	2009 Rent paid as a % of income
£135.32	£147.85	£23.44	£111.88	15.92%

2010 Standard Weekly Rent (SWR)	2010 Income (2009 + 2%)	2010 Rent paid	2010 Value of Rebate	2010 Rent paid as a % of income
£104.84	£150.81	£24.30	£80.54	16.12%

Increase in rent per week: £0.86

Example 2: Mrs B, single person with one child aged 10, rebated rent

2009 Standard Weekly Rent (SWR)	2009 Income	2009 Rent paid	2009 Value of Rebate	2009 Rent paid as a % of income
£168.91	£305.10	£47.64	£121.27	17.47%

2010 Standard Weekly Rent (SWR)	2010 Income (2009 + 2%)	2010 Rent paid	2010 Value of Rebate	2010 Rent paid as a % of income
£170.73	£311.20	£48.99	£121.74	17.71%

Increase in rent per week: £1.35

Example 3: Mr and Mrs S, older couple, no children, rebated rent

2009 Standard Weekly Rent (SWR)	2009 Income	2009 Rent paid	2009 Value of Rebate	2009 Rent paid as a % of income
£113.11	£358.64	£70.98	£42.13	19.67%

2010 Standard Weekly Rent (SWR)	2010 Income (2009 + 2%)	2010 Rent paid	2010 Value of Rebate	2010 Rent paid as a % of income
£128.29	£365.81	£72.97	£55.32	19.95%

Increase in rent per week: £1.99

Example 4: Mr and Mrs R, couple with 1 child aged 12 and 1 non-dependent aged 20, not rebated rent

2009 Standard Weekly Rent (SWR)	2009 Income	2009 Rent paid	2009 Value of Rebate	2009 Rent paid as a % of income
£199.34	£897.98	£199.34	£0	20.64%

2010 Standard Weekly Rent (SWR)	2010 Income (2009 + 2%)	2010 Rent paid	2010 Value of Rebate	2010 Rent paid as a % of income
£245.11	£915.94	£245.11	£0	22.63%

Increase in rent per week: £45.77 (£24 of which relates to increased non dependent tariffs)

NB: The Department would rely on provisions in Law to stagger the portion of the rent increase (£21.77) that is not related to presence of a non-dependant in the household

Example 5: Mr F, older single, no children, rebated rent

2009 Standard Weekly Rent (SWR)	2009 Income	2009 Rent paid	2009 Value of Rebate	2009 Rent paid as a % of income
£113.11	£160.75	£26.86	£86.25	16.71%

2010 Standard Weekly Rent (SWR)	2010 Income (2009 + 2%)	2010 Rent paid	2010 Value of Rebate	2010 Rent paid as a % of income
£128.29	£163.97	£27.78	£100.51	£16.94%

Increase in rent per week: £0.92**Example 6: Mr and Mrs F, couple, three children, rebated rent**

2009 Standard Weekly Rent (SWR)	2009 Income	2009 Rent paid	2009 Value of Rebate	2009 Rent paid as a % of income
£175.22	£448.87	£88.95	£86.27	19.82%

2010 Standard Weekly Rent (SWR)	2010 Income (2009 + 2%)	2010 Rent paid	2010 Value of Rebate	2010 Rent paid as a % of income
£193.12	£457.85	£92.84	£100.28	20.28%

Increase in rent per week: £3.89

APPENDIX 3**Non dependant charges**

	2009 rates	Proposed 2010 rates
<i>A person over 18 but under 21</i>	£20.00	£44.00
<i>A person aged 21 or above</i>	£20.00 or 15% of gross earnings, whichever is greater, up to a maximum of £40.00	£44.00 or 15% of gross earnings, whichever is greater, up to a maximum of £88.00
<i>A person in receipt of a benefit</i>	£20.00	£22.00
<i>An employed single parent</i>	£20.00	£22.00
<i>A couple both of who are under 65</i>	£80.00	£88.00
<i>A couple, where one partner is under 65 and the other is not</i>	£60.00	£66.00
<i>A family with dependent children</i>	£60.00	£66.00
<i>A single person aged 65 or more</i>	£20.00	£22.00
<i>A couple, both of whom are aged 65 years or more</i>	£40.00	£44.00

(NB The Policy Council has no comment on the proposals.)

(NB The Treasury and Resources Department supports the proposals.)

The States are asked to decide:-

VII.- Whether, after consideration of the Report dated 24th August, 2009, of the Housing Department, they are of the opinion:-

1. To note that the formula for the setting of Standard Rents for Housing Department properties is to be amended as described in paragraphs 20 - 59 of that Report.
2. To note that the basis for making charges for non-dependants accommodated in a tenant's household is to be amended as set out in paragraphs 67 - 82 of that Report.
3. To rescind their Resolution of 24 November 2004, directing that the Housing Department be required to carry out a fundamental review of the Rent and Rebate Scheme every five years and to report the outcome to the States.
4. To require the Housing Department to notify the States in advance of any proposed fundamental changes to the rent setting formula or the rules for the assessment of a Rent Rebate which the Department intends to make.

STATUTORY INSTRUMENT LAID BEFORE THE STATES**THE HEALTH SERVICE (BENEFIT) (LIMITED LIST) (PHARMACEUTICAL BENEFIT) (AMENDMENT NO. 4) REGULATIONS, 2009**

In pursuance of Section 35 of The Health Service (Benefit) (Guernsey) Law, 1990, the Health Service (Benefit) (Limited List) (Pharmaceutical Benefit) (Amendment No. 4) Regulations, 2009, made by the Social Security Department on 9th September 2009, are laid before the States.

EXPLANATORY NOTE

These Regulations add to the limited list of drugs and medicines available as pharmaceutical benefit which may be ordered to be supplied by medical prescriptions issued by medical practitioners.

*APPENDIX***COMMERCE AND EMPLOYMENT DEPARTMENT****OUR ANNUAL REPORT AND AUDITED ACCOUNTS 2008**

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

11th September 2009

Dear Sir

I enclose a copy of the Annual Report and Accounts 2008 of the Office of Utility Regulation and would be grateful if you would arrange for it to be published as an Appendix to the October 2009 Billet d'Etat.

Operating Costs & Licence Fees

The OUR's 2008 operating costs increased by 5% from £717,000 to £753,000, which was due in part to higher consultancy costs associated with introducing Mobile Number Portability - a project jointly undertaken with the Jersey Competition and Regulatory Authority - an increase in salary and staff including costs associated with recruitment, relocation of new staff and the appointment of two local graduates.

The OUR has felt able to draw down £165,355 from its contingency fund which has lead to reductions in 2008 licence fees across all three sectors:

- Guernsey Electricity and Guernsey Post have both seen their licence fees reduced by 33%; and
- telecom operators fees have fallen by 25%.

The Department would expect to see these reductions reflected in the prices charged by the Utilities to its customers.

Licence fees for 2009 have again been set lower than anticipated costs although the recent decision to grant Cable and Wireless Guernsey a mobile licence will result in a one-off licence fee payment of £250,000.

Legal Fees & Appeals

Legal fees have fallen significantly during the year given no appeal was received in 2008. A significant proportion of legal costs in this area during 2008 related to the more day-to-day work with assistance on the OUR's mobile market review.

Corporate Governance

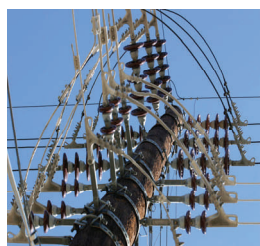
The Audit, Risk and Remuneration Committee, which was established in June 2006, met on three occasions during the year and has contributed to strengthening the corporate governance of the OUR. The OUR's Annual Report includes a report from the ARRC on its activities in 2008.

Yours faithfully

C S McNulty Bauer
Minister

The Office of Utility Regulation

Annual Report and Accounts 2008



Office of Utility Regulation

19 August 2009

Deputy Carla McNulty Bauer
Minister for Commerce and Employment
Raymond Falla House
Longue Rue
St Martins
Guernsey
GY4 6AF

Dear Deputy McNulty Bauer,

I am pleased to submit this report on the activities of the Office of Utility Regulation for the period 1st January 2008—31st December 2008.

In accordance with Section 8 of the Regulation of Utilities (Bailiwick of Guernsey) Law 2001, I would be grateful if you would present this report to the States of Guernsey.

Yours sincerely,



John Curran
Director General

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Director General's Report

I am pleased to submit the OUR's Annual Report for 2008.

There were a number of important developments in the regulatory regime in 2008. For the OUR, the key highlights were the launch of Guernsey's third mobile operator, Airtel-Vodafone, in March 2008 and the introduction of Mobile Number Portability (MNP) in December 2008.

The launch of MNP within a very tight deadline was a key development for the year. Not only was it a successful delivery of a critical enabler of competition in the mobile market on time but its success was based on two critical factors.

The first was a very clear and committed desire on the part of the three mobile operators – Airtel-Vodafone, Sure and Wave Telecom – to co-operate for the good of their customers. The second factor was the adoption of a common technical solution for both the Guernsey and Jersey markets. This helped reduce the cost of implementation with the result that consumers can now port their number free of charge to the operator of their choice.

This was achieved through a co-ordinated approach between the OUR and our regulatory colleagues in Jersey, the JCRA. Going forward, where the OUR believes the best interests of consumers in the Bailiwick can be achieved through further closer working with the JCRA we will look to exploit that opportunity. As a measure of the success of MNP, in the eight months since MNP was launched over 2,000 customers had taken advantage of the service to get a better deal.

The OUR continues to be involved in aspects of the Energy Policy. The States of Deliberation noted the Energy Policy developed by the Energy Policy Steering Group in June 2008 and a number of workstreams will require input from the OUR. This work will continue well into the future as the opportunities to exploit Guernsey's natural resources continues. The critical issue will be facilitating the development of this resource whilst ensuring that the cost of doing so does not impact on the overall competitiveness of Guernsey.

Our work in the postal market in 2008 concentrated mainly on preparing for a further review of postal prices which has now started. We continued to support the Commerce & Employment Department's efforts with regard to the operation of the Low Value Consignment Relief (LVCR), a mechanism which is hugely important to the bulk mail sector and as a consequence to Guernsey Post and the wider economy.

In addition to our core regulatory work we have also provided expert support to the Commerce & Employment Department in its assessment of the most suitable manner in which to implement competition law in Guernsey and undertaken a review of how air route licensing might be improved upon.

Director General's Report

Looking forward, our work in the utility sectors will continue to be varied, with further efforts to promote competition in the telecoms market needed, new price controls on Guernsey Post in 2009 and Guernsey Electricity in 2010 and we will be assessing what further measures are needed to promote greater competition in the telecoms market. We will continue to support the implementation of the Energy Policy and the Guernsey Renewable Energy Commission in particular.

The addition of air route licensing to the OUR's remit and the proposals for combining competition law with the OUR's regulatory functions will be major challenges going forward. In all cases our intention is to have an open, transparent, consultative approach to decision making that reflects regulatory best practice.

I wish to acknowledge the sterling work of our Audit, Risk and Remuneration Committee (ARRC) for its assistance and advice over 2008. In particular I wish to record my appreciation to Mr. Stephen Jones, former Chairman and Deputy Carla McNulty Bauer for their contribution to the ARRC and support to myself and the Office. Both members stood down from the committee during the year.

I would like to again take this opportunity to thank the staff at the OUR for their continued professionalism and support.

The OUR is a small team which works extremely diligently to ensure that the regulatory regime for the three utility sectors delivers value for consumers.

The OUR will continue to work hard to ensure consumers receive the best in price, choice and quality for the services they receive from the companies regulated by this Office. Part of our role is to ensure that the investments made by the regulated companies are done so with the customers of these companies in mind and that only the cost of investment which is deemed appropriate is recovered from the tariffs consumers pay.

In the current economic climate ensuring such services are provided efficiently and with a regard for what consumers can pay will continue to be important. Ensuring that these services, which ultimately support a huge range of commercial activity, contribute to maintaining the Bailiwick's competitiveness will be important.



John Curran
Director General

2008 in Brief

January

Statutory Invitation to Comment issued following Guernsey Airtel's failure to meet the date for launching its mobile service;

Findings published into Investigation of Guernsey Electricity's Supply Connection charges;

Statutory Notification issued on Guernsey Airtel's failure to meet launch date;

Consultation on a proposal to grant Wave Telecom Code Powers under the Telecoms Law.

February

Final Decision on a Price Control for C&W Guernsey published;

Agreement reached on introducing Mobile Number Portability in Guernsey and Jersey by 1st December.

March

Airtel-Vodafone launches its new mobile service in Guernsey.

April

Review of how C&W Guernsey provides wholesale services to competing operators launched;

Deadline extended for consultation into C&WG's Wholesale Review.

June

Register of mobile phone operator mast sites in the Bailiwick published.

July

Results of latest audit of emissions from radio masts published;

OUR starts review of the mobile market;

Proposals for changes to C&W Guernsey's wholesale business published.

October

OUR concludes review of C&W Guernsey's wholesale business and C&WG agrees to implement changes;

OUR commences review of buy-back mechanism for micro-renewable generation.

November

OUR sets out proposals for further development of the mobile market;

OUR commences a consultation on promoting competition in the telecoms market through fixed wireless access in Guernsey.

December

Mobile Number Portability launched in Guernsey.

The Guernsey Regulatory Environment

The States of Guernsey has set out the regulatory framework for telecommunications, post and electricity sectors in various Laws and Orders that were made in 2001 and 2002.

The States has also issued a number of Directions to the Director General of Utility Regulation that develop States policy in more detail. The OUR, which was established in 2001, is charged with implementing that policy and regulating in the best interests of the Bailiwick.

Legislation

The principal piece of regulatory legislation is the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001 (as amended), which establishes the OUR, sets out the governing principles of the Office and allows the States to assign further functions to the Office over time. Three other key laws are:

- The Telecommunications (Bailiwick of Guernsey) Law 2001;
- The Post Office (Bailiwick of Guernsey) Law 2001; and
- The Electricity (Guernsey) Law.

Where empowered to do so, the Director General has also introduced regulations and orders. Texts of all relevant legislation can be found on the OUR website at www.regutil.gg.

States Directions

The Regulation Law provides that the States of Guernsey may give States Directions to the Director General on certain specific issues in each of the sectors.

Directions issued to-date have addressed issues such as the identity of the first licensee in each sector to be granted a licence with a universal service obligation, the scope of a universal service or minimum level of service that all customers in the Bailiwick must receive and any special or exclusive rights that should be granted to any licensee in any of the sectors.

The States debated and agreed policy directions in relation to all three sectors in 2001. The full text of the directions that were in place in 2008 is included in Annex A to this report, in accordance with Section 8 of the Regulation Law.



The OUR Team

John Curran, Director General

John was first appointed by the States as Director General of Utility Regulation in February 2005 and was re-appointed as Director General in May 2006.

He previously worked with the OUR when the office was first established in 2001. After a period as a regulatory advisor with the Australian telecoms incumbent Telstra John returned to the OUR in April 2003 as Director of Regulation. John has a strong background in regulation. Before joining the OUR he worked for six years in communications regulation in Ireland. He began his career in the Irish Civil Service upon graduating from the Galway Institute of Technology.



Michael Byrne, Director of Regulation

Michael joined the OUR in June 2005 as Director of Regulation. Michael has led work across a variety of projects in all three sectors, in particular in the energy and telecoms sectors.

Prior to joining the OUR, Michael was head of Retail Competition at Ofgem in the UK. He led case investigations across various aspects of the UK energy sectors. He has worked in commercial television regulation and as a consultant, specialising in the dairy manufacturing industry. He has a BSc Honours degree in Mathematics, Statistics and Economics from the University of Natal. He also has a post-graduate diploma in Competition Policy and an MBA from the University of Warwick.



Nienke Hendriks, Director of Policy

Nienke joined the OUR in July 2008 having previously worked as head of Gas Transmission at Ofgem in the UK where she led work across a variety of projects including regulatory incentive design and financial policy. Prior to Ofgem Nienke worked with the Civil Aviation Authority.

Nienke was also a leading member of the Joint Regulators Price Control Group and of the Eurocontrol Performance review group. Before joining the CAA Nienke worked in consultancy on projects in the telecommunications, manufacturing and pharmaceuticals sectors. She has a BSc Honours degree in Economics and Philosophy from City University (London) and a Masters degree in Economics and Finance from Warwick Business School.



The OUR Team

Cesar Coelho, Business Analyst

Before joining the OUR in April 2008, Cesar worked as an analyst at ANACOM, the Portuguese Telecoms and Post regulator where he worked primarily on projects in the mobile sector.

Prior to joining ANACOM he worked as for an economic consultancy firm. During his Master degree program he was an assistant at two different universities in Portugal. Cesar holds a BSc Honours degree and a MA degree in Economics, both from the University of Minho, Portugal.



Rosie Allsopp, Office Manager/Case Officer

Rosie joined the OUR team in January 2007. She manages the office and provides administrative support across all projects. In addition to this, she is a case officer for dispute resolution.

Rosie was educated locally at the Grammar School and was formerly a journalist with the Guernsey Press for more than seven years where she was deputy news editor and business editor and developed a strong interest in local politics and business. Rosie studied for a post-graduate diploma in journalism at the Press Association-affiliated Editorial Centre.



Pui Jee Lai

Pui Jee joined the OUR at the end of June 2007. Pui Jee was awarded the OUR's first student bursary. As part of the bursary Pui Jee has worked with the OUR during her summer holidays for the past number of years and has now joined the OUR on a full-time basis. Pui Jee assists the whole team at the OUR across a range of projects. Pui Jee was born in Guernsey and educated at The Ladies College and has recently graduated from the University of Nottingham in 2008 where she studied Management with Chinese Studies.



Hannah Williams

Hannah joined the OUR in August 2008 and works as a case officer for a variety of projects. Hannah was educated locally at the Guernsey Grammar School and graduated from the University of Sussex in June 2008 with a BA Honours Degree in Geography and Development Studies.



Communication and Expert Support

It is OUR policy to operate with a small core team of professional staff and utilise expert consultants as needed on specific projects. This ensures that the Office works efficiently and effectively and keeps its skills and expertise up to date with knowledge transfer from experts in their fields.

The OUR operates in an open and transparent way, and seeks to consult with as wide a range of stakeholders as possible on all key decisions.

The OUR website (www.regutil.gg) is used as a means of communicating with operators within the regulated industries and with the public.

All consultation documents are published on the site as well as being made available in hard copy on request and responses, where not confidential, are also made available. The OUR publishes all decisions with reasons and a commentary on the views received.

During 2008, the following consultants and external specialists worked with the OUR on a range of specific projects, as well as providing general support for the OUR work programme:

- Frontier Economics provided assistance in the C&W Guernsey's Price Control;
- GOS Consulting Ltd provided assistance and support across a range of telecommunications projects including MNP;
- Regulaid assisted in the review of C&W Guernsey's Wholesale business
- Red-M undertook the audit of emissions from radio masts;
- Dotecon assisted in the Mobile Market Review;
- Brockley Consulting Ltd provided assistance with the Guernsey Post price control and LVCR Review;
- McCann Fitzgerald Solicitors provided specialised legal advice during 2008; and
- Direct Input provided PR assistance and media support.

Activity Report:

Under the Regulation of Utilities (Guernsey) Law, 2001, the Director General has a duty to promote, and where they conflict, to balance, objectives that underpin the work of the OUR. The following report outlines the Office's duties as set out in Section 2 of the Regulation Law 2001 and some of the initiatives undertaken in 2008 in performing these duties.

Duties

To protect interests of consumers and other users in the Bailiwick in respect of prices charged for and the quality, service levels, permanence and variety of utility services.

To secure, as far as practicable, the provision of utility services that satisfy all reasonable demands for such services within the Bailiwick, whether those services are supplied from, within or to the Bailiwick.

To ensure utility activities are carried out in such a way as best to serve and contribute to the economic and social development and well-being of the Bailiwick.

Performance

- Three year price control set for C&W Guernsey. This resulted in prices being frozen for services such as line rental and certain leased line services and price decreases for services such as local calls.
- The OUR reviewed C&W Guernsey's wholesale business which identified a range of improvements that C&W Guernsey has agreed to implement. The changes should improve the transparency of how wholesale services are provided, provides for improved provisioning times and enhanced penalties in the event of missed targets. These measures are designed to facilitate competition by making it simpler for new entrants to access C&W Guernsey's wholesale services and compete against C&W Guernsey's retail business.
- The OUR, at the request of the Commerce and Employment Department, undertook a review of the fulfillment sector to assist it in discussions with the UK Government. The report set out the contribution that fulfilment makes to the wider economy and proposed certain measures to help protect this sector of the economy in the Bailiwick.
- By working with the Jersey regulator, the OUR enabled the launch of MNP in the most cost effective manner possible thereby reducing the cost to mobile operators and consumers.

Activity Report:

Duties

To introduce, maintain and promote effective and sustainable competition in the provision of utility services in the Bailiwick, subject to any special or exclusive rights awarded to a licensee by the Director General pursuant to States' Directions.

To improve the quality and coverage of utility services and to facilitate the availability of new utility services within the Bailiwick.

To lessen, where practical, any adverse impact of utility activities on the environment.

Performance

- The OUR facilitated the launch of Guernsey's third mobile operator, Airtel-Vodafone, in March 2008. The company launched services later than originally planned and since launch has continued to roll out its network.
- The OUR, in co-operation with the mobile operators and the JCRA in Jersey, facilitated the successful launch of Mobile Number Portability (MNP) in December 2008. To-date over 2,000 customers have ported their mobile number between operators.
- The OUR launched a consultation seeking expressions of interest from operators interested in providing telecoms services using 2.6GHz spectrum. Such spectrum could provide for an alternative, radio based network to the current fixed network or be used to enhance mobile broadband services.
- Through our review of the mobile market, fees for site sharing between operators were reduced by over 40% in 2008, thus providing a real commercial incentive to share mast sites where possible and allowed under the planning process.
- An audit of emission levels at all mobile mast sites in the Bailiwick was undertaken. It assessed operators processes and procedures for on-going compliance and the safety guidelines against which compliance is assessed. The audit concluded that all sites comply with safety guidelines and safety standards remain appropriate.

Report of the Director General and Financial Statements for the Year Ended 31st December 2008 for Public Utilities Fund

Contents of the Financial Statements For the Year Ended 31st December 2008

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Public Utilities Regulation Fund

Fund Information

For the Year Ended 31st December 2008

Director General:

Mr John Curran

Office Address:

Suites B1 & B2
Hirzel Court
St Peter Port
Guernsey
GY1 2NH

Auditors:

Grant Thornton Limited
PO Box 313
Island House
La Grande Rue
St Martin
Guernsey
GY1 3TF

Public Utilities Regulation Fund

Report of the Director General for the Year Ended 31st December 2008

The Director General presents his report with the financial statements of the Fund for the year ended 31st December 2008.

PRINCIPAL ACTIVITY

The principal activity of the entity in the year under review was that of a utilities regulator.

REVIEW OF BUSINESS

The results of the year and the financial position of the Fund are as shown in the annexed financial statements.

STATEMENT OF DIRECTOR GENERAL'S RESPONSIBILITIES

The Director General is responsible for preparing the financial statements for each financial year which give a true and fair view of the state of affairs of the Fund and of the income or deficit of the Fund for that period. In preparing those financial statements the Director General is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in operation.

The Director General is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund and to ensure that the financial statements comply with the applicable accounting standards. The Director General is also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with Section 13 of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001, the Director General shall keep proper accounts and records in relation to those accounts and shall prepare in respect of each year a statement of account giving a true and fair view of the state of affairs of the Office of the Director General.

The Law also requires that the Director General to have the accounts audited annually by auditors appointed with the approval of the Department of Commerce and Employment. The Director General, with the approval of the Public Accounts Committee, has appointed Grant Thornton Limited as the auditors to the Public Utilities Regulation Fund.

Public Utilities Regulation Fund

Report of the Director General for the Year Ended 31st December 2008

The audited accounts shall be submitted to the Department for Commerce and Employment which shall in turn submit them together with the auditors' report thereon to the States of Guernsey with the Director General's annual report.

AUDITORS

The auditors, Grant Thornton Ltd, have indicated their willingness to continue in office.

ON BEHALF OF THE BOARD



Mr J Curran
Director General of Utility Regulation

Dated: ...19 August 2009

Report of the Independent Auditors to the Director General of the Public Utilities Regulation Fund

We have audited the financial statements of Public Utilities Regulation Fund for the year ended 31 December 2008 on pages 18 to 24. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the Office of the Director General, as a body, in accordance with The Regulation of Utilities (Bailiwick of Guernsey) Law, 2001. Our audit work has been undertaken so that we might state to the Fund'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 Fund and the Office of the Director General, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Director General and Auditors.

As described on page 15, the Fund's Director General is responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 fair and true view and are properly prepared in accordance with the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001. We also report to you if, in our opinion, the Report of the Director General is consistent with the financial statements, if the Fund has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the Director General's remuneration and other transactions with the Fund are not disclosed.

We read the Report of the Director General 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 Director General in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

Report of the Independent Auditors to the Director General of the Public Utilities Regulation Fund

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 and 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 United Kingdom Generally Accepted Accounting Practice, of the state of the Fund's affairs as at 31 December 2008 and of its deficit for the year then ended; and
- have been properly prepared in accordance with the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001.

In our opinion the information given in the report of the Director General is consistent with the financial statements.

Grant Thornton Limited

Grant Thornton Limited
PO Box 313
Island House
Grande Rue
St Martin
Guernsey
GY1 3TF

Date: 19 August 2009.

Public Utilities Regulation Fund**Income and Expenditure Account**
For the Year Ended 31 December 2008

	Notes	2008 £	2007 £
INCOME			
Licence fees		561,552	735,935
Bank Interest		<u>31,211</u>	<u>36,705</u>
		592,763	772,640
EXPENDITURE		758,118	716,916
(DEFICIT) /SURPLUS FOR THE YEAR ENDED 31 DECEMBER 2008		(165,355)	55,724
TRANSFER FROM/ (TO) CONTINGENCY RESERVE	7	165,355	(55,724)
		_____	_____
NET OPERATING RESULT FOR THE YEAR		_____ -	_____ -
		=====	=====

The Fund has no other gains or losses for the current or preceding financial year other than those stated in the Income and Expenditure Account.

These notes form part of the Financial Statements

Public Utilities Regulation Fund**Balance Sheet**
31 December 2008

	Notes	<u>2008</u>		<u>2007</u>	
		£	£	£	£
FIXED ASSETS					
Tangible assets	4		14,997		15,344
CURRENT ASSETS					
Debtors	5	20,792		11,438	
Cash at bank and in hand		<u>533,880</u>		<u>687,510</u>	
		554,672		698,948	
CREDITORS					
Amount falling due within one year	6	<u>95,377</u>		<u>74,645</u>	
NET CURRENT ASSETS			<u>459,295</u>		<u>624,303</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>474,292</u>		<u>639,647</u>
RESERVES					
Contingency reserve	7		<u>474,292</u>		<u>639,647</u>
			<u>474,292</u>		<u>639,647</u>

The financial statements were approved on 19 August 2009 and signed by:



Mr J Curran
Director General of Utility Regulation

Public Utilities Regulation Fund

Notes to the Financial Statements **For the Year Ended 31 December 2008**

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost Convention.

Income

Income represents net invoiced licence fees and income from organisation of conferences and is accounted for on an accruals basis.

Tangible Fixed Assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Office equipment	-20% on cost
Fixtures and fittings	-20% on cost
Computer equipment	-20% on cost

2. OPERATING (DEFICIT) /SURPLUS

The operating (deficit) /surplus is stated after charging:

	2008	2007
	£	£
Depreciation—owned assets	4,463	(1,502)
Auditors and accountants' fees	<u>5,150</u>	<u>800</u>

3. TAXATION

Under Section 12 of The Regulation of Utilities (Bailiwick of Guernsey) Law, 2001 the Fund is exempt from Guernsey Income Tax.

Public Utilities Regulation Fund

Notes to the Financial Statements
For the Year Ended 31 December 2008

4. TANGIBLE FIXED ASSETS

	Office equipment £	Fixtures and fittings £	computer equipment £	Totals £
COST				
At 1 Jan 2008	41,360	3,675	34,123	79,158
Additions	<u>1,865</u>	<u>-</u>	<u>2,251</u>	<u>4,116</u>
At 31 Dec 2008	<u>43,225</u>	<u>3,675</u>	<u>36,374</u>	<u>83,274</u>
DEPRECIATION				
At 1 Jan 2008	36,774	3,452	23,588	63,814
Charge for year	<u>1,145</u>	<u>122</u>	<u>3,196</u>	<u>4,463</u>
At Dec 31 2008	<u>37,919</u>	<u>3,574</u>	<u>26,784</u>	<u>68,277</u>
NET BOOK VALUE				
At 31 Dec 2008	<u>5,306</u>	<u>101</u>	<u>9,590</u>	<u>14,997</u>
At 31 Dec 2007	<u>4,586</u>	<u>223</u>	<u>10,535</u>	<u>15,344</u>

Public Utilities Regulation Fund**Notes to the Financial Statements
For the Year Ended 31 December 2008****5. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2008	2007
	£	£
Trade Debtors	8,992	2,377
Accrued interest	3,636	625
Other debtors	<u>8,164</u>	<u>8,436</u>
	<u>20,792</u>	<u>11,438</u>

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008	2007
	£	£
Trade creditors	25,040	41,371
Deferred income	12,667	8,563
Other creditors	<u>57,670</u>	<u>24,711</u>
	<u>95,377</u>	<u>74,645</u>

7. CONTINGENCY RESERVES

Any surplus or deficit in the Income and Expenditure Account is either transferred to or from the contingency reserve.

	£
At 1 Jan 2008	639,647
Movement in the year	<u>(165,355)</u>
At 31 Dec 2008	<u>474,292</u>

Public Utilities Regulation Fund**Detailed Income and Expenditure Account**
For the Year Ended 31 December 2008

	2008		2007	
	£	£	£	£
Income				
Post Office revenue	80,000		120,000	
Telecoms revenue	369,837		495,935	
Electricity revenue	80,000		120,000	
Other income	<u>31,715</u>		<u>-</u>	
		561,552		735,935
Other income				
Bank interest		<u>31,211</u>		<u>36,705</u>
		592,763		772,640
Expenditure				
General overheads	94,663		96,455	
Salaries & staff costs	417,279		373,960	
Consultancy fees	176,378		106,505	
Legal costs	47,170		120,266	
Auditors and accountancy fees	5,150		800	
ARRC fees	<u>13,015</u>		<u>20,292</u>	
		753,655		718,278
		<u>(160,892)</u>		<u>54,362</u>
Finance costs				
Bank charges		<u>-</u>		<u>140</u>
		(160,892)		54,222
Depreciation				
Office equipment	1,145		(2,604)	
Fixtures and fittings	122		504	
Computer equipment	<u>3,196</u>		<u>562</u>	
		4,463		(1,502)
(DEFICIT) /SURPLUS FOR THE YEAR		<u>(165,355)</u>		<u>55,724</u>

This page does not form part of the statutory financial statements

OUR Corporate Governance

Audit Risk and Remuneration Committee Chairman's Report

The Committee continued to work under the terms of the 31st March 2007, the Projet de Loi entitled "The Regulation of Utilities (Bailiwick of Guernsey) (Amendment) Law, 2007 was passed by the States of Guernsey. Section 6 of that Law introduced a new Section 13A to the 2001 Law which set out the formal establishment of the Audit, Risk and Remuneration Committee.

During the year Deputy Carla McNulty Bauer and Stephen Jones (Chairman) resigned their membership and Deputy Martin Storey and Alan Bougourd were appointed. The current membership of the Committee is as follows:

- Alan Bougourd – Chairman
- Deputy Martin Storey
- Jane Needham
- Peter Woodward

All members are considered to be independent of the OUR.

The current Committee would like to record its thanks for the valuable contribution made by Jurat Jones and Deputy McNulty Bauer during their time on the Committee.

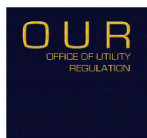
The Committee met formally on three occasions in 2008 and carried out the following specific activities:

- Considered the results of the Internal Audit review of the internal controls in operation at the OUR, and made further recommendations for improvements to key controls.
- Participating with a detailed risk review for the activities of the OUR and reviewing, on an on-going basis, the implementation of the agreed risk management actions.
- Reviewing the Financial Statements of the Public Utilities Regulation Fund for 2008 and discussing the results of the audit thereof with the external auditors.
- Meeting the external auditors to monitor their independence and to confirm the nature, scope, fees and timetable for the audit for 2008.
- Monitoring and approving recruitment and remuneration of staff.
- Recommending improvements to employment contracts and the staff handbook and monitoring their implementation.
- Assisting with the production of a risk-based business plan for 2009-2011.

The Committee were pleased that their reviews, meetings and plans all produced positive results and thank the Director General and his staff for their co-operation and assistance throughout the year. The total annual costs of the Committee were c. £13,000.



Alan Bougourd
Chairman



OUR Corporate Governance

In 2005, the OUR established an independent Audit, Risk and Remuneration Committee (ARRC) and in May 2006 the States formally agreed a Resolution requiring its establishment.

The OUR complies with a very high standard of controls and the OUR's annual accounts are externally audited. The OUR's ARRC provides further independent scrutiny of the controls in place within the OUR.

The members of the OUR ARRC during 2008:

- Mr Stephen Jones, who stepped down as Chairman in August and was replaced by Alan Bougourd
- Deputy Carla McNulty Bauer, who stepped down in April and was replaced by Deputy Martin Storey
- Ms Jane Needham
- Mr Peter Woodward

The following sets out the instruction to the ARRC.

OUR Audit, Risk and Remuneration Committee Terms of Reference

The following sets out the terms of reference of the OUR's Audit, Risk and Remuneration Committee (ARRC) as agreed by the Director General and the ARRC.

Role of the Committee:

The role of the ARRC will be, as part of the ongoing, systematic review of the control environment and governance procedures within OUR to;

- Oversee the external and internal audit function and advise the Director General in relation to the operation and development of that function;
- Review and advise on the Office's risk management procedures;
- Review and comment on the financial accounts of the Office;
- Review and comment on the remuneration policy of the OUR.

Membership

- The ARRC will be appointed by the Director General with the approval of the Commerce and Employment Department and will consist of not more than four people, who shall be external appointees. One of the four will be appointed by Commerce and Employment.

Duties

The duties of the ARRC shall be:

- to approve and keep under review the Charter for Internal Audit services so as to ensure that it clearly defines the purpose, authority, roles and reporting relationships for internal audit;
- To review and approve the work programme for internal audit;
- To request the inclusion in the programme of Internal Audit reports as considered appropriate;
- To assess the outcome of the internal and external audit processes having regard to findings, recommendations and management responses;
- To assess the implementation of agreed corrective actions by management having regard to follow up audits;
- Generally to foster the development of best practice in the conduct of internal audit, risk management and external reporting;
- To advise the Director General on all matters relating to risk management, internal control, governance, external financial reporting and remuneration;
- To advise on and review the membership of the ARRC as necessary.

Annual Report of the External Auditors

The ARRC will consider any report issued by the external auditors.

Meetings

ARRC meetings will be held not less than twice each calendar year.

A quorum of two will be required for each meeting. The members shall decide on the appointment of the Chairperson. The Chairperson's appointment shall expire on 31st December 2008. Thereafter the term will be for a period of two years.

The ARRC may request any person who has been contracted to carry out an internal audit assignment to attend a Committee meeting. The Director General shall attend on the invitation of the ARRC. The ARRC will also have the authority to request staff members to attend meetings if necessary.

At least once a year, the ARRC will invite the external auditor to meet them to discuss matters of mutual interest including the audit approach.

The OUR will provide such administrative support to the ARRC as it may require.

Working Procedures

The ARRC will adopt its own working procedures.

Access

Any member of the ARRC will have right of access to the Director General and/or any staff member.

Reporting

The ARRC will formally report to the Director General and will offer such advice and recommendations as it may deem appropriate. The ARRC's activities will be recorded and reported in the Annual Report of the Director General.

The ARRC may report to any States Department or States Committee, including the Public Accounts Committee and the Scrutiny Committee.

Access to Independent Advice

The ARRC is authorised to:

- investigate any activity within its terms of reference;
- seek any information that it requires from any employee or external party, and all employees are directed to co-operate with any request made by the Committee, and;
- obtain outside legal or other independent professional advice.

Amendment of Charter

This Charter may be amended or updated in joint consultation between the Director General and the ARRC. It shall be reviewed by 31st December 2008 and thereafter as required.

Internal Audit Charter**Introduction**

This Charter sets out the purpose, authority and responsibilities of OUR's Internal Auditor. It is intended that internal audit assignments will be outsourced to an appropriate, qualified, third party and conducted under contract.

Purpose

The Internal Audit function is an independent appraisal function established to examine, evaluate and report on the adequacy and effectiveness of the OUR's systems of financial internal control. As such, it provides management and stakeholders with assurance over the financial management of the Office of Utility Regulation, and stewardship of the resources entrusted to it.

Authority

Internal Audit is authorised to have:

- Unrestricted access (subject to the comments below) to all functions, records, property and personnel.
- Full and free access to staff, the Audit Committee and the Director General.
- Authority to require and receive such explanations from any employee as are necessary concerning any matter under examination
- Sufficient resources and personnel with the necessary skills to perform the internal audit plan.

Access to confidential commercial information is permitted for the purpose of carrying out an internal audit solely in respect of enabling the auditors to ascertain that the Director General has carried out his functions as provided for within sections 2 and 4 of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001, the various sector specific laws and States Directions to the Director General. Access will not be given to confidential information unless it can be proven that its intended purpose falls within scope of the internal audit role.

Internal Audit is not authorised to perform any operational duties or initiate or approve accounting transactions.

Role and Scope

The primary responsibility for identifying and implementing an adequate system of internal control rests with the Director General. The role of internal audit is to appraise the adequacy and effectiveness of those controls.

In particular, its role is to understand the key financial risks of the organisation and to examine and evaluate the adequacy and effectiveness of the system of risk management and financial control as operated by the organisation so as to ensure that:

- the systems of financial control, and their operation in practice, are adequate and effective;
- follow-up action is taken to remedy weaknesses identified by Internal Audit;
- employees and organisation actions are in compliance with policies, standards, procedures and applicable laws and regulations; and
- the corporate governance arrangements of the organisation are appropriate to the organisation and comply with relevant requirements.

Responsibilities and Reporting

The internal auditor will be accountable to OUR's ARRC and its work programme will be subject to the approval of the ARRC. No work should be undertaken without the prior approval of the ARRC.

All work undertaken should be planned and carried out in accordance with the Standards of Professional Audit Practice set by the Institute of Internal Auditors-UK.

On completion of an assignment, before a final report is issued, the internal auditor will communicate its findings to management and staff of the audited area for their views. These views will be considered and recorded in the final report.

Copies of the final report will be provided to the Director General and ARRC.

Annex A: States Directions; Telecommunications

Scope of Universal Service Obligation (USO)

The States resolved to give the following direction to the Director General in accordance with Section 3(1)(c) of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001:

All users in the Bailiwick shall have available to them the services set out below at the quality specified, independently of geographical location and, in the light of local and national conditions, at an affordable price:

Access at Fixed Locations:

- *all reasonable requests for connection to the public telephone network at a fixed location and for access to publicly available telephone services at a fixed location shall be met by at least one operator;*
- *the connection provided shall be capable of allowing users to make and receive local, national and international telephone calls, facsimile communications and data communications, at data rates that are sufficient to permit Internet access;*

Directory enquiry services and directories:

- *at least one subscriber directory covering all subscribers of direct public telephone service providers shall be made available to users and shall be updated regularly and at least once a year;*
- *at least one telephone directory enquiry service covering all listed subscribers' numbers shall be made available to all users, including users of public pay telephones;*

Public Pay telephones:

- *public pay telephones shall be provided to meet the reasonable needs of users in terms of the geographical coverage, the number of telephones and the quality of services.*

Special measures for disabled users and users with special needs:

- *these provisions shall also apply to disabled users and users with special social needs, and specific measures may be taken by the Regulator to ensure this.*

Identity of First Licensee with USO

The States resolved to give the following direction to the Director General in accordance with section 3(1)(a) of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001:

The Director General of Utility Regulation shall issue the first licence to contain a telecommunications Universal Service Obligation to Guernsey Telecoms Limited, the company established to take over the functions of the States Telecommunications Board pursuant to the States agreement to the recommendations of the Advisory and Finance Policy letter published in this Billet.

Special or Exclusive Rights

The States resolved to give the following direction to the Director General in accordance with section 3(1)(b) of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001:

In accordance with section 3(1)(b) of that Law, the States directs the Regulator to decide the duration of any exclusive or special privilege granted to any licensee in relation to the provision of telecommunications networks and/or services with a view to ensuring that competition is introduced into all parts of the market at the earliest possible time.

The Regulator may decide on different terms for privileges granted in different markets or segments of the market. In any case, the States directs that the term of any such rights shall not exceed three years at most from the date of this Direction.

Annex A: States Directions; Post

Universal Service Obligation

The States resolved to give the following direction to the Director General in accordance with section 3(1)(c) of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001:

The following universal postal service shall be provided by at least one licensee throughout the Bailiwick of Guernsey at uniform and affordable prices, except in circumstances or geographical conditions that the Director General of Utility Regulation agrees are exceptional:

- *One collection from access points on six days each week;*
- *One delivery of letter mail to the home or premises of every natural or legal person in the Bailiwick (or other appropriate installations if agreed by the Director General of Utility Regulation) on six days each week including all working days;*
- *Collections shall be for all postal items up to a weight of 20Kg;*
- *Deliveries on a minimum of five working days shall be for all postal items up to a weight of 20Kg;*
- *Services for registered and insured mail.*

In providing these services, the licensee shall ensure that the density of access points and contact points shall take account of the needs of users.

“access point” shall include any post boxes or other facility provided by the Licensee for the purpose of receiving postal items for onward transmission in connection with the provision of this universal postal service.

Identity of First Licensee with a USO

The States resolved to give the following direction to the Director General in accordance with section 3(1)(a) of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001:

The Director General of Utility Regulation shall issue the first licence to contain a postal Universal Service Obligation to Guernsey Post Limited, the company established to take over the functions of the States Post Office Board pursuant to the States agreement to the recommendations of the Advisory and Finance Policy letter published in this Billet.

Post: Special or Exclusive Rights

The States resolved to give a direction to the Director General in accordance with section 3(1)(b) of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001 to award to Guernsey Post Office Limited the exclusive right to provide postal services in the Bailiwick to the extent that such exclusive right is necessary to ensure the maintenance of the universal postal service specified by States' directions under section 3 (1)(c) of that Law; and

To request the Director General to review and revise the award of exclusive rights from time to time with a view to opening up the Bailiwick postal services market to competition, provided that any such opening up does not prejudice the continued provision of the universal postal service.

Annex A: States Directions; Electricity

Universal Service Obligation (“Public Supply Obligation”)

The States did not make any Directions in relation to a Universal Service Obligation in the electricity markets, as it noted that the provisions of the Electricity Law adequately protected the interests of users by ensuring a Public Supply Obligation would be in place.

Identity of First Licensee with a USO

The States resolved to give the following direction to the Director General in accordance with section 3(1)(a) of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001:

The Director General of Utility Regulation shall issue the first licence to contain an electricity Universal Service Obligation to Guernsey Electricity Limited, once that company is established to take over the functions of the States Electricity Board.

Special or Exclusive Rights

Conveyance

The States resolved to give a direction to the Director General in accordance with section 3(1)(b) of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001 to award to Guernsey Electricity Limited an exclusive electricity conveyance licence in respect of the conveyance of electricity in Guernsey for a period of 10 years once that company has been formed.

Subsequently, the States resolved to give a direction to the Director General to issue an exclusive licence to Guernsey Electricity Ltd for conveyance activities subject to any exemptions granted by the Director General under section 1(2) of the Electricity (Guernsey) Law, 2001 for the period ending 31st January 2012.

Generation

The States made no resolution giving a direction to the Director General in relation to the period of exclusivity of any generation licence to be granted under the Electricity (Guernsey) Law, 2001.

Supply

The States resolved to give a direction to the Director General in accordance with section 3(1)(b) of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001 to award to Guernsey Electricity Limited (once that company has been formed) an exclusive electricity supply licence in respect of the supply of electricity in Guernsey for a period of one year.

The States also resolved to request the Director General to investigate the impact of the introduction of competition into the electricity supply market further and to provide a recommendation and advice to the Board of Industry on the introduction of such competition.

The States subsequently resolved to give a direction to the Director General to issue an exclusive licence to Guernsey Electricity Ltd for supply activities subject to any exemptions granted by the Director General under section 1(2) of the Electricity (Guernsey) Law, 2001 for the period ending 31st January 2012.

Annex B—Documents published in 2008

- 08/01 Guernsey Airtel Mobile Launch — Failure to meet launch date
- 08/02 Investigation of Guernsey Electricity Ltd's Supply Connection Charges — finding
- 08/03 Energy Policy Report: OUR response to Energy Policy Steering Group
- 08/04 Guernsey Airtel 2G and 3G Mobile Licences: Failure to meet launch date
- 08/05 Proposed Application of The Code by Wave Telecom Ltd and Modification of Wave's Licence
- 08/06 Application of The Code to Wave Telecom Ltd and Modification of Wave's Licence
- 08/07 Price Control for Cable & Wireless Guernsey — Decision Document
- 08/08 Mobile Number Portability — Proposed Direction
- 08/09 Review of C&WG's Wholesale Business — consultation document
- 08/10 Mobile Number Portability — Final Decision
- 08/11 Extension of Consultation Deadline for Wholesale Review of C&WG business — Information Notice
- 08/12 Register of Mobile Phone Operator Mast Sites in the Bailiwick of Guernsey
- 08/13 Audit of Emissions from Radio Masts — Information Notice
- 08/14 Mobile Market Review — Consultation on Further Development of Mobile Market
- 08/15 Review of C&WG's Wholesale Business — Draft Decision
- 08/16 Review of C&WG's Wholesale Business — Final Decision
- 08/17 Buy-Back Rate Review — Consultation
- 08/18 Mobile Review — Draft Decision
- 08/19 Broadband Fixed Wireless Access in Guernsey — Information Note and Calls for Expressions of Interest

IN THE STATES OF THE ISLAND OF GUERNSEY ON THE 27th DAY OF OCTOBER, 2009

**The States resolved as follows concerning Billet d'État No XXVII
dated 9th October 2009**

PROJET DE LOI

entitled

THE INCOME TAX (GUERNSEY) (AMENDMENT) LAW, 2009

I.-

- (1) To approve the Projet de Loi entitled “The Income Tax (Guernsey) (Amendment) Law, 2009” and to authorise the Bailiff to present a most humble petition to Her Majesty in Council praying for Her Royal Sanction thereto.
- (2) Considering it expedient in the public interest so to do, to declare that the said Projet de Loi shall have effect, from the date of this Resolution, under and subject to the provisions of the Taxes and Duties (Provisional Effect) (Guernsey) Law, 1992, and in accordance with the provisions of subsections (2) to (10) of clause 33 of the said Projet de Loi, as if it were a Law sanctioned by Her Majesty in Council and registered on the records of the Island of Guernsey.

PROJET DE LOI

entitled

THE AIR TRANSPORT LICENSING (GUERNSEY) (AMENDMENT) LAW, 2009

II.- To approve the Projet de Loi entitled “The Air Transport Licensing (Guernsey) (Amendment) Law, 2009” and to authorise the Bailiff to present a most humble petition to Her Majesty in Council praying for Her Royal Sanction thereto.

**THE PRISON ADMINISTRATION (ALCOHOL AND DRUG TESTING)
(AMENDMENT) ORDINANCE, 2009**

III.- To approve the draft Ordinance entitled “The Prison Administration (Alcohol and Drug Testing) (Amendment) Ordinance, 2009” and to direct that the same shall have effect as an Ordinance of the States.

**THE EMPLOYERS’ LIABILITY (COMPULSORY INSURANCE)
(EXEMPTIONS) ORDINANCE, 2009**

IV.- To approve the draft Ordinance entitled “The Employers’ Liability (Compulsory Insurance) (Exemptions) Ordinance, 2009” and to direct that the same shall have effect as an Ordinance of the States.

**THE ROAD TRAFFIC (DRINK DRIVING) (GUERNSEY)
(AMENDMENT) LAW, 2006 (COMMENCEMENT) ORDINANCE, 2009**

V.- To approve the draft Ordinance entitled “The Road Traffic (Drink Driving) (Guernsey) (Amendment) Law, 2006 (Commencement) Ordinance, 2009” and to direct that the same shall have effect as an Ordinance of the States.

**THE SARK GENERAL PURPOSES AND FINANCE COMMITTEE
(TRANSFER OF FUNCTIONS) (GUERNSEY) ORDINANCE, 2009**

VI.- To approve the draft Ordinance entitled “The Sark General Purposes and Finance Committee (Transfer of Functions) (Guernsey) Ordinance, 2009” and to direct that the same shall have effect as an Ordinance of the States.

STATUTORY INSTRUMENT LAID BEFORE THE STATES

**THE HEALTH SERVICE (BENEFIT) (LIMITED LIST) (PHARMACEUTICAL
BENEFIT) (AMENDMENT NO. 4) REGULATIONS, 2009**

In pursuance of Section 35 of The Health Service (Benefit) (Guernsey) Law, 1990, the Health Service (Benefit) (Limited List) (Pharmaceutical Benefit) (Amendment No. 4) Regulations, 2009, made by the Social Security Department on 9th September 2009, were laid before the States.

IN THE STATES OF THE ISLAND OF GUERNSEY ON THE 28th DAY OF OCTOBER, 2009

(Meeting adjourned from 27th October 2009)

**The States resolved as follows concerning Billet d'État No XXVII
dated 9th October 2009**

HOUSING DEPARTMENT

REVIEW OF THE RENT AND REBATE SCHEME

VII.- After consideration of the Report dated 24th August, 2009, of the Housing Department:-

1. To note that the formula for the setting of Standard Rents for Housing Department properties is to be amended as described in paragraphs 20 - 59 of that Report.
2. To note that the basis for making charges for non-dependants accommodated in a tenant's household is to be amended as set out in paragraphs 67 - 82 of that Report.
3. To rescind their Resolution of 24 November 2004, directing that the Housing Department be required to carry out a fundamental review of the Rent and Rebate Scheme every five years and to report the outcome to the States.
4. To require the Housing Department to notify the States in advance of any proposed fundamental changes to the rent setting formula or the rules for the assessment of a Rent Rebate which the Department intends to make.

**K H TOUGH
HER MAJESTY'S GREFFIER**