



BILLET D'ÉTAT

WEDNESDAY, 25th NOVEMBER, 2009

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XXXI
2009

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 WEDNESDAY, the 25th NOVEMBER, 2009,** immediately after the meeting of the States of Election 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
6 November 2009

PROJET DE LOI

entitled

THE OFFENCES (FIXED PENALTIES) (GUERNSEY) LAW, 2009

The States are asked to decide:-

I.- Whether they are of the opinion to approve the Projet de Loi entitled “The Offences (Fixed Penalties) (Guernsey) 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 INCOME TAX (EXEMPT BODIES) (GUERNSEY)
(AMENDMENT) (NO. 2) ORDINANCE, 2009**

The States are asked to decide:-

II.- Whether they are of the opinion to approve the draft Ordinance entitled “The Income Tax (Exempt Bodies) (Guernsey) (Amendment) (No. 2) Ordinance, 2009” and to direct that the same shall have effect as an Ordinance of the States.

**THE MERCHANT SHIPPING (OIL POLLUTION) (SUPPLEMENTARY FUND
PROTOCOL) (BAILIWICK OF GUERNSEY) ORDINANCE, 2009**

The States are asked to decide:-

III.- Whether they are of the opinion to approve the draft Ordinance entitled “The Merchant Shipping (Oil Pollution) (Supplementary Fund Protocol) (Bailiwick of Guernsey) Ordinance, 2009” and to direct that the same shall have effect as an Ordinance of the States.

THE LONG-TERM CARE INSURANCE (GUERNSEY) (RATES) ORDINANCE, 2009

The States are asked to decide:-

IV.- Whether they are of the opinion to approve the draft Ordinance entitled “The Long-term Care Insurance (Guernsey) (Rates) Ordinance, 2009” and to direct that the same shall have effect as an Ordinance of the States.

THE ATTENDANCE AND INVALID CARE ALLOWANCES ORDINANCE, 2009

The States are asked to decide:-

V.- Whether they are of the opinion to approve the draft Ordinance entitled “The Attendance and Invalid Care Allowances Ordinance, 2009” and to direct that the same shall have effect as an Ordinance of the States.

**THE SUPPLEMENTARY BENEFIT (IMPLEMENTATION)
(AMENDMENT) ORDINANCE, 2009**

The States are asked to decide:-

VI.- Whether they are of the opinion to approve the draft Ordinance entitled “The Supplementary Benefit (Implementation) (Amendment) Ordinance, 2009” and to direct that the same shall have effect as an Ordinance of the States.

**THE SUPPLEMENTARY BENEFIT (CLASSES OF PERSONS
TO WHOM THE LAW APPLIES) ORDINANCE, 2009**

The States are asked to decide:-

VII.- Whether they are of the opinion to approve the draft Ordinance entitled “The Supplementary Benefit (Classes of persons to whom the Law applies) Ordinance, 2009” and to direct that the same shall have effect as an Ordinance of the States.

THE HEALTH SERVICE (BENEFIT) (AMENDMENT) ORDINANCE, 2009

The States are asked to decide:-

VIII.- Whether they are of the opinion to approve the draft Ordinance entitled “The Health Service (Benefit) (Amendment) Ordinance, 2009 ” and to direct that the same shall have effect as an Ordinance of the States.

**THE SOCIAL INSURANCE (RATES OF CONTRIBUTIONS
AND BENEFITS, ETC.) ORDINANCE, 2009**

The States are asked to decide:-

IX.- Whether they are of the opinion to approve the draft Ordinance entitled “The Social Insurance (Rates of Contributions and Benefits, etc.) Ordinance, 2009” and to direct that the same shall have effect as an Ordinance of the States.

**THE SOCIAL INSURANCE (GUERNSEY) LAW
(AMENDMENT) ORDINANCE, 2009**

The States are asked to decide:-

X.- Whether they are of the opinion to approve the draft Ordinance entitled “The Social Insurance (Guernsey) Law (Amendment) Ordinance, 2009” and to direct that the same shall have effect as an Ordinance of the States.

PUBLIC SECTOR REMUNERATION COMMITTEE**ELECTION OF NON-VOTING MEMBERS**

The States are asked:-

XI.- To elect as non-voting members of the Public Sector Remuneration Committee, Advocate Russell Clark and Mrs Deborah Joan le Noury who have been nominated in that behalf by that Committee, to serve until May 2012 in accordance with Rule 5 (1) (d) of the Constitution and Operation of States Departments and Committees.

(NB The Public Sector Remuneration Committee has provided the following profiles of Advocate Clark and Mrs Le Noury

Russell Clark is an Advocate of the Royal Court and is the Deputy Managing Partner of the Guernsey office of Carey Olsen and heads up the Fiduciary Department. He is a regular speaker at conferences on trust and compliance matters and has published a number of trust, company and compliance articles. He was elected by the States as a Director of Elizabeth College in December 2008.

Deborah Joan Le Noury is a qualified accountant, a Chartered Director and a Fellow of the Chartered Institute of Management Accountants and is a past Secretary of the Guernsey Branch of the Institute of Directors. She has extensive management experience in a variety of industries, ranging from electricity to fund management and insurance and brings a wealth of experience with her.)

TREASURY AND RESOURCES DEPARTMENT

STATES OF ALDERNEY – NEW CONNAUGHT CARE HOME

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

25th September 2009

Dear Sir

Executive Summary

There has been a significant increase in demand for residential care for the elderly in Alderney and the States of Alderney wish to proceed with the construction of a New Connaught Care Home at a total cost of £2,500,000 funded from their capital allocation.

The project, which will also ensure that the residential accommodation provided on the Island is upgraded and modernised, was approved by the States of Alderney at its September 2009 meeting. It is the intention to sell the existing Royal Connaught Residential Home on completion of the project.

The Treasury and Resources Department is satisfied that this project is essential and represents good value for money.

Background

Under the States Financial Procedures when the States of Alderney wishes to undertake a major capital project funded from their capital allocation the prior approval of the States of Guernsey is necessary. In such cases the States Report seeking approval is submitted by the Treasury and Resources Department on behalf of the Alderney authorities.

The States of Alderney funds major capital projects from its capital income, the main sources of which are profits from the Alderney Gambling Control Commission (currently estimated at around £1.8million per annum) and Congé on property transactions (2009 current estimate : £236,000).

The provision of sheltered accommodation and non-nursing residential accommodation in Alderney is managed by the Royal Connaught Residential Home Ltd. This is

currently provided at two separate properties it leases from the States of Alderney, the Royal Connaught Residential Home and the Jubilee Home.

Due to the increase in demand for residential accommodation in recent years the States of Alderney had initially intended to extend the existing Royal Connaught Residential Home. However, an area of land close to the Jubilee Home has recently been purchased and it is now proposed to construct a new residential home on the site as this will allow all residential accommodation to be brought up to modern standards and also result in reduced running costs.

The total cost of the project at £2.5million includes a sum of £389,280 to cover professional fees and expenses, project supervision, supply and transportation of prefabricated bathroom pods and other incidental costs associated with the project.

If the Royal Connaught Residential Home Ltd generates significant profits in excess of its future requirements there is an agreement that the surplus is transferred to the States of Alderney for use on other projects.

States of Alderney New Connaught Care Home Project

The Alderney Policy and Finance Committee has written to the Treasury and Resources Department in the following terms with regards to the New Connaught Care Home project:

New Connaught Care Home

I enclose a copy of a submission regarding the above project which was presented by the Policy and Finance Committee to the meeting of the States of Alderney on 23rd September 2009, and approved, subject to the agreement of the States of Guernsey.

You will recall that the New Connaught Care Home has previously been discussed at various meetings between your Department and the Finance Advisory Group, including a visit to the existing Royal Connaught Residential Home, and the site of the new home during your visit to Alderney on 27th March 2009. The amount of £2,500,000 has been included in the Budget and the Capital Income and Expenditure Forecast for 2009/2010.

I should therefore be grateful if you could submit a Report to the States of Guernsey requesting approval of a capital vote of £2,500,000 as a charge on the Alderney Capital Account.

Yours sincerely

*R.G. Willmott
Chairman, Policy & Finance Committee*

The submission to the States of Alderney is set out below:

4th September 2009

*The President
States of Alderney*

Dear Sir

New Connaught Care Home

The States of Alderney own the two buildings which currently provide sheltered accommodation and non-nursing residential care for the elderly in Alderney. These are managed by the Royal Connaught Residential Home Ltd. There are no other similar non nursing facilities on the Island. Continuing care beds are provided at the Mignot Hospital.

In 2006, due to increased demand for residential accommodation, and the likelihood that demand was likely to continue to increase, it was proposed that the Connaught should be extended at the rear of the property in order to provide additional units. However due to the high cost of building the extension, coupled with the existing units becoming increasingly unfit for purpose, the plans to extend were put on hold.

On reviewing the situation, and with the demand for accommodation increasing, it was agreed that rather than extend the Connaught there was merit in building a new facility adjacent to the Jubilee Home thereby bringing all residents and staff together, and gaining efficiencies by sharing kitchen and laundry facilities etc. Such a development would also overcome the problems associated with operating from a building that was falling below standards that residents could reasonably expect to enjoy and that was demanded by legislation. In addition, the new arrangement would enable a smooth transfer of residents from one unit to the other should the need arise. Furthermore it was agreed that the purpose built accommodation would be much more energy efficient. The new site would also provide the land for expansion in the future. The change in location was endorsed, and the project included in the Capital Income & Expenditure Forecast at £2.5million, part of which would be offset by the sale of the existing Connaught building on completion of the project.

The Policy and Finance Committee agreed that in order to progress the project a small working party should be created, and in October 2007 the Connaught Advisory Group was formed, consisting of three States Members, and a senior civil servant, together with the Chairman of the Connaught Board, and a local Architect as co-opted members. The group carried out a demographic study in order to establish future demands and investigated the requirements for a new building.

In December 2008 the States agreed to purchase an area of land, at the rear of the Jubilee Home, in order to provide the site for the New Connaught Care Home, together with an access road to service the building, as shown on the attached plan. A further area of land was gifted to the States in August 2009, in order to allow for a slight repositioning of the building to provide greater scope for expansion in the future. It is worthy of note that the land is in Zone 15 of the Land Use Plan whereby any developments should be in keeping with the current landscape of St Anne and include some benefit for the community.

During 2008/9 the Group assisted by its consultants Granta Architects, and Quantity Surveyor, WJG Associates Ltd, worked to a brief to create and design the new building at a build sum of £2.28 million. The consultants compiled a detailed tender document, and in May advertised for expressions of interest. The main elements of the tender specification included:-

- *A two storey timber frame building with rendered blockwork externally and slate roof*
- *Building to provide 24 bedrooms with ensuite prefabricated bathroom pods (supplied)*
- *A high specification energy efficient heating design*
- *52 week programme, commencing in January 2010*
- *Preferential use of local labour*

Following receipt of the expressions of interest, and subsequent interviews, a shortlist of five contractors who were capable of carrying out a project of this scale, were invited to tender. The shortlist comprised of two on-Island contractors, two from Guernsey, and one from the UK.

All five tenders were returned and opened at a specially convened meeting of the General Services Committee on 23rd July as follows :-

<i>Contractor</i>	<i>Amount</i>	<i>Timescale</i>
<i>J.W. Rihoy & Son Ltd</i>	<i>£2,110,719.57</i>	<i>52 weeks</i>
<i>Charles Le Quesne (Guernsey) Ltd</i>	<i>£2,115,941.69</i>	<i>52 “</i>
<i>Luken Homes</i>	<i>£2,295,109.00</i>	<i>52 “</i>
<i>J.F.W. Main</i>	<i>£2,295,390.60</i>	<i>75 “</i>
<i>A.J. Bohan</i>	<i>£2,432,854.61</i>	<i>78 “</i>

The tenders were forwarded to the Quantity Surveyor for checking, and production of a full tender report. The report, including the consultants' recommendations, was subsequently presented to the Policy and Finance Committee on 1st September 2009.

After careful consideration of all relevant facts the Committee recommend that the contract is awarded to J. W. Rihoy & Son Ltd. Whilst the Committee would have preferred to recommend awarding the contract to a local building contractor, the tender cost-difference of £185,000 between J. W. Rihoy and the lowest local tender, together with the additional costs associated with an extended construction programme estimated at £115,000 (i.e. professional fees, the cost of keeping the existing home running, and loss of income from the new units) made this decision financially unacceptable. The contract documents will include the provision that local contractors and tradesmen are to be specified by the main contractor where their skill levels and charges are comparable with the main contractor and their availability is assured.

It is also recommended that an independent project manager be appointed by the States to act as their representative co-ordinating and supervising the activities of contractor and consultants.

The capital sum of £2,500,000 includes the adjusted tender sum, preliminary costs voted to date at £87,000, acquisition and transportation of bathroom pods, together with professional fees & expenses and project supervision.

The project is to be funded from capital income mainly from profits from the Alderney Gambling Control Committee, which will be partially offset from the sale of the existing Connaught on completion of the project.

The above project will also require the approval of the Guernsey States of Deliberation, at their November meeting.

I should therefore be grateful if you would place this matter before the States with the appropriate proposition.

Yours sincerely

*R. G. Willmott
Chairman, Policy and Finance Committee*

The States is therefore asked to resolve, after consideration of the above report from the Chairman of the Policy and Finance Committee, and subject to approval by the Guernsey States of Deliberation, to :-

- 1 Approve the building of the New Connaught Care Home as detailed in the above report.*
- 2 Accept the tender from J.W. Rihoy & Son Ltd in the sum of £2,110,719.57.*
- 3 Approve the additional cost of £389,280 to cover professional fees and expenses, project supervision, supply and transportation of prefabricated bathroom pods and other costs associated with the project.*
- 4 Vote the sum of £2,500,000 to cover the overall cost of the project.*
- 5 On completion of the above project sell the existing Royal Connaught Residential Home.*

Recommendations

The Treasury and Resources Department recommends the States to:

- (1) Approve the construction of the New Connaught Care Home as set out in this Report at a total cost not to exceed £2,500,000.
- (2) Authorise the States of Alderney to accept the tender from J.W. Rihoy and Son Ltd in the sum of £2,110,719.57.
- (3) Vote the States of Alderney a credit of £2,500,000 to cover the cost of the above works, such sum to be charged to the capital allocation of the States of Alderney.
- (4) Note the States of Alderney's intention to sell the existing Royal Connaught Residential Home on completion of this project.

Yours faithfully

C N K Parkinson
Minister

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

The States are asked to decide:-

XII.- Whether, after consideration of the Report dated 25th September, 2009, of the Treasury and Resources Department, they are of the opinion:-

1. To approve the construction of the New Connaught Care Home as set out in that Report at a total cost not to exceed £2,500,000.
2. To authorise the States of Alderney to accept the tender from J.W. Rihoy and Son Ltd in the sum of £2,110,719.57.
3. To vote the States of Alderney a credit of £2,500,000 to cover the cost of the above works, such sum to be charged to the capital allocation of the States of Alderney.
4. To note the States of Alderney's intention to sell the existing Royal Connaught Residential Home on completion of this project.

TREASURY AND RESOURCES DEPARTMENT

REVIEW OF ADMINISTRATIVE AND ACCOUNTING GUIDELINES AND STATES' FINANCIAL PROCEDURES

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

13th October 2009

Dear Sir

1. Executive Summary

In this report, the Treasury and Resources Department (T&R) sets out a new framework for the management, acquisition, holding and expenditure of public funds and resources. As indicated in the 2008 Interim Financial Report (paragraphs 4.17 and 4.18), the Department has reviewed the outdated Administrative and Accounting Guidelines (A&AG), and a proposed framework is being recommended to replace them.

As part of its review, the Department also considered other areas of finance and resource management, such as the States' Financial Procedures, which themselves have remained substantially unchanged since 1999.

The Department is recommending a new framework of mandatory rules and directives to be called the 'States Rules for Financial and Resource Management' (the Rules and Directives) to cover the whole scope of financial and resource management.

In summary, the proposed framework consists of:

- High-level, principle-based, mandatory **Rules** ('the Rules') to be agreed by the States. The proposed Rules are set out in the attached document (Appendix 1). The Rules would apply to all Departments, Committees and the Policy Council as detailed on pages 3 to 4 of the Rules document.
- Detailed mandatory **Directives** ('the Directives') to be agreed by the Treasury and Resources Department. These would be prepared by the Heads of Profession¹ in consultation with Departments. Directives would apply to all Departments as for the Rules above.

¹ Finance – Chief Accountant, Procurement – Director of Corporate Procurement, Property – Director, States Property Services, ICT – Director of ICT, Human Resources – Director of Human Resources and Organisation Development

- Detailed **Guidance** on the application of best practice in specific areas, which would be prepared by the Heads of Profession as required.
- Departments would be expected to formulate their own detailed **Procedures** as necessary; these procedures must comply with the Rules and the Directives.

The proposed Rules are divided into the functional areas of Finance, Procurement, Property, and Information and Communications Technology (ICT) and also include some cross-cutting Rules (see pages 11 to 13 of Appendix 1). This is to enable ease of use, but all areas form a cohesive single document. These Rules cover best practice principles in financial and resource management. Human Resources Rules are currently not included however it is anticipated that these will be developed in due course in compliance with this framework.

The framework also includes a **Scheme of Delegation** and **Schedule of Limits**. The Scheme of Delegation sets out authority which the States have delegated to Departments in relation to the management of resources and funds. The Schedule of Limits will set out key limits relating to the Directives, for example the tendering threshold. A glossary of key terms sits alongside, but does not form part of, the Rules.

In order to ensure that the Rules remain current and appropriate for the States, a programme of review will be carried out as indicated in Section 3.12 of the report. The Rules will be accessible electronically on the States website.

The Department believes this framework will address key issues recently highlighted in the Fundamental Spending Review and Wales Audit Office reports. The framework will support and complement corporate working and better governance.

The Department undertook a consultation process over a six week period at staff level with other Departments, Committees and the Policy Council, key Non-States Bodies (see page 3 of the Rules), the States auditors and unions, and has carefully considered the responses received before finalising the Rules.

This report recommends adopting the framework and the Rules as laid out in the appended document (Appendix 1) with immediate effect. The Rules would apply to Departments, Committees, the Policy Council and others as set out on pages 3 to 4 of Appendix 1. **A pragmatic approach to compliance will initially be taken with regards to the Rules** (Section 3.11).

2. Background

2.1 The Current Framework

Since the A&AG were adopted, the States' business has evolved and become more complex. While many of the underlying principles are still sound, the detail needs updating to reflect current best practice and recent developments in financial and resource management.

In addition to the A&AG, the States have, in the past, agreed a set of directions and principles fundamental to the manner in which financial responsibilities are undertaken. These are collectively known as the States' Financial Procedures. The last time a substantial review of these procedures was carried out was in 1999. Since that time, adjustments have been made by way of propositions in past Budget Reports, the machinery of government process, capital prioritisation etc.

The piecemeal nature of these amendments and additions means that it is difficult to gain a complete and up to date picture of the States Financial Procedures. Moreover, it would be more efficient for these rules to be consolidated in one place with other related rules and procedures.

The existing A&AG and States' Financial Procedures cover the following areas:

- The procedure for submitting States reports on capital projects
- Petty Cash administration
- Tendering guidelines and procedures
- Budget setting principles
- Format of the States Accounts and Budget

This list is not exhaustive, but it does show that the A&AG and States' Financial Procedures cover both significant and minor areas.

Existing documents do not cover, or only partially cover, areas such as:

- Data Protection and the retention of information
- The States' ICT policy
- Construction Codes of Practice
- Banking and investments
- Asset management
- Insurance
- Project Management
- Estate and Property Management

These areas are covered by other policies, resolutions of the States or legislation but there is no single codified source which can be used easily to cover all aspects of financial and resource management. Existing documents also do not have a common status, leading to a variety of opinions as to their relative importance.

2.2 The Need for Rules

The recent Wales Audit Office report on good governance in the States of Guernsey² identified that *‘the States of Guernsey does not have effective systems of accountability and scrutiny in place’*.

The Fundamental Spending Review Phase 2 report recently published by Tribal also identified weaknesses in operational governance in the States, specifically:

- *Absence of rules and procedures that apply across the States to all departments equally*
- *No ability to incentivise or deter non compliance to corporate policy and procedures*³

Other reviews in the past have also identified shortcomings in the mechanisms and procedures for managing the States resources. There is a clear need for change moving away from outdated guidelines towards mandatory Rules common across the States.

Implementing a framework of mandatory Rules and Directives is recommended as a major step towards real change which would arise from accepting the recommendations of the Fundamental Spending Review Phase 2 Report.

3. The Proposed Framework

3.1 Rules

The Rules (Appendix 1) are high-level, principles based on best practice in a Guernsey context. The Rules are divided into functional areas as follows:

- **Cross-cutting:** matters which apply across the States or across functional areas such as risk management, business cases, project management and value for money.
- **Finance:** Financial matters relating to the States budget and accounts, payroll, income, expenditure, assets and liabilities of the States.
- **Procurement:** The acquisition of goods, materials, the execution of works and the provision of services including consultancy, including outright purchase, lease, rental and hire of those works and services.
- **Property:** The management of the States portfolio of land and property from

² WAO Report: Review of Good Governance – The States of Guernsey, September 2009

³ Tribal: Unbeatable services, efficiently delivered. States of Guernsey Fundamental Spending Review: Phase 2, July 2009

acquisition to disposal, for example, property asset management and construction and engineering projects.

- **ICT:** The provision, management and administration of ICT hardware, software, data security and the States ICT network (as defined in the Glossary - Appendix 2), for example, ICT security and maintenance and support.

This division is to enable ease of use, however all areas form a cohesive single document.

The proposed Rules have been formulated in consultation with Departments and Non-States Bodies (as defined in Appendix 2) and other organisations, key staff in the disciplines concerned, Chief Officers and others were asked to comment on the draft Rules and outline framework during a six week consultation period. The Rules in Appendix 1 have been revised, where appropriate, to incorporate these comments received. Future amendments or new Rules would be dealt with according to the process set out in Section 3.12 of this report.

The Department proposes that the Rules would apply to all Departments, Committees and the Policy Council as detailed on pages 3 to 4 of the Rules document, and that the Rules are mandatory, to ensure their effectiveness. Certain other organisations or States entities would also have to comply with specific elements of the Rules as indicated therein. For example, where they are connected to the States' ICT network, organisations would be expected to comply with the ICT Security Rules.

3.2 Directives

Detailed, mandatory **Directives** ('the Directives') would underpin the Rules. These would be prepared by the Heads of Profession, incorporating best practice principles at a more detailed level than the Rules. It is the Department's intention to ensure these Directives are developed and implemented in partnership with Departments (and where appropriate Non-States Bodies). Therefore, the Directives would be formulated in consultation with key staff of the disciplines concerned and with Chief Officers, prior to the Heads of Profession submitting the final versions to the Board of the Treasury and Resources Department for final approval.

Given that the Directives principally address operational issues within the Public Sector, and that a number of workstreams are already in progress which should lead to greater clarity and separation of the roles and responsibilities of Politicians and Civil Servants, it is possible that the approval process may change over time.

This process should ensure that best practice, which is already being applied elsewhere in the States, can be incorporated into the Directives. In this way, key staff who will be using the Directives will be made aware of potential changes to their working practices before the Directives are issued and therefore become mandatory.

Directives would apply to all Departments and Committees as for the Rules above. Specific Directives would only apply to Non-States Bodies and other organisations where a specific Rule applies.

Many existing documents would become Directives once the Rules are approved, such as the Construction Codes of Practice and the Procurement Handbook. The A&AG would not be issued as Directives until they have been reviewed, largely due to their age. However, since the A&AG are based around sound financial principles, such as those contained in the Rules, Departments will already be complying with them in the majority of cases.

3.3 Guidance

Detailed **Guidance** in specific areas may be issued by the Heads of Profession where necessary to clarify the application of best practice to certain situations.

3.4 Procedures

Departments would be expected to review or formulate their own detailed **Procedures** as necessary, in order to manage their own resources effectively; these procedures must comply with the Rules and the Directives.

3.5 Scheme of Delegation

The framework also includes a **Scheme of Delegation**. This summarises the authority which the States has already delegated to Departments, such as approving capital projects up to £250,000. Changes to the Scheme of Delegation would be recommended to the States by the Treasury and Resources Department.

3.6 Schedule of Limits

The Schedule of Limits will set out key limits relating to the Directives, for example the tendering threshold. The Schedule of Limits would be approved by the Treasury and Resources Department in consultation with Departments.

3.7 Glossary

A glossary explaining key terms sits alongside, but does not form part of, the Rules. This can be found in Appendix 2. This glossary will be expanded to include terms from the Directives.

3.8 Scope and Limitations

The proposed Rules cover the core functional areas of Finance, Procurement, Property and ICT. There are also Cross-Cutting Rules which apply across several functional areas. All Rules form a cohesive single document covering best practice principles in financial and resource management.

Human Resources Rules are currently not included however it is anticipated that these will be developed in due course in compliance with this framework.

The information contained in the A&AG on the constitution of the States and the procedures for States business etc. is not within the scope of the Rules and has been dealt with in other reports to the States e.g. the review of the Machinery of Government. Information in the A&AG and States Financial Procedures, for example, is not all at the high-level contained in the Rules. It will be necessary for detailed Directives to be drafted first before these documents can be completely superseded.

For the avoidance of doubt, the Rules and forthcoming Directives will eventually replace the A&AG and States Financial Procedures in their entirety and thus supplant those original States Resolutions; the majority of the provisions in those documents are already incorporated into the Rules,

3.9 Roles and Responsibilities

The roles and responsibilities of organisations and individuals relating to the Rules are set out on pages 5 to 10 of Appendix 1. These roles lay out the responsibility for creating and approving the Rules and Directives as well as for consultation, implementation and monitoring of compliance.

3.10 Monitoring of Compliance

Under this framework, Departments are expected to monitor their own compliance with the Rules. The Internal Audit function will also monitor compliance.

The Treasury and Resources Department will update the States on a regular basis regarding the level of compliance with the Rules.

Departments may request waivers from the Rules. However as the Rules are high-level best practice principles, such requests should be rare. Waivers will be approved by the Treasury and Resources Department and then reported to the States in the annual Budget Report. The Treasury and Resources Department will also consider and grant individual exceptions to the Directives.

3.11 Effective Date

The Department is recommending that the Rules become mandatory immediately. However, the Department will take a pragmatic approach to compliance by Departments, recognising that although most Departments already follow best practice principles in the majority of areas, since they largely follow the provisions of existing documents, they will need time to achieve full compliance with the Rules. Departments should establish a programme of actions to ensure compliance as soon as possible and notify the Heads of Profession of any concerns or issues they may have.

The Department will also continue its review of existing documents and revise these to form Directives. It is accepted that Departments will only be able to comply with these Directives once they have been issued.

3.12 Programme of Review

The Department will instigate a programme of review for the Rules so that they would be reviewed at least every three years. It is recommended that the Treasury and Resources Department should normally approve any changes to the Rules but would, if deemed appropriate, refer certain matters to the States for approval, such as changes to the Scheme of Delegation. New Rules and material changes to existing Rules would be reported to the States by way of the annual Budget Report.

Consultation with Departments and key Non-States Bodies will be carried out prior to changes or new Rules being approved.

3.13 Storage of Documents

In order to facilitate access, availability and review, the Rules will be available on the States website (www.gov.gg) and the States Intranet. This will allow the documents to be fully searchable and will include assistive functions such as hyperlinks.

4. Recommendations

The Treasury and Resources Department recommends the States:

- a. To approve the framework and content of the States Rules for Financial and Resource Management as laid out in Appendix 1 of this report.
- b. To delegate authority to the Treasury and Resources Department to approve changes to the Rules as detailed in Section 3.12 of the report.
- c. To note that the Treasury and Resources Department will review the Rules on a rolling basis and report back to the States as necessary with recommendations for any major amendments to the Rules.
- d. To note that the Rules will substantially replace the States Financial Procedures, Administrative and Accounting Guidelines and other documents as laid out in Section 3.8, and direct the Treasury and Resources Department to notify Departments when the process of updating these documents is complete and they no longer apply.

Yours faithfully

C N K Parkinson
Minister

STATES OF GUERNSEY

RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

STATES OF GUERNSEY

RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

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STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Introduction, Framework and Scope

MANDATORY

Introduction

The States Rules for Financial and Resource Management have been prepared by the Treasury and Resources Department in accordance with its mandate¹, which includes the allocation and administration of all States' resources and the regulation and control of States' financial affairs.

Key terms which are highlighted like *this* show where a definition can be found in the glossary in the attached appendix.

The Framework

The framework of the States Rules for Financial and Resource Management broadly consists of:

High-level principle-based **Rules** ('the Rules') agreed by the States of Deliberation ('the States') and the subject of this document. The Rules are mandatory for all Departments and other bodies as indicated below.

Detailed **Directives** ('the Directives') prepared in consultation with Departments, issued by the Heads of Profession and approved by the Treasury and Resources Department. The Directives are mandatory for all Departments and other bodies as indicated below.

Guidance on specific areas, written in consultation with Departments and issued by the Heads of Profession. Any guidance issued by the Heads of Profession would not be obligatory.

Departments are expected to formulate their own detailed **Procedures** as necessary. These must comply with the Rules and the Directives.

This framework covers the acquisition, management and expenditure of public funds and resources for which the States has a responsibility. The States Rules for Financial and Resource Management (collectively the 'Rules and Directives') therefore cover the following functional areas:

Cross-cutting: matters which apply across the States such as risk management, business cases and *value for money*

Finance: Financial matters relating to the budget, accounts, payroll, income, expenditure, assets and liabilities of the States.

¹ Mandates and Memberships of the States, <http://www.gov.gg/ccm/navigation/government/states-members-and-committees/mandates-and-memberships/>

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Introduction, Framework and Scope

MANDATORY

Procurement: The acquisition of goods, materials, the execution of works and the provision of services including consultancy, including outright purchase, lease, rental and hire of those works and services.

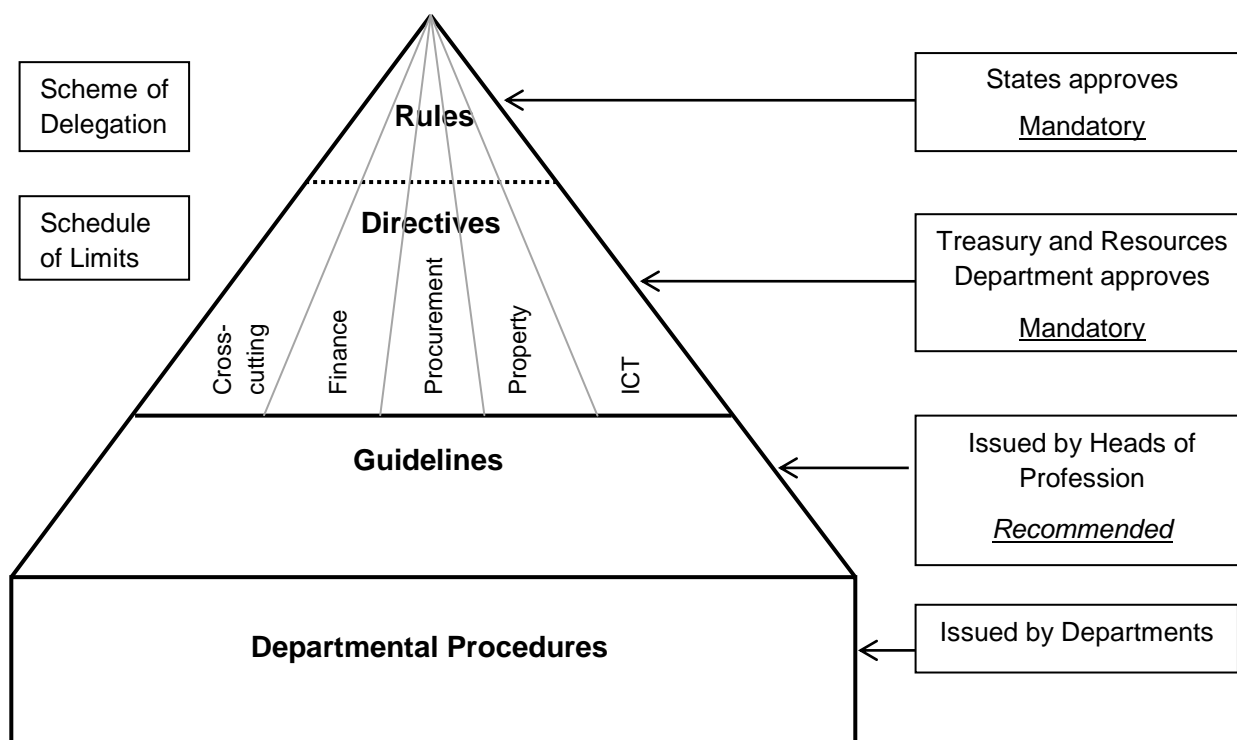
Property: The management of the States portfolio of *property* from acquisition to disposal.

Information and Communication Technology ('ICT'): The provision, management and administration of ICT hardware, software, data security and the States ICT *network*, including telephony and CCTV.

Human Resources Rules are currently not included however it is anticipated that these will be developed in due course in compliance with this framework.

The framework also includes the *Scheme of Delegation* and *Schedule of Limits*. The Scheme of Delegation is agreed by the States and sets out authority which the States have delegated to *Departments* in relation to the management of resources and funds. The Schedule of Limits is approved by the Treasury and Resources Department ('T&R') and sets out key limits relating to the Directives, for example the tendering threshold.

The diagram below sets explains the relationship between the Rules and Directives:



STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Introduction, Framework and Scope

MANDATORY

Who the Rules are applicable to

The States Rules for Financial and Resource Management apply to:

- all Departments, Committees, the Policy Council and the *States' Trading Bodies* (collectively in these documents referred to as '**Departments**' unless otherwise stated); and
- all States **employees** (whether full- and part-time, on permanent or temporary contracts of employment and regardless of pay group); and
- individuals who are retained on contracts for services to carry out duties, which would otherwise be carried out by employees of the States; and
- may also apply to other States-related bodies as detailed below

Non-States Bodies

Non-States Bodies are defined as an organisation having links to the States by way of receiving significant funds or resources from the States, or where the States has power to audit the organisation.

Non-States Bodies (NSBs) are not obliged to comply with the Rules and Directives, however the States of Guernsey expects NSBs to embody best practice and the other principles in the Rules in their own financial and resource management practices and procedures. The exception to this is when an NSB uses the services or resources of the States directly, for example when connected to the States ICT network or occupying a States-owned building, whereby individual applicable Rules will be mandatory.

NSBs may choose to adopt in full, or a modified version of, the Rules and Directives, however the States of Guernsey will accept no liability arising from such adoption.

Corporate Housing Programme Funds

The Corporate Housing Programme was established by resolutions of the States in 2002² and 2003³, as a means of providing a practical framework for implementing the States Housing Strategy, and complements and is congruent with the States Strategic Plan. The Rules and Directives apply to the Corporate Housing Programme Funds as they would for a Department, except where specifically indicated. The Housing Department manages the Funds on behalf of the States.

² Billet d'Etat XV, July 2002, - States Advisory and Finance Committee - 2002 Policy and Resource Planning Report

³ Billet d'Etat II, March 2003 - States Advisory and Finance Committee and States Housing Authority — The Development of a Housing Strategy and Corporate Housing Programme

STATES OF GUERNSEY

RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Introduction, Framework and Scope

MANDATORY

Ports

The Rules and Directives apply to the Ports (Guernsey Airport, Harbour of St. Peter Port, Harbour of St. Sampson) save that revenue and capital expenditure of the Ports is made through the Ports Holding Account. For clarity under these Rules the Ports are not included in the definition of *States' Trading Bodies*.

Commercialised Trading Entities

The Rules and Directives do not apply to the *Commercialised Trading Entities*⁴, except in defined circumstances as indicated in the Rules. But as shareholder, the States expects Commercialised Trading Entities ('CTEs') to embody best practice and the other principles in the Rules in their own financial and resource management practices and procedures.

CTEs may choose to adopt in full, or a modify a version of, the Rules and Directives, however the States of Guernsey will accept no liability arising from such adoption.

States of Alderney

The States of Alderney receives a cash limit and capital allocation from the States of Guernsey and is therefore not considered to be a Non-States Body as defined in these Rules. The States of Alderney must comply with the following Rules in line with the financial procedures⁵ (as amended):

- Budgeting and Budgetary Control
- Capital Expenditure
- Information and Communications Technology Rules

It is also expected to incorporate and embody best practice and principles from the other Rules in its own financial and resource management practices and procedures.

⁴ Defined according to the States Trading Companies (Bailiwick of Guernsey) Ordinance, 2001, there are three such companies; being Guernsey Electricity Limited, Guernsey Post Limited, and Guernsey Telecoms Limited (since bought by Cable & Wireless (Guernsey) Limited).

⁵ Billet d'Etat X, May 1996 –p. 673 States Advisory and Finance Committee: Financial Relationship between Guernsey and Alderney – Financial Procedures and recommendations for revenue cash limits and capital allocations for 1996, (as subsequently amended).

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Roles and Responsibilities

MANDATORY

States of Deliberation

States Members sitting as the States of Deliberation are responsible for approving:

- The framework of the Rules for Financial and Resources Management
- The Finance, Property, Procurement, ICT and Cross-cutting Rules (including at a future date, Human Resources Rules).
- The Scheme of Delegation.

Policy Council

The Policy Council has responsibility for (in addition to the responsibilities noted below for Departments):

- Adjudicating issues of non-compliance by Departments.
- Hearing appeals by Departments where the Treasury and Resources Department has not granted a waiver or exemption.

Treasury and Resources Department

The Treasury and Resources Department has responsibility for (in addition to the responsibilities noted below for Departments):

- Reviewing the Rules on a cyclical basis (at least every three years) and approving changes or recommending new Rules to the States as appropriate.
- Reporting to the States on changes to the Rules in the annual Budget Report
- Reviewing the framework of the States Rules for Financial and Resource Management and recommend changes to the States as appropriate.
- Approving waivers to the Rules or exemptions to the Directives requested by Departments.
- Reviewing and approving Directives prepared by Heads of Profession following a consultation process.

The Treasury and Resources Department has these related responsibilities as part of its mandate⁶:

- Examining and submitting annually to the States the budget estimates of income and expenditure on capital and revenue account, to submit recommendations on how such expenditure should be financed and, after audit, to submit the annual accounts to the States.

⁶ Mandates and Memberships of the States, <http://www.gov.gg/ccm/navigation/government/states-members-and-committees/mandates-and-memberships/>

STATES OF GUERNSEY

RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Roles and Responsibilities

MANDATORY

Treasury and Resources Department (continued)

- Receiving and commenting as appropriate on the resource implications associated with all proposals and reports which are to be placed before the States by Departments and Committees.
- Financial and related functions including the States payroll and the provision of advice and corporate services to Departments and Committees.
- The management of financial assets including cash and other investments and associated financial activities.
- Maintaining a register of *property* ownership for the purpose of assessing and collecting taxes based on rateable value.
- Providing corporate property services and advice to Departments and Committees and administering certain land and properties owned or leased by the States including those on Herm, Jethou and Lihou islands.
- Providing corporate *procurement* services and advice to Departments and Committees.
- Internal audit, risk management and insurance of States activities and resources.
- The development of corporate policies concerning the States use of *information and communication technology* and the provision, administration and security of the States ICT *network*.

Public Accounts Committee

The Public Accounts Committee's responsibility in relation to the Rules and Directives are, through their mandated responsibility to monitor *value for money* across the States, to assist in the monitoring of compliance with these rules.

Departments

Departments' responsibilities, in relation to the Rules and Directives, are as follows:

- To ensure that *value for money* is obtained from public funds and resources, and that they are managed effectively in accordance with the objectives of the States for the benefit of the public of Guernsey.
- To ensure their own compliance with the Rules and Directives.
- To consider specific waivers to the Rules for their Department and recommend those which are supported to T&R.
- To identify and install internal control systems, including financial control systems, to safeguard public funds and resources.
- To formulate procedures within the framework of and which comply with the Rules and Directives.

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Roles and Responsibilities

MANDATORY

States Members

States Members and Non-States Members are responsible for acting in a way which is consistent with the principles of the Rules.

Chief Officers

In relation to the Rules, Chief Officers are responsible for:

- Ensuring there are robust internal controls (procedures, performance management and monitoring systems) in place to enable compliance with the Rules and Directives. Ensuring that the Finance, Human Resources, ICT, Procurement, and Property functions under his/her control are resourced appropriately to operate within the Rules and Directives.
- Ensuring that a suitably skilled professional is appointed as Senior Finance Officer of their Department⁷.
- Communication of the overall requirements and responsibilities of the Rules and Directives to employees and Members of the Department.
- Delegating authority to appropriate employees to become Authorised Officers where required under the Rules.
- Enabling employees to report non-compliance and fraud and to ensure that they are not penalised, or treated detrimentally as a result.

Heads of Profession

The role of a Head of Profession in relation to the Rules and Directives is to:

- Define Rules and Directives relating to the discipline in accordance with best practice and professional standards.
- Review the Rules and Directives on a cyclical basis of at least every three years.
- Recommend changes to the Rules to the Treasury and Resources Department for approval by the States.
- Prepare detailed Directives following full consultation with Chief Officers and other interested parties.
- Issue guidance on specific matters to supplement the Rules and Directives.
- Satisfy him/herself whether concerns over compliance reported by employees are genuine and agreeing necessary remedial action in conjunction with the Chief Officer of that Department.
- Refer serious breaches of the Rules and Directives (whether alleged or actual breaches) to the Head of Internal Audit for investigation.

⁷ This may be achieved through the sharing of resources in small Departments or entities.

STATES OF GUERNSEY

RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Roles and Responsibilities

MANDATORY

- Advise Chief Officers on mechanisms and procedures for monitoring their Department's compliance with the Rules and Directives.

Chief Accountant

In relation to the Rules and Directives, the Chief Accountant has, in addition to the responsibilities as a Head of Profession and as an employee, responsibility for the proper administration of the financial affairs of the States of Guernsey, reporting directly to the Treasury and Resources Department in respect of these matters.

To fulfil these responsibilities, the Chief Accountant will have right of access to all Departments, and if appropriate Non-States Bodies, to give financial advice or to report on financial matters, which need to be brought to that Department's attention, where the Chief Accountant believes this is necessary.

Head of Internal Audit

With regard to the Rules, the Head of Internal Audit is responsible for:

- Developing a strategic risk-based audit programme to review the States' activities.
- Investigating serious breaches of the Rules and Directives referred to them by a Head of Profession or otherwise.
- Notifying the Head of Profession in relation to any breaches discovered through their audit work.

Senior Finance Officers

Each Department must have a designated Senior Finance Officer, whose responsibility, in addition to those as an employee, is to report to the Chief Accountant any significant new or material amendments to their Department's financial systems, well in advance of their implementation.

All Senior Finance Officers must ensure that their Departmental practices, procedures and internal controls are robust and comply with relevant professional standards and the States Rules for Financial and Resource Management.

These responsibilities are in addition for those as an employee and, if appropriate, as an Authorised Officer.

Authorised Officers

Authorised Officers are responsible for:

- Complying with the Rules and Directives.
- Carrying out the responsibilities within the levels of authority delegated to them.

The updated version of this document is available on the States Internet and Intranet

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Roles and Responsibilities

MANDATORY

Employees

Employees are responsible for:

- Ensuring they keep up to date with changes to the Rules (and accompanying Directives).
- Complying with the Rules. Employees must also ensure that their actions and decisions comply with all laws, regulations and other statutory requirements in force in Guernsey, or if applicable elsewhere, at that time. Other requirements, e.g. from professional bodies, must also be followed.
- Being vigilant for potential non-compliance by other employees and reporting, without delay, any concerns regarding potential non-compliance with the Rules and Directives to their Chief Officer and relevant Head of Profession.
- Immediately reporting suspected fraud, including where they consider there may exist the high potential risk of fraud, to the Chief Accountant and Head of Internal Audit.
- Complying with their own Departmental procedures.

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Non-compliance and Waivers

MANDATORY

Non-compliance

Departments

Departments are responsible for monitoring their own compliance with the Rules (and the Directives) and must review their own operations and procedures regularly to ensure this is the case. Internal Audit will also monitor compliance as part of their reviews.

Where a Department does not comply, the issue will be raised between T&R and the Department concerned. If the issue cannot be resolved by those parties, the Policy Council may be asked to intervene.

Employees

Employees must comply with the Rules (and the Directives). Failure to do so could result in disciplinary action according to the procedures issued by the Policy Council's Human Resources Unit.

Waivers to the Rules

There may be exceptional operational circumstances particular to a specific Department whereby the Rules cannot be applied. In these cases, the Department must formally request a waiver from the Treasury and Resources Department, which will not unreasonably be refused, in such form and manner as the relevant Head of Profession requires. This request must give full reasons why complete compliance with a particular Rule cannot be achieved.

T&R will report annually to the States on any waivers granted.

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Cross-Cutting Rules

MANDATORY

Context

The Cross-cutting Rules apply across all areas encompassed by the States Rules for Financial and Resource Management.

Best Practice

The Rules and accompanying Directives must reflect best practice principles. *Departments* must follow best practice principles in managing resources and funds.

Business cases

Departments must produce business cases to support new service developments, significant expenditure and significant purchases. A successful business case must demonstrate that the proposal offers *value for money* for the States of Guernsey and supports the States' objectives and priorities. Business cases must be produced according to the requirements and using the template issued by the Treasury and Resources Department as a Directive.

New Service Developments will be subject to prioritisation and approval through the States Strategic Plan process. T&R may approve business cases for new service developments, which are not high cost and are not controversial and do not impact on several Departments. In all other cases, the Department concerned must present their business case to the States for approval.

Contracts, Framework and Service Level Agreements

Agreements between the States and a third party (or between States entities) must contain terms and conditions agreed by St James' Chambers, which ensure that obligations and expected performance levels are understood, consistency is maintained and responsibility is clarified.

Data Protection and retention of records

Chief Officers are responsible for putting in place adequate systems of internal control to ensure that personal data is processed and stored in accordance with Data Protection principles⁸ and other applicable legislation, having regard to the rights of the subjects of that information. Chief Officers must ensure that records must be retained only for as long as is necessary, with regard to data protection requirements.

⁸ The Data Protection (Bailiwick of Guernsey) Law, 2001

STATES OF GUERNSEY

RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Cross-Cutting Rules

MANDATORY

Integrity and ethical standards

States employees must carry out their duties with integrity, honesty, objectivity and impartiality. This means that all decisions must be reached and applied in a fair, balanced and transparent manner. Departments and Committees must strive to achieve the highest ethical standards in their decision making and actions.

If any employee or Member, or their immediate family, is likely to be in a position to influence a States decision or action, this interest must be declared in line with the Directive.

Insurance

The Treasury and Resources Department ('T&R') has overall responsibility for the States of Guernsey's insurance arrangements (whether through an external provider or by way of self-insurance). Departments must review their insurance requirements and cover annually and provide such information as is necessary for T&R to monitor and administer the insurance arrangements.

Private Sector Approaches

Approaches from the private sector, that seek to explore various commercial opportunities (for example potential development) involving States property or other assets, must be referred to the Treasury and Resources Department at the earliest possible opportunity. The Department will then manage the process under its delegated powers to an approved format.

Project Management

Departments must ensure that all major projects, as defined in the Schedule of Limits, are run according to structured project management principles, as determined by the relevant Head of Profession and have a Project Board. Timely and appropriately independent post-implementation reviews must be carried out by Departments proportionate to the size and complexity of the project.

Records

Departments and Committees must keep adequate records of their decisions, actions, resources and funds to provide accountability. Recording of information must occur promptly and accurately. Chief Officers must ensure that records are kept in such a manner as to enable them to be verified, audited and retained securely. Records must comply with the [Data Protection and Retention Rule](#).

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Cross-Cutting Rules

MANDATORY

Risk Management

The States will use a risk-based approach to the management of assets and funds under its control to ensure that risks are mitigated and minimised and systems are resilient to interruption.

Departments must ensure that risks are formally assessed and recorded on a periodic basis (at least annually). Departments must take steps to mitigate risks where this is cost-effective, and record those risks which remain, with reasons why these cannot be mitigated.

Business Continuity Planning

Departments must assess their operations to identify those critical functions which must continue in the event of major disruption. Each Department must have adequate, documented business resilience plans, which must be kept up to date and tested annually for a variety of expected scenarios.

Support the States strategic policies

Departments must follow States corporate aims and objectives as set out in the States' Strategic Plan when allocating resources and delivering services.

Departments must consider relevant social, environmental, sustainability and ethical issues when carrying out their obligations.

Value for Money

Departments must seek to achieve *value for money* in acquiring and managing resources and funds. Co-operation and collaboration between Departments is to be undertaken where it will achieve best value for money and corporate solutions must be sought where possible.

Obtaining value for money means that public money and resources are used in the most efficient and effective way to deliver the stated outcomes of the States of Guernsey. It requires underpinning service delivery with sound financial and performance processes .

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Finance Rules

MANDATORY

Context

These Finance Rules cover the mechanisms and procedures for the collection, handling and expenditure of public funds, including recording and reporting requirements. These Rules exist to ensure that public funds are used in accordance with the States overall objectives to the benefit of the people of Guernsey, and provide for *value for money* and cost-effective administration of the States functions.

Compliance with these Rules will enable Departments to manage their resources and funds to achieve value for money in supporting their objectives.

Contents

The Finance Rules are divided into the following sections:

[Accounts of the States](#)

[Administration of third party funds](#)

[Assets](#)

[Audit](#)

[Banking, Borrowing and Investments](#)

[Budgeting and Budgetary Control](#)

[Capital Expenditure](#)

[Currency](#)

[Donations, Grants and Loans](#)

[Emergency Expenditure](#)

[Fraud](#)

[Gifts and Hospitality](#)

[Income](#)

[Payments to Suppliers](#)

[Payroll and Payments to Employees](#)

[Petty Cash](#)

[Stock](#)

[Systems of Internal Control](#)

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Finance Rules: Accounts of the States

MANDATORY

Publication of Accounts

The Treasury and Resources Department (T&R) has overall responsibility for preparing and publishing the accounts of the States of Guernsey. The accounting year for the States is from January to December.

The States' accounts will be published on an annual basis in such manner and format as T&R will determine, and will include as a minimum, a financial and narrative summary of performance for the year, an overall income and expenditure account, balance sheet and cashflow statement with supporting notes.

Preparation of accounts

T&R has overall responsibility for co-ordinating the preparation of the year-end accounts and for the accuracy of information within them.

Departments must prepare information, including narratives, for the accounts according to the accounting policies of the States. Departments are responsible for the accuracy of the information prepared for their accounts and for providing narrative explanations as required by T&R for publication.

Accounting Policies

T&R will formulate detailed accounting policies for the accounts of the States and devise a framework of accounting policies for States Trading Bodies. T&R will review the accounting policies on an annual basis. Departments are responsible for applying these accounting policies consistently and accurately to their year-end accounts.

Audit of the accounts

The annual accounts of the States of Guernsey will be subject to independent audit by a suitably qualified professional accounting organisation (the 'External Auditors'), which will be approved by the States on the recommendation of the Public Accounts Committee. The External Auditors must carry out an independent audit of the States accounts on an annual basis in accordance with current auditing standards.

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Finance Rules: Administration of Third Party Funds MANDATORY

Administration of third party funds and assets

Third party funds (e.g. Amenity Funds) must be handled and administered in accordance with the Rules, i.e. in the same way as States funds and assets. Departments must ensure that Third Party Funds (including assets not owned by the States) are properly safeguarded against loss or damage.

Senior Finance Officers must ensure that the responsibilities of the States and the third party are clearly defined and agreed by both parties, and that responsibility for risks to the funds and assets are clearly identified and allocated between the parties.

Separate identity

Senior Finance Officers must ensure that adequate records exist to identify third party funds separately from States funds and that these funds are accounted for separately.

Review of Third Party Funds

Departments must regularly review the necessity for Third Party Funds under their control, and ensure that these Funds remain fit for purpose.

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Finance Rules: Assets

MANDATORY

Asset management

Departments must ensure that all [assets](#) under their care are managed effectively to obtain maximum [useful economic life](#) from them and to safeguard them from loss, damage or impairment.

Departments must take a risk-based approach to the management of their assets and must formulate and execute effective plans for maintaining assets in a safe, reliable and productive condition.

Departments must review the need and use for assets on a regular basis, including re-assessment of the useful economic lives of those assets and assessment of any [impairment](#).

Accounting for assets

Departments must value and account for all [assets](#) according to the accounting policies of the States. The Chief Accountant is responsible for issuing Directives relating to the grouping of assets for measurement purposes in relation to the accounts.

Recording of assets

Senior Finance Officers are responsible for ensuring that costs are recorded in an asset register, where the asset value exceeds the asset threshold as set out in the [Schedule of Limits](#). The Heads of Profession will direct Departments in the manner, form and content of asset registers for different classes of asset.

Disposal of assets

Departments must dispose of assets in a cost-effective, fair and open way. States employees must not receive favourable treatment with regards to the sale or disposal of assets. Disposals must comply with environmental and legal obligations. Property disposals must be carried out in accordance with the Property Rules.

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Finance Rules: Audit

MANDATORY

External Audit

The States of Guernsey is subject to independent scrutiny to comply with legal and regulatory obligations and to satisfy public accountability.

Departments must be subject to an annual independent audit of their accounts. The Public Accounts Committee is responsible for recommending to the States the appointment of the independent auditors of the States accounts.

The external auditors will produce a management report of their findings to the Public Accounts Committee; Departments must consider these points and agree actions with the Chief Accountant. Departments must ensure that recommendations are implemented in a timely fashion. The Public Accounts Committee is responsible for monitoring Departments' implementation of recommendations.

All States employees are required to provide information and assistance to auditors and in compliance with Data Protection requirements. Where a request appears unreasonable, the Chief Accountant will advise the Department on the action to take.

Internal Audit

The States of Guernsey will have an Internal Audit function. All Departments, Committees and States Trading Bodies, will be subject to regular internal audit. The requirement for an audit will be assessed by the Head of Internal Audit and may be extended to other organisations receiving material public funds or resources from the States.

All States employees are required to provide information and assistance to auditors, and in compliance with Data Protection requirements. Where a request appears unreasonable, the Chief Officer will agree any required action with the Head of Internal Audit.

The Head of Internal Audit must develop a strategic risk-based audit programme to review the States' activities. Chief Officers are expected to contribute to the planning of audits for their Department.

Internal Audit will carry out the rolling programme of review. In addition they will respond to, and investigate, suspected fraud and other irregularities. Internal Audit is responsible for reviewing Departments' systems and practices to identify whether they comply with the States Rules for Financial and Resource Management. Departments are responsible for the timely implementation of agreed Internal Audit recommendations.

Internal Audit reports must be tabled and discussed at Departmental board meetings and Departments are responsible for the timely implementation of Internal Audit recommendations.

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Finance Rules: Audit

MANDATORY

Non-Audit Services

The External Auditors should not be engaged by Departments for any non-audit work. Where this is deemed necessary, Departments must gain the approval of the Chief Accountant prior to inviting the auditors to contract for the non-audit work.

The Chief Accountant will assess any proposal to utilise the services of the auditors for non-audit work against criteria including whether the non-audit work may have the potential to conflict with audit independence.

Other Reviews

The Public Accounts Committee and Scrutiny Committee may also carry out reviews of Departments in accordance with their mandates⁹. Departments may also be subject to periodic independent reviews as a result of legislative or other requirements.

⁹ Mandates and Memberships of the States, <http://www.gov.gg/ccm/navigation/government/states-members-and-committees/mandates-and-memberships/>

STATES OF GUERNSEY

RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Finance Rules: Banking, Borrowing and Investments **MANDATORY**

Bank Accounts

T&R has overall responsibility for systems and procedures in the States through which money is transacted. T&R manages the States corporate banking contract. New or changes to existing bank accounts must be co-ordinated and approved by T&R.

The States is committed to providing its customers and suppliers with the best range of payment methods available to facilitate the ease with which they transact with government.

Investments

The States of Guernsey will seek the maximum return on its investments within agreed levels of risk and the *Permitted Investment Rules* as agreed by the States.

T&R has delegated responsibility for investing and managing all States' funds except those managed by the Social Security Department. The Social Security Department (SSD) has responsibility for managing the investments in the Guernsey Insurance Fund, the Guernsey Health Service Fund and the Long-Term Care Insurance Fund. Both Departments may delegate the administration and management of investments to other organisations (e.g. investment management companies) from time to time. Where administration of the funds is delegated, T&R and/or SSD must ensure that the performance of the organisation concerned is reviewed annually in line with performance measures in the contract. Funds must be invested in accordance with the *Permitted Investment Rules*.

T&R and SSD must ensure that there are sufficient liquid funds and long term balances available to meet ongoing operational requirements. Investments may be aggregated where this represents the best method of achieving the maximum return against the risk profile of those funds.

Borrowing

T&R is responsible for undertaking any borrowing on behalf of the States in accordance with the Fiscal Policy Framework¹⁰. New borrowing will only be undertaken to fund capital investment with a secure associated income stream¹¹. The total of such States net borrowing will not exceed 15% of Guernsey's Gross Domestic Product.

T&R may lend to or borrow from other States entities to facilitate the flow of funds for States revenue and capital expenditure (internal lending or borrowing). T&R will assess and approve any Department's proposals to borrow temporarily by way of an overdraft or short term loan.

¹⁰ Policy Council: Fiscal Policy Framework, Billet d'Etat XI, April 2009

¹¹ Billet d'Etat IX, May 2009 – Treasury and Resources Department - Capital Prioritisation

STATES OF GUERNSEY

RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Finance Rules: Banking, Borrowing and Investments **MANDATORY**

Existing borrowing facilities must only be used according to the requirements of relevant States Resolutions¹².

Guarantees

T&R is responsible for assessing requests for the States to provide guarantees, or similar comfort, to financial institutions on behalf of third parties, who have a connection to the States (for example where the States has a shareholding, or the third party receives States funding in some form) in order to facilitate their private sector borrowing. Such guarantees should only be agreed where the risks of default have been carefully considered and documented, and the impact of any contingent liability taken into account.

T&R must agree to any guarantees prior to recommending them to the States for approval, if necessary.

Third party banking

The States may, from time to time, invest funds on behalf of non-governmental organisations, for example those organisations receiving States grants and the [Commercialised Trading Entities](#). Such funds may be aggregated with States funds to obtain the maximum possible returns, however they will be accounted for separately and the return on investments will be split proportionally in comparison to the overall investment pool and included with the organisations' overall funds.

¹² For example, the Housing Department has a £25m private sector facility until July 2013 for the Housing Development and Loan Fund, which was established in Billet d'Etat XIII, 1990.

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Finance Rules: Budgeting and Budgetary Control

MANDATORY

Publication of Budgets

T&R has overall responsibility for preparing and publishing the budget of the States of Guernsey, showing the requirements for funds and resources for at least the following year. The States' budget will be published on an annual basis in such manner and format as T&R will determine. The budget will include, as a minimum, a projection of overall income and expenditure for the year ahead and the budgets of Departments and other States entities as appropriate.

T&R are responsible for ensuring that there is consistency between the classification of information in the published budget and the published annual accounts. The budget will be approved by the States of Deliberation.

The States budget must be prepared in line with agreed priorities of the States Strategic Plan.

Preparation of the States' budget

T&R is responsible for co-ordinating the preparation of the overall general revenue and capital budgets for the States, including determining proposals for taxation levels and setting cashlimits.

Budget Setting

Departments must ensure that budgets are set using a bottom-up budgeting approach and assumptions as directed by T&R. Departments must apply rigour in assessing their budgetary requirements. Budgets should reflect the actual needs of the Department. Budgets must be set for both income and expenditure of the Department.

Budget management

Departments are responsible for managing their budgets within the cashlimit agreed by the States.

Authorised Officers, where responsible for budgets, are responsible for managing and controlling expenditure within those budgets and for maximising the collection of income, if appropriate. Authorised Officers must ensure that budgets are not exceeded, i.e. overspent.

Monitoring of budgets

Senior Finance Officers must ensure that budgets are monitored appropriately on a regular basis. Detailed budget performance reports, which must include variance analysis and a

STATES OF GUERNSEY

RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Finance Rules: Budgeting and Budgetary Control **MANDATORY**

forecast of year end outturn, must be submitted to senior management and discussed at board level on at least a quarterly basis, preferably monthly.

Senior Finance Officers must forecast the outturn for their Department's budgets on a regular basis throughout the year.

Senior Finance Officers must discuss significant budgetary concerns with the Chief Accountant as soon as they arise so that action to address these concerns can be taken promptly.

New Service Developments

Departments must formulate detailed business cases for any new service developments or budgets requiring additional revenue or capital outside of their existing funds. Either T&R or the States will approve these requests, according to the Scheme of Delegation and the States Strategic Planning process. Business cases must be produced in accordance with the Business Case Rules and include forecasts of income and expenditure over more than one year. T&R will have regard to the reasons in the business case when commenting on the financial implications of States Reports. Departments must include detailed budgetary requirements in business cases for new services and projects.

Budget transfers

The Chief Accountant is responsible for the central administration of budget transfers. Overall increases or decreases to Departments' total budgets will be approved by T&R or the States in accordance with the Scheme of Delegation. Senior Finance Officers are responsible for recommending detailed budget transfers, i.e. those within their overall budget totals, to the Chief Accountant.

Unspent Balances

Unspent balances arise when the total non-formula-led net expenditure in a year does not exceed the total authorised budget of a Department for that year. Departments are permitted to retain unspent balances from one year to the next.

Departments must submit a case for using Unspent Balances for non-recurring expenditure (or exceptionally for recurring expenditure) to the Treasury and Resources Department, which has delegated authority to approve the transfer of Unspent Balances to supplement revenue or capital budgets. In certain circumstances, T&R may also approve Departments' requests for Unspent Balances to be used for recurring expenditure.

In the case of overspends, Unspent Balances must be used in the first instance. Where these are insufficient, the States or Treasury and Resources Department must sanction overspends in accordance with the Scheme of Delegation.

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Finance Rules: Budgeting and Budgetary Control

MANDATORY

Exceptions to these Rules

The Budgeting and Budgetary Control Rules apply to the Corporate Housing Programme Funds and the *States Trading Bodies* except for the Unspent Balances Rule.

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Finance Rules: Capital Expenditure

MANDATORY

Capital Expenditure

Capital expenditure is expenditure on a project that results in a new or replacement asset, or extends the life or increases the value of an asset, where the value concerned is according to the accounting policies. Routine maintenance and *consumables* should never be treated as capital expenditure. Capital expenditure must only occur where this is in accordance with the States Strategic Plan and Departmental Operational plans.

Capital Prioritisation

Significant capital expenditure, which cannot be funded from a Department's routine capital allocation must be evaluated through the Strategic Review process, which is co-ordinated by T&R, and subject to capital prioritisation by the States. If approved by the States, the *Capital Reserve* will fund the project.

Routine Capital Expenditure

T&R must have regard to Departments' requirements for routine capital expenditure, when setting cashlimits. Capital expenditure to be funded by routine capital allocations (part of Departments' cashlimits) may be approved by either the Department concerned, T&R or the States, according to the Scheme of Delegation and the requirements of the Directives.

Applicability to the Corporate Housing Programme

Capital expenditure to be funded from the Corporate Housing Programme Funds ('CHP Funds') is the responsibility of the Housing Department in accordance with the Scheme of Delegation. Capital expenditure includes grant funding of housing associations for the development of housing tenures. Where there are sufficient balances in the CHP Funds, capital expenditure will be approved as part of workstreams prioritised by the States on a biennial basis and linked to the priorities in the States Strategic Plan.

Applicability to States Trading Bodies

States Trading Bodies generally fund capital expenditure from their own reserves and do not receive an allocation from the States, nor are their projects funded from the Capital Reserve, unless this has been agreed by the States as part of the Capital Prioritisation process.

STATES OF GUERNSEY

RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Finance Rules: Currency

MANDATORY

Currency

T&R is responsible for monitoring and administering¹³ the supply and issue of Guernsey *currency* (i.e. Guernsey notes and coins).

The States of Guernsey will utilise robust methods and technologies to prevent the circulation of counterfeit Guernsey currency.

T&R will ensure that the stock of new unissued notes and coins (including commemorative coins) and returned stock is held securely and managed in accordance with the requirements of the [Stock Rule](#). Notes and coins withdrawn from circulation will be destroyed in a controlled and secure manner.

T&R must maintain effective and responsive communications with Guernsey Police, local banks and the community in general to combat the counterfeiting of Guernsey currency and will also provide specialist advice and support to the Police and Court authorities, when requested, in cases which breach current laws.

¹³ The primary piece of legislation for the administration of the Guernsey currency is The Currency Offences (Guernsey) Law, 1950

STATES OF GUERNSEY

RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Finance Rules: Donations, Grants and Loans

MANDATORY

Donations

States Departments, as the custodians of public funds and assets, must apply those funds and assets for official purposes of the States of Guernsey only. Departments must not make donations of public funds or assets to charitable or similar bodies, unless specific authority to do so has been granted in their mandates or by the States. Senior Finance Officers must ensure that a register is kept of donations made.

Grants, Loans and Support Schemes

T&R has delegated authority from the States to make grants or loans to registered charities and similar organisations.

Departments must only make grants or loans if the power to do so is in their mandates, or is as a result of a Resolution of the States. Departments must ensure that grants (equally applicable to loans and support schemes) have clearly defined and measurable objectives, and must review these periodically. Each scheme or grant must represent *value for money* for the States and be in accordance with its aims and priorities.

Grants from the Corporate Housing Programme Funds made to housing associations for the development of housing in Guernsey, must be approved by the Housing and Treasury and Resources Departments in accordance with the governance and contractual arrangements with those associations.

Sponsorship

States Departments will only sponsor (in whole or in part) private events, organisations, goods or services where there is a demonstrable States' objective which will be met and where such sponsorship provides value for money. Senior Finance Officers must ensure that a register is kept of such sponsorship.

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Finance Rules: Emergency Expenditure

MANDATORY

Emergency expenditure

The requirements of the Rules may be suspended temporarily only when circumstances arise which pose an immediate threat or risk to persons, property or would cause serious disruption to essential States or Island services, and these circumstances necessitate the immediate expenditure of funds, those funds should be spent to avoid or mitigate the emergency.

The Treasury and Resources Department has delegated authority to authorise a capital or revenue budget, and to transfer into it an appropriate sum from Reserves, in the event of an emergency. The Treasury and Resources Department is required to report back to the States on any amounts so authorised under its delegated authority as soon as is practicable.

Major Emergencies

Under this Rule, a major emergency is an Island-wide emergency which poses immediate risk to persons, property or serious disruption to essential States or Island services. The Emergency Powers Authority¹⁴ is mandated to deal with major emergencies.

Other emergencies

Other emergencies are where, for example, imperative maintenance or repairs to States property or assets are urgently required to prevent immediate danger to authorised users or members of the public and are not within the remit of the Emergency Powers Authority.

Chief Officers must notify the relevant Head of Profession concerned, as soon as reasonably practicable, of the extreme or emergency circumstances, which might require them to act outside of, or potentially in conflict, with the Rules. In such cases, Chief Officers must ensure that the circumstances of the emergency, the Rules or Directives which were contravened, if appropriate, and the action taken to resolve the emergency are recorded and reported to the Board and relevant Head of Profession as soon as possible.

If the emergency arose from a deficiency or lack in the Department's procedures or systems, the Chief Officer must ensure that changes are made to prevent the emergency recurring and that such changes will comply with the Rules.

¹⁴ Mandates and Memberships of the States, <http://www.gov.gg/ccm/navigation/government/states-members-and-committees/mandates-and-memberships/>

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Finance Rules: Fraud

MANDATORY

Responsibility for preventing fraud

The States of Guernsey is committed to minimising the risk of the occurrence of fraud and other irregularities.

Senior Finance Officers must ensure their Departments operate with robust internal controls which prevent fraud and minimise the potential for fraud or other irregularity to remain undetected.

All States employees are expected to be aware of and vigilant for suspicious or improper activities.

Reporting

Where any employee suspects fraud is occurring, or there may exist the high potential risk of fraud, such matters must be reported immediately to the Chief Accountant and the Head of Internal Audit. The Head of Internal Audit must notify the Chief Officer of the Department concerned where a fraud investigation is being carried out, unless the Chief Officer is implicated in the fraud.

Employees must be able to report suspected fraud without fear of being penalised for raising their concerns.

Investigation of fraud

Internal Audit is responsible for investigating any suspected fraud. The Head of Internal Audit will inform the Department where it is appropriate to do so, depending on the nature of the suspected fraud and progress of the investigation. Where appropriate, cases may be referred for investigation by the Police and may result in criminal proceedings.

Departments and their employees must comply fully with fraud investigations and render all assistance necessary to enable Internal Audit to carry out a robust investigation.

Consequences of committing fraud

Employees found to have committed fraud will be disciplined according to provisions and procedures issued by the Policy Council Human Resources Unit and may also be prosecuted.

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Finance Rules: Gifts and Hospitality

MANDATORY

Gifts to the States of Guernsey

Gifts to Departments or Committees must not be accepted where the States would be required to expend public funds in maintenance or running costs, unless this accords with the States objectives for service provision.

An asset must only be accepted as a gift once a full evaluation has been undertaken and it can be clearly demonstrated that the acceptance of the asset will have no adverse financial implications to the States

Gifts offered to staff

All States employees must ensure that their actions do not imply any impropriety, favouritism or undue influence, and thus gifts and hospitality must not be accepted if there is the potential for this to be the case. This applies equally to gifts or hospitality offered to immediate family members of a States employee.

Gifts should not be accepted where there is an expectation by the other party that this will be reciprocated in some way, unless this is required from a cultural standpoint.

Hospitality

Modest hospitality is an accepted courtesy of a business relationship. However, the recipient should not allow themselves to reach a position whereby they might be, or might be deemed by others, to have been influenced in making a business decision as a consequence of accepting such hospitality. The Chief Officer should satisfy themselves that the frequency and scale of hospitality received by Department employees is appropriate to the circumstances of the relationship.

Giving gifts and hospitality

Gifts to individuals (staff, contractors or others) must not generally be paid for from public funds. A Department giving business-related hospitality or gifts must ensure that it is appropriate, proportionate and in accordance with the Department's business objectives. Such gifts and hospitality must not imply or expect any impropriety, favouritism or undue influence on the recipient

Gifts and Hospitality Register

The Chief Officer must ensure that a register is maintained of all gifts and hospitality received and given, and must inspect and sign off that register at least annually.

STATES OF GUERNSEY

RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Finance Rules: Income

MANDATORY

The bulk of the States income is derived from direct and indirect taxation; however a proportion of income is derived from fees, charges and penalties made by Departments. T&R is responsible for recommending changes to direct and indirect taxes to the States for approval.

Departments are responsible to the States for their own fees and charges, which arise from specific States resolutions and legislation, and for other income resulting from the charging out of services or sale of goods. Fees and charges prescribed by Order in Council, Ordinance or Resolution of the States may be increased, decreased or discontinued by way of a Regulation of the relevant Department¹⁵.

The amounts of fees and charges raised should not be used as a material substitute for direct and indirect taxation and should be appropriately budgeted.

Setting fees and charges

Departments must review their fees and charges on an annual basis. When reviewing the level of existing fees, or considering the introduction or cessation of fees, Departments must take account of the evaluation criteria agreed by the States¹⁶.

T&R must be notified of any changes to fees and charges, and will maintain a register of them.

Collection of income

Senior Finance Officers and any other person who has a statutory responsibility for the collection of income, must ensure that systems and procedures are in place to collect all income due to the Department, in a timely and secure manner, and must be recorded promptly. Senior Finance Officers must ensure that income is banked promptly and securely on a frequency appropriate to the value of funds or risk environment; this equally applies to small and large value receipts.

Controlled stationery, such as receipt books, must be kept securely by a nominated member of staff. Access to controlled stationery must be restricted to a minimum. Movements of controlled stationery must be recorded in a register.

¹⁵ The Fees, Charges and Penalties (Guernsey) Law, 2007. This arose from the States Resolution in Billet d'Etat VI, February 2006.

¹⁶ Treasury and Resources Department – Fees and Charges, Billet d'Etat III, January 2007, p. 264

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Finance Rules: Income

MANDATORY

Debtors management

Departments must strive to recover all amounts due to the States in full wherever possible, by using robust credit control procedures. Standard credit terms offered to customers must not exceed the limit set by the Chief Accountant in the Schedule of Limits.

Senior Finance Officers must ensure that outstanding debts are reviewed regularly and their recoverability assessed.

T&R operates a corporate debt recovery service on behalf of many Departments, including referring cases to the Courts and utilising debt recovery techniques to ensure that the States receives the maximum amount of income it is due.

Senior Finance Officers are responsible for authorising any debts, subject to Departmental limits or Board approval, which are to be written off in accordance with the [Schedule of Limits](#), but only after an assessment has been made as to the likelihood of their recovery or the cost-effectiveness of such recovery. Decisions must be properly documented. Writing off of payroll debtors must only be approved by the Chief Accountant.

The States' accounting policies must be applied to the accounting for debtors and debts written-off.

Discounts

Individuals or groups of States employees must not receive discounts on services or goods provided by the States of Guernsey, which favour those employees over other States employees or members of the public, unless the discounts:

- arise under an established corporate agreement which is available to all States employees generally, such arrangement being managed by T&R; or
- are provided on normal commercial terms (e.g. water charges)

Discounts offered to customers of the States must be identifiable and recorded separately.

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Finance Rules: Payments to Suppliers

MANDATORY

Accounts Payable

Senior Finance Officers must ensure that all suppliers are paid through the corporate accounts payable function administered by the Treasury and Resources Department.

The accounts payable function will aggregate supplier payments as appropriate and administer regular payment runs (at least weekly).

Supplier Invoices

Senior Finance Officers must ensure that procedures and systems are in place to ensure that invoices from suppliers are only paid after the receipt of goods or services has been verified, the invoice has been appropriately matched to the order and authorised in accordance with the Department's authorisation limits and procedures. Payments in advance of receiving goods or services, should be avoided where possible.

Suppliers must only be paid on original invoices, which have been checked to ensure they have not been defaced or manually altered. Invoices must be paid in full. If an item is disputed, this should be resolved with the supplier as soon as possible and a credit note or refund requested.

Credit terms must be maximised. Discounts and credit notes from suppliers should be applied where possible.

Cheques

The Treasury and Resources Department must endeavour to encourage suppliers to accept electronic methods of payment wherever possible. Departments must not utilise separate payment methods for payments from the States accounts (e.g. cheque books) outside of the corporate accounts payable systems.

Procurement (Purchase) Cards

Procurement cards must only be used to facilitate the procurement of low value items or travel and not as a substitute method for the payment for goods or services. The Director of Corporate Procurement manages the States' contract and monitors the use of purchase cards.

Controlled stationery

Controlled stationery, for example blank cheques or vouchers, must be kept securely by a nominated member of staff. Access to controlled stationery must be restricted to a minimum. Movements of controlled stationery must be recorded in a register.

The updated version of this document is available on the States Internet and Intranet

STATES OF GUERNSEY

RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Finance Rules: Payroll and Payments to Employees **MANDATORY**

Payroll administration

T&R is responsible for administering and maintaining the corporate payroll system through which all employees of the States and States Members must be paid. For the purposes of this Rule, 'employees' applies equally to States Members.

Departments must notify the corporate payroll section of changes to employees permanent pay (e.g. start, incremental and leaving dates) so that employees are only paid from their start date and up to and including their leaving date.

Departments must reconcile payroll information to employee records, monthly or weekly, according to pay cycle. Employees are responsible for checking their payslips on a weekly or monthly basis (as appropriate) and notifying any discrepancies to their Line Manager, who will notify the Department's payroll or Human Resources Officer as appropriate.

Employees handling payroll information must comply with Data Protection requirements on the storing and handling of sensitive personal data (see Data Protection and Retention Rule).

Employment legislation

Departments must comply with the requirements of employment legislation, Directives issued by the Policy Council's Human Resources Unit (PCHRU) and negotiated pay and conditions.

Enhancements and other changes to pay

Senior Finance Officers must ensure that overtime, expense claims and other ad hoc enhancements to pay are applied to employees' pay accurately and in a timely manner. Senior Finance Officers must ensure that Benefit in Kind information is reported to Income Tax.

T&R must ensure that overall changes to pay rates and allowances as a result of finalised pay negotiations, are incorporated into the payroll system in a timely manner. T&R must ensure that statutory deductions from employees (e.g. income tax and social security contributions) are collected in accordance with the relevant legislation.

Employees' superannuation administration

T&R is responsible for administering and maintaining the corporate pension system and must ensure that contributions collected from eligible employees are accurately allocated to those employees' records. T&R is also responsible for the payment of pension entitlement to former employees in accordance with instructions received from the Public Sector Remuneration Committee, and States Members.

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Finance Rules: Payroll and Payments to Employees **MANDATORY**

Re-imbursement of employees' expenses

Senior Finance Officers should ensure that all re-imbursements of expenses and costs to employees are made through the corporate payroll system.

Subscriptions to Professional Bodies

Professional subscriptions may only be reclaimed by employees where allowed in the Human Resources Directive and then only by re-imbursement through the payroll.

Overpayment of salaries

Any overpayment of salaries or wages discovered by Departments should be notified to Payroll immediately. Overpayments discovered by Payroll should be notified to Senior Finance Officers as soon as possible. Employees must be notified, without delay, where an overpayment has occurred.

All overpayments should be recovered.

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Finance Rules: Petty Cash

MANDATORY

Petty Cash

Petty cash should not be used as a method of procuring goods and services for the States. Senior Finance Officers are responsible for ensuring that the need for petty cash floats is kept under review and balances held are kept at a minimum.

Petty cash must only be used for insignificant, occasional items of small value, and not for regular payments. Re-imbursements to individual employees must only be made on production of supporting documentation. Gifts to individuals (staff, contractors or others) must not be paid for from public funds. This also applies to functions and any related costs of giving such gifts (see [Gifts and Hospitality Rule](#)).

Petty cash must be operated on an imprest system, held securely and independently verified regularly.

Offsetting of income against expenditure

Income and expenditure must be processed and accounted for separately. Offsetting of one against the other is not permitted. Senior Finance Officers must ensure that there is adequate segregation of duties between staff in income collection and expenditure roles.

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Finance Rules: Stock

MANDATORY

Stock

Departments must manage stock (meaning the acquisition, storing, handling and issue or disposal of stock) in an effective way, which minimises potential loss, damage or obsolescence.

The procurement of stock items must be carried out in accordance with the Procurement Rules.

Departments must keep adequate records of stock items held to enable their effective management.

T&R is responsible for setting accounting policies relating to stock and for advising Departments on appropriate valuation and measurement methods.

Stock held on behalf of third parties must be managed according to the same principles and be separately identifiable.

Stocktaking

Physical stock must be verified to stock records on at least an annual basis, by way of a stocktake. Damaged or obsolete stock must be identified on a regular basis, disposed of appropriately (in accordance with any statutory requirements) and accounted for according to the States' accounting policies. Annual stocktakes may be attended by either the Internal or External Auditors as appropriate to their risk assessment for that stock.

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Finance Rules: Systems of Internal Control

MANDATORY

Internal Control

Departments are responsible for identifying, installing and regularly reviewing *internal control systems*, including financial control systems, appropriate to the size of their operations, which safeguard the resources under their care.

Segregation of duties

Departments must install a robust system of internal controls to ensure there is adequate division of duties, including independent management oversight, between core financial processes, appropriate to the size of the Department.

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Procurement Rules

MANDATORY

Context

The States of Guernsey purchase a wide range of goods, works and services to meet the States' and the community's aims and needs. The States are committed to obtain *value for money* from all procurement so that public money is spent wisely.

These Rules, applied in conjunction with the Finance and Resource Directives and Guidance, promote good procurement practice and public accountability; they are applicable to all *contracts* for goods, works and services and must be complied with by all those involved in States procurement in any capacity.

The Treasury and Resources Department's mandate is to be responsible for providing services and advice to ensure that States procurement is efficient, effective and equitable. The Three "E's" are the cornerstones of achieving value for money.

The Rules promote compliance with all relevant laws and regulations so as to deter corruption and fraud within procurement, and they support States priorities, policies and objectives.

Delegated Authority

Any purchases carried out on behalf of the States must only be undertaken by officers with the appropriate delegated authority as set out in the Schedule of Limits. *Authorised Officers* shall be informed in writing of any delegated authority and any applicable financial threshold to their area of procurement. *Authorised Officers* must have the skills and knowledge appropriate to the task.

Steps Prior to Purchase

The *Authorised Officer* must appraise the purchase and, commensurate to its complexity, value and sensitivity, must:

- Identify and establish the need and its priority, and fully assess all options for meeting that need.
- Check whether a suitable corporate or departmental *framework agreement* exists before seeking to let another contract. Where a suitable contract already exists this must be used unless there is an auditable reason not to.
- Select the procurement process, strategy and structured project management approach that is most likely to achieve the procurement objectives.
- Ensure that appropriate legal, financial and professional advice both from internal sources or external sources is taken.
- Assess the risks associated with the purchase/project and how to manage them.

STATES OF GUERNSEY

RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Procurement Rules

MANDATORY

- Consider how to address any potential environmental and sustainability impact of the purchase to ensure minimal damage, both locally and globally, in manufacture, production, distribution, use and disposal.
- Ensure that all appropriate approvals and permissions are gained before inviting quotations or issuing tenders.
- Submit a *strategic review*, including an outline business case, for any proposal to be funded from the capital reserve, consistent with the requirements of the States in regard to prioritising, approving and controlling capital projects.
- Prepare a *full business case* for purchases exceeding the business case threshold as outlined in the *Schedule of Limits*, to be approved by the commissioning department and where appropriate Treasury and Resources Department. This business case must follow a standard template to enable comparisons with other proposed purchases

Authorised Officers may consult potential suppliers prior to the issue of an Invitation to Tender (ITT) in general terms about the subject of the tender but must not seek technical advice on the preparation of the ITT if this will prejudice equal treatment or distort competition with other tenderers.

Contract Values

There must be compliance with the value thresholds determining the procurement process to be undertaken.

The *total value* of any *contract* will be the whole of the value or estimated value for a purchase, whether or not it comprises several lots or stages. Purchases must not be fragmented to circumvent the tender process.

Contracts that form part or the whole of a capital project must be packaged (*packaging of contracts*) and treated in a manner that is consistent with the requirements of the States in regard to funding and controlling capital projects.

Authorised Officers must ensure that contracts for goods and services are aggregated into packages which are the most economically advantageous to the States.

Terms and Conditions of Contracts

The States of Guernsey is the legal entity for all contracts.

All contract terms and conditions shall be in a form approved by St James' Chambers. For contracts below the tendering threshold the States Standard Terms and Conditions will normally apply. For contracts above the tendering threshold, the standard template terms and conditions approved by St James' Chambers must be used. Legal advice and approval must be sought from St James' Chambers for changes to any of the standard templates, or

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Procurement Rules

MANDATORY

where the supplier's terms and conditions, or other terms and conditions are to be considered.

Terms and conditions must be agreed and signed before the commencement of the contract. If in exceptional circumstances there is a need to commence a contract prior to signing then St James Chambers must be advised so that appropriate legal measures can be taken.

Contract terms and conditions must be approved and signed in accordance with the schedule of limits and any departmental financial limits.

Authorised Officers must decide on the appropriate type and value of insurance cover, in line with advice from the States insurance advisors, applicable for each contract.

Where the supply of goods or provision of a service is of an ongoing nature, the *contract* shall not be extended beyond the period as detailed in the Directives without being retendered. The duration of the *contract* must be stated in the ITT and Terms and Conditions.

All Contracts

- shall be subject to a competitive process.
- shall be awarded on the basis of the offer which represents best value for money to the States.
- must be subject to regular and/or formal reviews over their lifetime.

Tendering and Tenders

Tendering Procedures

There are two main Tender procedures to be used which are the Restricted and Open procedures.

Restricted procedure

The *Restricted Procedure* is a two stage bidding process. Suppliers who respond to advertisements expressing an interest are required to complete a pre-qualification questionnaire to establish that they have sufficient experience, capacity and resources to meet the needs of the tender

Only suppliers who are subsequently short-listed shall be invited to submit a tender.

The restricted procedure shall be used where large numbers of applicants are anticipated. This is the most widely used procedure within the States. **Open procedure**

The *Open Procedure* is a one-stage process. All suppliers who request express interest will be invited to submit a tender. There is no pre-qualification questionnaire or short-listing stage prior to issuing an ITT.

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Other procedures

In exceptional circumstances other recognised procedures, the *Negotiated Procedure* or *Competitive Dialogue*, may be appropriate. Due to the complex nature of these procedures and the skills required, advice is to be sought on their use, before a decision to proceed is taken, from the Director of Corporate Procurement.

Exceptions to tendering

Only in exceptional circumstances will exemption from tendering be granted. Authorisation must be sought from the *Chief Officer* and shall be reported to the Director of Corporate Procurement, Treasury and Resources. Reasons must be recorded, auditable and retained.

Advertising of Tenders

An outline description of the opportunity shall be advertised to ensure fair and open competition.

Pre-qualification

Pre-qualification ensures that the States only issues an Invitation to Tender (ITT) to suppliers who demonstrate appropriate experience, professional, business and financial standing, capabilities and resources to supply the subject of the tender. When tendering under the Restricted procedure, pre-qualification allows short listing for tender in a fair and open manner. The *pre-qualification questionnaire* (PQQ) must gather all the necessary information for fair evaluation but it must not be onerous for potential suppliers

The Invitation to Tender

The *Invitation to Tender* (ITT) shall include

- Background to the tender
- Instructions and information on tendering procedures
- Terms and conditions of contract (draft)
- Specification – a description of the goods, services or works being procured
- Tender response forms

All invitations to tender for a particular purchase must be identical. Individual tenderers must not be given different terms or information.

During the tendering process no supplier shall be given information from which an unfair advantage may be gained over rival tenderers who have not had access to that information.

The evaluation criteria, any sub criteria and the weightings applicable to them, against which all submissions will be assessed, must be detailed in the ITT.

The procurement timetable must allow a reasonable period for each part of the tender process.

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Electronic Tendering

E-tendering provides web based technology that allows buyers and suppliers to securely manage the tender process on line and supports the States requirement for process efficiencies. Electronic tenders shall only be conducted via the States approved e-tendering system. This secure system provides a full audit trail and document management record of the tender process.

Submission and Opening of Tenders

Tenders shall be submitted in accordance with the requirements set out in the ITT. This must be in line with recognised best practice.

Paper tenders must be opened by no less than two persons authorised under the Schedule of limits and the responses recorded in writing and retained.

Electronic tenders can be opened by one person. Tender submissions made using the States e tendering system cannot be viewed, accessed or opened until the set deadline. Only those given the role of verifier on the system by the *Authorised Officer* can open tenders. A record of the tender submissions is automatically made and retained for audit purposes.

Post Tender Clarification

Post tender clarification shall be undertaken to clarify and correct bids to ensure that the purchaser understands the contents of each bid and all are without errors. Any exchange with potential suppliers must be recorded.

Tender Evaluation

The *Authorised Officer* shall establish an evaluation panel representing interested parties to undertake the evaluation process.

Short listing and final selection must be subject to the evaluation criteria, sub criteria and the weightings given in the tender.

A written record of the evaluation and selection process, the rationale and justifications must be retained to enable the tenderer debriefing process, inform any tenderer challenging the award decision and for audit purposes.

Post Tender Negotiation

Post tender negotiation must only take place in exceptional circumstances and must be undertaken by *Authorised Officers*, with the *Chief Officer's* agreement, in a professional and planned manner.

Contract Award

All contracts shall be awarded on the basis of the bid which represents best value for money to the States.

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The *Authorised Officer* must ensure, prior to award, that the budget holder responsible for the contract has approval to finance and sustain the contract over its lifetime and that all other approvals including planning permissions and sub committee approvals have been granted.

The *Authorised Officer* must notify all tenderers of the outcome of the award simultaneously and as soon as practicable after the award decision is made.

Details of bids must remain confidential. Where the contract is the subject of a States Report bids may be quoted but must not be attributed to specific suppliers.

Debriefing

The *Authorised Officer* shall provide a debriefing to tenderers if requested. This must not include any commercially sensitive information about competitors including details of bids.

Post Contract Award

Where the supply of goods or provision of a service is of an ongoing nature, the contract shall not be extended beyond five years without being tendered.

A nominated States contract manager and a supplier representative must be identified.

Contracts must be managed over their lifetime to ensure both parties fulfil their commitments and benefits are realised.

Contract Reviews

All capital proposals, subsequent projects and contracts must undergo reviews and monitoring during their lifespan relative to their value, complexity and risk to ensure both purchaser and supplier performs as agreed and intended. All other contracts must be subject to regular and/or formal reviews over their lifetime.

Framework Agreement

Framework agreements can be used where recurrent transactions of a similar type are likely. Purchases of goods, works and services can be “called off” in packages from these frameworks. The framework may require a mini competitive exercise to define total cost and any additional terms and conditions for specific packages. Any framework agreement shall be tendered in accordance with the Rules. Suppliers selected for a framework agreement are known as preferred suppliers. A framework agreement must not exceed the period as determined in the Directives.

Waiver in case of emergencies

The above Rules may be waived only in exceptional circumstances which are

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- Where imperative maintenance or repairs to States property or assets are urgently required to prevent immediate danger to authorised users or members of the public.
- An Island-wide emergency which poses immediate risk to persons, property or serious disruption to essential States or Island services.

In the case of the first waiver authorisation must be gained from the *Chief Officer* and reported to the appropriate Head of Profession as soon as is practicable.

In the case of the second waiver, authorisation must be gained from the Chief Executive, or his delegated *Authorised Officer*, in their function relating to the Emergency Powers Authority¹⁷.

¹⁷ Mandates and Memberships of the States, <http://www.gov.gg/ccm/navigation/government/states-members-and-committees/mandates-and-memberships/>

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Property Rules

MANDATORY

Context

These rules apply to all land and property owned or occupied by the States of Guernsey¹⁸ and its various Departments, covering all activities including the acquisition, disposal, leasing, maintenance, management, procurement and construction of property.

The Treasury & Resources Department is mandated to advise the States on the allocation and administration of all States *property* related resources, and is responsible for providing corporate property services and advice to Departments and Committees as well as directly administering certain land and properties owned or leased by the States.

The Treasury and Resources Department has delegated authority to:

1. Approve the processes, procedures and authorisations for property transactions.
2. Undertake all property negotiations, save those relating to tenancy agreements (undertaken by the Housing Department in respect of its social landlord role) or those relating to concession agreements for small premises within a property primarily used for States' purposes and which remain within the control of a States' Department.¹⁹
3. Assume responsibility for any States' property when it deems that a justifiable case has not been made by a Department for its retention.
4. Act as a holding agent for properties on behalf of the States of Guernsey.

Key principles

Departments must, at the earliest possible stage, liaise with the Treasury and Resources Department in respect of their property requirements in order to maximise the benefits from corporate working and derive the greatest potential benefit from the existing States land and property portfolio.

The States' land and property portfolio is a valuable corporate asset that must be managed in an efficient and effective manner by skilled and competent personnel so as to ensure best *value for money* and optimal use and return on investment. The portfolio must also be managed to comply with all legal, statutory and other requirements, including health and safety, as well as corporate and departmental objectives, priorities and business plans.

Property decisions must consider fitness for purpose, flexibility, accessibility and risk. Environmental and energy efficiency measures must be proactively pursued in line with

¹⁸ There are certain conditions under which the commercialised trading entities properties may be sold, disposed of, encumbered and so on. The written consent of the Treasury and Resources Department is required. That consent is not to be refused if that property has been offered for sale to the States at the open market value (within a six month period preceeding that time)

¹⁹ Treasury & Resources Department Report 'States Land and Property – Management and Administration', Billet d'Etat V, 2006.

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MANDATORY

corporate best practice so as to improve sustainability and reduce negative environmental impact.

The property portfolio must be monitored and reviewed on a regular basis to ensure that property performance can be measured, options and alternatives are considered, and evidence based decisions are taken on a fully informed basis.

General property rules

Property Decisions

In order to avoid abortive effort and expenditure, Departments must first consider the likelihood of obtaining the necessary funding and political approvals prior to committing resources to any property related proposal, as well as assessing the priority that should be afforded to the proposal compared with other Departmental and States initiatives.

The financial implications of land and property decisions must be assessed, recorded, and formally approved at the appropriate level and taken into account prior to implementation, including capital, annual revenue, whole lifecycle and other resource (e.g. staffing) costs. The short, medium and long-term effects on the public purse must be borne in mind. Non-financial costs (such as the impact on the public) and strategic opportunities must also be evaluated. Data gathering must be reasonable and proportionate, and must be capable of demonstrating sufficient prior investigation to support the proposals being put forward.

Departments must take fully into account their property requirements and associated costs when planning or evaluating changes to their service, including staffing changes. Where better, more cost-effective property solutions are identified, these must be recorded and recommended for a programme of implementation.

Departments must recognise and give proper regard to the corporate needs of the States and must not take decisions in respect of land and property that are likely to significantly disadvantage another Department or the States, without the full implications first being considered in consultation with the involved parties, including Treasury and Resources, and options being explored.

Departments must consult the Treasury and Resources Department, including the *Head of Profession* where appropriate, in relation to any property matter other than for routine estates and property management.

Management Tools and Methods

Management tools and other methods must be used where appropriate to achieve optimal performance of the portfolio, including (for example) value engineering, cost-benefit analysis, risk analysis, bench-marking, and the use of key performance indicators - following corporate best practice as this evolves. Reliable, accurate data including relevant financial and management information must be recorded to achieve full benefits realisation.

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Property Rules

MANDATORY

Resources

Departments must ensure that they control or else have access to appropriate financial and staff resources, including specialist support (for example, technical and commercial advice from States Property Services), to discharge their responsibilities with regard to property management.

Estates Management (including Property Asset Management)

Property Transactions

All negotiations for land and property transactions for the States of Guernsey must be conducted by the Treasury and Resources Department²⁰. Departments must not make prior, direct approaches to third parties such as property owners, landlords or estate agents in respect of possible transactions.

Essential and Surplus Property

Only land and property that is essential to the delivery of Departmental mandates may continue to be held or occupied. Land and property that is surplus to Departmental requirements must be returned to the Treasury & Resources Department together with associated budgets that reflect the reasonable costs of holding the property concerned.

The Treasury and Resources Department has delegated responsibility from the States to approve the transfer of land and/or property administered by the Housing Department to approved housing associations for the purposes of redevelopment to meet housing needs identified through the Corporate Housing Programme.

The Housing Department is permitted to dispose of 'incompatible' properties (i.e those that have been identified as uneconomic to retain or refurbish for social housing) under the value of £500,000 (being the value for *each* property), with the prior approval of the Treasury and Resources Department.

Rationalisation

The States approved Rationalisation Strategy²¹ or its successor must be taken into account in the course of undertaking estate management of public properties. In particular, property must be viewed as a strategic corporate asset for the benefit of the States as a whole, and not just for individual Departments.

²⁰ Billet d'Etat V, 2006, Resolutions 1 and 2 and any approved successor to this

²¹ Billet d'Etat V, 2006 and the Treasury and Resources Department Report 'States Property Rationalisation' (Billet d'Etat XXIV, 2007, particularly Appendices 1 and 2) refer.

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Property Rules

MANDATORY

Asset Register

Departments must compile and maintain an asset register (in the corporate format) of property owned and occupied for the purposes of delivering their service.

Asset Management Plan

Departments must compile and maintain a Departmental Asset Management Plan, and an individual Property Asset Management Plan (both in the corporate format) for owned and/or occupied property under their control.

Plans must recognise the strategic, social, historical, cultural and other importance of property holdings, which may have non-financial as well as financial value.

The contribution of land and property to corporate and Departmental objectives, and service delivery, must be documented, clear and demonstrable and have a definite public benefit.

Cost of Occupation

Departments must take appropriate steps to obtain and make available to their Boards details of the true cost of occupying land and property used in delivering their services. This includes, but is not limited to, the capital value of property and the revenue costs of occupation.

Planning applications for States owned and managed property

Departments proposing alterations to, or a change of use of, States owned or managed property which require Environment Department approval must notify States Property Services at the earliest opportunity.

Departments shall provide (by email) all completed applications for States Property Services to provide the relevant owner's consent prior to that Department making a formal submission to the Environment Department.

Performance

Departments must be able to demonstrate that value for money is being achieved and that the estate is performing to an acceptable standard, giving due recognition to corporate best practice as it evolves. Poor performing property must be identified and appropriate action taken, including possible disposal. Assessment of performance must consider appropriate measurements, performance indicators and benchmark standards, as well as the impact on occupiers and business users.

Property Management (including Facilities Management)

Proactive Management

Retained property must be proactively managed so as to maintain or improve its condition, suitability, value and capacity, giving due regard to its individual Asset Management Plan.

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Property Rules

MANDATORY

Best Value Investment

Expenditure and investment decisions must demonstrate best value.

Maintenance Planning

Planned and cyclical maintenance schedules must be documented for each property and applied in accordance with the relevant Directives.

A balance of factors must be taken into account when planning maintenance regimes, including cost, quality, value for money, condition surveys, service needs, efficiency and energy.

Construction & Engineering (comprising capital projects)

Capital construction and engineering projects must be progressed in accordance with the relevant Directives and recognised best practice, bearing in mind factors relevant to Guernsey.

Standards and Benchmarks

Construction and engineering projects must take into account recognised design, cost, benchmark and space standards (including relevant corporate, national and international standards) at the appropriate stages of development.

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Information & Communication Technology Rules

MANDATORY

Context

Information and Communications Technology (*ICT*) refers to all computer hardware, software and networks (including data, telephony and CCTV) in terms of its design, development, installation, maintenance, support and security. Good computing practices govern the way in which ICT is deployed and Data Protection laws govern the way in which data can be shared and utilised. The ICT infrastructure may be subject to audit for compliance by both internal and external.

A key part of ICT good practice is to ensure an adequate segregation of duties and responsibilities so that data cannot be compromised by either internal or external interventions. Background monitoring and audit trails are therefore employed to provide this assurance.

The role of the corporate IT Unit is to work with operational delivery and ICT representatives across the States Departments to ensure that ICT is business driven, that it is fit for purpose and fully supports the States of Guernsey business and services in all its guises. Data security is paramount in this structure.

The Treasury and Resources Department is mandated, the responsibility for:

“The development of corporate policies concerning the States use of information and communication technology and the provision, administration and security of the States ICT network.”²²

These rules ensure that the States ICT personnel and infrastructure are used for corporate goals and advantage and aims to maximise the cost savings and benefits to the States of Guernsey.

²² Billet d'Etat XXIV, 29 October 2003

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

ICT Rules: Security

MANDATORY

Security

Departments must comply with the States ICT Security Directives in order to protect data and employees.

All *Non-States bodies* which have all or part of their infrastructure hosted within the States data centres or are connected via the States *network* must comply with the States ICT Security Directives.

All contractors and third parties who access States systems, whether remotely or on site must comply with the States ICT Security Directives.

Network

The States *network* must be owned and operated by the corporate IT Unit and all changes required must follow strict and agreed change control processes.

Equipment Disposal

Disposal of ICT equipment must comply with States standards in order to ensure security of data and protection of the environment.

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

ICT Rules: Systems and Services

MANDATORY

Technical Architecture

Departments must install systems that are in line with the current States Technical ICT Architecture.

Licensing & Regulations

Departments must comply with licensing rules and applicable external regulatory requirements.

Project Governance

All key projects, as defined in the key project list that forms part of the ICT Strategy, must be run according to structured project management principles and have a Project Board.

New & Replacement Systems

All projects involving any new or changing element of ICT must involve the corporate IT Unit at the outset to ensure that ICT Rules are met.

Maintenance & Support

All hardware and software must be suitably licensed and covered by warranty and support agreements from the supplier appropriate to the criticality of the system. Every system needs to be checked regularly in order to ensure that it is still fit for purpose and that regular maintenance and system updates are scheduled and applied. A system that is out of warranty must continue to have some form of support contract if it remains part of an active system on the States managed network.

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Scheme of Delegation

MANDATORY

Context

The Scheme of Delegation contains a summary of the authority delegated by the States to Departments in relation to the management of public funds and resources. This delegated authority is summarised in following table:

Description of power delegated	Delegated to	Value if relevant
Capital Expenditure		
Routine Capital Expenditure - Capital expenditure from Department's own routine capital allocation <i>but</i> must receive prior approval from the appropriate Head of Profession (Property, Procurement or ICT).	All Departments (by a resolution of their Board)	Up to £250,000
Capital Prioritisation Projects - Expenditure up to tender stage on projects prioritised by the States in the capital prioritisation process	Treasury & Resources Department	Any value
Capital Votes for straight replacements	Treasury & Resources Department	Costing more than £250,000 with no limit.
Emergency Capital Expenditure	Treasury & Resources Department	Any value
Overspend on any capital project	Treasury & Resources Department	Up to £250,000
Corporate Housing Programme - capital expenditure (including grant funding to housing associations)	Housing Department and Treasury & Resources Department	Any value within available funds
Revenue Expenditure		
Increase in any Department's Revenue expenditure budget. Must be reported retrospectively to the States in the Budget Report.	Treasury & Resources Department	Maximum of £250,000 (or 2% if higher) per annum
Emergency Revenue Expenditure	Treasury & Resources Department	Any value

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Scheme of Delegation

MANDATORY

Description of power delegated	Delegated to	Value if relevant
Unspent Balances		
Use of <i>Unspent Balances</i> by a Department for revenue or capital items.	Treasury & Resources Department	Any value
Property		
Property purchases	Treasury & Resources Department	Any value
Property sales	Treasury & Resources Department	Any value
<i>Except</i> properties of historic importance	States of Deliberation	Any value
<i>Except</i> sale of incompatible housing stock	Housing Department	Up to £500,000
Leases	Treasury and Resources Department	
<i>Except</i> properties of historic importance to be leased out for a period of 21 years or more	States of Deliberation	
<i>Except</i> where a proposed lease contains an option for renewal, where if exercised, this option would extend the total lease term beyond 21 years.	States of Deliberation	
<i>Except</i> States-owned domestic accommodation leased by the Housing Department in its role as a social landlord.	Housing Department	
Wayleaves, Rights of Way and Licences	Treasury and Resources Department	
Concessions (within States buildings)	Individual Departments	
Loans or Grants to Registered Charities		
Authorising Departments and Committees to make such loans or grants to registered charitable bodies and similar organisations and upon such terms that the Treasury and Resources Department may approve	Treasury & Resources Department	

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

Scheme of Delegation

MANDATORY

Description of power delegated	Delegated to	Value if relevant
Investments		
Amounts to invest in accordance with the <i>Permitted Investment Rules</i>	Treasury & Resources Department or Social Security Department according to fund ²³	
Borrowing		
Authorising Departments and Committees to borrow temporarily by way of overdraft from the banks or from the States Treasury or in any other manner approved by the Treasury and Resources Department, for such purposes, for such periods, up to such amounts, at such rates of interest and on such terms that the Treasury and Resources Department may approve	Treasury & Resources Department	
For States to borrow from or lend to externally	Treasury & Resources Department	
Loans or Grants to Registered Charities		
Authorising Departments and Committees to make such loans or grants to registered charitable bodies and similar organisations and upon such terms that the Treasury and Resources Department may approve	Treasury & Resources Department	

²³ Guernsey Insurance Fund, Guernsey Health Service Fund and Long Term Care Insurance Fund - Social Security Department.
Superannuation Fund and Contingency Reserve Fund - Treasury and Resources Department

STATES OF GUERNSEY

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GLOSSARY

A B C D E F G H I J K L M N O P Q R S T U V W X Y Z

A

Approved Suppliers List

A list of suppliers who have met pre-set quality criteria and undergone a competitive evaluation process to be included on such a list. It can be used for purchases which cannot easily be aggregated and priced in a single tendering exercise. Inclusion on an approved suppliers list does not guarantee offers of work.

Asset

Any item (physical or otherwise or a group of like items under the same control and with the same useful economic life), which has an expected [useful economic life](#) of more than one year. Items not caught by this definition are defined as [consumables](#).

Asset Management Plan

Department - Details the property requirements for individual Department compared against a benchmark set by the Centre, in order to deliver its mandate, and compares these with the properties currently held and identifies shortfalls or areas of inefficiency and where savings could be achieved.

Individual Asset - Lists the many details of a property, does not focus as specifically on the condition but includes issues such as cost in use, efficiency and fitness for purpose, explores the current business use and future potential of the built structure or land.

Authorised Officer

A member of staff with the appropriate delegated authority to act on behalf of the States. Authorised Officers are responsible to the Chief Officer for compliance with and operation of the Rules and Directives. The Chief Officer must ensure that responsibility is delegated and cascaded to appropriate Authorised Officers.

B

Benchmarking

The process of comparison and evaluation of one organisation's processes, procedures, policies and performance against other providers of similar services, particularly those recognised as adopting best practice. Although benchmarking can be a one-off activity, most often it is part of a continuous process by which organisations can challenge their thinking.

Best Practice

The most effective and desirable method of carrying out a function or process derived from experience rather than theory.

The updated version of this document is available on the States Internet and Intranet

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

GLOSSARY

Bid

Also known as tender, submission or tender submission and is the offer /proposal put in by a supplier in response to an Invitation to Tender.

Business case

A business case considers the options, risks and priorities of a proposed project, service or purchase, in order to justify the value, benefits and disadvantages to the States of Guernsey and the community for proceeding with the recommended option.

C

Capital expenditure

Expenditure on a project that results in a new [asset](#), or extends the life or increases the value of an asset, where the value concerned is according to the accounting policies. Depending on value or significance, as detailed in the [Scheme of Delegation](#), capital expenditure may be approved by Departments, T&R or the States (through the [capital prioritisation](#) process).

Capital Prioritisation

The capital prioritisation process refers to the approval process in the States of Deliberation of a States Report produced by Treasury and Resources Department. This States Report includes a recommended capital programme and funding mechanism, which is formulated as on the results of the [Strategic Review](#) process.

Capital Reserve

A fund containing money allocated by the States for projects which have been prioritised as a result of the Strategic Review and capital prioritisation process. Departments' routine capital projects and capital allocations are not included in the Capital Reserve. Capital Reserve cash is invested as part of the [Cash Pool](#).

Cash

Typically cash is thought of as notes and coins, but it also includes cheques, postal orders and credit or debit card receipts which have not yet been banked.

Cash on hand

Cash which has not yet been banked. For accounting purposes, this includes unbanked receipts from customers, outstanding cash advances awaiting collection, petty cash and till float balances etc.

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

GLOSSARY

Cash Pool

Refers to the aggregated cash, deposit and investment balances of the States from General Revenue reserves (including the Capital Reserve) and working balances, deposits from [States Trading Bodies](#). States Trading Bodies other associated entities and a small number of charities and other organisations with a historic association with the States.

Cash-equivalents

Vouchers exchangeable for cash, benefit cheques and other documents which can be easily cashed by the recipient.

Chief Officer

In the Rules and Directives, Chief Officer means the Chief Officer (or equivalent) of a States Department or Committee, and includes the Chief Executive and Deputy Chief Executive of the Policy Council. If a specific Rule or Directive applies, Chief Officer would also extend to the equivalent post in a [Non-States Body](#).

The Chief Officer is responsible for delegating authority to appropriate [Authorised Officers](#) to carry out key functions where indicated in the Rules and Directives.

Commercialised Trading Entities

According to the States Trading Companies (Bailiwick of Guernsey) Ordinance, 2001, there are three such companies; being Guernsey Electricity Limited, Guernsey Post Limited, and Guernsey Telecoms Limited (since bought by Cable & Wireless (Guernsey) Limited).

Competitive Dialogue Procedure

Only to be used for “particularly complex contracts” where an open or restricted tender procedure is unlikely to facilitate a decision on contract award.

Suppliers will respond to advertisements by submitting an expression of interest and complete a pre-qualification questionnaire. Suppliers who are short-listed will be invited to participate in a competitive dialogue with the [Authorised Officer](#) and project team. The dialogue is flexible and may include written or verbal submissions and interviews.

The dialogue may take place in successive stages to reduce the number of potential suppliers, and at the conclusion of the dialogue the [Authorised Officer](#) will ask potential suppliers to submit their final tender.

Consumables

Items which do not fall within the definition of [assets](#), i.e. they have an expected useful economic life of less than one year. Consumables may additionally be classified as [stock](#).

Contract

Includes all orders and agreements for outright purchase, lease, rental or hire of goods, works and services.

The updated version of this document is available on the States Internet and Intranet

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

GLOSSARY

Controlled stationery

Template documentation which is usually serially numbered, e.g. blank cheques, receipt books.

Currency

Notes and coins. Note the term cash includes currency, but also other forms.

D

Departments

Departments, in the context of the Rules and Directives, means (unless otherwise stated) Departments, Committees, the Policy Council and [States Trading Bodies](#). 'Departments' does not include [NSBs](#) and [Commercialised Trading Entities](#) unless otherwise stated.

E

Employee

Employee in the context of the Rules and Directives means (unless otherwise indicated) full-time and part-time permanent and temporary employees of Departments on contracts of employment, and individuals retained on contracts for services to carry out duties which would otherwise be carried out by employees of the States. The Rules and Directives apply equally to all groups of employees, i.e. across pay groups.

Evaluation of Tenders

Detailed assessment and comparison of potential supplier bids against financial and quality criteria.

External Borrowing

Borrowing is deemed 'external' when it is between the States and a commercial financial institution.

F

Fixed Assets

Material items such as buildings, vehicles, office furniture, IT systems, goodwill etc. of material value and a useful economic life of greater than one year (see [assets](#)). The majority of Fixed Assets have a physical presence ([Tangible Fixed Assets](#)), while those Fixed Assets without a physical presence are called [Intangible Fixed Assets](#).

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

GLOSSARY

Formula-Led expenditure

The designation of expenditure as Formula-led expenditure is determined by the Treasury and Resources Department. Formula-led expenditure is governed by a discreet formula and is demand-led, and where the Department has little control over the volume of calls on that expenditure, it may be treated as formula-led expenditure.

Framework Agreement

A contract for the supply of an unspecified amount of a product group works or services, over a specified period for pre-agreed rates/prices.

G

Gateway Reviews

The Guernsey Gateway Review process examines a project at critical stages in its lifecycle to provide assurance that it continues to have merit and can progress successfully to the next stage. Reviews are held after a proposal has become a project following [Strategic Review](#), capital prioritisation and approval and before key decision points of a procurement project.

Grouped Assets

Are assets of a similar nature with individual costs or values under £ (the threshold for determining whether an item is an [asset](#)) but having the same (or substantially the same) [useful economic lives](#). When combined (across the States), such items can be termed grouped assets only when their combined cost or value exceeds the asset threshold, otherwise these items will be consumables.

H

Head of Profession

In relation to the Rules and Directives, the Heads of Profession are responsible for:

- Preparing Rules and Directives relating to the discipline in accordance with best practice and professional standards.
- Undertaking consultation on draft new or changes to the Rules and Directives with Chief Officers and other key staff of Departments.
- Recommending new or revised Directives to the Treasury and Resources Department for endorsement following consultation with Departments.
- Recommending changes to the Rules to the Treasury and Resources Department (or Policy Council for Human Resources Rules where appropriate) for subsequent approval by the States.
- Issuing detailed Guidance. To supplement the Rules and Directives where appropriate or necessary.

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STATES OF GUERNSEY

RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

GLOSSARY

- Reviewing the Rules and Directives on a cyclical basis of at least every three years
- Advising Chief Officers on mechanisms and procedures for monitoring their Department's compliance with the Rules and Directives.
- Satisfying themselves whether concerns over compliance with the Rules and Directives reported by employees are genuine and agreeing necessary remedial action in conjunction with the Chief Officer of that Department.
- Referring serious breaches of the Rules and Directives (whether alleged or actual breaches) to the Head of Internal Audit for investigation.

Discipline	Head of Profession
Finance	Chief Accountant
Procurement	Director of Corporate Procurement
Property	Director, States Property Services
ICT	Director of ICT
Human Resources	Head of Human Resources and Organisation Development

I

ICT

Information and Communications Technology (ICT) refers to all computer hardware, software and networks (including data, telephony and CCTV) in terms of its design, development, installation, maintenance, support and security.

Impairment (of assets)

An asset is impaired when its current value (in accounting terms the carrying value in the balance sheet) exceeds the amount which could be obtained from its sale (less selling costs) – i.e. the asset is worth less to retain than to sell.

Intangible Fixed Assets (see also [Fixed Assets](#))

[Assets](#) not generally having a physical presence such as goodwill and brands.

Internal Borrowing

Where one entity or fund of the States borrows from another fund or entity controlled by the States.

Internal control system

The whole system of controls, financial and otherwise established:

- To fulfil the objectives of the Department; and
- To safeguard the resources (money, property, reputation etc.) in that Department's care; and
- To prevent and detect fraud or irregularities in the Department's financial processes, procedures and records.

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Invitation to Tender (ITT)

An invitation to suppliers to bid for the provision of goods, works or services. An ITT contains the information, specification and requirements necessary for a potential supplier to be able to submit a tender.

M

Member

Elected member of the States of Deliberation.

N

Negotiated Procedure

A negotiated tender is similar to the [Restricted Procedure](#) in that it uses a pre-qualification stage. A negotiated tender procedure allows the negotiation of the terms of the contract within strict guidelines prior to awarding the contract.

Network

Refers to the States owned wide and local area network connectivity between and on sites, up to the point where it comes out in the desktop or work environment. It may be extended to peripherals on that network.

Non-States Body (NSB)

With regards to the Rules and Directives, a Non-States Body (NSB) is defined as an organisation having links to the States by way of receiving significant funds or resources from the States, or where the States has power to audit the organisation.

O

Open Market

When the term is capitalised (i.e. 'Open Market') this refers to the sector of the Guernsey housing market. Otherwise it refers more generally to a competitive, commercial trading environment.

Open procedure

This is a one-stage tender process. All suppliers who request express interest will be invited to submit a tender. There is no pre-qualification questionnaire or short-listing stage prior to issuing an ITT. This information is requested as part of the tender itself. The open tender procedure is normally only used where the known market place is limited, and there is a need to seek out extra interest, or where the timetable does not allow the two stage restricted tender procedure to be followed.

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Offsetting

Occurs when cash payments are made from cash receipts before banking occurs. Offsetting is prohibited as it increases the risk of error and fraud. Receipts and payments must always be kept separately.

P

Packaging of Contracts

At the earliest stage of procurement, consideration must be given to the size and content (packaging) of the contract. Current market conditions and capacity as well as technical, financial and programme constraints will influence decisions on the packaging of contracts to achieve efficient delivery of the goods, services or works.

Permitted Investment Rules

The Permitted Investment Rules detail the approved forms of investment of States funds as detailed below. Responsibility for investing money from each fund has been delegated to either the Social Security or Treasury and Resources Department as indicated. The third column indicates where the Permitted Investment Rules may currently be found:

Funds	Responsibility of	Permitted Investment Rules
Guernsey Insurance Fund	Social Security Department	Billet d'Etat XVII October 2006, Appendix III, p. 2032
Guernsey Health Service Fund	Social Security Department	Billet d'Etat XVII October 2006, Appendix III, p. 2032
Long Term Care Insurance Fund	Social Security Department	Billet d'Etat XVII October 2006, Appendix III, p. 2032
Superannuation Fund	Treasury and Resources Department	Billet d'Etat XVII October 2006, Appendix II, p. 2028
Contingency Reserve Fund	Treasury and Resources Department	Billet d'Etat XXIII November 2007, Appendix VI

Preferred Suppliers List

A list of suppliers selected to undertake certain works, supplies or services, following a competitive tendering exercise to evaluate quality and establish price, see [framework agreements](#).

Pre qualification questionnaire or 'PQQ'

A questionnaire completed by potential suppliers. The purpose is to assess their general suitability in terms of financial and economic standing, technical capability and experience, quality assurance, health and safety procedures and environmental issues prior to being selected to tender.

STATES OF GUERNSEY RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

GLOSSARY

Procurement

The process spanning the whole life cycle from the initial concept and identification of the business need through to the end of the useful life of the asset or end of the provision of a service. It covers any contract for the acquisition of goods, materials, the execution of works, the provision of services including consultancy. It includes outright purchase, lease, rental and hire.

Property

Includes land, houses and buildings, parts of houses or of buildings, land covered with water, highways, public and private rights of way, and any easement or other right to use.

R

Restricted procedure

This is a two stage tender process. Suppliers who respond to advertisements expressing an interest are required to complete a pre-qualification questionnaire to establish that they have sufficient experience, capacity and resources to meet the needs of the procurement.

Only suppliers who are subsequently short-listed shall be invited to submit a tender.

The restricted procedure shall be used where large numbers of applicants are anticipated. This is the most widely used procedure within the States.

S

Scheme of Delegation

Includes details of authority delegated by the States to Departments, for example relating to the approval of capital expenditure by value. The Scheme of Delegation is recommended by T&R for approval by the States and is mandatory.

Schedule of Limits

Includes details of financial limits relating to the Directives, for example the tendering threshold. The Schedule of Limits is issued and maintained by the Heads of Profession and is mandatory.

Segregation of duties

The separation of responsibilities to minimise the risk of fraud and error. For requirements and examples, consult individual Instructions.

STATES OF GUERNSEY

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Specification

A description of requirements and standards to which the goods, works or services should conform. Also known as a statement of needs, a statement of requirement, an operational requirement, or a brief. Its purpose is to present potential suppliers with a clear, accurate and full description of the requirement, to enable them to propose an appropriate solution.

States Member

Elected member of the States of Deliberation.

States Trading Body

Under the Rules and Directives, States Trading Bodies, and the Departments to whom they are responsible, are as follows:

Entity

Guernsey Dairy
Guernsey Water
States Works

Department entity reports to

Commerce and Employment
Public Services
Public Services

The Ports (Guernsey Airport, Harbour of St. Peter Port, Harbour of St. Sampson) are not classed as States Trading Bodies under the States Rules for Financial and Resource Management. The following are also not States Trading Bodies, but the Rules and Directives apply to them with limited defined exceptions as indicated in the Rules.

Corporate Housing Programme Fund
Company Registry

Housing Department
Commerce and Employment

Stock

Consumables (also known as materials) which are purchased individually (or in bulk depending on their nature, size and value) but not for immediate use or resale. Goods created in a production process for subsequent use or resale, are also classified as stock. Stock is accounted for differently to other goods and services.

Strategic Review

This review will determine the priority of the proposal against a set of criteria developed to test the worth of the proposed scheme to the States and community of Guernsey.

Supplier

Any person or body of persons providing, or seeking to provide, goods and materials, services or works to the States.

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T

Tangible Fixed Assets (see also [Fixed Assets](#))

[Assets](#) having a physical substance, such as buildings and vehicles.

Tender

The response received from a potential [supplier](#) in a [tendering](#) process, in which that supplier has indicated how they can meet the specification of the purchase and the cost or benefits they can offer. Also known as the bid or submission.

Tendering

The formal procedure for obtaining written offers ([tenders](#)) for the supply of goods, works and services.

Third Party Funds

Funds or assets managed and/or administered, but not owned or funded, by the States, which exist for the benefit of either States employees, or persons or assets in the care of the States. Examples include patient amenity funds, residents' comfort funds, charity funds etc.

Total Value

The whole of the value or estimated value for a single purchase whether or not it comprises several lots or stages and will be calculated as follows:

- where the contract is for a fixed period, by taking the total price to be paid or which might be paid during the whole of the period of that contract
- where the purchase involves recurrent transactions for the same type of item, by aggregating the value of those transactions in the coming 12 months

U

Unspent Balances

Unspent balances arise when the total non-formula-led net revenue expenditure in a year does not exceed the total authorised budget of a Department for that year.

Useful Economic Life (UEL)

The Useful Economic Life (UEL) of an [asset](#) is assessed as the period over which an asset is expected to remain usable for the current business purpose, provided it is subject to regular upkeep and repair. The UEL is usually determined in years. An asset's UEL is usually less than its physical life.

The UEL is used to determine the period over which an asset is depreciated (see the States Accounting Policies).

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V

Value for Money (VfM)

Obtaining VfM means that public money and resources are used in the most efficient and effective way to deliver the stated outcomes of the States of Guernsey. It requires underpinning service delivery with sound financial and performance processes.

Achieving VfM can be described in terms of the 'three Es' - economy, efficiency and effectiveness. The definition of the three Es is as follows:

- Economy - careful use of resources to save expense, time or effort.
- Efficiency - delivering the same level of service for less cost, time or effort.
- Effectiveness - delivering a better service or getting a better return for the same amount of expense, time or effort.

In relation to Procurement, VfM is the optimum combination of [Whole-life Cost](#), quality and fitness for purpose to meet the user's requirement. This is rarely synonymous with lowest price.

W

Whole-life Cost

The costs of acquisition of goods, works or a service, the costs of operating and maintenance over its whole life through up to and including its disposal – that is, the total ownership costs.

Works

Building, construction and engineering related works.

Y

Year End

The States of Guernsey's year end is on 31st December.

(NB The Policy Council supports the proposals.)

The States are asked to decide:-

XIII.- Whether, after consideration of the Report dated 13th October 2009, of the Treasury and Resources Department, they are of the opinion:-

1. To approve the framework and content of the States Rules for Financial and Resource Management as laid out in Appendix 1 of that Report.
2. To delegate authority to the Treasury and Resources Department to approve changes to the Rules as detailed in Section 3.12 of that Report.
3. To note that the Treasury and Resources Department will review the Rules on a rolling basis and report back to the States as necessary with recommendations for any major amendments to the Rules.
4. To note that the Rules will substantially replace the States Financial Procedures, Administrative and Accounting Guidelines and other documents as laid out in Section 3.8, and to direct the Treasury and Resources Department to notify Departments when the process of updating these documents is complete and they no longer apply.

ENVIRONMENT DEPARTMENT

SCHEDULED BUS SERVICES

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

9th September 2009

Dear Sir

1.0 Executive Summary

- 1.1 Scheduled bus services in Guernsey underwent radical change in 2000/2001 when the States resolved to purchase a new fleet of thirty three buses and appointed a single contractor to provide all regular services.
- 1.2 In the intervening years passenger numbers have grown dramatically and service provision has been expanded. The Environment Department, which has responsibility for overseeing the contract for the provision of scheduled bus services in Guernsey, has, in recent years purchased eight additional vehicles both to increase the fleet numbers (to meet rising demand) and to replace retired vehicles, hired from the private contractor and assigned to provide scheduled services. Other key developments have been the introduction of an experimental late night service and the installation of CCTV on all vehicles.
- 1.3 There is no doubt that this key element in the public transport provision of the Island has been transformed in the course of the 21st century and that bus services have recovered from a very low point to become an important part of Guernsey's infrastructure. At the present time, the contract for the provision of these services is based upon a coalition of interests:
 - The vehicles principally used in delivering scheduled services are owned by the States
 - The premises used for overnight storage of the vehicles are privately owned and leased to the States on a ten year agreement until 2016
 - The premises for servicing, maintaining, cleaning and fuelling the buses are privately owned and leased to the company contracted for operating scheduled services.

- 1.4 In March 2006 the States authorised the Environment Department to renew its contract with the current provider for a further five years (effectively from 1st January 2007). Thereafter, it was stipulated, the contract would have to be competitively tendered; further approval was given for a comprehensive list of service enhancements together with a pilot scheme for free school buses.
- 1.5 Evidently, any competitive tender, to become operational from 1st January 2012, would depend upon the availability of suitable vehicles and suitable premises, both for storage and maintenance. Equally, provision would have to be made for administrative offices and support services. In view of the fact that, at the present time, the States only has ownership of the vehicles and a short term lease on one part of the premises, it is necessary that matters relating to the other factors are settled before a proper tender can be put in hand. With a relatively short timeframe remaining until the contract is due for renewal, consideration must be given in the very near future as to what format any competitive tender should take. This provides the central theme of this report.
- 1.6 Some of the fundamental questions regarding the format that must be considered as part of a competitive tender are:
- Should the States continue to provide a subsidised bus service?
 - Should the service continue to be delivered by a private company contracted to the States?
 - What is a reasonable contract term for an operator wishing to commit to investment in Guernsey's scheduled bus services?
 - Is the contract to be operation only or supply and operate?
 - Is capital infrastructure provision and land and buildings to be included in the contract?
- 1.7 Some of the alternatives for advancing a competitive tender include:
- Renewing the existing contract with the present operator (without tender) for a further five years. It should be recognised that the end of a renewed contract would coincide with the end of the lease on the premises currently used for overnight storage of the buses.
 - Tendering the operation on the basis that the contract would only be awarded to an organisation capable of providing a full service including:
 - Ownership and operation of a suitable bus fleet;
 - Provision of secure overnight storage of vehicles;

- Premises for servicing, maintenance, fuelling and cleaning;
 - Parts storage facilities;
 - Administration support facilities.
- Tendering the operation only with the States providing the physical infrastructure.
 - Tendering by means of a BOOT (Build, Own, Operate and Transfer) contract or similar.

1.8 This report attempts to address the issues raised by these considerations and others that are critical to the future of the Island's bus services. In order to give States Members as full a picture as possible, details of the background and recent history of the public bus service are also included.

2.0 Background

2.1 Matters concerning the provision of bus services in Guernsey came to a head in the mid nineteen nineties when it became apparent that the existing operations required reinvestment and restructuring, the funds for which could not be raised through fares income.

2.2 At this time two operators, Island Coachways Limited and Guernseybus Limited were primarily concerned with the delivery of scheduled public bus services. As things transpired, Island Coachways took over the operations of Guernseybus and the States moved to conclude a single contract with the Company. In the course of the following few years the States purchased a fleet of new vehicles and leased these to Island Coachways for the running of scheduled bus services in the Island.

2.3 In March 2006 the States debated the Environment Department Road Transport Strategy and gave approval for a new five year contract to be concluded with Island Coachways for the delivery of scheduled bus services in Guernsey.

2.4 In order to facilitate this, the first five year contract with Island Coachways, that was due to conclude on 30th June 2006, was extended to 31st December 2006 and, in the intervening period, negotiations were conducted for the new five year contract to commence from 1st January 2007.

3.0 Scheduled Bus Services

3.1 It should be understood that the operation of a bus service requires an extensive range of support facilities. The principal elements are: the Operator, the Bus Fleet and the Premises.

3.2 *Operator*

- 3.2.1 The appointed operator, Island Coachways Limited (ICL), and the Environment Department developed a close and professional relationship in order to deliver the initial five year contract for scheduled services from 2001.
- 3.2.2 This contract gave ICL exclusive rights to operate a timetabled public service utilising the routes and associated infrastructure (bus stops, shelters, terminus facilities, etc.) as well as the buses provided by the States.
- 3.2.3 The operator must be skilled and experienced in organising and running a bus service that both meets the needs of the travelling public and provides efficiency and value for money. Whilst the contract that binds the operator to the States has an intrinsic value in this respect, the operator and the States function in partnership and there is necessarily a high level of contact and understanding between the two parties.

3.3 *The Bus Fleet*

- 3.3.1 Simultaneous with the instigation of the initial contract for the operation of scheduled bus services, the Environment Department ordered a fleet of 33 new buses. It was recognised at the time that this would not be a sufficient number to satisfy all the requirements of the scheduled services timetable as well as the schools bus services. Accordingly, agreement was reached with ICL for the use of a number of vehicles owned by the company to operate alongside States owned buses. In the years since, the Department has gradually replaced these “hybrid” vehicles by additional bus purchases and the States owned fleet now numbers 41.
- 3.3.2 There has been a considerable degree of comment regarding the style and size of the buses purchased by the Department and it is perhaps helpful to recall the reasons behind the original decisions to purchase the Myllennium model.
- 3.3.3 Several factors informed the major considerations that were taken into account when deciding upon the most appropriate model to purchase:
 - It was evident that a single model would be easier and more economical to maintain and operate. A “mixed fleet” would require additional storage of parts, a wider range of mechanical expertise and would have an impact on the numbers, training and qualifications of the drivers required.
 - Guernsey roads are operated with restrictions on the length and width of vehicles – any selected vehicles would have to conform to the stipulations.

- The narrow roads and sharp turns that characterise Guernsey's roads have important implications for the turning circle of the buses, making only those with shorter wheel bases and driver "overhang" suitable.
- A publicly funded transport system should serve all who live on and visit the Island and, therefore, special considerations had to be given to accommodate the elderly, those with a disability, mothers with pushchairs and others with special requirements. This meant using buses with appropriately wide doors, low floor/kneeling suspension facilities, open areas and turning zones for wheelchairs and pushchairs and recognised safety bars and equipment.
- The vehicles in use should be recognised as safe for users and others and should be suitably equipped to ensure efficiency and minimised environmental impact in operation.

3.3.4 It is, perhaps, not surprising that the number of available production models that conformed to these requirements was very limited when the Department considered its options in 2001. It would also be true to say that this limitation has, if anything, become more restrictive in the intervening years.

3.3.5 As things stand, it has to be recognised that the existing fleet will require replacement in the next few years. New buses are purchased with warranties (covering various aspects from one to ten years) which help to defray costs and ensure that the vehicles are kept on the road. As these warranties expire, the reliability of the vehicles declines and the costs of maintenance increase; also, parts and replacement panels become increasingly difficult to source.

3.3.6 Further, the success of the re-launch of scheduled services in attracting additional passengers is increasing the wear on vehicles and stretching the operating capacity of the existing fleet. Individual loadings are becoming a concern – particularly on specific routes, and the Department is conscious of the need to maintain the quality and reliability of the service if passengers are not to be lost to other forms of transport.

3.3.7 These factors weigh heavily enough in the considerations that the Department must take into account when examining the options for replacing the fleet, but the aspect that has exercised public opinion the most in the course of the last eight years or so has been the buses themselves.

3.3.8 The factors that informed the Department's choice of vehicle are set out above in 3.3.3, but the debate on what suits Guernsey best continues. If

there is a generally consistent theme that runs through this debate it is that the existing buses are too big for the Island's roads and that a smaller bus, or a mixed fleet comprising both the current vehicles and other compact model buses to serve the less accessible parts of Guernsey would provide a more fitting service.

3.3.9 Whilst the Department has never denied the appropriateness of a mixed fleet and has investigated the possibilities that it offers, the same issues and problems are always apparent:

- Maintaining such a fleet is more expensive and demanding than having a single model. It means retaining multiple stocks of spare parts, fittings and body panels.
- Mechanics would require additional training and expertise would be spread more thinly.
- Small buses are less likely to be inclusive for all passengers, especially wheelchair users, parents with child buggies, the elderly and the infirm.
- Smaller buses would necessarily mean fewer passenger carryings requiring more vehicles, drivers and mechanics and, therefore, higher costs.

3.3.10 Given the background to this aspect of bus service provision in Guernsey, and given the continuing debate that characterises public opinion on the matter, there seems to be every good reason to examine the issue in detail and produce a definitive report on the possibilities of introducing a mixed fleet, the means by which it would operate and the costs and value for money that it would generate.

3.3.11 As these factors begin to weigh in the Department's considerations of how it might seek to replace the existing fleet in the next few years, so it is also aware of the need to look into the environmental impact of the bus service. Replacement vehicles will need to conform to stricter, more demanding environmental standards and the benefits and costs of alternative models using alternative forms of propulsion will have to be taken into account. This will involve looking into the possibilities presented by clean fuel driven vehicles.

3.4 *Premises*

3.4.1 Running a scheduled bus service requires an extensive supporting infrastructure. This may be summarised as follows:

- a) Areas for servicing, repairing, cleaning and fuelling buses;

- b) Overnight storage facilities
- c) An office/administration structure;
- d) Staff accommodation for rest and personal requirements;
- e) A terminus with appropriate shelter, seating and information sources for passengers.

3.4.2 In addition, the provision of bus stops and shelters, timetables and other information is also necessary.

3.5 *The Tramsheds*

3.5.1 The Tramsheds site comprises areas for servicing, repairing, cleaning and fuelling buses, as well as administrative offices and storage facilities. There is a small open area that can accommodate a limited number of buses or other vehicles.

3.5.2 As the name implies, the buildings have been the traditional home of public transport facilities for many years. Located on the main thoroughfare between St Peter Port and St Sampson, they are presently in private ownership and are leased by ICL. Whilst this arrangement is entirely the business of ICL, the States naturally has an interest in the security of the lease and the degree of confidence that the Department can hold in long term planning for the running of scheduled bus services in the Island.

3.5.3 In terms of structure, location and accommodation, the Tramsheds are mostly suited to the purposes of delivering scheduled bus services in Guernsey. However, the fact that the lease for the site is not in government hands and the need for investment to upgrade the facilities remain matters of real concern for the future of public bus services in the Island.

3.6 *Overnight storage facilities*

3.6.1 When the service was re-launched in 2001 ICL was given access to the premises that had traditionally been employed for overnight storage of buses. These comprised a large covered area with security doors and an expansive front courtyard, all in close proximity to the Tramsheds and more than sufficient for the purpose of servicing the bus contract.

3.6.2 Sometime afterwards, however, the Environment Department was given notice that the site was to be taken over by the Guernsey Housing Association to be developed for the construction of high density dwellings. Final notice for evacuation of the premises by 31st December 2006 was served on the Department in September of that year.

- 3.6.3 After some difficult negotiations the Department eventually secured a ten year lease from a private landowner on an area to the west of the Tramsheds. Although not ideal, the area is just sufficient to accommodate the bus fleet and is equipped with outbuildings that complement the operations carried out in the Tramsheds. There are some concerns about the buses being parked up in the open without appropriate security installations on the site.
- 3.6.4 Clearly, if the Environment Department is to follow the directive of the States and seek a competitive tender for a five year contract to run from 1st January 2012, then the remaining years of the lease on the overnight storage facilities could be included as part of the tender. However, the fact that the new contract and the lease would both expire at the same time might well act to discourage some tender applicants who may doubt the prospects of any extension or renewal of the contract. Equally, others may view the prospect as unpropitious from the outset.
- 3.6.5 Further, any plans for the future of the contract for scheduled bus services after 2016 would have to be formulated sometime beforehand and the extent to which the contractor would be involved in this process would inform, to a considerable extent, whether or not the contract would be renewed at expiry.

3.7 *Office/Administration Structure*

- 3.7.1 At present the principal office and administration support services for the bus contract are run out of the office complex within the Tramsheds site. There is an additional small kiosk at the Bus Terminus, but this is principally for direct service to the public.
- 3.7.2 Administration of the bus contract requires the following support services:
- General office maintenance for payment of wages and salaries, preparation of correspondence, bookkeeping, etc.
 - Timetabling of routes, scheduling of buses, drivers, etc.;
 - Directing works and schedules for servicing, repairs, cleaning and fuelling;
 - Training and development of staff members.
- 3.7.3 The facilities presently used for the provision of these services are in need of investment and development. It could also be argued that the accommodation currently used for the purpose is too small and not appropriately set out.

3.8 *Staff Accommodations for Rest and Personal Requirements*

- 3.8.1 Toilets and washing facilities within the Tramsheds complex are inadequate and not conveniently sited. A small space within the ground floor offices is set aside for rest and recuperation purposes, but it is far from fit for this purpose. Until the beginning of 2009, ICL rented a room within the Picquet House, St Peter Port in order that drivers and other staff stationed at the terminus could take rest periods. The lease on this room was abruptly terminated in January 2009, leaving drivers and other employees of the company without private rest facilities. Drivers often have only short breaks of between five and twenty minutes in which to obtain refreshment before recommencing a shift and the lack of a dedicated rest room is a recognised handicap to their well being.
- 3.8.2 Rest facilities for members of staff are important in any organisation, but they make for special consideration in regard to the provision of public bus services. Drivers, in particular, must maintain high levels of alertness and attention when engaged upon their work. They should be able to approach their work knowing that they are properly prepared and made ready; high quality rest and recuperation facilities are an important part of these requirements.

3.9 *The Terminus*

- 3.9.1 Scheduled bus services within Guernsey generally function on a “hub” system with St Peter Port at the heart of the operation. Unlike towns in the UK and elsewhere, the routes are seldom linear and timetables are set to provide as wide coverage as possible whilst avoiding unnecessary duplication and maintaining regularity of service.
- 3.9.2 It is the need for a hub system that makes the terminus such an important part of the provision of scheduled bus services in Guernsey. Although there has been some discussion regarding the location of the terminus, it should be understood that, wherever it might be, it could not operate purely as a bus stop. The timetabling of services, the need for drivers’ breaks and the fact that more buses are run at particular times of the day make it necessary that vehicles are parked up for short periods at times.
- 3.9.3 Facilities at the terminus are functional without being ostentatious. There is adequate seating, some limited shelter and a manned information kiosk, all of which contribute to passenger amenity. In addition, there are public toilets, a café, convenience shops and other facilities within the vicinity.
- 3.9.4 It should be recognised, however, that the terminus is a shared space – it is not dedicated solely to bus services and does not have the characteristics of a bus station with the type of passenger facilities that might be seen in many towns with a purpose designed terminus.

- 3.9.5 It must be accepted that bus travel necessitates some queuing and waiting time for passengers. It follows, therefore, that a comfortable, well appointed terminus is important for the success of any public bus service. Whilst the facilities in Guernsey present some of the aspects of a modern service, they are lacking in many of the fundamental requirements.

4.0 The Current Contract for the Provision of Scheduled Bus Services

- 4.1 Under the terms of the Public Transport (Guernsey) Law, 1984, the Environment Department has a duty to ensure that there are available at all times, sufficient, efficient and safe systems of public transport services in Guernsey to meet the requirements of the public.
- 4.2 There is no doubt that, in the middle of the nineteen nineties, bus services in Guernsey were in a critical state. There was, at that time, every prospect that the public bus system would cease to exist as a fully functioning, integrated, comprehensive service. Against this background, the Traffic Committee (as it was then) took the decision to revamp the entire operation and secured States support to contract with a single operator, introduce a new route plan, purchase a new bus fleet and provide a financial subsidy to secure low cost fares.
- 4.3 It should be stated that, in the time since the relaunched public bus service has been in operation, the Environment Department has not received a single representation from any organisation or individual to the effect that the taxpayer should not subsidise the service. Occasionally concerns have been expressed that the subsidy is available only to the contracted company and the Department has intermittently reviewed its position in this regard, but there is no general public outcry that this is an inappropriate use of general revenues.
- 4.4 Accepting the principle, therefore, that a subsidy for public bus services should continue, the questions that arise relate to how the operation is funded, what should be done to ensure it remains fair and equitable and, most importantly, what further measures might be necessary for securing the best possible value for the States' investments?

4.5 *The Present System of Subsidising Scheduled Bus Services*

- 4.5.1 Details have been given above of how the various components that make up the provision of scheduled bus services are owned and managed. These elements are brought together in the operation through the terms and conditions of a contract for services concluded between the Environment Department (representing the States) and Island Coachways Limited.
- 4.5.2 This contract was originally concluded for a five year period with effect from 1st July 2001. Upon expiry in 2006 and following approval by the States, it was extended for a further six months and a new contract was drawn up for a further five years, to take effect from 1st January 2007.

- 4.5.3 By the terms of the original contract, ICL provided a bus service for an agreed timetable, at an agreed fare structure and to agreed standards (covering such matters as quality of vehicles, service, training, customer interface, etc.). As recognition for its part in managing a high quality operation, ICL was entitled to a “profit” share, calculated as 10% of recognised costs (2001 contract). The 2007 contract included alterations to these arrangements with part of the “profit” being gained from increased passenger carryings.
- 4.5.4 In the execution of this service ICL would operate an “open book” system of accounting. In simple terms, this meant that the income and expenditure arising from the operation would be recorded in compliance with recognised accounting practices and the “profit” share paid monthly to the company on the basis of current calculations. At the end of the year audited accounts would be produced with an adjustment for profit share according to the final figures.
- 4.5.5 Over the twelve months up to 31st December 2008, some 1.5 million passengers were carried on the scheduled services (excluding school children carried on integrated services). This indicates that the general revenues of the States contributed approximately £1.18 pence for each journey. In ratio terms, the cost of a bus journey in Guernsey at this time was paid 35% by the traveller and 65% by the taxpayer.
- 4.5.6 It should be recognised that these figures reflect the fact that the Department funds the costs of all passengers using the scheduled bus services, including those receiving concessionary fares such as are extended to senior citizens drawing a States pension and some school students.
- 4.5.7 It is a point of valid consideration that the Department, by effectively funding the full range of concessionary fares, assumes a burden of costs that may be varied on account of decisions not made within the Department. This point is all the more pertinent if it is decided that the entire operation should be tendered upon renewal of the contract in 2012. (See **5.0 The Renewal of the Present Contract in 2012**, below).
- 4.5.8 Under the terms of the newly agreed contract, the “profit” figure due to the operator is reduced to 7.5% of eligible costs up to £2,000,000 per annum and 5% for eligible costs above £2,000,000. Additionally, the operator receives 10% of generated fare income. According to the figures for the 2007 accounts, this method of calculating the operator’s “profit” would have resulted in a similar figure to that paid on the previous accounts. By linking the figure to passenger numbers and diminishing the return obtainable on increased costs, some additional incentive and risk for the operator is put into the contract.

4.5.9 It may be argued that these terms are favourable to the operator and are the more so given that the contract has been awarded on two occasions without a competitive tender.

4.5.10 The Environment Department does not disagree with this statement and is supportive of the view that the renewal of the contract from 2012 should be by means of an open tender. However, in endorsing this point of view, the Department takes into account several considerations that might not readily occur to casual observers of the present situation of scheduled bus services in Guernsey.

4.5.11 These considerations include the following factors:

- The parlous state that bus services in the Island fell into before the contract was put into place;
- The high quality of services provided by ICL since taking on the part of preferred operator;
- The benefit of using the Tramsheds site for managing scheduled bus services in Guernsey;
- The reality that any tender must have value to attract worthwhile competition for the contract. (Recognising that value at present is shared by the different benefits that the parties bring to the contract);
- The reality that a tender for the complete service must include provision of suitable premises which are not presently available (apart from those leased by ICL).

4.5.12 It is this last point that is central to any understanding of how the contract might be tendered in 2012. Without the ability to provide or acquire suitable premises, a potential contractor cannot operate the required service.

4.5.13 Suitable premises, governed as they are by location, size and land use restrictions are evidently difficult to come by. The present site, although not ideal and operating at the capacity of the available area, is probably the most adaptable but has mixed ownership outside of the States and offers no ready possibilities for any potential contractor apart from ICL. Importantly, there is no guarantee for the States of continued supply.

5.0 The Renewal of the Present Contract in 2012

5.1 In the course of the discussion that accompanied the presentation of the Road Transport Strategy in March 2006, it was agreed that the Environment Department should renew its contract with ICL (due to expire on 30th June 2006) by means of a six month extension to 31st December 2006 and five year renewal

from 1st January 2007. It is, of course, unusual for a contract between the States and a private organisation to be renewed without a tender, but the special reasons attaching to the arrangement were recognised by the States in making this decision.

5.2 In coming to this decision, the States also specified that the award of the contract from 1st January 2012 should be competitive with the process opened to other operators.

5.3 This is quite appropriate, but, as outlined above, a number of factors have changed and it is necessary that the States reconsider its earlier stipulation in order to ensure that the most appropriate solution is forthcoming. Before assessing the options in respect of a tender, however, it is appropriate that the States first consider the fundamental principles underpinning the existing arrangements. These may be summarised as follows:

- Should the States continue to provide a subsidised bus service?
- Should the service continue to be delivered by a private company contracted to the States?

5.4 *Should the States continue to provide a subsidised bus service?*

5.4.1 It is, of course, entirely a decision for Guernsey itself as to whether public bus services should be subsidised or not, but it is perhaps worthwhile noting that public bus services (as opposed to privately run coach services) that do not benefit from government subsidies or aid of some description, are extremely unusual.

5.4.2 With this in mind, it might be reckoned that if all subsidies were withdrawn from the public bus services that operate in Guernsey, some private operators would seek to run intermittent services that may be expected to derive a profit. However, it is equally clear that these would be far from comprehensive and, without specific legislation or licence conditions (that would adversely affect profitability) may not reach out to all sectors of the community.

5.4.3 Accepting, therefore, that a fully inclusive public bus service can only be run through the support of subsidies, it is only right to consider the question of what degree of subsidy is acceptable. The 2007 accounts of the States (published in June 2008) show that the net subsidy paid to run the scheduled bus services in the Island amounted to £1,756,333. Passenger carryings for the same period were 1,438,803, indicating a gross fare subsidy of £1.22p per journey. The States of Jersey, Public Bus Transport: Second Annual Report, published by the Environment and Public Services Committee in March 2005, set out a table of subsidy costs for different authorities within the UK. It came up with the following figures:

Authority	Subsidy Cost Per Journey
Isle of Wight (UK Cheapest)	70 pence
Cornwall	90 pence
Jersey	100 pence
Norfolk	110 pence
Rutland	120 pence
Guernsey	122 pence
Oxford	160 pence
Western Islands	250 pence
Argyll and Bute	350 pence
Mean Subsidy Cost Per Journey	156 pence
Mean Minus Maximum and Minimum	138 pence

Table 1

5.4.4 Although these figures are instructive in some ways, they should be treated with caution as specific comparators (for example, the Guernsey figure does not account for passengers taken on the schools services for which costs are included). It is not possible to ascertain precisely what is included in calculating the subsidies and it is recognised that, in the UK, substantial additional subsidies are paid to the operating companies directly. Equally, different areas have differing standards of alternative transport opportunities, both in public and private provision and towns in the UK have different characteristics – some are predominantly residential, some predominantly business based; some have regularly large influxes of travellers from outside, some do not.

5.4.5 As further guidance – in March 2008 the UK Department for Transport published a consultation paper titled Local Bus Service Support – Options for Reform. The Executive Summary contains the following statement:

The public sector's investment in better bus services is around £2.5 billion in 2007/08 and will rise further in 2008/09...

5.4.6 Taking this figure and equating it to the population of the UK, 58,789,194, (source: ONS – Census 2001) it can be seen that the central government support for buses in England amounts to a per capita figure of £42.52 – excluding any further subsidy and support that may be provided by local authorities. Using the net cost of providing services in Guernsey in 2007 (£1,756,333) and dividing this by the population of the Island (2007 estimated figure from Facts and Figures, Policy Council –

61,811), it can be shown that total subsidy amounts to £28.41 per capita. A full specification of the per capita costs of bus subsidies is given in the table below, using the most up to date figures available.¹

Geographical Area	Total Public Expenditure on Bus Services 2006/2007 (£m)	Population (2001 Census)	Per Capita Spend
London	910	7,172,091	£126.88
England excluding London	1,096	41,667,740	£26.12
Scotland	268	5,062,011	£52.94
Wales	86	2,903,085	£29.62
Northern Ireland	No Data	1,984,267	No Data
ALL	2,360	58,789,194	£40.14

Table 2

5.4.7 In June 2009 Tribal Helm Limited, reporting on efficiency savings for the States of Guernsey, produced the following table regarding subsidies for bus services in Guernsey:

	<i>Average Population</i>	<i>Total transport spend (£'000s) – Concessionary and bus operator support</i>	<i>Total transport spend per head – Concessionary and bus operator support (£)</i>
Market Testing Group	61,814	559	9.10
States of Guernsey	61,800	2,242	36.28
Variance		1,683	27.18

Table 3

¹ The figure for Total Public Expenditure on Bus Services 2006/2007 (£m) is taken from taspublications.co.uk. The population figures for the 2001 Census are published by the Office of National Statistics (www.statistics.gov.uk/census2001)

- 5.4.8 Taking these figures, Tribal Helm concluded that Guernsey bus services are heavily over-subsidised on a comparative basis and produced proposals for reducing the subsidy by cutting services with low passenger numbers and raising fares. The analysis did not account for elasticity effects, did not factor in capital or standing costs and did not make reference to the Department's policy for inclusive services.
- 5.4.9 To determine the validity of the comparison made in the Tribal Helm analysis the Environment Department requested details of the Market Testing Group that was used to produce the figures. It was ascertained that this group comprised twenty one local authorities in the UK; the only characteristic of those in the group that was used to compare with Guernsey was population (as sourced from the Office of National Statistics). Given the wide variation in location of the sample areas, and given the fact that many were adjacent to large cities or conurbations, it is difficult to be sure that a fair comparison has been made.
- 5.4.10 With such a confusing range of support and subsidy funding for bus services generally, it is difficult to draw firm conclusions on the value that the subsidy delivers in Guernsey. There are no regions within the UK that are directly relative and in any attempt to obtain meaningful results it is never quite clear that the same items are being compared. For matters such as income, housing and living standards, Guernsey is often compared with London and it may be appropriate to extend this to the public transport systems. As *Table 2* above shows, in 2006-7 London bus subsidies totalled £910 million supporting a population of 7,172,091; this gives a per capita subsidy of £126.88 – something more than four times that provided for in Guernsey.
- 5.4.11 Whilst all the figures for subsidies to bus services are subject to qualification in some way or another, it seems clear that the extent to which the Guernsey tax payer supports bus services in the Island represents reasonable value.
- 5.5 *Should the service continue to be delivered by a private company contracted to the States?*
- 5.5.1 The nature of the Environment Department's relationship with ICL is set out above. Whilst this has been a successful partnership for a number of years, the complications associated with the ownership and suitability of premises make it precarious for the assured continuation of standard services. The fact that the States carries all risk by funding all costs mitigates against a best value service.
- 5.5.2 As things stand, there are, in essence, six alternatives that might be considered in delivering an acceptable service, as follows:

- (a) Taking the ownership of the operation fully into States hands.
- (b) Renewing the existing contract with the present operator (without tender) for a further five years. It should be recognised that the end of a renewed contract would coincide with the end of the lease on the premises currently used for overnight storage of the buses.
- (c) Tender the operation without reference to the requirements regarding suitable premises.
- (d) Tendering the operation on the basis that the contract would only be awarded to an organisation capable of providing a full service including:
 - Ownership and operation of a suitable bus fleet;
 - Provision of secure overnight storage of vehicles;
 - Premises for servicing, maintenance, fuelling and cleaning;
 - Parts storage facilities;
 - Administration support facilities.
- (e) Tendering the operation only with the States providing the physical infrastructure.
- (f) Tendering by means of a BOOT (Build, Own, Operate and Transfer) contract or similar.

5.6 *Taking the ownership of the operation fully into States hands*

- 5.6.1 This option would involve the States investing a considerable sum to secure suitable premises and adapt them for purpose. It would also require the States to establish a business entity to recruit the necessary employees and make arrangements for their terms and conditions of employment.
- 5.6.2 At present, all costs are met from income plus the subsidy from the States. This includes, in part at least, the operator's directors' fees and a "profit" element that accrues to the company. By taking the operation into full States' control these costs would be saved.
- 5.6.3 Given the considerable investment that this option would require, the current economic climate and the lack of any pressing need for this form of solution, there does not seem to be a strong case for taking the operation fully into the States' hands.

5.7 *Renewing the existing contract with the present operator (without tender) for a further five years. It should be recognised that the end of a renewed contract would coincide with the end of the lease on the premises currently used for overnight storage of the buses.*

5.7.1 As described above, the existing contract was renewed for a period of five years (plus six months “adjustment”) in 2007. At the time this was viewed as an expedience for ensuring the continuation of services following a period of severe disruption and uncertainty. With the loss, in 2006, of the overnight bus shelter to a housing project, the future of scheduled bus services in Guernsey is again in jeopardy and it may be that an extraordinary situation requires an extraordinary response.

5.7.2 A further renewal of the five year contract would coincide with the remaining time on the lease of the premises for overnight storage of the buses and there is an argument for simply carrying on “business as usual” and using the years up to 2016 when the lease expires to formulate the long term plans for bus services in Guernsey. This would require the States to endorse the continuation of the existing contract without a tender.

5.7.3 However, it should be recognised that this would add to the pressure for a more enduring solution to the problems that beset scheduled bus services and it may be better to tackle the issues sooner rather than later so that the future of bus operations in the Island can be secured giving Islanders and visitors a surety on the continuation of high quality services.

5.8 *Tender the operation without reference to the requirements regarding suitable premises.*

5.8.1 This reflects, more or less, what the States envisaged when it agreed to renew the contract without tender for five years from 1st January 2007 but stipulated that the next renewal would have to be by competitive tender.

5.8.2 It has become apparent that, if a tender was to be advanced on this simplistic basis, there would be a high probability that only the existing contractor would be in a position to respond – making the exercise somewhat futile and reverting to the position outlined in 5.7 above.

5.8.3 This does not, therefore, appear to be an appropriate way forward.

5.9 *Tendering the operation on the basis that the contract would only be awarded to an organisation capable of providing a full service including:*

- *Ownership and operation of a suitable bus fleet;*

- *Provision of secure overnight storage of vehicles;*
- *Premises for servicing, maintenance, fuelling and cleaning;*
- *Parts storage facilities;*
- *Administration support facilities.*

5.9.1 As for 5.7 and 5.8 above, the outcome of any tender on this basis would almost certainly lead to the contract being awarded to the existing operator. It would also require the States to dispose of the existing fleet of buses (probably to the company awarded the contract) which could be a lengthy and expensive process. As things stand, the ownership of the bus fleet is the mainspring of the States command of the operation of scheduled services; by relinquishing this factor of control the States would add risk to the arrangements for ensuring the continuation of services.

5.10 Tendering the operation only with the States providing the physical infrastructure.

5.10.1 In order to make this a reality, the States would have to acquire a suitable site and construct offices, workshops, storage facilities and the sheltered hard standing necessary for the operation of the service. Such a site would have to be in a suitable location with appropriate means of access and egress to enable buses to move efficiently onto the route network.

5.10.2 Whilst this would require a substantial initial outlay from the taxpayer, the core costs would be recoverable by the extension of a long term contract (say twenty or twenty five years) for the operation of scheduled services that would include rental for the site and premises.

5.10.3 As has been shown above, the management of any publicly accessible bus service that seeks to reach out to all members of the community will necessarily require financial support from the taxpayer. It is the case, therefore, that any tender for the operation alone would have to take account of the degree of support that would be required to ensure continuous services of the required standard. It would be necessary, in this regard, to seek tenders that outline the full cost of the operation (including any sum for profit) and the income that might be expected to be generated. The difference between the two totals would indicate the degree of public support that would be required and this would be the telling figure in awarding the contract (not withstanding other considerations in respect of the suitability of bidding organisations and the quality of their submissions).

5.11 *Tendering by means of a BOOT (Build, Own, Operate and Transfer) contract or similar.*

- 5.11.1 This would necessitate the States acquiring a suitable area of land (in an appropriate location) together with the requisite permissions for the establishment of a bus service operation including facilities for administration, training, servicing, cleaning, fuel supply, parts storage, body repairs and overnight parking up.
- 5.11.2 Once such a site had been secured, then the tender contract for the operation of the bus services would include leasing the land to the operator for the term of the contract with the requirement in the contract to construct the facilities. Ownership would revert to the States at the termination of the contract and lease. In order to make the investment worthwhile for prospective tenders, the terms of the contract (including the lease on the land), would have to be extended over a considerable period of time – probably in the region of twenty or twenty five years.
- 5.11.3 Whilst this proposal would still involve the States in outlay expenditure (to acquire the site), this would be considerably lower than that required for 5.10 above and there would be a substantial offsetting of risk by making the construction project the responsibility of the organisation submitting the successful tender. Importantly, the organisation charged with responsibility for delivering the service would also be responsible for specifying and providing the required infrastructure.

6.0 Assessing the Options

- 6.1 It will be evident from the foregoing that the options for securing the future of scheduled bus services in Guernsey are varied and not immediately straightforward. Further, the explanations and details provided in this paper can only capture the major aspects of an involved and highly complex situation.
- 6.2 It is appropriate, therefore, that the Department should seek a degree of professional support for assessing the available options before returning to the States for a final decision on how to proceed when the existing contract comes to an end.
- 6.3 To this end it is proposed that the Department be authorised to conduct a competitive search for a suitable organisation to investigate and report upon the optimum way forward for bus services within the Island.
- 6.4 As part of the terms of reference for the report, the organisation carrying out the research work should be required to test any ideas and proposals by means of surveys, modelling and other methodologies as may be suited to “soft marketing” their proposals. The key outcome of this report would be costed proposals subjected to market testing, thus enabling the States to make a more informed decision.

7.0 The Schools Bus Services

- 7.1 In the course of its consideration of the Environment Department's Road Transport Strategy in March 2006, the States passed the following resolution:

To approve the Environment Department's proposals to introduce free school bus services on an experimental basis, as set out in section 4.6 of that Report and, subject to the results, to direct the Department to report back to the States in due course on the provision of a free school bus service for all pupils.

- 7.2 School buses in Guernsey have, for many years, been organised on the basis of pupils paying for a bus seat if they live more than a certain distance from their place of education. School students under eight years of age can travel for free if they live more than one mile away, those over eight are given the privilege if the distance exceeds two and a half miles.
- 7.3 It should be stated that, regardless of the charging policy (and, indeed, the patronage of the services), very little revenue has been collected by the schools for bus fares. Nevertheless, the charging system was put in place as part of the recognition that operating a schools bus service is an expensive business and with limited funds available, it is not inappropriate for parents to make a contribution.
- 7.4 In recent years concerns regarding healthy living, traffic congestion, environmental degradation and other aspects of modern life have heightened the need to address the issue of free school travel and hence the resolution of the States.
- 7.5 Soon after approval was given for the experiment to proceed the Department engaged upon a trial free school bus service for pupils attending Vauvert School, La Houquette School and St Sampson Secondary School. These schools were selected for the different opportunities they present for pupils to use various methods for getting to and from school. There was some disruption to the experiment after the decision was made to open the new St Sampson High School earlier than had originally be planned, but useful information was nevertheless gathered over a period of some eighteen months. Once the new St Sampson High School opened, the Department decided to hold back on reporting the outcomes of the experiment in order to gauge the extent to which school students would take up the high level of bus provision at the new school.
- 7.6 In the eventuality, the first year of the new school's operation indicates a very high and enduring take up of bus places by the pupils, which situation is likely to prevail given that the school's intake is set to expand by the inclusion of more pupils from the existing catchment area for St Peter Port School.
- 7.7 For all the schools that were involved in the experiment, the numbers taking the bus increased (though only marginally for Vauvert School). There is, therefore,

a fairly clear indication that the provision of a free bus place to school pupils acts as an encouragement to use the bus in preference to other means for travelling to school. A certain degree of circumspection must attach to this conclusion, for it is evidently the case that the introduction of the free services was accompanied by a considerable degree of publicity that must have stimulated interest. Equally, as more pupils took the bus, so others were themselves encouraged to follow suit, though this may be viewed as a fortuitous outcome of the experiment that might well be repeated should a fully free service be introduced.

- 7.8 The States Resolution cited in 7.1 above was adopted following consideration of the Environment Department's Road Transport Strategy which deals, at some length, with how a free school bus service might be implemented. How such a scheme is organised is a central issue for ensuring that sufficient resources are available to maintain and deliver the requirements. The Road Transport Strategy dealt with this matter as follows:

4.6.5 The Department believes that the next step should be the provision of a free and more comprehensive school bus service for all pupils, regardless of their age and the distance they live from school. Approximately 1,400 journeys are made each day on the Department's school bus services. Assuming that the Department was able to double this number, then its estimates are that this would involve:

- a) at least a further 19 vehicles to manage the peak school traffic loadings. Second hand vehicles aged around 5 years and of a reasonable specification are available for approximately £35,000, so this would involve capital expenditure in the region of £665,000. The Department would propose funding this with a loan from the Treasury and Resources Department, which would be paid back over the useful life of the vehicles.*
- b) increased annual operating costs of £233,700.*

However, the actual cost of providing this service will depend very much on the level of patronage, which is difficult to estimate, as well as the final specification of the vehicles that are used.

- 7.9 Regrettably, this option has been closed by the loss of the overnight storage facilities for the buses. The area of the leasehold premises that is presently used for this purpose is only just sufficient to take in the existing fleet and, anyway, provides no long term solution for secure accommodation.
- 7.10 In addition, the scheduled fleet operates at its peak during the same hours that the morning school bus services run. Therefore, finding an additional nineteen drivers for the "school bus fleet" is itself fraught with difficulty. A secure

expanded scheduled fleet integrated with the school fleet is likely to be a key element in resolving this conundrum.

- 7.11 This leaves the Department in something of a dilemma. The results of the free school bus experiment have been sufficiently convincing to encourage the Department to introduce an Island wide free service for school children. However, it is only realistic to do so if the situation regarding scheduled services is made secure for the future, as set out in the first part of this Report.
- 7.12 Some further enhancement may be secured by the issue of a competitive tender for the schools service alone, but it is widely recognised within the Guernsey bus and coach sector that there are not, at present, the vehicles or drivers on Island to deliver a contract of this nature.
- 7.13 In order to attract interest, any new contract would have to be sufficiently secure for potential operators to have the confidence to invest in suitable vehicles and staff; this would mean extending the agreement for ten or more years.
- 7.14 Whilst this provides a potential way forward for school buses, there are certain additional aspects that need to be considered.
- 7.15 It can cost approximately £20,000 per year to run a single schools bus/coach service, that is, one bus or coach taking school students to their place of education in the morning and then making the return journey in the afternoon.
- 7.16 The Department can reduce these costs by half or more by using “integrated services”. Although fairly complex in operation, these essentially involve running a dedicated schools service out to the educational establishment and then using the same vehicle to run a scheduled service back to the Town terminus (with the process reversed for the afternoon run).
- 7.17 Clearly there are only true savings to be made from integrated services if there is a genuine demand for the scheduled service on the return run (the outward run in the afternoon), and all the routes that are presently used in this way are based upon established scheduled services with evident value for the standard timetable. It has to be recognised, however, that not every school bus will fit with a scheduled service for which there is a clear demand, so it is neither practical nor financially sound to integrate every school bus service with the scheduled timetable.
- 7.18 The difficulties of realising a competitive tender for the school buses contract alone are further complicated insofar as only the contracted provider for scheduled services can also provide integrated services.
- 7.19 Taking account of these factors, further study will be required to determine if it is viable to prepare a competitive tender for those school bus services for which there is no possibility of running a complementary integrated service. This is clearly dependent upon the future direction of scheduled services in terms of

routes, frequency, size of vehicles, etc. This will necessarily involve reference to any way forward that might be proposed for the scheduled bus services so it makes sense that both issues are investigated at the same time.

8.0 Taxi Buses

- 8.1 Whilst there has been a great deal of success to report regarding the renewal of public bus services in Guernsey during the 21st century, there has also been some criticism. The bulk of this criticism has been directed at the size of the buses that operate the scheduled routes.
- 8.2 With this in mind, it should be within the scope of any investigative report to comment on this factor and how public concerns may be addressed. It is appropriate, therefore, that consideration should be given to more radically alternative systems for organising the bus services and this should include examination of the possibilities presented by taxi buses.
- 8.3 Taxi buses operate in a number of cities in Australia and Eastern Europe (predominantly as shuttle services between airports and town centres) and it may be that there is a role for such in Guernsey, whether in a limited or more comprehensive service provision.

9.0 Conclusions

- 9.1 That the replacement of the present fleet by smaller, environmentally friendly vehicles, is not a simple or straightforward option.
- 9.2 The fact that the lease for the Tramsheds site is held in private hands means that scheduled bus services in the Island are vulnerable in a critical aspect.
- 9.3 Any competitive tender for the renewal of the contract for the provision of scheduled bus services is likely to fail while there is no security of premises for supporting the contract.
- 9.4 Any competitive tender for the renewal of the contract for the provision of scheduled bus services would, given present circumstances, necessarily favour the present service provider.
- 9.5 A well appointed terminus is an important factor in providing adequate services for both passengers and those involved in the delivery of the operation.
- 9.6 A government subsidy for securing the provision of public scheduled bus services is necessary for any comprehensive operation to continue.
- 9.7 Without some form of public assistance, bus services in Guernsey would most likely be patchy and exclusive to certain individuals in the community.

- 9.8 Whilst the Environment Department currently meets the costs of all concessionary fares, any organisation that is successful in a competitive tender for the operation would require certainty on the continuing costs of such concessions.
- 9.9 There is no evidence of public concern or dissatisfaction with the subsidisation of scheduled services in Guernsey.
- 9.10 It is not possible to provide accurate comparisons of subsidy payments for bus services operated elsewhere but, by a variety of measures, the levels of government support for the services operated in Guernsey appear to offer good value for money.
- 9.11 There are, in essence, six alternatives that might be considered in delivering an acceptable service, as follows:
- (a) Taking the ownership of the operation fully into States hands.
 - (b) Renewing the existing contract with the present operator (without tender) for a further five years. It should be recognised that the end of a renewed contract would coincide with the end of the lease on the premises currently used for overnight storage of the buses.
 - (c) Tender the operation without reference to the requirements regarding suitable premises.
 - (d) Tendering the operation on the basis that the contract would only be awarded to an organisation capable of providing a full service including:
 - Ownership and operation of a suitable bus fleet;
 - Provision of secure overnight storage of vehicles;
 - Premises for servicing, maintenance, fuelling and cleaning;
 - Parts storage facilities;
 - Administration support facilities.
 - (e) Tendering the operation only with the States providing the physical infrastructure.
 - (f) Tendering by means of a BOOT (Build, Own, Operate and Transfer) contract or similar.
- 9.12 That there is merit in the States setting the way forward for scheduled bus services in Guernsey now rather than later as the lease on the premises for overnight storage of the fleet only has a further seven years to run.

- 9.13 In order to make the right choice for the way forward from the various options that are available, the alternatives need to be properly evaluated by a professional organisation that can examine the preferences in depth, cost them and market test them.
- 9.14 Free school bus services, notwithstanding other factors, tend to encourage more pupils to use the bus as their preferred form of transport to school.
- 9.15 The Environment Department cannot fulfil the requirements for a comprehensive free school bus service, as set out in the March 2006 Transport Strategy and approved by the States, on account of the fact that the premises for housing the vehicles are no longer available. The addition of nineteen vehicles to the fleet without the ability to employ and accommodate the drivers would be a futile exercise.
- 9.16 Integrated schools bus services save considerable costs, but can only operate if the contract for the provision of the schools service is directly linked to the contract for the provision of scheduled services.
- 9.17 The desire to expand services is, therefore, linked to the type of fleet, availability of vehicles and drivers and the interconnections with the school run.
- 9.18 It makes sense that any investigation of the best way forward for scheduled bus services should also include examination of the best way forward for a free schools bus service – especially given the costs savings that are gained from integrating the two operations.
- 9.19 It makes sense that any investigation of the best way forward for scheduled bus services should also include examination of any radical alternatives, including taxi buses, that may provide for the needs of the Island.

10.0 Proposed Way Forward

- 10.1 That the States give endorsement to the proposal that the Environment Department, by means of a competitive tender, commission a suitable organisation to undertake a full assessment of the bus services within Guernsey with a view to establishing a recommended way forward for the next twenty five years.
- 10.2 That the States authorise the Environment Department to establish the terms of reference by which the assessment will be conducted, these terms of reference to include stipulations regarding:
 - a) The ownership of the bus fleet;
 - b) The ownership of premises for overnight safe-keeping of the vehicles;
 - c) The nature and time extent of the contract for scheduled bus services, including:

- The type of fleet;
 - Service and route expansion;
 - Integration with the schools services;
 - Scope for taxi buses.
- d) The specification and ownership of premises for administering the scheduled bus services, including offices, cleaning and maintenance facilities and parts and fuel storage.
- e) The requirement to model and/or market test the defined options in order to make informed recommendations.
- 10.3 That, as part of the above study, the States authorise the Environment Department to direct the successful organisation further to investigate the schools bus services and, in the light of the findings of the free school bus experiment, to make recommendations on how this should be taken forward, taking due regard of the benefits of integrated services.
- 10.4 That the Environment Department report back to the States with recommendations, drawn from the conclusions of the assessment, on what would be most suitable way forward for Guernsey.
- 10.5 That the Environment Department be authorised by the States to fund the said investigation by means of the resources available within the Road Transport Strategy.

11.0 Recommendations

- 11.1 The States are recommended
1. to approve the setting of terms of reference and the commissioning of suitable advisors by the Environment Department to investigate the issues raised in this Report;
 2. to authorise the Environment Department to use funds from the Road Transport Strategy to finance that investigation; and
 3. to direct the Environment Department to report back to the States on this matter as soon as possible after the conclusion of that investigation.

Yours faithfully

Peter Sirett
Minister

Appendix One**Bus Passenger Carrying Figures 1996 – 2008**

Please note:

- Figures include OAPs for whom no fare is collected;
- Figures do not include school children on integrated services.

1996	1,093,212
1997	1,128,101
1998	1,054,185
1999	941,052
2000	878,111
2001	954,908
2002	1,057,627
2003	1,201,799
2004	1,304,049
2005	1,393,698
2006	1,405,414
2007	1,438,803
2008	1,531,257

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

(NB The Treasury and Resources Department supports this States Report which is in line with the delivery of the opportunity identified in Phase II of the Fundamental Spending Review. The Department hopes that, in the future, there will be a reduction in the amount of public subsidy required for scheduled bus services without seriously undermining or reducing the quality of the service.)

The States are asked to decide:-

XIV.- Whether, after consideration of the Report dated 9th September, 2009, of the Environment Department, they are of the opinion:-

1. To approve the setting of terms of reference and the commissioning of suitable advisors by the Environment Department to investigate the issues raised in that Report.
2. To authorise the Environment Department to use funds from the Road Transport Strategy to finance that investigation.
3. To direct the Environment Department to report back to the States on this matter as soon as possible after the conclusion of that investigation.

HOME DEPARTMENT

COMMUNITY SENTENCING

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

11th September 2009

Dear Sir

1. **Executive Summary**

- 1.1 At its November 2005 sitting, the States of Deliberation resolved to approve a three year pilot to provide a Community Service Scheme. This was designed to be an adequate response to the sentencing policy and practice of the courts, with the intention of the Department reporting back to the States with the results of the pilot towards the end of 2008.
- 1.2 Community Sentencing was a recommendation of the Criminal Justice Working Party chaired by the then HM Comptroller Howard Roberts which was established to look at, amongst other issues, robust alternatives to custodial sentences.
- 1.3 The Community Service Scheme exists to provide the criminal courts with a credible community based penalty as a direct alternative to a custodial sentence. The sentence allows the Court to require an offender, found guilty of an imprisonable offence, to perform a specified number of hours of unpaid work in reparation to the community.
- 1.4 The Community Service Scheme is administered by the Probation Service and is governed by the Criminal Justice (Community Service Orders) (Bailiwick of Guernsey) Law 2006. This legislation was registered by the Royal Court on 29th October 2007 and Community Service Orders have been available as a sentencing option for the Bailiwick Courts since that date. Due to the legislative delay, it was decided that the Report would be returned to the States towards the end of 2009 (not 2008) in order that a more comprehensive set of statistics could be provided.
- 1.5 Appended to this report are statistics for the first 20 months of the scheme (November 2007 to June 2009) during which time 190 Community Service

Orders were made by the Courts. The Scheme has to date been funded from Home Department unspent balances as detailed in the original States Report.

- 1.6 The Department recommends that the Community Service Law is amended to reduce the minimum number of hours which can be imposed on a child offender in the Juvenile Court from 40 hours down to 10 hours. Although it is anticipated that all but the most serious or persistent child offenders will be dealt with by the Child Youth and Community Tribunal under the new Children's Law, it is recognized that an alternative to a custodial sentence is required for those who may previously have received an Attendance Centre Order.
- 1.7 The States are asked to approve the continuation of the Scheme and to note that Home Department will liaise with Treasury and Resources Department to discuss the appropriate way to fund the Scheme, which may include the financial costs of the proposals set out in this Report being considered for approval as part of the Strategic Planning process.

2. **Community Service**

- 2.1 A Community Service Order is effectively a fine on an offender's free time. It is a punitive sentence although the focus of the sentence is on the positive effect the offender's work will have on the community and not the negativity of the punishment. The sentence allows the offender to retain their liberty which allows them to maintain accommodation, employment and family links, all factors known to reduce the likelihood of re-offending.
- 2.2 The new sentence of Community Service is targeted at offenders who would have been sent to custody or youth detention for a period of up to 12 months, or would have received a suspended sentence or high fine. In cases where the order is made as an alternative to a custodial sentence, the default sentence is stated in court and the offender can expect to receive that period of custody if they re-offend or fail to comply.
- 2.3 The work which the offenders undertake is intended to be physically, emotionally or mentally demanding. Whilst the majority of those on the Scheme are able to undertake manual tasks, others have mental or physical health problems, childcare commitments or long term disabilities. Thus a wide range of work is accessed from a variety of organisations, with the emphasis on matching the offenders' skills or needs to the work required.
- 2.4 The work arranged by the Probation Service is chosen as far as possible to enhance the rural environment and community facilities or to support charitable initiatives. By participating in the scheme, offenders' efforts are reinvested in their community. Offenders are encouraged to appreciate and understand the purpose of the work they are undertaking and the positive impact it will have on the community.

- 2.5 The two factors which have proved to have the greatest effect on the response of the offenders have been the good example set by the staff who supervise the work parties, and the overwhelmingly positive response of the beneficiaries who have often gone out of their way to work alongside the offenders and offer encouragement.
- 2.6 The work undertaken on Community Service is work which would not be undertaken by paid staff.

An offender will be assigned to one of 3 categories of work:-

- i) Supervised Work Parties. These operate on a Saturday and Sunday from 9am to 2pm. Groups of 6-8 offenders work under supervision of a supervisor employed by the Probation Service. The nature of work is generally heavy manual. Beneficiaries have included parishes, churches, sports clubs, national trust, and youth organisations.
 - ii) Individual Placements. These operate at the convenience of the beneficiary and the availability of the individual offender. Offenders undertake work directly supervised by the beneficiary and in these cases the individual skills of the offender can be matched to the organisation. Beneficiaries have included animal charities, churches, charity shops, residential homes and sports clubs.
 - iii) Work room placements. Offenders undertake office based tasks under the direct supervision of the Probation Service. These placements are used when an offender is not able to work with other offenders or with individual beneficiaries, sometimes due to the nature of the offence but more commonly due to either physical or mental health difficulties. Beneficiaries have mainly been charity shops for whom tasks such as checking, sorting, ironing and labelling have been undertaken.
- 2.7 Utilising this variety of placements means that suitable work is available to all those whom the Courts sentence to Community Service, irrespective of other commitments or special needs. At the start of the Scheme charities on the Island were informed of the resources which could be offered, and many have worked with the Scheme to provide worthwhile work opportunities. Not all requests for help have been able to be satisfied as the flow of orders made by the Courts is not predictable as it depends upon the characteristics of the offenders and offences coming through the system. Maintaining a balance of appropriate work for the profile of offenders on the Scheme and the requests from different organisations is an ongoing challenge.

3. Resources

- 3.1 The Community Service Manager from Jersey was employed on a one day per week basis to assist in setting up the Scheme and train staff. This work was

completed in March 2009 and the Scheme is now run by local staff under the management of the Chief Probation Officer.

- 3.2 The staff profile has developed during the period of the pilot in response to increasing demand. The Scheme is administered by a Community Service Manager, one Community Service Officer and one full time Supervisor. In addition there is a team (currently 5) of part-time field based supervisors providing front line supervision of offenders performing Community Service in supervised work-parties at weekends.
- 3.3 In addition to the management and administration of the Community Service Orders made by the Courts the team are also responsible for running work-parties three days a week for the Prison. This service level agreement utilises the skills and infrastructure of the Community Service team and provides opportunities for suitable prisoners to undertake supervised work in the community. The function of the Prison work-parties is largely rehabilitative and they are operated completely separately to the supervision of offenders sentenced to Community Service (the full time supervisor is employed to run the prison work-parties 21 hours a week with the remaining 2 days supervising Community Service work-parties at weekends).
- 3.4 The one off set-up costs including vehicles, premises, equipment and training have been funded out of the Department's unspent balances as agreed in the original States report. This represents a considerable investment unlikely to be able to be repeated if the scheme failed to continue through lack of revenue budget. Revenue costs have also to date been provided from unspent balances. The Home department is able to fund the revenue costs for 2010 but the Scheme cannot go on beyond then unless assigned funding.
- 3.5 The estimated revenue cost of running the Scheme in 2010 is £140,000. This represents a cost of approximately £1,077 per order (based on 130 orders a year) as opposed to a cost of £33,433 per prison place¹. When the equivalent custodial sentences are taken into account a Community Service Order costs approximately 10% of the default Custodial Sentence. It is difficult to identify anything but minimal savings in the Prison budget with the reduced numbers in custody as the prison remains staffed and equipped. However the continuation of the Community Service scheme should ensure that capital expenditure for additional prison accommodation can be avoided. Six million pounds was spent on a new prison wing in 2001 which was reaching capacity at the time Community service was introduced.
- 3.6 The Home Department will liaise with the Treasury and Resources Department to discuss the appropriate way to fund the Scheme. The Scheme may need to be considered for ongoing funding as part of the States Strategic Planning process in future years. As the Scheme was already approved on a pilot basis by the

¹ Prison Service Review July 2009.

States in 2005 it has not to date been included in the prioritisation process for new projects in the Social Policy Plan.

- 3.7 The Department has kept the development of Community Service under close review. Systems are being developed to compare reconviction rates between Community Service and equivalent custodial sentences. These statistics are not yet available but the Department is confident that Community Service is a suitable and effective alternative to some short term prison sentences.
- 3.8 As directed by the States in 2005 legislation was prepared and under the Criminal Justice (Community Service Orders) (Bailiwick of Guernsey) Law, 2006 Community Service is now on the statute as a sentence of the Court. Sentencing policy is a matter for the Courts. The Judiciary refer to assessment reports from the Probation Service prior to sentence and are using the new orders where they consider it appropriate. Non compliance is dealt with by imposing additional hours, financial penalty or the default custodial term.
- 3.9 Following discussion with the Judiciary one amendment to the Community Service Law is recommended. This is to reduce the minimum number of hours which can be imposed on a child offender in the Juvenile Court from 40 hours to 10 hours. It is anticipated that all but the most serious or persistent child offenders will be dealt with by the Child Youth and Community Tribunal under the new Children's Law. An alternative to a custodial sentence is however required for child offenders who are dealt with in court and the reduction in the minimum hours is to ensure that those who may previously have received an Attendance centre order will be able to access appropriate Community Service as an alternative to custody.

4. Consultation

- 4.1 The Department has consulted with the Judiciary in regard to establishing Community Service on a permanent basis. The Judiciary have indicated that they remain supportive of the Scheme believing it to be a useful sentencing option. A letter from the Bailiff is included as Appendix 2.
- 4.2 The Department has, in addition, consulted with the beneficiaries of the Community Service Scheme who have been extremely positive. Extracts from letters received from beneficiaries and a list of the organisations supported are included as Appendices 3 and 4.

5. Conclusion

- 5.1 Since its introduction, Community Service has proved a valuable sentence for the Courts to impose, generally as an alternative to an immediate custodial sentence, where it is deemed that the punishment can be undertaken safely within the Community. The Department believes that the restrictions placed upon the offender's liberty, coupled with the positive contribution made to the

Community due to the work undertaken, make this an effective and worthwhile sentence.

- 5.2 Although it is not possible, at this time, to compare reconviction rates to those sentenced to the equivalent custodial sentences, the Department is confident that Community Service is a suitable alternative to some short term prison sentences and believes that the Scheme should be established on a permanent basis.

6. Recommendations

The Department recommends the States:

1. To continue to provide a Community Service Scheme adequate to respond to the sentencing needs of the Courts.
2. To confirm the present arrangements that the Scheme is managed within the Home Department by the Probation Service.
3. To note that the Home Department will liaise with the Treasury and Resources Department to discuss the appropriate way to fund the Scheme, which may include the financial costs of the proposals set out in this Report being considered for approval as part of the Strategic Planning process.
4. To approve the proposal to amend the Criminal Justice (Community Service Orders) (Bailiwick of Guernsey) Law 2006 as set out in section 3.9 of this report and to direct the preparation of the legislative changes necessary to give effect to that proposal.

Yours faithfully

G Mahy
Minister

Appendix 1

Statistics for the 20 month period from November 2007 to June 2009

Community Service was introduced to provide an alternative to prison sentences under 12 months. Detailed statistics have been provided to the Home Department on a quarterly basis during the pilot period. The average prison population has decreased during the pilot period as follows:-

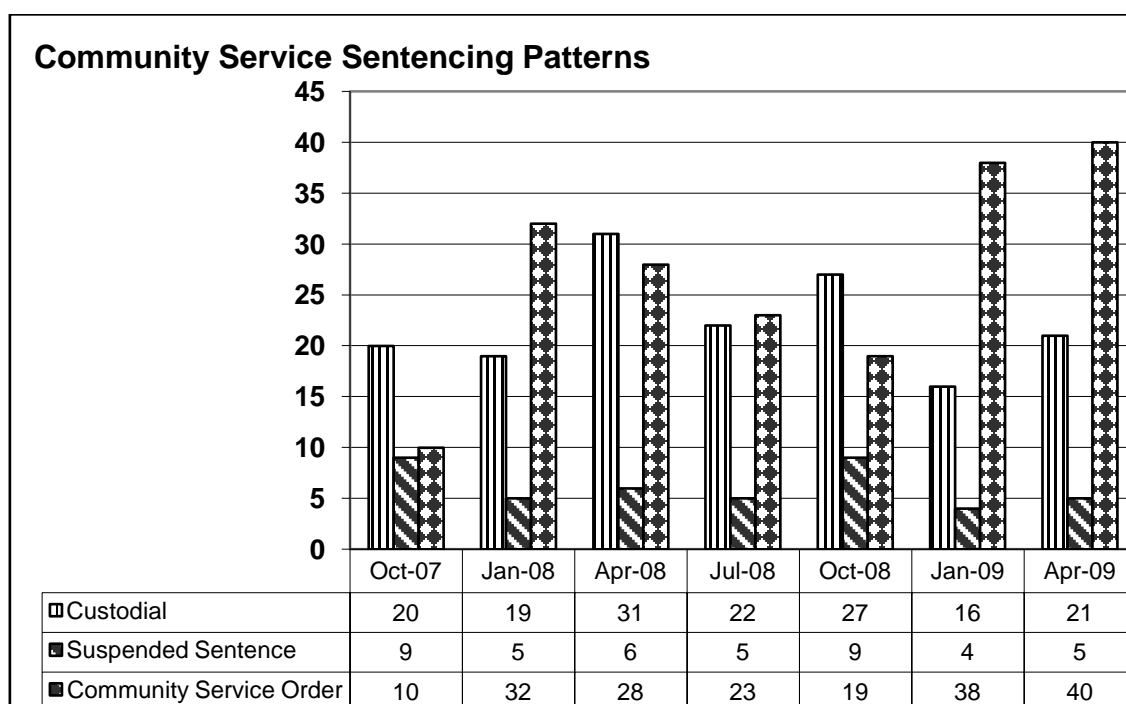
Jan - April 2007. Average population 111

Jan - April 2008. Average population 91

Jan - April 2009. Average population 81²

Approximately 18% of the prison population (14 prisoners) were serving 12 months or under in March 2009³ at the time of the HM Chief Inspector of Prisons inspection.

This reduction is a positive trend which can be partially attributed to the introduction of Community Service and will also be affected by rates and patterns of offending behaviour.



² Prison Service Review. July 2009

³ Report on an unannounced short followup inspection of Guernsey Prison 17 – 19 March 2009 by HM Chief Inspector of Prisons

The custodial sentences measured in the above graph are those under 12 months only. There is some indication that the numbers of short sentences are reducing although the trend fluctuates.

Original estimates were that about 130 Community Service Orders would be made per year. In 2008 the number was 102, and extrapolation from the first 6 months of 2009 indicates a total of around 150.

Statistics on 30th June 2009

- **190 Orders made to date.**
- 75 current orders of which 16 are women.
- Orders range from 40 to 240 hours in length with most being in the 50-70 hour range.
- Sentencing patterns show that a 50 hour order is given with an alternative of about 30 days' imprisonment and a 70 hour order with an alternative of about 60 days.
- 89 orders have been successfully completed.
- 28 orders have been returned to court for breach proceedings.
- Of those breached; 5 orders were allowed to continue, 16 offenders were given the custodial alternative (others were discharged or transferred to other jurisdictions).
- A total of 8220 hours of Community Service have been completed for the community.
- The 156 Orders made as an alternative to a custodial term to date represent a total of 10,783 days (approximately 29.5 years of custody).
- The major offence groups for which Community Service Orders have been made by the Courts are:- Motoring offences (45, of which 19 were for offences of driving with excess alcohol), Drunk and disorderly (30), Malicious damage (16), drug offences (13), Common Assault (13), Social Security offences (13).
- 2 Community Service Orders have been made by Alderney Court.
- 10 orders have been made on 14-16 year olds in the Juvenile Court. (This age group will shortly come under The Children (Guernsey and Alderney) Law, 2008 and be dealt with by the Child Youth and Community Tribunal.)

Appendix 2

The Minister
 Home Department
 Sir Charles Frossard House
 La Charroterie
 St Peter Port

4th September 2009

Dear Deputy Mahy

COMMUNITY SERVICE

Thank you for providing the Royal Court with a draft copy of your Department's forthcoming States Report on Community Service. As you may be aware, the draft Report was the subject of discussion at a meeting between the Judiciary and representatives of your Department at staff level recently.

The Court has noted the positive results of the pilot Community Service scheme and supports it wholeheartedly. The option of a Community Service order is a most useful sentencing tool and, in terms of the administration of justice, the Court would view it as a retrograde step if it was to be withdrawn.

The Court welcomes the fact that the Community Service scheme has played some part in reducing the size of the prison population during the pilot period and supports the view that Community Service, as an alternative to a custodial sentence, can help to reduce the likelihood of re-offending.

I am aware that the Jurats have had an opportunity to view Community Service work placements in progress and I know that they were much impressed by what they saw.

I should say that the Court has considerable confidence in the pilot scheme that has been put in place. It is clear to the Court that the work involved can be onerous and time consuming for an offender and, as such, it would be wrong to perceive it as an "easy" option. Importantly, participation in the scheme has a restorative impact for the community. It is clear that, with over 8000 hours of work having been put in, charities and other local organisations are benefitting from the work placements and, as such, the community can see clear reparation for the offence that has been committed.

The system and procedures that have been put in place for breaches of Community Service orders have also worked well. The Court's view is that any such breaches should be dealt with robustly and quickly and it is grateful for the assistance of your Officers in ensuring that this has been the case. Not only does such an approach send a

strong message to the offender concerned, but it also helps ensure disciplined participation in the scheme by other offenders.

Looking towards the future, the Court would be grateful if your Department would give consideration to the possibility of extending its sentencing options in this area. Specifically, the Court believes it would be helpful if it had the option to make Combination Orders, whereby an offender could be sentenced to a combination of both a Probation Supervision Order and a Community Service order.

I am grateful to you for providing the Court with an early opportunity to comment on the draft States Report.

Yours sincerely

Geoffrey Rowland
Bailiff

Appendix 3

Extracts from letters from beneficiaries:

From the Constables of St Martin

‘May we take this opportunity to formally pass on to you the thanks of the St Martin’s Douzaine for the sterling work you have and are carrying out for us down at Moulin Huet. It helps enormously as we are limited in both numbers and physical prowess! We like to think that it also helps the offenders who you supervise down in the valley to put something back into the community. Wherever possible, it must surely be better for these people to undertake the sort of work you have done for us at Moulin Huet instead of being incarcerated for the benefit of nobody.’

From Festung Guernsey

‘We have now finished a number of sites with the help of the Probation Service. Vale Castle trenches have been cleared; dry stone walls built and paths laid. Working with the Castel Constables, a number of bunkers have been excavated at Grantez Mill. With the permission of the Environment and Culture and Leisure Departments, several buried weapons positions at Le Guet have been cleared, and the large MG/observation bunker on the fort has been cleared and painted internally. Our current project at Batterie Scharnhorst, St Saviours has seen huge amounts of soil and debris cleared from the various bunkers and emplacements. With the project only half completed, there is still a large amount of work remaining.

The offenders that we have been working with are well motivated and display an interest in the projects. Working on these sites also gives them a chance to learn more about part of the Island’s history.’

From the Guernsey Botanical Trust

‘Community Service in the Walled Kitchen Garden Project

For many months now, Community Service offenders have been working in the Walled Kitchen Garden at Saumarez Park, helping the Guernsey Botanical Trust to restore this Victorian garden to productivity.

This has been of real benefit to the Trust, and, we believe, to the offenders who have spent time in the garden. At least one of the young men has stated that he wishes to continue to help the project when his sentence is finished.

The fact that the offenders who come to help are young, fit, and strong means that they can do work that is beyond our somewhat older Volunteers. Several have had skills and knowledge of particular help to us – especially related to the building trades.

So far they have dug trenches, excavated ancient foundations, barrowed hoggin and stonedust to help make paths, collected stones from the coast, assisted in dismantling a derelict greenhouse, and built several soakaways, under the always firm but friendly guidance of their supervisors.'

From Floral St Peters Group

'Community Service involvement in St Pierre du Bois

We would like to pay tribute to the Community Service participants who have done sterling work in our parish. And to confirm how useful the scheme is to the island, and above all for the rehabilitation of those concerned.

In 2004 work began to restore the gardens at the Rectory and adjoining glebe land; both areas had become extremely neglected and were inaccessible. The intention was to clear pathways so as to give access to this very beautiful and hidden area of the parish to the general public. Parish volunteers worked steadily on the project but it became clear last year that it was just too much for the Group to manage successfully.

Since last Spring the Community Service Scheme has taken on a major part of the project and we are delighted to say that thanks to your teams' efforts the new Walk will be opened officially in May.

We continue to be extremely impressed by the way in which these teams, under the excellent management of Laurence Hill-Tout, apply themselves to the tasks in hand. During the year they have cleared a vast amount of undergrowth. During this work one group found a pile of stones which they identified as an old well. This they painstakingly rebuilt to restore a fine example of our parish heritage. They have also created a set of earth steps and pathways up a steep bank and have built a new set of granite steps. They cleared the stream which runs through the meadow and have created a network of much needed drainage channels.

It is extremely encouraging for us to find that the vast majority of individuals taking part in the project take a real pride in what they are doing and are keen to put forward their own ideas on how to tackle some of the problem areas.

The involvement of the Scheme, and the groups of offenders who have attended, has enabled this project to come to fruition. In addition, we believe that the positive effect that it is having on those who take part cannot be underestimated. It enables individuals who have probably never bothered to think about their natural environment to get involved in putting something back in to the community. Unquestionably it helps to create feelings of self worth and achievement which will stay with them. Some have even requested continuing work on the project after their term has been completed. That is surely saying something extremely positive about rehabilitation and is an example to us all.'

From Guernsey Animal Aid

‘We at Guernsey Animal Aid have been working with the Community Service Project since August 2008. This arrangement has worked very well for us in that the extra help received from offenders who have undertaken a variety of tasks, such as feeding, cleaning and caring for our animals, as well as those who have painted and maintained our fences and grounds has not only been of great benefit to us, but has allowed us to meet some people who have, in most cases, genuinely made a mistake and have worked hard to make amends. I hope that the scheme will continue to benefit the community at large.’

From The Salvation Army

‘Having been involved with the scheme since December 2007, I have come to the conclusion that, in certain circumstances, this form of penalty has to be more beneficial, both to the Island and the offender, than a custodial sentence.

We have benefitted greatly from the input of the Community Service workers who have, with one or two exceptions, worked extremely hard, making a positive contribution to our work in the community – a work which is not just limited to St Sampson’s but which has Island wide implications.

We have, because of our mission as The Salvation Army, actively sought out opportunities to help and advise those sent to us under the scheme with their own personal needs and to encourage them consider alternative life choices.

We have seen many changes in the Community Service Workers as they have laboured alongside us, with a number staying on as volunteers once their hours have been completed. We have just employed on a part time basis a lady who was assigned to us in February 2008 and stayed on as a volunteer once her order had been fulfilled.

This example along with others convinces me that this type of sentencing is beneficial to the organisations who are helped, to the Island community as a whole and perhaps most importantly because it allows for the opportunity to present new life styles and perspectives to the offender.’

From St. Martin’s Parish Church

‘St. Martin’s Parish Church has been working in partnership with the Community programme for the last eighteen months or so and, from our perspective, it has been a very successful model as a sentencing option.

We have experienced a working team as well as three individual placements and they have all been extremely successful. They have been of immense value to the Church, enabling several projects to be completed that would otherwise not be done and areas maintained that would otherwise be an eyesore. More

importantly, however, it has enabled those who are on placement to feel that they are valued and that their sentence is contributing to the community and it has helped build good relationships.

Those on individual placement have been required to arrive at specific times, telephone ahead if they cannot make a particular appointment and work to a schedule. All this is done around their normal work hours and so must be done in their spare time. This has given some continuity and structure and means that they are taking initiative and working hard.

The scheme has thus been of value to both offenders and to community groups and charities like ours. I highly recommend the scheme and hope that the States of Deliberation will look favourably on the Community Service Programme.

Appendix 4**Beneficiaries – Total Hours**

Action Aid	13
Alderney	60
Alzheimers Society	15
Brock Road Youth Services	43
Caritas Charitable Foundation	125
Citrus Packs	35
Cobo Nature Trail	25
Community Service Store	141
Delancey Methodist Church	30
Delancey Park	226
Environment	451
Festive Décor	115
Festung Guernsey	1,076
Gasp	27
Guernsey Airport	223
Guernsey Ambulance Station	421
Guernsey Animal Aid	401
Guernsey Botanical Trust	159
Guernsey Rugby Club	97
Guernsey Scout Association	227
Guernsey Specials	26
Guernsey Volleyball Association	45
Happy Days Pre-School	70
Health Promotion Unit	96
Hedgehog Rescue Centre	249
Homestart	6
Les Bourgs Hospice Charity	8
Longue Rue Nursing Home	150
Mind Centre	99
National Trust Land Management	228
Options – Domestic Abuse	16
Oxfam	416
RAF Club – Fosse Andre	63
RAF Headquarters	186
Red Cross Charity Shop	125
Red Cross Headquarters	15
Salvation Army	778
Salvation Army Cottage	251
St Martins Rectory	318
St Andrews - Floral Guernsey	39
St Martins Parish	75
St Peters Rectory	660
Vale Rec FC	360
Youth House	31
Total	8220

- (NB The Policy Council agrees that, in principle, the community service scheme should continue. However, it cannot be prioritised for funding in isolation. If the Home Department is able to demonstrate that it cannot meet the associated costs, the community service scheme should be put forward for consideration as part of the States Strategic Plan prioritisation process for 2011 and the Policy Council will take a view at that time.)
- (NB The Treasury and Resources Department supports the proposals but notes that unless the necessary additional funding is prioritised by the States, the Home Department will be expected to meet the associated costs of this initiative from any unspent balances and/or its existing cash limit, if necessary by reprioritising its revenue expenditure plans.)

The States are asked to decide:-

XV.- Whether, after consideration of the Report dated 11th September, 2009, of the Home Department, they are of the opinion:-

1. To continue to provide a Community Service Scheme adequate to respond to the sentencing needs of the Courts.
2. To confirm the present arrangements that the Scheme is managed within the Home Department by the Probation Service.
3. To note that the Home Department will liaise with the Treasury and Resources Department to discuss the appropriate way to fund the Scheme, which may include the financial costs of the proposals set out in that Report being considered for approval as part of the Strategic Planning process.
4. To approve the proposal to amend the Criminal Justice (Community Service Orders) (Bailiwick of Guernsey) Law 2006 as set out in section 3.9 of that Report and to direct the preparation of such legislation as may be necessary to give effect to their decision.

COMMERCE AND EMPLOYMENT DEPARTMENT

THE GUERNSEYFINANCE FUNDING LAW – LEVY LEVEL

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

14th September 2009

Dear Sir

- 1.1. In March 2009 the States approved a Report from the Commerce and Employment Department (the Department) entitled, “*The GuernseyFinance Funding Law*”¹ which approved the introduction of a law which will require those businesses based in Guernsey and regulated and licensed by the Guernsey Financial Services Commission (GFSC) to make a financial contribution to the costs of the activities of GuernseyFinance.
- 1.2. In future the scale of industry fees would be determined through consultation between the Department and the Guernsey International Business Association (GIBA) and prescribed by Regulation laid before the States. However the Department undertook to report back to the States with a separate report recommending the initial level of fees.
- 1.3. The Department recognises that the States wishes to debate and determine the initial level of fees from industry. This report therefore re-iterates the importance of financial services as the principal driver of the Guernsey economy and the role that GuernseyFinance plays in seeking to ensure that financial services continue to drive the economy in the long term.
- 1.4. The report recommends a levy on GFSC regulated entities based on £75 per full time equivalent (FTE) with a cap of £7,500.
- 2. The contribution of Financial Services to the economy**
 - 2.1. The financial services sector is the key driver of the Guernsey economy.
 - 2.2. The financial services sector is collectively the largest employer on the Island and employs approximately 8000 or 25% of the Islands total workforce, the overwhelming majority of those jobs being filled by islanders. The sector

¹ Billet D’Etat VIII 2009 Wednesday 25th March p506

provides the opportunity for islanders to develop a high level of skills, experience and qualifications.

- 2.3. Based on 2007 Policy Council data, financial services constitutes over 35% of Guernsey's economic output (Gross Domestic Product or GDP) or, put another way, makes a 35% contribution to the overall prosperity of the community. The following table compares the contribution of financial services with that of other important sectors:

Sector	Percentage of GDP	Total Economic Value
Financial Services	35%	£582,952,650
Business Services	8%	£133,246,320
Tourism	3%	£49,967,370
Primary Industries	2%	£33,344,891

- 2.4. Financial services are by far and away the largest sector and the largest contributor in per capita economic output – its Gross Value Added ('GVA') per employee being nearly twice the Island average (£107,189 and £59,038 respectively (2007 prices)). This means that each additional employee in financial services adds twice as much to the economy as the economy wide average.
- 2.5. The implications of this are that if the financial services sector were to grow by 10% then to match the economic benefits derived from that growth, tourism would need to increase by 100%. The flip side of this is that if financial services were to decline by 10% then to replace the economic benefits lost, tourism would need to expand by 100% to maintain the prosperity of the island.
- 2.6. The financial services sector is also the largest contributor to government revenues through direct taxation on banking profits as well as through ETI payments. The financial services sector contributes approximately 41% of ETI from 25% of the workforce. In addition the contribution to government revenues is through:
- 10% tax on banking profits,
 - TRP on Commercial Property of which the finance sector is the single largest user and pays a significantly higher rate, and
 - Company Registry incorporation and annual validation fees,
- 2.7. Total ETI payable by the financial services sector in 2008 was £62 million. Tax on banking profits was approximately £30 million.
- 2.8. Maintaining a strong and vibrant financial services sector is critical to ensuring Guernsey's continued economic prosperity and the maintenance of States revenues. The Department does this by developing policy and promoting and

supporting different industry sectors. By comparison in 2008 the Department provided the following support for each industry sector:

Sector	Nature of Support	Funding	GDP%
Finance	Grant to GuernseyFinance LBG	£605,000	35%
Tourism	Guernsey Tourism	£2,989,167 ²	3%
Primary	Milk Subsidy	£2,028,628	2%

- 2.9. The total grant to GuernseyFinance in 2009, including additional funding from unspent balances, was £1.145 million. However, approximately £400,000 will be recovered for 2009 through the levy which would result in the total taxpayer funded contribution amounting to £745,000 for the 2009 financial year.
- 2.10. The Department recognises the importance of providing appropriate support and promotion of all of Guernsey's industry. Nevertheless, as the above figures demonstrate, historically funding has significantly favoured industry sectors which have contributed less to Guernsey's economic and financial prosperity.
- 2.11. The core roles of GuernseyFinance are:
- To undertake the generic promotion of the island as an international finance centre as opposed to seeking to get business for individual service providers within the financial services sector;
 - To provide a consistent message on the international stage, something that could not easily be achieved by the marketing efforts of individual service providers on the island, all with their own particular focus;
 - To provide a single point of contact for the international media ensuring that, over time, Guernsey's financial services activities gain additional positive recognition as a pragmatically regulated international finance centre;
 - To identify where promotional efforts can best be targeted in emerging markets to sow the seeds for future business streams into the island.
- 2.12. All this activity has increased Guernsey's international profile and that of its financial services sector and has also provided a means of seeking to counter many of the myths and misconceptions about the offshore finance industry as it relates to Guernsey. Indeed with the current change in the global political climate the need for GuernseyFinance's activities is increased.
- 2.13. There is an analogy with the promotional activities undertaken by the Department in respect of tourism. Tourism promotional activities are not aimed at securing business for individual service providers such as hotels, transport operators, restaurants, retailers etc. The activities are focussed on increasing the

² This includes a grant of £300,000 to Events at Culture and Leisure

awareness of Guernsey as a leisure destination amongst the off-island public, travel trade and media. Individual providers of services undertake their own marketing efforts and compete with each other to attract trade from tourists.

- 2.14. GuernseyFinance therefore plays an essential part in maintaining and increasing the awareness of Guernsey as a well regulated, competitive and attractive location for financial services. Individual financial services providers undertake their own marketing efforts and compete with each other to attract financial services business.
- 2.15. GuernseyFinance therefore plays an essential role in maintaining a strong and vibrant financial services sector which is critical to ensuring Guernsey's continued economic prosperity and the maintenance of States revenues.
- 2.16. In addition to providing funding for GuernseyFinance, the Department also supports the sector through the finance sector development unit which is responsible for policy and legislation as well as responding to international developments.

3. The Department's Consultation with Interested Parties

- 3.1. The Department undertook a consultation from Tuesday 5th May to Friday 12th June, 2009 with all interested parties. As part of the process presentations were given to the Chamber of Commerce and the GIBA Council.
- 3.2. In the consultation paper (attached as Appendix 1) the Department expressed the view that the underlying principles for setting the industry levy should be that:
 - GuernseyFinance's activities benefit existing Guernsey businesses and also Guernsey's economy and funding its activities needs to be apportioned between the States and the financial services sector;
 - the costs of GuernseyFinance's activities should be spread as fairly as possible across all the businesses who benefit directly from its activities; and
 - the method of collecting contributions should allow for ease of administration, calculation and payment for businesses.
- 3.3. The Department received 25 responses from organisations and individuals³ and consideration of these responses is provided in Appendix 3.

4. Discussion

- 4.1. The Department has drawn analogies between promotional/awareness activities undertaken for the tourism sector and those for financial services. The

³ A full list of respondents to the consultation paper is attached as Appendix 2.

Department has also demonstrated how the economic benefits derived from financial services dwarf those from tourism. The tourism activities are fully funded by the States.

- 4.2. The Department recognises however that tourism plays a role beyond its direct economic contribution in terms of maintaining transport links and hostelry facilities that are of value to the community as a whole. The Department also recognises that the financial returns of the tourism sector tourism are generally less than those from financial services activities.
- 4.3. The Department undertook the consultation process without specifying an apportionment of funding of GuernseyFinance but had in mind figures of between a quarter and a third from industry contributions and between three quarters and two thirds by States grant through the Department's budget.
- 4.4. The outcome of the consultation process showed an acceptance of this apportionment, the levels of fees necessary to achieve the required income to contribute to the current extent of activities and the manner in which these fees would be applied and collected using the administrative systems of the Guernsey Registry rather than through GuernseyFinance itself. This will reduce the administrative costs associated with collecting the levy and free up GuernseyFinance to focus on its core functions.
- 4.5. Following consideration of all of the consultation responses, the Department is proposing that the initial cost for each GFSC regulated entity be set at £75 per full time employee which is capped at a maximum fee of £7,500. It is anticipated that this will raise £400,000 a year.
- 4.6. The Department has undertaken that consultation with industry on future levels of fees, that would be prescribed by Regulation laid before the States, would include the extent of the activities to be undertaken by GuernseyFinance.

5. Conclusions and Recommendations

- 5.1. The financial services sector is the key driver of the Guernsey economy. Maintaining a strong and vibrant financial services sector is critical to ensuring Guernsey's continued economic prosperity and the maintenance of States revenues. GuernseyFinance plays an essential part in maintaining and increasing the awareness of Guernsey as a well regulated, competitive and attractive location for financial services and therefore an essential role in maintaining a strong and vibrant financial services sector.
- 5.2. The GuernseyFinance Funding Law will provide for a mechanism to collect contributions from individual businesses in the financial services sector to the costs of GuernseyFinance on a fair, equitable and consistent basis.
- 5.3. In coming to its recommendation, the Department has taken into consideration the contribution of the financial services sector to the island's economic

prosperity and comparisons with the fully States funded tourism promotion/awareness activities.

- 5.4. The Department therefore recommends the States to approve the Department's proposed level of fees for the Guernsey Finance Levy,

Yours faithfully

C S McNulty Bauer
Minister

APPENDIX 1

GUERNSEYFINANCE FUNDING LAW

CONSULTATION DOCUMENT

1. Introduction

- 1.1 The States of Guernsey approved a States Report, “The GuernseyFinance Funding Law”⁴ during the March States Meeting for the introduction of a law which will require those businesses based in Guernsey and regulated and licensed by the Guernsey Financial Services Commission (“GFSC”) to make a financial contribution to the costs of the activities of GuernseyFinance.
- 1.2 The Commerce & Employment Department has undertaken to consult with the industry to determine where and at what level promotional activities may best be directed to maintain financial services as the driver of the Guernsey economy and how those activities should be funded.
- 1.3 In normal circumstances the scale of industry fees would be determined through consultation between the Department and GIBA and prescribed by Regulation laid before the States. However the Department will on this occasion report back to the States with a separate report recommending the initial level of fees.

2. Consultation Process

- 2.1 The consultation period will run from Wednesday 6th May to Friday 12th June 2009. Written comments should be submitted before 5.00pm on 12th June, 2009 to:

Chief Officer
Commerce & Employment Department
Raymond Falla House
PO Box 459
Longue Rue
St Martin’s
Guernsey
GY1 6AF.
Email: commerce@gov.gg
- 2.2 All comments should be clearly marked “Comments on Guernsey Finance Industry Levy - Consultation Document”.
- 2.3 All comments are welcome, but it would make the task of analysing responses easier if comments reference the relevant question numbers from this document.

⁴ Billet D’Etat VIII 2009 Wednesday 25th March p506

3. Underlying Principles

- 3.1 The Department believes that the two underlying principles for setting the industry levy should be that:

GuernseyFinance's activities facilitate the development of the Finance Industry helping Guernsey businesses and also Guernsey's wider economy and accordingly its annual costs need to be apportioned between the States and the financial services sector;

The costs of Guernsey Finance's activities should, as far as possible, be spread fairly across all the businesses who benefit from its activities; and

At the same time the apportionment of these costs allows for ease of administration, calculation and payment for businesses.

- 3.2 These first two principles give rise to two separate issues which are addressed in the remainder of the consultation paper:

Issue 1 – how should GuernseyFinance's costs be apportioned between the States and the financial services sector?

Issue 2 – how should the financial services sector's contribution be apportioned across those businesses whilst ensuring a simple method of collection.

4. Apportioning GuernseyFinance's costs between the States and Industry

- 4.1 GuernseyFinance LBG, which was incorporated in 2004, originally began its life in 2001 as the Guernsey Promotional Agency. The impetus for establishing a promotional body for the island's finance industry came from the industry itself which had identified the need for a single body to promote the Island as an international finance centre. This would both maintain business flows into the Island and secure additional business flows from new markets in what has become an increasingly competitive marketplace. A single promotional body would also provide a consistent message on the international stage, something that could not easily be achieved by the individual marketing efforts of each business on the island, all with their own particular focus. Additionally, the Promotional Agency provided a single point of contact for the international media ensuring that, over time, Guernsey's finance industry has gained additional positive recognition as a pragmatically regulated international finance centre.
- 4.2 Given its origins it was always the intention that the Guernsey Promotional Agency would be funded by contributions from both the finance industry and the States, through the then Industry Committee. However, once established it relatively soon became apparent that effective collection of voluntary subscriptions from industry was increasingly difficult for a number of reasons.

4.3 There is an argument within Guernsey, particularly in light of the States' current fiscal position and the introduction of zero/10, that the financial services sector should contribute 100% of GuernseyFinance's costs as the industry benefits from GuernseyFinance's activities. However, the State benefit significantly from having a healthy financial sector for a range of reasons and there are a number of arguments that support continued States funding – albeit at a more equitable rate.

4.4 Firstly the financial services sector is a key part of Guernsey's economy:

The financial services sector is the primary driver and engine of growth for Guernsey's economy accounting for over a third of GDP⁵;

The financial services sector employs over 25% of the workforce and contributes over 40% of annual ETI;

The Banking industry in Guernsey directly contributes to States revenues by paying 10% tax on certain banking profits. Given the central role of banking in supporting all aspects of financial services have a strong and healthy financial services industry will drive States revenues in the future. Under zero/10 locally owned financial services business contribute revenue when paying dividends to locally resident shareholders. A strong and profitable financial services sector will over time increase States revenues through distributions.

Consequently the high level of public services in health and education enjoyed in the island are derived from the wealth and activities from the financial services sector.

KPMG's Report to the Policy Council in 2004 highlighted the importance of the financial services sector as a customer for second tier providers in the Bailiwick (amounting to in excess of £100m local expenditure each year) demonstrating the multiplier effect within the economy.

4.5 Secondly this view stems from a misunderstanding of GuernseyFinance's role. Its purpose is to promote Guernsey as a "destination" for financial services in much the same way that the Department's Marketing and Tourism team promotes Guernsey as a "destination" for tourists and holidaymakers. GuernseyFinance does not promote Guernsey businesses in much the same way that Marketing and Tourism's budget does not promote individual hotels or visitor attractions on the island. In both cases promotional activities are focused on promoting Guernsey's identity (in accordance with Priority 1 of the Government Business Plan endorsed by the States in July 2007) for a place which offers experience and expertise in a well regulated environment for

⁵ Guernsey Facts and Figures 2008

financial services and as a place to visit in the tourism market. The recent G20 events demonstrate more than ever how important it is to ensure that Guernsey international reputation as a well regulated and transparent financial centre must continue to be promoted to the media and industry. GuernseyFinance has an important role to play in that ongoing project.

- 4.6 A third factor that needs to be taken into account is how our competitor jurisdictions deal with the promotion of their most economic sector. The States of Jersey have increased the funding of JerseyFinance to £2.5m (with a contribution from the industry) for 2009 with overseas offices being planned for London, the Far East and one of either Dubai or Mumbai. The Isle of Man has recently announced that their government will inject £5 million into promoting the Isle of Man as a responsible and transparent offshore centre in the coming year.
- 4.7 This reflects the Isle of Man Government's commitment to actively work on ways to promote the Island's relationship internationally, using whatever means and resources that are appropriate and necessary. The Isle of Man's Marketing Initiatives Fund was set up in 2005 to provide marketing support to promote the Island's relationships internationally and it was announced in February's budget that £5 million will be transferred in the upcoming financial year from the Economic Development Fund to the Marketing Initiatives Fund. The Isle of Man's Chief Minister acknowledged that *"The problem is that this work is not necessarily seen from within the Island."* The C&E Department believes that this is also a problem for parts of Guernsey's population as well.
- 4.8 For these reasons the Department does not believe it appropriate for the Levy to cover 100% of the annual operating costs of GuernseyFinance.**

Q1 – Respondents are asked whether they agree with this premise and if not to justify their view.

- 4.9 GuernseyFinance has limited resources and part of its success in recent years has been down to the excellent working partnership it has established with the industry. The events such as masterclasses and forums, that GuernseyFinance organizes each year requires the assistance and contribution from industry representatives from Guernsey.
- 4.10 Individual firms have provided substantial support to GuernseyFinance particularly in attending events and conferences internationally to specifically market Guernsey. Indeed, as an example in 2007 a total of 98 individual industry participants accompanied GuernseyFinance at international conferences and London events as either speakers or as help on the GuernseyFinance stand. This attendance is at the participants' own expense which incurs a direct cost for the participants' business. By attending events as speakers and to man stands to support Guernsey and by covering its own travel expenses, the industry in effect provides GuernseyFinance with £500,000 of free resources on an annual basis.

4.11 To acknowledge this indirect contribution from the industry and the importance of the finance sector to the Bailiwick's economy the Department should contribute more than 50% of GuernseyFinance's annual budget.

Q2 – Respondents are asked whether they agree that the Department should contribute more than 50% towards GuernseyFinance's annual costs.

5. Mechanisms for setting Fees

5.1 The March States Report required that the Law will require all financial services businesses that are regulated and licensed by the GFSC to pay the levy. The charge itself would need to be based on the number of staff employed by each business⁶ with a fixed maximum to be paid by those individual businesses or groups that have a large complement of staff.

5.2 Discussions with industry during 2007 focused on a standard charge per head and the Department believes it is appropriate to use this simple basis for deriving a charge. Therefore it is proposed that the charge will be based on the number of staff employed by each business, with a fixed maximum to be paid by those individual businesses or groups that have a large complement of staff. The number of staff will be calculated on the basis of the number of full time equivalent staff.

Q3 – Respondents are asked whether they agree that the charging mechanism should include a standard cost per head (FTE) with a maximum cap.

Q4 – Respondents who disagree with this proposal should provide an alternative means of calculating the charge.

6. Level of Fees

6.1 Discussions arising from previous consultation in 2007 resulted in a proposed fee scale of £50 per Full Time Equivalent ("FTE") with a maximum charge of £5,000 per annum for any company. It was estimated at the time that these fees should generate £300,000 per annum when GuernseyFinance's annual contribution from the Department was £605,000.

6.2 GuernseyFinance's budget for 2009 has now been increased to £1.145m following the Board's decision to increase its funding by £245,000 earlier in the year in light of the current economic climate. As GuernseyFinance's budget has been increased it is believed appropriate to increase the industry contribution from the 2007 proposals.

6.3 It is therefore proposed that the new tariffs should be set at the following level:

⁶ Based on Full Time Equivalents

Cost per head	Maximum ⁷
£75 per staff member	£7,500

- 6.4 A levy at this level is estimated to generate around £378,000 as an industry contribution towards GuernseyFinance's activities.
- Q5 – Respondents are asked whether they agree that the standard cost per head should be set at £75 per FTE with a maximum cap of £7,500 per annum.**
- 6.5 The Department believes that this is a reasonable and objective mechanism for apportioning the industry's contribution towards the annual costs of the company across all players in the market.
- 6.6 The intention would be that industry's contribution for future years chargeable from 1st January each year would be set by Regulation through consultation with industry and laid before the States in October of the previous year so that industry has certainty of costs for budgeting purposes.**
- Q6 – Respondents are asked whether they agree with the proposed timetable for notifying industry of the annual levy and if not to explain their position.**
- 6.7 If GuernseyFinance is to be effective and able to promote Guernsey in the international stage in an increasingly competitive market it is highly likely that its annual costs will need to be increased. Should this occur, both the States and Industry would need to increase their contributions to GuernseyFinance. As part of the Tribal Helm initiative, the Board's consideration of future budgets will be informed by, among other things, the results of their Phase 2 report.

5th May 2009

⁷ Payable for companies with more than 100 staff

APPENDIX 2**LIST OF RESPONDENTS TO GUERNSEYFINANCE FUNDING LEVY
CONSULTATION DOCUMENT**

- The Confederation of Guernsey Industry
- Advocate Richard Babbe
- Clegg Gifford Insurance brokers
- The Association of Guernsey Banks
- The Anson Group
- PriceWaterhouseCoopers
- The Bachmann Group
- Schroders (CI) Ltd
- The Institute of Directors
- Collas Day
- Chamberlain Heritage Services Ltd
- HSBC
- Apax Partners Guernsey Ltd
- Ironwood Trustees Ltd
- Bank of Butterfield
- Active Group
- Barclays Wealth
- Guernsey Insurance Company Management Association
- BWCI Group
- Credit Suisse (Gsy) Ltd
- Harbour Trustees Limited
- Guernsey Chamber of Commerce
- Guernsey Investment Funds Association
- Heritage Group Insurance Brokers
- Safehaven
- Chamberlain Heritage Services Ltd

APPENDIX 3

SUMMARY OF RESPONSES AND DEPARTMENTAL COMMENTS (IN ITALICS):

Q1 – Do you agree that it is not appropriate that the proposed levy should cover 100% of the annual operating costs of GuernseyFinance

All parties agreed.

Q2 – The Department should contribute more than 50% of GuernseyFinance's annual budget

17 agreed, 1 disagreed and 2 did not answer. The majority suggested that the Finance Industry contribute 25-30% of the annual budget.

Q3 – The charging mechanism should include a standard cost per head (FTE) with a maximum cap

9 agreed, 7 disagreed and 3 did not answer. The majority of those that disagreed stated that FTE would be the best method but disagreed with the maximum cap.

Q4 – Suggestion of an alternative means of calculating the charge

It was suggested by 1 that the levy should be per FTE but that the totals and cap should be amended based on size of business, with those having less than 10 employees completely exempt from contribution. 1 suggested that consideration be given to an increase in the licence fee for all licensees to cover the levy.

Comment: The Department considered this suggestion but one of the key goals was to ensure that the levy was simple to administer. Introducing different classes of licences would add complexity and result in increased administrative costs.

Q5 – The standard cost per head should be set at £75 per FTE with a maximum cap of £7,500 per annum

8 agreed, 10 disagreed and 2 did not answer.

Comment: The Department has decided to maintain the cap as without it a small number of businesses particularly in the banking sector would be required to pay substantially increased amounts whilst receiving no substantial increased benefits from GuernseyFinance's activities. Furthermore the banking sector pays tax on its profits of 10% and contributes to government revenues and the Department's annual budget in any event. It is also recognised that the banking sector is solely responsible for funding the Depositor Compensation Scheme

**Q6 – Agreement to proposed timetable for notifying industry of the annual levy.
If not, explain position**

11 agreed, 4 disagreed and 5 did not answer

Further Comments:

7 suggested that “second tier”/ service provider beneficiaries such as accountants and lawyers should also make contributions.

Comment: Most Advocates and Lawyers involved in financial services have formed Corporate Service Providers to enable them to form Guernsey companies and will therefore be subject to the levy as a result. In addition Lawyers and Accountants pay tax at 20% and therefore contribute to the Departments’ budget.

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

(NB The Treasury and Resources Department supports the proposals. In doing so, it recognises the importance of the finance sector and the very significant contribution it makes to the Island's economy and, notwithstanding the underlying increase in budget, these proposals appear to achieve a balance between this and reducing the cost to the States.)

The States are asked to decide:-

XVI.- Whether, after consideration of the Report dated 14th September, 2009, of the Commerce and Employment Department, they are of the opinion:-

To approve the Commerce and Employment Department's proposed level of fees for the Guernsey Finance Levy