



BILLET D'ÉTAT

WEDNESDAY, 24th SEPTEMBER, 2014

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2014

Volume 2

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COMMERCE AND EMPLOYMENT DEPARTMENT**CULL CATTLE COMPENSATION SCHEME**

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

1st July 2014

Dear Sir

1. Executive Summary

- 1.1 In March 2012, the States considered a Report from the Department containing proposals for the construction of a new slaughterhouse (Billet V Vol.2). One of the benefits cited for building a new facility was the closure of a compensation scheme for cull cattle that was introduced as a BSE measure in 1996.
- 1.2 The total annual savings anticipated to arise from the construction of the new slaughter house were estimated in 2012 as being in excess of £120,000 per annum, a figure that would offset the investment in the new slaughterhouse in some 13 to 14 years.
- 1.3 In the March 2012 Report, the Department asked the States to note its intention to report back with detailed proposals for the future of the Cull Cattle Compensation Scheme. Such proposals are set out in this Report.
- 1.4 The Department proposes that, as the new facility has been fully operational with no limit of the age of cattle that can be slaughtered since October 2013 and there has, therefore, been a suitable period of transition to the new market opportunities, the Cull Cattle Compensation Scheme should close on 1st October 2014.
- 1.5 The Department will, to coincide with the closure of the Support Scheme, start to raise charges for the incineration of cull cattle. All carcass incineration charges will be kept under review with the intention of moving towards recovery of the full costs of disposal.

2. Background of the Cull Cattle Compensation Scheme

- 2.1 In 1996, the UK introduced a BSE precautionary measure that limited the age at which cattle could be slaughtered for human consumption to 30 months. This measure was implemented in Guernsey at the same time.
- 2.2 Until this restriction was introduced, farmers could sell older dairy animals that were no longer required for milk production for meat and thus derive an income from surplus animals. Cattle were either processed in the old slaughterhouse for local consumption or exported to the UK or France for slaughter.
- 2.3 The ban on cattle over 30 months of age entering the human food chain closed any market (local or elsewhere) to surplus cattle with negative economic consequences for the income of local farmers.
- 2.4 In response to this, in May 1996, the States approved a Cull Cattle Compensation Scheme under which a farmer would receive a flat rate payment of £150 for cattle that were slaughtered and which, in other circumstances, would have been accepted for human consumption. In addition to this payment, the States also agreed to meet the cost of slaughtering an animal and disposing of the carcass by incineration.
- 2.5 The Compensation Scheme was approved annually until April 2002 when the States agreed that the then Agriculture and Countryside Board would make annual provision for cull cattle compensation payments and slaughter costs in its revenue budget from 2003 onwards. These provisions have continued to be made in the budget of the Commerce and Employment Department.
- 2.6 The States also agreed that the Agriculture and Countryside Board would report to the States on the operation of the Cull Cattle Compensation Scheme if developments in respect of BSE mean that the Scheme should be substantially altered or discontinued.
- 2.7 Over a number of years, against a backdrop of rapidly falling numbers of BSE cases, the risks to human health have been periodically reassessed and the controls on the slaughter of older cattle have been revised. This has allowed animals older than 30 months of age to be slaughtered for human consumption in the UK, subject to some very strict controls and the adoption of carefully prescribed slaughtering methods.
- 2.8 On each occasion the potential to implement these new controls in Guernsey has been assessed and, on each occasion, the conclusion has been that the layout and facilities at the (now closed) slaughterhouse in St Peter Port prevented their adoption in full. As a consequence the restriction on cattle over 30 months of age entering the human food chain remained in place until the opening of the new facility at Longue Hougue in 2013.

- 2.9 The current cost of the slaughter and disposal of one cattle carcass by incineration, plus the payment of compensation, is in the region of £450 (although this varies a little according to the price of fuel and the size of the animal incinerated).
- 2.10 The last Guernsey case of BSE was reported in 2002 and the Department has carried out (and continues to carry out) routine BSE testing on cull cattle over 48 months of age, cattle over 24 months of age that are casualties and any cattle presented for slaughter that are rejected at antemortem inspection on health grounds. All of the test results have been negative.

3. Recent Developments

- 3.1 In the 2012 States Report on the construction of a new slaughterhouse, the Department indicated that the Cull Cattle Compensation Scheme should be closed when that new facility was licensed and fully operational. The Report also proposed that a period of transition of 6 to 12 months could well be valuable to ensure there was not an abrupt closure of the Scheme before there was an opportunity for farmers and livestock owners to get used to the changed market situation.
- 3.2 The new slaughterhouse has been approved to produce meat for human consumption for sale on the Island and the new facility can comply with all of the additional requirements for the slaughter of older animals. The 30 month age restriction for slaughtered cattle has therefore been removed.
- 3.3 As a result, the throughput of cattle has already more than doubled and it is clear that a market for the meat is being found on the Island. There is also evidence of private sector initiatives to open up new markets for processed and packaged products and the Department believes that it is possible that much of the local production could eventually be sold on Guernsey.

Comparison of Slaughterhouse Throughput 2013 and 2014 (Cattle)

Period	Incinerator	Slaughterhouse
Jan – May 2013	134	40
Jan – May 2014	87	107

- 3.4 At the time of drafting this Report, the slaughterhouse has a provisional licence to operate with the restriction that meat may not be exported. The contractor and the project team are working with the Director of Environmental Health and Pollution Regulation to achieve a full EU equivalent operational licence at which point it will be possible to export meat to the EU for sale.
- 3.5 The construction of the new slaughterhouse means that farmers again have a means of deriving income from their cull cattle and the Department considers

that the payment of compensation and States funding for the costs of slaughtering animals and disposing of the carcasses can no longer be justified.

- 3.6 As can be seen from the table, the number of cattle being sent for slaughter has already changed significantly and thus some of the anticipated savings of support scheme costs are being realised, even prior to the proposed closure.
- 3.7 The current costs of disposing of a cull cow currently borne by the States under the BSE Compensation Scheme are:-

On-farm euthanasia and carcass removal	£ 65
Incineration Fuel (av. weight carcass of 525kg)	£210
Compensation Payment	£150
Total	£425

- 3.8 In addition the requirement to allow for a staged transition has been accommodated by the timings that have resulted from the experience since September 2013 when the new Longue Hougue slaughterhouse first came into operation. The Department therefore recommends that the Cull Cattle Compensation Scheme that was approved in 1996 should end on 1st October 2014.
- 3.9 The Department intends to introduce a charge for the disposal of cattle carcasses to coincide with the closure of the Compensation Scheme. All carcass incineration charges will be kept under review with the intention of moving towards recovery of the full costs of disposal.

4. Consultation

- 4.1 Dairy and beef farmers were made aware, in project consultation meetings as early as the summer of 2010 and in subsequent routine discussions, that the proposals for the construction of a new slaughterhouse were linked to the closure of the Compensation Scheme once the new facility was operational. The Department has advised the Guernsey Farmers Association of its intention to recommend the closure of that Scheme.

5. Resources

- 5.1 There are no additional financial or staff resources for the States associated with the proposals and recommendations set out in this Report.
- 5.2 The March 2012 States Report on the construction of a new slaughterhouse at Longue Hougue (Billet V vol.2 2012) estimated that there would be an ongoing saving of £120,000 arising from the development of a new slaughterhouse for the Island. These savings were to come from, essentially, two elements. The first of these being £60,000 from ceasing to pay cull cattle compensation payments, as proposed in this Report. The second, element being a net £60,000

of savings in respect of the cost of carcase incineration and other related expenses.

- 5.3 Once the cull cattle compensation scheme has been closed and the new slaughterhouse has been operating at full capacity for a period of time, it will be possible to determine the actual level of saving from the second of these elements of the project. The saving achieved will contribute towards the Department's Financial Transformation Programme target.

6. Corporate Governance

- 6.1 The Department believes that it has fully complied with the six principles of good governance in the public services in the preparation of this Report (set out in Billet d'État IV, 2011 and approved by the States).

7. Recommendation

- 7.1 The Commerce and Employment Department recommends the States to agree that the Cull Cattle Compensation Scheme, approved on 29th May 1996, shall end on 1st October 2014.

Yours faithfully

K A Stewart
Minister

A H Brouard
Deputy Minister

D de G De Lisle
L B Queripel
H J R Soulsby

Advocate T Carey
Non-States Member

- (N.B. The Treasury and Resources Department supports this States Report and notes that the closure of the Cull Cattle Compensation Scheme will result in an ongoing saving for the Commerce and Employment Department which will contribute towards achievement of its Financial Transformation Programme Target.)**
- (N.B. The Policy Council supports the proposals in this States Report and confirms that the Report complies with the Principles of Good Governance as defined in Billet d'État IV of 2011.)**

The States are asked to decide:-

XII.- Whether, after consideration of the Report dated 1st July, 2014, of the Commerce and Employment Department, they are of the opinion to agree that that the Cull Cattle Compensation Scheme, approved on 29th May 1996, shall end on 1st October 2014.

CULTURE AND LEISURE DEPARTMENT

CHANNEL ISLANDS LOTTERY – ADMINISTRATION ARRANGEMENTS, FORFEITED PRIZE ACCOUNT AND 2011 - 2013 REPORTS AND ACCOUNTS

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

12th May 2014

Dear Sir,

1. Executive Summary

- 1.1 The purpose of this report is to propose revisions to the allocation of proceeds from the Channel Islands Lottery and to present recommendations to further enhance the significance of lottery funding in the Island.
- 1.2 Firstly, the Department wishes to preserve the Christmas Draw proceeds for local charitable bodies. A 1989 States Resolution directs that the proceeds of *one draw per year* be donated to the Association of Guernsey Charities; the Culture and Leisure Department wishes to amend the Resolution so as to formalise and protect the routine allocation of the Christmas Draw proceeds to charity.
- 1.3 The Association of Guernsey Charities has proved to be an effective and dedicated partner and the Lottery proceeds make a significant contribution to the funding available to its members. The Culture and Leisure Department therefore remains strongly committed to donating the proceeds of the Christmas Draw to the Association unless there were special circumstances where this was either no longer possible or, in the opinion of the Department, no longer appropriate. At this moment in time the Department cannot envisage a situation where such a change would be necessary, but nevertheless wishes to retain the flexibility to allocate the monies to local charities through other means without having to revert back to the States should the need arise through exceptional circumstances.
- 1.4 The Guernsey portion of Lottery proceeds, aside from those from the Christmas Draw, are directed to the Beau Sejour Centre in line with the heritage and principles of the Lottery, where they provide significant benefit for the local population and ensure the Centre can remain a community resource. Efforts to improve the performance of the Channel Islands Lottery and to increase

efficiencies at Beau Sejour have, however, generated the potential for Lottery proceeds to exceed the operating deficit of the Centre in the future.

- 1.5 The Department is proposing that, should this happen, the additional monies be retained within the Channel Islands Lottery (Guernsey) Fund Appropriation Account (*'Appropriation Account'*) to be used essentially for major projects which enhance facilities on the Department's important properties so as to bring long term sustainable benefits to the local community, (e.g. disabled access at problematic sites such as Castle Cornet or enhancements to sporting spectator facilities etc.). In addition, but very much as an exception, it is proposed that the account could also be used for partial funding of events which have a particular significance to the Island's heritage and cultural identity (e.g. special celebrations in relation to the 70th anniversary of the Liberation). These recommendations are in line with the purpose of the public lottery and satisfy the regular public demand for development in the Island's sports, arts and heritage offering that would otherwise be outside the ability of the Department to provide without the call for additional budget from the States of Guernsey.
- 1.6 The Department also asks the States to consider the future of the Forfeited Prizes Account established in 2000. The Account was originally set up so that unclaimed prize money from expired Draws could be retained as a means of underwriting the prize structures offered in future Draws, in the event of sales revenue being insufficient to support a Draw's prize structure. The change in prize structure associated with moving from fortnightly draws to 'instant win' scratch cards in the mid-2000s eliminated the need for any claim from the Account. It is therefore proposed to close the now redundant Account and distribute its contents, and future unclaimed prizes, proportionately to the Association of Guernsey Charities, Alderney, Sark and the Appropriation Account.
- 1.7 Present legislation only enables the Department, and Guernsey, to hold a public lottery jointly with Jersey; this report recommends that an Ordinance be enacted under the Gambling Law to allow the Culture and Leisure Department to hold, on rare occasions, Guernsey-only lotteries. A lottery could then be held, when needed, to support a specific local event or project, such as the 75th anniversary of the Liberation or the Island Games. It is not the Department's intention to flood the market with additional lotteries, which would be to the detriment of all involved, but only to make possible an additional option for funding important events and projects to the benefit of the community.
- 1.8 In response to a Rule 6 Question raised by Deputy Fallaize in July 2011 the Department made a decision to delay the publication of the 2011 Lottery Report until it was able to provide a fuller States Report to address the future allocation of Lottery proceeds and recommend an appropriate solution for the escalating Forfeited Prizes Account. This report formally discharges the Department's duty to present a Lottery Report to the Assembly for 2011, 2012 and 2013.

- 1.9 The Department's aims, as laid out in this report, address the gaps in current lottery governance in a way that provides the most benefit for the Island, whether it be through the extensive facilities at Beau Sejour, the funding of good causes by local charities or through major projects and events which take the opportunity to improve Islander's quality of life or celebrate Guernsey's identity.

2. The Evolution of the Lottery and Historical Allocation of Proceeds

- 2.1 The Guernsey Lottery was established in 1971 as a means of providing funding for special States led projects of benefit to the community. In the following year the States of Deliberation agreed to refine the objective of the Lottery in order for it to contribute only to the Beau Sejour Leisure Centre¹, which was then under development. When the Lotteries of Guernsey and Jersey merged to form the Channel Islands Lottery in 1975, a States Resolution determined that the Guernsey portion of the proceeds should continue to be directed towards the operation of Beau Sejour² in recognition of its value to the local people.
- 2.2 In 1989³ the States resolved that the proceeds from one Draw each year would be donated to the Association of Guernsey Charities which would then be able to allocate the grant between its members. The Christmas Draw, as the largest draw of the year, has routinely been allocated for this purpose. Since 2000 the proceeds from the Christmas Draw have grown by over 182% and over one million pounds has been raised for local charities. In the period 2005-2013 around 50% of all Lottery proceeds arose from the Christmas Draw. In 2012 the Christmas Draw proceeds fell for the first time in many years, which prompted the Channel Islands Lottery Steering Group to undertake a series of initiatives to boost the Christmas Lottery, the success of which was demonstrated in 2013 with the advent of the first £1m Draw. From Guernsey's perspective, these changes have helped to ensure that the Association of Guernsey Charities continues to benefit significantly from the Lottery.
- 2.3 Prior to 1998 the Beau Sejour Leisure Centre was sustained mainly on the proceeds from Lottery sales; in the period between 1990 and 1996, however, the Centre's Cash Reserves were depleted to cover an emerging funding shortfall. The resulting States Review of funding arrangements in 1997 identified that Lottery proceeds alone were no longer sufficient to support the Centre. In February 1998⁴ the States agreed to the former Recreation Committee's recommendation that Beau Sejour receive some General Revenue funding in order to cover an operating deficit that could not at that time be matched by the contribution from Lottery profits alone.

¹ Billet d'État XII, September 1972

² Billet d'État VII, April 1975

³ Billet d'État VII, March 1989

⁴ Billet d'État III, January 1998

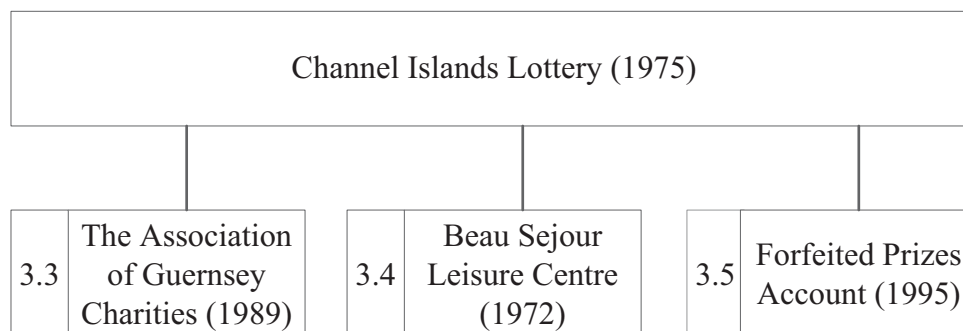
- 2.4 In 1998 the States resolved: “*to direct the Gambling Control Committee, after consultation with the Recreation Committee and the Advisory and Finance Committee, to prepare a report to the States on possible future uses for the Lottery proceeds*”. To the best of the Department’s knowledge this report was never produced; as such this is the first opportunity since to explain the Channel Islands Lottery’s central link with the Beau Sejour Centre and opportunities to expand its significance to Guernsey.
- 2.5 Concern regarding falling Lottery sales in the nineties prompted a report to the States of Deliberation from the States Gambling Control Committee entitled “*Channel Islands Lottery – Use of Forfeited Prize Money*”. The report proposed that unclaimed prize money from expired Draws should be retained as a means of underwriting the prizes offered in future draws. A subsequent States Resolution in 1995⁵ approved the proposal and in 2000 a Forfeited Prizes Account was established.
- 2.6 Before the turn of the century the Channel Islands Lottery comprised of fortnightly Draws with the addition of the Charity Draw. In the mid-2000s a decision was taken to replace the fortnightly draws with ‘instant win’ scratch cards in an attempt to revive sales from what had become an ailing operation. The introduction of scratch cards initiated a recovery in the Channel Islands Lottery which Jersey and Guernsey enhanced by entering into a strategic partnership in 2011 with Scientific Games International Limited, a specialist company that facilitates the production of the cards in a format that meets modern customer expectations whilst keeping costs to a minimum. Customer expectations are constantly evolving and the Department’s partnership gives it access to up-to-date information to keep the Lottery relevant; the Department is also evaluating other requests which have been made such as selling Lottery tickets online.
- 2.7 Extant Resolutions of the States direct Channel Islands Lottery proceeds to Beau Sejour only, apart from one Draw a year for the Association of Guernsey Charities. Lottery support is essential for Beau Sejour to remain able to provide amenities inclusively across the population, however the recent increase in Lottery sales and greater efforts to increase efficiencies and reduce operating costs at Beau Sejour could create a situation where Lottery proceeds exceed the operating deficit of the Centre; the use of these potential additional proceeds therefore needs to be addressed.

3. Future Allocation of Lottery Proceeds

- 3.1 The mandate of the Culture and Leisure Department states that it is responsible for “*The promotion and administration of public lotteries within the Island, including the use of proceeds accruing from such lotteries*”.

⁵ Billet d’État V, February 1995

- 3.2 Section 2 of this report has described how the Department is directed to use the proceeds of the Lottery. The current distribution is summarised in the diagram below.



3.3 The Association of Guernsey Charities

- 3.3.1 The Association of Guernsey Charities benefits significantly from the Channel Islands Lottery. Between 2005 and 2013 around 50% of Guernsey's share of the proceeds resulted specifically from the Christmas Draw and consequently have been donated to local charities through the Association; a total of £1,547,000 has been raised since 2005. The Association has over 200 local charities and voluntary organisations as members, any of whom can apply for a grant from the Christmas Draw proceeds.
- 3.3.2 There is currently no obligation for the States to *specifically* donate the proceeds from a Christmas Draw to the Association of Guernsey Charities, despite the Draw's significant impact (the current resolution simply states that proceeds from one draw per year are to be donated). It is a mark of the important work done through the Association that the Christmas Draw has remained the designated Draw even though, when the decision was originally made to divert funds from Beau Sejour to other causes, the Gambling Control Committee suggested a figure of only 5% of the year's profits would be appropriate⁶.
- 3.3.3 The Department wishes to preserve and protect the Christmas Draw for local charitable bodies, particularly as these are often under increasing pressure in the current financial climate. A single large dedicated charity draw each year provides a focus for public good will and is especially effective in the festive season and in its traditional slot.
- 3.3.4 The Association of Guernsey Charities has proved to be an effective and dedicated partner and the Lottery proceeds make a significant contribution to the funding available to its members. The Culture and Leisure Department therefore remains strongly committed to donating the proceeds of the Christmas Draw to the Association unless there were special circumstances where this was either no

⁶ Billet d'État XV, July 1983

longer possible or, in the opinion of the Department, no longer appropriate. At this moment in time the Department cannot envisage a situation where such a change would be necessary, but nevertheless wishes to retain the flexibility to allocate the monies to local charities by other means without having to revert back to the States, should the need arise through exceptional circumstances.

3.4 Beau Sejour Leisure Centre

3.4.1 Beau Sejour continues to realise the purpose of a public lottery by providing substantial benefits to the local community.

- The Centre is a significant service provider with more than 600,000 visitors each year and over 2,200 people taking out annual membership of its main sports and fitness package.
- Beau Sejour provides an important resource to sports which are not economically capable of using or establishing facilities elsewhere on the Island and serves as a focus for the growth and development of less traditional or mature sports.
- In addition to sporting opportunities the Centre also provides significant support to cultural offerings including GADOC and the Eisteddfod.
- Beau Sejour hosts a number of specific initiatives aimed at promoting healthy lifestyle choices and social wellbeing in cooperation with the Health and Social Services Department, such as the Lifefit programme.
- The Centre is an important facility for community events and has extensive capacity in terms of banqueting, conferences and meeting rooms.

Overall, the Beau Sejour Leisure Centre plays an important role in almost all aspects of the local community and makes a significant contribution to the strategic aims of the States.

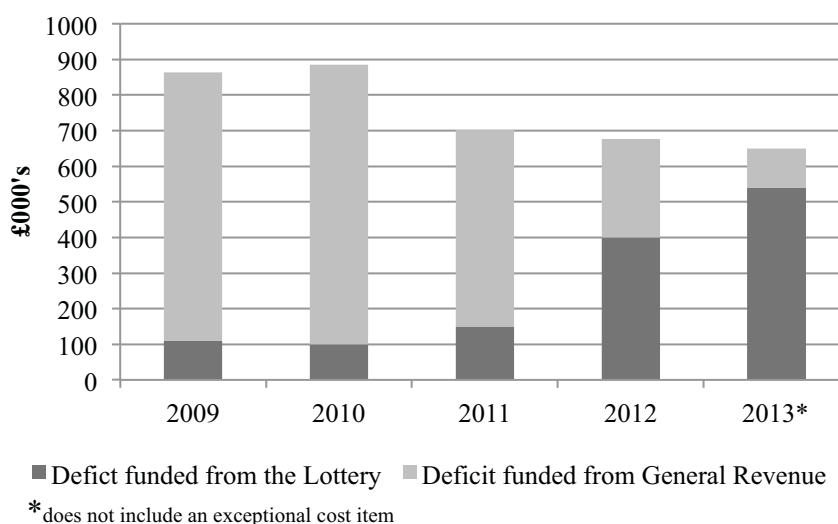
3.4.2 The Beau Sejour Centre is an important part of the heritage of the Channel Islands Lottery; since the Channel Islands Lottery was established it has recognised the value of and financially supported the Centre. The Department wishes to ensure that the intrinsic relationship between Lottery proceeds and the Beau Sejour Leisure Centre is upheld and that the Centre's confirmed purpose "*to offer islanders and visitors alike access to a range of sporting, recreational, cultural and entertainment activities to meet social and economic needs*" can continue to be achieved⁷.

3.4.3 Despite considerable on-going efforts, Beau Sejour currently requires a significant subsidy for its operation although progress continues to be made. The operating deficit of the Centre in 2012 was £676,000 compared with £707,000 in 1998, despite inflation of over 52% during this time. In relative terms, the cost,

⁷ Billet d'État III, January 1998

as a percentage of overall States expenditure, has reduced from 0.40% to 0.21% over that same period.

- 3.4.4 Whilst at present the current level of funding that the Channel Islands Lottery contributes to Beau Sejour Centre is essential in order to maintain its operation, the Centre remains the focus of substantial work to increase efficiencies and commercialise non-community areas, efforts which will gradually reduce the Centre's deficit (although it is likely to always require some subsidy to remain accessible). The falling costs of the Centre can be seen in the chart below; the chart also shows the recent increase in scratch card proceeds which have resulted in the Lottery covering a greater proportion of Beau Sejour's deficit.



In the future, increased Lottery proceeds and reduced Beau Sejour operation costs could create a situation where Lottery proceeds exceed the net operating cost of the Centre. Whilst there is at present no 'new' money, and there is still a way to go until Lottery proceeds reach that 'breakeven' point, the current trend and focus at Beau Sejour makes it necessary to consider the allocation of these potential additional monies.

- 3.4.5 In accordance with its mandate the Culture and Leisure Department has considered a range of options for the use of these additional monies if and when the situation arises. In making these considerations the Department has paid particular attention to the purpose of the Channel Islands Lottery and the guidance of the States Strategic Plan.
- 3.4.6 The Culture and Leisure Department proposes that in such circumstances any surplus monies (i.e. amounts exceeding the operating deficit of Beau Sejour and after the allocation of the proceeds of the annual Christmas Draw to local charitable bodies) be retained within the Channel Islands Lottery (Guernsey) Fund Appropriation Account (*'Appropriation Account'*) to be used essentially for projects which specifically enhance the Department's important facilities and

provide long-term sustainable benefits to the Island, (e.g. providing disabled access to problematic areas at Castle Cornet, providing new sporting spectator facilities etc.) or, very much as an exception, the partial funding of events which have a particular significance to the Island's heritage and unique cultural identity. Such projects or events would be clearly recognised as Channel Island Lottery-funded initiatives and would be distinct and separate from the routine work of the Department.

- 3.4.7 In putting this proposal forward it is important to point out that, in recent years, the Department has become increasingly involved with joint funding type initiatives where several private, voluntary and charitable organisations have approached the Department offering to make a significant contribution to enhancing facilities on its property in return for some form of States commitment (whether this be in the form of direct financial assistance, on-going administrative and operational support, or simply a guarantee of retaining an interest in the premises). A good example of this is the various enhancements at Delancey Park, where the Admiral de Saumarez Trust, having received a number of generous donations, was happy to fund the installation of much needed children's play and adult fitness equipment in return for the Department confirming that it would retain its lease interest in the park.
- 3.4.8 This type of joint initiative demonstrates that the States has an important role to play in working with the private and voluntary sectors to help facilitate such successful initiatives, especially if its many recreational properties, heritage sites and sporting facilities are to be further enhanced and enjoyed by as many people as possible. The Department would emphasise that in some instances such initiatives may require the States to make a direct financial contribution in order to make the project affordable. This is often the case with certain sports clubs, for example, which may qualify for partial funding from their governing body for capital projects or enhancements to facilities but only if they can show that other sources of finance are available. The availability of funding for these types of project will enable the Department to 'play its part' in bringing to fruition projects that may otherwise never get off the ground. It is the Department's intention to always explore options for such partnership working to ensure that the maximum benefit to the community from any additional money from the Channel Islands Lottery is achieved.
- 3.4.9 As with other major projects, any proposals would be subject to the same level of scrutiny in terms of preparing a business case and undergoing a competitive tendering process etc. in order to demonstrate need, benefits and value for money, with the amount of external funding also being a key consideration. Should the funding become available specific criteria would be set and adhered to in order to ensure that the funds are used only where they can bring the most value, any intention to use the Appropriation Account would also require evaluation by and approval of the Treasury and Resources Department.

3.4.10 In making this recommendation the Culture and Leisure Department wishes to highlight a key issue: there is often strong public demand to fill gaps in the Island's sports, arts and heritage offering however, particularly in the current financial climate, these sectors are often the most difficult to find funding for. Lottery funding provides an opportunity to use the Department's specialist expertise in these areas to ensure demands are met in a way that provides most benefit to the public without having to put further pressure on General Revenue. In keeping with the aims of the States Strategic Plan, the Department attaches great importance to the need to invest in its properties and equipment in order to meet modern standards of service, provide much needed facilities to the local community and support assets and heritage sites for the future. Unfortunately, however, in appreciating the need for constraint on public expenditure, the Department has not had the opportunity to invest in enhancements to its unique facilities. Despite having responsibility for properties with insurance rebuild costs totalling over £130 million, which excludes most of its historic sites, it only receives a very limited capital budget (£200,000 for 2014, compared with £250,000 in 2004) which has had to be applied to only the most essential projects of a replacement or refurbishment nature.

3.5 The Forfeited Prizes Account

3.5.1 A States Resolution of 23rd February 1995⁸ approved the Gambling Control Committee's proposal that unclaimed prize money be retained in order to "*boost the prize structures offered in subsequent Draws*". With effect from 2000 (it is unclear why this proposal was not effected sooner) a Forfeited Prizes Account was established. Any unclaimed prizes from expired Draws or scratch games, has been retained in the Account as a contingency to support the prize fund in future draws.

3.5.2 The balance of the Account has grown steadily in most years since its inception and, as at 31 December 2013, stood at £307,941 (growth of the Account can be seen in Appendix 1). The Christmas Draw has received, on average, £24,366 per annum from the Forfeited Prizes Account in order that proceeds from Christmas Draw unclaimed prizes could be donated to the Association of Guernsey Charities.

3.5.3 The change in prize structure associated with moving from fortnightly draws to 'instant win' scratch cards in the mid-2000s eliminated the need for any claim from the Account. In addition underwriting of the Christmas Draw (which has experienced sales growth of 120.8% since 2006) will not be required as it has a conservative level of initial guaranteed prizes and a system of agents committing to minimum, guaranteed levels of ticket sales.

3.5.4 Discussions have taken place between the Culture and Leisure and Treasury and Resources Departments who concur that the existing criterion for use of forfeited

⁸ Billet d'État V, February 1995

prizes is too restrictive and no longer appropriate. As such, the Account will continue to grow year on year until this criterion is changed.

3.5.5 It is therefore proposed to close and discontinue the Forfeited Prizes Account. Instead, future unclaimed prizes would be distributed on an annual basis to; the charitable bodies in receipt of the proceeds of the respective Christmas Draw, States of Alderney, Chief Pleas of Sark and the Appropriation Account, for Scratch games or Draws where the prize claim period has expired during the calendar year. The current balance of the Forfeited Prizes Account would be apportioned as follows:

- For scratch card unclaimed prizes, between the Appropriation Account (Guernsey portion – refer to Section 3.4), States of Alderney and Chief Pleas of Sark;
- For Christmas Draw unclaimed prizes, between the Association of Guernsey Charities (as the recipient of the proceeds from all draws contributing to the account's current balance, Guernsey portion only), States of Alderney and Chief Pleas of Sark.

In both cases, apportionment of unclaimed prizes revenue will be commensurate to the volume of sales in the respective Islands.

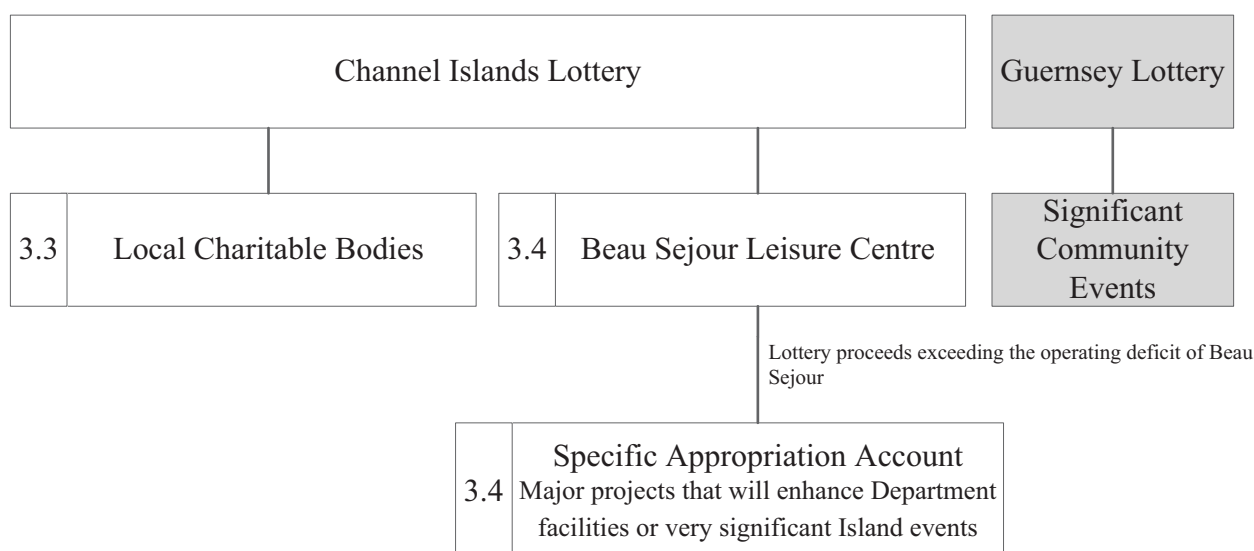
3.5.6 The resulting allocation of the Forfeited Prizes Account balance to the Association of Guernsey Charities is shown in bold in the table below, taking into account past contributions.

	Standard Games	Christmas Draw ⁹
Value of Forfeited Prizes 2000-2013 (£)	302,152	438,364
Value of Contributions 2000-2013 (£)	91,450	341,125
Apportionment of Account Balance (£)	210,702	97,239

4. The Future Enhancement of the Public Lottery

4.1 Section 3 of this report described the Department's intentions regarding the distribution of Channel Islands Lottery proceeds and is summarised in the diagram below. The Department, however, would like to increase the scope of public lottery funding within the Island by introducing occasional Guernsey Lotteries which could be used to support events of particular importance to the Island.

⁹ The Christmas Draw has received on average £24,366 per annum from the Forfeited Prize Account in order that proceeds from Christmas Draw unclaimed prizes could be donated to the Association of Guernsey Charities.



4.2 The Gambling (Channel Islands Lottery) (Bailiwick of Guernsey) Ordinance, 1975, enables the Department to conduct “*jointly with the Jersey Committee*” a public lottery “*which shall be known as the Channel Islands Lottery*”. At present the Culture and Leisure Department is unable to hold lotteries aside from the Channel Islands Lottery which restricts the scope for which a public lottery can benefit the people of Guernsey. The Department proposes that the States enact a new Ordinance under the Gambling (Guernsey) Law, 1971 to provide the flexibility to hold special Guernsey lotteries, which the Department may consider appropriate to hold in support of an important community, sporting or other event or project.

4.3 The proposed Ordinance would not be dissimilar in structure from the Gambling (Public Lotteries) Ordinance 1973. However some of the detailed content would be different. In particular and in summary, the Ordinance would provide for the following matters –

- (i) enabling the Department to conduct a Guernsey public lottery in such form and manner (e.g. whether by way of ordinary lottery with draw tickets, scratch cards or other formats) as the Department considers suitable,
- (ii) enabling the surpluses of Guernsey public lotteries to be applied for such community, sporting and other events, or such public purposes for the benefit of Guernsey and its inhabitants, as the Department shall from time to time determine,
- (iii) providing for the conduct of a lottery, appointment of agents, publicity and all associated matters,

- (iv) enabling the Department to make regulations where appropriate to ensure that lotteries under the Ordinance are properly, fairly and efficiently operated and regulated, and
- (v) making such other or additional provision as the Department (in practice with advice from the Law Officers of the Crown and other relevant officials and bodies) considers to be appropriate.

- 4.4 In the context of this report, community events can be regarded as events in the arts, sport, recreation and heritage sectors. As part of the key assessment criteria, they would have to aim to enhance the Island's identity and values and pay special regard to the social, sporting and cultural needs of the community. Such an arrangement would enable lottery funding to contribute to a wider range of the Culture and Leisure mandate than has historically been allowed and could enhance the identity and celebration of the Island, through events such as Liberation Day and the Island Games.
- 4.5 As an example, in 2020 the 75th anniversary of the Liberation will take place. This could represent an ideal opportunity to hold an additional 'Liberation Lottery' where the beneficiaries could be tailored to the occasion. There is a growing view within the community that the current Liberation Day celebrations should gradually evolve into the establishment of Guernsey's national day. In these difficult financial times a focussed Draw or scratch card in support of Guernsey's 75th Liberation Day might resonate with Islanders and result in direct community benefit in the context of reduced States financial support (the Department's Liberation Day budget, with the exception of the 65th Anniversary in 2010, has not received any increase since 2006).
- 4.6 Another good example would be a specific lottery draw, or scratch card, to contribute to funding the Island Games when the event returns to Guernsey. The Island Games require significant financial input, however are also a time of strong community spirit and of great value to Islanders. This would likely be reflected in the support an Island Games lottery initiative would receive.
- 4.7 In seeking such flexibility the Department wishes to emphasise that it is not its intention to flood the calendar with a number of additional draws as it recognises that this would be counterproductive and arguably undesirable. 'Guernsey only' lotteries would take place rarely and be only for very specific occasions; as such the Department believes there would be little impact on the Channel Islands Lottery and other lottery efforts in the Island. If any additional lottery draws were to be considered the Department would consult with the Home Department well ahead of time in order that they can advise any lottery applicants to avoid mutual disadvantage.
- 4.8 The Department has consulted with its counterpart in Jersey, the Economic Development Department (EDD). Whilst the EDD has stated that it would not support the concept of Guernsey only lotteries, on the basis that it could be

detrimental to the long standing success of the Channel Islands Lottery, the Culture and Leisure Department does not share this view, taking account of the fact that such draws would be very infrequent. It is therefore of the strong belief that a sensible compromise position can be reached.

5. Possible Alternatives to the Channel Islands Lottery and Appropriation of Profits to Good Causes

5.1 Whenever the Channel Islands Lottery is debated there is inevitably discussion regarding the possibility of combining it with or replacing it through an extension of the UK's National Lottery. This was especially the case during periods when sales, before the introduction of scratch cards, had been falling considerably year on year.

5.2 Against this background and what appeared to be significant local interest in the National Lottery (despite the fact that National Lottery tickets cannot be legally purchased outside of the UK), and subsequent further research, it was agreed in 2005 that the Culture and Leisure Department, working with colleagues in Jersey, (and having consulted with Alderney and Sark) would approach the UK Government with the aim of extending the National Lottery to the Channel Islands.

5.3 Despite the need to address a number of issues and complications in relation to operation, local legislation and other matters concerning the distribution of monies to good causes etc., discussions with the UK's Department for Culture, Media and Sport (DCMS) had been very positive and progressing well with consultations subsequently confirming that all of the issues identified could be resolved (although it was accepted that Guernsey would also require a change of legislation given the differences in its Gambling Law with regard to the legal age of participation and a few other matters). Consequently the UK Government later passed enabling legislation that would allow the National Lottery to be extended to the Channel Islands.

5.4 However, despite the extensive discussions with the DCMS, the Islands were later advised by HM Treasury that the duty levied on the sale of National Lottery tickets (currently 12%) "*...would be retained by the UK regardless as to where the tickets were sold unless a robust and convincing case could be made otherwise*". Despite further efforts, working with the DCMS, to get HM Treasury to change its mind, it was clear that no progress was being made. Whilst the imposition of a 12% tax might not seem substantial in itself, it needed to be considered against the background of other monies which would effectively be retained within the UK because of the distribution system to some beneficiary organisations that did not have a mandate to support causes outside of the UK mainland (and were unlikely to do so in the future). Whilst such an arrangement had earlier been accepted as something the Channel Islands would have to accept, the additional tax retention would have meant that over 25% of the monies from all sales would effectively be transferred to the UK. This

therefore represented a very poor deal and, arguably, an unacceptable position. In addition the Department, having consulted the Law Officers of the Crown, was advised that such an arrangement could seriously undermine the Bailiwick's fiscal independence and should not be accepted.

- 5.5 Against the above background and, in the light of the recent increase in sales of local scratch cards, the Department is of the view that there is no merit in revisiting the option of introducing the National Lottery.

6. Support for Problem Gamblers

- 6.1 The recommendations in this report are not designed to encourage further gambling. The Department is, however, aware of the need to provide help and support for Islanders who experience problems with gambling. It recognises that problem gambling can have a detrimental effect on individuals' lives, and whilst there is little evidence to suggest that gambling addiction is a major problem in Guernsey, it firmly believes that appropriate support and advice should be available locally.
- 6.2 In response to a local media query concerning scratch cards in July 2013, consultant psychiatrist, Dr Greg Lydall, from the Health and Social Services Department's Community Drug and Alcohol Team (CDAT) confirmed that in Guernsey "*there is no evidence of a gambling epidemic from the referrals to CDAT*", a view that is supported by David Newman, the Director of the Guernsey Alcohol and Drug Abuse Council (GADAC).
- 6.3 In preparing this report the Department consulted specifically with Mr Newman who noted that whilst scratch cards have the potential to be addictive, internet gambling, particularly when undertaken by individuals under the influence of alcohol, is by far the greatest threat.
- 6.4 The Culture and Leisure Department does not wish scratch cards to evolve into an addictive gambling problem on the Island and will seek to ensure that information is clearly accessible for individuals who are concerned or wish to seek help in respect of gambling addiction. It also intends to work closely with the Home Department to provide support for persons who may experience such problems in the future and to ensure the local situation is closely monitored. Whilst the sums of money are likely to be very small in comparison, it is proposed the Department be allowed the flexibility of using some of the proceeds from the sale of scratch cards to fund any initiatives promoting responsible betting, should the need arise. This would then effectively represent an operating cost of the Channel Islands Lottery rather than a cost within the General Revenue Account.
- 6.5 The Island has recently benefitted through GADAC seeking to develop a gambling counselling service to complement its work with drug abuse and alcoholism. The Department intends to support and promote this important work

as it believes that the creation of a local counselling service for Islanders experiencing difficulties as a result of gambling addiction will fill a current gap in the support mechanisms available in Guernsey. This support will importantly be available to individuals who may experience problems with internet/TV based betting (which has grown considerably in recent years and is expected to expand further with almost daily adverts for interactive ‘bet in play’ televised sporting events), but could also serve to support any person with the much rarer issue of a problem with scratch cards or other on-Island gambling.

7. 2011, 2012 and 2013 Channel Islands Lottery Reports

- 7.1 Appendix 1 contains a report of the accounts and operation of the 2011, 2012 and 2013 Channel Islands Lottery which in overall terms have seen good performance.
- 7.2 Lottery reports should ordinarily be produced for the Assembly to consider each March. This, in practical terms, has proved impossible to achieve given the three month lead in required for States Reports to reach the Assembly after being submitted to Policy Council. Consequently the Department seeks to change this unrealistic reporting requirement, instead undertaking to report prior to 30th June each year.
- 7.3 This proposed change in the timing of submission of Reports can be effected by a simple amendment to section 2(5) of the Gambling (Channel Islands Lottery) (Bailiwick of Guernsey) Ordinance, 1975.

8. Consultation

- 8.1 In the process of producing this report the Culture and Leisure Department has made every attempt to consult with affected parties and take advice from relevant authorities.
- 8.2 In order to ensure that its recommendations are suitable the Department has consulted with: the Association of Guernsey Charities, the Home Department, the Treasury and Resources Department, the Lottery Agents, GADAC, the States of Jersey and the relevant authorities in Alderney and Sark. The only opposition has been from the Economic Development Department in Jersey in relation to holding Guernsey-only lotteries.
- 8.3 The Law Officers of the Crown have also been consulted and concur with the Department's view that, in order to enable the holding of Guernsey only public lotteries as described in this report, the States will need to enact a suitable Ordinance under the Gambling (Guernsey) Law, 1971 as described in section 4 of this report. It was also noted that the proposed change in the timing of submission of Channel Islands Lottery reports can be effected by a simple amendment to section 2(5) of the Gambling (Channel Islands Lottery)

(Bailiwick of Guernsey) Ordinance, 1975. All other recommendations can be facilitated via States Resolution.

9. Resource Implications

- 9.1 It is not anticipated that the proposals will result in any resource implications for the States. All costs associated with the Lottery, including staff time involved in its administration, are currently charged against the Channel Island Lottery Fund as an operating cost. In the unlikely event of there being any significant incremental expenditure associated with further growth of the Lottery, such costs would also be charged against the Channel Island Lottery Fund.

10. Principles of Good Governance

- 10.1 The proposals outlined in this States Report are in accordance with the six core principles of good governance as defined by the UK Independent Commission on Good Governance in Public Service and adopted by the States in 2011. In particular the proposals contribute towards meeting the first core principle; “focusing on the organisation’s purpose and on outcomes for citizens and service users”.

11. Conclusions

- 11.1 The model of allocating the proceeds of the bumper Christmas Draw works well in supporting the important work of the Association of Guernsey Charities. Since 2006 Guernsey Bailiwick proceeds have grown by 60% and, whilst there was a slight decline overall in sales during 2011 and 2012, a change in format for the 2013 Christmas Draw (changing to £2 tickets and improving the prize structure to help boost the top prize) lifted sales considerably. The success of this change has confirmed the effectiveness of the Christmas Draw in being able to continue to make a significant contribution to charities locally. The Department, therefore, wishes to formalise and protect the Draw for local charitable bodies. This would continue to be through the Association of Guernsey Charities unless there were exceptional circumstances by which this was no longer possible or appropriate.
- 11.2 The Beau Sejour Leisure Centre remains an important asset to the Island community and plays host to a very wide range of sports, activities and events whilst working to remain inclusive and accessible. The Department believes the heritage of the Lottery should be preserved and the intrinsic link between Lottery funding and the Centre protected.
- 11.3 Whilst Lottery funding is presently essential to maintain the operation of Beau Sejour and continue to be able to provide services across the population, there are concentrated efforts to reduce the Centre’s operating deficit accordingly. As net costs fall the Centre will require less support from Lottery funding. Combined with the enhanced performance of scratch cards this has the potential

to result in Lottery Proceeds exceeding the operating deficit of the Centre. If this occurs the Department is proposing that these additional monies should not be used for routine or additional operational expenditure, which goes against the purpose of a public lottery, but instead be retained within an 'Appropriation Account' to be used for specific, assessed projects that enhance the Department's properties or, in very much exceptional cases, for the funding of events which have a particularly special significance to the Island's heritage and unique cultural identity.

- 11.4 It is also proposed to close and discontinue the Forfeited Prizes Account with effect from 1st January 2014. The balance in the Account as at 31st December 2013 would be distributed to the Association of Guernsey Charities, States of Alderney, Chief Pleas of Sark and the Appropriation Account as outlined in Section 3.5. Thereafter, unclaimed prizes would be apportioned between the Appropriation Account, States of Alderney and Chief Pleas of Sark (for scratch card unclaimed prizes) and The Association of Guernsey Charities, States of Alderney and Chief Pleas of Sark (for Christmas Draw unclaimed prizes) commensurate to the volume of sales in the respective Islands.
- 11.5 The ability for the Department to hold Guernsey lotteries outside of the Channel Islands Lottery 'banner' would enable money to be raised in support of special or important events or projects that may otherwise experience funding difficulties. It is important to note that the Department does not wish to flood the market with additional Lotteries, or to compete against the Channel Islands Lottery.
- 11.6 In light of the above, the Department believes that existing States Resolutions governing the application of Channel Islands Lottery funds need to be amended to account for increased efficiencies and performance and a new Ordinance enacted to enable the Department to promote special Guernsey lotteries.

12. Recommendations

The Culture and Leisure Department recommends the States to:

- (i) Agree that the proceeds from the annual Christmas Draw be donated to registered, local charitable bodies as authorised by the Treasury and Resources Department upon the recommendation of the Culture and Leisure Department.
- (ii) To confirm the annual proceeds of the Channel Islands Lottery, aside from the annual Christmas Draw, continue to be transferred to the Beau Sejour Centre up to the level of the Centre's operating deficit for that same calendar year.
- (iii) Direct any Channel Islands Lottery proceeds exceeding the operating deficit of the Beau Sejour Centre, excluding the Christmas Draw, to be

retained within the Appropriation Account to be used either for major projects that will enhance the Department's properties or for the funding of events which have a particularly special significance to the Island's heritage and unique cultural identity.

- (iv) Delegate authority to the Treasury and Resources Department to approve use of the Appropriation Account.
- (v) Approve the closure of the Forfeited Prizes Account, with effect from 1 January 2014 and for its balance as of 31st December 2013 to be distributed proportionately to the Association of Guernsey Charities, Alderney, Sark and the Appropriation Account.
- (vi) Direct the preparation of an Ordinance under the Gambling (Guernsey) Law, 1971 to enable additional public lotteries to be conducted by the Culture and Leisure Department in support of such community, sporting or other events, or such public purposes for the benefit of Guernsey and its inhabitants, as the Department may determine with the approval of the Treasury and Resources Department, without necessitating the involvement of the States of Jersey and the banner of the Channel Islands Lottery.
- (vii) Direct that the operating surplus from any such additional public lotteries be transferred to the Appropriation Account.
- (viii) Direct the Culture and Leisure Department to continue to work closely with the Home Department in respect of initiatives designed to help and support individuals experiencing gambling problems locally and that any required funding for those initiatives may be met from operating surpluses.
- (ix) Direct the amendment of the Gambling (Channel Islands Lottery) (Bailiwick of Guernsey) to extend the deadline by which a report on the Channel Islands Lottery must be submitted to the States to the thirtieth day of June in each year.

Yours faithfully

M G O'Hara
Minister

D A Inglis
Deputy Minister

D J Duquemin
P R Le Pelley
Deputy F W Quin

Mr J Vidamour
Non-States Member

Appendix 1:**CHANNEL ISLANDS LOTTERY – 2011, 2012 & 2013 REPORT AND ACCOUNTS****TABLE OF LOTTERY PROCEEDS SINCE 1998**

<u>Year</u>	<u>Proceeds (£000'S)</u>	<u>Year</u>	<u>Proceeds (£000'S)</u>
2013	751	2005	264
2012	592	2004	271
2011	362	2003	129
2010	313	2002	153
2009	293	2001	177
2008	278	2000	208
2007	285	1999	211
2006	311	1998	360

LOTTERY FORMAT

Throughout the period 2011-13, the Lottery was generally operated on an instant prize scratch card basis, the exceptions being the 'double chance' Charity Christmas Draw, containing both scratch and drawn prizes, and a Summer Draw, introduced in 2012.

In 2011 the Channel Islands Lottery entered into a new partnership with Scientific Games International (SGI) Limited with the aim of addressing falling sales. After the commencement of the partnership the scratch card portfolio was enhanced and, at the end of 2013, consisted of one £1 ticket (with a maximum top prize of £5,000), two £2 tickets (with top prizes of £7,777 and £10,000) and two £5 tickets (with top prizes of £27,777 and £25,000).

Since 2007, as a general rule, scratch cards had been allocated in a 40:60 ratio between the Guernsey Bailiwick and Jersey in line with population numbers in the two main Islands. The past three years has seen a notable shift in the scratch card sales ratio, Guernsey Bailiwick scratch card sales representing 67.6% of total Channel Islands scratch card sales in 2013. The distribution ratio of recent scratch card orders has been altered to reflect this shift in scratch card sales.

Changes to the structure of the game and prize structure are routinely monitored by Lottery representatives from Guernsey and Jersey and Scientific Games, with regular meetings held to discuss key issues.

SALE OF TICKETS

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

Ticket revenue since 2006 has been as follows:-

Year	Scratch Card Revenue		Christmas Draw Revenue	
	Bailiwick of Guernsey	Jersey	Bailiwick of Guernsey	Jersey
2006	989,768	1,364,000	533,000	767,000
2007	822,100	1,144,000	600,000	900,000
2008	756,000	956,000	597,700	1,100,000
2009	686,300	864,000	760,000	1,240,000
2010	640,400	796,000	880,000	1,420,000
2011	891,300	794,522	927,200	1,379,689
2012	2,815,100	1,933,900	815,000	1,307,379
2013	4,198,800	2,013,950	1,177,000	1,785,200

This table illustrates a marked shift in the scratch card revenue ratio between Guernsey and Jersey in the years 2011-2013, with Guernsey accounting for 62.5% of scratch card sales in that period and 67.6% in 2013 alone.

Scratch Cards

Ticket revenue in the period 2010-13 was as follows:-

	2013	2012	2011	2010
Guernsey	4,198,800	2,815,100	891,300	640,400
Jersey	2,013,950	1,933,900	794,522	796,000
Total Sales	6,212,750	4,749,000	1,685,822	1,436,400

In 2013, revenue from the sale of scratch cards increased by £1,463,750 (30.8%). Guernsey Bailiwick accounted for £1,383,700 of this 2013 growth, with sales revenue increasing by 49.2%. Sales growth in the two-year period 2011-13 was £4,526,928 across the Channel Islands (268.5%). Guernsey sales revenue in this period grew by £3,307,500 (371.1%). This dramatic growth can be directly attributed to the new game formats released in August 2011 under the new arrangement with the strategic working partner.

Christmas Draw

	2013	2012	2011	2010
Guernsey	1,177,000	815,000	927,200	880,000
Jersey	1,785,200	1,307,000	1,362,500	1,420,000
Total Sales	2,962,200	2,122,000	2,289,700	2,300,000

In 2013 total Christmas Draw sales revenue across the Channel Islands rose by £840,200 (39.6%) after a drop in revenue in 2012. Overall Christmas Draw growth in the eight-year period 2006-2013 was £1,662,200 (127.9%).

Summer Draw

A Channel Islands Summer Draw was re-introduced in 2012, more than ten years after the last one. This was the first Lottery 'Draw only' product since the replacement of fortnightly Draws with scratch cards in the early 2000s. The removal of the scratch prize element provided the potential for a top prize of one million pounds in the event of a sell-out of the one million tickets printed at a £2 price point. The Draw was called 'Millionaire' to reflect this potentially ground-breaking top prize.

Ticket sales for this Draw were, however, disappointing across the Channel Islands, with only 269,450 of the one million tickets sold. Guernsey sales were particularly disappointing, with only 75,450 tickets sold, representing 28% of total sales, and with revenue of only £150,900. 194,000 tickets were sold in Jersey. As a result of these poor sales the top prize fell considerably short of its potential, at only £150,000, with the top prize claimed in Jersey.

Jersey ran a Summer Draw again in 2013; Guernsey opted out of the Draw on the basis of the disappointing sales in 2012.

Ticket revenue in 2012 and 2013 was as follows:-

	2012	2013
Guernsey	150,900	
Jersey	388,000	552,800
Total Sales	538,900	552,800

PRIZES UNCLAIMED

Prizes which are not claimed are forfeited after a given period of time. The total value of prizes unclaimed in the Bailiwick of Guernsey amounted to £105,479 in 2013. £24,600 was transferred to the Christmas Draw to support a minimum guaranteed prize structure for the draw. The balance of unclaimed prizes as at 31 December 2013 stood at £307,941.

The Forfeited Prizes Account was created in 2000. A history of the fund's growth from inception to the end of 2013 is outlined in the following table (all values in £000's). As the table demonstrates, the fund has grown steadily in most years since its inception.

Year	Opening Balance	Forfeited Prizes	Transfers to Operating Account	Closing Balance
2000	-	63	(42)	21
2001	21	72	(49)	44
2002	44	72	(46)	70
2003	70	88	(47)	111
2004	111	49	(26)	134

2005	134	26	(26)	134
2006	134	32	(26)	140
2007	140	58	(24)	174
2008	174	19	(25)	168
2009	168	21	(25)	164
2010	164	64	(25)	203
2011	203	41	(24)	220
2012	220	32	(25)	227
2013	227	106	(25)	308

DONATION TO THE ASSOCIATION OF GUERNSEY CHARITIES

The profits from the Christmas Charity Draw are paid to the Association of Guernsey Charities for distribution to charitable groups. Profits from the 2011 Christmas Draw amounted to £213,897.81.

The amount paid to the Association in respect of the 2012 Christmas Draw was £190,589.87. This represented a reduction of £23,307.94 (10.9%) on the 2011 figure, coinciding with the reduction in Christmas Draw ticket sales in 2012.

The 2013 equivalent figure was £208,886.57, an increase of £18,296.70 (9.6%) on the 2012 figure.

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

ACCOUNTS

The accounts for the Channel Islands Lottery (Guernsey) Fund for 2011-13 are included below. These reveal that the promotion of the Lottery in the Bailiwick of Guernsey produced proceeds of £756,315 in 2013 (scratch cards and Christmas Draw combined), which was shared within the Bailiwick in proportion to the number of tickets sold in each Island as follows:-

Chief Pleas – Sark	£2,155
States of Alderney	£2,593
States of Guernsey	£751,567

	2013	2012	2011
States of Guernsey	751,567	592,164	365,530
States of Alderney	2,593	3,535	3,878
Chief Pleas - Sark	2,155	2,914	2,863
<i>Totals</i>	<i>756,315</i>	<i>598,613</i>	<i>372,271</i>

Channel Island Christmas Lottery - 2011

Guernsey Charitable Grant Allocation - The Association of Guernsey Charities

This grant allocation includes £213,897.91 from the 2011 Christmas Lottery, plus £1,278.00 unused grant from 2010 Christmas Lottery and £20.09 from the Association's Charitable Fund.

Charity	AGC No.	Purpose	Allocation
Access-Ability	348	Off Island Residential	2,500.00
Admiral de Saumarez Trust	353	Delancey Park play area	5,000.00
Affray Submarine Memorial Trust	349	Partial costs towards memorial	1,000.00
Amherst Primary School PTA	295	Classroom technical equipment	3,250.00
Bailiwick Scout Association	091	Purchase of marquees	6,000.00
British Red Cross	029	Local humanitarian educational initiative.	500.00
Drug Concern Group	153	Contribution towards manager's salary	5,000.00
Friends of Les Bourgs Hospice	307	Towards running costs	7,500.00
Friends of Priaulx Library	264	Specialised equipment and map restoration	4,479.00
Friends of St Martins Day Service	344	Safety surface for small garden area	5,778.00
Girlguiding Guernsey	012	Contribution to Centenary Event	3,000.00
Grow Limited	052	Upgrade the packing shed	10,300.00
Guernsey Alcohol & Drug Abuse Council	019	Building repair & decoration	5,000.00
Guernsey Alzheimers Association	324	New WC & decoration of storeroom	3,250.00
Guernsey Arts Commission	322	Island Arts Project for "At Risk" Teens	10,044.00

Channel Island Christmas Lottery - 2011

Guernsey Charitable Grant Allocation - The Association of Guernsey Charities
(continued)

Charity	AGC No.	Purpose	Allocation
Guernsey Association of Royal Navy & Marines	236	HM Royal Marine Band accommodation costs	3,000.00
Guernsey Bereavement Counselling Service	243	Towards symposium	4,000.00
Guernsey Cheshire Home	035	Utility costs	20,000.00
Guernsey Jumbulance Holidays	081	Travel costs re 2012 Holidays	10,000.00
Guernsey Neuro Concern Society	158	Specialised wheelchair	3,500.00
Guernsey Rugby Academy	343	Purchase of lighting rig	3,700.00
Guernsey Welfare Service	020	Welfare vouchers/office rent	15,000.00
Guernsey Women's Refuge	205	Wages full time staff member	10,000.00
Guernsey Voluntary Service	057	Buildings & business insurance	8,000.00
Home-Start (Guernsey) LBG	305	Towards annual running costs	5,000.00
King Edward League of Friends	026	Healing Music Trust visits	1,000.00
La Mare de Carteret Primary School PTA	261	Upgrade of junior work area	3,995.00
Le Rondin PSFA	278	Off-island residential trip	3,350.00
Lihou Charitable Trust	265	Drop-side tipping trailer	2,250.00

Channel Island Christmas Lottery - 2011

Guernsey Charitable Grant Allocation - The Association of Guernsey Charities
(continued)

Charity	AGC No.	Purpose	Allocation
Living Streets Guernsey	259	Public liability insurance	150.00
Maison St. Pierre	125	8 new beds and insurance costs	3,500.00
Notre Dame du Rosaire School PTFA	185	Erect external awning	2,150.00
Options (Domestic Violence Forum)	246	Training development	4,000.00
Philippi Guernsey	270	Counsellor training	4,000.00
Priaulx Premature Baby Foundation	355	Towards setup cost of parents unit	3,000.00
Prison Fellowship Guernsey	346	Angel Tree Project	1,450.00
Relate Guernsey Limited	024	Counsellor supervision costs	5,400.00
St John Ambulance & Rescue Service	021	Various equipment	7,700.00
St Martins Primary School PTA	168	Outdoor gym and pathway	2,500.00
St Saviours Community Trust	356	Towards refurbishment of hall	5,000.00
St Stephens Community Centre	227	Towards redevelopment of community centre	10,000.00
Thomson Memorial Trust	339	Purchase generator	950.00

Channel Island Christmas Lottery - 2012

Guernsey Charitable Grant Allocation - The Association of Guernsey Charities

This grant allocation includes £190,589.87 from the 2012 Christmas Lottery, plus £4,461.63 from the Association's Charitable Fund.

Information on over 260 local charitable organisations is available on The Association of Guernsey Charities website: www.charity.org.gg

Charity	AGC No.	Purpose	Allocation
Channel Islands Air Search	053	Undercarriage leg replacement	15,000.00
Daisy Chain Pre-School	279	Insurance and providing uniform, craft, toys, milk and fruit	2,888.00
Drug Concern	153	Fund two programme facilitators	5,000.00
Every Child Our Future	362	Towards funding teacher training	5,000.00
Grow Limited	052	Garden maintenance truck	10,000.00
GSPCA	003	Five intensive care units	2,350.00
Guernsey Association of Navy and Royal Marines	236	Charybdis weekend accommodation costs	4,500.00
Guernsey Cheshire Home	035	Utility costs	22,000.00
Guernsey Mind	049	Part funding for assistant admin salary	5,000.00
Guernsey Neuro Concern Society	158	Hoist, low profile bed, 2 commodes, 2 rotators	6,000.00
Guernsey Welfare Service	020	Welfare vouchers and office rent.	15,000.00
Guernsey Women's Refuge Limited	205	Towards running costs	20,000.00
Guernsey Voluntary Service	057	Vehicle running costs	12,496.00
Headway Guernsey	289	Towards annual rent for office and services	3,500.00
Healing Music Trust	220	Cost of two tours	6,000.00
Judo Association of Guernsey	364	Two level two coaching awards	3,000.00

Channel Island Christmas Lottery - 2012

Guernsey Charitable Grant Allocation - The Association of Guernsey Charities
(continued)

Charity	AGC No.	Purpose	Allocation
Lihou Charitable Trust	265	Replacement of mattresses	4,000.00
Maison St Pierre	125	Clinical supervision provision/insurance costs	3,250.00
North Youth Centre	367	Staffing and running costs	10,000.00
Options – Guernsey Domestic Abuse Forum	246	Emergency funds for victims and children	2,000.00
Philippi Guernsey	270	Towards diploma training course	3,000.00
St John Ambulance and Rescue Service	021	First responders equipment and running costs	12,800.00
St John Ambulance and Rescue Service Alderney	127	Lift stretcher for second ambulance	5,000.00
St Paul's Methodist Church	352	Upgrade storeroom/provide outside lighting	5,000.00
St Saviours Community Trust	356	Install emergency lighting	2,646.00
The Sunflower Trust	183	Schools information pack on bereavement and loss	1,516.50
Thomson Memorial Trust	339	Purchase trailer	1,605.00
Western Parishes Youth/Community Centre	130	Replace Heating System	4,000.00
Young People Guernsey	345	Security Equipment	2,500.00

Channel Island Christmas Lottery - 2013¹⁰

Guernsey Charitable Grant Allocation - The Association of Guernsey Charities

This grant allocation includes £208,886.57 from the 2013 Christmas Lottery, plus money from the Association's Charitable Fund and unused grants from 2012.

Charity	AGC No.	Purpose	Allocation
Alderney Animal Welfare Society	314	Purchase oxygen concentrator	725.00
Autism Guernsey LBG	373	Funding for support bank staff	9,000.00
Bailiwick of Guernsey Scout Association	091	Band equipment and new marquees	9,035.00
Daisy Chain Pre-School and Charitable Trust	279	Day to day running costs	10,000.00
Every Child Our Future	362	Funding teacher training	5,000.00
Girlguiding Guernsey	012	Towards Brownie centenary celebrations	3,000.00
Grow Limited	052	Towards running expenses	5,000.00
GSPCA	003	Towards new kennel flooring	3,850.00
Guernsey Alcohol and Drug Abuse Council	019	Refurbish residents kitchen area	5,000.00
Guernsey Ass'n Royal Navy and Royal Marines	236	Charybdis weekend expenses	2,000.00
Guernsey Bereavement Service	243	Books for clients	4,000.00
Guernsey Cheshire Home	035	Utility costs	29,500.00
Guernsey Conservation Volunteers	223	First Aid courses	800.00
Guernsey	310	In-car camera and video recorder	350.00

¹⁰ One additional grant is pending.

DriveAbility			
Guernsey Group of Riding for the Disabled	061	Annual cost of pony hire	12,000.00
Guernsey Neuro Concern Society	158	Purchase specific various medical equipment	5,982.00
Guernsey Rugby Academy LBG	343	Funding disadvantaged youngsters	5,000.00
Guernsey Specials Gym Club	170	20 th Anniversary weekend at Rue Maingy	2,400.00
Guernsey Sports Commission	260	Towards running costs of Street Sports	5,500.00
Guernsey Voluntary Service	057	Funding for Meals on Wheels Co-ordinator	13,291.00
Guernsey Welfare Service	020	Towards welfare grants	15,000.00
Healing Music Trust	220	Costs of 2 Healing Music tours to Guernsey	6,000.00
La Societe Guernsiaisie	084	Towards Conservation Grazing Herd project	9,000.00
Living Streets Guernsey LBG	259	Pathway enhancement and outside learning area	1,655.00
Maison St Pierre	125	Fuel cost and staff costs	8,800.00
MUG Male Uprising Guernsey	375	Towards funding male cancer nurse specialist	10,000.00
Philippi Guernsey	270	Towards cost of part time secretary	4,000.00
Relate Guernsey Ltd	024	Funding for young people's counselling	5,100.00
Styx Playground	137	New playground equipment	5,040.00
West United Agricultural and Horticultural Show	172	To fund 200 new plastic chairs	2,000.00
Youth Commission for Guernsey and Alderney	368	North Youth Centre website and materials	902.00

2011, 2012 and 2013 Accounts:**CHANNEL ISLANDS LOTTERY (GUERNSEY) FUND**Forfeited Prizes Account

	2013 Actual £'000s	2012 Actual £'000s	2011 Actual £'000s
Balance at 1 January	227	220	203
Share of forfeited prizes	106	32	41
Transfer to Operating Account	(25)	(25)	(24)
	308	227	220

Operating Account

	2013 Actual £'000s	2012 Actual £'000s	2011 Actual £'000s
Forfeited Prizes	25	25	25
Sale of Tickets	5,376	3,629	1,819
Agents' Commission	(723)	(494)	(242)
Sales Commission	(245)	(141)	(57)
Contribution to prize fund including forfeited prizes	(3,580)	(2,339)	(1,100)
Printing and Stationery	(1)	(2)	(17)
Handling and Storage Charges	(34)	(25)	(13)
Promotion	(3)	(13)	(9)
Staff Costs	(45)	(33)	(32)
States of Jersey administration charges	(4)	(3)	(2)
Other expenses	(10)	(5)	(3)
Gross surplus	756	599	369
Chief Pleas of Sark – share of surplus	(2)	(3)	(3)
States of Alderney – share of surplus	(3)	(4)	(4)
Net surplus transferred to Appropriation Account	751	592	362

Appropriation Account

	2013 Actual £'000s	2012 Actual £'000s	2011 Actual £'000s
Balance at 1 January	15	13	15
Net surplus for the year	751	592	362
Donation to Association of Guernsey Charities	(209)	(190)	(214)
Transfers to Beau Sejour Centre	(550)	(400)	(150)
	-----	-----	-----
Balance at 31 December	7	15	13
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Notes.

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

(N.B. The Treasury and Resources Department supports this States Report and commends the Culture and Leisure Department for reviewing the arrangements for the Lottery proceeds, including forfeited prizes and recommending revisions which are more appropriate. The Department welcomes the innovative proposal to introduce public lotteries to fund specific events or public purposes instead of requesting additional funding from General Revenue.

The Treasury and Resources Department will work with the Culture and Leisure Department to define detailed criteria for use of the Appropriation Account to fund specific events and public purposes to ensure appropriate governance and value for money is achieved. Members are of the view that, in the future, it may be appropriate for access to the Appropriation Account to not be exclusively for the Culture and Leisure Department but widened to include all States Departments whose projects meet the criteria.)

(N.B. The Policy Council supports the proposals in this States Report and confirms that the Report complies with the Principles of Good Governance as defined in Billet d'État IV of 2011.)

The States are asked to decide:-

XIII.- Whether, after consideration of the Report dated 12th May, 2014, of the Culture and Leisure Department, they are of the opinion:-

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

5. To approve the closure of the Forfeited Prizes Account, with effect from 1 January 2014 and for its balance as of 31st December 2013 to be distributed proportionately to the Association of Guernsey Charities, Alderney, Sark and the Appropriation Account.
6. To direct the preparation of an Ordinance under the Gambling (Guernsey) Law, 1971 to enable additional public lotteries to be conducted by the Culture and Leisure Department in support of such community, sporting or other events, or such public purposes for the benefit of Guernsey and its inhabitants, as the Department may determine with the approval of the Treasury and Resources Department, without necessitating the involvement of the States of Jersey and the banner of the Channel Islands Lottery.
7. To direct that the operating surplus from any such additional public lotteries be transferred to the Appropriation Account.
8. To direct the Culture and Leisure Department to continue to work closely with the Home Department in respect of initiatives designed to help and support individuals experiencing gambling problems locally and that any required funding for those initiatives may be met from operating surpluses.
9. To direct the amendment of the Gambling (Channel Islands Lottery) (Bailiwick of Guernsey) to extend the deadline by which a report on the Channel Islands Lottery must be submitted to the States to the 30th June in each year.

TREASURY AND RESOURCES DEPARTMENT**GUERNSEY POST LIMITED – ANNUAL REPORT AND ACCOUNTS**

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

2nd July 2014

Dear Sir

Executive Summary

1. The annual report and accounts of Guernsey Post Ltd are hereby presented to the States.

Guernsey Post – Annual Report and Accounts

2. Under the terms of section 8 of the States Trading Companies (Bailiwick of Guernsey) Ordinance, 2001, the Department is required to submit Guernsey Post's annual report and accounts to the States for their consideration.
3. Guernsey Post's annual report and accounts for the year ending 31st March, 2014, are therefore appended to this Report.
4. The Company made a profit on ordinary activities before taxation of £1,084,000 for the year ending 31st March, 2014, compared to a profit of £556,000 for the previous year. As a consequence, a dividend of £750,000 has been paid to the States (2013: £139,000).

Principles of Good Governance

5. This report is produced in accordance with the principles of good governance. In submitting this report to the States in accordance with its legal obligations, the Department is complying with those principles relating to effective performance in clearly defined functions and roles.

Recommendation

6. The Treasury and Resources Department recommends the States:
- (i) To note the annual report and accounts for Guernsey Post Ltd for the year-ending 31st March, 2014.

Yours faithfully

G A St Pier
Minister

J Kuttelwascher (Deputy Minister)
H A Adam
R A Perrot
A Spruce

Mr J Hollis (Non-States Member)

Guernsey Post Limited

Annual report and financial statements

for the year ended 31 March 2014

Guernsey Post Limited

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Guernsey Post Limited

Corporate Details

Directors:

Dudley R Jehan (Chairman)
 Boley Smillie (Chief Executive)
 Steve Sheridan (Finance)
 Steve Hannon (Non-Executive)
 Andrew Duquemin (Non-Executive)
 Stuart Le Maitre (Non-Executive)
 Simon Milsted (Non-Executive)

Auditor:

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

Actuaries:

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

Registered office:

Envoy House
 La Vrangue
 St Peter Port
 GUERNSEY
 GY1 1AA

Grefe Registration Number:

38693

Guernsey Post Limited

Chairman's Statement

As part of an extremely challenging industry, in a business which has had no choice but to embrace significant change in recent years, I am delighted to announce a pre-tax profit of £1.1m over the financial year, a c.95% improvement on the previous year. Whilst much of this increase is due to favourable returns on balances held with the States of Treasury, this is nevertheless an excellent result for the Company.

This is the first full year of trading since the departure of the bulk mail businesses who decided to leave Guernsey following the loss of Low Value Consignment Relief (LVCR). Despite this heavy blow, the company remains profitable and has a strategy for growth which will secure its future.

Capital Structure and Dividend

Following approval by the States of Deliberation, the Board completed the £3.5m return of capital referred to in my statement last year. This concludes a two-year process which has seen the Company complete a repurchase and cancellation of shares totalling £8.5m. The Board will continue to monitor the capital structure of the organisation in the light of future funding requirements and business risk.

In the context of the overall financial position of the business, and mindful of the capital structure review, the Board is pleased to propose an ordinary dividend in 2013/14 of £750k.

Pension

At the conclusion of another financial year I must once again comment on the lack of progress that has been made on the future structure of the public sector pension scheme. Whilst acknowledging the fact that mediation seems likely between the respective parties later this year, this is simply an extension of the discussions and no measurable progress has been made. In recent years, the Board has highlighted the fact that the existing pension scheme liability is likely to continue to rise significantly over the coming years as a direct consequence of increased life expectancy and other economic factors outside of the control of the Company. This has been the case, and the situation is only likely to get worse.

The Board considers that the pension scheme in its current form is unsustainable for the Company. In the medium to long term, the Company is extremely unlikely to be able to generate the required returns to service this commitment and reform to ensure that returns are shared more equitably amongst all stakeholders is very urgently required.

Regulation

The Channel Island Competition and Regulatory Authority (CICRA) licence fee fell by 55% in the financial year, a clear indication of CICRA's ever decreasing involvement in respect of the postal sector. The Board has repeated the view over a number of years that market pressures and the competitive nature of the postal industry are such that the traditional model of Regulation is no longer required. In this regard the Board was supportive when Treasury and Resources announced the creation of a supervisory subcommittee which we understand is part of an ongoing review of the existing regulatory regime.

Guernsey Post Limited

Chairman's Statement – continued

The Board

In the last quarter the Company welcomed a new Finance Director, Steve Sheridan, to the Board. Steve has over 20 years' experience in accountancy and financial control, holding a number of senior roles for a variety of firms within the finance industry and commercial sector. The Finance Director role had been filled on an interim basis for the majority of the year by David Jackson and I would like to place on record the Board's thanks for his valued contribution during that time.

I am pleased to report there have been no other personnel changes within the Board over the last twelve months which has meant stability from which we have been able to continue to improve Company performance.


The Board has overcome many challenges in recent years and whilst the industry is such that there are many more challenges to come, I am confident that our strategic plan, our dedicated workforce and a strong emphasis on corporate governance put us in an excellent position to respond appropriately.

The Future

Over the next twelve months the Board will continue to focus on the delivery of the Company strategy and specifically seeking long term sustainability to protect the Universal Service Obligation (USO). Whilst the business is currently performing well, the Board is aware that Bulk mail activities represent a significant proportion of turnover. As the numbers of Bulk Mail customers are small, we are very vulnerable in this area of business which is illustrated by the following table:

Revenue Source	£m	%
Bulk Mail	16.3	49
Parcel Delivery	4.2	13
Southbound (excl. packets)	3.3	10
Retail Stamp Sales	2.5	8
Philatelic	1.0	3
Foreign Exchange	0.3	1
Other	5.4	16

Another key focus for the Board is to oversee the expansion of our parcel delivery business, the volume growth of which is generated from online shopping. It is very clear that this area holds the key to our future success and as it grows, we will seek to introduce new services with a greater emphasis on convenience for our customers.



D R Jehan
Chairman
June 2014

Guernsey Post Limited

Chief Executive's Report

The financial results detailed in this annual report reflect a business that continues to thrive on successfully adapting to unprecedented change in its core market. In an industry where profit is the exception rather than the norm, we are delighted that our transformation continues to have a positive impact on our performance. At the outset it would be remiss of me not to acknowledge the efforts of the entire team at Guernsey Post, all of whom deserve to be congratulated for their contribution to the business performance.

Perhaps the most pleasing aspect of our performance is the relative stability that we have managed to achieve over a period when our revenues have been under severe pressure, specifically in the aftermath of the loss of Low Value Consignment Relief (LVCR), and the continued decline in core volumes. Our operating profit this year, before FRS17, exceeded £1m which has been the case for the last three consecutive years.

Whilst reflecting on our results it is deeply concerning that the Pension deficit continues to cast a shadow over our achievements. Reform of the Public Sector Pension scheme is long overdue and the issues need to be resolved for the good of the Company, but also for our employees who themselves require certainty and sustainability. Over the coming years the financial challenges we face will be significant enough without having to compensate for this unsustainable drain on the Company's resources.

Letters to Parcels

We have continued to enjoy exceptional growth in parcel volumes as a direct consequence of the continued boom in internet shopping. Over the financial year the number of parcels delivered increased by 47%, a level of growth which we have come to expect in recent years.

Supporting the growth of internet shopping with innovative and enhanced services is a key element of our strategy. Market research conducted by Island Analysis supports our view that Parcel volumes will continue to grow at a steady pace over the coming years. Most notably this is supported by three key conclusions drawn from the recent 'Island Online Purchase Trends' survey:

- Two thirds of respondents to the survey indicated their expenditure in respect of online shopping had increased in 2013 compared with 2012.
- On average each household is spending £7,300 online. Island Analysis estimate that this spend is equivalent to 29% of maximum market size, suggesting significant potential for further growth.
- Convenience is the main reason that people shop online. Over half of respondents indicated that this was more important than price.

Whilst the growth of internet shopping represents a significant opportunity for the Company, it is acknowledged that at the same time it represents a challenge for bricks and mortar retailers. Indeed we are only too well aware of how challenging the retail sector is given the fact that we are required to operate with a network of sub post offices throughout the Bailiwick. In considering how Guernsey might deal with the conflict between online and physical retail branch operators, a number of commentators have suggested a tax on internet shopping imports, which they believe might act as a mechanism to disincentivise online shopping. The reality is that online shopping is about so much more than just price and to resist it merely masks the fact that traditional retailers need to evolve. Technology and the online opportunities need to be embraced, a fact underpinned by some of the most successful retailers who have done just that. As this demonstrates, there need be no conflict between online and more traditional retailers, they can complement each other which is exactly what we believe our customers want to see.

Guernsey Post Limited

Chief Executive's Report – continued

Bulk Mail

We have continued to work extremely hard to retain the remaining bulk mail clients in Guernsey by expanding our product range, maintaining high quality, and offering competitive prices. The results are encouraging, but whilst there is clear evidence of growth it is important to acknowledge that the efforts of Guernsey Post alone will never be enough to guarantee the retention of this industry in Guernsey. As an example, the availability and cost of land and labour in Guernsey represent a significant challenge to the industry particularly in comparison with competing jurisdictions.

To support the ongoing growth of the bulk mail sector we were pleased to take delivery of two new Siemens sorting machines in the last quarter of the financial year. The investment in this equipment is a clear statement from Guernsey Post that the Company is committed to growth. The new machines will more than double our sorting capacity and provide us with much improved resilience and contingency options.

Philatelic

The Philatelic business has enjoyed another good year, albeit under difficult trading conditions as the global recession continues to have an impact on the amount collectors spend on stamps and the frequency with which they buy. Profit increased slightly from £188k in the previous financial year to £209k despite revenue decreasing by £82k.

The Philatelic team continues to push creative boundaries with new product development and last year we were able to announce that Guernsey was the first jurisdiction in Europe to print stamps onto cotton for the Alderney Bayeux Tapestry Finale stamp issue. The Year of the Horse was the first stamp issue in a planned series of twelve to celebrate the Chinese New Year. The issue included two new limited edition products; uncut press sheets and gold foil souvenir sheets. This continues to open up opportunities to attract a more diverse customer base.

Results of our market research clearly indicated that whilst customers are concerned about the cost of stamp collecting they report high levels of satisfaction with the quality of the products, the designs of the stamps and the level of customer service they receive.

Online sales via our website have decreased slightly but sales through the World Online Philatelic Agency (WOPA) have increased compared to last year. Stocks of stamp issues are available for longer via WOPA and the increase in sales through this channel demonstrates a trend for collectors to purchase new issue stamps sometime after issue date.

Foreign Exchange

Despite difficult trading conditions our Foreign Exchange business BATIF has bucked the trend of declining sales within the industry. Revenue increased by 4.6% over the financial year, and operating profit rose by 7.7%.



B Smillie
Chief Executive
June 2014

Guernsey Post Limited

Finance Director's Statement

Profit and Loss Account

I am pleased to report a Pre Tax Profit of £1.1m for the financial year ended 31st March 2014, which represents an improvement of £0.5m on the prior year. This improvement was achieved as a direct consequence of improved returns on our balances held within the States of Guernsey Cash and Investment Pool. Nevertheless the result is still pleasing considering that 2013/14 was the first year that the business felt the full impact of the loss of LVCR, with many bulk mailers still remaining well in to 2012/13 as well as the already well documented challenges that the postal industry is facing generally.

Turnover was £1.2m higher at £33.1m for the year, a 3.6% increase on the prior year. This increase was achieved against the backdrop of ongoing double digit declines in our traditional mail volumes which have seen a 13% reduction in local and UK metered and 9% decline in both local and UK stamped mail.

In contrast, mail volumes delivered locally and originating in the UK, Europe and the Rest of the World saw declines of only 3% and continue to evolve from letters to packets and parcels. This is a direct consequence of the continued growth in customer internet shopping and whilst volumes continued to track downwards, associated revenue streams have grown 5% in the year to £7m.

Royal Mail charges to us rose by 11% in the year. However wherever possible we have absorbed these increases in our UK and International Bulk Mail rates and our headline public and business tariffs which saw a marginal increase of 1p and 2p respectively on our letter and large letter rates. As a business we remain committed to providing an affordable product offering to all our customers and are proud to be able to offer some of the lowest prices within the UK and Europe.

Operating profit of £0.2m fell marginally during the year. However when removing the impact of the FRS17 pension costs and the accounting loss incurred on the disposal of our old sortation machine, on a like for like basis operating profit compared favourably against 2012/13 with an increase in the year of £0.2m.

Expenditure was £1.2m higher at £32.9m for the year, representing an increase of 3%. Royal Mail charges and all other associated conveyance costs contributed £0.7m of this increase and are broadly in line with the associated growth in turnover. Staff expenditure increased by £0.2m to £10.3m which represents a less than 2% increase during the year and lower than RPI. The number of full-time equivalent employees of 222 remained unchanged from prior year. Operating expenditure increased by £0.3m to £3m, albeit with £0.2m of this arising from increased FRS17 pension costs and the accounting loss on disposal of the old sortation machine. Discretionary expenditure remained under control during the year with no notable increases to report. We are continually seeking to identify and deliver costs savings across all areas of the business, where of course such short term savings will not negatively impact the underlying long term strategy of the business.

Balance Sheet

Shareholders' funds decreased by c.£4m from £15.4m to £11.3m. The key driver for the reduction was a further £3.5m return of capital to our Shareholder Treasury and Resources paid in December 2013. Disappointingly, reported profit for the year has been more than offset by a further increase in the pension scheme deficit under FRS17.

Guernsey Post Limited

Finance Director's Statement – continued

This financial year has seen the pension deficit increase by a further £3.2m to £14.8m primarily as a result of a change in the underlying assumptions. An important financial factor underlying this change is the relationship between the corporate bond based discount rate and the market derived assumption for future inflation which have both fallen, resulting in an increase in the associated scheme liability. Indeed, it is worthy of note that despite the strong investment performance of the fund assets and ongoing contributions made by both the Company and its employees, the deficit position has almost doubled in size over the past three years from £7.8m in 2011 to £14.8m for this year end.

Whilst our actual cash obligation to pay into the pension scheme is not determined in the short term by the outcome of the FRS17 valuation, the Board continues to be deeply concerned with the widening of the deficit and the direct impact that this has on the Company's profitability and long term financial position.

The Company continues to operate with a strong Balance Sheet and a healthy liquidity position, with nearly £12m of cash in the bank, £3m of current assets and over £12m fixed asset base, offset by just over £5m of current liabilities.

Cashflow Statement

The Company consumed £0.3m of cash during the year, decreasing its cash reserves to £12m. Operating cashflow was very strong at over £3m in the year, as the Company made strong profits before major non-cash items such as depreciation, amortisation and FRS17 adjustments.

Capital expenditure for the year was £1.1m. The primary investment was £1m on the Company's new sortation machines, with a final payment of £0.7m being made in May 2014.

Interest income receipts were £0.5m higher than prior year at £0.9m and as a consequence of increased yields on funds placed within the States of Guernsey Cash and Investment Pool. A dividend of just over £0.1m was paid during the year.

Outlook

In the short term we are optimistic of achieving a similar operating profit for 2014/15, despite the challenges facing the business with the ongoing decline in traditional mail streams and the difficult environment our remaining bulk customers now operate within as a financial consequence of the loss of LVCR.

This operating profit expectation is based on the exceptional rate of growth in online shopping and packet and parcel deliveries and the significant opportunity this presents for the Company. We will continue to identify and invest in new technology to keep pace with this growth market and look to implement innovative parcel delivery and collection options for our customers in order to maintain competitive advantage in this area.

Additionally, we will continue to build collaborative and sustainable partnerships with our remaining bulk customers in order to support their business requirements by providing a broad and competitively priced mail product offering.

Guernsey Post Limited

Finance Director's Statement – continued

That said, these initiatives alone are not enough to offset the continual revenue decline from letters and as such we are actively reviewing our operational model to adapt to this changing landscape in order to ensure Guernsey Post continues to meet its customer demands whilst at the same time maintaining an exceptional level of service that the local community can be proud of.



S Sheridan
Finance Director
June 2014

Guernsey Post Limited

Environment Report

Guernsey Post's environmental policy is firmly established and we continually strive to improve the impact of our operations on the local and global environment.

In February 2014 we were presented with the Keep Guernsey Green Award by the States of Guernsey Environment Department for the second time. The award acknowledges our commitment to the environment by utilising best practice in energy conservation and waste management. This involves all areas of the business and is demonstrated by some of these very simply daily tasks:

- Reducing and recycling as much waste as possible.
- Reducing the amount of photocopying and paper usage
- Re-using packaging material
- Using energy efficient computers and machinery

Energy consumption

Currently under investigation are further ways to reduce our energy consumption. A successful trial, replacing aging light fittings with LED lighting delivered a higher quality of light but also reduced energy consumption by 60%. Alongside this, the replacement of the lighting control system to one which uses movement sensors was simple, making further energy savings of 30%.

A further energy survey is planned which will identify areas where further reductions can be made by either replacing life expired equipment or improving the operation of existing systems using new technology.

Corporate Social Responsibility

Guernsey Post continues to take seriously its responsibility to support the communities we serve.

As part of our day to day involvement with the community our postal workers are often complimented on their contribution to the wellbeing of the communities they serve. These are often small unreported acts of assistance, such as assisting with replacing flat tyres to more prominent and occasionally life saving issues where first aid and ambulances have been called.

On a formal basis we channel our support for the community through our "Supporting Together" initiative. This initiative gives support to community projects or events that our staff are already involved with – the Company gives an extra boost by supplying financial assistance (most commonly on a matched fund raising basis) or by giving time for employees to achieve their charitable/community goals.

Below are just a few of the larger events that have taken place during the year. Many smaller projects such as sending old postal uniforms to Africa, distributing Walk to Work leaflets for Livingstreets, taking part in the Saffery Champness Walk and the Pink Ladies Walk are common additions to causes supported.

Guernsey Post Limited

Corporate Social Responsibility - continued

Charitable causes

- Tours Des Isles Challenge - seven "Posties" took part in an 80 mile cycling tour of the Channel Islands, using only post bikes in the aim to increase awareness of The Family Placement Service and the Guernsey Foster Care and Adoption Association. They raised over £1000.
- Bath Half Marathon - run by 'The Blasters' a team of five postal workers, raised funds for Guernsey Headway, - they placed 1st out of 60 corporate teams and raised over £1000.
- 90 mile challenge - Postie Mark Henry embarked on a gruelling 48 hour, 90 mile challenge in memory of Sarah Groves. The 90 mile challenge involved kayaking (27 miles), cycling (23 miles) and walking (40 miles) around the coastline of Guernsey. Mark raised over £5,000 for the Sarah Grove's Memorial Fund and Childrenreach International.

Community projects

- Herm Britain in Bloom - a team of Guernsey Post staff helped prepare for the Britain in Bloom Champion of Champions' competition, which Herm won.
- Christmas Cards for the aged - working with the Guernsey Voluntary Service we helped spread a little Christmas cheer. Joining forces again this year we offered the recipients of the Charity's Meals on Wheels service another opportunity to have all of their Christmas cards delivered to friends and family within the Bailiwick free of charge.

Guernsey Post Limited

Board Profile

Dudley Jehan, Chairman

Born and educated in Guernsey, Dudley Jehan trained as a Meteorologist with the Air Ministry, working at Heathrow and Guernsey Airports before joining the British Antarctic Survey in 1960. During his four-year posting he was appointed Base Commander Halley and was awarded a Polar Medal by Her Majesty the Queen for outstanding contribution to science and discovery.

On returning to Guernsey he began a career in commerce, retiring in 2003 as Chief Executive of the Norman Piette Group of eight Channel Island trading companies serving the construction and home improvement sectors. He remains NP Group's Chairman today.

He was appointed the first Chairman of Guernsey Telecoms Limited, has held a number of non-executive directorships and has been a non-States Member for over 25 years. He is currently a member of the Housing Department.

Boley Smillie, Chief Executive

Born and raised in Guernsey, Boley Smillie joined Guernsey Post in 1991 straight from his secondary education at La Mare de Carteret School. The subsequent twenty three years have seen him gain a wide range of experience in different roles, rising through the ranks of the Company. Initially employed as a clerical assistant he moved to Customer Services, then on to Logistics before being promoted to Head of Letters and Parcels in 2004. He became Operations Director in 2007 and an Executive Director in April 2010. In July 2010 he was appointed interim Chief Executive before taking the role on a permanent basis in September 2010.

During this time he has added to his hands on experience by undertaking a number of professional qualifications, including certificates in marketing and business and finance. Most recently he was awarded the certificate in company direction from the Institute of Directors.

Steve Sheridan, Finance Director

Steve Sheridan was born and educated in Nottingham, before work opportunities brought him to Guernsey in 1993.

He has over 20 years' experience in accountancy and financial control, holding a number of senior roles for a variety of firms within Insurance, Fiduciary, Retail and the Banking industries. He qualified in 2004 before joining All in Black as their Financial Controller and General Manager. During his time in this role, he was successful in creating an effective management reporting solution for the business, out of which a number of key rationalisation initiatives were undertaken.

His next role took him to Credit Suisse, where he held a variety of positions, one of which was part of a project team tasked to ensure the successful deployment of their Financial Accounting function to its offices in India. More latterly Steve was employed within the Private Banking and Asset Management Division where he held the position of Head of Financial Management for the Channel Islands.

Steve brings with him a wealth of accountancy and financial control knowledge as well as a strong commercial acumen.

Steve was appointed Finance Director with Guernsey Post in early 2014.

Guernsey Post Limited

Board Profile - continued

Andrew Duquemin

Andrew Duquemin has a degree in Accounting and Finance and qualified as a Chartered Accountant in 1983. He has extensive experience in the listing of companies on both the London Stock Exchange and The Channel Islands Stock Exchange. He is also a director of Corporate Consultants Limited, a Guernsey based consultancy business that has provided corporate finance and management consultancy services since 1991.

He is Chairman of Elysium Fund Management Limited, a company providing fund management, administration and corporate finance services to a range of funds and trading companies. Elysium was formed in October 2006 to complete the management buyout of the business of Collins Stewart Fund Management Limited, a Guernsey registered company and wholly owned subsidiary of Collins Stewart Tullett plc, where Andrew was managing director.

Andrew sits on the boards of several local trading companies, a London-based investment bank and a recently formed P2P business. He is also a Fellow of the Chartered Institute for Securities & Investment and holds the advanced diploma in Corporate Finance.

Steve Hannon

Steve Hannon has over 40 years' experience in the postal industry. For the majority of that time he worked for Royal Mail where he managed several multi million pound, high profile national projects including the introduction of postal automation, a new rail, road and air network, rationalising and revamping London's mail centre infrastructure and planning the nationwide introduction of the single letter delivery.

He also spent a two-year period as a divisional General Manager responsible for a workforce of 13,000 people and an annual budget of £400m. During this time he covered the complete range of management functions embracing sales, customer services, finance, human resources, planning and operations.

Since leaving Royal Mail in 2003 he has undertaken consultancy work in the postal field and became a director of Postal and Logistics Consulting Worldwide. He was appointed Chief Executive of the Company in 2008.

Between July 2006 and February 2007 he undertook the role of Interim Chief Executive of Guernsey Post.

Stuart Le Maitre

Stuart Le Maitre was born and educated in Guernsey. Following a brief period of employment at the Guernsey Post Office he studied in Bristol and obtained a degree in Education and a post graduate qualification in Careers Guidance. He held a senior position in the Careers Service at Buckinghamshire County Council for five years before returning to join the Civil Service in Guernsey, and held senior positions for the next 20 years.

During this time, his responsibilities included the development and oversight of departments responsible for industrial relations and employment legislation, trading standards and consumer affairs, health and safety in the work place and initiatives to support the development of the non-finance sector of the Island's economy. Having worked on the development of the regulatory

Guernsey Post Limited

Board Profile - continued

framework for the Bailiwick of Guernsey and the establishment of the Office of Utility Regulation, he was also involved in the commercialisation of the States' Trading Utilities.

On leaving the Civil Service, Stuart undertook a variety of Consultancy assignments and in 2006 was appointed as Chief Operating Officer with responsibility for the set up phase of new local mobile telephone company. More recently he held the position of Chief Executive of the Medical Specialist Group in Guernsey until he resigned from this post in June 2013. He has recently taken up the position of Managing Director of the Guernsey Enterprise Agency and also holds other local board positions.

Simon Milsted

On qualification as a Chartered Accountant in 1982 Simon Milsted joined the London City office of Price Waterhouse during which time he was engaged on a series of special assignments for the Bank of England. Two consecutive assignments took him to the West Country, following which he moved his young family westwards transferring permanently to Price Waterhouse's Bristol office.

In 1988, Simon co-founded an independent firm of Chartered Accountants that soon became one of the fastest growing and most well respected independent firm of advisers in the South West, bringing a high level of specialist and consulting advice to the owner-managed business community across the region.

In 1995, Simon invested in and became non-executive chairman of the BSI Group, a business process outsource specialist in the business travel sector, which became the European leader in its field. Over more recent years, Simon has held office as Regional President of the Institute of Chartered Accountants in England and Wales, sat on a number of Government sponsored business support bodies and was a governor and non-executive treasurer of a leading South West public school.

Since his move to Guernsey in 2010, Simon has pursued an active engagement with businesses and not for profit organisations on the Island both in an advisory capacity and as principal.

Guernsey Post Limited

Corporate Governance Report

Compliance

The Combined Code on Corporate Governance 2006 (the Code) outlines the main principles and provisions that companies should adopt in relation to corporate governance. This report describes Guernsey Post's compliance with the Code. Guernsey Post is committed to the development of a sustainable and profitable business that benefits all stakeholders, which includes achieving the highest standards of corporate governance for our Shareholder, the States of Guernsey.

Guernsey Post has signed a Memorandum of Understanding with Treasury & Resources that sets out the rights, expectations and duties of both parties and includes the requirement to comply with best practice on corporate governance. Guernsey Post has continued to work on its corporate governance programme during the financial year ending 31 March 2014, and the achievements are summarised in this report.

The Board

Directors

The Board's role is to provide entrepreneurial leadership of the Company within a prudent and effective framework of risk management and internal control. The Board is responsible for setting and implementing strategy, allocating the necessary human and financial resources to meet the Company's objectives and monitoring the performance of management against those objectives. The Board is collectively accountable for the success of the Company, sets its values and standards and takes decisions objectively in the interests of the Company, its Shareholder and other stakeholders.

Non-executive directors help to develop and challenge the Company's strategy. They evaluate the performance of management and monitor the reporting of performance. They consider the integrity of financial information and the strength of financial controls and risk management systems. They oversee executive remuneration and play the main role in the appointment, removal and succession planning for executive directors.

Matters referred to the Board are governed by a scheme of delegated authorities that provides the framework for the decisions to be taken by the Board, those which must be referred back to our Shareholder and those which can be delegated to Committees of the Board or senior management.

There were nine board meetings held during 2013/14. If a Board member cannot attend a meeting, he or she receives a copy of the agenda and the accompanying papers in advance of the meeting and is invited to comment on the matters to be discussed.

The names of the members of the Board Committees are set out on pages 19 and 20, together with details of their background. The Board Committees have authority to make decisions according to their terms of reference.

Chairman and Chief Executive

Guernsey Post has a non-executive Chairman and a Chief Executive. There is a clear division of responsibility between the two positions, with the Chairman responsible for the running of the Board and the Chief Executive responsible for the running of the Company's business.

Guernsey Post Limited

Corporate Governance Report – continued

Dudley Jehan spends, on average, one day per week in his role as Chairman. He is also Chairman of the Norman Piette Group. The Board considers that his external directorships do not make conflicting demands on his time as Chairman.

Andrew Duquemin is the senior independent director and is available to talk to our Shareholder if it has any issues or concerns.

Board balance and independence

Throughout the year the Company has had a balance of independent non-executive directors on the Board who ensure that no one person has disproportionate influence. All the non-executive directors bring with them significant commercial experience from different industries, which ensures that there is an appropriate balance of skills on the Board.

There are currently five non-executive directors and two executive directors on the Board.

Appointments to the Board

Recommendations for appointments to the Board are the responsibility of the Nominations Committee. The appointment of non-executive directors has to be ratified by the States of Deliberation.

The Nominations Committee meets quarterly to consider the balance of the Board, job descriptions and objective criteria for board appointments and succession planning.

Information and professional development

For each scheduled board meeting the Chairman and the Company Secretary ensure that, during the week before the meeting, the directors receive a copy of the agenda for the meeting, financial, strategic and operating information and information on any other matter which is to be referred to the Board for consideration. The directors also have access to the Company Secretary for any further information they require. In the months where there is no scheduled board meeting, the directors receive the prior month and cumulative Company financial and operating information.

All newly appointed directors participate in an extensive internal induction programme that introduces the director to the Company and includes visits to key stakeholders. The Company Secretary gives guidance on board procedures and corporate governance.

The Company Secretary, who is appointed by the Board and is also the Finance Director and an Executive Director, is responsible for ensuring compliance with board procedures. This includes recording any concerns relating to the running of the Company or proposed actions arising there from that are expressed by a director in a board meeting. The Company Secretary is also secretary to the Remuneration and Nomination Committees. The Company Secretary is available to give ongoing advice to all directors on board procedures, corporate governance and regulatory compliance.

Guernsey Post Limited

Corporate Governance Report – continued

Attendance at Board and Board Committee meetings

Attendance during the year for all board and board committee meetings is given in the table below:

ATTENDANCE AT BOARD COMMITTEE MEETINGS (A)				
	Board	Audit Committee	Nominations Committee	Remuneration Committee
Dudley Jehan	8/9			
Boley Smillie	9/9			
Richard Hemans	3/3			
Steve Sheridan	2/2			
Steve Hannon	9/9		4/4	4/4
Andrew Duquemin	7/9	2/2		
Simon Milsted	9/9	2/2		
Stuart Le Maitre	9/9		4/4	4/4

(A) The first figure represents attendance and the second figure the possible number of meetings e.g. 5/6 represents attendance at 5 out of a possible 6 meetings. Where a director stepped down from the Board or a Board Committee during the year, or was appointed during the year, only meetings before stepping down or after the date of appointment are shown.

Performance evaluation

The Board undergoes an annual evaluation of its performance. The evaluation consists of a confidential questionnaire, which is independently assessed, and a report that is then submitted to the Board, followed by an open discussion facilitated by the Chairman.

Election and re-election of directors

Guernsey Post Limited's articles state that a non-executive director should be proposed for re-election if he or she has been appointed to the Board since the date of the last AGM, or proposed for re-election if he or she has held office more than three years at the date of the notice convening the next AGM. The Board ensures that each non-executive director submits himself or herself for re-election by Shareholder at least every three years.

Non-executive directors serve the Company under letters of appointment, which are generally for an initial three year term. Their appointment is also ratified by the States of Deliberation.

Guernsey Post Limited

Corporate Governance Report – continued

At the 2014 AGM, Dudley Jehan and Stuart Le Maitre are being recommended by the Board and will be proposed for re-election.

Remuneration

The Board recognises the importance of executive directors' remuneration in recruiting, retaining and motivating the individuals concerned. Executive directors' remuneration consists of basic salary, benefits in kind, bonus and retirement benefits. Fees for the Chairman and non-executive directors are determined by Treasury & Resources.

The Remuneration Committee, which is chaired by Stuart Le Maitre, consists of two non-executive directors and determines remuneration levels and specific packages appropriate for each executive director, taking into account the Group's annual salary negotiations. No director is permitted to be present when his own remuneration is being discussed, or to vote on his own remuneration. The Remuneration Committee considers that the procedures in place provide a level of remuneration for the directors which is both appropriate for the individuals concerned and in the best interests of the Shareholder.

Accountability and audit

Financial reporting

The intention of the Annual Report is to provide a clear assessment of the performance and prospects of Guernsey Post Limited. The Company has a comprehensive system for reporting financial results to the Board. An annual budget is prepared and presented to the Board for approval. During the year, monthly management accounts, including balance sheet, cash flow and capital expenditure reporting, are prepared with a comparison against budget and prior year. Forecasts are revised quarterly in the light of this comparison and are also reviewed by the Board.

Internal control and risk management

All directors are responsible for establishing and maintaining an effective system of internal control. Whilst all elements of risk cannot be eliminated, the system aims to identify, assess, prioritise and where possible, mitigate the Company's risks. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Company's systems are designed to provide the Board with reasonable assurance that assets are safeguarded, transactions are properly authorised and recorded and that material errors and irregularities are either prevented or detected within a timely period.

In 2012, the Audit Committee considered the need for an internal audit function and concluded that the financial position, size and complexity of the Company could not justify the expense, which the Board ratified. The Board is happy to continue relying on the strength of the internal control environment through updates on risk management and internal control, health and safety reports, AML and CFT compliance, monthly management information and representations from the Executive Team.

Guernsey Post Limited

Corporate Governance Report – continued

Audit Committee and Auditor

The Board has delegated responsibility to the Audit Committee for reviewing an effective system of internal control and compliance, accurate external financial reporting, fulfilling its obligations under the law and the Code, and managing the Company's relationship with the Company's external auditor. The Committee members comprise independent non-executive directors. Andrew Duquemin, who is a qualified accountant, was appointed as the chairman of the Audit Committee and the Board is satisfied that Andrew has recent and relevant financial experience to enable the duties of the Committee to be fully discharged. Simon Milsted is the other member of the Audit Committee. Simon is a qualified accountant with wide experience of owning and managing trading companies.

The Audit Committee went out to tender for the Company's external auditors during 2012/13 and following a rigorous process, the Audit Committee recommended the re-appointment of KPMG on a rolling one-year basis, which was ratified by the Board and the Shareholder and which will continue for 2014/15.

The Committee meets once a year with representatives of the Company's external auditor, and the Chief Executive and the Finance Director also attend the meetings.

Shareholder relations

The Board believes that good communication with the Shareholder is a priority. There are regular meetings between the Chief Executive and the Finance Director of Guernsey Post, and the Chief Officer and Chief Accountant of Treasury & Resources. The Company presents its strategic plan to our Shareholder for approval every year.

The Chairman and senior independent director are available to meet with our Shareholder should there be unresolved matters that our Shareholder believes should be brought to its attention. The Executive Team and the non-executive directors meet with our Shareholder at the AGM.

The date of the AGM is agreed with our Shareholder and ten days working notice is given. The AGM is chaired by Guernsey Post, with presentations made by the Executive Team to facilitate awareness of the Company's activities and its financial performance. Our Shareholder is given the opportunity to ask questions of the Board and the Chairman of each board committee during the AGM.

Committees of the Board and main terms of reference

In addition to regular scheduled board meetings, the Company operates through various board committees, of which the membership and main terms of reference are set out below (except the Audit Committee which is outlined above).

Stuart Le Maitre is the Chairman of the Nominations Committee, supported by Steve Hannon. The main terms of reference of this Committee are to review regularly the structure, size and composition of the Board and to make recommendations on the role and nomination of directors for appointment to the Board, Board Committees and as holders of any executive office. The Committee met four times in 2013/14 and all members of the Committee were present.

Guernsey Post Limited

Corporate Governance Report – continued

Stuart Le Maitre is also the Chairman of the Remuneration Committee, supported by Steve Hannon. The main terms of reference of this Committee are to determine and agree with the Board the remuneration policy for the Company's Executive Team, to approve the design of, and determine targets for, any performance related pay schemes operated by the Company and to determine the policy for, and scope of, pension arrangements for each executive director. The Committee met four times in 2013/14 and all members of the Committee were present.

Andrew Duquemin is the Chairman of the Pensions Committee, supported by Simon Milsted, the Chief Executive and the Finance Director. The main terms of reference of this Committee are to review and make recommendations to the Board on the Company's retirement and post-retirement benefit arrangements including the control and funding of such arrangements. Given the importance and scale of the pension issues facing the Company, the full Board considered regularly the pension scheme arrangements at its meetings, and the Pension Committee advised the Board on the development of strategic options to reorganise the pension scheme given the likely increase in its cost, and the uncertainty it creates for the Company.

Guernsey Post Limited

Directors' report

The directors present their annual report together with the financial statements for the year ended 31 March 2014.

Principal activities

The Company's principal activity is the provision of a postal service for the Bailiwick of Guernsey through a postal network and retail counter operation in accordance with the licence awarded to it by the Chief Executive of the Channel Islands Competition and Regulatory Authority (formerly the Office of Utility Regulation). The Company also markets its postage stamps and other philatelic products to stamp collectors worldwide.

Significant events

Following a comprehensive review in June 2013 of the Company's cash position, future profitability and cash flows, major risks and funding requirements over the medium term, the Board concluded that the Company had surplus capital that it could not profitably deploy and that it would be more efficient to return it to the Shareholder. Accordingly, with the agreement of the States of Guernsey, the Company returned £3.5m to Treasury & Resources in December 2013 by way of a share buy-back.

Results

The results for the year are shown in the profit and loss account on page 25.

Dividend

The directors recommend a dividend of £750k for the financial year (2013: £139k).

Fixed assets

Fixed asset movements for the year are disclosed in note 7 to the financial statements.

Directors

The directors of the Company, who served throughout the year and at the date of this report, were as follows:

D R Jehan
 B Smillie
 R J Hemans (resigned 31 July 2013)
 S Sheridan (appointed 3 February 2014)
 S Hannon
 A Duquemin
 S Le Maitre
 S Milsted

No director has an interest either beneficially or non-beneficially in any shares of the Company (2013: no interest beneficially or non-beneficially).

In accordance with the Articles of Association D R Jehan and S Le Maitre are due to retire by rotation and being eligible offer themselves for re-election at the forthcoming AGM.

Guernsey Post Limited

Directors' report - continued

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008 and the Post Office (Guernsey) Law 1969. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Disclosure of information to auditors

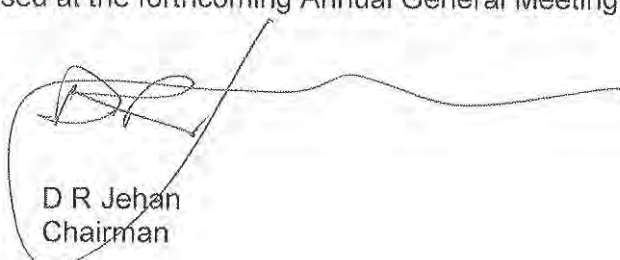
The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

KPMG Channel Islands Limited has expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.



B Smillie
Chief Executive



D R Jehan
Chairman



20 New Street
St. Peter Port
Guernsey
GY1 4AN

Independent auditor's report to the members of Guernsey Post Limited

We have audited the financial statements of Guernsey Post Limited (the "Company") for the year ended 31 March 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards.

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008 and section 10(1) of the Post Office (Guernsey) Law, 1969. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2014 and of its profit for the year then ended;
- are in accordance with United Kingdom Accounting Standards; and
- comply with the Companies (Guernsey) Law, 2008.

Independent auditor's report - continued

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

KPMG Channel Islands Limited

KPMG Channel Islands Limited
Chartered Accountants

19 June 2014

Guernsey Post Limited

Profit and loss account <i>For the year ended 31 March 2014</i>		31 March 2014 £'000	31 March 2013 £'000
	Notes		
Income		33,140	31,978
Expenditure		<u>(32,889)</u>	<u>(31,710)</u>
Operating profit	2	251	268
Other income			
Interest receivable	3	899	416
Rents receivable		<u>87</u>	<u>62</u>
Profit on ordinary activities before net loss on pension scheme		1,237	746
Net loss on pension scheme		<u>(153)</u>	<u>(190)</u>
Profit on ordinary activities before taxation		1,084	556
Taxation credit	4	86	129
Profit for the financial year		<u><u>1,170</u></u>	<u><u>685</u></u>

Statement of total recognised gains and losses <i>For the year ended 31 March 2014</i>		31 March 2014 £'000	31 March 2013 £'000
Profit for the financial year		1,170	685
Actuarial (loss)/gain recognised in the pension scheme	17	(2,232)	1,600
Unrealised gain on revaluation of investment properties	8	140	-
Increase/(decrease) in deferred tax asset on actuarial gains and losses	12	446	(320)
Total recognised (losses) and gains relating to the year		<u><u>(476)</u></u>	<u><u>1,965</u></u>

All activities derive from continuing operations.

The notes on pages 28 to 47 form an integral part of these financial statements.

Guernsey Post Limited

Balance sheet*At 31 March 2014***31 March****2014****£'000****31 March****2013****£'000****Fixed assets**

Intangible assets	6	215	269
Tangible assets	7	11,394	11,253
Investment properties	8	1,040	900
Investment in subsidiaries	9	-	-
		<u>12,649</u>	<u>12,422</u>

Current assets

Stock		169	156
Debtors	10	3,296	2,450
Cash at bank and in hand	16	11,994	12,336
		<u>15,459</u>	<u>14,942</u>

Creditors: Amounts falling due within one year	11	<u>(5,126)</u>	<u>(2,842)</u>
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Net current assets		10,333	12,100
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Total assets less current liabilities		<u>22,982</u>	<u>24,522</u>
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Provisions for liabilities and charges	12	<u>141</u>	<u>146</u>
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Net assets excluding pension liability		23,123	24,668
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Net pension liability	17	<u>(11,832)</u>	<u>(9,262)</u>
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Net assets including pension liability		<u>11,291</u>	<u>15,406</u>
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Capital and reserves

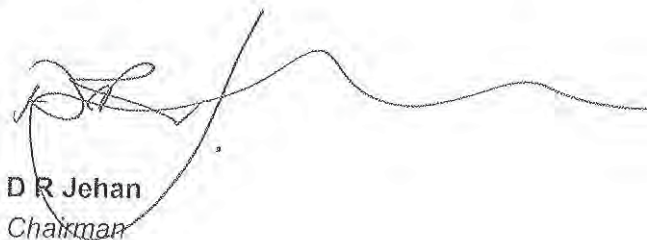
Share capital	13	13,886	17,386
Profit and loss account	14	(2,720)	(1,965)
Revaluation reserve	14	125	(15)

Shareholders' funds	15	<u>11,291</u>	<u>15,406</u>
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The financial statements were approved by the board of directors and authorised for issue on 16 June 2014. They were signed on its behalf by:



B Smillie
Chief Executive



D R Jehan
Chairman

The notes on pages 28 to 47 form an integral part of these financial statements.

Guernsey Post Limited

Cash flow statement*For the year ended 31 March 2014*

		31 March 2014 £'000	31 March 2013 £'000
	Notes		
Net cash inflow from operating activities	16	3,517	992
Returns on investments and servicing of finance			
Interest received		872	382
Rent received		<u>106</u>	<u>62</u>
Net cash inflow from returns on investments and servicing of finance		978	444
Taxation		(88)	108
Capital expenditure			
Purchase of fixed assets		(1,110)	(295)
Sale of fixed assets		<u>-</u>	<u>5</u>
Net cash outflow from capital expenditure		(1,110)	(290)
Repurchase of share capital	13	(3,500)	(5,000)
Dividend paid	5	(139)	(89)
Decrease in cash	16	<u>(342)</u>	<u>(3,835)</u>

The notes on pages 28 to 47 form an integral part of these financial statements.

Guernsey Post Limited

Year ended 31 March 2014

Notes to the financial statements

1. Statement of accounting policies

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

Basis of preparation

The financial statements give a true and fair view, have been prepared in accordance with applicable United Kingdom Accounting Standards and are in compliance with the Companies (Guernsey) Law, 2008.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold investment properties.

Income

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

Expenses

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

Deferred Taxation

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

Pension costs

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

The employees' pension scheme is a defined benefit scheme. The Company applies Financial Reporting Standard 17, "Retirement Benefits" ("FRS 17"). In accordance with FRS 17 current service costs and any post service costs are charged to the profit and loss account, together with the finance costs and income for the scheme. Actuarial gains and losses are recognised in full in the statement of total recognised gains and losses for the period in which they occur. Pension scheme assets are measured using market values for quoted securities, the current bid price is taken as market value. Pension scheme liabilities are measured using the projected unit credit method, with an actuarial valuation being carried out each year at the balance sheet date. The retirement benefit deficit in the scheme, net of the related deferred tax asset, is recognised as net pension liability in the balance sheet.

Guernsey Post Limited

Year ended 31 March 2014

Notes to the financial statements - continued

1. Significant accounting policies - continued

Dividends

Dividends are accounted for in the period they are paid.

Stock

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

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

Intangible assets - goodwill

Goodwill arising on the acquisition of businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is ten years. An impairment review is carried out every year and any necessary provision made.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful economic life. A full year's depreciation is charged in the year of acquisition.

	Estimated life in years	Depreciation % per annum
Freehold land	N/A	Nil
Freehold buildings	30 – 50	2 – 3.3
Plant and equipment	15	6.67
Leasehold Improvements	8	12.5
Furniture & fittings, office equipment and postal machinery	3 – 13	7.7 – 33.3
Transport	5	20

Guernsey Post Limited

Year ended 31 March 2014

Notes to the financial statements - continued

1. Significant accounting policies - continued

Investment properties

A full external valuation is obtained at least every five years with an interim external valuation in year 3. Interim valuations in years 1, 2 and 4 may be carried out if the directors consider it is likely that there has been a material change in value. Revaluation surpluses or deficits on individual properties are transferred to the revaluation reserve. Depreciation is not provided in respect of freehold investment properties.

Investment in subsidiaries

The investment in subsidiaries is stated at cost. The subsidiaries have not been consolidated on the basis that they are dormant, and non-consolidation does not have a material impact on these financial statements.

Foreign currency

Foreign currency held in German and Dutch bank accounts is translated at the exchange rate prevailing at the balance sheet date. Gains or losses are taken to the Profit and Loss account at the time of translation. All foreign trading transactions are translated into sterling using the prevailing rate on the date of the transaction.

Guernsey Post Limited

Year ended 31 March 2014

Notes to the financial statements - continued

2. Operating profit

	31 March 2014	31 March 2013
	£'000	£'000
Operating profit is stated after charging:		
Staff costs	10,316	10,151
Auditor's remuneration		
Audit Fees	33	30
Other services	-	-
Amortisation of goodwill	54	54
Directors' remuneration	317	385
Loss/(profit) on disposal of fixed assets	140	(4)
Depreciation of tangible fixed assets	828	809

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

	31 March 2014	31 March 2013
Operational staff including postmen and women, post office counter staff and philatelic production staff	175	177
All other staff	47	45
Total	222	222

3. Interest receivable

	31 March 2014	31 March 2013
	£'000	£'000
States Treasury	893	414
Other	6	2
	899	416

Guernsey Post Limited

Year ended 31 March 2014

Notes to the financial statements – continued

4. Taxation

		31 March 2014 £'000	31 March 2013 £'000
	Note		
Current year tax		101	122
Prior year tax		4	(17)
Deferred tax credit for the year	12	(191)	(234)
		<u>(86)</u>	<u>(129)</u>

Guernsey Post Limited as a Guernsey Utility Company regulated by the Channel Islands Competition and Regulatory Authorities (CICRA) is subject to the standard rate of income tax of 20% on its regulated income and 0% on its non regulated income. The basis of assessment to Guernsey tax continues to be on actual current year basis.

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

	31 March 2014 £'000	31 March 2013 £'000
Profit on ordinary activities before taxation	<u>1,084</u>	<u>556</u>
Tax at 20%	217	111
Effects of adjusting items:		
Timing differences	25	44
Sundry adjustment to prior years' tax	4	(17)
Disallowed expenses	44	14
Rate differences on current tax	(381)	(237)
Adjustment for pension costs	<u>196</u>	<u>190</u>
Current tax charge	105	105
Deferred tax - pension deficit	(196)	(190)
Deferred tax - timing differences	5	(44)
Profit and loss taxation credit	<u>(86)</u>	<u>(129)</u>

Guernsey Post Limited

Year ended 31 March 2014

Notes to the financial statements - continued

5. Dividends on equity shares

Amounts recognised as distributions to equity holders in the period:

	31 March 2014 £'000	31 March 2013 £'000
Final dividend for the year ended 31 March 2013 of 0.008p (31 March 2012 0.004p)	<u>139</u>	<u>89</u>

The board is proposing a final dividend of £750k of pre-tax profit for the year ended 31 March 2014 (2013: £139k).

Guernsey Post Limited

Year ended 31 March 2014

Notes to the financial statements - continued

6. Intangible assets - Goodwill

Cost	£'000
At 1 April 2013 & 31 March 2014	<u>543</u>
Amortisation	
At 1 April 2013	274
Charge for the year	54
At 31 March 2014	<u>328</u>
Net book value	
At 31 March 2013	269
At 31 March 2014	<u>215</u>

The goodwill arose on the acquisition of the trade and net assets of BATIF Bureau de Change Limited in 2008.

Guernsey Post Limited

Year ended 31 March 2014

Notes to the financial statements - continued

7. Tangible fixed assets

	1 April 2013 £'000	Additions £'000	Written off / disposals / transfers £'000	31 March 2014 £'000
Cost				
Freehold land	2,505	-	-	2,505
Freehold buildings	8,605	10	-	8,615
Plant and equipment	2,662	-	-	2,662
Leasehold improvements	394	-	-	394
Furniture and fittings	301	40	-	341
Office equipment	1,233	74	(281)	1,026
Postal machinery	2,403	977	(1,901)	1,479
Transport	1,118	9	(90)	1,037
	<u>19,221</u>	<u>1,110</u>	<u>(2,272)</u>	<u>18,059</u>
	1 April 2013 £'000	Charge for the year £'000	Written off / disposals / transfers £'000	31 March 2014 £'000
Depreciation				
Freehold land	-	-	-	-
Freehold buildings	1,773	176	-	1,949
Plant and equipment	1,769	255	-	2,024
Leasehold improvements	238	49	-	287
Furniture and fittings	165	29	-	194
Office equipment	993	85	(278)	800
Postal machinery	2,138	124	(1,764)	498
Transport	893	110	(90)	913
	<u>7,969</u>	<u>828</u>	<u>(2,132)</u>	<u>6,665</u>
Net book value	<u>11,253</u>			<u>11,394</u>

Freehold land with a value of £2,505,000 (2013: £2,505,000) is not depreciated.

Guernsey Post Limited

Year ended 31 March 2014

Notes to the financial statements - continued

8. Investment properties

	Market Value 31 March 2014 £'000	Market Value 31 March 2013 £'000
At 1 April 2013	900	900
Revaluations during the period	140	-
At 31 March 2014	<u>1,040</u>	<u>900</u>

Investment properties, which are all freehold, have been valued on an open market existing use basis at 4 April 2014 by Watts & Co Limited. Such properties are not depreciated.

9. Investment in subsidiaries

	31 March 2014 £'000	31 March 2013 £'000
Independent Delivery Solutions Limited	-	-
BATIF Bureau de Change Limited	-	-
	<u>-</u>	<u>-</u>

Guernsey Post Limited owns all the share capital, consisting of two fully paid up £1 shares (2013: two fully paid up £1 shares) in Independent Delivery Solutions Limited. This is a dormant company and has never traded. Guernsey Post Limited pays the administration costs for this company.

On 1 April 2008 the Company acquired 100% of the issued share capital of BATIF Bureau de Change Limited, which consists of 100 fully paid up £1 shares. Upon acquisition, the trade and net assets of BATIF Bureau de Change Limited were transferred to Guernsey Post Limited and BATIF Bureau de Change Limited changed to a dormant company. Guernsey Post Limited pays the administration costs for this company.

Guernsey Post Limited

Year ended 31 March 2014

Notes to the financial statements - continued

10. Debtors

	31 March 2014 £'000	31 March 2013 £'000
Trade debtors	2,827	2,030
Less: Provision for bad debt	(42)	(49)
Other debtors	24	169
Prepayments and accrued income	426	266
Interest receivable	61	34
Taxation recoverable	-	-
	<u>3,296</u>	<u>2,450</u>

11. Creditors

	31 March 2014 £'000	31 March 2013 £'000
Amounts falling due within one year		
Trade creditors	1,905	1,451
Other creditors	2,681	981
Accruals and deferred income	418	337
Rental income paid in advance	33	-
Taxation payable	89	73
	<u>5,126</u>	<u>2,842</u>

Guernsey Post Limited

Year ended 31 March 2014

Notes to the financial statements - continued

12. Provision for liabilities and charges

	Deferred taxation - Accelerated Capital Allowances	Deferred taxation - Pension deficit / surplus	Total
	£'000	£'000	£'000
At 1 April 2013	(146)	(2,315)	(2,461)
Charged to statement of total recognised gains and losses		(446)	(446)
Debit/(credit) to profit and loss account	5	(196)	(191)
At 31 March 2014	(141)	(2,957)	(3,098)

Deferred tax in the financial statements is measured at the actual tax rates that are expected to apply to the income in the periods in which the timing differences are expected to reverse. As a Guernsey Utility Company regulated by CICRA, Guernsey Post Limited is subject to tax at 20% on its regulated income and 0% on its non-regulated income.

The provision for liabilities and charges in the balance sheet excludes the deferred tax asset of £2.957m relating to the pension scheme deficit. The pension scheme deficit in the balance sheet is shown net of this deferred tax asset.

Guernsey Post Limited

Year ended 31 March 2014

Notes to the financial statements – continued

13. Share capital	31 March 2014 £'000	31 March 2013 £'000
Authorised		
40,000,000 ordinary shares of £1 each	<u>40,000</u>	<u>40,000</u>
Allotted, called-up and fully-paid		
13,886,000 ordinary shares of £1 each (2013: 17,386,000)		
Opening share capital at 1 April 2013	17,386	22,386
Repurchase of share capital	(3,500)	(5,000)
As at 31 March 2014	<u>13,886</u>	<u>17,386</u>

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

On 28 January 2013, the Board approved the re-purchase and subsequent cancellation of £5m of its share capital as a means of returning surplus cash to its Shareholder. The States Trading Companies (Bailiwick of Guernsey) Ordinance, 2001 decreed that it was conditional on express authorisation by resolution of the States of Guernsey, which was obtained on 13 December 2012.

On 4 June 2013, the Board approved the further re-purchase and subsequent cancellation of £3.5m of its share capital.

14. Reserves	31 March 2014 £'000	31 March 2013 £'000
Profit and Loss Account		
Opening reserves at 1 April 2013	(1,965)	(3,841)
Retained profit for the year	1,170	685
Actuarial (loss)/profit for the year, net of movement in deferred tax	(1,786)	1,280
Dividend paid	(139)	(89)
As at 31 March 2014	<u>(2,720)</u>	<u>(1,965)</u>
	31 March 2014 £'000	31 March 2013 £'000
Revaluation Reserve		
Opening reserves at 1 April 2013	(15)	(15)
Unrealised gain on revaluation of investment properties	140	-
As at 31 March 2014	<u>125</u>	<u>(15)</u>

Guernsey Post Limited

Year ended 31 March 2014

Notes to the financial statements - continued

15. Reconciliation of movement in shareholders' funds	31 March 2014 £'000	31 March 2013 £'000
Profit for the financial year	1,170	685
Actuarial (loss)/gain recognised in the pension scheme	(2,232)	1,600
Increase/(decrease) in deferred tax asset on actuarial gains and losses	446	(320)
Repurchase of share capital	(3,500)	(5,000)
Unrealised gain on revaluation of property	140	-
Dividend paid on equity shares	(139)	(89)
Net reduction in shareholders' funds	(4,115)	(3,124)
Opening shareholders' funds	15,406	18,530
Closing shareholders' funds	11,291	15,406
16. Reconciliation of operating profit to net cash inflow from operating activities	31 March 2014 £'000	31 March 2013 £'000
Operating profit	251	268
Depreciation charges	828	809
Amortisation	54	54
Net pension scheme service costs	827	761
(Increase) / decrease in stock	(14)	64
(Increase) / decrease in debtors	(838)	3,440
Loss/(profit) on disposal of fixed assets	140	(4)
Increase / (decrease) in creditors	2,269	(4,400)
Net cash inflow from operating activities	3,517	992
Reconciliation of net cash inflow to movement in net funds	31 March 2014 £'000	31 March 2013 £'000
Decrease in cash balances	(342)	(3,835)
Net funds at 1 April 2013	12,336	16,171
Net funds at 31 March 2014	11,994	12,336

Guernsey Post Limited

Year ended 31 March 2014

Notes to the financial statements - continued

17. Pension Fund

Employees of the Company, where they are eligible and have chosen to join, are members of the States of Guernsey Superannuation Scheme. This is a defined benefit pension scheme funded by contributions from both employer and employees at rates which are determined periodically on the basis of actuarial advice, and which are calculated to spread the expected costs of benefits payable to employees over the period of these employees' expected service lives. The assets of the scheme are held by the States of Guernsey and the ultimate liability to pay out any pension when it is realised lies also with the States should the Company be unable to meet its funding commitments.

The scheme has established differing terms for those who joined before 1st January 2008 and those who joined after. For pre-2008 members of the scheme the employee is entitled to a retirement benefit of 1/80th of final salary for each year of membership of the scheme up to a maximum of 45 years on reaching 65 years of age. Additionally a lump-sum payment is paid based on 3/80th of final salary for each year of employment. For members who joined after 1 January 2008 the benefit entitlement accrues at 1/60th of final salary but no lump sum automatically accrues. A lump sum is achievable by commuting part of the pension entitlement. The take up of this commutation into lump sum cannot be known but an assumption based on a prudent forecast has been adopted. This assumes that a 75% commutation will be requested by members. The scheme is a funded scheme. The most recent actuarial update of scheme assets and the present value of the defined benefit obligation was carried out at 31 March 2014 by Mrs D Simon, Fellow of the Institute of Actuaries.

Guernsey Post Limited

Year ended 31 March 2014

Notes to the financial statements - continued

17. Pension Fund (cont'd)

The valuation used for FRS17 disclosures has been based on a full assessment of the liabilities of the Fund. The present values of the defined benefit obligation, the related current service cost and any past service costs (if applicable) were measured using the projected unit method.

The amounts recognised in the Balance Sheet are as follows:

	31 March 2014 £'000	31 March 2013 £'000
Fair value of Fund assets	36,012	33,395
Present value of funded obligations	(50,801)	(44,972)
Deficit in the scheme	<u>(14,789)</u>	<u>(11,577)</u>
Related deferred tax asset	2,957	2,315
Net pension liability	<u>(11,832)</u>	<u>(9,262)</u>
<i>Amounts in the Balance Sheet</i>		
Assets	-	-
Liabilities	(11,832)	(9,262)
Net pension liability	<u>(11,832)</u>	<u>(9,262)</u>

The amounts recognised in the Profit and Loss account are as follows:

	31 March 2014 £'000	31 March 2013 £'000
Current service cost	1,792	1,776
Interest on obligation	2,093	1,965
Expected return on Fund assets	(1,940)	(1,775)
Expense recognised in the Profit and Loss	<u>1,945</u>	<u>1,966</u>
Actual return on Fund assets	<u>2,230</u>	<u>3,154</u>

Guernsey Post Limited

Year ended 31 March 2014

Notes to the financial statements – continued

17. Pension Fund (cont'd)

Changes in the present value of the defined benefit obligation are as follows:

	31 March 2014 £'000	31 March 2013 £'000
Opening defined benefit obligation	44,972	42,107
Service cost	1,792	1,776
Interest cost	2,093	1,965
Contributions by members	418	418
Actuarial losses / (gains)	2,522	(221)
Benefits paid	(996)	(1,073)
Closing defined benefit obligation	<u>50,801</u>	<u>44,972</u>

Guernsey Post Limited

Year ended 31 March 2014

Notes to the financial statements - continued

17. Pension Fund (cont'd)

Changes in the fair value of Fund assets are as follows:

	31 March 2014	31 March 2013
	£'000	£'000
Opening fair value of Fund assets	33,395	29,882
Expected return	1,940	1,775
Actuarial gains	290	1,379
Contributions by employer	965	1,014
Contributions by members	418	418
Benefits paid	(996)	(1,073)
Closing fair value of Fund assets	<u>36,012</u>	<u>33,395</u>

Analysis of amounts recognised in statement of total recognised gains and losses

	31 March 2014	31 March 2013
	£'000	£'000
Total actuarial (gains) / losses	(2,232)	1,600
Total (gains) / losses in statement of total recognised gains and losses	<u>(2,232)</u>	<u>1,600</u>
Cumulative amount of losses recognised in statement of total recognised gains and losses	<u>(8,187)</u>	<u>(5,955)</u>

Guernsey Post expects to contribute £972,742 to the Fund from 1 April 2014 to 31 March 2015.

The major categories of Fund assets as a percentage of the total fund assets are as follows:

	31 March 2014	31 March 2013
	%	%
Equities	70	69
Gilts	3	4
Corporate Bonds	14	15
Other Assets	9	7
Property	4	5

Guernsey Post Limited

Year ended 31 March 2014

Notes to the financial statements - continued

17. Pension Fund (cont'd)

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages (where applicable)) are as follows:

	31 March 2014	31 March 2013
	% pa	% pa
Discount rate	4.4	4.7
Expected return on Fund assets at 31 March (for following year)	6.6	5.9
Rate of increase in pensionable salaries	4.45	4.35
Rate of increase in deferred pensions	3.7	3.6
Rate of increase in pensions in payment	3.7	3.6

Mortality assumptions

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member aged 65 will live on average until age 87 if they are male and until age 89 if female. For a member currently aged 45 the assumptions are that if they attain age 65 they will live on average until age 89 if they are male and until age 91 if female.

Description of the basis used to determine the expected rate of return on the assets

The Employer adopts a building block approach in determining the expected rate of return on the Fund's assets. Historic markets are studied and assets with high volatility are assumed to generate higher returns consistent with widely accepted capital market principles.

Each different asset class is given a different expected rate of return. The overall rate of return is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at the disclosure year end.

Guernsey Post Limited

Year ended 31 March 2014

Notes to the financial statements - continued

17. Pension Fund (cont'd)

Amounts for the current and previous periods are as follows:

	31 March 2014 £'000	31 March 2013 £'000	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Defined benefit obligation	50,801	44,972	42,107	36,895	34,476
Fund Assets	36,012	33,395	29,882	29,101	25,126
Deficit	(14,789)	(11,577)	(12,225)	(7,794)	(9,350)
Experience Gains/(losses) on Fund assets	290	1,379	(1,940)	1,252	4,126
Experience Gains / (Losses) on Fund liabilities	1,537	202	1,913	312	1,335

18. Financial Commitments

Capital commitments are as follows:

	31 March 2014 £'000	31 March 2013 £'000
Sortation machine	<u>762</u>	<u>-</u>

Annual commitments under non-cancellable operating leases are as follows:

	31 March 2014 Land and buildings £'000	31 March 2013 Land and buildings £'000
Expiry date		
- within 1 year	-	-
- between two and five years	81	11
- after five years	8	73
	<u>89</u>	<u>84</u>

Leases of land and buildings are subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

Guernsey Post Limited

Year ended 31 March 2014

Notes to the financial statements - continued

19. Statement of control

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

20. Related party transactions

Through the normal course of its business activity the Company both purchases and provides services to its shareholder or entities under the controlling influence of the shareholder body. These entities include States Trading Companies, companies whose equity is wholly owned by the States, States Departments and Boards operated by the States. All such transactions have been on an arm's length basis. The total value of the sales for the year ended 31 March 2014 amount to 1.9% of total turnover (2013: 1.9%). The total value of purchases for the year amounted to 0.9% of total expenses (2013: 1.2%).

The States also provides, through its treasury department, management of the Company's liquid funds in excess of short term needs. At 31 March 2014 the balance held was £10,137,433 (2013: £10,608,616).

(N.B. The Policy Council supports the proposals in this States Report and confirms that the Report complies with the Principles of Good Governance as defined in Billet d'État IV of 2011.)

The States are asked to decide:-

XIV.- Whether, after consideration of the Report dated 2nd July, 2014, of the Treasury and Resources Department, they are of the opinion to note the Annual Report and Accounts for Guernsey Post Ltd for the year-ending 31st March, 2014.

HOME DEPARTMENT

THE NOISE ABATEMENT ORDINANCE, 1962 – TRANSFER OF FUNCTIONS

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

7th July 2014

Dear Sir

1. Executive Summary

- 1.1 The Noise Abatement Ordinance, 1962, as amended (“the Ordinance”) enables the Chief Officer of Police to permit the operation of loudspeakers, and any other device used for amplifying sound in public places, or for advertising purposes, in connection with a public function or meeting.
- 1.2 The Home Department, following consultation with the Director of Environmental Health and Pollution Regulation (“the Director”), recommends that the power to permit the use of amplifying equipment in public places or for advertising purposes under section 2 of the Ordinance should be transferred from the Chief Officer of Police to the Director who is better placed to assess the potential impact and to monitor compliance with any specified conditions.
- 1.3 The transfer of this function would not require any transfer of staff or resources and could be managed within the existing budget and resources of the Director.

2. Background

- 2.1 In February 1962, the States considered a report from the Island Police Committee which set out concerns regarding the playing, in public areas, of portable wireless sets and other devices for amplifying sound. After consideration of the Report, the States resolved that “*the use in public places of wireless sets and other devices for amplifying sound in such a manner as to give reasonable cause for annoyance be prohibited*” with a number of exceptions, including “*the use, with the prior permission of the Chief Officer of Police, of wireless sets or other devices for amplifying sound in connection with public functions or meetings*”. The States’ decision was given effect through The Noise Abatement Ordinance, 1962.

- 2.2 Under section 2 of this Ordinance, persons may apply to the Chief Officer of Police for written permission to use an amplifying device in public places or for advertising purposes, in connection with a public function or meeting, in Guernsey or Herm. If such permission is granted the operation of the amplifying device is exempt from the restrictions on the use of the same under the Ordinance. Guernsey Police receive approximately 170 applications per annum under the Ordinance with the majority of applications for small events where licences can be granted without the need for additional conditions. For larger events where there is potential for noise nuisance to neighbouring properties, through either the level of the amplification or through the times of use, permits are issued with conditions that limit the activities e.g. by time and decibel level.
- 2.3 In considering applications for larger events, the Guernsey Police currently consult the Director who has staff with the relevant expertise to advise on proportionate standards, relative to best practice guidance, dependant on the nature of the event. Additionally as the Director's staff are trained to monitor and assess environmental noise levels, they assist by setting noise levels with the organisers at pre-arranged sound checks prior to the event; they may also be asked to assess noise levels during the course of an event.
- 2.4 Part VIII of the Environmental Pollution (Guernsey) Law, 2004, (which it is planned to commence in 2016) contains enabling provisions to allow the States to control by Ordinance the “*nature, volume and intensity of sound... emitted into the environmental medium*”. Additionally it enables the States to provide by Ordinance for the Director to issue energy emission notices in relation to noise pollution from premises. It is recognised that if such an Ordinance is enacted, it may replicate provisions of the existing 1962 Ordinance so consideration would have to be given at that time as to whether it would be suitable to repeal the 1962 Ordinance.
- 2.5 In light of the Director's relevant knowledge and expertise to appropriately assess applications for amplifying devices and the clear intention of the Environmental Pollution Law to ensure such functions fall under the responsibility of the Director, the Home Department is of the opinion that the issuing of public address system permits is not a core policing function and would be better placed with the Director. For the avoidance of doubt, Guernsey Police would continue to assist the Director, as required, during the enforcement process.

3. Financial and Resource Implications

- 3.1 Any administration arising from the permitting function under the 1962 Ordinance could be managed by the Director through existing resources and would not require a transfer of staff or resources.

4. Consultation

- 4.1 The Home Department has consulted with the Director who is fully supportive of the proposed changes. The Law Officers have been consulted in respect of the legal aspects of this report.

5. Recommendations

- 5.1 The Department recommends the States agree:
- a) To transfer the function of issuing permissions under section 2 of the Noise Abatement Ordinance, 1962, as amended, from the 'Chief Officer of Police' to the 'Director of Environmental Health and Pollution Regulation'.
 - b) To direct the preparation of legislation to give effect to the above.

Yours faithfully

P L Gillson
Minister

F W Quin
Deputy Minister

M K Le Clerc
M M Lowe
A M Wilkie

Mr A L Ozanne
Non-States member

(N.B. As there are no resource implications in this report, the Treasury and Resources Department has no comments to make.)

(N.B. The Policy Council supports the proposals in this report and confirms that the States Report complies with the Principles of Good Governance, as defined in Billet d'État IV of 2011.)

The States are asked to decide:-

XV.- Whether, after consideration of the Report dated 7th July, 2014, of the Home Department, they are of the opinion to agree:-

1. To transfer the function of issuing permissions under section 2 of the Noise Abatement Ordinance, 1962, as amended, from the 'Chief Officer of Police' to the 'Director of Environmental Health and Pollution Regulation'.
2. To direct the preparation of legislation to give effect to their above decision.

COMMERCE AND EMPLOYMENT DEPARTMENT**RE-APPOINTMENT OF EMPLOYMENT AND DISCRIMINATION
TRIBUNAL PANEL MEMBERS**

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

17th June 2014

Dear Sir

1. Executive Summary

- 1.1 The Department recommends the re-appointment, until February 2015, of two members of the Employment and Discrimination Tribunal Panel whose terms of office ended on 28th February 2014. Details of the proposed Panel Members are appended.

2. Panel Membership and Re-appointment.

- 2.1 Section 1 of The Employment and Discrimination Tribunal (Guernsey) Ordinance, 2005 requires the States, on the recommendation of the Commerce and Employment Department, to draw up and maintain The Employment and Discrimination Panel. Panel members are appointed for a three year period or such shorter period as the States may specify.
- 2.2 The Ordinance requires that the Panel must consist of such number of persons as in the opinion of the States, is necessary for the purpose of hearing and determining complaints under the provisions of the relevant enactments (covering Unfair Dismissal and Sex Discrimination in employment and Minimum Wage complaints). The Department considers that a Panel of between 15 and 18 is sufficient to administer the Tribunal process.
- 2.3 The existing Panel is, currently, made up of 16 members. However, the terms of office for two of those members expired in February 2014, with the appointments of the remaining members expiring in February 2015. Mrs. de Garis and Ms. Le Lievre were originally appointed to the Panel from March 2011 to make up a shortfall in the number of Panel members due to retirements and resignations.

- 2.4 To ensure the States maintains a credible and appropriately skilled Panel, the Department conducts a local advertising and recruitment campaign whenever recruitment is required. Applicants are shortlisted against objective criteria and the shortlisted candidates are required to take part in an assessment process run by trained staff from the UK Advisory, Conciliation and Arbitration Service (ACAS). Following this independent assessment, recommendations for appointment are made to the Department to consider.
- 2.5 Both of the members were assessed by this process in 2010, have undertaken training in Guernsey Employment Law and attended a two day course in the United Kingdom with The Judicial Studies Board on Tribunal Practice and Procedures. They have served the Employment Tribunal Service well, gaining valuable experience which would be difficult to replace.
- 2.6 The Department recommends that the 2 members named in Appendix 1 of this report are re-appointed for a term of 6 months to bring their appointment dates in line with the rest of the Panel, that is, expiring at the end of February 2015. This will realign all members' periods of appointment, thus helping to simplify the process for re-appointment or recruitment of new members in the future.
- 2.7 The Department believes that it has complied fully with the six principles of corporate governance in the preparation of this States Report.

3. Recommendation

- 3.1 In accordance with the requirements of Section 1 of the Employment and Discrimination Tribunal (Guernsey) Ordinance, 2005, the Department recommends that the States re-appoints, as members of the Employment and Discrimination Tribunal Panel, until 28 February 2015:

(a) Mrs. Joanne Antonia de Garis;

(b) Ms. Christine Diane Le Lievre.

Yours faithfully

K A Stewart
Minister

A H Brouard
Deputy Minister

D de G de Lisle
L B Queripel
H J R Soulsby

Advocate T Carey, Non-States Member

APPENDIX 1

EMPLOYMENT & DISCRIMINATION TRIBUNAL PANEL

Candidates proposed for re-appointment

Mrs. Joanne Antonia De Garis

Ms. Christine Diane Le Lievre

Summary of the Career History of Candidates Proposed for Re-appointment

Mrs. Joanne Antonia de Garis

Mrs. de Garis has over twenty years' people management experience in a number of settings. Initially as a Civil Servant and later with the commercialised Guernsey Post as Director of Marketing and Regulatory Affairs, she has gained considerable experience in employment relations, change management and quality of service. A graduate from Cardiff, University of Wales, Mrs. de Garis was also awarded The Institute of Directors Diploma in Company Direction in 2007.

Ms. Christine Diane Le Lievre

Ms. Le Lievre has twenty four years' experience working for Northern Trust (previously Barings). Since 1997 she has been a Manager in Human Resources and was appointed Head of Human Resources in 2005, shortly after the acquisition of the Barings Guernsey Group of Companies by Northern Trust. In this role, she was responsible for the management of the HR function including recruitment, employment relations, change management, payroll, pensions and terminations (the latter including redundancies). Since 2012, she has worked part-time and has been primarily responsible for employee relations, pensions and various employee related HR projects. Mrs. Le Lievre has wide experience in dealing with employment relations issues including interpersonal conflict, stress related issues, absenteeism, performance and capability issues. In 2000 she achieved the post graduate Diploma in Personnel Management through Portsmouth University and the GTA and is a Chartered Member of the Chartered Institute of Personnel and Development (CIPD).

(N.B. As there are no resource implications in this report, the Treasury and Resources Department has no comments to make.)

(N.B. The Policy Council supports the proposals in this States Report and confirms that the Report complies with the Principles of Good Governance as defined in Billet d'État IV of 2011.)

The States are asked to decide:-

XVI.- Whether, after consideration of the Report dated 17th June, 2014, of the Commerce and Employment Department, they are of the opinion:-

1. In accordance with the requirements of Section 1 of the Employment and Discrimination Tribunal (Guernsey) Ordinance, 2005, to re-appoint Mrs. Joanne Antonia de Garis, as a member of the Employment and Discrimination Tribunal Panel, until 28 February 2015.
2. In accordance with the requirements of Section 1 of the Employment and Discrimination Tribunal (Guernsey) Ordinance, 2005, to re-appoint Ms. Christine Diane Le Lievre, as a member of the Employment and Discrimination Tribunal Panel, until 28 February 2015.

APPENDIX 1**COMMERCE AND EMPLOYMENT DEPARTMENT****GCRA ANNUAL REPORT AND AUDITED ACCOUNTS 2013**

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

17 June 2014

Dear Sir

GCRA ANNUAL REPORT AND AUDITED ACCOUNTS 2013

I enclose a copy of the Annual Report and Audited Accounts 2013 of the Guernsey Competition and Regulatory Authority (“GCRA”), which is set out within the Annual Report 2013 of the Channel Islands Competition and Regulatory Authorities (“CICRA”). I would be grateful if you would arrange for it to be published as an Appendix to the next available Billet d’État.

The Board of the Commerce and Employment Department (“C&E” / “the Department”) wishes to comment as follows on the enclosed report.

4G Spectrum

The CICRA Chairman’s Statement includes the following in respect of the allocation of the radio spectrum for fourth generation (4G) mobile telecommunications services:

“The introduction of the 4G spectrum was delayed by a year due to a decision of the Guernsey Commerce and Employment Board to explore the auctioning of the spectrum. Only at the end of 2013 were we able to recommence a consultation which will ultimately result in allocating available spectrum”.

The C&E Board would take this opportunity to provide some necessary background and to clarify the Department’s position on this matter.

In 2011, the Department and the States of Jersey’s Economic Development Department (“EDD”), formally requested the GCRA’s predecessor, the Office of Utility Regulation (“OUR”), and the Jersey Competition and Regulatory Authority (“JCRA”), respectively, to run the process of spectrum allocation in the 800MHz and 2.6GHz bands on behalf of the Departments, in preparation for the deployment of 4G mobile telecommunications services. In 2012, the OUR and JCRA initiated a joint consultation on the allocation of this newly available radio spectrum to telecommunications operators in the Channel

Islands, in order to begin the process of determining the level of demand for the new spectrum for 4G across the Channel Islands.

Following the 2012 general election in Guernsey, the newly-appointed C&E Board, having obtained the agreement of Jersey's EDD, requested that CICRA (encompassing the JCRA and the newly-established GCRA) defer its 4G consultation, in order to allow for the new C&E Board to give detailed consideration to the various issues relevant to the use of the available spectrum and the policies that should be followed in its allocation. The Department subsequently commissioned telecommunications consultants Analysys Mason to assess the amount of spectrum required to deliver fixed and mobile broadband services through 4G wireless technologies in the Channel Islands, and to advise on the appropriate framework for 4G spectrum award. The Department considered it necessary to commission the Analysys Mason study in view of the valuable nature of 4G spectrum as an economic resource and because research of this kind had not been proactively undertaken by CICRA. The Department also had concerns around whether spectrum had been previously allocated in the most efficient and commercial way, for the long-term benefit of the Bailiwick of Guernsey.

Analysys Mason delivered its findings in April 2013, and the following month C&E and Jersey's EDD jointly requested CICRA to resume its 4G consultation process with the benefits of the Analysys Mason report. On 31 July 2013, CICRA issued consultation document CICRA 13/38, entitled '*Pan-Channel Island Consultation on 800 MHz and 2.6 GHz Spectrum Awards*', enclosing the Analysys Mason report. On the same day, CICRA issued a press notice entitled '*CICRA re-launches 4G spectrum consultation in the Channel Islands*'. Against this background, the Department considers it necessary to correct the comments made by the CICRA Chairman in the Annual Report 2013, that "*Only at the end of 2013 were we able to recommence a consultation which will ultimately result in allocating available spectrum*", as this is plainly inaccurate.

The Analysys Mason study also highlighted issues for discussion with the United Kingdom's regulator, the Office of Communications (Ofcom), in relation to the issue of 4G spectrum licences, in view of Ofcom's responsibility for authorising civil use of radio spectrum in the Channel Islands. CICRA has also been able to take advantage of the opportunity presented by the additional research period to monitor and learn from the process of 4G allocation in the UK, and particularly UK experience with the potential risk of interference posed by 4G to digital terrestrial television and airport radar.

The C&E Board accepts that its decision, which was fully supported by the States of Guernsey's ICT Strategic Working Group, to commission expert independent research into this matter has unfortunately delayed CICRA's consultation process; however, in view of the above, the Department considers that the benefits of this necessary work have been such that this delay was entirely justifiable. The Department was, and remains, strongly of the view that it was sensible, necessary, and in the public interest to first identify Guernsey's 4G spectrum requirements before allocating this essential and scarce economic resource.

Utility regulation

The CICRA Chairman comments in his statement that in the past 18 months "*the islands have begun to diverge in a number of respects*" including with regard to "*the*

merits of particular forms of regulation for utilities”, and that “*consumers in both islands would be better served by a common policy approach to what are common issues*”. In Guernsey the GCRA’s responsibilities include regulation of post, electricity, and telecoms, whereas in Jersey the JCRA’s responsibilities include regulation of the telecoms and postal sectors (but not electricity). Utility regulation in both islands is undertaken with reference to legislation and policy specific to each jurisdiction. Against this background, a degree of divergence between the islands is therefore inevitable. The Department would not wish to comment on the merits or otherwise of the current or any future approach taken by Jersey; however, with regard to the situation in Guernsey, the Department is currently reviewing the future economic regulation of post and electricity, particularly in view of the establishment by the Treasury and Resources Department (“T&R”) of a Sub-Committee responsible for exercising T&R’s responsibilities as shareholder of Guernsey Electricity (“GEL”) and Guernsey Post (“GPL”). C&E and T&R continue to work closely on this matter with the intention of reporting to the States of Deliberation in the coming months. Although the review process has taken longer than anticipated as a result of the Department having to manage competing priorities, C&E has engaged with the GCRA/CICRA throughout and has invited representations from the regulator, as well as GEL and GPL, in respect of the future of electricity and post regulation in Guernsey and the potential for an alternative regulatory framework.

Additional comments

The CICRA Chairman’s Statement refers to a “*disproportionate amount of time....spent on political and management issues largely arising from having a combined regulator*”. The Department is mandated to be responsible for the strategic approach to, and the regulation of utilities. Whilst the Department has a constructive working relationship with the GCRA, and respects the independence of the regulatory authority, the C&E Board makes no apology for exercising its responsibilities to hold to account the GCRA, and in particular to undertake close scrutiny of the role and activities of the regulator in respect of its work plan, delivery of objectives, and communication. It is with particular regard to communication between the regulator and the Department that the C&E Board considers that improvements have been necessary. The C&E Board is of the view that during the past year, the GCRA did not always sufficiently communicate with the Department on the development of its work plan and in particular on how the regulator might use its role to enable the Department to achieve its strategic priorities in order to bring about reviews with potential positive outcomes, in these areas, for the businesses and wider community of Guernsey. For instance, until the 2012 general election, the issue of telecommunications as an economic enabler did not appear to be a priority area for the regulator. Since the 2012 general election, the C&E Board has provided oversight of the GCRA to ensure that vital issues in this area are being addressed, and providing appropriate oversight of the GCRA across its areas of responsibility will remain the focus of the C&E Board.

Yours faithfully

K A Stewart
Minister



ANNUAL REPORT 2013

FOREWORD

This is the second annual report of the Channel Islands Competition and Regulatory Authorities (CICRA). It consists of a report on CICRA's activities together with separate sets of financial statements for the two authorities that comprise CICRA.

This report is presented to Jersey's Economic Development Minister and Guernsey's Commerce and Employment Department pursuant to provisions set out in the Competition Regulatory Authority (Jersey) Law 2001 and The Regulation of Utilities (Bailiwick of Guernsey) Law, 2001. It also fulfils the requirements of the obligations on CICRA as set out in the Islands' competition laws and sector specific legislation.

What is CICRA?

The Channel Islands Competition and Regulatory Authorities is the name given to the Jersey Competition Regulatory Authority (JCRA) and the Guernsey Competition and Regulatory Authority (GCRA). The JCRA was established under the Competition Regulatory Authority (Jersey) Law, 2001, and the GCRA was established under the Guernsey Competition and Regulatory Authority Ordinance, 2012.

By working together, sharing resources and expertise between the islands, CICRA's aim is to ensure that consumers receive the best value, choice and access to high quality services, in addition to promoting competition and consumers' interests.

CICRA's functions

Competition

CICRA is responsible for administering and enforcing competition law in Jersey and Guernsey. The aim of this legislation is to prevent consumers being harmed by anti-competitive or exploitative behaviour in the market (such as price-fixing or abuse of market power).

Advisory

CICRA can be called on to advise Jersey's Economic Development Minister and Guernsey's Commerce and Employment Department on matters of economic regulation and competition. In Jersey, during 2013 we began advising on aspects of the future regulation of the Ports of Jersey.

Economic regulation

In common with many jurisdictions in the European Union, and further afield, the Jersey and the Guernsey have decided to structure particular previously States-run businesses as separate companies – which are, with the exception of Sure in Guernsey, wholly-owned by the States. In Jersey's case this decision was taken in respect of the telecommunications and postal businesses now run by JT and Jersey Post respectively. In Guernsey's case this decision was taken in respect of the telecommunications, postal and electricity businesses now run by Cable and Wireless, Guernsey Post and Guernsey Electricity.

Who we are

CICRA is led by a joint board. The board consists of a Chairman, three non-executive directors and three executive directors. In addition as at 31 December 2013 CICRA had five staff and one secondee working across the two islands.

The Chairman is jointly appointed by the States of Jersey and States of Guernsey on the recommendation of Jersey's Economic Development Minister and Guernsey's Commerce and Employment Department. In consultation with the Chairman, the Economic Development Minister and the Commerce and Employment Department are also responsible for the appointment of at least two non-executive directors and the appointment of executive directors to the Board.

How to find out more

More information on CICRA and its activities can be found on the website www.cicra.je or www.cicra.gg.

CHAIRMAN'S STATEMENT



Last year I reported on the merger of the two competition and regulatory authorities in Jersey and Guernsey to form the Channel Islands Competition and Regulatory Authorities (CICRA). This was a merger in fact but not in law. The two bodies, the Jersey Competition Regulatory Authority and the Guernsey Competition and Regulatory Authority, each retain their separate legal status but operate with a single board and executive team. The merger made sense for a number of reasons particularly in respect of economies of scale and also given that the islands face very similar issues. Internally, the arrangement has worked well, although having two offices separated by 27 miles of water does present its challenges.

The two authorities had worked closely together for a number of years before the merger; they seek to address similar issues affecting the islands and recognise the benefits of taking a pan-Channel Island approach on telecoms. In the past 18 months the islands have begun to diverge in a number of respects, notably the allocation of the 4G spectrum, the merits of particular forms of regulation for utilities, the extent of resources they provide to support competition issues and the approach to wider telecommunications issues. CICRA has coped with these differences but these divergences have meant that the economies of scale have significantly reduced and the benefits of pan-Channel Island working have accordingly diminished. The present situation is sustainable but is far from ideal. The consumers in both islands would be better served by a common policy approach to what are common issues.

Telecommunications is now by far the largest area of CICRA's work. Jersey and Guernsey consumers are poorly served in respect of telecoms, paying more and receiving a poorer service than their counterparts in other jurisdictions. The two islands have different starting points. The incumbent (JT) in Jersey is government-owned while the incumbent in Guernsey (Sure) is a private company. The introduction of the 4G spectrum was delayed by a year due to a decision of the Guernsey Commerce and Employment Board to explore the auctioning of the spectrum. Only at the end of 2013 were we able to recommence a consultation which will ultimately result in allocating available spectrum.

Neither island benefits from competition in the provision of fixed line services, which contributes to the cost of broadband being well above that in the UK and other jurisdictions. The problem is greater in Jersey; one of the factors being CICRA's inability to require the implementation of wholesale line rental. In some jurisdictions the incumbent has done this voluntarily, but in Jersey CICRA has had to resort to a legal process seeking to impose a licence condition on JT. JT challenged CICRA in the courts with the Royal Court finding in favour of JT on a procedural point and a timing issue. This has delayed the introduction of competition for at least another year. CICRA has reviewed its processes to avoid another such legal challenge, but would far prefer to deal with such issues by agreement. It makes little sense for a States of Jersey-owned entity to take a States of Jersey established regulator to court on what should be a matter of public policy. We will be exploring ways of achieving a more satisfactory policy framework during 2014.

Channel Islands businesses are poorly served in respect of both on-island and off-island connectivity - prices being a multiple of those that apply elsewhere. CICRA has little ability to act in respect of off-island connectivity; here the governments of the two islands must take the lead. However, on on-island connectivity, CICRA initiated a study in 2013 and will be seeking to identify how the current unsatisfactory position can be improved in 2014.

Even five years ago postal services were regarded as an essential public utility. Much of the focus of the two island regulators therefore was on securing competition in the postal market and generally seeking to ensure that the consumer was well served. Now, use of the internet has dramatically changed the position and "urgent mail" scarcely exists. Price controls have become largely irrelevant as the wider communications market constrains the ability of postal operators to raise their prices. CICRA has reacted accordingly by substantially scaling back regulation of Channel Islands postal services. This is reflected in a sharp reduction in the fees levied on Jersey Post and Guernsey Post; the fees reduced from £332,000 and £160,000, respectively, in 2010 to £35,000 and £30,000, respectively, in 2013.

Over the last few years competition policy in Jersey has increasingly concentrated on those areas of expenditure most relevant to consumers including petrol, fuel oil and school uniforms. In those three areas CICRA can claim some modest successes. Sadly, this has not been the case on taxis where it is disappointing that the government department responsible for regulating taxis - Transport and Technical Services (TTS) - has made little progress in addressing the need for change. Jersey's key income generating sectors, tourism and finance business, will all continue to be adversely affected, as is public safety, until TTS acts decisively to implement change.

In the area of competition law there was a major Guernsey success in 2013 with the substantial fall in conveyancing fees. In response to the introduction of the Competition Law, the Guernsey Bar voluntarily removed its fixed scale. It is worth noting that the level of competition law funding in Guernsey is considerably lower than in Jersey. As far as possible, given the funding constraints, CICRA will continue to conduct pan-Channel Island market studies. The main exercise in 2013 was a study of the groceries market. The report was published in January 2014 and does much to explain the extent of, and reasons for, differences in price between the islands and the UK. Such studies are not always able to achieve dramatic reductions in prices. For example, in many cases, there is no "magic bullet". However, they can be invaluable in improving the quality of public debate on issues the consumers of both islands have a keen interest in by examining and explaining how these markets work.

2013 has been a challenging year for CICRA. A disproportionate amount of time has been spent on political and management issues largely arising from having a combined regulator. However, a high quality and quantity of work has been maintained and CICRA has continued to make a contribution to the well-being and prosperity of the people of Jersey and Guernsey. I am grateful to my board colleagues and to the executive team for their hard and very professional work and for being ever-willing to work above and beyond the call of duty. During the year Dick Povey retired as a non-executive director after nine years' service. He had been a very valuable board member both because of his telecoms and more general business experience and also his knowledge of seemingly everything in Jersey. He has been succeeded by Regina Finn who brings to the board huge experience as a regulator in the UK. Peter Neville also announced his resignation in November. We are grateful for Peter's input during his time as a non-executive director.

Mark Boleat
Chairman

CHIEF EXECUTIVE'S REPORT



The past year saw CICRA tackling a wide range of challenges.

Telecoms regulation continues to form the largest part of CICRA's work which, in our view, is appropriate given the value of this sector and its importance to the islands' economies. We have begun the process of addressing a number of long-standing issues in Channel Islands telecoms; in particular the high cost of business connectivity. Both governments are keen to develop their respective islands' ICT sectors. To facilitate this development, key products, such as data connectivity both on-island and off-island, need to be available and competitively-priced while recognising the economies of scale in the Channel Islands not experienced in bigger markets. In support of the strategic concerns of the islands' governments we have given a high priority to completion of our business connectivity market review and addressing concerns regarding off-island connectivity as well as to projects relating to broadband provision.

The poor quality of residential telecoms services has been an issue that has gained more prominence over the year in light of service problems on the part of certain operators. We are seeking to address the issue of quality of service in a more systematic way and expect to be able to implement clear quality of service guarantees to consumers in 2014. In Guernsey, given the importance of Sure to the provision of telecoms, we carried out a detailed review of its change of control from Cable & Wireless Communications to Batelco. The new licence conditions imposed on Sure provide safeguards that it will retain appropriate resources within the local business and secure the availability of information to meet its regulatory and statutory requirements. Following approval from the States of Guernsey and States of Jersey we also re-launched our consultation into the allocation of new radio frequency spectrum to support 4G mobile services and expect to finalise our recommendation to Ofcom in the middle of 2014 with new high-speed services to follow for Channel Islands' consumers shortly thereafter.

Following extensive industry discussions, Sure volunteered to offer wholesale access to its network in Guernsey but JT refused to offer the same in Jersey. CICRA chairman, Mark Boleat, has detailed the subsequent Royal Court case in his address in this report.

Effective competition in telecoms is only likely to result once other licensees are able to access the fixed-line telecoms networks in Jersey and Guernsey. Giving consumers in the Channel Islands a choice of fixed line telecoms supplier therefore remains a priority for CICRA in the coming year.

Market studies have become an increasingly important part of our **competition law** work. These studies are undertaken by CICRA where there are concerns that particular markets may not be delivering good outcomes for consumers. The aim is to provide consumers with greater transparency regarding the prices they pay and, where possible, to identify ways of increasing competition, for example, making it easier for new companies to enter the market or for consumers to compare prices or switch suppliers. The Chairman has reported on our first pan-Channel Islands market study (our largest study to date) into the retail supply of groceries.

At the request of Jersey's Minister for Economic Development we also completed a market study into tobacco products. That study, which was published in April 2014, suggested that the inability of Channel Islands' retailers to import cigarettes directly from other markets led to pre-tax prices for cigarettes in the duty-paid market in Jersey being substantially higher than in the UK. We outlined a number of possible solutions that the States of Jersey could pursue in order to facilitate the importation of tobacco products from other, more competitive, markets.

We continue to scrutinise a number mergers and acquisitions while ensuring that our processes do not impede legitimate commercial transactions. Our desire for a pragmatic merger regime is exemplified by our new short-form merger review process in Guernsey; where transactions are extremely unlikely to raise competition concerns a brief application is lodged and a two-week clearance period is given. While we did not issue any competition law infringement decisions during 2013 a number of enforcement investigations are underway. Moreover, the launch of a revised leniency policy and new financial penalties guidelines signalled our determination to detect and eliminate cartels; this will continue to be an area of focus in 2014.

To elaborate on the Chairman's mention of CICRA's competition law work, CICRA will continue to monitor developments following the voluntary lifting of the fixed price arrangement on conveyancing fees. Indications are that a significant reduction in conveyance fees has taken place in Guernsey since the fixed price arrangement was removed. The substantial benefits that flowed to consumers in Guernsey is a powerful reminder of the potential benefits of implementation of competition law can have even in small economies.

Our work with respect to **electricity** in Guernsey has essentially been on hold for 2013 pending the outcome of the ongoing review of utility regulation by the States of Guernsey which began in July 2012. We remain of the view that there is a role for independent regulation of the electricity sector in Guernsey to represent the interests of consumers and, in conjunction with shareholder representatives, to challenge the management of Guernsey Electricity Limited to maximise efficiency and minimise costs. We are concerned about the uncertainty created by the review and the impact on all stakeholders, given the length of time this has taken, and the frequency of such reviews. To assist the review, and in response to the States decision in 2011, CICRA has proposed to the Commerce & Employment Department a new and less burdensome regulatory framework for overseeing this key sector of the economy.

We expect to continue our 'lighter touch' approach to postal regulation. However, CICRA remains the postal regulator and we are well-placed to provide government with advice on future challenges facing postal systems all over the world such as delivery of Universal Service Obligations.

During 2014, CICRA will be preparing for a possible role as the regulator of the incorporated **Ports** of Jersey. In 2013, we provided support to the drafting of the incorporation legislation and outlined for stakeholders how economic regulation of harbours and airports could be constructed.

The eight-person CICRA team has had to demonstrate flexibility and perseverance in dealing with the challenges that we have faced during 2013. I remain very grateful to all my colleagues for their efforts over the past year.

Andrew Riseley
Chief Executive

THE BOARD



Mark Boleat
Chairman

Mark has extensive experience in regulatory policy and practice and the handling of complex public policy issues. He holds, or has held, numerous board level appointments in commercial, public and charitable organisations including Chairman of the States of Jersey Development Company and Chairman of the City of London Policy and Resources Committee. He has strong ties to Jersey having been born and educated in the island. He has written extensively on Jersey and has undertaken three significant reviews for the States of Jersey including one on consumer policy.



Philip Marsden
Non-Executive Director

Philip is a competition lawyer with a particular interest in abuse of dominance, consumer welfare, innovation incentives and international competition issues. His current portfolio includes being the director of the Competition Law Forum, Senior Research Fellow at the British Institute of International and Comparative Law, Non-Executive Director of the UK Office of Fair Trading and member of the Legal Services Consumer Panel, and a visiting professor at the College of Europe, Bruges.



Peter Neville
Non-Executive Director

Peter is the former director general of the Guernsey Financial Services Commission having headed the financial watchdog for over eight years. He is currently chairman of Kleinwort Benson in Guernsey.

After reading law at Oxford, Peter qualified as an accountant and then worked as a banker and merchant banker in the City and the Far East. He worked for City watchdog IMRO, which became part of the Financial Services Authority, and for the Lloyd's of London insurance market. He also advised the Maltese authorities on regulating financial services business.

On 23 November 2013 Peter submitted his resignation from the board which became effective on 23 February 2014.



Regina Finn
Non-Executive Director

Appointed non-executive director of the joint board on 1 June 2013, Regina has extensive experience in regulation and competition regimes, including as Chief Executive of Ofwat. She regulated telecommunications and postal sectors in Ireland and electricity and gas markets as Commissioner for Energy Regulation from 2005 to 2006. She set up and ran the Channel Islands' first economic regulator, the Office of Utility Regulation in Guernsey, from 2001 to 2005, which has since merged with the JCRA to form CICRA.

Regina is also a non-executive Director of Mutual Energy Holdings Ltd, a Belfast based energy company and a Director of Lucerna Partners, a consultancy specialising in regulation and public policy.

THE BOARD (CONTINUED)



Andrew Riseley
Chief Executive

Andrew is a competition and regulatory lawyer, who has worked at large law firms in both the UK and Australia, at one of the UK's competition regulators, and in-house at a major UK utility. He has extensive experience in utility regulation, competition law and public procurement.

Andrew is admitted to practise as a solicitor in England and Wales and Victoria, Australia. He holds post-graduate qualifications in competition law and economics from the London School of Economics and Political Science and degrees with first-class honours in economics and law from Monash University in Australia.

Post year end Andrew submitted his resignation from the board which will become effective on 5 June 2014.



Michael Byrne
Deputy Chief Executive

Michael has extensive experience applying regulation and competition law in the UK energy, media and telecoms sectors.

Michael holds a diploma in Company Direction from the IoD, an MBA, a post graduate qualification in European Competition Law, and a BSc Honours degree in Mathematical Statistics.



Louise Read
Director of Finance and Operations

Louise is a chartered accountant, with extensive experience of managing finance, personnel and operational aspects of business. She is the board and audit and risk committee secretary.

Louise was previously the Group Financial Accountant at Jersey Post, and has worked with many of Jersey's businesses during her time at PwC.

Louise holds a diploma in Company Direction from the IoD, is a fellow of the Institute of Chartered Accountants in England and Wales and holds a BSc in Accounting and Management Sciences from the University of Southampton.



Richard Povey
Non-Executive Director

Richard has extensive industrial experience particularly in the petrochemical, mechanical and electrical engineering, and telecommunications sectors. He held a number of senior management positions in Swire Pacific Ltd in Hong Kong and Taiwan between 1979 and 1996. Since 1996, he has held non-executive positions for various fund management and industrial companies. He is currently a Non-Executive Director of Henderson Far East Income Ltd.

Richard's term of office ended on 8 May 2013.

MEETINGS OF THE AUTHORITIES, MEMBER FEES AND EXPENSES

Since 1 August 2012, CICRA has been led by a joint board. The Chairman is appointed concurrently as Chair of the GCRA by the States of Deliberation in Guernsey and Chair of the JCRA by the States of Jersey. Members are appointed concurrently to the boards of the GCRA and JCRA by the Commerce and Employment Board and the Minister for Economic Development Department respectively.

Meetings

During 2013, attendance at meeting of the Boards and its Committees was as follows:

Member	GCRA		JCRA	
	Board	Audit and Risk	Board	Audit and Risk
Mark Boleat	8/8	4/4	8/8	4/4
Philip Marsden	8/8	4/4	8/8	4/4
Peter Neville	8/8	4/4	8/8	4/4
Regina Finn	5/5	1/1	5/5	1/1
Richard Povey	3/3	3/3	3/3	3/3
Andrew Riseley	8/8	4/4	8/8	4/4
Michael Byrne	8/8	4/4	8/8	4/4
Louise Read	8/8	4/4	8/8	4/4

Member fees and expenses

In recognition of the additional responsibilities, on the formation of the joint board in August 2012, the Chairman's and member's fees were increased by 25% from £42,000 and £19,000 to £53,000 and £24,000 a year respectively. Each member's fees are split equally between the GCRA and JCRA. There has been no subsequent increase in fees. The following table shows the actual fees paid to each member by the two Authorities (the figures for Peter Neville for 2012, and for Regina Finn and Richard Povey for 2013, are for part years only).

Member	GCRA		JCRA		Shared expenses	
	2013	2012	2013	2012	2013	2012
	£	£	£	£	£	£
Mark Boleat	26,406	15,404	26,406	33,007	2,901	2,332
Philip Marsden	12,000	7,000	12,000	14,850	1,507	3,225
Peter Neville	12,000	7,000	12,000	9,923	2,842	303
Regina Finn	7,000	0	7,000	0	1,846	0
Richard Povey	4,277	7,000	4,277	15,007	211	1,165

Andrew Riseley, Michael Byrne and Louise Read are executive directors, i.e. members of each authority and employees of each authority. During 2013 they were paid no fees as members of the authorities but received remuneration, as follows:

	2013 £	2012 £	Notes
Andrew Riseley	135,000*	116,500*	Appointed June 2012
Michael Byrne	138,045	120,274	Appointed member of each authority August 2012
Louise Read	97,985*	77,285*	Appointed member of each authority August 2013, 2013 includes £7,500 bonus

* Excludes employer's pension contribution of 13.6%



FINANCIAL STATEMENTS 2013

The Guernsey Competition and Regulatory Authority (GCRA) made an accounting surplus of £1 in 2013 (2012: deficit £23k). The GCRA accounts for income only in order to meet its actual costs during the year. It must also ensure that it receives enough income during the year in each of the four areas that it covers – competition law administration and enforcement, and regulation of the telecoms, postal and electricity sectors - to fund them separately, given that cross-subsidisation is not permitted. A working balance and an appropriate level of reserves are maintained at all times, but for the purpose of the financial statements, deferred income adjustments are made to match income with costs.

Overall costs in 2013 were £674k consistent with 2012 (£671k). Expenditure continues to be closely controlled by the GCRA maintaining strict internal guidelines with regard to purchasing and tendering procedures which, combined with corporate governance in line with best practice, helps to ensure that it is run as an effective and efficient organisation. An audit of policies and procedures is undertaken each year, by independent internal auditors, to ensure that high standards are maintained and that appropriate processes and procedures are in place.

In line with the service level agreement between the GCRA and the Commerce and Employment Department (C&E), grant funding for work under The Competition (Guernsey) Ordinance, 2012 was received quarterly in advance. During 2013 a grant of £140k was received. In 2012, the cost of work undertaken in respect of Guernsey's competition law exceeded the grant by £23k and the GCRA agreed with C&E that the deficit would be 'made good' from future grant funding. The deficit was reduced by £9k during 2013, with further reductions anticipated in 2014.

Income of £26k (2012: £10k) was received in the form of mergers and acquisitions fees.

At the year end telecoms licence fees exceeded costs by £46k and this balance was therefore accounted for as deferred telecommunications licence fee income. Based on budgeted costs and with the aim of reducing the level of deferred telecommunication licence fee income held, the licence fees for 2013 were set at 0.5% (2012:0.75%) of licensable turnover.

Postal licence fees from Guernsey Post continued to be received on a monthly basis. During 2013 £90k of licence fees were received (2012: £180k) and at the year end postal licence fees exceeded costs by £60k. This balance was therefore accounted for as deferred postal licence fee income which will be returned to Guernsey Post in 2014. During 2013 £144k of deferred licence fee income was refunded to Guernsey Post.

Electricity licence fees from Guernsey Electricity continued to be received on a monthly basis. During 2013 £110k of licence fees were received (2012: £180k) and at the year end electricity licence fees exceeded costs by £58k. This balance was therefore accounted for as deferred electricity licence fee income which will be returned to Guernsey Electricity in 2014. During 2013 £133k of deferred licence fee income was refunded to Guernsey Electricity.

GUERNSEY COMPETITION AND REGULATORY AUTHORITY

(Incorporated in Guernsey, Channel Islands)

NON EXECUTIVE MEMBERS

Mark Boleat	Chairman
Philip Marsden	
Regina Finn	appointed 1 June 2013
Richard Povey	term ended 8 May 2013
Peter Neville	resigned effective 23 February 2014

EXECUTIVE MEMBERS

Andrew Riseley	Chief Executive	resigned effective 5 June 2014
Michael Byrne	Deputy Chief Executive	
Louise Read	Director of Finance and Operations	

SECRETARY

Louise Read

INDEPENDENT AUDITORS

BDO Limited
 P O Box 180
 Place Du Pre
 Rue Du Pre
 St Peter Port
 Guernsey
 GY1 3LL

BANKERS

Barclays Private Clients International
 Jersey International Banking Centre
 PO Box 8
 St Helier
 Jersey
 JE4 8NE

REGISTERED OFFICE

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

GUERNSEY COMPETITION AND REGULATORY AUTHORITY MEMBERS' REPORT

The Members of the Guernsey Competition and Regulatory Authority (GCRA) present their report and financial statements for the year ended 31 December 2013.

ACTIVITIES

The principal activities of the GCRA during the year were the regulation of the telecommunications, electricity and postal sectors and the administration and enforcement of The Competition (Guernsey) Ordinance, 2012.

RESULTS

There was a surplus for the year of £1 (2012: deficit £22,816).

MEMBERS

The Members in office during the year and when these financial statements were approved are shown on page 11.

INDEPENDENT AUDITORS

The auditors, BDO Limited, who were appointed in accordance with Section 13(4)(a) of The Guernsey Competition and Regulatory Authority Ordinance, 2012, have indicated their willingness to continue in office.

By order of the Members

Louise Read
Secretary

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY
STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL
STATEMENTS**

The Guernsey Competition and Regulatory Authority Ordinance, 2012, (the “Ordinance”) requires Members to prepare financial statements in accordance with generally accepted accounting principles which show a true and fair view of the surplus or deficit of the GCRA for the year and of the state of the GCRA’s affairs at the end of the year.

In preparing the financial statements the Members are required to:

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

The Members are responsible for keeping accounting records which are sufficient to show and explain the GCRA’s transactions and are such as to disclose with reasonable accuracy, at any time, the financial position of the GCRA at that time and to enable them to ensure that the financial statements comply with The Guernsey Competition and Regulatory Authority Ordinance, 2012. They are also responsible for safeguarding the assets of the GCRA and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Members confirm that these financial statements comply with these requirements.

The Ordinance also requires the GCRA’s financial statements to be audited annually by auditors appointed by the States of Guernsey on the recommendation of the Public Accounts Committee and the financial statements to be submitted, together with the auditor’s report to the Commerce and Employment Department. The Commerce and Employment Department, in turn, must submit the financial statements and the auditor’s report thereon to the States of Guernsey.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF THE GUERNSEY COMPETITION AND REGULATORY AUTHORITY

We have audited the financial statements of the Guernsey Competition and Regulatory Authority for the year ended 31 December 2013 which comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the related notes 1 to 9. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards ('United Kingdom Generally Accepted Accounting Practice').

This report is made solely to the Authority's members, as a body, in accordance with Section 13 of The Guernsey Competition and Regulatory Authority Ordinance, 2012. Our audit work is undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the members and auditor

As explained more fully in the Statement of Members' Responsibilities on page 13, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the members; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Authority's affairs as at 31 December 2013 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of The Guernsey Competition and Regulatory Authority Ordinance, 2012.

BDO Limited
Chartered Accountant
Place du Pré
Rue du Pré
St Peter Port
Guernsey

14 March 2014

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	<i>Notes</i>	<i>2013</i> £	<i>2012</i> £
INCOME			
Telecoms licence fees		427,998	322,655
Electricity licence fees		52,200	94,586
Postal licence fees		29,644	79,246
Competition law grant		131,355	135,000
Mergers and acquisitions fees		25,750	10,000
Bank interest received		7,297	4,473
Application fees		-	2,500
		<u>674,244</u>	<u>648,460</u>
EXPENDITURE			
Salaries and staff costs		485,889	482,623
Consultancy fees		49,510	51,903
Operating lease rentals		36,206	37,029
Travel and entertainment		15,265	20,186
Conference and course fees		7,544	9,987
Depreciation		3,591	2,784
Administration expenses		13,235	10,458
Legal and professional fees		-	(610)
Audit and accountancy fee		9,923	10,478
Advertising and publicity		12,987	12,549
Repairs and maintenance		23,650	23,687
Heat, light and water		3,303	1,992
Recruitment		4,493	1,197
General expenses		8,647	7,011
		<u>674,243</u>	<u>671,274</u>
SURPLUS / (DEFICIT) FOR THE YEAR	5	<u><u>1</u></u>	<u><u>(22,816)</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<i>2013</i> £	<i>2012</i> £
Surplus / (Deficit) for the year	1	(22,816)
Repayment from the Public Utilities Regulation Fund (PURF)	(90,451)	-
Release from PURF to finance current year activities	(159,549)	-
Amounts previously provided for in the PURF	184,649	
Prior period adjustment	-	(184,649)
Total gains and losses recognised since last annual report 6	<u><u>(65,350)</u></u>	<u><u>(207,465)</u></u>

Historical cost equivalent

There is no difference between the net surplus for the year stated above and its historical cost equivalent.

Continuing Operations

All the items dealt with in arriving at the surplus / (deficit) in the income and expenditure account relate to continuing operations.

The notes form an integral part of these financial statements.

GUERNSEY COMPETITION AND REGULATORY AUTHORITY
BALANCE SHEET
AS AT 31 DECEMBER 2013

	<i>Notes</i>	<i>2013</i> £	<i>2012</i> £
FIXED ASSETS			
Tangible fixed assets	2	4,136	5,931
		<u> </u>	<u> </u>
CURRENT ASSETS			
Debtors and prepayments	3	16,915	62,853
Cash at bank		408,921	715,206
		<u> </u>	<u> </u>
		425,836	778,059
		<u> </u>	<u> </u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	4	229,975	518,643
		<u> </u>	<u> </u>
NET CURRENT ASSETS		195,861	259,416
		<u> </u>	<u> </u>
TOTAL ASSETS LESS CURRENT LIABILITIES		199,997	265,347
		<u> </u>	<u> </u>
RETAINED SURPLUS	5	199,997	265,347
		<u> </u>	<u> </u>

The financial statements on pages 15 to 22 were approved and authorised for issue by the members and signed on their behalf by:

Mark Boleat

The notes form an integral part of these financial statements.

GUERNSEY COMPETITION AND REGULATORY AUTHORITY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	<i>Note</i>	<i>2013</i> £	<i>2012</i> £
Net Cash (Outflow) / Inflow from Operating Activities	7	(311,786)	261,476
Returns on Investment and Servicing of Finance			
Interest received		7,297	4,473
Capital Expenditure and Financial Investment			
Payments to acquire tangible fixed assets		(1,796)	(290)
Management of Liquid Resources			
One month fixed term deposit account		(250,000)	-
		<u> </u>	<u> </u>
(Decrease) / Increase in Cash		<u>(556,285)</u>	<u>265,659</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	<i>2013</i> £	<i>2012</i> £
(Decrease) / Increase in cash in year	(556,285)	265,659
Increase in liquid resources	250,000	-
	<u> </u>	<u> </u>
Change in net funds	(306,285)	265,659
Net funds at 1 January	715,206	449,547
	<u> </u>	<u> </u>
Net funds at 31 December	<u>408,921</u>	<u>715,206</u>

ANALYSIS OF NET FUNDS

	<i>1 Jan 2013</i> £	<i>Cash flows</i> £	<i>31 Dec 2013</i> £
Cash at bank	715,206	(556,285)	158,921
Fixed term deposit account	-	250,000	250,000
	<u> </u>	<u> </u>	<u> </u>
Total	<u>715,206</u>	<u>(306,285)</u>	<u>408,921</u>

The notes form an integral part of these financial statements.

GUERNSEY COMPETITION AND REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention and in accordance with accounting principles generally accepted in Guernsey, incorporating United Kingdom accounting standards.

A summary of the more important accounting policies that the members have applied is set out below

a) Interest received

Interest on deposits held with Guernsey's Treasury and Resources Department was accounted for on a cash received basis. Interest on other bank deposits is accrued on a daily basis.

b) Fixed assets

Fixed assets are stated at cost less depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write down their cost on a straight line basis to their estimated residual values over their expected useful economic lives. The depreciation rates used are as follows:

Office equipment	- 20% per annum
Fixtures and fittings	- 20% per annum
Computer equipment	- 20% per annum
Website costs	- 33% per annum

c) Leasing commitments

All leases entered into by the GCRA are operating leases. Rentals payable under operating leases are charged in the income and expenditure account on a straight line basis over the lease term.

d) Grants

Grants received from the Commerce and Employment Department are accounted for in the period to which they relate. Any unused funds at the financial year end are either deferred or repaid to the Department. Any deficits are funded from future grants. Deferred grant income as at 31 December 2013 amounted to (£14,171) (2012: (£22,816)) effectively a funding deficit which will be funded from 2014 grant income.

The grant received for 2013 was £140,000 (2012:£135,000). Only £131,155 is reflected in the income and expenditure account in order to match the expenditure on competition law matters during 2013. The 2013 surplus of competition law grant funding over expenditure of £8,645 therefore reduced the 2012 funding deficit of £22,816 to £14,171.

e) Telecoms licence fees

Licence fees are set on the basis of cost recovery in accordance with section 6 of The Telecommunications (Bailiwick of Guernsey) Law, 2001. The GCRA's costs are determined on an annual basis and these are recovered by applying a percentage to the licensed revenues of the various licensed telecoms operators on the basis of relevant turnover, or if appropriate an annual fee. The percentage for 2013 was 0.5% (2012: 0.75%).

Fee income is recognised in the period to which it relates. Should fee income exceed costs, the balance is transferred to deferred income. The balance transferred in respect of 2013 was £46,271 (2012: £60,726).

f) Postal licence fees

Licence fees are set on the basis of cost recovery in accordance with section 6 of The Post Office (Bailiwick of Guernsey) Law, 2001. The GCRA's costs are determined on an annual basis and these are recovered through charging an annual fee.

The fee for 2013 was set at £90,000 (2012: £180,000).

GUERNSEY COMPETITION AND REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2013

ACCOUNTING POLICIES (CONTINUED)

Fee income is recognised in the period to which it relates. Should fee income exceed costs, the balance is transferred to deferred income. The balance transferred in respect of 2013 was £60,356 (2012: £100,754).

a) Electricity licence fees

Licence fees are set on the basis of cost recovery in accordance with section 6 of The Electricity (Guernsey) Law, 2001. The GCRA's costs are determined on an annual basis, and these are recovered through charging an annual fee.

The fee for 2013 was set at £110,000 (2012: £180,000).

Fee income is recognised in the period to which it relates. Should fee income exceed costs, the balance is transferred to deferred income. The balance transferred in respect of 2013 was £57,804 (2012: £85,414).

b) Taxation

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

c) Expenditure

Expenditure is accounted for on an accruals basis.

1. TANGIBLE FIXED ASSETS

	<i>Office equipment</i>	<i>Fixtures and Fittings</i>	<i>Computer equipment</i>	<i>Website costs</i>	<i>Total</i>
	£	£	£	£	£
Cost					
At 1 January 2013	31,108	2,365	20,981	4,125	58,579
Additions	-	-	1,796	-	1,796
Disposals	-	-	(465)	-	(465)
At 31 December 2013	<u>31,108</u>	<u>2,365</u>	<u>22,312</u>	<u>4,125</u>	<u>59,910</u>
Depreciation					
At 1 January 2013	30,880	2,090	18,395	1,283	52,648
Charge in the year	204	58	1,418	1,911	3,591
On disposals	-	-	(465)	-	(465)
At 31 December 2013	<u>31,084</u>	<u>2,148</u>	<u>19,348</u>	<u>3,194</u>	<u>55,774</u>
Net book value:					
At 31 December 2013	<u>24</u>	<u>217</u>	<u>2,964</u>	<u>931</u>	<u>4,136</u>
At 31 December 2012	<u>228</u>	<u>275</u>	<u>2,586</u>	<u>2,842</u>	<u>5,931</u>

GUERNSEY COMPETITION AND REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2013

2. DEBTORS AND PREPAYMENTS

	2013	2012
	£	£
Prepayments	16,090	20,612
Trade debtors	825	42,241
	<u>16,915</u>	<u>62,853</u>

3. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013	2012
	£	£
Accruals	44,084	20,105
Deferred licence fee income	173,326	432,753
Trade creditors	12,565	65,785
	<u>229,975</u>	<u>518,643</u>

4. MOVEMENT ON RETAINED SURPLUS

	2013	2012
	£	£
Income and Expenditure Account		
At 1 January	265,347	288,163
Surplus / (Deficit) for the year	1	(22,816)
Other recognised gains and losses (note 6)	(65,351)	-
At 31 December	<u>199,997</u>	<u>265,347</u>

5. STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The amounts contained with the Statement of Total Recognised Gains and Losses reflect a decision taken during the year by the Members to reduce the surplus held within the GCRA by returning amounts to licensees. In the case of Guernsey Post and Guernsey Electricity a refund of licence fees was paid. In the case of telecoms licensees a reduced licence fee was charged during 2013 with the balance of costs incurred covered through a release from the Public Utilities Regulation Fund (effectively the GCRA's retained reserves).

6. CASH FLOW STATEMENT

Reconciliation of surplus / (deficit) for the year to net cash outflow from operating activities:

	2013	2012
	£	£
Operating surplus / (deficit)	1	(22,816)
Depreciation	3,591	2,784
Bank interest	(7,297)	(4,473)
Decrease in debtors	(45,938)	(20,894)
(Decrease) / Increase in creditors	(288,668)	306,875
Release of amounts held in Public Utilities Regulation Fund	(65,351)	-
Net cash (outflow) / inflow from operating activities	<u>(311,786)</u>	<u>261,476</u>

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

7. RELATED PARTIES

a) Transacting parties

The transacting parties are the Commerce and Employment Department and the Guernsey Competition and Regulatory Authority (GCRA).

Relationship

The GCRA acts independently of the States, but is accountable to the Commerce and Employment Department in respect of its funding for the administration and enforcement of the Competition (Guernsey) Ordinance, 2012, which is also covered by a Service Level Agreement. The Commerce and Employment Department acts as a conduit for requests from other States departments who may request the GCRA to carry out projects. The GCRA reports formally to the Commerce and Employment Board on an annual basis.

Transactions

In 2013, the Commerce and Employment Department provided funds to the GCRA to finance the administration and enforcement of the Competition (Guernsey) Ordinance, 2012.

Amounts involved

- £140,000 received during the year under the provisions of The Guernsey Competition and Regulatory Authority Ordinance, 2012.

There were no amounts due to the Commerce and Employment Department at the balance sheet date. The accumulated funding deficit at 31 December 2013, which has been notified to the Commerce and Employment Department as required under the service level agreement, amounted to £14,171 (2012: deficit £22,816).

b) Transacting parties are:

The transacting parties are the Guernsey Competition and Regulatory Authority and the Jersey Competition Regulatory Authority (JCRA).

Relationship

The GCRA and the JCRA work together under the aegis of the Channel Islands Competition and Regulatory Authorities (CICRA) sharing a board, resources and expertise between the islands, whilst retaining their own separate legal identities.

Transactions

The GCRA and JCRA share resources and expertise and recharge each other for expenses incurred (including staff costs) on a no gain no loss basis.

Amounts involved

- £37,998 invoiced during 2013 by the GCRA to the JCRA
- £52,557 invoiced during 2013 by the JCRA to the GCRA

Amounts due to and from the Jersey Competition Regulatory Authority at the balance sheet date

	<i>2013</i>	<i>2012</i>
	£	£
Amounts due to the JCRA from the GCRA (included within trade creditors)	8,435	11,788
	<u> </u>	<u> </u>
Amounts due by the JCRA to the GCRA (included within trade debtors)	825	41,741
	<u> </u>	<u> </u>

GUERNSEY COMPETITION AND REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

8. FINANCIAL COMMITMENTS

At 31 December 2013 the GCRA had annual commitments under non-cancellable operating leases as set out below:

	<i>Buildings</i>	
	<i>2013</i>	<i>2012</i>
	£	£
Operating leases which expire:		
Not later than one year	-	-
In more than one year but less than five years	41,016	41,016
Later than five years	-	-
	<u>41,016</u>	<u>41,016</u>
	<u><u>41,016</u></u>	<u><u>41,016</u></u>

GUERNSEY COMPETITION AND REGULATORY AUTHORITY CORPORATE GOVERNANCE GUIDELINES

The GCRA is an autonomous body and independent in its decision making from the States of Guernsey. But under powers in section 3 of the Guernsey Competition and Regulatory Authority Ordinance, 2012, the Commerce and Employment Department ‘may, if it considers it desirable in the public interest to do so, and after consulting the GCRA, give to the GCRA written guidance on matters relating to corporate governance, that is to say, matters relating to the system and arrangements by and under which the GCRA is directed and controlled’. The following are the Corporate Governance Guidelines as agreed between the Department and the GCRA.

What is Corporate Governance?

“Corporate Governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance.” – OECD April 1999

Constitution of the GCRA

The GCRA is a statutory body corporate established under Section 1 of the Ordinance. The governing body is a Board of Members which directs regulatory, licensing, financial, operational and strategic policies of the GCRA.

Functions of the GCRA

The functions of the GCRA are as set out in Section 4 of the Ordinance and may be summarised as follows:

- a) To advise the Department generally in relation to the administration and enforcement of competition legislation and the related practice and procedures.
- b) To advise the Department generally in relation to competition matters, and in particular:
 - The abuse of or suspected abuse of a dominant position by undertakings
 - Anti-competitive practices or suspected anti-competitive practices of undertakings
 - Mergers or Acquisitions of undertakings.
- c) Subject to the provisions of the Competition (Guernsey) Ordinance, 2012, to investigate:
 - Any abuse or suspected abuse of a dominant position by an undertaking
 - Any anti-competitive practice or suspected anti-competitive practice of an undertaking
 - Any merger or acquisition of undertakings.
- d) To administer its office and undertaking.
- e) To determine the fees payable and costs and expenses recoverable in respect of the exercise of its functions, including interest and penalties payable in the event of default.
- f) Any other functions assigned or transferred to the GCRA by legislation or Resolution of the States.

Constitution of the Board

Paragraph 1(1) of Schedule 1 to the Ordinance requires that the GCRA shall consist of a minimum of three members, one of whom shall be the Chairman.

Members of the Board are appointed by the Department after consultation with the Chairman. Vacancies which arise on the Board are filled through the use of an open and transparent process. A vacancy is usually advertised and once a suitable candidate is identified, a recommendation is made to the Department.

GUERNSEY COMPETITION AND REGULATORY AUTHORITY CORPORATE GOVERNANCE GUIDELINES (CONTINUED)

Under the provisions of Paragraph 1(2) of Schedule 1 to the Ordinance, the appointment of the Chairman is a matter reserved for decision by the States of Guernsey on the recommendation of the Department.

On appointment, a member will receive an induction to the work of the Board and the GCRA. This includes an opportunity to meet all members of staff.

Under the provisions of Paragraph 2(2) of Schedule 1 to the Ordinance, members are appointed for a period not exceeding five years and upon expiry of such a period are eligible for reappointment.

Operations of the Board

The Board sets strategic policy and the implementation of these policies is undertaken by the Executive.

The Board has eight scheduled meetings a year and holds additional meetings when circumstances require it. Under the provisions of paragraph 6 of Schedule 1 to the Ordinance, the quorate number of members to hold a Board meeting is the nearest whole number above one half of the number of members. Currently, therefore, the quorate number is four. The Chairman or person presiding over the meeting has no vote unless there is an equality of votes, in which case he has a casting vote.

In advance of each meeting, members are provided with comprehensive briefing papers on the items under consideration. The Board is supported by the Board Secretary who attends and minutes all meetings of the Board.

Paragraph 13 of Schedule 1 to the Ordinance empowers the Board to delegate by an instrument in writing any of its functions to any of its members, officers or employees named or described in the instrument, including to a committee of members, officers and/or employees. However, the Board is not authorised to delegate this power of delegation, nor the function of considering representations concerning a proposed decision against which there is a right of appeal, any obligation to submit a report to the Department, nor to determine the Chief Executive's minimum term of office.

The GCRA maintains a three year strategic plan, and annual budget which incorporates an annual business plan detailing a number of annual objectives plus annual budgets. These are finalised in the last quarter of each year and may incorporate, amongst other things, any strategic issues raised by the Board at its annual away day, and comments received during public consultation and through consultation with the Department. This is considered by the Board prior to the start of the financial year.

The Board monitors the performance of the GCRA against the annual objectives and budget through reports at its regular Board meetings.

The Chairman makes recommendations to the Department in respect of fees paid to Board members.

Committees of the Board

Paragraph 5 of Schedule 1 to the Ordinance enables the GCRA to establish committees.

During 2013, the Board had established one committee, an Audit and Risk Committee. The members of this committee comprise the Non-Executive Directors and are appointed by the Board.

GUERNSEY COMPETITION AND REGULATORY AUTHORITY CORPORATE GOVERNANCE GUIDELINES (CONTINUED)

The key duties of the Audit and Risk Committee are:-

- To review annually the GCRA's application of corporate governance best practice;
- To review the mechanisms for ensuring the effectiveness of the GCRA's internal controls;
- To review and agree the internal auditor's annual work plan, monitor and review the effectiveness of any internal audit work carried out and review all reports from the internal auditors, monitoring the Executive's responsiveness to the findings and recommendations.
- To meet the internal auditors at least once a year, without the presence of the Executive.
- To consider certain matters relating to the external audit of the GCRA's annual financial statements (including reviewing those financial statements prior to their consideration by the Board).

The members of the Audit and Risk Committee at the balance sheet date of 31 December 2013 were Peter Neville (Chairman), Regina Finn, Philip Marsden and Mark Boleat. The Executive is expected to attend the meetings of the Audit and Risk Committee in an advisory capacity.

Openness, Integrity and Accountability

The GCRA abides by the principles of openness, integrity and accountability – and those standards which are widely recognised as being applicable to public service, and to the conduct of all involved in public life. In the discharge of its duties, the GCRA will ensure:

- That subject to the appropriate level of confidentiality, it maintains an openness in its public affairs, in order that the public can have confidence in the decision-making processes and actions of public service bodies, in the management of the GCRA's activities, and in the Board Members and staff of the GCRA itself;
- That it maintains at all times an appropriate degree of integrity in the conduct of its affairs. Integrity comprises both straightforward dealing and completeness. The GCRA bases its integrity upon honesty, selflessness and objectivity, and high standards of propriety and probity in the stewardship of its funds and management of its affairs;
- That it is fully accountable in the application of the public funds and that these are properly safeguarded, and are used economically, efficiently and effectively.

The three fundamental principles, defined above in terms of public sector bodies, have been refined to include the findings and recommendations of the Nolan Committee on Standards in Public Life. The GCRA will make its best efforts to abide by Nolan's seven general principles that underpin public life, namely: selflessness, integrity, objectivity, accountability, openness, honesty, and leadership.

Audit and Accounts

While the GCRA is an independent body, it is accountable for its overall performance to the States of Guernsey through the Department.

Section 13(3) of the Ordinance requires that the GCRA shall keep proper accounts and proper records in relation to those accounts and prepare in respect of each year, and submit to the Department, a statement of account giving a true and fair view of the state of affairs of the GCRA. These accounts shall be audited annually by auditors appointed by the States on the recommendation of the Public Accounts Committee and submitted, together with the auditors' report to the Department.

The Department will in turn submit the accounts to the States in the form of an Annual Report which also details the work that the GCRA has undertaken during the relevant year.

General Conditions regarding States Grant Funding

The GCRA complies with the general conditions set out by the Commerce and Employment department which apply to external bodies in receipt of grant funding.



FINANCIAL STATEMENTS 2013

Consistent with prior years, the Jersey Competition Regulatory Authority (JCRA) made an accounting surplus of £1 in 2013, effectively breaking even. The JCRA accounts for income only in order to meet its actual costs during the year. It must also ensure that it receives enough income during the year in each of the three areas that it covers – competition law administration and enforcement, and the regulation of the telecoms and postal sectors – to fund them separately, given that cross-subsidisation is not permitted. A working balance is maintained at all times but, for the purpose of the financial statements, deferred income adjustments are made to match income with costs.

Overall costs in 2013 increased by £149k to £1,204k compared with 2012, principally as a result of costs incurred as the result of an appeal against a telecoms decision.

Expenditure continues to be closely controlled by the JCRA maintaining strict internal guidelines with regard to purchasing and tendering procedures which, combined with appropriate corporate governance in line with best practice, helps to ensure that it is run as an effective and efficient organisation. An audit of policies and procedures is undertaken each year, by independent internal auditors, to ensure that high standards are maintained and that appropriate processes and procedures are in place.

In line with the service level agreement between the JCRA and the Economic Development Department (EDD), grant funding for work under the Competition (Jersey) Law 2005 continued to be received quarterly in advance. During 2013, a total of £300k was received. There was deferred grant income carried forward at the year end of £133k (2012: £94k) of which £132k related to competition law funding and £1k related to port incorporation funding (2012: all related to competition law funding).

Income of £68k (2012: £63k) was received in the form of mergers and acquisitions fees. There was £2k (2012: £12k) of deferred income relating to applications for approval of mergers and acquisitions that were on-going at the year end.

At the year end telecoms licence fees exceeded costs by £28k (2012: £147k), this balance was therefore accounted for as deferred telecommunications licence fee income. Based on budgeted costs, the Class III and Class II licence fees for 2013 were originally set at 0.5% of regulated turnover. This percentage was based on receiving income from spectrum licensing. Delays to the licensing of spectrum coupled with the cost of defending an appeal against a telecoms decision resulted in additional licence fees amounting to £375k being required effectively raising the percentage to 0.95% for the year.

During 2013, £96k of postal licence fees were received (2012: £250k). At the year end there was deferred postal licence fee income of £61k (2012: £154k). Lower licence fees were charged during 2013, reflecting the impact of the JCRA's mid 2012 policy decision to roll back regulation where it is appropriate to do so.

JERSEY COMPETITION REGULATORY AUTHORITY

(Incorporated in Jersey, Channel Islands)

NON EXECUTIVE MEMBERS

Mark Boleat	Chairman
Philip Marsden	
Regina Finn	appointed 1 June 2013
Richard Povey	term ended 8 May 2013
Peter Neville	resigned effective 23 February 2014

EXECUTIVE MEMBERS

Andrew Riseley	Chief Executive	resigned effective 5 June 2014
Michael Byrne	Deputy Chief Executive	
Louise Read	Director of Finance and Operations	

SECRETARY

Louise Read

INDEPENDENT AUDITORS

BDO Limited
P O Box 180
Place Du Pre
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Guernsey
GY1 3LL

BANKERS

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Jersey International Banking Centre
PO Box 8
St Helier
Jersey
JE4 8NE

REGISTERED OFFICE

2nd Floor Salisbury House
1-9 Union Street
St Helier
Jersey
JE2 3RF

**JERSEY COMPETITION REGULATORY AUTHORITY
MEMBERS' REPORT**

The Members of the Jersey Competition Regulatory Authority (JCRA) present their report and financial statements for the year ended 31 December 2013.

ACTIVITIES

The principal activities of the JCRA during the year were the regulation of the telecommunications and postal sectors and the administration and enforcement of the Competition (Jersey) Law 2005.

RESULTS

There was a surplus for the year of £1 (2012: surplus £1).

MEMBERS

The Members in office during the year and when these financial statements were approved are shown on page 27.

INDEPENDENT AUDITORS

The auditors, BDO Limited, who were appointed in accordance with Article 17 of the Competition Regulatory Authority (Jersey) Law 2001, have indicated their willingness to continue in office.

By order of the Members

Louise Read
Secretary

**JERSEY COMPETITION REGULATORY AUTHORITY
STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL
STATEMENTS**

The Competition Regulatory Authority (Jersey) Law 2001 (the “Law”) requires Members to prepare financial statements in accordance with generally accepted accounting principles which show a true and fair view of the surplus or deficit of the JCRA for the year and of the state of the JCRA’s affairs at the end of the year.

In preparing financial statements the Members are required to:

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

The Members are responsible for keeping accounting records which are sufficient to show and explain the JCRA’s transactions and are such as to disclose with reasonable accuracy, at any time, the financial position of the JCRA at that time and to enable them to ensure that the financial statements comply with the Competition Regulatory Authority (Jersey) Law 2001. They are also responsible for safeguarding the assets of the JCRA and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Members confirm that these financial statements comply with these requirements.

The Law also requires the JCRA’s financial statements to be audited annually by auditors appointed by the Minister for Treasury and Resources and the financial statements to be submitted, together with the auditor’s report to the Economic Development Department. The Economic Development Department, in turn, must submit the financial statements and auditor’s report thereon to the States of Jersey.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JERSEY COMPETITION REGULATORY AUTHORITY

We have audited the financial statements of the Jersey Competition Regulatory Authority for the year ended 31 December 2013 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 9. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards ('United Kingdom Generally Accepted Accounting Practice').

This report is made solely to the Authority's members, as a body, in accordance with Article 17 of the Competition Regulatory Authority (Jersey) Law 2001. Our audit work is undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the members and auditor

As explained more fully in the Statement of Members' Responsibilities on page 29, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the members; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Authority's affairs as at 31 December 2013 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Competition Regulatory Authority (Jersey) Law 2001.

BDO Limited
Chartered Accountants
Place du Pré
Rue du Pré
St Peter Port
Guernsey

14 March 2014

**JERSEY COMPETITION REGULATORY AUTHORITY
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	<i>Note</i>	<i>2013</i> £	<i>2012</i> £
INCOME			
Telecommunications licence fees		825,673	607,080
Postal licence fees		34,914	104,408
Ports of Jersey incorporation grant		11,589	0
Competition law grant		263,059	279,424
Mergers and acquisitions fees		68,000	63,333
Bank interest		985	727
Sundry income		0	10
		<u>1,204,220</u>	<u>1,054,982</u>
EXPENDITURE			
Salaries and staff costs		636,277	679,111
Consultancy fees		98,837	143,601
Operating lease rentals		55,377	64,953
Travel and entertainment		15,632	18,867
Conference and course fees		9,897	18,019
Depreciation		7,970	7,453
Administration expenses		15,448	18,626
Legal and professional fees		246,325	8,457
Audit and accountancy fee		9,004	12,000
Advertising and publicity		14,979	17,604
Repairs and maintenance		20,575	20,930
Heat, light and water		3,556	3,017
Recruitment		40,140	18,944
General expenses		30,202	23,399
		<u>1,204,219</u>	<u>1,054,981</u>
SURPLUS FOR THE YEAR	5	<u>1</u>	<u>1</u>

Recognised gains and losses

There are no recognised gains and losses other than the surplus of the JCRA of £1 in the years ended 31 December 2013 and 31 December 2012.

Historical cost equivalent

There is no difference between the net surplus for the year stated above and its historical cost equivalent.

Continuing Operations

All the items dealt with in arriving at the surplus in the income and expenditure account relate to continuing operations.

The notes form an integral part of these financial statements.

JERSEY COMPETITION REGULATORY AUTHORITY
BALANCE SHEET
AS AT 31 DECEMBER 2013

	<i>Notes</i>	<i>2013</i> £	<i>2012</i> £
FIXED ASSETS			
Tangible assets	2	19,525	22,285
CURRENT ASSETS			
Debtors and prepayments	3	345,192	153,401
Cash at bank		104,478	466,525
		449,670	619,926
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	4	343,743	516,760
NET CURRENT ASSETS		105,927	103,166
TOTAL ASSETS LESS CURRENT LIABILITIES		125,452	125,451
RETAINED SURPLUS	5	125,452	125,451

The financial statements on pages 31 to 38 were approved by the members and signed on their behalf by:

Mark Boleat
Chairman

The notes form an integral part of these financial statements.

JERSEY COMPETITION REGULATORY AUTHORITY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	<i>Note</i>	<i>2013</i> £	<i>2012</i> £
Net Cash (Outflow) / Inflow from Operating Activities	6	(357,822)	234,225
Returns on Investment and Servicing of Finance			
Interest received		985	727
Capital Expenditure and Financial Investment			
Payments to acquire tangible fixed assets		(5,210)	(1,604)
Management of Liquid Resources			
One month fixed term deposit account		300,000	(300,000)
		<u> </u>	<u> </u>
Decrease in Cash		<u>(62,047)</u>	<u>(66,652)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	<i>2013</i> £	<i>2012</i> £
Decrease in cash in year	(62,047)	(66,652)
(Decrease) / Increase in liquid resources	<u>(300,000)</u>	<u>300,000</u>
Change in net funds	(362,047)	233,348
Net funds at 1 January	<u>466,525</u>	<u>233,177</u>
Net funds at 31 December	<u>104,478</u>	<u>466,525</u>

ANALYSIS OF NET FUNDS

	<i>1 Jan 2013</i> £	<i>Cash flows</i> £	<i>31 Dec 2013</i> £
Cash at bank	166,525	(62,047)	104,478
Fixed term deposit account	300,000	(300,000)	-
Total	<u>466,525</u>	<u>(362,047)</u>	<u>104,478</u>

The notes form an integral part of these financial statements.

**JERSEY COMPETITION REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

1. ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention and in accordance with accounting principles generally accepted in Jersey, incorporating United Kingdom accounting standards.

A summary of the more important accounting policies that the members have applied is set out below

d) Interest receivable

Interest on bank deposits is accrued on a daily basis.

e) Fixed assets

Fixed assets are stated at cost less depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write down their cost on a straight line basis to their estimated residual values over their expected useful economic lives. The depreciation rates used are as follows:

Leasehold improvements	– shorter of remaining length of lease or expected useful life
Computer equipment	– 33% per annum
Website	– 33% per annum
Fixtures and fittings	– 10% per annum
Other equipment	– 20% per annum

f) Leasing commitments

All leases entered into by the JCRA are operating leases. Rentals payable under operating leases are charged in the income and expenditure account on a straight line basis over the lease term.

g) Pensions

The JCRA provides a defined contribution pension scheme. Contributions are charged in the income and expenditure account as they become payable in accordance with the rules of the scheme.

h) Grants

Grants received from the Economic Development Minister are accounted for in the period to which they relate. Any unused funds at the financial year end are either deferred or repaid to the Minister. Deferred grant income as at 31 December 2013 amounted to £132,689 (2012: £94,335) of which £131,278 related to competition law funding and £1,411 related to port incorporation funding (2012: all related to competition law funding).

i) Telecoms licence fees

Licence fees are set on the basis of cost recovery under Article 17 of the Telecommunications (Jersey) Law 2002. The JCRA's costs are determined on an annual basis and these are recovered by applying a percentage to the licensed revenues of the various licensed telecoms operators on the basis of relevant turnover, or if appropriate an annual fee. The percentage for 2013 was 0.95% (2012: 0.75%).

Fee income is recognised in the period to which it relates. Should fee income exceed costs, the balance is treated as deferred income. Deferred licence fee income as at 31 December 2013 amounted to £28,125 (2012: £146,603).

JERSEY COMPETITION REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

9. ACCOUNTING POLICIES – CONTINUED

j) Postal licence fees

Licence fees are set on the basis of cost recovery under Article 18 of the Postal Services (Jersey) Law 2004. The JCRA's costs are determined on an annual basis and these are recovered by applying a percentage to the licensed revenues of the various licensed postal operators on the basis of relevant pro-rata turnover, or if appropriate an annual fee.

The fees for 2013 were set at £90,873 (2012: £250,000) for Jersey Post Limited equating to 0.4% of licensable revenue and £1,000 (2012: £1,000) for Class I Operators.

Fee income is recognised in the period to which it relates. Should fee income exceed costs, the balance is treated as deferred income. Deferred licence fee income as at 31 December 2013 amounted to £60,959 (2012: £153,754).

k) Taxation

Article 16 of the Competition Regulatory Authority (Jersey) Law 2001 provides that the income of the JCRA shall not be liable to income tax under the Income Tax (Jersey) Law 1961.

l) Expenditure

Expenditure is accounted for on an accruals basis.

2. TANGIBLE FIXED ASSETS

	<i>Leasehold improvements</i> £	<i>Computer equipment</i> £	<i>Website</i> £	<i>Fixtures and fittings</i> £	<i>Other equipment</i> £	<i>Total</i> £
Cost						
At 1 January 2013	35,944	67,629	4,125	21,723	3,936	133,357
Additions	-	5,106	-	104	-	5,210
Disposals	-	(6,163)	-	-	-	(6,163)
At 31 December 2013	<u>35,944</u>	<u>66,572</u>	<u>4,125</u>	<u>21,827</u>	<u>3,936</u>	<u>132,404</u>
Depreciation						
At 1 January 2013	21,030	67,144	1,815	17,311	3,772	111,072
Charge in the year	4,249	1,217	1,361	1,085	58	7,970
Disposals	-	(6,163)	-	-	-	(6,163)
At 31 December 2013	<u>25,279</u>	<u>62,198</u>	<u>3,176</u>	<u>18,396</u>	<u>3,830</u>	<u>112,879</u>
Net book value:						
At 31 December 2013	<u>10,665</u>	<u>4,374</u>	<u>949</u>	<u>3,431</u>	<u>106</u>	<u>19,525</u>
At 31 December 2012	<u>14,914</u>	<u>485</u>	<u>2,310</u>	<u>4,412</u>	<u>164</u>	<u>22,285</u>

JERSEY COMPETITION REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

3. DEBTORS AND PREPAYMENTS

	<i>2013</i>	<i>2012</i>
	£	£
Prepayments	37,167	40,913
Trade debtors	303,680	111,332
Sundry debtors	4,345	1,156
	<u>345,192</u>	<u>153,401</u>

4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<i>2013</i>	<i>2012</i>
	£	£
Accruals	67,685	23,190
Deferred grant income	132,689	94,335
Deferred licence fee income	92,417	300,357
Other deferred income	1,667	11,667
Trade creditors	43,002	77,080
Social security	6,283	10,131
	<u>343,743</u>	<u>516,760</u>

5. MOVEMENT ON RETAINED SURPLUS

	<i>2013</i>	<i>2012</i>
	£	£
Income and Expenditure Account		
At 1 January	125,451	125,450
Surplus for the year	1	1
	<u>125,452</u>	<u>125,451</u>

6. NOTE TO THE CASH FLOW STATEMENT

Reconciliation of surplus for the year to net cash (outflow) / inflow from operating activities:

	<i>2013</i>	<i>2012</i>
	£	£
Operating surplus	1	1
Depreciation	7,970	7,453
Interest	(985)	(727)
(Increase) / decrease in debtors	(191,791)	81,549
(Decrease) / increase in creditors	(173,017)	145,949
NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES	<u>(357,822)</u>	<u>234,225</u>

**JERSEY COMPETITION REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

7. RELATED PARTIES

a) Transacting parties

The transacting parties are the Economic Development Minister and the Jersey Competition Regulatory Authority (JCRA).

Relationship

The JCRA acts independently of the States, but is accountable to the Economic Development Minister in respect of its funding for the administration and enforcement of the Competition (Jersey) Law 2005 which is also covered by a Service Level Agreement. The Minister acts as a conduit for requests from other Ministers who may request the JCRA to carry out projects. The JCRA reports formally to the Minister on an annual basis.

Transactions

In 2013, the Economic Development Minister provided funds to the JCRA to finance the administration and enforcement of the Competition (Jersey) Law 2005 and also to advise on the possible future regulation of the Ports of Jersey.

Amounts involved

- £94,335 brought forward as deferred grant income, as agreed from 2012
- £300,000 received during the year under the provisions of the Competition Regulatory Authority (Jersey) Law 2001
- £13,000 received during the year to provide advice on the possible future regulation of the Ports of Jersey.

Amounts due to the Economic Development Department at the balance sheet date

	<i>2013</i>	<i>2012</i>
	£	£
Deferred grant income (included in creditors)	132,689	94,335
	<u> </u>	<u> </u>

b) Transacting parties

The transacting parties are the Jersey Competition Regulatory Authority (JCRA) and the Guernsey Competition and Regulatory Authority (GCRA).

Relationship

The JCRA and the GCRA work together under the aegis of the Channel Islands Competition and Regulatory Authorities (CICRA) sharing a board, resources and expertise between the islands, whilst retaining their own separate legal identities.

Transactions

The JCRA and GCRA share resources and expertise and recharge each other for expenses (including staff costs) on a no gain no loss basis.

Amounts involved

- £37,998 invoiced during 2013 by the GCRA to the JCRA
- £52,557 invoiced during 2013 by the JCRA to the GCRA

Amounts due to and from the Guernsey Competition and Regulatory Authority at the balance sheet date

	<i>2013</i>	<i>2012</i>
	£	£
Amounts due to the JCRA from the GCRA	8,435	11,788
	<u> </u>	<u> </u>
Amounts due by the JCRA to the GCRA	825	41,741
	<u> </u>	<u> </u>

JERSEY COMPETITION REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

8. FINANCIAL COMMITMENTS

At 31 December 2013 the JCRA had annual commitments under non-cancellable operating leases as set out below:

	<i>Buildings</i>	
	<i>2013</i>	<i>2012</i>
	£	£
Operating leases which expire:		
Not later than one year	-	-
In more than one year but less than five years	53,886	53,886
Later than five years	-	-
	<u>53,886</u>	<u>53,886</u>

9. PENSION COMMITMENTS

The JCRA provides a defined contribution pension scheme (the Public Employees Contributory Retirement Scheme) for its employees. The assets of the scheme are held separately from those of the JCRA in an independently administered fund. Contributions of £62,793 (2012: £62,268) were charged in the year. There were no unpaid contributions at the year end.

JERSEY COMPETITION REGULATORY AUTHORITY CORPORATE GOVERNANCE GUIDELINES

The JCRA and the Economic Development Minister (the Minister)

The JCRA is an autonomous body and entirely independent in its decision taking from the States of Jersey. But under powers in Article 10(1) of the Competition Regulatory Authority (Jersey) Law 2001, the Minister, “may give to the Authority written guidance, or general written directions, on matters relating to corporate governance, that is relating to the systems and arrangements by and under which the Authority is directed and controlled”. The following are the Corporate Governance Guidelines as agreed between the Minister and the JCRA.

What is Corporate Governance?

“Corporate Governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance.” – OECD April 1999

Constitution of the JCRA

The JCRA is a statutory body corporate established under Article 2 of the CRA Law. The governing body is a Board of Members which directs regulatory, licensing, financial, operational and strategic policies of the JCRA.

Functions of the JCRA

The functions of the JCRA are set out in Article 6 of the CRA Law which states:-

- a) The JCRA shall have such functions as are conferred on it by or under this or any other Law or any other enactment.
- b) The JCRA may recognise or establish, or assist or encourage the establishment of, bodies that have expertise in, or represent persons having interests in, any matter concerning competition, monopolies, utilities or any matter connected with the provision of goods and services to which the JCRA’s functions relate.
- c) The functions of those bodies shall include one or more of the following –
 - i. the provision to the JCRA of advice, information and proposals in relation to any one or more of those matters;
 - ii. the representation of the views of any one or more of those persons.
- d) The JCRA may, on request by the Minister, provide the Minister with reports, advice, assistance and information in relation to any matter referred to in paragraph (b).
- e) The JCRA shall have power to do anything that is calculated to facilitate, or is incidental or conducive to, the performance of any of its functions.

Constitution of the Board

Article 3 of the CRA Law requires the Board to consist of a Chairman and at least two other members.

The appointment of Board Members is undertaken by the Minister. Vacancies which arise on the Board are filled through the use of an open and transparent process. The Minister follows the procedures recommended by the Jersey Appointments Commission – a body set up by the States of Jersey to overview certain public sector appointments. A vacancy is usually advertised and once a suitable candidate is identified, a recommendation is made to the Minister.

Under the provisions of the CRA Law, the appointment of the Chairman is a matter reserved for decision by the States of Jersey on the recommendation of the Minister. The other Board Members are appointed by the Minister after it has consulted with the Chairman. The Minister must notify the States of the appointments.

JERSEY COMPETITION REGULATORY AUTHORITY CORPORATE GOVERNANCE GUIDELINES (CONTINUED)

On appointment, a Member will receive an induction to the work of the Board and the JCRA. This includes an opportunity to meet all members of staff.

Under the provisions of the CRA Law, Members are appointed for terms not exceeding five years and upon expiry of such period are eligible for reappointment.

Operations of the Board

The Board sets strategic policy and the implementation of these policies is undertaken by the Executive.

The Board has eight scheduled meetings each year and holds additional meetings when circumstances require it. In advance of each meeting, Members are provided with comprehensive briefing papers on the items under consideration. The Board is supported by the Board Secretary who attends and minutes all meetings of the Board.

The quorate number of Members to hold a Board meeting is three, two of whom must be Non-Executives, with one acting as Chair.

Article 9 of the CRA Law empowers the Board to delegate any of its powers to the Chairman, one or more Members, or an officer or employee of the JCRA or a committee whose member or members are drawn only from the Members, officers and employees of the JCRA. However, the Board is not authorised to delegate the power of delegation or the function of reviewing any of its decisions.

The Board maintains a strategic plan and annual budget which is prepared in the last quarter of each year and incorporates, amongst other things, any strategic issues raised by the Board at its annual away day, and comments received during public consultation. This is considered by the Board prior to the start of the financial year.

The Board monitors the performance of the JCRA against the strategic plan and annual budget through reports at its regular Board meetings. Performance against budget is monitored by the presentation of quarterly management accounts to the Board and ad-hoc financial presentations as and when appropriate.

The JCRA has agreed a policy on travel with the Economic Development Department.

The Chief Executive makes recommendations to the Minister in respect of fees paid to the Non- Executive Board members.

Committees of the Board

Article 7(1) of the CRA Law enables the JCRA to establish committees.

During 2013 the Board had established one committee; an Audit and Risk Committee. The members of this committee comprise the Non-Executive Directors and are appointed by the Board.

The key duties of the Audit and Risk Committee are:-

- To review annually the JCRA's application of corporate governance best practice;
- To review the mechanisms for ensuring the effectiveness of the JCRA's internal controls;
- To review and agree the internal auditor's annual work plan, monitor and review the effectiveness of any internal audit work carried out and review all reports from the internal auditors, monitoring the Executive's responsiveness to the findings and recommendations.
- To meet with the internal auditors at least once a year, without the presence of the Executive.
- To consider certain matters relating to the external audit of the JCRA's annual financial statements (including reviewing those financial statements prior to their consideration by the Board).

JERSEY COMPETITION REGULATORY AUTHORITY CORPORATE GOVERNANCE GUIDELINES (CONTINUED)

Whilst the Audit and Risk Committee's Charter includes the consideration of the annual appointment of the external auditor, the actual appointment of the auditor is a matter reserved to the Treasury and Resources Minister under Article 17 of the CRA Law.

The members of the Audit and Risk Committee at the balance sheet date of 31 December 2013 were Peter Neville (Chairman), Regina Finn, Philip Marsden and Mark Boleat. The Executive is expected to attend the meetings of the Audit and Risk Committee in an advisory capacity.

Openness, Integrity and Accountability

The JCRA abides by the principles of openness, integrity and accountability – and those standards which are widely recognised as being applicable to public service, and to the conduct of all involved in public life. In the discharge of its duties, the JCRA will ensure:

- That subject to the appropriate level of confidentiality, it maintains an openness in its public affairs, in order that the public can have confidence in the decision-making processes and actions of public service bodies, in the management of the JCRA's activities, and in the Board Members and staff of the JCRA itself;
- That it maintains at all times an appropriate degree of integrity in the conduct of its affairs. Integrity comprises both straightforward dealing and completeness. The JCRA bases its integrity upon honesty, selflessness and objectivity, and high standards of propriety and probity in the stewardship of its funds and management of its affairs;
- That it is fully accountable in the application of the public funds and that these are properly safeguarded, and are used economically, efficiently and effectively.

The three fundamental principles, defined above in terms of public sector bodies, have been refined to include the findings and recommendations of the Nolan Committee on Standards in Public Life. The JCRA will make its best efforts to abide by Nolan's seven general principles that underpin public life, namely: selflessness, integrity, objectivity, accountability, openness, honesty, and leadership.

Audit and Accounts

While the JCRA is an independent body, it is accountable for its overall performance to the States of Jersey through the Minister.

Article 17 of the CRA Law requires that the JCRA shall keep proper accounts and proper records in relation to the accounts and prepares a report and financial statements in respect of each financial year and provide these to the Minister no later than four months after the year end. The Minister must lay a copy of the financial statements provided before the States as soon as practicable after he receives the report.

It is also a requirement of the CRA Law that the financial statements are audited by auditors appointed by the Treasury and Resources Minister and that they are prepared in accordance with generally accepted accounting principles.

Other Matters

Under powers granted by Article 10 of the CRA Law, the Minister may, after first consulting with the JCRA and where it considers that it is necessary in the public interest to do so, give the JCRA written guidance, or general written directions, on matters relating to corporate governance which may include matters relating to accountability, efficiency and economy of operation of the JCRA.



PLANNING APPEALS PANEL

Planning Appeals Panel
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The Chief Minister
Policy Council
Sir Charles Frossard House
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21st May 2014

Dear Deputy Le Tocq

Planning Panel - Annual Report for 2013

It is with much pleasure that I enclose the Planning Panel's Annual Report for 2013.

In preparing this Annual Report, I have endeavoured to provide an overview of the Panel's work during 2013.

In my introduction, I have referred to the Panel's continuing endeavours to develop good working relationships whilst maintaining its independence and professional integrity. Whilst the number of appeal cases lodged in 2013 was significantly lower than in previous years, the Panel received several cases which raise complex legal and policy issues.

The Panel's membership remained constant in 2013 but I am mindful that in past years the Panel has had a small pool of reserve members to fill vacancies that have arisen and I am currently in discussion with the other Panel members regarding an approach to the Policy Council to ask whether it would consider advertising for new reserve members to ensure the continuity and progression of the panel's membership.

Should you see fit I would be happy for the Annual Report to be published as an Appendix to a forthcoming Billet d'État.

Yours sincerely

Patrick Russell LI.B (Hons.)
Chairman

Enc.

Annual Report

2013

Fourth Annual Report of the Guernsey Planning Panel

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Chairman's Introduction

It is my pleasure to present the Planning Panel's fourth Annual Report.

During 2013 the number of appeal cases lodged with the Panel dropped significantly in comparison to previous years. Whilst there was no immediate reason for this reduction in appeals it would appear to be a reflection of a lower number of planning applications lodged with the Environment Department. However, as set out in this Report, the fall in the number of individual cases was not wholly reflected in a decrease in the Panel's workload. Whilst fewer appeals were received, a number of them were larger commercial cases which raised several complex and novel issues for Tribunals to consider. Most notably was an appeal against a Completion Notice issued by the Environment Department under section 19 (1) of the Land Planning and Development (Guernsey) Law, 2005. This was the first time a Completion Notice had been issued and the owner of the property chose to lodge an appeal against the Notice.

During 2013, the Panel continued to develop and refine its procedures and practices. In late 2012, the Panel had started to introduce agenda to help structure Tribunal Hearings and the use of agenda continued during 2013. They are now an established part of how the Panel manages Hearings. The Panel has received favourable feedback from both appellants and the Environment Department regarding its agenda-led procedure and the approach remains sufficiently flexible to allow either party to raise matters not included on the agenda but which they consider important and relevant.

In 2013, the Policy Council undertook a detailed review of the Panel's work. Having considered this review I have written to the Policy Council indicating that I do not oppose the proposed changes. This review sets out a number of areas where amendments to the appeal provisions under the Land Planning and Development (Guernsey) Law, 2005 may assist the Panel to determine appeals in a more timely and cost effective manner without any negative impact on the fairness or transparency of the appeal process. I understand that the Policy Council is considering our review recommendations and will be presenting its own recommendations to the States of Deliberation during 2014.

The Panel's membership has remained constant throughout the year. It is again my pleasure to record my thanks to my fellow colleagues on the Panel for their hard work, skill and dedication. The complexity and novelty of some cases heard during this year have required our professional members in particular to demonstrate their depth of knowledge which has been to the benefit of all of us. A clear advantage to the Panel during its four years of operation has been the availability of reserve members to fill vacancies that have arisen and during this next year I will invite the Policy Council to consider proposing to the States an additional number of such members to ensure continuity and progression of the Panel's membership. The Secretary to the Panel, Miss Elizabeth Dene has again continued to provide invaluable administrative support throughout this period and we are most grateful to her for this assistance.

Patrick Russell
Chairman
May 2014

1. **Background**

The Planning Panel was established in April 2009, under the Land Planning and Development (Guernsey) Law, 2005 (2005 Law) to determine appeals against planning decisions made by the Environment Department¹.

The Panel is an independent appeal body, with its own secretariat and administration. The Panel members are appointed by the States of Guernsey. To ensure the independence of the Panel, the following groups of people cannot serve on the Panel:

- (a) A Member of the States of Deliberation
- (b) An employee, member or anybody carrying out work or providing services for the Environment Department
- (c) A member of the Strategic Land Planning Group
- (d) Anybody holding judicial office in Guernsey
- (e) Anybody who has held any of the above posts within the preceding two years.²

2. **Planning Panel Membership**

The Panel's membership remained unchanged during 2013. The full membership of the Panel at the end of 2013 is set out at Appendix 1.

3. **Panel Staff**

During 2013 there were no staff changes and Miss Dene continues to act as the Panel's Secretary on a half-time basis.

4. **Operating Costs**

The Panel's expenditure in 2013 is set out in Table 1. The payments to the Panel members was nearly £25,000 less than in 2012. This reflects a significant decrease in the number of appeal cases received by the panel. The Panel's caseload dropped by nearly fifty percent but half of the cases related to commercial premises and a number of these required the members to spend substantial more time preparing the case and drafting the decision notice than the general norms. Further, in the first quarter of 2013, the Panel also dealt with six appeals lodged in late 2012.

The Panel has observed that most appellants continue to request a public hearing before a Tribunal. It is mindful that this is administratively the most costly mode of appeal to the Guernsey tax payer and that its own endeavours to encourage appellants to consider agreeing that an appeal be determined on the basis of written representations or by a single professional member have only had limited success. However, it must always remain the appellant's right, within the framework of the legislation, to choose such mode of appeal as they consider appropriate.

¹ See section 86 of the Land Planning and Development (Guernsey) Law, 2005

² See section 4 of the Land Planning and Development (Appeals) Ordinance, 2007

During 2013, a [Policy Council review](#) raised this matter with the Policy Council and offered some suggestions about how the 2005 Law may be amended to enable the Panel to direct greater use of alternative modes of appeal in appropriate cases. The Panel understands that its suggestions are being actively considered by the Policy Council.

Table 1 Panel's Expenditure and Income	2009	2010	2011	2012	2013
Recruitment and training	£26,410	£0	£8,352	£8,000	£4,355
General administration and stationery	£960	£1,410	£1,038	£685	£254
Payments to Panel Members	£16,700	£48,070	£50,867	£79,076	£55,558
Travel and accommodation costs	£210	£1,870	£1,618	£4,749 ³	£5,480
Operational costs	£870	£4,050	£3,503	£4,259	£3,339
Staff salaries	£12,550	£31,150	£32,232	£33,355	£39,654
Total Expenditure	£57,700	£86,550	£97,610	£132,124	£110,653
Income from Fees	--	--	£965 ⁴	£7,969	£13,422

5. Appeal Fees

In 2013, the Panel's income for appeal fees increased by some forty percent. The reason for this significant increase is that four appeals related to the refusal of planning permission where the planning application fee exceeded £1,000 and in one case the appeal fee was over £4,000, i.e. these four cases generated just over £10,000 of the appeal fee income.

The Panel did not deal with any appellants who indicated a wish to appeal a planning decision but were unable to do so because of financial hardship. Should such an enquiry be received the Panel would advise the person that the fee may be waived where the Panel's Chairman is satisfied that payment of the appeal fee will cause the appellant financial hardship.

6. Casework

In 2013 (2012), the Panel received 22 (44) appeals. Tables 2 and 3 provide a breakdown of the categories of appeals made and their disposal. In 2013 (2012), the Environment Department refused 9 (8) percent of applications for planning permission and 14 (20) percent of the refusals resulted in the applicant appealing the decision.

At the end of 2013, five appeals remained unheard and the Panel anticipates that these cases will be heard in the first quarter of 2014. The Panel aims to determine appeals within twelve to sixteen weeks of the appeal being lodged, subject to the availability of the parties and any witnesses.

In 2013, the Panel noted that the number of appeals relating to commercial sites was the same as those relating to householder planning applications (see Table 3).

³ The increase in costs reflects the additional travel and hotel accommodation following the appointment of two UK-based Professional Members

⁴ Appeals fees became payable with effect from 1 September 2011 (see Section 5 for further detail)

Breakdown of Appeal Cases by Outcome	Outcome																			
	Number of Appeals				Allowed (i.e. where the Tribunal found in favour of the appellant)								Dismissed (i.e. where the Tribunal upheld the Department's decision)				Withdrawn by Appellant			
	2013	2012	2011		2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013
Refusal of planning permission	17	30	29		1	10	8	10	14	15	--	3	5	--	1		1	1	1	--
Refusal of outline planning permission	1	--	2		1	--	1	--	--	1	--	--	--	--	--	--	--	--	--	--
Planning conditions	2	4	3		2	2	2	--	1	1	--	--	--	--	--	--	--	--	1	--
Non-determination	--	1	--		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Compliance Notice	1	9	8		--	2	1	--	1	3	1	--	--	--	3	3	--	--	1	--
Completion Notice	1	--	--		--	--	--	1	--	--	--	--	--	--	--	--	--	--	--	--
Confirmation of a TPO	--	--	1		--	--	1	--	--	--	--	--	--	--	--	--	--	--	--	--
TOTAL	22	44	43		4	14	13	11	16	20	1	3	5	--	4	4	1	1	2	1

Table 3

	Number of Appeals					
	2013		2012		2011	
	Householder	Commercial	Householder	Commercial	Householder	Commercial
Refusal of planning permission	7	9	19	13	23	8
Refusal of outline planning permission	1	--	--	--	--	
Planning conditions	1	1	--	3	3	--
Non-determination	--	--	--	1	--	--
Compliance Notices	1	1	1	7	6	2
Completion Notices	1	--	--	--	--	--
Confirmation of a TPO	--	--	--	--	--	1
TOTAL	11	11	20	24	32	11

7. Case Appraisal

During 2012, the Panel continued to publish quarterly synopses of planning appeal decisions (see Appendix 1). This document sets out brief details of the case, the issues identified at appeal, the planning policies involved and the Tribunal's decision. These are available on the Panel's website (www.gov.gg/planningpanel).

Table 4 provides an overview of the principal subject matter of planning appeals. In many appeal cases more than one issue was raised and therefore the totals do not automatically equate to the number of the appeals shown in Tables 2 and 3.

Table 4**Subject matter of Appeals⁵**

		2013	2012	2011	2010
Change of Use	Horticultural to industrial	3	--	2	1
	Horticultural to residential	--	1	1	1
	Horticultural to recreational	--	1	1	4
	Industrial to retail	1	2	1	--
	Tourist accommodation to residential	1	2	--	--
Creation of parking	Private/domestic	3	5	4	8
	Commercial	--	2	1	--
Fencing and gates	Type	--	3	3	3
	Height	--	3	--	--
New housing developments		3	2	2	2
Removal or lowering of roadside walls		4	8	6	13
Construction or removal of earthbanks		2	2	--	3
Re-use of redundant buildings for other purposes		2	1	6	5
Sheds on agricultural or horticultural land		--	1	5	1
Signage		2	2	--	3

⁵ A single appeal case may have involved more than one of the subject areas listed.

In 2013 (2012), 14(24) of the appeals which proceeded to an adjudication 11 (19) related to development within the Rural Area and 3 (5) cases related to developments in the Urban Area. A full breakdown of the planning policies is set out in Appendix 2.

8. Case Administration

As noted above, there remains a strong preference for appellants to request an appeal be heard before a Planning Tribunal.

Table 5 provides a breakdown of the mode of appeal, including cases where the Panel's Chairman has, having reviewed an appeal application, decided that the case should be determined by a different mode of appeal from that indicated by the appellant, such as a request for determination by Written Representations or by a Single Professional Member, the latter also requiring the consent of the Policy Council.

Table 5 Mode of Appeal	Disposal as requested by Appellant		Actual disposal following review by Panel Chairman	
	Planning Decisions	Compliance and Completion Notices	Planning Decisions	Compliance and Completion Notices
	2012 (2011)	2012 (2011)	2012 (2011)	2012 (2011)
Public Hearing before a Planning Tribunal	13 (25)	1 (8)	14 (30)	1 (6)
Public Hearing before a Single Professional Member	1 (--)	1 (--)	1 (--)	-- (--)
Written Representations determined by a Planning Tribunal	3 (7)	2 (--)	2 (3)	-- (--)
Written Representations determined by a Single Professional Member	2 (2)	-- (--)	2 (--)	-- (--)

During 2013, a Policy Council review has recommended some suggestions for possible amendments to the appeal provisions under the 2005 Law to give the Panel's Chairman the authority to decide the most appropriate mode of appeal having regard to the preferences expressed by an appellant or the Department.

The Panel's view is that such a change should enable the Panel to manage its caseload efficiently and cost effectively without any unfairness to the appellant or the Environment Department.

In the 2012 Annual Report, the Panel noted a sharp increase in the number of appellants choosing to be represented by a professional person. In 2013, just over one fifth of appellants were represented by an Advocate and two fifths represented

themselves. This represented a drop in the percentage of legally represented appellants compared to 2012 when one third of appellants were legally represented. The proportion of appellants representing themselves remained static.

Table 6 below provides a fuller breakdown of representation.

Table 6		2013	2012	2011	2010
Breakdown of Representation⁶					
Unrepresented		9	15	16	17
Unrepresented but assisted by friend or family member		2	3	3	3
Represented	Architect	5	17	8	10
	Advocate	5	15	4	4
	Planning consultant	2	3	3	--
	Surveyor	--	--	2	--

In its 2012 Annual report, the Panel raised concerns that some potential appellants may be discouraged on cost grounds from appealing a planning decision if the trend for appellants, particularly householders, to be legally or professionally represented continued to increase. While the Panel fully accepts that the decision whether to engage a representative to act for them at an appeal hearing rests entirely with the individual, the Panel continues to ensure that its procedures and practices do not disadvantage an individual who chooses to present their own case. The Panel fully accepts that in some cases, especially those involving a commercial development, the question of professional representation raises very different issues.

9. Review of the Planning Panel

During 2013, the Policy Council has carried out a review of the planning appeal process and to identify any aspects of the appeals provisions under the Land Planning and Development (Guernsey) Law, 2005 that may merit consideration for amendment. As part of this review, the Policy Council has considered the potential advantages and disadvantages that may arise should the two recommendations from the Shepley 2008 Review of Guernsey's Planning Service (the Shepley Review) relating to planning appeals under the 2005 Law, namely:

Recommendations 17B and 17C

B I recommend that the powers to appoint a single adjudicator and to consider appeals in writing are extensively used and monitored

C I recommend that, should that process prove successful, provision should be made in due course to move to a single adjudicator system for all cases.

⁶ Numbers relate to appeals determined at a public hearing; in some cases the appellant was represented by an Advocate together with other professional parties

In its consideration of the implications regarding how planning appeals are handled should the Shepley recommendations be implemented, the review recognised that financial savings could be achieved for both itself and the Environment Department if where appropriate an appeal was determined as a written representation or by a single professional member. However, it is recognised that such savings should always be balanced against the requirement that the appeal process remains fair and transparent to ensure public confidence is maintained.

The Panel's view is that in some cases a public hearing will always be required, for example if:

- The appellant was unable to present his arguments in written form
- The facts are in dispute and the evidence requires testing by oral questioning
- Human rights considerations
- The number of third party representations is significant
- The application has raised issues of wider public concern or interest
- Allowing an appeal would require a minor departure from the Plan
- The appeal raises a novel legal question.

In its submission to the Policy Council concluded that, if the appeal provisions under the 2005 Law were amended to place the final decision regarding mode of appeal with the Panel's Chairman, it would be possible to determine appeals by the most appropriate means whilst ensuring that there was no loss of fairness or transparency. The decisions would be made against published criteria and the Panel would also issue guidance on the evidence a party would need to provide in support of a request for a particular mode of appeal.

The Panel has advised the Policy Council that it believes this approach would mean that more appeals could be determined as a written representation or by a single adjudicator. In this way, the recommendations set out in the Shepley Report could be progressed and whether a move to a single adjudicator system for all cases would be an appropriate planning appeal mechanism for Guernsey would be more fully assessed.

The review also considered a number of other areas including:

- The role of the Panel's Secretary, particularly if more appeals are to be determined by a single adjudicator
- Whether appeal fees should be levied for other classes of appeal. Currently only appeals against the refusal of planning permission attract a fee
- The term of appointment for Panel members, including a maximum term of office and a statutory retirement age.

The Panel made a number of recommendations to the Policy Council in respect of the term of appointment for Panel members and understands that they are currently under consideration.

10. Update on Issues raised in the Panel's previous Annual Reports

(a) Third party representations

In previous Annual Reports, the Panel has commented on the restrictions placed on third parties and indicated that it would support some relaxation of the current restrictions placed on taking evidence from third parties.

The Panel understands that, as part of its wider review of the 2005 Law, the Environment Department intends to include recommendations to amend the legislation to specifically allow the taking of evidence from third parties when they have also submitted written representations. The Panel understands that the recommendations are likely to be similar to the scope for public speaking at an Open Planning Meeting under the Environment Department's current protocols for the conduct of those meetings.

(b) Appeal periods

The Panel has also raised concerns that in some cases where an individual is appealing a refusal of planning permission on a retrospective application and an associated Compliance Notice the difference between the two appeal periods (six months from the date of the refusal of planning permission and 28 days from the Date of Issue of a Compliance Notice) may be used as a means to delay enforcement action.

Here again, the Panel understands that the Environment Department shares these concerns and will include recommendations to shorten the appeal period in the case of planning applications where enforcement action has been formally commenced in its forthcoming review of the 2005 Law.

(c) Use of Character Assessments and Statements of Significance for Conservation Areas and Protected Buildings

The Panel notes that during 2013, the Department continued to progress its review of protected buildings and in November 2013 opened a public consultation on its criteria for the selection of buildings for inclusion on the Protected Buildings List.

The Panel anticipates that the adoption of criteria setting out how buildings are assessed for inclusion on the List will assist future Planning Tribunals when handing appeals involving protected buildings. As noted in previous Annual Reports and various Decision Notices, the absence of character assessments for conservation areas and statements of significance for protected buildings has resulted in Tribunals having

to reach their own conclusions based on the evidence of the parties and their own assessment from a site visit.

(d) Compliance Notices

In its 2012 Annual Report, the Panel commented that in a number of appeal cases the description of the alleged breach of development control was unclear and was without reference to the section of the Notice setting out the measures or steps to be taken or activities to be stopped in order to rectify the alleged breach.

During 2013, the Panel noted that the Environment Department reviewed the format of the Notices and, in particular, the description of the alleged breach. Whilst none of the revised notices was the subject of an appeal during 2013, the Panel believes that the more detailed description will assist both the parties receiving such a Notice and any Planning Tribunal hearing an appeal.

11. Developments for 2014

(a) Strategic Land Use Plan and review of Development Plan

During 2013, the Panel followed with interest the Environment Department's publication of a number of consultation documents as part of the pre-publication consultation required under section 4 of the Land Planning and Development (Plans) Ordinance, 2007 and the summaries of the consultation responses.

The Panel understands that the draft Development Plan is likely to be published in early Summer 2014 and the Planning Inquiry to be held in late 2014 or early 2015 with the draft Plan being presented to the States for adoption in early 2016.

The Panel awaits the adoption of the new Development Plan with interest.

(b) Planning Appeals in Jersey

The Panel noted with interest that in September 2013, the States of Jersey approved proposals from the Minister for Planning and Environment for the creation of an independent planning appeals tribunal so providing a merits-based alternative to the present remedy of an appeal to the Royal Court. It is anticipated that the legislation for establishing the new Planning Appeals Tribunal may be in place during 2014.

The Jersey Tribunal will replace the present appeal provisions in the Planning and Building (Jersey) Law, 2002 should provide a means to determine appeals against decisions made under this law entirely on their merits, with the exception of deciding points of law arising from such appeals. Under the new system, an independent Inspector will consider the case, along with all the material evidence, and report his

findings to the Minister for Planning and Environment who would then determine the appeal.

The Panel's Secretary assisted officers of the Jersey Environment Department in their preparation of options for consideration. The Panel's Secretary has offered the new Planning Appeals Tribunal whatever advice and assistance might be needed on matters of recruitment and training given [her](#) experience in this area.

(c) Hearing Agenda

In 2013, the Panel sought to develop and strengthen how it uses agenda during appeal hearings. The agenda set out the principle matters the Tribunal members have identified from their review of the appeal papers that required and which, in their view, require further discussion and scrutiny during an appeal hearing. Their use was introduced in late 2012. This change of approach has been generally welcomed by appellants and the Environment Department officers.

The Panel believes that circulating the agenda prior to the hearing assists the parties to prepare for the hearing by drawing their attention to the issues the Tribunal members have identified as requiring examination. The agenda does not prevent either party from raising other matters which they would wish the Tribunal to consider. Rather it provides a framework for the hearing and ensures that the examination of the evidence focuses on the key issues.

The Panel also believes that the agenda help to make the most efficient use of the time available at the hearing.

12. Conclusion

During 2013, the Panel continued to build on and develop its knowledge and understanding of development control and its understanding of the planning process.

The Panel continues to use its best endeavours to ensure that the members are kept up-to-date with relevant planning matters and to review its own policies and practices. This is undertaken through regular in-house training and regular reviews of its operational policies and procedures whilst monitoring any developments in local planning policy or other States policy which may have an impact on the cases it is asked to determine.

Appendices

APPENDIX 1 – PLANNING PANEL MEMBERSHIP

Name	Position on Panel	Date Appointed	Term of Office
Mr. Patrick Russell	Chairman	March 2009	Until March 2015
Mr. Stuart Fell	Vice Chairman Professional Member	March 2009	Until March 2015
Mr. Jonathan King	Professional Member	January 2012	Until March 2018
Mrs. Linda Wride	Professional Member	January 2012	Until March 2018
Mrs. Sheelagh Evans	Lay Member	January 2013 ⁷	Until March 2019
Mr. David Harry	Lay Member	September 2012 ⁸	Until March 2017
Mr. John Weir	Lay Member	January 2011 ⁹	Until March 2017
Ms. Julia White	Lay Member	January 2012 ¹⁰	Until March 2019

⁷ Mrs. Evans was first appointed as a lay member in March 2009 to serve for 4 years and was re-elected in 2013 for a further 6 year term

⁸ Mr. Harry was appointed to serve the unexpired term of Mr. Burnard's (who resigned from the Panel in August 2012) appointment

⁹ Mr. Weir was first appointed as a lay member in March 2009 to serve for 2 years and was re-elected in 2011 for a further 6 year term

¹⁰ Ms. White was first appointed in September 2011 to serve the unexpired term of Mr. Bowen's (who resigned from the Panel in May 2011) appointment and was re-elected in 2011 for a further 6 year term

APPENDIX 2 – SYNOPSIS OF APPEAL CASES DETERMINED DURING 2013

Appeals on the refusal of planning decision or a grant of planning permission subject to conditions – 2013				
Number	Appeal Details	Principle Issues	Relevant Policies	Decision
001	Subdivide, extend and alter existing farmhouse and barns to provide five dwellings and install terraces at White Gables, Les Prevost Road, St. Saviour and to demolish one pig sty and storage building, alter ground levels and erect fencing	<ul style="list-style-type: none"> – Whether the proposal can result in a satisfactory subdivision of the existing house – Whether the proposal would cause no adverse harm to the character or appearance of those buildings that are to be converted to residential use, or harm the visual quality of the area – Whether the proposal would preserve and enhance the special character and appearance of the Conservation Area, and retain distinctive features – Whether in its assessment and determination of the application the Department has satisfactorily discharged its obligations under the 2005 Law 	Rural Area Plan RGEN11 - Effect on adjoining properties RCE10 – Conservation Areas RCE14 – Conversion and re-use of buildings RH1 – New housing RH3 – Subdivision and conversion to provide housing RH6 – Extension and alterations to dwellings	Appeal Dismissed
002	Rescind Planning Condition 4 - “No use whatsoever, other than as an emergency exit, shall be made of the area of external decking on the north western side of the extension hereby approved” - attached to planning permission to erect an extension and extend the existing decking and steps at L’Auberge Restaurant, Route de Jerbourg, St. Martin	<ul style="list-style-type: none"> – Whether the disputed condition is necessary and reasonable, having regard to the history of the development and its impact on the living conditions of the occupiers of the adjoining dwelling 	Rural Area Plan RGEN11 - Effect on adjoining properties	Appeal Allowed

Number	Appeal Details	Principle Issues	Relevant Policies	Decision
003	Erect an extension over existing ground floor extension and construct Juliet balcony at Hazeldene, La Route des Blanchés, St. Martin	<ul style="list-style-type: none"> The effect of the proposed extension on the living conditions of adjoining occupiers 	Rural Area Plan RGEN11 - Effect on adjoining properties RH6 – Extension and alterations to dwellings	Appeal Dismissed
004	Rescind Planning Conditions 4- <i>The driveway surface level of the new (southern) access, at a point 2 metres back from the edge of the carriageway, shall be raised within 56 days of the date of this decision, so that the relative height of the adjacent roadside wall does not exceed a maximum height of 900mm; and 5 - Bellmouth radii shall be provided to the new (southern) access, to match that of the original (northern) access, within 56 days of the date of this decision"</i>	<ul style="list-style-type: none"> Whether the conditions in dispute are reasonably necessary in the interests of road safety and the visual amenity of the locality. 	Rural Area Plan RGEN8 – Parking and open space	Appeal Allowed
006	Erect six signs at Norman Piette, Bulwer Avenue, St. Sampson	<ul style="list-style-type: none"> The effect of the three totem signs on the character and appearance of the area, having regard to their size and design and consequent impact on the street scene 	Urban Area Plan GEN6 – Design GEN8 – Safe and convenient access	Appeal Allowed
008	Remove a section of roadside wall, gate and pillar and create vehicular access and parking at Moreton, Rocquettes Road, St. Peter Port	<ul style="list-style-type: none"> The effect of the development on the character and appearance of the area, having regard to the loss of the roadside wall and the opening up of the frontage Whether the proposal would provide a safe and convenient access 	Urban Area Plan GEN4 – Built heritage GEN8 – Safe and convenient access DBE1 – Design DBE9 – Demolition of buildings and features	Appeal Dismissed

Number	Appeal Details	Principle Issues	Relevant Policies	Decision
009	Erect a two storey extension to the side (NE elevation) of Unit 2, Oakleigh Villa, Landes du Marches, Vale and to alter fenestration (Protected Building)	<ul style="list-style-type: none"> Whether the proposed development would preserve the special characteristics and setting of the protected building 	Rural Area Plan RGEN11 – Effect on adjoining properties RH6 – Extension and alterations to dwellings	Appeal Dismissed
010	Erect a three bay oak car port at Les Parchounniers House, Les Landes, Vale	<ul style="list-style-type: none"> Whether the proposal would lead to an unacceptable loss of open and undeveloped land Whether the development would fail to complement the landscape character type in which it is located Whether the development would result in the unacceptable loss of existing trees and the potential harm to other trees Whether, by virtue of its siting and design, the new building would respect the character and amenity of the local environment and be readily assimilated into its surroundings 	Rural Area Plan RGEN3 – Landscape, ecology and wildlife RGEN5 – Character and amenity RCE1 – Protecting open land and avoiding unnecessary development RCE2 – Landscape character	Appeal Dismissed
011	Erect two signs at Ocean House, North Esplanade, St. Peter Port	Appeal Dismissed as not properly made within the appeal period		
012	Change of use from self-catering to residential accommodation at Les Piques Cottages, Rue des Piques, St. Saviour	<ul style="list-style-type: none"> Whether the proposal can be justified on the basis that the existing use is non-viable Whether the loss of these self-catering units could be said to prejudice the retention of an adequate stock of visitor accommodation across the Island, Whether the potential increase in vehicular activity would cause unacceptable detriment to road safety 	Rural Area Plan RGEN7 – Safe and convenient access RE12 – Rationalisation of visitor accommodation RCE14 – Conservation and re-use of buildings	Appeal Dismissed

Number	Appeal Details	Principle Issues	Relevant Policies	Decision
014	Alter existing horticultural buildings, including new roof, and change of use from horticultural use to light industrial use and/or storage at Nicholson's Nurseries, Le G��le Road, Castel	<ul style="list-style-type: none"> Whether the appeal building is no longer useful or capable of being used for its current or last known viable purpose, or that more appropriate buildings are available to accommodate such use Whether the proposed change of use would have a materially adverse effect in relation to the viability of a key horticultural site. 	Rural Area Plan RE2 – Horticultural development RE7 – Industrial development	Appeal Dismissed
015	Change of use for a packing shed to a builder's store at Merton Vinery, Rue des Pointes, St. Andrew to a builder's store	<ul style="list-style-type: none"> Whether the appeal building is no longer useful or capable of being used for its current or last known viable purpose, or that more appropriate buildings are available to accommodate such use Whether the proposed change of use would have a materially adverse effect in relation to the viability of a key horticultural site. 	Rural Area Plan RE2 – Horticultural development RE3 – Protecting key horticultural sites RE7 – Industrial development	Appeal Dismissed
016	Create parking at Brescia, Monument Gardens, St. Peter Port	<ul style="list-style-type: none"> Whether the proposal would result in the unacceptable loss of public parking spaces, thereby resulting in a development that would be harmful to community interests Whether the proposal would fail to conserve or enhance the character and appearance of the conservation area 	Urban Area Plan GEN1 – Sustainable development DBE7 – New development in conservation areas DBE9 – Demolition of buildings and features	Appeal Allowed
017	Change of use of the front of the rear showroom to retail use with ancillary storage and sorting at the former Jackson's Garage premises, La Grande Rue, St. Martin			Appeal adjourned for revised plans to be submitted

Number	Appeal Details	Principle Issues	Relevant Policies	Decision
018	Remove front roadside hedge and wall and create access and parking and erect replacement fence at Le Nid, Hougue du Pommier, Castel.	<ul style="list-style-type: none"> - The effect of the development on the character and appearance of the area, having regard to the loss of the traditional boundary treatment; the design of the replacement fence and the elevated position of the proposed parking space - Whether the effect on the character and appearance of the area is sufficient to outweigh the presumption that proposals for alterations and extensions to existing houses will normally be permitted 	Rural Area Plan RGEN11 – Effect on adjoining properties RH6 – Extensions and alterations to dwellings RCE13 Demolition of buildings and features	Appeal Dismissed
019	Erect four dwellings (instead of three dwellings as currently approved) in place of demolished structure, and revise the siting of one of the three dwellings currently approved at Sandy Hook Stores, L'Islet, St. Sampson	<ul style="list-style-type: none"> - Whether the construction of four new build dwellings would conflict with the primary RAP policy objective to conserve and enhance the rural environment 	Rural Area Plan RH1 – New housing RGEN11 - Effect on adjoining properties RCE13 - Demolition of buildings and features RCE14 – Conversion and re-use of buildings	Appeal Dismissed
020	Erect outbuilding (store, workshop and studio) at A La Ronde, Bon Port, St. Martin	<ul style="list-style-type: none"> - Whether the development is incidental to the enjoyment of the principal dwelling - Whether the visual impact of the development on its setting and on the openness and character of the area, having regard to its location in an Area of High Landscape Quality and its relationship with the main house - Whether the development would be in conflict with any other policies 	Rural Area Plan RCE1 – Protecting open land and avoiding unnecessary development RCE2 – Landscape character RCE3 – Areas of High Landscape Quality RCE12 – Design and local distinctiveness RH5 – Dower units	Appeal Allowed

Number	Appeal Details	Principle Issues	Relevant Policies	Decision
021	Erect 13 apartments with underground car parking and construct a new roadway at King's Club, Kings Road, St. Peter Port	<ul style="list-style-type: none"> - Whether the site is in a sustainable location for residential development. - The effect of the proposed development on the supply of housing. - Having regard to DBE1 and DBE2, the effect of the proposed development on the character and appearance of the locality. - Having regard to GEN12, the effect of the proposed development on the living conditions of residents living nearby. - The effect of the proposed development and its access on the safety of road users, including pedestrians. - Having regard to the loss of tennis courts and the appellants' stated investment intentions with respect to King's Club, the effect of the proposed development on the quantity and quality of recreational provision on the Island. 	Urban Area Plan GEN4 – Built heritage GEN5 - Design GEN8 – Safe and convenient access GEN12 – Effect on adjoining properties DBE1 – Design DBE2 – Developments with significant townscape impact HO1 – Housing provision in the Urban Area Plan	Appeal
022	Vary previously approved works at Casa Angelina, The Strand, St. Peter Port in respect of the front and garage door designs and fenestration	<ul style="list-style-type: none"> - Whether by virtue of its increased width the entrance door would have an adverse effect on the composition of the front elevation - Whether these changes would result in harm to the character and appearance of the Conservation Area 	Urban Area Plan GEN5 - Design DBE1 – Design DBE7 – New development in conservation areas	Appeal Allowed

2013 Compliance and Completion Notices			
Number	Appeal Details	Principle Issues	Decision
007	Appeal against a Completion Notice issued by the Environment Department on 24 th October 2012 under s.19(1) of the 2005 Law in respect of Fircourt, La Grande Maison Road, Vale	<ul style="list-style-type: none"> Whether the issue of the Notice was <i>ultra vires</i> having regard to whether the 2005 Law can be applied retrospectively to schemes approved under earlier legislation, or unreasonable having regard to other developments approved prior to 2005 which have not been finished in similar timescales, but which have not been subject to the issue of Completion Notices Whether the period specified in the Completion Notice is unreasonably short 	Appeal Dismissed
013	Install two tilt and turn aluminium windows to the rear of Blossom House, Rouge Huis Avenue, St. Peter Port	Planning permission granted; therefore no grounds for issuing Compliance Notice and so withdrawn by the Environment Department; appeal formally withdrawn by appellants	

APPENDIX 3 - ANALYSIS OF PLANNING POLICIES

Rural Area Plan Policies

	2013	2012	2011	2010
General				
RGEN1 Sustainable development	--	--	2	2
RGEN2 Comprehensive development	--1	--	--	--
RGEN3 Landscape, ecology and wildlife	--	2	--	2
RGEN4 Built heritage	--	1	2	2
RGEN5 Character and amenity	3	3	5	13
RGEN6 Design	1	2	1	2
RGEN7 Safe and convenient access	1	--	4	4
RGEN8 Parking and open space	1	--	--	4
RGEN9 Hazardous development, nuisance and pollution	--	--	--	--
RGEN10 Public enjoyment	--	--	--	2
RGEN11 Effect on adjoining properties	8	4	2	5
RGEN12 Flood risk	--	1	--	--
RGEN13 Airport safety	--	--	1	--
Conservation and Enhancement				
RCE1 Protecting open land and avoiding unnecessary development	2	5	7	6
RCE2 Landscape character	2	1	2	2
RCE3 Areas of High Landscape Quality	2	4	6	9
RCE4 Sites of Nature Conservation Importance	--	--	--	--
RCE5 Derelict land in the countryside	--	--	--	1
RCE6 Creation or extension of curtilages	--	--	2	3
RCE7 Public views	--	--	--	--
RCE8 Landscape design	--	--	--	--
RCE9 Archaeological remains	--	--	--	--
RCE10 Conservation Areas	--	1	1	3
RCE11 Buildings of special interest	1	--	--	--
RCE12 Design and local distinctiveness	2	1	--	5
RCE13 Demolition of buildings and features	2	1	2	5
RCE14 Conversion and re-use of buildings	4	1	4	3
Housing				
RH1 New housing	2	--	2	3
RH2 Social housing	--	--	--	--
RH3 Sub-division and conversion to provide housing	1	--	--	--
RH4 Protecting housing stock	--	--	--	--
RH5 Dower units	1	--	1	1
RH6 Extensions and alterations to dwellings	4	4	2	4

	2013	2012	2011	2010
Rural Economy				
RE1 Agricultural development	--	1	2	1
RE2 Horticultural development	2	1	2	--
RE3 Protecting key horticultural sites	1	--	1	--
RE4 Retail development	--	--	1	--
RE5 Garden centres	--	--	--	--
RE6 Coastal kiosks	--	--	--	--
RE7 Industrial development	2	2	3	1
RE8 Protecting industrial accommodation	--	--	1	--
RE9 Commerce related development	--	--	--	2
RE10 Home based employment	--	--	--	--
RE11 Visitor accommodation development	--	--	--	1
RE12 Rationalisation of visitor accommodation	1	--	--	--
RE13 Visitor facilities and attractions	--	--	--	2
RE14 Development requiring an airport location	--	1	--	--
RE15 Minerals	--	--	--	--
Social, Community and Recreational				
RS1 Community services	--	--	--	--
RS2 Protecting community facilities	--	--	--	--
RS3 Indoor recreational facilities	--	2	--	--
RS4 Outdoor recreational facilities	--	--	2	2
RS5 Golf course development	--	--	--	--
Essential Development and Infrastructure				
RD1 Essential development	--	--	--	--
RD2 Small-scale infrastructure	--	--	--	--

Urban Area Plan Policies

	2013	2012	2011	2010
General				
GEN1 Sustainable development	1	--	--	--
GEN2 Comprehensive development	--	--	--	--
GEN3 Landscape, ecology and wildlife	--	--	--	--
GEN4 Built heritage	2	--	--	--
GEN5 Design	2	1	4	1
GEN6 Character and amenity	3	7	7	1
GEN7 Safe and convenient access	--	--	1	--
GEN8 Roads and infrastructure	3	5	1	2
GEN9 Safe and convenient access	1	2	1	--
GEN10 Open space and parking	--	--	--	--
GEN11 Public enjoyment	--	--	--	--
GEN12 Effect on adjoining properties	1	1	1	--
Design and the Built Environment				
DBE1 Design - General	2	7	7	6
DBE2 Developments with significant townscape impact	--	--	--	--
DBE3 High buildings	--	--	--	--
DBE4 Landscape design	--	--	--	--
DBE5 Open space	--	--	--	--
DBE6 Skyline and public views	--	1	--	--
DBE7 New development in Conservation Areas	3	6	1	5
DBE8 Buildings of special interest	--	4	1	2
DBE9 Demolition of buildings and features	2	--	1	--
DBE10 Archaeological remains	--	--	--	--
Housing				
HO1 Housing provision in the Urban Area Plan	1	--	1	--
HO2 New housing in Settlement Areas and on previously developed land	1	--	1	1
HO3 Mixed use development	--	--	--	--
HO4 Conversion and subdivision of existing buildings - General	--	2	--	--
HO5 Vacant and underused upper floors	--	--	--	--
HO6 Obsolete office space	--	1	--	--
HO7 Flats, houses in multiple occupation, and staff hostels	--	--	--	--
HO8 Housing Target Areas	--	--	1	1
HO9 Retention of the existing housing stock	--	--	--	--
HO10 Residential density and amenity	--	--	--	--
HO11 Housing for smaller households	--	--	--	--
HO12 Housing for people with mobility impairment	--	--	--	--
HO13 Accommodation for the elderly	--	--	--	--
HO14 Dower units	--	--	--	--

		2012	2011	2010
Employment				
Office Accommodation				
EMP1 New office developments	--	--	--	--
EMP2 Small-scale professional and support services	--	--	--	--
EMP3 Upgrading the office stock	--	--	--	--
EMP4 Conversion of office sites for alternative uses	--	1	--	--
Industrial Development				
EMP5 Key Industrial Areas	--	--	1	--
EMP6 Industrial development outside Key Industrial Areas	--	--	--	--
EMP7 Small workshops and yards	--	--	--	--
EMP8 Development of the land reclamation site	--	--	--	--
EMP9 Protecting industrial sites	--	1	1	--
EMP10 Unneighbourly uses	--	--	--	--
EMP11 Home based employment	--	--	--	--
EMP12 Horticultural development	--	--	--	--
Tourism				
EMP13 New tourist accommodation	--	--	--	--
EMP14 Alteration, extension and redevelopment of existing tourist accommodation	--	--	--	--
EMP15 Rationalisation of visitor accommodation	--	2	--	--
EMP16 Visitor facilities and attractions	--	--	--	--
Centres				
CEN1 New shopping facilities in the Central Areas	--	1	--	--
CEN2 New retail development outside the Central Areas	--	1	--	--
CEN3 Mixed use development	--	--	--	--
CEN4 Complementing the retail function	--	--	--	--
CEN5 Maintaining the variety of shop units	--	--	--	--
CEN6 Public and commercial car parks	--	1	--	--
CEN7 Temporary car parks	--	1	--	--
CEN8 Pedestrians in the Central Areas	--	--	--	--
CEN9 Town centre management and environmental improvement	--	--	--	--
CEN10 Paving, street furniture and public art	--	--	--	--
CEN11 Shopfronts	--	1	--	--
CEN12 Signs	--	3	--	--
Social, Community and Recreational				
SCR1 Community services	--	--	--	1
SCR2 Education facilities	--	1	--	--
Recreation				
SCR3 Development of existing facilities	--	--	--	--
SCR4 Increased dual use of facilities	--	--	--	--
SCR5 The establishment of sports performance centres	--	--	--	--
SCR6 Indoor leisure facilities	--	--	--	--
SCR7 Equestrian related development	--	--	--	--

	2013	2012	2011	2010
Countryside				
CO1 New development outside the Settlement Areas	--	1	1	--
CO2 Re-use of buildings outside the Settlement Areas	--	--	1	--
CO3 Landscape character	--	--	--	--
CO4 Areas of Landscape Value	--	--	--	--
CO5 Wildlife and nature conservation	--	--	--	--
CO6 Derelict land in the countryside	--	--	--	--

APPENDIX 4 - THE PLANNING PANEL'S GENERAL POLICIES AND PROCEDURES

(a) Determination of an Appeal by a Single Professional Member

When deciding if an application should be made to the Policy Council to seek its approval that an appeal should be determined by a Single Professional Member the Panel Chairman will consider the following factors:

- Are the appeal papers complete and self-contained? In other words, can the Tribunal easily understand how the planning decision was reached, the appellants' reasons for appealing the decision and why the Environment Department is resisting the appeal?
- Are the relevant planning policies and issues clear? In other words, can the Tribunal clearly understand the issues by reading the appeal papers and visiting the site?
- Is there an over-riding public interest? Examples of appeals which may have an over-riding public interest will include large scale developments, developments in areas of particular environmental or historic sensitivity or where the policy issues are unclear. In other words, is there likely to be significant public interest in the development or have the policy issues linked to the appeal ones which are the subject of wider debate so that it is appropriate for a hearing to be held.
- Were any third party representations objecting to the development received by the Environment Department?
- Are there significant disputes as to the facts?
- Are there any novel legal issues?

(b) Determination on an Appeal by Written Representation by either a Single Professional Member or by a Full Tribunal

When deciding if an Appeal should be determined by Written Representations by a Single Professional Member the Panel Chairman will consider the factors referred to above in addition to those below relating to determination by a full Tribunal:

- Does the appeal involve a planning application of Island-wide significance or concern development where an environmental statement has or may be required, as specified under s.6(2)(a) and (b) of the Land Planning and Development (Appeals) Ordinance, 2007?
- Is the matter appealed fairly minor and uncomplicated?

- Is the evidence self explanatory and complete?
- Were there any third party representations received by the Environment Department; how many and from whom?

(c) General Procedure for Determining Compliance Notices and Confirmation of Tree Protection Order

When deciding whether an appeal against the issue of a Compliance Notice or the Confirmation of a Tree Protection Order should be determined by a Hearing or by Written Representations by either a Single Professional Member or by a full Tribunal, the Panel Chairman's general presumption is that the appeal should be heard by way of public hearing.

This general presumption is because these types of appeal are likely to be of wider public interest and, in some cases, the issues are likely to be more complex, and so require the Tribunal to hear evidence from a number of parties, other than the person making the appeal and the Environment Department.

(d) General Procedure for Site Visits

When determining an appeal the Tribunal or Single Professional Member will always visit the appeal site.

As a general rule, where an appeal is determined at a public hearing the site visit will take place at the end of the hearing. However, the Tribunal or Single Professional Member may direct that the site visit should take place at the start of a hearing or part way through a hearing. Such decisions will be determined on a case-by-case basis and the Tribunal or Single Professional Member will explain its decision.

These site visits will require the attendance of the appellants and/or his representative and the Environment Department's representative/s. All parties must be present throughout the site visit and should remain in close proximity to the Tribunal Members to ensure that they can hear any questions that Members may ask and the answers given.

Where an appeal is determined by Written Representations the site visit will generally be made privately, i.e. the attendance of the appellants and/or his representative and the Environment Department's representative/s will not be required. However, where the Tribunal Members need to gain access to a building or cannot view the appeal site without entering privately owned land the site visit will be conducted in the presence of the appellants and/or his representative and the Environment Department's representative/s.

For all accompanied site visits the appellant should ensure he brings any keys which may be needed to afford Tribunal Members access to any locked buildings, sheds, etc on the appeal site.

(e) General Procedure for Handling Post-Hearing Correspondence with the Parties

As a general rule, the Tribunal or Single Professional Member will not enter into any post-hearing correspondence with the parties. However, from time to time this may be necessary, e.g. to clarify a point made in evidence by either party or to seek both parties' comments on the wording of a non-standard planning condition.

Where it is necessary for a Tribunal or Single Professional Member to open such correspondence copies of any letters or email communications will be sent to all parties, together with the replies received from each party.

(f) General Procedure for Determining Linked Appeals against the Refusal of Planning Permission and against a Compliance Notice

As a general rule the Panel will endeavour to prioritise appeals against Compliance Notices.

This general rule will be modified where retrospective planning permission has been refused and the Environment Department has commenced enforcement measures before the appeal period for the refusal of planning permission has expired.

The Panel's general policy for dealing with appeals against both the refusal of planning permission and a Compliance Notice seeks to ensure that the party's rights under s.68 of the 2005 Law to appeal a decision refusing planning permission are not interfered with and that the Environment Department's endeavours to deal with any breaches of the Island's development controls are not frustrated.

STATES' ASSEMBLY AND CONSTITUTION COMMITTEE**THE STATES OF DELIBERATION – STATISTICS 2013 and COMPARISONS**

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

3rd July 2014

Dear Sir,

I should be grateful if you would arrange for this report in respect of statistics relating to the States of Deliberation to be published as an appendix to a Billet d'État, for the information of the Members of the States.

In light of recent interest among States' Members about the number of days on which the States meet, the Committee, on this occasion, has included figures for a number of years on the volume of business of the States and the time spent dealing with it.

The statistics for 2013, which the Committee would ordinarily now be publishing, are appended. In addition the figures for 2011, 2012 are republished. The figures for 2014 to the end of June are also given, together with a comparison table for those years.

Also attached are some historic decennial figures to enable further comparisons to be made. In respect of them, it should be noted that the figures for 1973 and 1983 are estimates calculated from the billets for those years. The figures for 1993 onwards are precisely calculated.

The grids for 2010 to date were produced with reference to the audio recordings and thus give far more detail.

Yours faithfully,

M. J. FALLAIZE

Chairman
States' Assembly & Constitution Committee

Members of the Committee are:

Deputy R. Conder (Vice-Chairman) Deputy E. G. Bebb Deputy A. H. Adam
Deputy P. A. Harwood

STATES OF DELIBERATION - STATISTICS 2013

	JAN	FEB	MAR	APR	MAY	JUN	JUL	SEPT	OCT	NOV	DEC	TOTAL
Meeting Days	3.0	1.0	1.5	0.5	3.0	3.0	4.0	4.0	6.0	1.0	1.0	28.0
Sitting hours	17:27	5:50	9:24	3:01	17:58	17:48	26:04	21:34	37:27	5:43	5:50	168:06
Written Questions	12	3	4	0	4	17	13	20	6	1	3	83
Oral Questioners	3	1	3	7	4	4	4	1	4	0	3	34
Oral Q's - individual	6	2	8	22	7	4	10	5	11	0	10	85
Oral Q's - time	00:36	00:05	00:47	02:51	00:30:00	00:24:00	00:23:00	00:35:00	00:32:00	00:00:00	00:40:00	07:23
Statements	3	2	4	0	6	0	0	2	1	2	0	20
Statements - time	00:25	00:24	00:29	00:00	02:09	00:00	00:00	00:17	00:07	00:10	00:00	04:01
Legislation - time	00:09	00:24	00:03	00:02	00:02	00:18	00:03	00:03	00:41	00:15	00:22	02:22
Reports debated	4	3	3	0	6	6	14	9	8	6	8	67
Appendices debated	2	0	0	0	0	0	0	0	0	0	0	2
Arts adj. to next mtg	0	0	0	0	0	0	8	0	4	0	0	12
Public busi - ex.Legn	16:17	04:57	08:05	00:08	15:17	17:06	25:38	20:39	36:07	05:18	04:48	154:20
Projets de Loi	0	1	0	0	0	2	0	0	1	1	2	7
Ordinances	4	3	1	1	1	1	2	1	6	6	4	30
Elections/Appmnts	8	1	1	1	6	0	1	0	0	0	2	20
PC & Dept Reports	4	3	2	0	4	5	13	9	8	6	8	62
Cttee Reports	0	0	1	0	2	1	1	0	0	0	0	5
Requetes	0	0	0	0	0	0	2	0	0	0	0	2
No Confidence Motn	0	0	0	0	0	0	0	0	0	0	0	0
Motn to annul S.I./Ord	0	0	0	0	0	0	0	0	0	0	0	0
Total matters debated	16	8	5	2	13	9	19	10	15	13	16	126
Ordinances - laid	0	1	0	4	1	1	2	1	1	0	0	11
S.I.'s - laid	5	10	2	4	5	1	1	4	2	8	0	42
Appendices not deb.	2	0	0	2	0	1	0	3	4	1	0	13
Total not for debate	7	11	2	10	6	3	3	8	7	9	0	66
TOTAL ALL	23	19	7	12	19	12	22	18	22	22	16	192
RECORDED VOTES	11	0	4	0	7	13	6	8	19	1	0	69

STATES OF DELIBERATION - STATISTICS 2011

2358

	JAN	FEB	MAR	APR	MAY	JUN	JUL	SEPT	OCT spec	OCT	NOV	DEC	TOTAL
Meeting Days	1.0	2.0	2.0	0.5	3.0	1.5	2.0	3.0	2.0	1.0	2.5	2.0	22.5
Sitting hours	04:38	11:09	09:19	02:30	17:43	09:12	11:30	18:02	11:23	06:23	14:10	11:10	127:09
Written Questions	0	4	3	1	0	4	0	1	0	0	6	9	28
Oral Questions	2	2	1	3	3	0	2	3	0	0	4	2	22
Oral Q's - individual	6	7	2	15	7	0	2	7	0	0	12	4	62
Oral Q's - time	00:21	00:15	00:09	00:25	00:18	00:00	00:16	00:33	00:00	00:00	00:43	00:14	03:14
Statements	1	1	1	1	0	4	1	5	1	0	1	0	16
Statements - time	00:04	00:03	00:02	00:04	00:00	00:17	00:06	00:15	00:05	00:00	00:03	00:00	00:59
Legislation - time	0:09	0:50	0:54	0:06	0:02	3:28	0:11	0:21	0:00	0:04	0:03	0:03	06:11
Reports debated	5	3	5	4	9	3	9	11	1	6	9	5	70
Arts adj. to next mtg	0	0	0	0	0	0	0	2	0	0	0	0	2
Public bus - ex.Legn	04:04	10:01	08:14	01:55	17:23	05:27	10:57	16:53	11:18	06:19	13:21	10:53	116:45
Projets de Loi	1	1	0	2	1	1	0	3	0	1	0	0	10
Ordinances	1	0	2	3	0	2	2	5	0	5	8	3	31
Elections/Appmnts	0	4	1	2	2	1	0	3	1	1	2	1	18
PC & Dept Reports	5	2	3	3	6	2	8	11	1	4	8	3	56
Cttee Reports	0	1	1	1	3	0	1	2	0	2	1	1	13
Requetes	0	0	0	0	0	1	0	0	0	0	0	0	1
No Confidence Motn	0	0	0	0	0	0	0	0	0	0	0	0	0
Motn to annul S.I./Ord	0	0	1	0	0	0	0	0	0	0	0	0	1
Total matters debated	7	8	8	11	12	7	11	24	2	13	19	8	130
Ordinances - laid	3	0	1	2	2	0	4	1	0	1	1	1	16
S.I.'s - laid	5	18	6	2	5	2	2	3	0	2	1	1	47
Appendices	2	2	1	0	0	3	4	3	0	2	3	1	21
Total not for debate	10	20	8	4	7	5	10	7	0	5	5	3	84
TOTAL ALL	17	28	16	15	19	12	21	31	2	18	24	11	214

RECORDED VOTES	2	14	4	1	8	3	7	8	4	3	5	6	65
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STATES OF DELIBERATION - STATISTICS 2012

	JAN	FEB	MAR	Elections	MAY	JUN	JUL	SEPT	OCT	NOV	DEC	TOTAL
Meeting Days	5.0	3.5	4.0	2.5	1.0	0.5	1.0	2.0	3.0	1.5	3.0	27.0
Sitting hours	30:51	20:11	25:07	11:02	3:39	2:43	5:01	11:16	16:52	8:30	14:24	149:36
Written Questions	1	2	1	0	0	0	2	1	1	0	1	9
Oral Questions	1	1	1	0	1	2	6	7	5	6	2	32
Oral Q's - individual	1	3	1	0	2	7	11	12	9	7	6	59
Oral Q's - time	00:03	00:07	00:03	00:00	00:08	00:22	00:42	00:52	01:15	00:30	00:23	04:25
Statements	1	0	0	0	0	1	1	3	1	3	1	11
Statements - time	00:03	00:00	00:00	00:00	00:00	00:08	00:25	00:48	00:18	00:51	00:13	02:46
Legislation - time	0:01	0:15	0:05	0:00	0:20	1:18	0:03	0:08	0:05	0:10	0:07	02:32
Reports debated	13	10	17	0	5	2	2	6	4	5	4	68
Arts adj. to next mtg	0	0	0	0	0	0	0	0	0	0	0	0
Public bus - ex. Legn	30:44	19:49	24:59	11:02	3:11	0:55	3:51	9:28	15:14	6:59	13:41	139:53
Projets de Loi	0	2	4	0	1	0	1	1	1	1	2	13
Ordinances	2	3	0	0	9	6	2	5	9	3	5	44
Elections/Appmnts	6	0	1	27	9	4	1	5	0	3	4	60
PC & Dept Reports	11	7	12	0	4	2	1	4	3	5	3	52
Cttee Reports	2	3	4	1	1	0	0	1	0	0	0	12
Requetes	0	0	1	0	0	0	1	1	1	0	0	4
No Confidence Motn	0	0	0	0	0	0	0	0	0	0	1	1
Motn to annul S.I./Ord	0	0	0	0	0	0	0	0	0	0	0	0
Total matters debated	21	15	22	28	24	12	6	17	14	12	15	186
Ordinances - laid	0	1	4	0	7	1	0	2	0	0	0	15
S.I.'s - laid	1	5	8	0	10	4	3	7	0	2	1	41
Appendices	1	0	0	0	4	1	1	6	1	0	0	14
Total not for debate	2	6	12	0	21	6	4	15	1	2	1	70
TOTAL ALL	23	21	34	28	45	18	10	32	15	14	16	256
RECORDED VOTES	18	11	24	23	0	2	2	2	12	5	5	104

STATES OF DELIBERATION - STATISTICS 2014 - to end June

2360

	JAN	FEB	MAR	APR	MAY	JUN	JUL	SEPT	OCT	NOV	DEC	TOTAL
Meeting Days	3.0	1.0	3.0	4.5	2.0	1.0						14.5
Sitting hours	15:47	4:47	15:01	27:54	10:42	4:48						78:59
Written Questions	48	15	8	0	0	1						72
Oral Questioners	2	3	1	2	1	1						10
Oral Q's - individual	3	14	3	5	2	1						28
Oral Q's - time	00:16	00:47	00:10	00:11	00:05:00	00:08:00						01:37
Statements	1	1	2	0	3	4						11
Statements - time	00:21	00:20	00:44	00:00	00:36	01:19						03:20
Legislation - time	00:01	02:04	00:03	00:07	00:29	00:03						02:47
Reports debated	5	3	6	5	6	4						29
Appendices debated	0	0	0	0	0	0						0
Arts adj. to next mtg	0	0	0	0	0	0						0
Public busi - ex.Legn	15:09	01:36	14:04	27:36:00	09:32	03:18	0:00	00:00	0:00	00:00	00:00	71:15
Projets de Loi	0	0	0	1	1	1						3
Ordinances	2	2	1	4	6	1						16
Elections/Appmnts	3	1	6	2	4	2						18
PC & Dept Reports	5	3	5	5	6	3						27
Cttee Reports	0	0	1	0	0	1						2
Requetes	1	0	1	1	0	0						3
No Confidence Motn	1	0	0	0	0	0						1
Motn to annul S.I./Ord	0	0	0	0	0	0						0
Total matters debated	12	6	14	13	17	8	0	0	0	0	0	70
Ordinances - laid	3	1	2	0	3	0						9
S.I.'s - laid	9	10	12	2	2	4						39
Appendices not deb.	1	1	1	0	2	0						5
Total not for debate	13	12	15	2	7	4	0	0	0	0	0	53
TOTAL ALL	25	18	29	15	24	12	0	0	0	0	0	123
RECORDED VOTES	6	2	6	16	3	0						33

STATES OF DELIBERATION - ANNUAL STATISTICS 2010-2013, 2014 to end June

	2010	2011	2012	2013	2014	TOTAL
Meeting Days	28.0	22.5	27.0	28.0	14.5	120.0
Sitting hours	148:20	127:09	149:36	168:06	78:59	672:10
Written Questions	15	28	9	83	72	207
Oral Questions	32	22	32	34	10	130
Oral Questions - individual	98	62	59	85	28	332
Oral Questions - time	04:57	03:14	04:25	07:23	01:37	21:36
Statements	12	16	11	20	11	70
Statements - time	00:42	00:59	02:46	04:01	03:20	11:48
Legislation - time	2:45	6:11	2:32	02:22	2:47	16:37
Reports debated	67	70	68	67	29	301
Arts adjourned to next meeting	?	2	0	12	0	14
Public business - excluding Legislation	139:56	116:45	139:53	154:20	71:15	622:09
Projets de Loi	15	10	13	7	3	48
Ordinances	39	31	44	30	16	160
Elections and Appointments	12	18	60	20	18	128
Policy Council & Department Reports	48	56	52	62	27	245
Committee Reports	14	13	12	5	2	46
Requêtes	5	1	4	2	3	15
No Confidence Motions	2	0	1	0	1	4
Motion to annul S.I.s & Ordinances	0	1	0	0	0	1
Total matters debated	135	130	186	126	70	647
Ordinances - laid	3	16	15	11	9	54
Statutory Instruments - laid	84	47	41	42	39	253
Appendices	15	21	14	13	5	68
Total not debated	102	84	70	66	53	375
TOTAL ALL	237	214	256	192	123	1022
RECORDED VOTES	52	65	104	69	33	253

Duration of States Meetings

N.B. Before 2002 the States generally only sat for a maximum of five hours per day, rather than the current six.

	<u>Half Day Sessions</u>	<u>Hours</u>
1973	c26	c70
1983	c30	c75
1993	46	114
2003	54	159½
2013	56	168