



BILLET D'ÉTAT

TUESDAY, 29th SEPTEMBER, 2015

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BILLET D'ÉTAT

TO THE MEMBERS OF THE STATES OF THE ISLAND OF GUERNSEY

I hereby give notice that a Meeting of the States of Deliberation will be held at **THE ROYAL COURT HOUSE**, on **TUESDAY**, the **29th September, 2015** at **9.30 a.m.**, to consider the items contained in this Billet d'État which have been submitted for debate.

R. J. COLLAS
Bailiff and Presiding Officer

The Royal Court House
Guernsey

21st August 2015

PROJET DE LOI

entitled

THE PAROCHIAL COLLECTION OF WASTE (GUERNSEY) LAW, 2015

The States are asked to decide:-

I.- Whether they are of the opinion to approve the draft Projet de Loi entitled “The Parochial Collection of Waste (Guernsey) Law, 2015”, and to authorise the Bailiff to present a most humble petition to Her Majesty in Council praying for Her Royal Sanction thereto.

EXPLANATORY MEMORANDUM

This Law is one of two Laws (the other being the Environmental Pollution (Guernsey) (Amendment) Law, 2015 - see below) providing for legislation directed as part of the States waste strategy. This Law repeals and replaces the Parochial Collection of Refuse (Guernsey) Law, 2001 which sets out the current functions of the Douzaines in relation to the collection and efficient transfer of household waste for disposal.

Clauses 1 and 2 set out the functions of the Douzaines in relation to the collection of household type waste and its transfer to sites specified by the Waste Disposal Authority ("WDA").

Clause 3 imposes a duty on the Douzaines when carrying out functions under the Law to have regard to the Waste Management Plan.

Clauses 4 and 5 provide for the levying of a parish waste rate to meet the cost of arrangements for the collection and transfer of waste to WDA specified sites. In particular the States have a duty under clause 5 to provide, by Ordinance under the Law, as to the details of the assessment and levying of the rate.

Clause 6 requires Douzaines to specify by notices the days and times of waste collections.

Clause 7 provides that Douzaines may continue to enter into private agreements relating to the collection and transfer of waste to sites.

Clauses 8 and 9 enable the WDA to specify requirements in relation to waste put out for collection by the parishes and impose a duty on occupiers of premises to put out waste for collection in accordance with requirements specified by the WDA.

Part III of the Law contains provisions relating to enforcement. These include provisions for warning notices and civil fixed penalties for breach of the new requirements under the Law and creating powers to search receptacles and waste put out for collection.

Part IV provides for appeals to the Parochial Appeals Tribunal against a decision to impose a civil fixed penalty.

Part V contains general clauses which, amongst other things enable delegation of functions by Douzaines and provide for service of notices and other documents under the Law.

PROJET DE LOI

entitled

THE ENVIRONMENTAL POLLUTION (GUERNSEY) (AMENDMENT) LAW, 2015

The States are asked to decide:-

II.- Whether they are of the opinion to approve the draft Projet de Loi entitled “The Environmental Pollution (Guernsey) (Amendment) Law, 2015”, and to authorise the Bailiff to present a most humble petition to Her Majesty in Council praying for Her Royal Sanction thereto.

EXPLANATORY MEMORANDUM

This Law makes a number of amendments to the waste provisions of the Environmental Pollution (Guernsey) Law, 2004 ("the EP Law") directed as part of the waste strategy and to the water pollution parts of the EP Law. Specifically, in the latter case, to transfer certain water pollution functions from the Public Services Department to the Director of Environmental Health and Pollution Regulation ("the Director").

In particular, the Law –

- amends the functions of the Waste Disposal Authority ("WDA") to clarify that they cover the recovery as well as the disposal of waste (clauses 9 to 11);
- amends the current power of the WDA in section 32(3)(c) of the EP Law to prescribe by Regulations the charges for acceptance of waste at public waste management sites so that it is clearer that in prescribing charges the WDA –
 - may recover the capital and other costs of providing facilities and services at all waste management sites, and
 - apply a discount or surcharge to a prescribed charge on a specified basis (clause 11 (substituted section 32));
- adds a new duty for the States to provide by Ordinance for the assessment and levying of charges for the provision of waste disposal and recovery and other waste management services by the WDA (clause 11 (inserted s32A));

- amends section 33 of the EP Law to add applications for waste licences for operations which might divert waste from strategically important WDA facilities to those applications to which the special provisions of this section have to be applied by the Director (see clause 12);
- transfers certain water pollution functions of the Public Services Department to the Director and makes related amendments to sampling and enforcement powers (clauses 7, 8 and 13 to 15); the opportunity has also been taken to (1) make certain additional amendments to the enforcement powers to ensure compliance with human rights, including providing for a warrant to enter dwellings, (2) to clarify the wording of the Director's delegation power in section 9 of the EP Law so that it is clearer that the Director can delegate by authorisation in writing (clause 5) and (3) update the notice provisions in particular so that they refer to electronic communications (clause 20); and
- adds a standard exclusion of liability provision for the Director for anything not done in bad faith (clause 19).

The Law also amends the Competition (Guernsey) Ordinance, 2012 to provide for specified exemptions from the application of that Ordinance so as to avoid any potential technical argument that the requirement on occupiers under the draft Parochial Collection of Waste Law, 2015 (see above) to use only WDA bags and for the same to be sold only at the price prescribed under the EP Law is in breach of the 2012 Ordinance (clause 24).

PROJET DE LOI

entitled

THE STATES (REFORM) (GUERNSEY) LAW, 2015

The States are asked to decide:-

III.- Whether they are of the opinion to approve the draft Projet de Loi entitled “The States (Reform) (Guernsey) Law, 2015”, and to authorise the Bailiff to present a most humble petition to Her Majesty in Council praying for Her Royal Sanction thereto.

EXPLANATORY MEMORANDUM

This Law makes provision for those Resolutions of the States made at their meetings held on 24th June and 7th July 2015, that require implementation by way of Projet.

Clause 1 provides that a person elected to the office of People's Deputy at the General Election of People's Deputies, due to take place on 27th April, 2016, or at any election under Article 29(1) of the Reform (Guernsey) Law, 1948 to fill any vacancy not filled at that General Election, shall retire from office on 30th June, 2020, despite Article

29(1) of the Reform (Guernsey) Law, 1948 (Article 29(1) provides in effect for retirement from office of People's Deputies on the 30th April in every fourth year).

Clause 2 creates a power enabling a Committee of the States to arrange for any one or more members of the Committee to perform any functions (other than legislative functions – i.e. powers to make subordinate legislation or Ordinances) of that Committee in its name.

Clause 3 creates a power enabling a Committee ("Committee A") by regulations made jointly with another committee ("Committee B") to arrange for any of its functions (other than legislative functions) to be performed by Committee B in the name of Committee B.

Clause 4 makes provision in relation to any regulations made by committees under clause 3. For example, clause 4 enables regulations to be amended or repealed by subsequent regulations under the draft Law and to contain consequential, incidental, supplementary, transitional and savings provisions.

Clause 5(1) amends the Reform (Guernsey) Law, 1948 in order to –

- (a) reduce the number of People's Deputies from 45 to 38;
- (b) repeal provisions of the Law disqualifying individuals under a "legal disability" from voting in an election;
- (c) provide for the term of office of a People's Deputy to expire at the end of June and for general elections to be held in 2020 and in every fourth year thereafter;
- (d) transfer the Ordinance making power of the Legislation Select Committee under Article 66(3) of the Law to the newly established Policy and Resources Committee.

Clause 5(2) is a savings provision that provides for any Ordinances made under Article 66 of the Reform (Guernsey) Law, 1948 to remain in force as if made by the Policy and Resources Committee under newly inserted Article 66A(1) of the 1948 Law.

Clause 6 amends the States Committees (Constitution and Amendment) (Guernsey) Law, 1991 so that, for the avoidance of doubt, a committee's membership may consist of members, the majority or a minority of whom are not elected members of the States; provided that no person shall be elected or appointed to the office of President of a committee, unless the person is an elected member of the States.

Clause 7 is the interpretation clause.

Clauses 8 and 9 are respectively the citation and commencement clauses.

**THE INCOME TAX (PENSION AMENDMENTS) (GUERNSEY) ORDINANCE,
2015**

The States are asked to decide:-

IV.- Whether they are of the opinion to approve the draft Ordinance entitled “The Income Tax (Pension Amendments) (Guernsey) Ordinance, 2015”, and to direct that the same shall have effect as an Ordinance of the States.

EXPLANATORY MEMORANDUM

This Ordinance further amends the Income Tax (Guernsey) Law, 1975 ("the 1975 Law").

Section 2 of the Ordinance amends section 40 of the 1975 Law (exemptions) in order to exempt from income tax, lump sum payments which (when aggregated with all other lump sum payments made to an individual from a pension, annuity or annuity trust scheme) do not exceed 30% of the accumulated fund value under the scheme, or such other percentage as the Department may prescribe by regulation, where the lump sum, or part of the lump sum, arises from the commutation of any part of an interest in an overseas pension scheme, which would otherwise be taxable under section 17 of the 1975 Law

Section 3 of the Ordinance amends section 157A of the 1975 Law (approval of retirement annuity schemes and retirement annuity trust schemes) to allow pension funds, in approved RAS/RATS schemes, that include an inwards transfer to Guernsey from an overseas scheme, such as a transfer from the UK or Jersey, or an inwards transfer from a non-approved occupational scheme established in Guernsey, the same flexibility of benefits (i.e. they may be paid or applied for the same purposes) in relation to the transferred in funds as is allowed by legislation of the jurisdiction from where the funds or benefits entitlement originate or, as the case may be, as is allowed by the rules of the originating Guernsey non-approved scheme, provided in each case that those funds can be separately identified.

**THE CHILDREN (CHILD MINDERS AND DAY CARE PROVIDERS)
(GUERNSEY AND ALDERNEY) ORDINANCE, 2015**

The States are asked to decide:-

V.- Whether they are of the opinion to approve the draft Ordinance entitled “The Children (Child Minders and Day Care Providers) (Guernsey and Alderney) Ordinance, 2015”, and to direct that the same shall have effect as an Ordinance of the States.

EXPLANATORY MEMORANDUM

This Ordinance replaces Part III of the Child Protection (Guernsey) Law, 1972, with a set of comprehensive provisions regulating the provision of child minding and day care services for children under the age of 8 years.

Part I of this Ordinance deals with registration and related matters. It requires child minders, day care providers, and the premises at which they provide their services to be registered, unless exempted. Applications for registration may be made to the registration officer, and grounds are set out for mandatory refusal of registration. Certificates of registration may be issued and registration is subject to specified or published conditions. A public register of child minders and day care providers must be kept.

The registration officer is empowered to suspend, revoke or vary a registration under specified circumstances, by following the procedures set out in this Part. The registration officer can also serve an improvement notice to require a registered child minder or day care provider to take steps to improve their facilities or services.

Part I also imposes duties on a registered child minder or day care provider, such as compliance with registration conditions, keeping and producing any records prescribed by regulations and giving notice of any material change in the conduct of the child minding or day care services.

Part II provides for reviews of, and appeals against, registration-related decisions and improvement notices.

Part III allows the Health and Social Services Department ("the Department") to suspend or vary a registration with immediate effect in an emergency. This power can be exercised only where a child being looked after by the registered child minder or day care provider is suffering serious harm or is at imminent risk of suffering serious harm. An emergency suspension or variation has effect for a period of up to 72 hours, and the Department can apply to a court for an order to suspend, revoke or vary a registration.

Part IV relates to administration and enforcement. It provides for the appointment of the registration officer and authorised officers, who are given powers to enforce this Ordinance. These powers include powers of entry, search and seizure, but entry into dwellings requires the consent of the occupier, 24 hours' notice (in the case of dwellings already registered as child minding premises) or a warrant issued by the Bailiff (or in Alderney, the Chairman of the Court of Alderney).

Part V deals with general matters such as delegation, confidentiality, and interpretation, and sets out transitional provisions relating to persons who and premises which are currently registered under Part III of the Child Protection (Guernsey) Law, 1972. This Ordinance will come into force on a date to be specified by regulation made by the Department.

THE NOISE ABATEMENT (AMENDMENT) ORDINANCE, 2015

The States are asked to decide:-

VI.- Whether they are of the opinion to approve the draft Ordinance entitled “The Noise Abatement (Amendment) Ordinance, 2015”, and to direct that the same shall have effect as an Ordinance of the States.

EXPLANATORY MEMORANDUM

This Ordinance amends section 2(e) of the Noise Abatement Ordinance, 1962 to transfer the function of the Chief Officer of Police to give written permission for the operation of loudspeakers in connection with a public function or meeting to the Director of Environmental Health and Pollution Regulation appointed under the Environmental Pollution (Guernsey) Law, 2004

THE CRIMINAL JUSTICE (SEX OFFENDERS AND MISCELLANEOUS PROVISIONS) (BAILIWICK OF GUERNSEY) LAW, 2013 (AMENDMENT) ORDINANCE, 2015

The States are asked to decide:-

VII.- Whether they are of the opinion to approve the draft Ordinance entitled “The Criminal Justice (Sex Offenders and Miscellaneous Provisions) (Bailiwick of Guernsey) Law, 2013 (Amendment) Ordinance, 2015”, and to direct that the same shall have effect as an Ordinance of the States.

EXPLANATORY MEMORANDUM

This Ordinance clarifies the definitions of certain terms used within the Criminal Justice (Sex Offenders and Miscellaneous Provisions) (Bailiwick of Guernsey) Law, 2013 for the avoidance of doubt, including those of "appropriate judicial officer", "Bailiff" and "police officer".

THE FINANCIAL SERVICES OMBUDSMAN (BAILIWICK OF GUERNSEY) LAW, 2014 (COMMENCEMENT) (NO. 2) ORDINANCE, 2015

The States are asked to decide:-

VIII.- Whether they are of the opinion to approve the draft Ordinance entitled “The Financial Services Ombudsman (Bailiwick of Guernsey) Law, 2014 (Commencement) (No. 2) Ordinance, 2015”, and to direct that the same shall have effect as an Ordinance of the States.

EXPLANATORY MEMORANDUM

This Ordinance commences, with effect from 14th November, 2015, those provisions of the Financial Services Ombudsman (Bailiwick of Guernsey) Law, 2014 which are not already in force (further to the Financial Services Ombudsman (Bailiwick of Guernsey) Law, 2014 (Commencement and Amendment) Ordinance, 2015). In addition, it makes provision for the service of documents in legal proceedings on the Guernsey Financial Service Ombudsman and clarifies the relevant jurisdictions in which legal proceedings can be commenced in relation to a determination made by an Ombudsman, or to the handling of a complaint against a person carrying out non-exempt relevant financial services business.

**THE INCOME TAX (GUERNSEY) (APPROVAL OF AGREEMENT
WITH GIBRALTAR) ORDINANCE, 2015**

The States are asked to decide:-

IX.- Whether they are of the opinion to approve the draft Ordinance entitled “The Income Tax (Guernsey) (Approval of Agreement with Gibraltar) Ordinance, 2015”, and to direct that the same shall have effect as an Ordinance of the States.

EXPLANATORY MEMORANDUM

This Ordinance specifies, as an approved international agreement, an agreement providing for the obtaining, furnishing and exchanging of information in relation to tax, made for the purposes of the Income Tax (Guernsey) Law, 1975.

The agreement specified was made between the States of Guernsey and the Government of the Republic of Bulgaria, signed on the 20th May, 2015 and the 11th June, 2015 on behalf of Bulgaria and Guernsey respectively.

**THE INCOME TAX (GUERNSEY) (APPROVAL OF AGREEMENT
WITH BULGARIA) ORDINANCE, 2015**

The States are asked to decide:-

X.- Whether they are of the opinion to approve the draft Ordinance entitled “The Income Tax (Guernsey) (Approval of Agreement with Bulgaria) Ordinance, 2015”, and to direct that the same shall have effect as an Ordinance of the States.

EXPLANATORY MEMORANDUM

This Ordinance specifies, as an approved international agreement, an agreement providing for the obtaining, furnishing and exchanging of information in relation to tax, made for the purposes of the Income Tax (Guernsey) Law, 1975.

The agreement specified was made between the States of Guernsey and the Government of the Republic of Bulgaria, signed on the 20th May, 2015 and the 11th June, 2015 on behalf of Bulgaria and Guernsey respectively.

ORDINANCE LAID BEFORE THE STATES

THE SARK GENERAL PURPOSES AND FINANCE COMMITTEE (TRANSFER OF FUNCTIONS) (GUERNSEY) ORDINANCE, 2015

In pursuance of the provisions of the proviso to Article 66 (3) of the Reform (Guernsey) Law, 1948, as amended, “The Sark General Purposes and Finance Committee (Transfer of Functions) (Guernsey) Ordinance, 2015”, is laid before the States.

EXPLANATORY MEMORANDUM

In 2009, the functions of the Sark General Purposes and Finance Committee were transferred to the Sark General Purposes and Advisory Committee and the Sark Finance and Commerce Committee. Earlier this year, in a further reorganisation of Sark's government, the functions of the General Purposes and Advisory Committee were transferred to the Policy and Performance Committee. These transfers of functions were reflected in legislative terms in Guernsey in the Sark General Purposes and Finance Committee (Transfer of Functions) (Guernsey) Ordinance, 2009 ("the 2009 Ordinance") and the Sark General Purposes and Advisory and Finance and Commerce Committees (Transfer of Functions) (Guernsey) Ordinance, 2015 ("the 2015 Ordinance").

Since enactment of the 2015 Ordinance, some doubt has arisen as to whether the 2009 Ordinance amended references to the General Purposes and Finance Committee and effectively transferred its functions in all relevant Bailiwick-wide legislation. This Ordinance removes any doubt and clarifies the legislative position.

Section 1 of the Ordinance provides that, notwithstanding the terms of the 2009 and 2015 Ordinances, the functions, rights and liabilities of the General Purposes and Finance Committee and its Chairman arising by or under an enactment listed in section 1(2) are transferred to the Policy and Performance Committee and its Chairman.

Section 2 makes savings and transitional provisions.

Section 3 substitutes references to the Sark General Purposes and Finance Committee or its Chairman in the enactments listed in section 1(2) with references to the Sark Policy and Performance Committee and its Chairman.

Sections 4, 5 and 6 are respectively the interpretation, citation and commencement clauses.

The Ordinance was made by the Legislation Select Committee in exercise of its powers under Article 66(3) of the Reform (Guernsey) Law, 1948, and came into force on the 25th June, 2015. Under the proviso to Article 66(3) of the Reform (Guernsey) Law, 1948, the States of Deliberation have the power to annul the Ordinance.

STATUTORY INSTRUMENTS LAID BEFORE THE STATES

The States of Deliberation have the power to annul the Statutory Instruments detailed below.

THE SEX OFFENDERS (PRESCRIBED INFORMATION) (BAILIWICK OF GUERNSEY) REGULATIONS, 2015

In pursuance of section 55 of the Criminal Justice (Sex Offenders and Miscellaneous Provisions) (Bailiwick of Guernsey) Law, 2013, “The Sex Offenders (Prescribed Information) (Bailiwick of Guernsey) Regulations, 2015” made by the Home Department on 1st July 2015, are laid before the States.

EXPLANATORY NOTE

These Regulations make provision, for the purposes of the Criminal Justice (Sex Offenders and Miscellaneous Provisions) (Bailiwick of Guernsey) Law, 2013 (“**the Law**”), for an authorised officer to require a notifier to provide information about the following matters, in addition to the information set out in section 4(1) of the Law:

- Bank accounts and credit cards (regulation 1),
- Passports and identity documents (regulation 2), and
- Employment, including self-employment (regulation 3).

Failure to provide such information or the provision of information that the notifier knows to be false or misleading is an offence under section 4(10) of the Law.

These Regulations came into force on the 1st day of July, 2015.

THE SEX OFFENDERS (PRESCRIBED JURISDICTIONS) (BAILIWICK OF GUERNSEY) REGULATIONS, 2015

In pursuance of section 55 of the Criminal Justice (Sex Offenders and Miscellaneous Provisions) (Bailiwick of Guernsey) Law, 2013, “The Sex Offenders (Prescribed Jurisdictions) (Bailiwick of Guernsey) Regulations, 2015” made by the Home Department on 1st July 2015, are laid before the States.

EXPLANATORY NOTE

These Regulations prescribe, for the purposes of the Criminal Justice (Sex Offenders and Miscellaneous Provisions) (Bailiwick of Guernsey) Law, 2013 (“**the Law**”):

- the relevant jurisdictions and notification requirements mentioned in s.2(2) (notification requirements of other jurisdictions which also apply in the Bailiwick),
- the relevant jurisdictions and orders mentioned in s.19(5) (orders equivalent to sexual offences prevention orders in relation to which a breach can be prosecuted in the Bailiwick), and
- the relevant jurisdictions and orders mentioned in s.23(5) (orders equivalent to

risk of sexual harm orders in relation to which a breach can be prosecuted in the Bailiwick).

The relevant jurisdictions are England and Wales, Scotland, Northern Ireland, Jersey and the Isle of Man, which all operate broadly similar schemes to that found in the Law. These Regulations came into force on the 1st day of July, 2015.

THE SEX OFFENDERS (TRAVEL NOTIFICATION REQUIREMENTS) (BAILIWICK OF GUERNSEY) REGULATIONS, 2015

In pursuance of section 55 of the Criminal Justice (Sex Offenders and Miscellaneous Provisions) (Bailiwick of Guernsey) Law, 2013, “The Sex Offenders (Travel Notification Requirements) (Bailiwick of Guernsey) Regulations, 2015” made by the Home Department on 1st July 2015, are laid before the States.

EXPLANATORY NOTE

These Regulations make provision, for the purposes of the Criminal Justice (Sex Offenders and Miscellaneous Provisions) (Bailiwick of Guernsey) Law, 2013, to require notifiers leaving or returning to the Bailiwick to notify an authorised officer of the information set out in the Regulations (regulation 1).

The following information which must be disclosed by a notifier includes:

- for the purposes of a departure notification, the identity of the carrier to be used by the notifier, the accommodation to be used on the first night outside of the Bailiwick and the notifier's anticipated return to the Bailiwick (regulation 2), and
- for the purposes of a return notification, the date and point of arrival in the Bailiwick and the identity of the carrier to be used by the notifier (regulation 4).

Regulations 2(2) and (4), 3(1) and 4(2) also set out the periods in which the information must be disclosed.

These Regulations came into force on the 1st day of July, 2015.

THE LIQUOR LICENCE (FEES) (AMENDMENT) REGULATIONS, 2015

In pursuance of Section 99 (3) of the Liquor Licensing Ordinance, 2006, the Liquor Licence (Fees) (Amendment) Regulations, 2015, made by the Home Department on 15th June 2015, are laid before the States.

EXPLANATORY NOTE

These Regulations amend Schedule 4 of the Liquor Licensing Ordinance, 2006 which sets the relevant fees for the liquor licences and Constable reports etc. These Regulation are to come into force on 15th June 2015.”

**THE PAROCHIAL ADMINISTRATION ORDINANCE, 2013
(COMMENCEMENT) ORDER, 2015**

In pursuance of Article 2 of the Parochial Administration Ordinance, 2013, The Parochial Administration Ordinance, 2013 (Commencement) Order, 2015, made by the Policy Council on 9th July 2015, is laid before the States.

EXPLANATORY NOTE

This Order provides for the Parochial Administration Ordinance, 2013, to come into force on the 1st September 2015. In commencing the repeal of the *Ordonnance relative aux Curateurs des Trésors* of 1809 at Schedule 2 to the Ordinance, it leaves in force those provisions in respect of the term of office of churchwardens.

**THE FINANCIAL SERVICES OMBUDSMAN (CASE FEE AND LEVIES)
(BAILIWICK OF GUERNSEY) ORDER, 2015**

In pursuance of section 27(3) of the Financial Services Ombudsman (Bailiwick of Guernsey) Law, 2014, the Financial Services Ombudsman (Case Fee and Levies) (Bailiwick of Guernsey) Order, 2015, made by the Commerce and Employment Department on 21th May, 2015, is laid before the States.

EXPLANATORY NOTE

This Order makes provision, for the purposes of the Financial Services Ombudsman (Bailiwick of Guernsey) Law, 2014, for the prescribing of schemes by the Office of the Financial Services Ombudsman in relation to case fees (Articles 1 and 2), levies (Articles 3 to 7) and establishment levies (Articles 8 to 10).

The Order sets out:

- the requirements of publication and consultation (Articles 1 to 4 and 8),
- the method of calculation of the total amount required by the levy scheme (Article 5),
- the method of imposition of levies and establishment levies (Articles 6 and 9),
- the provision of notices for the purposes of levies and establishment levies (Articles 7 and 10),
- the appeal mechanism against decisions of OFSO as to the sums payable by financial services providers under the levy and establishment levy schemes (Articles 7 and 10), and
- the requirement to review the Order during the first year of its operation (Article 11).

This Order came into force on the 21th May, 2015.

**THE FINANCIAL SERVICES OMBUDSMAN
(EXEMPT BUSINESS) (BAILIWICK OF GUERNSEY) ORDER, 2015**

In pursuance of section 27(3) of the Financial Services Ombudsman (Bailiwick of Guernsey) Law, 2014, the Financial Services Ombudsman (Exempt Business) (Bailiwick of Guernsey) Order, 2015, made by the Commerce and Employment Department on 21th May, 2015, is laid before the States.

EXPLANATORY NOTE

This Order makes provision, for the purpose of the Financial Services Ombudsman (Bailiwick of Guernsey) Law, 2014 ("the Law"), for the exemption of business from the Financial Services Ombudsman Scheme ("the Scheme"). Business is exempted from being relevant financial services business for the purposes of the Law under Article 1(1), unless it falls into one or more of the descriptions set out in Article 1(2).

The descriptions of business which are not exempted are:

- deposit-taking business, within the meaning of the Banking Supervision (Bailiwick of Guernsey) Law, 1994, where the person carrying on that business must be licensed under that Law,
- money service business, within the meaning of the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999 for which the person carrying on the business must be licensed under the Banking Supervision (Bailiwick of Guernsey) Law, 1994, must be registered under the Registration of Non-Regulated Financial Services Business (Bailiwick of Guernsey) Law, 2008, or who would be required to register under that Law except for a direction given by the Commission under section 44 of that Law,
- the business of being an insurance intermediary, within the meaning of the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002, where the person carrying on that business must be licensed as an insurance intermediary under that Law,
- insurance business within the meaning of the Insurance Business (Bailiwick of Guernsey) Law, 2002, where the person carrying on the business must be licensed under that Law, unless the person falls under Category 2 or 4, or 5 or 6 where the person does not provide insurance business to or for the benefit of eligible complainants, of the Insurance Business (Solvency) Rules, 2015,
- controlled investment business, within the meaning of the Protection of Investors (Bailiwick of Guernsey) Law, 1987, where it involves either any restricted activity in connection with a Class A Collective Investment Scheme, or the restricted activity of advising, managing or dealing in connection with a category 2 controlled investment within the meaning of that Law, and where the person carrying on the business must have a licence under that Law,
- the business of carrying out regulated activities, within the meaning of the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2000, in relation to a pension scheme where the person carrying out the business must have a fiduciary licence under that Law,

- category 1 controlled investments that are authorised by the Commission as Class A Collective Investment Schemes,
- relevant pension business as defined in Schedule 3 to the Law, unless it is relevant occupational pension business within the meaning of Article 2,
- relevant credit business as defined in Schedule 4 to the Law, unless it is store credit business within the meaning of Article 3 or relevant debt advice business within the meaning of Article 4, and
- relevant ancillary business, within meaning of section 9(2) of the Law, in respect of which the main business falls within any one or more of the descriptions in Article 1(2), unless it is relevant brokerage business within the meaning of Article 5.

The exemption still applies in relation to the descriptions of business where the business is restricted to the provision of services to persons other than the "eligible complainants" set out in section 8(3) of the Law.

Further provisions exempt:

- occupation pension business which is carried out by an employer which does not carry out relevant pensions business but which nevertheless operates a scheme which provides benefits to current or former employers,
- store credit business which is carried on in course of a person's principal business of selling or letting goods, or supplying services, and mainly consists of the provision of credit to a person to whom the goods are sold or let, or the services supplied with a view to the facilitation of that transaction, and which does not require registration with the Commission in law or pursuant to a direction of the Commission,
- debt advice business which constitutes debt-counselling or debt-adjusting and the person, providing the person providing it does not carry on any business falling within paragraph 1(a) of Schedule 4 to the Law (or any business ancillary to that business) and it is carried on without any charge or fee, is carried out by a charitable body, or whose principal business does not fall within any of subparagraphs (a) to (c), (f) and (g) of section 9(1) of the Law, and
- ancillary brokerage business which is carried out by a person whose principal business does not fall within article 1(2) but which is ancillary business carried out by another person and falls within subparagraphs (a) to (j) of Article 1(2).

This Order came into force on the 21th May, 2015.

THE EXPORT CONTROL (MISCELLANEOUS GOODS) (BAILIWICK OF GUERNSEY) (AMENDMENT) ORDER, 2015

In pursuance of section 12 of The Export Control (Bailiwick of Guernsey) Law, 2006, "The Export Control (Miscellaneous Goods) (Bailiwick of Guernsey) (Amendment) Order, 2015" made by the Home Department on 27th July, 2015, is laid before the States.

EXPLANATORY NOTE

This Order amends the list of prohibited exports in Schedule 5 to the Export Control (Miscellaneous Goods) (Bailiwick of Guernsey) Order, 2010.

Article 1(a) updates a reference to goods infringing intellectual property rights within the meaning of Council Regulation (EC) No 1383/2003, with a reference to goods suspected of infringing an intellectual property right within the meaning of Regulation (EU) No 609/3013, which repealed Council Regulation (EC) No 1383/2003.

Article 1(b) replaced a reference to controlled substances in Council Regulation (EC) 2037/2000 with a reference to controlled substances and related products and equipment in Regulation (EC) No 1005/2009, which re-cast Council Regulation (EC) 2037/2000.

Article 1(c) updates the reference to Council Regulation (EC) 2368/2002 with a reference to Commission Regulation (EC) No 718/2005, which amended Council Regulation (EC) 2368/2002.

This Order came into force on the 1st August, 2015.

POLICY COUNCIL

PUBLIC SERVICE REFORM

1. Executive Summary

“The capability of the public service to support government in the development of policy will be strengthened and accountability for the implementation of government policy will be sharpened.”

“A single public service organisation, one that works in partnership with outside expertise, organising and delivering services centred on those who use them.”

“An organisation designed around meeting community needs, rather than expecting customers and users to adapt to the public service’s internal procedures and structures.”

- 1.1 These are just a few of the core objectives taken from ‘A Framework for Public Service Reform’ developed by the States Chief Executive and his Management Team (CEMT), which sets out a vision for the public service over the next ten years. However, it goes further than simply setting out a set of aspirations and objectives: it sets out an ambitious set of actions to be delivered during the first three years of the journey to lay the foundations for achieving them.
- 1.2 This Report outlines the key principles and benefits of this programme of public service reform, which is designed to complement and support the changes to the Island’s government structure agreed in July this year. It describes how, by putting the needs of ‘customers’ at the centre of its thinking and operation, the public service can be transformed to meet the political and public expectations of the 21st Century.
- 1.3 Meeting the challenge of bringing the budget deficit under control while increasing efficiencies through the Financial Transformation Programme (FTP) was the start of the reform process. Public service reform will focus on delivering what has been termed a ‘reform dividend’. In recognition that the limited availability of staff and finance will become ever more important issues for the foreseeable future, it will be a necessity for staff time and money to be freed up by making existing processes more cost-effective and efficient. This will provide savings that the States can decide how to invest either to cope with forecasted demands in services like health and social care, or in new or improved services.
- 1.4 The purpose of this Report is to set out the basis for, and background to, public service reform, together with the structure of the reform framework. It also explains the key role which the States of Deliberation are asked to play in supporting and enabling the successful implementation of public service reform. If government is to get better at making policy and delivering joined-up services,

it must not only commit to providing the public service with the necessary monies to effect the transformational activities outlined but also embrace the principles of reform set out later in this Report.

2. Introduction

- 2.1 The manner in which the public service¹ is designed and operated is no more a political decision than the organisation of the system of government is a matter for the public service to decide. However, both have in common the need for reform to meet 21st Century challenges and expectations.
- 2.2 Furthermore, given that there is a symbiotic relationship between government's role as the maker of policies and laws, and the public service's responsibility for their implementation, there is clearly considerable value in those reforms proceeding in tandem. A system of government designing and approving 21st Century policies and laws needs a public service suitably skilled and equipped to deliver them; equally a public service facing the challenges of service delivery in a fast-paced digital world, where customer expectations have never been higher, requires a government structure that will be supportive of changing the ways in which public services are organised, managed and delivered. At best government and the public service need to work conjointly and in partnership, respecting each other's particular role in ensuring all 'customers' – individual and corporate, profit-making and non-profit making - are provided for and served as effectively and efficiently as possible.
- 2.3 It is against this backdrop that appended to this Report is 'A Framework for Public Service Reform' that has been developed by the States Chief Executive and his Management Team. This sets out a vision for the public service over the next ten years. However, it goes further than simply setting out a set of aspirations and objectives: it sets out an ambitious set of actions to be delivered during the first three years of the journey to lay the foundations for achieving the vision.
- 2.4 The reform document identifies that achieving these objectives and delivering against these commitments will require the development of both the capabilities and capacity to design, deliver and sustain organisational change across the public service. It also identifies that this will require leadership at every level and support for a sustainable culture of change across the public service, in order for the public service to adapt and be responsive to the needs of all its customers. Crucially, however, it identifies that it will also require the dedication and commitment of elected members who will need to make the political decisions on a range of matters, including funding, to ensure that the reforms identified by the Chief Executive can be realised.

¹ The term 'public service' is used as the collective name for all those persons employed by the States of Guernsey. It recognises that whatever a person's job role or the terms and conditions under which they are employed to undertake it, each individual contributes to the performance of the public sector in its many and varied guises

3. Background to Public Service Reform

3.1 The concept of public service reform is not new to Guernsey as there have been several attempts to upskill the public service to enable it to serve better the needs of government and Islanders. Characteristically, however, previous change programmes have been patchy in their uptake and limited in their effectiveness; as a consequence, the Chief Executive has identified that while many areas of the public service are already implementing substantial change programmes (e.g. the Health and Social Services Department, Income Tax and the Social Security Department), the scale of the challenges posed by:

- Guernsey's changing demographics;
- the changing expectations of service users;
- changing workforce requirements;
- the need to support Guernsey's economy, in order to help meet the challenges in an increasingly competitive world;

requires a reform plan that applies right across the public service to address persistent weaknesses (which are highlighted, in detail, throughout the reform document).

3.2 At a political level, the need for change commenced in 2009 with the Fundamental Spending Review (FSR), which was commissioned as a response to the financial implications resulting from the introduction of the zero-10 tax regime. This initial work identified significant opportunities to reduce operating costs and it also made three core recommendations:

- to establish a States-wide transformation programme;
- to articulate and communicate a vision for the States;
- to embed a sustainable way of working.

3.3 However, at the time, the States made a conscious decision that these three recommendations should not be progressed in the short-term. Instead, the States agreed to the immediate establishment of a financial change programme to take forward opportunities for efficiency improvements and cost reduction, identified as part of the FSR, with the focus on achieving sustainable reductions in baseline budgets.

3.4 The States subsequently approved the establishment of the FTP as a means of delivering recurring revenue savings of at least £31m per annum by the end of 2014. The Programme delivered almost £29m of recurring savings, which represented a significant achievement, particularly given its relatively slow progress in the early years.

3.5 However, one of the criticisms has been that while significant financial savings were made, in many cases the transformational benefits were less tangible. Indeed, the Policy Council has repeatedly made the point that the FTP was part

of a transformational journey for the States; and how the organisation thinks and acts is a continuous process that does not end with its completion.

- 3.6 Nonetheless, the FTP was a States-wide initiative that provides an excellent foundation for public service reform. As well as demonstrating the ability of the public service to reduce and control costs, the Programme also began to embed a culture of joined-up working across the public service to create efficiencies.
- 3.7 The Policy Council is delighted that, rather than being political driven or imposed, it can now present to the States the Chief Executive's initiative for a new wave of reform. This retains the emphasis on managing costs and increasing efficiency, but takes this further to recognise the need to develop a much stronger focus on understanding customer needs, measuring and improving value for money, and delivering better outcomes from the investment of public monies.
- 3.8 The timing of this is crucial: with the approval, in July this year, of the States Review Committee's proposals to reform the political structure of government (Billet d'État XII), there is a clear imperative to look at the way that the public service can best serve government, as both political reform and public service reform have the same core aim: to serve the people of Guernsey in the best way possible, both now and in the future.

4. The Role of the Public Service

- 4.1 Although it may seem obvious to many, the wide-ranging role of the public service is often not fully understood. Many people will recognise advising government on matters of policy as the traditional civil service role, but in fact only a small number of civil service staff actually work in such roles.
- 4.2 The majority of the 5,500 staff within the public service work in operational delivery, whether at the front line or supporting their front line colleagues in a back office; and many of these are not civil servants but perform professional roles in, for example, the Island's schools, hospitals, prison, courts and emergency services. Indeed, for many Islanders, it is not what policies are being discussed and considered politically which is of significance, but the quality and efficiency of their interactions with the public service as they go about their day-to-day business.
- 4.3 With this in mind, a key starting point for the Chief Executive was to centre public service reform around 'the customer' and to identify the main 'customer groups' of the public service, each of whom will need to be impacted positively by the plan for public sector reform. The three core 'customer' groups as defined in the 'Framework for Public Service Reform' are:
 - External 'customers': those individuals, groups and businesses who access the services provided by the States;
 - Government: all those elected to serve as States Members, who require to be well-supported and advised to enable them to discharge their political responsibilities appropriately; and

- Internal “customers”: each department and its staff are customers of each other, as the policy decisions and operational actions of one department will almost invariably impact on many of the policy decisions and operational actions of another department.
- 4.4 Increasingly, it is being acknowledged that a key facet of both policy-making and operational activity must be to put customer needs first. This runs counter to the manner in which both government and the public service have historically been organised and conducted their business: services - and the staff, budgets, systems and processes that support them - have generally been structured along departmental lines. As a result, often inadvertently rather than deliberately, this has impacted adversely on the experience of external customers (who understandably expect the public service to act as one body rather than a loose affiliation of several). It has also acted as a barrier to true transformational change and public service reform.
- 4.5 Breaking down so-called ‘silo-working’ was intrinsic to the recently agreed reform of the government structure and is equally crucial to the success of the proposals for public service reform. Indeed, the proposals for public service reform are the practical steps required to deliver ‘Service Guernsey’: a set of values, behaviours and objectives to help the public service work together as one team for one organisation and with a common purpose, introduced by the Chief Executive in October 2014.

5. Service Guernsey

- 5.1 Service Guernsey comprises four principal themes focusing on:
- ensuring services are focused on customers’ needs;
 - demonstrating that public services represent value for money;
 - improving the measurement and management of performance across the public service;
 - making sure people in the public service have the right leadership, are effectively managed, and have access to the right development and training opportunities.
- 5.2 These are supported by two cross-cutting, enabling themes that focus on:
- the smart use of modern technology to deliver and support services in a more innovative way;
 - the encouragement of innovation and creative thinking within the public service, and the establishment of a culture of continuous improvement.

In addition, the reform framework builds upon the vision and principles agreed by the States as part of the Strategic Asset Management Plan (Billet d’État XV, July 2013), in acknowledging the critical role that the effective use of States-owned property assets can play in delivering reform and the opportunity this creates to make best use of the public sector estate.

6. What does Public Sector Reform Entail?

6.1 Public service reform is the mechanism by which the themes of Service Guernsey are to be turned into action plans with defined objectives and timelines for achievement. In summary, these comprise two main interrelated strands:

- Civil service reform
 - Defining the future size, shape and structure of the civil service
 - Enhancing the capability and capacity to support policy-making
 - Strengthening accountability for policy implementation
- Operational reform
 - Equipping, engaging and empowering staff to deliver incremental change and improvements
 - Transforming services within an existing delivery model
 - Optimising future delivery models for public services

6.2 The following paragraphs set out some of their important aspects from a political perspective.

Civil service reform

6.3 Civil service reform is concerned with how better: to support government to develop and deliver its policies as effectively as possible; to administer the day-to-day business of government; and to communicate effectively both internally and externally.

6.4 Civil service reform is, therefore, inextricably linked to the implementation of the work of the States Review Committee. If government itself is to be better organised to focus on its core policy-making function then it is incumbent on the civil service to be suitably equipped to enable this to proceed in timely fashion. At present, there are insufficient staff with the appropriate skills to support the timely co-ordination, development and implementation of government policies.

6.5 There is also a need for a change of mind set and culture to recognise that the provision of policy advice and research can no longer be the sole preserve of the civil service. Increasingly policy needs to be co-created with the assistance of representatives of the private and third sectors, while the public itself must play a greater part in policy development through effective engagement and consultation activities. The collaborative work done on the Children and Young People's Plan, the Supported Living and Ageing Well Strategy and the Disability and Inclusion Strategy are pathfinders in this respect, but they have also shown capacity and capability issues that will need to be addressed as part of civil service reform.

Operational reform

- 6.6 One of the core principles of the States Review Committee's proposals for the reform of government was that politicians should have less day-to-day involvement in the delivery of public sector services. However, for that to be achieved, not only do public servants need to become more publicly accountable for the services they lead and manage, they also need to provide appropriate financial, management and performance information to provide assurance to their political committees that those services are being run effectively and efficiently, and in accordance with all relevant legislation and professional standards. With that assurance in place – once services are up and running – it should be for public servants to determine how services are best delivered on a day-to-day basis.
- 6.7 However, as the custodians of the public purse, and because operational changes will often follow from new or amended policy, politicians should and will retain an interest in the development of new and amended models of service delivery.
- 6.8 Briefly, therefore, operational reform is about developing alternative means to deliver, in the main, front line services.
- 6.9 As examples, both the draft Children and Young People's Plan and the evolving Supported Living and Ageing Well Strategy have identified the need for greater integration of services across departmental boundaries, with services being 'wrapped around' the individual who needs them. By bringing together services, not only will the 'customer' experience be improved, but also inefficiencies and ineffectiveness can be addressed.
- 6.10 Similar opportunities exist in relation to other transactional services such as the notification of a change of address, where technology can provide a virtual 'one stop shop', allowing service users to inform the public sector once rather than many times. Using modern technology more strategically will make a big difference to how Islanders interact with the public service whilst, at the same time, enable the public service to provide services that will optimise value for money.
- 6.11 Inherent in delivering these changes will be the development of enhanced leadership and management skills; and, as with civil service reform, so operational reform will need to draw upon the knowledge and expertise of the private and third sectors (which the Health and Social Services Department is effectively piloting within its "fit for the future" programme through which it will transform the delivery of health and social care services).

7. The Outcomes and Benefits of the Reform Programme

- 7.1 The Framework document sets out in detail how public service reform is to be achieved. Importantly, the reforms are designed not around inputs or outputs, but upon the achievement of measurable outcomes:
 - for Islanders in how they engage with government and in their experience of public services;

- as a key enabler for businesses to grow and develop, and to improve their experience of interaction with the States both at a political and operational level;
- for the third sector in giving practical meaning to the aims of the Compact signed with the Association of Guernsey Charities in September 2014, in relation to policy co-creation and partnership working at an operational level; and
- for States' employees themselves, who can expect improved training and development, better defined career pathways and greater job satisfaction.

7.2 In terms of benefits – both financial and non-financial – public service reform will be focussed upon delivering what has been termed a 'reform dividend'. In recognition that the limited availability of staff and finance will become ever important issues for the foreseeable future - but that the States have already agreed to cap the income derived from Islanders through tax, social security contributions and fees and charges¹ - it will be a necessity for staff time and money to be freed up by making existing processes more cost-effective and efficient. This will provide savings that the States can decide how to invest either in coping with forecasted demands in services like health and social care or in new or improved services.

8. The key to Successful Public Service Reform

- 8.1 The attached Framework document identifies that key to the successful delivery of public service reform are the people that the public service employs, because it is people, not systems or processes, that deliver services to government and to Islanders. This means that there must be significant cultural change within the public service, which historically has been too risk averse and process driven.
- 8.2 It also means that, in accordance with its own reforms, government must itself become flexible and departments less possessive in how they regard staff resources. Tying job roles to a single department in a specific area can be an inhibitor to making the best use of what will always be limited staff resources. Establishing pools of people with the right skills for policy, project and operational management, and deploying them where and for only how long they are needed – in accordance with the political priorities set by the States through the States Strategic Plan (SSP) and the Government Service Plan - presents the best opportunity for them to add the most value in serving both government and the community.

¹ After debating the 'Personal Tax, Pensions and Benefits Review' (Billet d'État IV, February 2015), the States resolved: "To amend the Fiscal Framework to place an upper limit on aggregate government income, incorporating General Revenue, Social Security contributions and fees and charges, such that total government income should not exceed 28% of Gross Domestic Product."

- 8.3 This is especially important as, in common with our population as a whole, the public service is itself ageing and our ability to recruit specialist skills from off-Island is becoming increasingly difficult. Growing our own talent without denuding the Island's wealth creators of key staff will become more, not less, important as time progresses.

9. Reporting on Progress/Governance

- 9.1 As noted above, the 'Framework for Public Service Reform' sets out both a vision for the public service for the next ten years, and an action plan for the next three.
- 9.2 The initiatives set out in this action plan will be driven by the CEMT, under the political oversight of the new Policy and Resources Committee. This action plan will be refreshed as part of a progress report to be presented to the States annually.
- 9.3 As public service reform is inextricably linked with the implementation of the new structure of government, it is intended that the first of these annual update reports is submitted for consideration in the Third Quarter of 2016.

10. Resource Implications

- 10.1 The Framework document acknowledges that given the challenges Guernsey faces, taken together with the commitment to reform major services, the civil service, in particular, must anticipate becoming more flexible, agile and strategic as it delivers services differently. Given that, at the same time, our ageing population may result in a requirement for more staff in health and social care services, this puts an even greater emphasis upon the need to secure a 'reform dividend' in both staff and money.
- 10.2 Although public service reform has at its heart value for money, to effect change across an organisation that is the biggest employer in the Island will inevitably require upfront and ongoing investment in order to secure the reform dividend. Some of those costs will rightly be attributed to specific projects, e.g. the transformation of health and social care, or the Income Tax Improvement Programme; other costs will be incurred more universally in developing, for example, change and project management skills across the public service.
- 10.3 At this early stage, detailed work has yet to be undertaken to define all of the projects and workstreams that will be undertaken and their associated cost; however, one thing is certain – without appropriate investment public service reform is destined to fail; and that is not an outcome that either the States or the Island community can afford to happen.
- 10.4 In its 2015 Budget Report (Billet d'État XXII, October 2014), the Treasury and Resources Department anticipated an integrated programme to transform public services being one of a number of named initiatives to be funded from the £25m

Transformation and Transition Fund². The Policy Council acknowledges that there will be numerous calls on this Fund and that it is vital that the States agrees a mechanism by which the allocation of funds can be prioritised with applications for such funding rigorously assessed. The Policy Council is working with the Treasury and Resources Department in this respect; and, as part of the 2016 Budget Report, the Treasury and Resources Department intends to set out a jointly agreed framework for the management of this Fund and to propose the basis for its initial investment.

- 10.5 The costs associated with developing civil service reform, the programmes of operational reform and in delivering the high level action plans included in the reform framework will therefore need to be developed and then prioritised alongside other competing priorities at the appropriate time for funding from the Transformation and Transition Fund.

11. Consultations

- 11.1 The proposals for public service reform have taken into account:

- the results of a survey of all public sector staff undertaken in 2014 – the response rate to this survey was almost 50%³;
- a survey of all States Members undertaken in Spring 2015, seeking their views on the performance of the civil service in particular and how improvements could be made to enable States Members to discharge their political duties effectively. 35 Deputies responded to this survey;
- a community survey undertaken in Summer 2015, seeking the views of Islanders on how the delivery of public services could be improved. The results of this survey will inform and influence the design of the specifics of operational reform.

- 11.2 The proposals for reform were also presented to both the Policy Council and the Treasury and Resources Department in the early stages of their development, both of whom were fully supportive of their aims and objectives.

12. Principles of Corporate Governance

- 12.1 This Report has been developed in accordance with the principles of good governance.

² See paragraphs 5.19-5.31, especially paragraphs 5.20 -5.22.

³ The survey, which will be repeated annually, benchmarked the public sector against appropriate UK comparators for a set of questions that relate closely to the public service reform agenda. Service-wide and department-specific action plans have been developed based on the survey findings.

13. Conclusions

- 13.1 While it is not the responsibility of government to ensure the delivery of public sector reform, the States have a key role to play to support and enable its successful implementation. If government is to get better at making policy and delivering joined-up services, it must provide the public service with the necessary monies to maximise its traditional advisory and operational roles, and to develop new skills in performance management, change management, contracting and commissioning among others. Therefore, the States needs to be prepared to invest in delivery of public service reform as well as in policy development.
- 13.2 More broadly, the Policy Council takes this opportunity to emphasise to States Members the necessity to support the framework for reform without which its aims and objectives will not be achieved and the benefits for government, the community and employees will not be realised. To demonstrate this commitment, the Policy Council considers that the States should endorse the following principles:
- Public sector reform is vital to the future sustainability of the Island and should be prioritised accordingly;
 - Public sector expenditure must continue to be effectively controlled and waste and inefficiency reduced;
 - In advance of the realisation of a reform dividend, the States will be prepared to make difficult political decisions;
 - There will be more collaboration and greater integration of services both between States' bodies, and between States' bodies and private and third sector organisations, to address inefficiencies and improve customer experiences;
 - Upfront investment will be essential to effect reforms in key service areas and secure the reform dividend;
 - Long-term corporate programmes of change will be prioritised and resourced ahead of resolving short-term issues;
 - Due to the scale of the reforms set out, some staff resources may need to be reassigned in the short-term in order to deliver changes with long-term benefits.

14. Recommendations

14.1 The States are asked to:

- (i) Endorse the document entitled “A Framework for Public Service Reform 2015 – 2025”.
- (ii) Demonstrate their commitment to public service reform by endorsing the principles set out in Section 13 of this Report.
- (iii) Note that the resource implications associated with delivery of the actions identified within the document entitled “A Framework for Public Service Reform 2015 - 2025” will be developed as set out in section 10 of this Report and applications for funding from the £25m to be allocated from the Transformation & Transition Fund will be made at the appropriate time.
- (iv) Note that those reform activities involving major costs or policy considerations will be referred to the States by the Policy Council or the appropriate Department for a decision.
- (v) Direct the Policy Council to submit annual reports to the States on the progress being made together with other relevant information in connection with the delivery of public service reform.

J P Le Tocq
Chief Minister

27th July 2015

AH Langlois
Deputy Chief Minister

Y Burford
P L Gillson
S J Ogier

R W Sillars
M G O’Hara
K A Stewart

P A Luxon
D B Jones
G A St Pier

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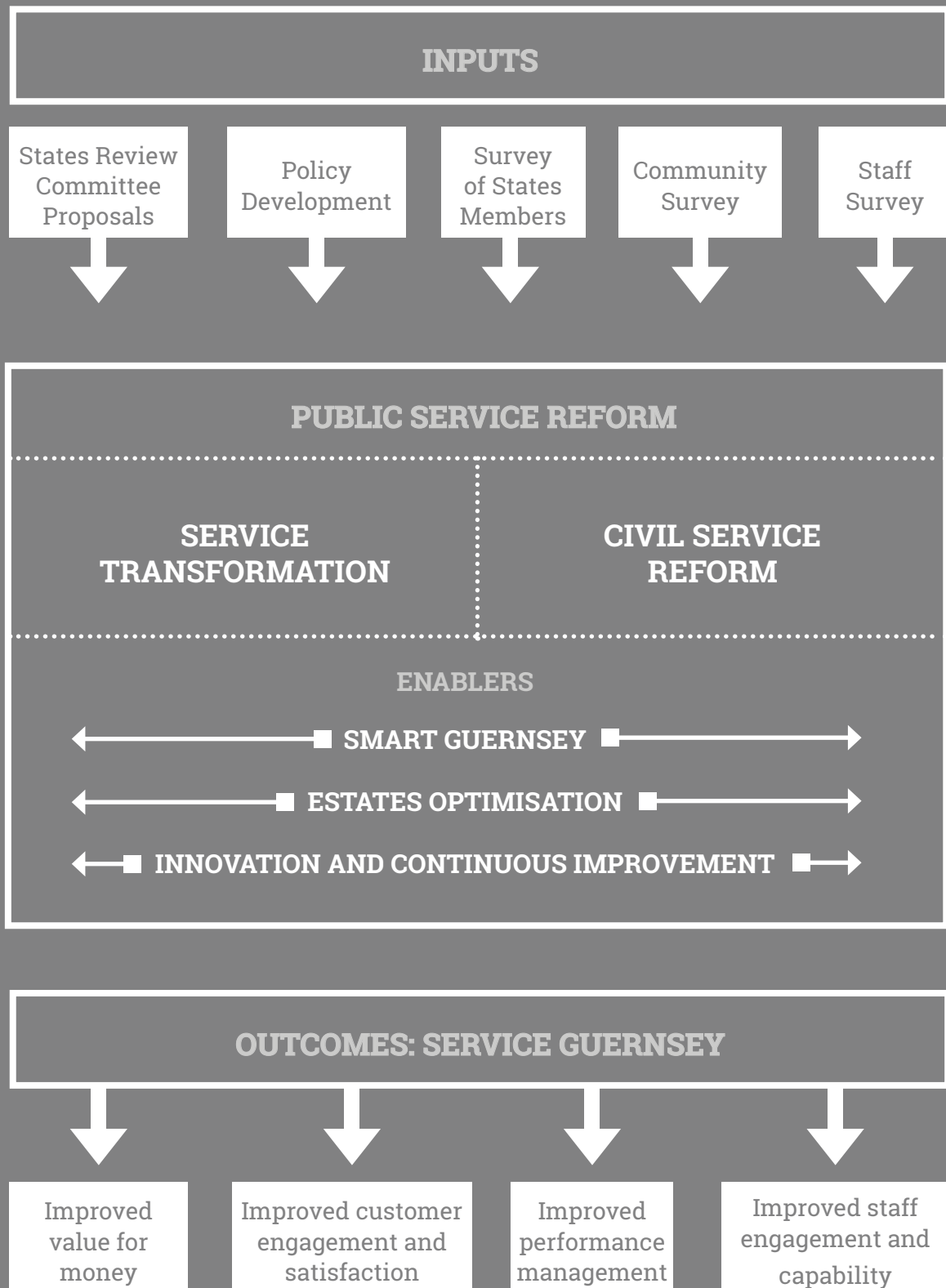


STATES OF GUERNSEY

A FRAMEWORK FOR
**PUBLIC SERVICE
REFORM**

2015-2025

PUBLIC SERVICE REFORM AT A GLANCE



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INTRODUCTION

This document sets out a ten-year framework for transforming the organisation, management and delivery of public services in Guernsey. It's not a short term project. Delivering the change that the community needs - that you need - from the public service is a long term commitment.

There won't be a big bang in 2025 when it all slots into place, with fireworks at the Yacht Club and a 21-gun salute at Castle Cornet. There will be change, incremental change, over the next ten years. Some of it is already happening, and much of it is about to begin. But through this framework we will deliver visible changes and improvements in public service performance every year for the next 10 years. We have a destination in mind, and a map of how we want to get there. We are going to do it properly.

Our aim is to build a single public service organisation, one that works in partnership with outside expertise, organising and delivering services centred on those who use them, and using your money wisely and carefully. An organisation designed around meeting community needs, rather than expecting the customer to adapt to the public service's internal procedures and structures. One which has adopted technology and a 'one-stop, tell us once' approach to make our services easier to access and use.

In order to do this we will have four overall priorities, each of which are linked:

1. Improving customer engagement and satisfaction
2. Delivering and demonstrating value for money
3. Improving staff engagement and satisfaction
4. Enhancing organisational performance measurement and management

To support those priorities, three workstreams have been identified that are critical to their successful delivery and which are set out in greater detail in this document:

- SMART Guernsey – bringing our services on-line and making better use of technology
- Estates optimisation – ensuring we make the most effective use of our buildings across the island and ensuring the best possible customer access
- Innovation and continuous improvement – ensuring we are cultivating and exploiting ideas for improvement from both inside and outside the organisation

Not only are we capable of making this change, we are prepared for change. A huge amount of work has already been done to build the framework for reform that is set out in this document: the ongoing community survey, the first of its kind in Guernsey; the biggest survey of public service employees in over a decade; and the first survey of elected deputies. We have drawn on the work of the States Review Committee and its proposals for modernisation of government. The Public Accounts Committee's report on the Financial Transformation Programme has provided independent recommendations on managing change in the public sector in a different way. We have talked with other public sectors in other places about the lessons that they have learned.

Delivering this will require a number of things. We will introduce a leadership strategy and make sure that there is greater civil service accountability. We will put the emphasis on performance management and outcomes, and will end the silo approach to departmental working.

We will improve the communications from the States of Guernsey to its customers, through better use of social media, through the creation of a single digital portal for all interactions with public services and through improving the existing website. We won't just be talking to you. We will be listening to you, we want an ongoing conversation with those we serve.

We will implement a 'digital by default' approach that will include making more use of technological advances. We will move our data – your data – to the 'cloud', supported by enhanced cyber security that will keep it safe in a challenging world.

We will reduce the number of sites that we own and work from – at the moment it is more than 100. Doing this will help us remove boundaries between departments and functions through more effective team working and co-location, and to rationalise the property portfolio.

We will free up resources by making existing processes more cost effective and efficient. These savings can then be re-invested to meet increasing demand or in new or improved services, ensuring all of our services are sustainable into the future. This is about saving to invest. Many of us do this every day, building a dividend by changing our lifestyles or habits and reducing our personal expenditure in one area so we can spend more in an area we see as or more important or valuable to us. In the same way the public sector will also build a dividend through reform, one that will be reinvested in services – a reform dividend.

What does the future look like? It will be easier for people to engage with the States. Information will be more easily available and there will be greater transparency in how the decisions that affect islanders are made, how their taxes are spent and what they get in return. Online services will mean that people have greater freedom to access them when they want to and how they want to. Integrated services that operate across internal boundaries, rather than within them, will bring greater flexibility, will reduce the administrative burden and will increase efficiency. The capability of the public service to support government in the development of policy will be strengthened and accountability for the implementation of government policy will be sharpened. There will be a culture of continuous improvement in the way public services are delivered and staffed.

A fit-for-purpose public service will provide Guernsey businesses with a real competitive edge and support growth. It will have a vital part to play in making Guernsey an even better place to do business. Increased partnership between the public and private sectors and new approaches to service delivery will provide greater opportunities in the coming years.

The public service – our island’s biggest single employer - will be a better place to work. Public servants will be better equipped to perform to a higher standard. Improved training and development, increased mobility and further integration of systems and structures will provide a more interesting and challenging environment for careers in the public service. New ways of working and greater use of technology and data sharing will become the norm. Further integration of back-office functions will reduce duplication and allow for a stronger focus on strategic issues. We will invest in our people to increase and expand their capability so that they can respond to the emerging challenges.

So it is a future worth striving for. This framework sets out what we need to do in order to get there.



Paul Whitfield
Chief Executive Officer
States of Guernsey

Photo courtesy of
Collaborate Communications

THE PUBLIC SERVICE

In this document, '**public service**' is used to describe all those employed by the States of Guernsey; '**government**' refers to the elected political body, including the Committees and the States Assembly; and '**civil service**' refers to the part of the public service that is specifically tasked with supporting the government to administer its business and develop and deliver its policies. '**Frontline services**' are where a service is directly accessed by the service user. We also use the phrase '**third sector**' to include charities, voluntary groups and non-governmental organisations.

■ The role of the public service

Public service employees carry out three broad types of role on behalf of government:

Advising on policy and supporting government

Advising government on matters of policy is traditionally seen as the classic civil service role but, in fact, only a small number of public service employees actually work in such roles. Civil servants support committees in developing policy and delivering policy decisions. They support the administration of government business, the parliamentary committees, and provide the administrative support to the States Assembly.

Implementing programmes and projects

Government's portfolio of projects ranges from complex policy projects and programmes, such as the Children and Young People's Plan, the Disability and Inclusion Strategy and the Supported Living and Ageing Well Strategy, to infrastructure projects such as La Mare De Carteret schools rebuild and major transformation initiatives such as the Home Department's Operational Services Transformation Programme.

Operational delivery

The majority of staff in the public service work in operational delivery, in areas as diverse as working at the borders, treating patients at the Princess Elizabeth Hospital, caring for and teaching island children, administering the pensions and benefit systems and running the prison and courts.

The Public Service is accountable to the 62,711 people who live in Guernsey.

5,500 of these people work for the public service representing

17.5% of the working population

Of these:



22%

Are nurses and medical staff



18%

Are teaching staff



8%

Are in uniformed services

CHAPTER ONE

**WHY WE NEED
PUBLIC SERVICE
REFORM**

The **public service** is at the very heart of the island's community.

And because the island is **changing**, so must the public service if we are to keep up with those changes and to continue to deliver the services the **community needs**.

The challenges we face in preparing for the future mean that the reforms we make need to be consistent and co-ordinated across every single part of the organisation. It won't be enough to simply do some things better. We need to **work differently** and as a single organisation that puts the **customer first**, but one that also spends your money wisely and carefully. This document sets out a comprehensive **framework for reform**, which shows where we want to get to – and how we intend to get there.

WHY WE NEED PUBLIC SERVICE REFORM

The public service needs to change and there are a number of important factors which contribute to this need to change.

These include:

- Our community's shifting demographics, and the declining proportion of the population in work
- Changing expectations of our service users
- The States of Guernsey's evolving workforce requirements
- Supporting Guernsey's economy, and helping to meet the challenges we face in a competitive world

The concept of public service reform is not new to Guernsey. Most recently the Financial Transformation Programme, which ended in December 2014, made us think about new ways of increasing efficiency while reducing the overall cost of delivering public services. Through that five-year programme, the States of Guernsey made a total saving of over £55 million, and will continue to save some £29 million on a recurring year-on-year basis. This demonstrated that we were able to provide the services needed in a more cost effective way. It brought transformation of the way in which we view our finances and use our resources, and created a culture of cost consciousness at all levels of the organisation. This has been pivotal in achieving a balanced budget and it has given us a strong foundation on which to build.

It was, however, only the start of the journey. There is a longer-term challenge to ensure the ongoing sustainability of public services. The organisation needs to be more efficient if it is to ensure that every penny of taxpayers' money is spent wisely, that service and infrastructure improvements are not delayed or denied to service users, and that the government's commitments are met.

At its best, our public service is already flexible and working hard to improve efficiency and some areas are already implementing substantial change programmes. However, there is significant work to do and long term

challenges to face. The size of the organisation and the scale of the challenges means that we need a reform plan that is implemented right across the public service. We cannot successfully deliver reform without significant collaboration between services, successful co-ordination between projects and programmes and a consistent alignment with the modernisation of government as set out in the States Review Committee's policy letter.

Traditionally, services and the resources, systems and processes that support them have been structured within the sometimes arbitrary lines created by departmental boundaries. In many cases these boundaries have acted as unintended barriers to what is needed to transform the public service. Removing them is crucial. We need to work harder at delivering consistently good services as one seamless organisation through a comprehensive framework for reform.

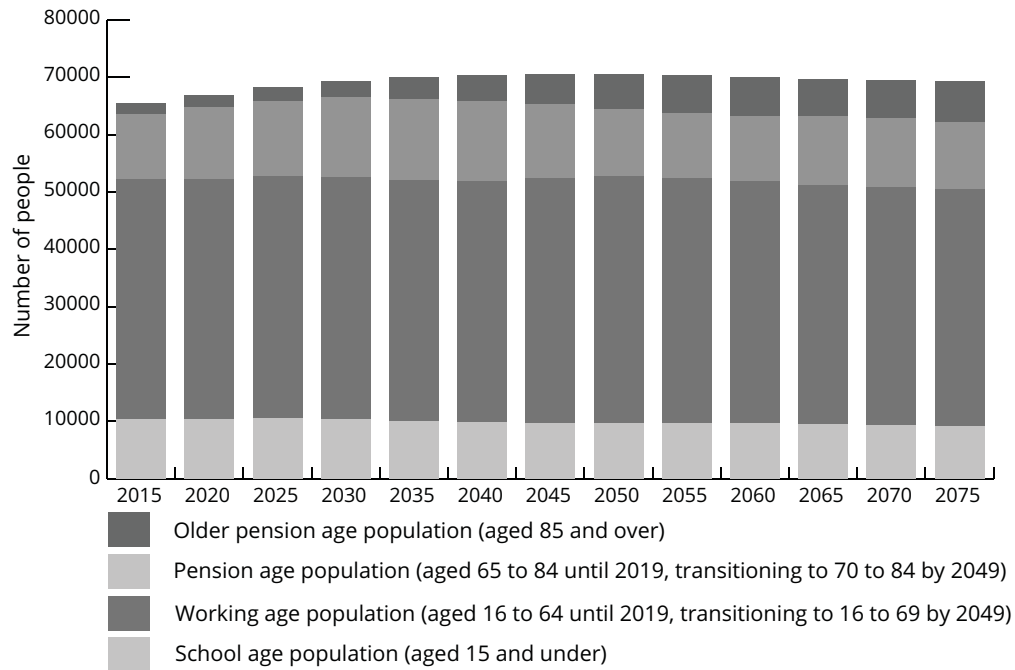
■ **More on the long term challenges facing the public service**

1. Our community's shifting demographics

In common with almost every developed economy, our population is changing. The good news is that we are living longer. The number of people aged over 85 is expected to more than triple by 2050. At the same time, the proportion of people of working age is expected to decrease. Services we deliver are paid for from taxes and a reduction in the working age population of this magnitude will result in a reduction in tax revenues. This means that the cost of delivering services will increase while the funds available to pay for them will decrease. This demographic change has wide reaching implications for our community, our economy and our government.

As a result of being prudent in the past, the government has contingency arrangements. It has also made prudent plans for the future - the government has already taken a decision to increase the pension age to 70 by 2049, for example. But while this places us in a stronger position than many, the challenges we face are still considerable and managing them will mean more careful planning and further difficult decisions.

Guernsey's shifting demographics



2. Meeting customers' changing expectations

The public service needs to be designed around meeting community needs rather than expecting the customer to adapt to our internal procedures and structures. For example, the results received from the community survey so far show that the vast majority of people want to be able to do more online transactions and be able to report issues online such as broken traffic lights, potholes or graffiti. People also want to be able to find information more easily. We must make sure we are truly inclusive and sympathetic to the needs of all those in our diverse community

3. Our changing workforce

The reduction in Guernsey's working age population will drive a need to change the shape and size of the public service, the island's biggest employer. It currently employs 17%, or one in six, of Guernsey's working age population. Fewer people in employment means the jobs market will become more competitive with both the private and public sector recruiting from a decreasing pool of potential candidates. If we don't become more efficient and use our resources and technology smarter, then we will find that the percentage of the island's working age people employed by the

public service will increase. This will place further pressure on taxpayers, the private sector and the economy.

It is essential that the public service has the staff with the skills and capabilities we need to operate effectively in a changing and increasingly digital environment while continuing to recruit locally wherever possible and grow our own talent. Greater flexibility in the way that staff work will be essential, fostering a “there when you need it” approach, making the most of specialist skills. We must also use technology to our advantage to help us cope with the naturally declining workforce, while the island’s changing demographics mean we are likely to need additional staff in other areas such as health and social care.

4. Supporting Guernsey’s economy in a competitive world

Guernsey’s strong and innovative finance sector is continuing to adapt to the changing global environment. Guernsey continues to be a world leader in captive insurance, fund administration and fiduciary. Although the finance sector provides around 40% of our GDP, our government’s Economic Development Framework is also supporting growth in Guernsey led from other non-finance sectors and the contribution of the visitor economy has grown strongly in the last 18 months.

Guernsey must remain competitive in order to maintain a business environment that attracts investment, supports growth and creates employment and the public service must be able to provide the right infrastructure to support that.

CHAPTER TWO

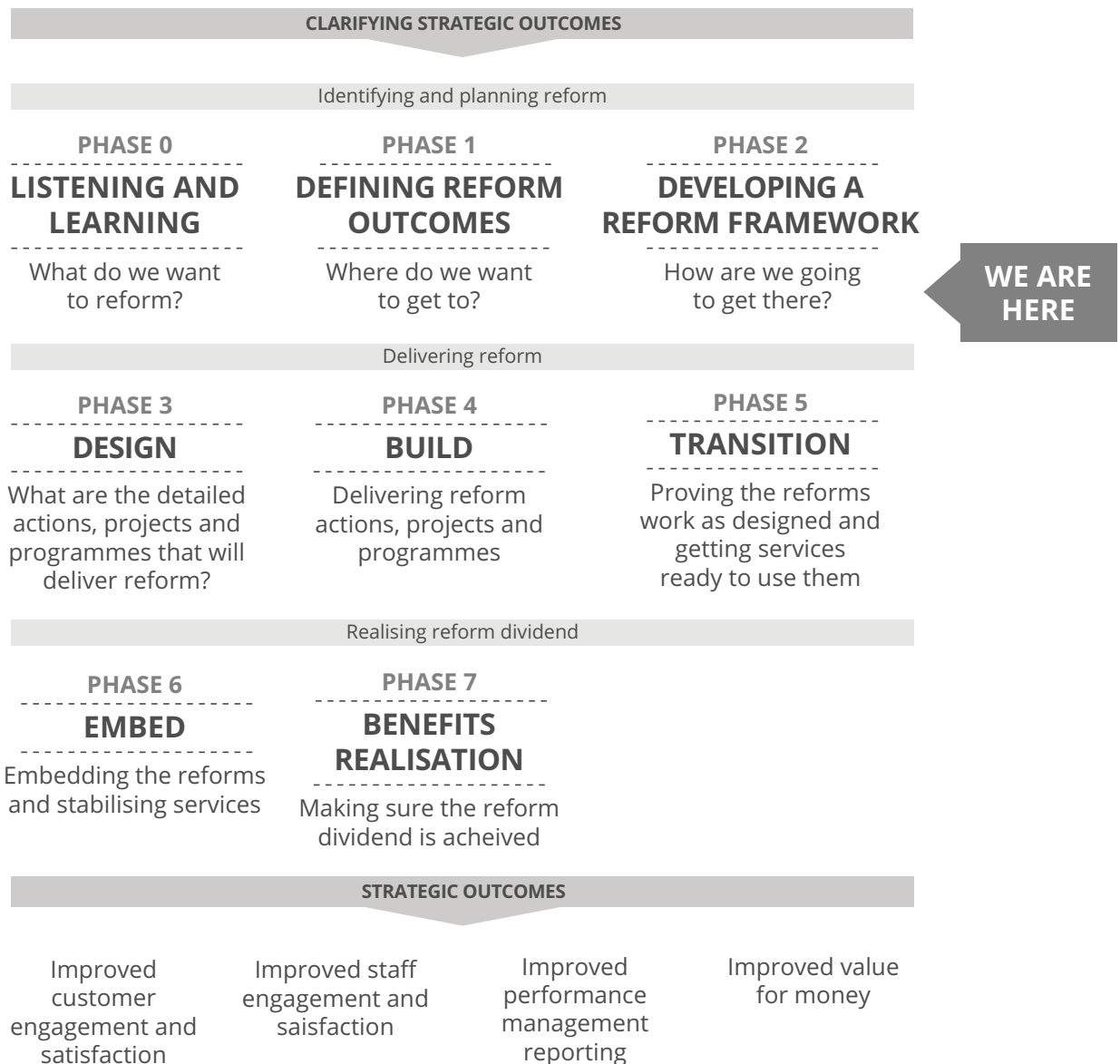
**MAKING IT HAPPEN -
A FRAMEWORK
FOR REFORM**

Public service reform will not happen overnight. We need to do more than apply sticking plasters and produce quick fixes. This framework will deliver long-term, sustainable **change** over the next ten years. We will make these changes in order to reach clear objectives and there will be milestones along the way so that we can ensure we are moving in the **right direction** at the right speed. Those objectives and milestones are set out in the framework and **focus on improving** customer satisfaction and engagement, delivering value for money, improving staff engagement **across the organisation**, and enhancing our performance. We cannot select one or two of these objectives – each of them are interdependent. The approach will be to free up resources by working more effectively and to reinvest the **resources** saved in new or improved services - the reform dividend.

MAKING IT HAPPEN - A FRAMEWORK FOR REFORM

■ The reform dividend

The reform framework set out in this document is about safeguarding and improving public services with an emphasis on saving to invest. We have described the increased pressure on the future funding of public services, and the reforms are about freeing up resources by making existing processes more cost effective and efficient, and reinvesting in new or improved services, and in meeting future service demands. This is the reform dividend and it will underpin and help sustain the reform agenda.



A reform dividend cannot be delivered through a quick fix and sticking plaster approach. Short-term solutions will only bring short-term change – not long-term transformation. That takes time and many changes will be evolutionary and incremental.

Visible improvements in the short-term will most likely come from smaller, incremental changes identified and delivered by individual service units and teams. Large scale transformational change takes longer to design and deliver, as does embedding the real and sustainable cultural changes that will release the biggest reform dividend. Illustrated to the left is the reform cycle and publication of this document signifies the completion of phase two – developing a reform framework.

■ **Service Guernsey**

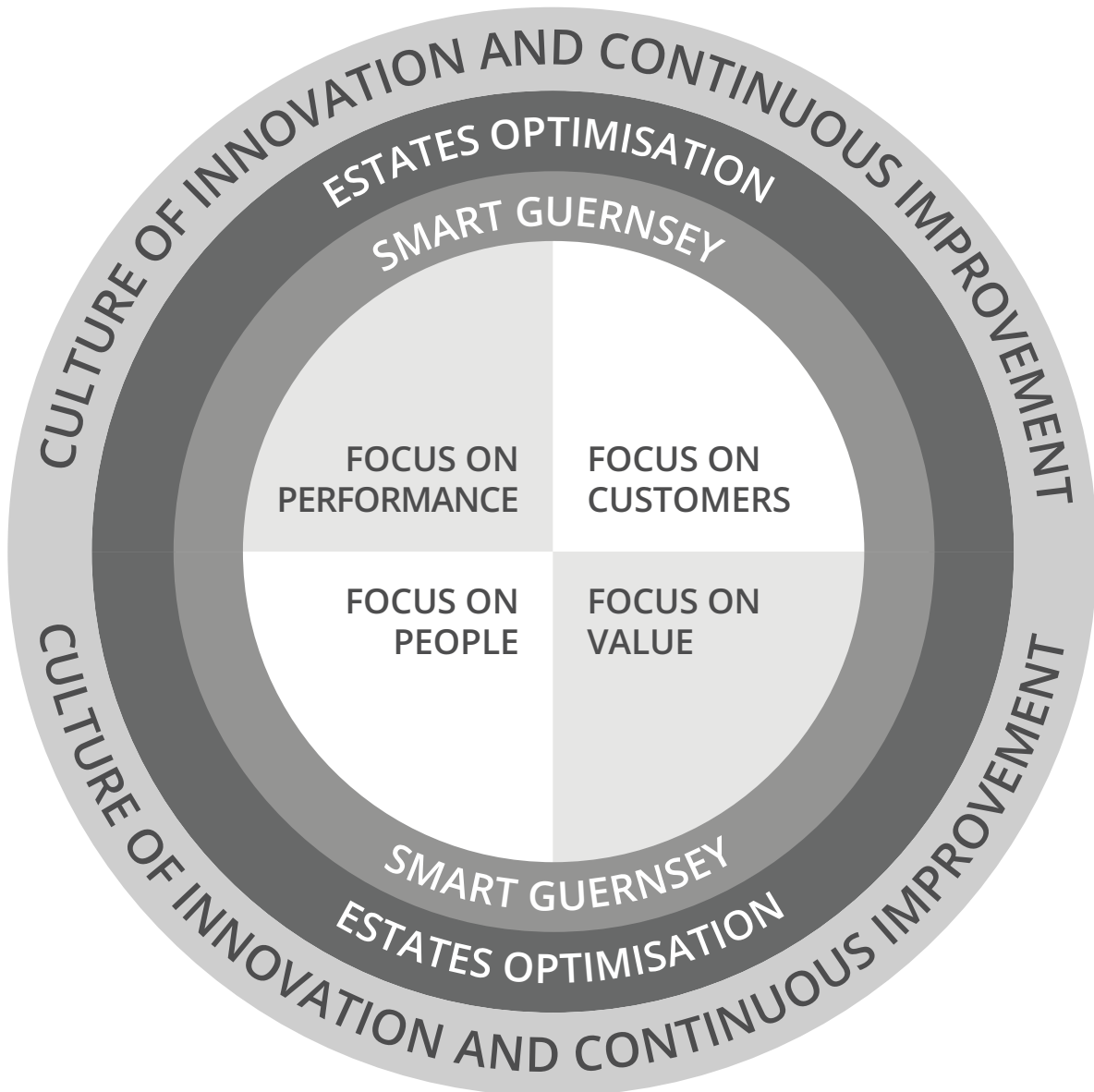
Service Guernsey, a set of values and objectives to help the public service work together as one team with a common purpose, was introduced to the organisation's employees by the Chief Executive in October 2014. It sets out to our staff the organisation's priorities to help it achieve a reformed public service:

1. Improving customer engagement and satisfaction
2. Demonstrating value for money
3. Improving staff engagement and satisfaction
4. Enhancing organisational performance measurement and management

This will be supported by a focus on:

- Using modern technology to deliver and support services in a smarter and more innovative way – SMART Guernsey
- Encouraging innovation and creative thinking within the public service and establishing a culture of continuous improvement

In addition to the Service Guernsey themes, the reform framework acknowledges the critical role that the effective use of public sector property assets will play in delivering reform and the opportunity this creates to optimise the public sector estate.



FOCUS ON VALUE FOR MONEY

To show the taxpayer that government can be trusted to spend their money wisely

FOCUS ON PERFORMANCE MANAGEMENT

To understand the organisation's performance today, so it can be improved.

FOCUS ON OUR PEOPLE

To understand strengths and weaknesses, reward high performance and support development and improvement.

DIGITAL - SMART GUERNSEY

To use 21st century technology to benefit customers and staff.

INNOVATIVE AND CREATIVE THINKING

To embrace new thinking and innovative ideas and the tools and techniques that exploit this.

ESTATES OPTIMISATION

To have an efficient, fit for purpose and sustainable estate that delivers value for money, allows modern ways of working and improves customer value.

FOCUS ON OUR CUSTOMER

To understand who the customer is, what they need, and provide it.

CHAPTER THREE

**IMPROVING
CUSTOMER
ENGAGEMENT
AND SATISFACTION**

The public service is becoming an organisation that focuses on **outcomes for customers**, that is the community, the government and in some cases our own service teams. All of you. We are building our understanding of what customers **want and need**, so that we can then focus on how we best deliver with the resources we have. We will improve the way the public service engages with all of you, and will build **stronger partnerships** with the charitable sector and with business so that we can take advantage of the **expertise** on the island when we support the development of policy and then implement it. We will put in place a **Proud To Serve** initiative to drive customer service and improve customer satisfaction, and a **Tell Us Once** approach to make it easier for you to provide us with the information we need to serve you.

IMPROVING CUSTOMER ENGAGEMENT AND SATISFACTION

■ The public service customers are:

- The community - those individuals, groups and businesses who access the services we provide
- The government - those elected by the community to govern the island on their behalf
- Each other - the work done by one part of the public service is often critical to the operations and services provided by another

To make sure we are delivering the right services in the right way, we need to understand as much as possible about our varied customer groups. In June 2015 we launched the first ever community wide survey to assess islanders' satisfaction with the public services they receive. This survey will continue until October 2015 and is available at www.gov.gg/feedback. The results will be made public by the end of the year and built into our plans. Earlier in the year we launched a survey of States Members to assess their satisfaction with the support they receive from the public service and at the end of 2014 we completed the most comprehensive staff survey conducted in the last decade. The results from the staff and political surveys have already been significant in shaping this framework for public service reform.

■ The customer focus commitments

- Have a clear understanding of our customers and their needs and expectations
- Understand and respect the differences among customers
- Ensure we engage our customers in the design and improvement of services
- Focus on our customers' priorities

■ Engaging with our community - what needs to change?

The public service needs greater engagement with service user groups, including those in our community who are harder to reach or more vulnerable, third sector groups and businesses. We must build relationships and tap

into the expertise of the community, bringing together those who share the same objectives.

We don't communicate with our customers as well as they, or we, want us to. We need to adopt a better approach to communications across the public service and engage broadly with islanders and businesses to explain the future direction and policy of government.

We will further develop:

- Effective consultation and partnership with the whole community, including the third and private sectors, as well as other jurisdictions and international organisations
- Effective implementation and delivery of the Access to Public Information Code, building trust and openness between the public sector and our customers
- Promotion and protection of our international reputation, supporting economic growth and competitiveness

Once we understand customers' needs we must then be clear about how we can best meet those needs with the resources we have.

The '**Proud to Serve**' initiative will be one of the first things to be delivered through this plan. It will set out customer service standards for the public service, introduced across the organisation, so that staff know what is expected of them, and customers know what to expect from the public service. This will make customer service excellence the norm by making the needs of the customers the primary focus.

We will develop better performance management in relation to customer services so that we:

- Focus on improving genuine customer priorities
- Encourage continuous improvement
- Identify and improve poor performance
- Celebrate achievement to motivate others

Excellence in customer services is also at the heart of the SMART Guernsey approach. By 2020 customers will be able to access a personalised online

home page from which they can access a wide variety of services and functions, or receive updates on issues quickly and at a time of their choosing.

Guernsey's public service will be one of the first public service providers to truly implement a **'Tell Us Once'** approach, which will allow the organisation to successfully join up a range of services, allowing customers to inform us of events such as a birth or a death, a change of address or a new employer once rather than many times. **'Tell Us Once'** will not only help to increase customer satisfaction but also reduce the costs incurred by duplication of effort.

■ **Supporting the government better – what needs to change?**

Building on the States Review Committee's recommendations, there must be a clear focus on enabling committees to develop policies that can be implemented in practice, drawing on a wider range of views and expertise. At the same time, policy advisers must have the skills and tools they need to do their jobs. They should have a clear understanding of what works, based on robust evidence. Policy resources should be focused on government priorities, while improving the ability to scan the horizon for threats and opportunities ahead.

The civil service must enable government to involve the community in developing policy. A good example of this is the States of Guernsey's formal partnership for working with the third sector through the Association of Guernsey Charities, the Social Compact, signed in autumn 2014. The third sector has a wealth of knowledge and expertise that can inform policy development as well as service delivery. Policy development is also undertaken in partnership with the private sector, for example through the Finance Sector Forum.

Working with the third and private sectors on policy development will become the norm, rather than the exception, to provide the best outcomes for our community.

Strengthening accountability for policy implementation

As a policy is being developed, the question of how it should be implemented must be a central part of the process. It is only through effective management that a policy initiative will achieve the intended outcomes. Too often, problems arise when policies are affected by over ambitious timeframes, a lack of resources and poor risk management. These problems waste time and money but can be avoided.

We recognise the importance of engaging with customers and this needs to be taking place during the whole process of policy development and implementation. This will include the way in which we consult on new ideas, and how we combine the policy-making process with the assessment of costs and benefits.

To underpin this, and to support performance management, civil servants need to be more accountable. From the introduction of the new committee system in May 2016 this accountability will be strengthened with a formal means for the President of a Principal Committee to convey to the Chief Executive that the committee is losing confidence in a senior officer or in the level of support it receives. While responsibility for effective performance management will remain within the civil service, the Chief Executive and other senior officers will be required to obtain the views of the President of a Principal Committee, and through them its members, when appraising senior staff in the service of that committee.

■ Working with each other better – what needs to change?

The public service employs some of Guernsey's most talented people but it is only with the active and committed support of the right staff working in the right way that we will successfully deliver true reform.

If we are to work as a single, effective team we need to make sure that everyone in the public service understands why reform is needed, what the objectives are and when we will achieve them.

The Service Guernsey meetings held with all staff at Beau Sejour in late 2014 were part of making sure that all those working for the public service

are aware of how customers will be at the heart of reform.

A stronger focus on outcomes will mean a significant cultural change in how we organise and deliver services. We will require far greater collaboration between service areas and sectors than has previously been possible, and far greater and more consistent co-ordination of activity across the public service than has been achieved in the past. It will mean removing barriers.

The focus must be on enabling more evidence-based, longer-term strategic decision-making and on developing greater flexibility within the public service. It will become the norm – not the exception – for different parts of the organisation to work together to deliver the right services or solutions for our customers. That will be a primary measure of success.

■ Actions

Actions over the next three years		Start	End
1.	Understanding customers		
A.	Use existing and new research to understand our customers' views, needs and behaviour – customer insight	Q3 2015	Q4 2017
B.	Increase our engagement with customer groups and develop social marketing initiatives with them	Q4 2015	Q2 2016
C.	Develop quality and performance indicators for customer service	Q1 2016	Q4 2016
2.	Acting on customer understanding		
A.	Develop and launch 'Tell us Once'	Q1 2016	Q4 2017
B.	Develop and launch 'Proud to Serve'	Q1 2016	Q2 2016

C. Develop and launch a customer service excellence charter Q1 2016 Q4 2016

3. Making customer engagement business as usual

A. Develop customer satisfaction measures and targets Q1 2016 Q4 2016

B. Put customer services targets into departmental, service unit and individual performance objectives Q1 2016 Q4 2016

C. Provide customer service training across the organisation Q3 2016 Q2 2017

CHAPTER FOUR

**DEMONSTRATING
VALUE FOR MONEY**

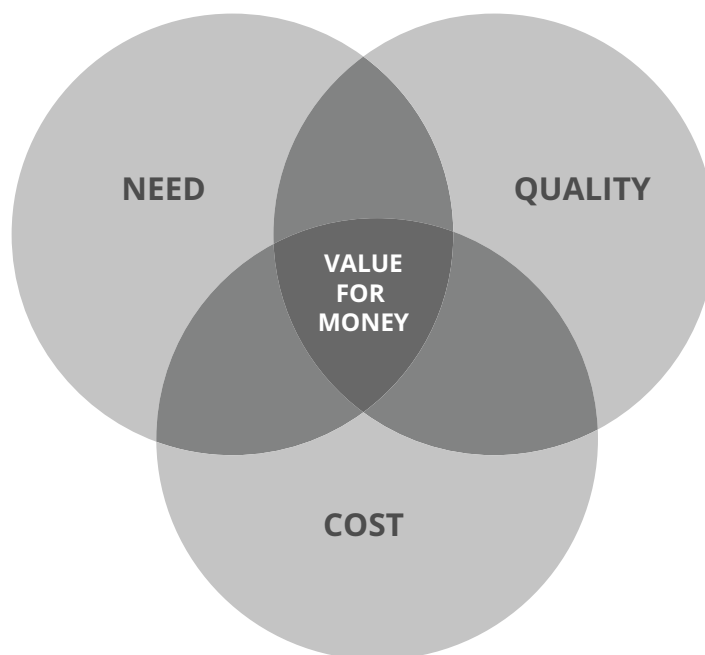
Understanding what customers expect, need and value means that the organisation can clearly define and measure **value for money**. By doing that we can then be sure that we are spending money wisely, and receiving the returns we expect when we spend it – that is, **public services** that are efficiently delivered and meet the needs of the island. It also means the public service can give you the confidence that we are spending your money wisely, as we will be able to report more clearly on what we spend, how we spend it, and what we achieved with it. Value for money is about much more than basic accountancy. We will give every staff member the **skills and tools** they need to ensure value for money every day – in the way we **budget** for spending and in the way we use resources.

DEMONSTRATING VALUE FOR MONEY

■ What is value for money?

Value for money is about ensuring public services spend taxpayers' money wisely. It is never simply about achieving the lowest possible cost or initial price. It is getting the right balance between the needs of customers, the quality of the services they receive and the cost to the public purse of delivering them.

The Financial Transformation Programme made every public sector worker cost-conscious. The focus now needs to be on value for money – that it is measured and monitored and staff have the skills and tools they need in order to deliver and improve it. To achieve that we will put in place a value for money framework.



■ Our value for money commitments

- Improve the quality of financial and non-financial information available to inform decisions on the allocation of resources and prioritisation of services

- Improve the budgeting processes to ensure financial resources can be allocated more effectively
- Ensure that all public servants have the skills and tools they need in order to deliver true value for money
- Integrate value for money principles within existing management, planning and review processes
- Establish a value for money baseline across the public service
- Publish annually an agreed set of value for money indicators

■ What we will do to ensure value for money

The management of finances across the public service is the responsibility of hundreds of budget holders at all levels. They need to be better equipped to discharge this important duty. Therefore, in addition to financial management support through an effective and professional finance function, budget holders need both the skills and tools to undertake the role. It is essential that we develop this capability beyond simply forecasting and tracking expenditure, and strengthen the understanding of the relationships between activity and cost in all areas.

To do that, we will put in place the following through a value for money framework:

Service-costing - stronger service costing processes will enable the organisation to understand the real cost of delivering services, and how changes in demand impact on the resources required in each service area. This will allow more informed and realistic budgets to be put in place at service level from a 'zero base'.

Benchmarking - this is a tool used to ensure that the costs of providing the service today are proportionate when compared to appropriate internal or external benchmarks, and will support the culture of continuous improvement.

Longer-term financial planning - gives us greater clarity and operational control over budgets and helps the organisation manage risk more effectively. Having greater future cost certainty allows government to make choices and plan for revenues in a more strategic way. Central to delivering longer-term planning are improved capital planning and asset

replacement programmes, which will ensure that the capital allocations can be directed to the right area at the right time.

Clearer prioritisation - with limited resources, the public service needs to make choices about which services or assets to invest in. A clear prioritisation process allows resources to be directed at the areas of highest need and which support government objectives. Prioritisation for capital investment has already been put in place and will be refined and improved. We will also develop a system of priority-based budgeting for revenue expenditure.

In order to ensure we are achieving value for money it needs to be measured. Value for money reflects the relationship between economy, efficiency and effectiveness:

Economy is the price paid for what goes into providing services – for example the cost of salaries for staff, the heating and lighting in buildings, the fuel in vehicles and the goods and services bought from suppliers.

Efficiency is a measure of productivity – how much comes out in relation to what is put in. For example, the number of people visited per home care worker per week; the miles of road maintained per £1,000 spent.

Effectiveness is a measure of the impact achieved and can be quantitative or qualitative. For example, the number of people able to use home care services rather than residential care (quantitative); the level of satisfaction among different sections of the community with a service provided (qualitative).

Value for money is high when there is a balance between all three of these components: appropriate costs translating into high productivity and delivering successful outcomes. For this reason it cannot be meaningfully assessed using a single measure, particularly if it covers only one of these perspectives, such as cost.

■ Actions

Actions over the next three years		Start	End
4. Understanding value for money			
A.	Consult with internal and external stakeholders on value for money best practice	Q4 2015	Q1 2016
B.	Develop value for money principles for the States of Guernsey	Q1 2016	Q2 2016
C.	Establish a team to lead on testing and challenging value for money principles across the public service	Q1 2016	Q2 2016
5. Acting on value for money understanding			
A.	Develop and deliver value for money training across the organisation	Q4 2015	Q4 2017
B.	Develop tools for staff to use to assess value for money	Q4 2015	Q4 2017
C.	Develop value for money indicators for the organisation to report against	Q1 2016	Q2 2016
6. Making value for money business as usual			
A.	Report on value for money initiatives	Q3 2017	Q3 2018
B.	Put value for money targets into departmental, service unit and individual performance objectives	Q1 2016	Q4 2017
C.	Build value for money principles into policy making processes	Q1 2016	Q4 2017

This diagram gives a proportionate breakdown of public service expenditure.

Old age pensions			Invalidity and Sickness benefits		Drugs and medicines		Residential and nursing care				
			Unemployment				Supplementary benefit				
			Other contributory benefits		Specialist medical benefit				Family allowance		
							Primary care subsidies		Other social benefits		
			Acute off island medical treatment and complex social care placements		Acute hospital services		Specialist health services		Childrens and maternity services		
Community and disability services											
Other health and social care											
Estate and facilities management for health and social care services		HR and finance management for health and social care services		Ambulance grant		Public health strategy					
States schools			College of FE		Higher education grants		Police				
			Grants to colleges		School and pupil support services						
			Education admin and other services		Prison and probation		Border Agency		Fire and rescue		
									Home dept admin		
Treasury & Resources Department		Commerce & Employment Department		Policy Council		Environment Department		Public Services Department			
								Housing Dept.		Royal court & Law officers	
								Culture & Leisure		States of Alderney**	
										Other	

Routine capital expenditure

Capital appropriation

CHAPTER FIVE

**IMPROVING STAFF
ENGAGEMENT
AND SATISFACTION**

To meet objectives for public service reform, **every** single member of staff needs to be focused on providing **better customer services**, greater value for money and working differently. The good news is that many have already bought into that. Now we need to ensure that everyone has the skills and tools that they need in order to do it effectively. We have thousands of **talented**, dedicated and **hard-working** staff. With clearer leadership, stronger performance management and better human resources they will all play a full part in changing the way that we work. The needs of the community and our organisation are changing and we are putting in place plans to make sure we have the right people with the right skills for the **future** as well as the **present**.

IMPROVING STAFF ENGAGEMENT AND SATISFACTION

The Service Guernsey meetings held with staff in 2014 were part of making sure that all those working for the public service are aware of how customers will be at the heart of reform. Now it's necessary to build capability by improving leadership, enhancing organisational performance and ensuring that we can meet immediate and future resourcing needs – each of which were clearly identified by staff during the States-wide survey undertaken during 2014.

■ Our people commitments

- Strengthen individual and organisational leadership
- Proactively manage staff for performance
- Increase flexibility and mobility within the public sector workforce
- Develop the skills, capability and culture required to deliver large scale organisational change
- Engage more effectively with people in the public service

■ What needs to change?

Strengthening leadership

Effective leadership at all levels will be needed to deliver public service reform. It will be the leaders across the public service who drive cultural change, encourage innovation and improve organisational performance. Senior leaders set the tone and pace to enable wider change, and they need to encourage collaboration and integration across the public service while maintaining their own high performance.

We need to make sure we strengthen existing leadership capability and mentor and develop future leaders. We also need to ensure that everyone understands what is expected of a leader in the public service wherever they work and whatever their core discipline. We will develop a leadership strategy reinforcing clearly the roles, responsibilities and accountabilities of our senior people.

We will also need to meet our future requirements for senior leaders who have the right skills to continue to lead change. A development programme for future leaders will be established and this scheme is explained further below.

Managing people for performance

The public service needs the right people doing the right jobs in the right way, reaching their full potential for themselves and for the benefit of the whole organisation. For this to happen we need effective line management which ensures individual and team performance is focused on delivering positive outcomes for our customers.

A competency framework has been put in place across the civil service. Its importance should not be underestimated as it identifies and clarifies what type of skills and behaviours are expected of civil servants at all levels and across all services. The framework will be used consistently for performance management, recruitment, selection and promotion. Good performance needs to be rewarded and poor performance improved.

Our workplace has a significant impact on our health and well-being, particularly during periods of significant change, and we want our people to be healthy and well-motivated. The impact of sickness absence on any organisation is universally recognised, but under-performing while at work due to an underlying physical or mental health issue can be just as significant.

We will therefore ensure we focus as much on health management and building employee resilience as we already do on absence or safety management. Not only is this simply the right thing to do, but a healthy, happy workforce will also be an engaged and high-performing one, having an impact on performance, productivity and the quality of the services we provide.

Meeting immediate and future resourcing needs

Although we have been able to ensure the right people are in the right place for business critical services, succession planning overall has been fragmented. There is no central programme to ensure that there are people with the required skills, knowledge and behaviours to seamlessly take over senior positions.

Historically job roles have been tied to a single department in a specific area and this has created inflexibility and makes competency based succession planning difficult. To make the most of our resources we will be exploring how we can ensure we have pools of people with the right skills for policy, project and operational management, and who can work where and when they are needed to add the most value.

We will strive to take advantage of the expertise we have on-island. That is good for the organisation and good for the island. However there are times when we need to recruit from outside Guernsey.

Previously this has been done for some of our senior roles because Guernsey lacked suitably qualified and experienced on-island candidates who were willing to move to work in the public sector. The development of a structured, integrated and co-ordinated system for leadership development and talent management is therefore an important priority as it will help make such a move attractive.

While there will still be times when it will be necessary to recruit off-island for some of the most senior and specialised roles, a Future Leaders scheme will be established to increase leadership capability in the public service. It will identify a number of high potential people working in middle management and develop their careers through training and placements in critical roles across the public service.

As people are living and working longer, demands on services are changing and customer expectations increasing, there is a need to ensure that resourcing profiles, staffing structures and career paths remain appropriate, both to meet customers' needs and to maintain the potential for our staff to develop and progress. We will introduce and deliver a 'Future Workforce' strategy to ensure the public service and its staff are equipped to meet these challenges

Better human resources

A significant amount of work has already been done to simplify and standardise human resources (HR) policies and procedures. In 2013 some activities such as payroll, recruitment, pensions and administration were centralised

and, by simplifying and standardising these procedures, we have streamlined processes and reduced duplication.

Technology advances now mean that we can further improve efficiency and systems are more user-friendly. An example of this is the upgraded electronic recruitment 'Success Factors' system which was recently introduced and there are further opportunities for transformation in the areas of talent management and competence assessment and recording.

It is not just the technology that has needed improving, however. The staff survey showed that many of those working for the public service did not have regular one-to-one meetings with their line manager and did not feel that they received regular and constructive feedback on performance. We need to ensure that line managers are communicating more effectively with their staff and providing regular feedback so that they remain engaged and motivated. We will be working to make sure that managers are consistently using HR resources and being more open with staff about their performance.

■ **Actions**

Actions over the next three years		Start	End
7. Understanding staff engagement			
A.	Redefine and clarify the roles and accountabilities of senior public servants	Q3 2015	Q2 2016
B.	Develop and put in place the Future Leadership Programme	Q1 2015	Q3 2017
C.	Put Competency Frameworks in place across all parts of the organisation	Q1 2014	Q3 2016
8. Acting on staff engagement understanding			
A.	Develop long term strategies for the recruitment and succession planning of leadership and critical roles	Q1 2016	Q4 2018

B.	Standardise HR policy, procedures and processes across the organisation	Q1 2013	Q4 2016
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C.	Develop and implement a 'working longer' strategy	Q1 2017	Q4 2018
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9. Making staff engagement business as usual

A.	Implement the use of technological solutions to deliver more effective people management	Q1 2016	Q4 2017
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B.	Implement an enhanced occupational health and wellbeing service to reduce sickness absence	Q4 2015	Q4 2016
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C.	Implement the behavioural competences of leadership, teamwork and accountability as core considerations against career progression	Q1 2016	Q4 2018
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CHAPTER SIX

**STRONGER
ORGANISATIONAL
PERFORMANCE
MANAGEMENT**

For the first time the public service is working as a **single organisation**. That means we can assess what we are doing well and where we need to improve right across the organisation. We can deploy expertise where we need it and when we need it, to support customer service and value for money. But we can only do that if we **truly understand** ourself as an organisation. That means collating and using the right information to measure what we do, and using that information to drive **continuous improvement**. Performance management is the engine that drives the public service to meet the objectives we set ourselves. And it will also be the tool that enables us to report to you clearly and **transparently** on what we are doing well and where we need to improve, making us more accountable **to you**.

STRONGER ORGANISATIONAL PERFORMANCE MANAGEMENT

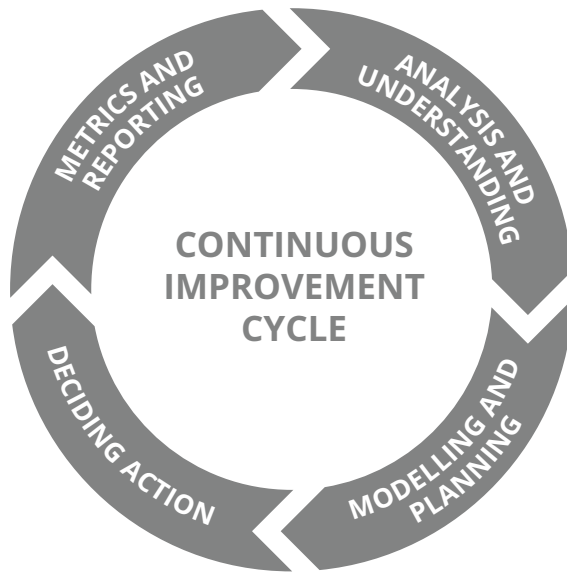
Measuring how well the public service is performing is essential. We must understand our current performance in relation to the public service reform objectives so that we can identify and monitor further improvements. Measurement will enable us to show how and where we have achieved reform dividends and where we need to drive future improvements.

■ Our performance commitments

- Improve the quality, breadth and accessibility of performance management information to drive both strategic and operational decision making
- Improve corporate oversight and use of performance management information to drive organisational performance
- Promote a culture of continuous improvement through performance management
- Ensure that all employees are aware of and strive to achieve our organisational performance targets as part of their routine activities
- Establish the baseline for all public service reform priorities and performance indicators to monitor improvement from these starting points
- Actively demonstrate to both internal and external observers our performance achievements in respect public service reform outcomes and objectives

■ Performance management and continuous improvement – What needs to change?

To take an overall view of how the public service is performing as an organisation and in order to manage that performance, we need to do two things. First, collect the right data, second, use it in a meaningful and accessible way. Using data like this is at the heart of effective performance management and continuous improvement:



■ Using information to drive performance

We will establish performance baselines for all public service reform priorities in order to monitor improvement from these starting points. In the short-term, it is important to collect information to understand performance in our day-to-day operations (or 'business as usual'). This will inform longer-term transformational objectives.

There are already examples of good performance management within individual departments. However, the organisation has not been very good at maintaining oversight as a whole, nor ensuring consistency, so we need to build on existing performance management structures and develop a framework for consistency across the organisation.

To help get the best use out of the information available, different sets of performance data will be presented in one grid. This 'organisational dashboard' will be viewable at the most senior level but used across the organisation to give a 'single version of the truth' where all performance data is kept live and easily accessible to those who need it.

Continuous performance monitoring will mean we can identify areas for improvement, and it will help us to prioritise where and when we allocate resources to deliver government priorities.

■ Actions

Actions over the next three years		Start	End
10. Understand organisation performance management			
A.	Consult with internal and external stakeholders on performance management best practice	Q1 2015	Q2 2015
B.	Develop performance management principles for the States of Guernsey	Q3 2015	Q1 2016
C.	Establish a team to lead on testing and challenging performance management principles across the public service	Q1 2015	Q4 2015
11. Acting on organisational performance management understanding			
A.	Develop and deliver performance management training across the organisation	Q2 2016	Q4 2016
B.	Develop online tools for staff to use to report on performance management	Q4 2015	Q4 2016
C.	Develop performance management indicators for the organisation to report against	Q2 2016	Q4 2016
12. Making organisational performance management business as usual			
A.	Develop reporting on performance management initiatives	Q3 2015	Q2 2016
B.	Put performance management targets into departmental, service unit and individual performance objectives	Q4 2015	Q4 2016
C.	Build performance management principles into policy making processes	Q4 2015	Q4 2016

CHAPTER SEVEN

**ENABLING LONG
TERM CHANGE**

To help meet objectives on customer service, value for money, staff excellence and organisational performance management, there will be three underpinning workstreams across the whole organisation.

SMART Guernsey will harness technology to **support** the delivery of better public services. This will include significantly increasing the availability of online services, so that you can access services in ways and at times that are convenient to you.

An **estates optimisation** programme will reduce the number of public service sites, bring services together, and making the delivery of front-line services more accessible to the community. The **innovation** and **continuous improvement** programme will work to change the way that we think and work, so that we look for **better ways** of doing things. All three workstreams are focused on enabling long-term change and transformation – reform in the truest sense.

Enabling long-term change

There are a number of workstreams critical to the successful delivery of these primary outcomes

These are:

- SMART Guernsey
- Estates optimisation
- Innovation and continuous improvement

■ SMART Guernsey

Technology evolves at a pace and developments in the last few years have significantly changed our habits and behaviour. With the widespread use of technology such as smartphones, tablets and smart TVs, customers expect to access services quickly and effectively, at any time and from anywhere. In response, service providers have had to adapt.

The public service is no exception, and it is essential we provide smarter digitally enabled public services. From the results of the community survey so far, customers are making it clear that they want to access services in ways and at times that are more convenient to them. Many people use the website, gov.gg, to submit information, make a payment, or search for a job, but nearly half of the people who answered the community survey have said they can't find the information easily on the website and many want to be able to carry out more transactions online. We must meet this demand.

SMART Guernsey is about using modern technology to empower service users and the whole community. It is about supporting a competitive business environment. It is about embracing smart technology in order to enable the transformation services building a secure and trusted digital environment, and adopting a "digital by default" approach to customer engagement.

These in turn are essential factors in enabling customer focused, value for money services for all customers including businesses and government.

■ **Our SMART Guernsey commitments**

- Ensure that staff and customers have access to the right information, in the right format, at the right time, at the right place
- Enable a new work environment that supports new and flexible ways of working
- Provide a flexible information infrastructure platform and adopt a single technical architecture
- Deliver a trusted cyber environment so that government, individuals and businesses can operate safely and securely
- Define the future connectivity requirements for our island so we can stay connected to the global community
- Enable timely and evidence based decision making through the provision of business intelligence
- Communicate in a clear, accessible, consistent and coherent manner so that customers can understand and engage with the public service and government
- Streamline customer engagement by going 'digital by default' and providing a single digital portal for all interactions within public services.

■ **Supporting service delivery and transformation**

The public services will develop a fit for purpose information and technology (IT) function that supplies IT services, corporate communications and business intelligence across the public service to a consistently high standard and in a way that optimises value for money.

The IT Improvement Programme, established as part of the SMART Guernsey initiative, will deliver a new Corporate Information Systems and Services structure which will provide a single, integrated approach to the provision and management of IT services.

This work will be aligned closely to the estates optimisation outlined in the next section so that we make the most of modern ways of working and reduce the requirement for physical office space.

We need better communication and engagement with our customers and must make smart use of technology to help us do this, and invest in new and updated digital platforms to improve this process. We already use

social media successfully to promote some policies but this will become the norm rather than the exception, broadening those platforms to reach out to all our community, including our young people.

The website gov.gg will be developed to provide a single digital portal where customers can access all the information and services they require quickly and efficiently from one place, including customers who may find it more difficult to find information and access services.

■ **Business intelligence**

Business intelligence is the umbrella term for the applications, infrastructure and tools, processes and best practices that allow access to, and analysis of, information to support improved decision making and better performance. In short, much of the data that is used for performance management will be business intelligence.

In order to develop that capability we need to embrace and invest in new technology, and we need to improve data collection, storage and sharing. We plan to be able to collect data from a single source and use it in multiple ways. We have already done that with the world's first eCensus project launched on 31 March 2015 and available at www.gov.gg/population

For the public service it means:

- Policy officers and decision makers will have the information they need to make evidence-based proposals and decisions
- Managers will have access to the information they need to monitor progress towards the outcomes set out in this plan
- The government will be able to see progress against the States Strategic Plan

■ **Building a secure and trusted digital environment**

During 2015 there will be a comprehensive review of the island's cyber security and how the public service can better prepare and protect individuals, businesses and government against cyber security threats. This will include supporting government to ensure that appropriate regulation and legislation is in place to enable the successful delivery of

SMART Guernsey. Moving data storage to the cloud will also bring about security and resilience benefits.

A connectivity review will also be conducted in order to understand the current and future requirements of individuals, businesses and government, and assess what development is required of the current critical infrastructure.

By building a secure and trusted digital environment in these ways we will be able to support government to develop an information society in Guernsey that stimulates innovation and growth within the IT sector. This could provide a number of economic benefits to the island. Being able to demonstrate that the island is a place to do business where data is safe and secure will give Guernsey a further competitive edge.

■ Actions

Actions over the next three years		Start	End
13. Supporting customer engagement			
A.	New gov.gg website.	Q1 2015	Q4 2016
B.	Digitise the most used public transactions in line with 'Tell us Once'	Q1 2015	Q4 2016
C.	Establish a customer board to support the development of online services	Q1 2016	Q4 2016
D.	Conduct a full connectivity review and develop future connectivity options with industry	Q3 2015	Q4 2016
14. Supporting value for money and staff engagement			
A.	Implement the IT improvement programme	Q1 2015	Q4 2017

B.	Implement record retention and document management policies	Q2 2015	Q3 2017
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15. Supporting performance management

A.	Define and establish a business intelligence function	Q2 2016	Q4 2016
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B.	Complete the cyber security review and make recommendations	Q2 2015	Q4 2015
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C.	Move data onto cloud and put in place a single technical system	Q2 2015	Q4 2017
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D.	Publish the digital economic development strategy	Q3 2015	Q1 2016
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■ Estates optimisation

The public service is a single organisation responsible for over 100 sites. We have a foot in every parish. So making the most of our buildings and property portfolio is an important part of delivering public service reform.

It is essential to use the buildings and properties in the portfolio in the most efficient way possible. This is not just about reducing the cost of operating and managing buildings or increasing their capacity, it is about ensuring that they support the delivery of value for money, facilitate modern ways of working for staff and help improve customer service. This concept was first put forward in the Strategic Asset Management Plan submitted to the States Assembly in the summer of 2013.

■ Our estates optimisation commitments

- Reduce the overall cost of operating the public service estate
- Increase the flexibility and capacity of public service office accommodation
- Support improvements in efficiency and customer service through the introduction of modern ways of working
- Introduce new space standards for public service office accommodation
- Seek opportunities to rationalise the public property portfolio and dispose of surplus property

The objectives set out in the Strategic Asset Management plan report remain unchanged and align fully with the objectives of public service reform. Work to develop the Strategic Asset Management Plan is already under way and detailed proposals will go back to States Assembly later in 2015 setting out how we can start to use the estate to deliver better integrated services and as an enabler for growth.

As a first step, and to reduce the need for office space, a smarter working initiative is being planned to help transform how and where public servants work. Linking strongly with the SMART Guernsey initiative, and in line with what many other public and private sector organisations have achieved, this is expected to increase productivity, reduce costs, improve employee well-being, and contribute to wider objectives such as reducing energy use and reducing pressure on the transport system.

We will make sure we engage with the whole community to appreciate the needs of those who may have greater challenges with access to either information or buildings.

At the same time the community survey and further customer focused work will give a much greater understanding of how customers wish to access services, whether directly through face-to-face contact or digitally and online. This knowledge will be used to inform the development of smarter working and to inform decisions on optimising and rationalising property to improve the customer experience.

■ Actions

Actions over the next three years		Start	End
16. Supporting customer engagement and staff engagement			
A.	Programme business case and Policy Letter to the States of Deliberation	Q4 2015	Q1 2016
B.	Consult with service users	Q3 2015	Q3 2016
C.	Modernise the retained estate including through the use of technology	Q3 2016	Q4 2017
D.	Complete the first set of changes	Q4 2016	Q3 2017
17. Supporting performance management and value for money			
A.	Consult with internal and external stakeholders on estates management best practice	Q3 2015	Q4 2015
B.	Identify the core estate and match against public service needs	Q3 2015	Q4 2016
C.	Establish a 'new ways of working' team to identify and test approaches to using the estate and to develop quality and performance monitoring	Q3 2015	Q2 2016
D.	Disposal of unused assets through sales, re-use or leasing	Q4 2016	Q3 2018

■ **Innovation and continuous improvement**

It is clear that tackling the fiscal, economic and social challenges that face the community and public services over the coming years will demand innovation. Attempting to do the same things, in the same way, but more efficiently and more effectively will not be enough. Innovation and creative thinking is therefore essential for public service reform.

■ **Our innovation and continuous improvements commitments**

- Transform the organisation's culture to create an environment which promotes and embraces innovation
- Actively encourage the generation and sharing of ideas for improvement across the public service and to seek ideas and input from the wider community and further afield
- Invest in our people so that they have the skills and freedom to innovate structures
- Adapt our organisational rules and processes to foster innovation
- Measure, monitor and report on the level and impact of innovation across the public service

■ **Why is innovation critical to the public service?**

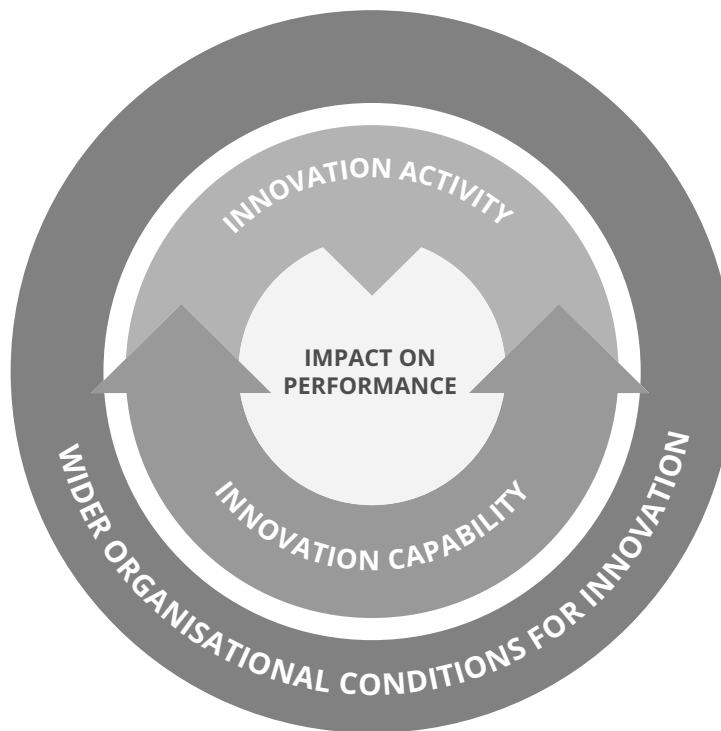
Innovation in the public service is about the creation and implementation of new processes, products, services and methods of delivery which result in significant improvements in efficiency and effectiveness.

Within the island's private sector, and the wider-world, the "innovate or fail" reality is well understood. It is no coincidence that many of the world's most successful companies are also amongst the most innovative.

While innovation already takes place within our public services, it is often triggered by something that suddenly becomes possible or necessary. Therefore, the core aim of the innovation theme is to create a more proactive approach which values innovation and actively encourages it.

Our aim is to develop and encourage innovation in everything the public service does including:

- Policy development
- The introduction of a new service or an improvement to the quality of an existing service
- New or altered ways of supplying public services
- Changes in organisational structures and routines
- The development of new views and challenge existing assumptions
- Changes to thinking or behavioural intentions
- New or improved ways of interacting with other organisations and sources of knowledge



INCREASING INNOVATION ACTIVITY

Innovation activity -

Creating a pipeline of ideas flowing through the organisation and increasing the effectiveness of key innovation activities:

- Accessing new ideas
- Selecting and developing ideas
- Implementing ideas
- Sharing what works

INCREASING INNOVATION CAPABILITY

Innovation capability -

Increasing the availability of the key underpinning capabilities that can sustainably influence innovation activity:

- Innovation tools and toolkits
- Innovation training and development
- Management of innovation
- Leadership and culture
- Risk tolerance and management
- Funding innovation activity

MEASURING IMPACT ON PERFORMANCE

Impact -

Measuring the impact of innovation activity on performance in terms of impact on outcomes, service and efficiency measures, as well as the context for change:

- Improvement in key performance indicators
- Improvement service evaluation
- Improvement in efficiency
- Improvement in context

CREATING THE CONDITIONS FOR INNOVATION

Innovation capability -

Assessing and improving the extent to which the organisation encourages innovation, removing barriers and creating the conditions in which it can add real value. Four key levels to consider are:

- Incentives
- Autonomy
- Leadership and culture
- Enablers

■ Actions

Actions over the next three years		Start	End
18. Understanding innovation			
A.	Consult with internal and external stakeholders on innovation best practice	Q3 2015	Q1 2016
B.	Develop innovation and continuous improvement principles for the States of Guernsey	Q1 2016	Q2 2016
C.	Establish a team to lead on developing, testing and challenging innovative approaches	Q1 2016	Q2 2016
19. Acting on understanding innovation			
A.	Develop a process model to bring innovation into policy development and service design	Q4 2015	Q4 2017
B.	Develop quality and performance monitoring for innovation activity	Q1 2016	Q2 2016
20. Making innovation business as usual			
A.	Deliver a programme for managers and staff on the use of the innovation model	Q4 2015	Q4 2017

Useful links

Access to Information Code

<http://www.gov.gg/information>

Children and Young People's Plan

<http://gov.gg/cypp>

Community survey

<http://gov.gg/feedback>

Compact on Partnership Working between the States of Guernsey and the Island's Voluntary and Charitable Sector

<http://gov.gg/charities>

Disability and Inclusion Strategy

<http://gov.gg/disabilitystrategy>

eCensus Project

<http://www.gov.gg/population>

Economic Development Framework

<http://www.gov.gg/EconomicFramework>

Finance Sector Forum

<http://www.gov.gg/article/5787/Finance-Sector-Forum>

Financial Transformation Programme

<http://gov.gg/article/108312/Financial-Transformation-Programme>

Guernsey Annual Electronic Census Report 31st March 2014 - Population snapshots, trends and forecasts

<http://www.gov.gg/population>

La Mare de Carteret School redevelopment

<http://www.education.gg/LMDC>

Public Accounts Committee

<http://gov.gg/pac> or

<http://gov.gg/pacpublishedreports>

Supported Living and Ageing Well Strategy

<http://gov.gg/slaws>

States Review Committee

<http://www.gov.gg/statesreview>

States Strategic Plan

<http://www.gov.gg/ssp>

Strategic Asset Management Plan

<http://www.gov.gg/article/108220/2013-July-30th-Billet-XV-XVI-XVII>



**FOR MORE INFORMATION
GO TO GOV.GG/CHANGE**

(N.B. The Treasury and Resources Department welcomes the initiation of Public Service Reform as a vital ingredient in ensuring the sustainability of public services over the medium to long term. This will be a complex and challenging programme of work and require commitment from those responsible for its delivery and the States as ‘sponsors’. In particular, the Department supports the focus on developing a value for money culture which should ensure that responsibility for ensuring the delivery of value is embraced and owned by all those responsible for spending public funds.

Section 10 of the report comments that significant investment will be required in order to effect the change set out in the Chief Executive’s Framework for Public Service Reform. The Treasury and Resources Department recognises that it has not been possible to quantify the investment required at this stage of development. However, the Department considers that a vital next step will be in understanding the numerous projects and activities that need to be undertaken, their costs and the reform dividend that will be delivered.

As part of the 2015 Budget deliberations, the States resolved to establish the Transformation and Transition Fund. In making a case for that investment, the 2015 Budget Report said:

“The Financial Transformation Programme has facilitated an excellent start in the transformation of the States and delivery of public services with a greater focus on evidence based decision making and a culture of cost consciousness. It is vital to take account of the lessons learned through its delivery and build on the substantial progress that has been made with regard to the management of programmes and portfolios by the States.

However, there is a requirement for continued investment to continue the programme of transforming the delivery of public services in order that they are provided in a sustainable manner. This will include the continued development and implementation of a substantial policy agenda including the Personal Tax, Pensions and Benefits Review, the Social Welfare Benefits Investigation Committee, the Supported Living and Ageing Well Strategy and the Strategic Asset Management Plan initiatives together with the introduction of resource accounting and multi-year budgeting and the consolidation of support services such as IT, property and procurement.

The longer-term transformation of services in the Health and Social Services Department (through the 20:20 Vision), Education Department (through delivery of its Vision) and Home Department are all designed to lead more efficient working and should also release further savings but may also require short-term transitional funding to facilitate their delivery.

In addition, the programme being developed by the Chief Executive, as reported by the Chief Minister in his statement to the Assembly in September, to continue and build on the transformation of the public sector will undoubtedly require

investment in the early stages. The Treasury and Resources Department welcomes this development as an integrated programme which must, in addition to transforming the way public services are delivered, enable significant future savings.”

The Treasury and Resources Department therefore agrees that it is appropriate that funding for this programme of activity should be funded from the Transformation and Transition Fund. However, it is important to stress that, as set out in the report, funding for the activities that make up this reform will need to be prioritised against other competing demands.

The Treasury and Resources Department strongly supports the need to deliver a ‘reform dividend’ which should consist of measurable improvements for service users and/or a financial benefit which can then be spent in accordance with priorities. Given that the States have resolved to limit the overall revenue of the States to 28% of GDP, it is vital that such dividends are delivered in order to be able to respond to future service demand and/or invest in any new or enhanced services.)

The States are asked to decide:-

XI.- Whether, after consideration of the Report dated 27th July, 2015, of the Policy Council, they are of the opinion:-

1. To endorse the document entitled “A Framework for Public Service Reform 2015-2025”.
2. To demonstrate their commitment to public service reform by endorsing the principles set out in Section 13 of that report.
3. To note that the resource implications associated with delivery of the actions identified within the document entitled “A Framework for Public Service Reform 2015-2025” will be developed as set out in section 10 of that report and applications for funding from the £25m to be allocated from the Transformation & Transition Fund will be made at the appropriate time.
4. To note that those reform activities involving major costs or policy considerations will be referred to the States by the Policy Council or the appropriate Department for a decision.
5. To direct the Policy Council to submit annual reports to the States on the progress being made together with other relevant information in connection with the delivery of public service reform.

POLICY COUNCIL

PUBLIC FUNCTIONS LAW

1. Executive Summary

The States, in approving the Report of the Policy Council relating to the recommendations of the Parochial Legislation Working Party in 2010, accepted the recommendation in that Report that the Public Functions (Transfer and Performance) (Bailiwick of Guernsey) Law, 1991 ("the 1991 Law") be amended to allow the States by Ordinance to transfer functions from the States to the Constables and/or Douzaines, and vice-versa. HM Procureur has written to the Policy Council recommending that the opportunity be taken, when making this amendment, to make several other amendments to the 1991 Law at the same time, for the purpose of making it more effective and to promote flexibility in the allocation of governmental and similar functions.

The Policy Council supports HM Procureur's recommendations, believing that they will help to make government more efficient and will also streamline the legislative process by allowing these matters to be dealt with by Ordinance rather than by *Projet de Loi*.

2. Proposals from HM Procureur

HM Procureur has written to the Policy Council in the following terms:

"The Public Functions (Transfer and Performance) (Bailiwick of Guernsey) Law, 1991

1. *The above titled Law came into force in 1992 and has been used on numerous occasions since to transfer functions by Ordinance between various authorities, boards, committees, departments and other bodies of the States of Guernsey, States of Alderney and Chief Pleas of Sark. For example, powers under the Law were used to bring about the important "Machinery of Government" changes approved by the States of Guernsey in 2003. The Law has not been amended since it came into force.*
2. *On 30th June 2010 the States resolved to approve a Report from the Policy Council dated 30th April 2010 recommending, inter alia, the enactment, amendment and repeal of legislation as set out in the report of the Parochial Legislation Working Party. This included approving, at Resolution 1(c), the recommendation of the Working Party that -*

"the Public Functions (Transfer and Performance) (Bailiwick of Guernsey) Law, 1991 be amended to allow the States from time to time, by Ordinance, to transfer appropriate functions from the States

to the Constables and/or Douzaines of one, or some, or all of the Parishes, and vice-versa".

3. *I believe that the recommendation of the Working Party as approved by the States will, once implemented by way of amendment of the Law, prove to be particularly useful. There are however some additional amendments to the Law which have been identified within the Law Officers' Chambers that would make it more effective and, in particular, enable greater flexibility in the allocation of governmental and related functions. As the Law will need to be amended to give effect to the Resolution referred to above, I recommend that the opportunity be taken to update it by making these other amendments at the same time. They are as follows:*

- 3.1 *to amend section 1 of the Law to empower the States by Ordinance to vary an enactment so as to transfer a function conferred or permitted to be conferred on a Department or Committee by that enactment to a public or statutory office or body (of whom there are now many more than when the Law was made, the Law currently only contemplating the Guernsey Financial Services Commission ("the GFSC")), and between public or statutory offices or bodies;*

- 3.2 *to provide that where a Bailiwick-wide Law confers or permits the conferral of a function on a named Committee of the States of Alderney or the Chief Pleas of Sark, that function may be transferred to or conferred on such other Committee of the States of Alderney or the Chief Pleas as the States of Alderney or the Chief Pleas (as the case may be) may from time to time prescribe by Ordinance;*

- 3.3 *to amend section 3 of the Law which makes general procedural provision as to the enactment of Ordinances under the Law to reflect the more modern template for such powers (for example, to include a power to repeal such Ordinances as well as to "vary" them, and a power to make consequential provisions);*

- 3.4 *to amend section 4 of the Law, which relates to the performance of a Department's, Committee's or public office's functions by officers responsible to them, so as to encompass other descriptions of public or statutory office or body (the section currently only dealing with States Departments and Committees and the GFSC) and also to widen the concept of an "officer responsible to" a committee or body which requires the potential delegate to be an employee of the States (or of the GFSC) and to be "responsible to" the committee or body in question, which is not always a connection that can be established with legal certainty;*

3.5 to broaden the definition of the expression "public office" in section 5 of the Law which currently contemplates only an office implicitly held by an individual to which functions are specifically assigned by an enactment and the holder of which is remunerated out of funds provided by the States or the GFSC to encompass more recent models of office, authority or body performing public statutory functions (such as the Guernsey Competition and Regulatory Authority), in addition to the GFSC which is specifically covered by the Law.

- 4. In addition, minor technical amendments of several definitions in the Law (and other consequential amendments) will need to be made to take account of the proposals in paragraph 3.1 to 3.5.*
- 5. The amendments proposed above are likely to be of benefit to both the States of Alderney and the Chief Pleas of Sark. The relevant authorities and on those Islands have been consulted and have approved the proposals."*

3. Consultation

The relevant Committees of the States of Alderney and the Chief Pleas of Sark have been consulted about the proposals in this Report and support them.

4. Resources

These proposals will not result in any additional expenditure by the States.

5. Good Governance Principles

The proposals in this States Report are in accordance with the principles of Good Governance as outlined in Billet d'État IV 2011, particularly Principle 5: "*developing the capacity and capability of the governing body to be effective*".

6. Legislation

An amending *Projet de Loi* will be required to give effect to the recommendations in this Report. After consulting the Law Officers it is understood that the necessary legislation can be drafted within two months, assuming no unforeseen difficulties emerge during the drafting process.

7. Recommendations

The Policy Council recommends the States:

1. to approve the proposals set out in the letter from HM Procureur reproduced at paragraph 2 of this Report.

2. to direct the preparation of legislation necessary to give effect to the above recommendation.

J P Le Tocq
Chief Minister

27th July 2015

A H Langlois
Deputy Chief Minister

Y Burford
P L Gillson
S J Ogier

R W Sillars
M G O'Hara
K A Stewart

P A Luxon
D B Jones
G A St Pier

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

The States are asked to decide:-

XII.- Whether, after consideration of the Report dated 27th July, 2015, of the Policy Council, they are of the opinion:-

1. To approve the proposals set out in the letter from HM Procureur reproduced at paragraph 2 of that Report.
2. To direct the preparation of such legislation as may be necessary to give effect to the above decision.

TREASURY & RESOURCES DEPARTMENT

INTERNATIONAL PENSIONS BUSINESS

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

30th June 2015

Dear Sir

1. Executive Summary

- 1.1. This Report contains proposals to amend the Income Tax (Guernsey) Law, 1975 as amended (“the Law”) in respect of pension schemes, in order to protect and enhance Guernsey’s status as a major provider of services in the international pensions field, by allowing pension funds in Guernsey approved schemes, that relate to an inwards transfer from an overseas scheme, the same flexibility of benefits as is allowed by legislation of the jurisdiction from where the funds or benefits entitlement originate. The proposed amendment would also allow pension funds that include an inwards transfer from an unapproved occupational scheme established in Guernsey, and which is exempted from Guernsey tax under section 40(o) of the Law, as it relates to overseas employees of a business carried on wholly or mainly outside of Guernsey (“unapproved occupational scheme”), the same flexibility of benefits in relation to the transferred in funds, as is allowed by the originating scheme rules.
- 1.2. The proposals will address significant changes recently made to UK legislation which introduce greater flexibility in retirement, and will put Guernsey’s legislation on a par with other similar changes proposed by other jurisdictions as a result of the UK changes. If the appropriate changes to the Law are not made, there could be significant ramifications and reputational damage for this particular sector of Guernsey’s financial services sector.
- 1.3. Whilst, historically, the Director of Income Tax has not sought to tax, under section 17 of the Law, any lump sum entitlements available under the relevant legislation of overseas territories, the Department proposes that for 2015 onwards, section 40 of the Law is amended to exempt from tax lump sum payments up to 30% of the accumulated fund value, or such other percentage as the Department may prescribe by regulation, where the lump sum, or part of the lump sum, arises from the commutation of any part of an interest in an overseas pension scheme. That is equivalent to the tax free lump sum that could be

obtained if the interest in the overseas scheme had been transferred into an approved Guernsey pension scheme.

- 1.4. It is intended that these proposals would be given effect by the draft Ordinance entitled the Income Tax (Pension Amendments) (Guernsey) Ordinance, 2015 (“the Ordinance”), which is being submitted to the States with this Report (and the Treasury and Resources Department (“the Department”) thanks the Presiding Officer for his agreement to this course of action).

2. Proposals

- 2.1. In 2014, the UK government announced proposals to reform pension legislation. These changes would introduce greater flexibility in retirement by, for example, enabling 100% withdrawal of a member’s pension fund from the age of 55, with effect from April 2015
- 2.2. As announced in Billet d’État XXII (Budget) of 2014, the Department is consulting with interested parties throughout 2015, with a view to encouraging greater private pension provision domestically through the introduction of greater flexibility, whilst ensuring that individuals have sufficient funds to fall back on in retirement. The Social Security Department is also considering secondary pension provision, so the two Departments are working closely together.
- 2.3. Consultation with the Guernsey Association of Pension Providers (“GAPP”) has emphasised the importance of ensuring that existing international pensions business in Guernsey is able to offer the same flexibility as other competitor jurisdictions, to ensure this business does not flow out of Guernsey.
- 2.4. At present, conditions for approved retirement annuity schemes and approved retirement annuity trust schemes (collectively referred to as “approved personal pensions”) in the Law prevent transfers to overseas pension schemes unless those schemes provide benefits of a similar nature to those allowed by an approved personal pension. If this position does not change, to reflect the flexibility now offered by the UK and competitor jurisdictions, this could adversely impact the reputation of Guernsey’s international pensions businesses.
- 2.5. The Department therefore proposes that section 157A of the Law is amended to allow pension funds in approved personal pensions, that include an inwards transfer to Guernsey from an overseas scheme, such as a transfer from the UK or Jersey, the same flexibility of benefits in relation to the transferred in funds as is allowed by legislation of the jurisdiction from where the funds or benefits entitlement originate, provided that those funds can be separately identified.
- 2.6. This amendment would also allow pension funds, that include an inwards transfer from an unapproved occupational scheme established in Guernsey, the same flexibility of benefits in relation to the transferred in funds, as is allowed by the originating scheme rules.

- 2.7. This amendment would also clarify that any inward transferred funds from an overseas scheme, or an unapproved occupational scheme established in Guernsey, would not be required to be used to provide a pension for life where that originating overseas jurisdiction, or unapproved occupational scheme, offers flexibility of benefits, which would enable the outward transfer of such funds to other overseas pension schemes that also offered such flexibility, if the member requested this.
- 2.8. Whilst this change will facilitate greater flexibility or 100% withdrawal for non-resident members of approved personal pensions, it would also entitle a Guernsey resident whose approved personal pension fund consists partly of, for example, a transfer originating from the UK, to withdraw all of the UK proportion of the funds, to the extent that would be permitted in UK legislation, if the transfer had not been made. This greater flexibility for Guernsey residents will be attractive to high net worth individuals and thereby aid Locate Guernsey's aims in promoting Guernsey as a relocation destination of choice.
- 2.9. For a Guernsey resident, in accordance with section 157A(5A) of the Law, any lump sum paid from an approved personal pension is treated as income of the year in which it is paid, and chargeable at the individual standard income tax rate (i.e. 20%), subject to the tax free lump sum element (£184,000 maximum limit in 2015) prescribed by regulation. Alternatively, the lump sum may be taxed at half the individual standard income tax rate (i.e. 10%) if the fund were deemed trivial in value.
- 2.10. In calculating whether a lump sum payment exceeds the prescribed amount, in accordance with the Income Tax (Pensions) (Contribution Limits and Tax-free Lump Sums) Regulations, 2010 ("the Regulations"), no account is taken of a lump sum or any part of a lump sum arising from an approved inward transfer payment made from a scheme, as described in paragraph (c), (d), (e) or (f) of section 157B(1) of the Law. These are generally transfers from an unapproved scheme or an overseas scheme that provide benefits of a nature similar to an approved personal pension, that has been approved or exempted by the competent authority in that jurisdiction under the laws relating to income tax there.
- 2.11. The Department also proposes that these Regulations are amended to only exempt from Guernsey income tax a lump sum payment of up to 30% of the pension funds derived from an approved inward transfer payment made from a scheme, as described in paragraph (c), (d), (e) or (f) of section 157B(1) of the Law.
- 2.12. The amount of the lump sum payment that exceeds 30% of those funds would be treated as income of the year in which it is paid and chargeable at the individual standard income tax rate (i.e. 20%).
- 2.13. For example Mr X, who is 56 and a Guernsey resident individual, has a pension fund of £2m in an approved section 157A pension scheme, which includes pension funds of £1m derived from an approved inward transfer payment from a

pension scheme in Country Y. In Country Y, a member of a pension scheme may withdraw their pension fund in one lump sum on reaching the age of 55.

The proposed amendment to the Law would enable Mr X to withdraw, in one lump sum, the whole of the pension funds derived from the approved inward transfer (£1m), of which £300,000 (30%) would be exempt from Guernsey income tax, the remainder (£700,000) being treated as income of the year in which it is paid, chargeable at 20%.

Mr X would, however, be restricted to only withdrawing 30% of the remaining £1m pension fund as a lump sum. That lump sum payment would be treated as income of the year in which it is paid and chargeable at 20%, subject to the tax free lump sum element (£184,000 maximum limit in 2015).

- 2.14. If, in accordance with section 39B of the Law, an individual is subject to the tax cap, the non-exempt lump sum payment (i.e. the remaining 70% in the example at 2.13 above) that originates from a transfer from an overseas scheme is treated as income derived from non-Guernsey sources and therefore “qualifying income”, as set out in the Sixth Schedule to the Law. The consequence of this is that an individual solely and principally resident in Guernsey would pay a maximum of (currently) £110,000 in tax in respect of that lump sum payment and any other qualifying income they may have in that year of charge.
- 2.15. If, in accordance with section 5A of the Law, an individual resident in Guernsey, but not solely or principally resident, has elected to pay the standard charge, the non-exempt lump sum payment (i.e. the remaining 70%) that originates from a transfer from an overseas scheme is treated as non-Guernsey source income. This means that an individual resident, but not solely or principally resident, in Guernsey, who has elected to pay the standard charge, will pay a maximum of (currently) £27,500 in tax in respect of that lump sum payment and any other income that arises or accrues outside of Guernsey in that year of charge.
- 2.16. For an individual who has never been resident in Guernsey or Jersey, the funds withdrawn would be exempt from tax in Guernsey.
- 2.17. The proposals are intended to have effect from the date that the Ordinance comes into effect, which will enable greater flexibility in respect of inward transfers from an overseas scheme, whether transferred prior to, or after the date of the Ordinance. It is therefore proposed that the States approve the draft Ordinance, accompanying this report, to give effect to allowing pension funds that consist of an inwards transfer from an overseas scheme the same flexibility of benefits as is allowed by legislation of the jurisdiction from where the funds or benefits entitlement originate, provided that those funds can be separately identified, and direct that the same shall have effect as an Ordinance of the States.
- 2.18. For the purposes of clarification, where a Guernsey resident has an interest in an overseas pension scheme, which is not approved in Guernsey, income from that

pension scheme is taxable under section 17 of the Law. Historically, the Director has not sought to tax any lump sum entitlements available under the relevant legislation of overseas territories, even if they exceed the equivalent which could be taken out of a similar Guernsey scheme. In effect, if part of a pension could be commuted for a lump sum, this was ignored for Guernsey tax purposes.

- 2.19. For 2015 onwards, the Department proposes that section 40 of the Law is amended to exempt from tax lump sum payments up to 30% of the accumulated fund value, or such other percentage as the Department may prescribe by regulation, where the lump sum, or part of the lump sum, arises from the commutation of any part of an interest in an overseas pension scheme. That is equivalent to the tax free lump sum that could be obtained if the interest in the overseas scheme had been transferred into a Guernsey pension scheme.

3. Resource Implications

- 3.1. It is envisaged that the work could be carried out within the existing staff resources.
- 3.2. The amendments to the Income Tax Law may have a beneficial impact on General Revenue; however the extent of this is currently not measurable.

4. Legislation

- 4.1. Following Royal Assent to the Income Tax (Zero 10) (Guernsey) Law, 2007, the Law was amended to introduce section 208C, which permits the States to amend the Law by Ordinance. This is the process which, together with the enactment of Regulations by the Department for the purposes of paragraph 2.11 above, will be used to effect the amendments proposed in this Report. The Income Tax (Pension Amendments) (Guernsey) Ordinance, 2015 is accordingly submitted to the States with this report and the Regulations will be laid before the States as soon as possible.
- 4.2. The Law Officers have been consulted about these proposals.
- 4.3. The Department is grateful to have received the Presiding Officer's agreement for the legislation to accompany this Policy Letter.

5. Recommendations

The Department recommends the States to agree that:

- 5.1. Section 157A of the Law is amended to allow pension funds that consist of an inwards transfer from an overseas scheme the same flexibility of benefits as is allowed by legislation of the jurisdiction from where the funds or benefits entitlement originate, provided that those funds can be separately identified, and pension funds that include an inwards transfer from an unapproved occupational

scheme established in Guernsey the same flexibility of benefits in relation to the transferred in funds, as is allowed by the originating scheme rules.

- 5.2. Section 157A of the Law is amended to clarify that any inward transferred funds from an overseas scheme would not be required to be used to provide a pension for life where the legislation of the originating overseas jurisdiction permits flexibility of benefits, which would enable the outward transfer of such funds to other overseas pension schemes that also offered such flexibility, if the member requested this.
- 5.3. Section 40 of the Law is amended to exempt from tax lump sum payments up to 30% of the accumulated fund value, or such other percentage as the Department may prescribe by regulation, where the lump sum, or part of the lump sum, arises from the commutation of any part of an interest in an overseas pension scheme, which otherwise would be taxable under section 17 of the Law.
- 5.4. The draft Ordinance entitled the Income Tax (Pensions Amendments) (Guernsey) Ordinance, 2015, accompanying this report, which gives effect to the legislative amendments in respect of 5.1-5.3, is approved, and to direct that the same shall have effect as an Ordinance of the States.

Yours faithfully

G A St Pier
Minister

J Kuttelwascher
Deputy Minister

A H Adam
R A Perrot
A Spruce

Mr J Hollis
(Non-States Member)

The Income Tax (Pension Amendments) (Guernsey) Ordinance, 2015

THE STATES, in pursuance of their Resolution of the 30th September, 2015^a, and in exercise of the powers conferred on them by sections 203A and 208C of the Income Tax (Guernsey) Law, 1975^b and all other powers enabling them in that behalf, hereby order:-

Amendment of 1975 Law.

1. The Income Tax (Guernsey) Law, 1975, as amended, is further amended as follows.

2. After section 17(2) insert the following subsection -

"(3) In this section, and for the avoidance of doubt, the expression "income" includes a lump sum which arises in commutation of or in lieu of a pension which would otherwise have been payable to the individual to whom the lump sum is paid."

3. After section 40(kk) insert the following paragraph -

"(ll) a lump sum -

(i) which is paid out of or under the provisions of a pension scheme, annuity scheme or annuity trust scheme, being a scheme which, in the opinion of the Director of Income Tax -

(A) is situated in a place outside Guernsey,

(B) is approved or exempted by the competent

^a Article ** of Billet d'État No. ** of 2015.

^b Ordres en Conseil Vol. XXV, p. 124; section 203A was inserted by Order in Council No. XVII of 2005 and section 208C was inserted by Order in Council No. V of 2011.

authority in that place under the relevant provisions of the laws relating to income tax there, and

- (C) provides retirement or other benefits of a nature similar to a scheme which may be approved under section 150 or 157A,
- (ii) to the extent that it does not, together with all other lump sum payments made from the scheme to or in respect of the individual, exceed 30%, or such other percentage as the Department may prescribe by regulation, of the value of the fund accumulated under the scheme and attributable to the individual to or in respect of whom the lump sum is paid, the valuation being made immediately before the time of the making of the payment, and
- (iii) which, or part of which, arises in commutation of or in lieu of a pension which would otherwise have been payable to the individual to whom the lump sum is paid out of or under the provisions of that scheme,

being a payment which would otherwise be taxable under section 17."

4. In section 157A(2)(b) after the words "the provisions of subsection (3)" insert "and subsection (12)".

5. After section 157A(11) insert the following subsections -

"(12) Where a payment is or has at any time been made on behalf of an individual into a retirement annuity scheme or retirement annuity trust scheme approved by the Director of Income Tax under this section from -

- (a) a superannuation fund established in Guernsey

which has not been approved or deemed to have been approved by the Director of Income Tax in accordance with section 150(2) or (3) and the income of which is exempt from income tax by virtue of section 40(o), or

- (b) a pension scheme, annuity scheme or annuity trust scheme situated in a place outside Guernsey and described in section 157B(1)(e),

then, provided that the payment from that scheme, or the funds derived from that payment, can be separately identified, and without prejudice to any other retirement or other benefits specified by the rules of the retirement annuity scheme or retirement annuity trust scheme into which the payment was made, the payment or funds may be used, paid, transferred or expended in any manner or for any purpose allowed by -

- (i) the rules of the superannuation fund referred to in paragraph (a), or, as the case may be,
- (ii) the relevant provisions of the laws of the place in which the scheme referred to in paragraph (b) is situated,

as those rules or provisions, as the case may be, have effect at the time of such use, payment, transfer or expenditure.

(13) Subsection (12) is without prejudice to section 153(6) or 157B(2)."

Citation.

6. This Ordinance may be cited as the Income Tax (Pension Amendments) (Guernsey) Ordinance, 2015.

Commencement.

7. This Ordinance shall come into force on the 2nd October, 2015.

(N.B. The Policy Council supports the proposals in this Policy Letter and confirms that it 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 Policy Letter dated 30th June, 2015, of the Treasury and Resources Department, they are of the opinion:-

1. To approve that Section 157A of the Law is amended to allow pension funds that consist of an inwards transfer from an overseas scheme the same flexibility of benefits as is allowed by legislation of the jurisdiction from where the funds or benefits entitlement originate, provided that those funds can be separately identified, and pension funds that include an inwards transfer from an unapproved occupational scheme established in Guernsey the same flexibility of benefits in relation to the transferred in funds, as is allowed by the originating scheme rules.
2. To approve that Section 157A of the Law is amended to clarify that any inward transferred funds from an overseas scheme would not be required to be used to provide a pension for life where the legislation of the originating overseas jurisdiction permits flexibility of benefits, which would enable the outward transfer of such funds to other overseas pension schemes that also offered such flexibility, if the member requested this.
3. To approve that Section 40 of the Law is amended to exempt from tax lump sum payments up to 30% of the accumulated fund value, or such other percentage as the Department may prescribe by regulation, where the lump sum, or part of the lump sum, arises from the commutation of any part of an interest in an overseas pension scheme, which otherwise would be taxable under section 17 of the Law.
4. To approve the draft Ordinance entitled the Income Tax (Pensions Amendments) (Guernsey) Ordinance, 2015, which gives effect to the legislative amendments in respect of 5.1-5.3, and to direct that the same shall have effect as an Ordinance of the States.
5. To direct the preparation of such legislation as may be necessary to give effect to the above decisions.

HOUSING DEPARTMENT

REVIEW OF THE STRATEGIC HOUSING TARGET

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

26 June 2015

Dear Sir

1 EXECUTIVE SUMMARY

- 1.1 The States from time to time set as a strategic housing target the number of additional dwellings that should be created each year in response to the Island's housing requirements. It is the responsibility of the Housing Department to review the strategic housing target, having regard to the results of the most recent Housing Needs Survey.
- 1.2 The current strategic housing target of 300 new homes per annum was approved by the States in 2002. As a consequence, the Environment Department must ensure that at any one time there is a 'pipeline supply' of planning permissions sufficient to create two years' worth of homes, i.e. 600 new homes. Because landowners and developers have not acted on all of these permissions by creating new dwellings, the strategic housing target has not been met for some time; however, the requirement to ensure a sufficient number of permissions are granted each year has consistently been met.
- 1.3 The reasons why landowners and developers do not always act on their planning permissions will differ from case to case, although it is likely connected to the current economic climate: difficulty in obtaining finance will prevent some developers from being able to build, while others will wait until they can be more confident that prospective homeowners will be able to borrow the money to buy.
- 1.4 This report reviews the strategic housing target in the light of the most recent Housing Needs Study, carried out in 2011 and published in 2012, and recommends that it remain set at 300 new dwellings per year.

Setting the strategic housing target

- 1.5 In 2011, Opinion Research Services was commissioned to carry out a Housing Needs Study ('the 2011 Study'). The results, made public in 2012, are appended to this report (Appendix A) for noting by the States.

- 1.6 The 2011 Study identified that for the period 2011 to 2016, if Islanders' housing requirements were to be properly met, Guernsey would need to build enough additional dwellings sufficient to accommodate an average of 451 households a year. 258 of these households would need to live in affordable housing (i.e. social rented, partial ownership and extra care housing), while the remainder would need private rented and owner-occupied accommodation.
- 1.7 The 2011 Study calculates the Island's "housing requirement" using a Housing Market Model which looks at both "housing need" and "housing demand".

"Housing need" arises when a household faces at least one "housing issue" (i.e. a problem which relates directly or indirectly to accommodation, e.g. lack of facilities, overcrowding etc.) but cannot access more suitable accommodation without financial assistance. The Department is of the view that housing need should be taken into account when setting the strategic housing target.

"Housing demand" arises when a household is not facing a "housing issue" but wants to move into new accommodation, and while the household can afford to move, it cannot find a property which meets its requirements. The Housing Department does not think that "housing demand" as categorised by the Study is a valid component of the housing requirement figure and consequently does not think that it should inflate the strategic housing target.

"Housing requirement" refers to the quantity of housing necessary if every household is to have access to suitable housing, irrespective of their ability to pay. This figure is therefore a combination of both housing need and housing demand.

- 1.8 Also of note when considering "housing requirement" is the fact that the 2011 Study classifies every household living in multi-occupancy accommodation (HMOs) as having a "housing issue" and of being in need of somewhere else to live. This conflicts with the States' Urban Area Plan, which asserts that HMOs are an effective form of accommodation provided that they are maintained to a satisfactory standard. In this report the Department therefore argues that when setting the strategic housing target it is not appropriate to consider the needs of households whose only "housing issue" relates to the fact that they are living in HMO accommodation.
- 1.9 Earlier this year, when drafting the Island Development Plan (IDP), the Environment Department used the existing strategic housing target to determine the amount of land that would be required for new housing developments from 2016 to 2021.
- 1.10 Because the 2011 Study overstates the Island's housing requirements by factoring in "housing demand" and classifying all HMO accommodation as unsuitable, and in light of the fact that the new IDP is predicated, in part, on the retention of the

strategic housing target, **the Department is recommending that the strategic housing target remains at 300 new dwellings per annum.**

- 1.11 While the States of Guernsey cannot be held solely responsible for whether or not the strategic housing target is met, they do have a direct role to play in facilitating the provision of affordable housing. For that reason, the Department recommends that the strategic housing target be split into two separate targets, one relating to **affordable housing** (i.e. social rented accommodation, partial ownership housing and specialist/extra care housing schemes) and the other to **private sector housing** (i.e. private rented accommodation and owner occupier housing). Setting a distinct 'affordable housing target' will encourage greater accountability and help the States make more informed decisions with regard to the allocation of funds and the use of States-owned land.
- 1.12 Monitoring and reviewing the performance of the States and the market in meeting the strategic housing target is imperative. A key monitoring tool is the next Housing Needs Study. Historically, the Study has been carried out every five years, and so the next one would take place in 2016. The Department is recommending, however, that it be postponed until 2019 so that the information collected can be used to inform a review of the Island Development Plan, scheduled to take place in 2021. Fresh data on housing need will help the Environment Department allocate sites for housing ahead of the final five years of the Plan's lifespan.

2. INTRODUCTION

- 2.1 The States from time to time review, and if necessary, re-sets the Island's strategic housing target, which relates to the number of additional dwellings that should be created each year if the Island is to better meet its housing requirements. The current target of 300 dwellings a year has been in place since 2002.
- 2.2 The strategic housing target provides the base upon which the States of Guernsey build their housing and planning policies – in particular policies relating to land use and the creation of new affordable housing¹.
- 2.3 Before the strategic housing target can be set, Guernsey's housing requirements need to be identified and analysed. In September 2000, the States agreed² that a Housing Needs Study was required to comprehensively review the provision of housing in Guernsey. The first Study was carried out by Opinion Research Services in 2001 and was used to set the strategic housing target set the following year. Subsequently, the States resolved³ to repeat the Study at least every five years. A study was carried out in 2006⁴ and, most recently, in 2011.

¹ In the context of this report, 'affordable housing' is defined as social rented housing, partial ownership housing or any other housing scheme reliant on some form of subsidy to assist persons unable to afford to rent or purchase outright in the general housing market.

² Billet d'État XX 2000: States Housing Authority – Guernsey's Housing Situation.

³ Billet d'État IX 2002: States Housing Authority - Survey of Guernsey's Housing Needs.

⁴ Billet d'État XXV 2007: Housing Department – 2006 Survey of Guernsey's Housing Needs.

2.4 The Studies are intended to:

- Identify and quantify housing needs and demands, and understand how these needs have changed since the preceding Study;
- Establish a socio-economic profile of those Islanders most likely to have difficulty meeting their housing needs without some form of assistance from the States;
- Obtain information that will allow the Housing Department to recommend the quantity and type of housing required to meet identified needs;
- Assist in identifying opportunities to make better use of the existing housing stock;
- Provide sound information on the local housing position to assist in the administration of the Housing Control Law.

2.5 In reviewing the strategic housing target this report uses the housing requirement figure identified in the 2011 Study⁵ as a starting point.

3 THE STRATEGIC CONTEXT

3.1 A core objective of the Social Policy Plan is “*to improve housing availability, quality and affordability*” in Guernsey. The Strategic Land Use Plan (SLUP), the States Housing Strategy and the Corporate Housing Programme all have a part to play in achieving this objective.

The Strategic Land Use Plan

3.2 The SLUP outlines the strategic requirements that the Environment Department is expected to meet when formulating policies for the Island Development Plan and creates the planning policy framework within which planning applications are assessed and determined. Subject to the approval of the States, the current Urban and Rural Area Plans will be replaced with the new Island Development Plan in 2016.

3.3 The most recent SLUP was agreed by the States in 2011⁶. As well as setting out the spatial strategy for Guernsey, it provides overall direction for housing development on the Island. One of its core objectives is:

“To improve the quality of life of Islanders and to support a successful economy while protecting the Island’s environment, unique cultural identity and rich heritage through spatial planning policies that enable the levels of housing availability, quality and affordability to be improved, enabling people to help themselves become independent where possible.”

⁵ The 2011 Housing Needs Study was published in December 2012 and, since this date, has been available on the States of Guernsey website via the following link: www.gov.gg/HNS2011 Appendix A of the Study

provides a summary of the 2011 Study’s data collection methodology and content.

⁶ Billet D’État XIX 2011: Policy Council – the Strategic Land Use Plan

- 3.4 In support of this, Policy SLP12 of the 2011 SLUP states that, “*arrangements will be put in place through the Development Plans to ensure that provision is effectively made to meet the annual requirement for the creation of new homes of an appropriate mix of tenures, housing sizes and types, to meet the Island’s housing needs*”. The States strategic housing target sets this annual requirement.

The Housing Strategy and the Corporate Housing Programme

- 3.5 The States Housing Strategy and the Corporate Housing Programme (CHP) were both approved by the States in 2003⁷.
- 3.6 The Housing Strategy asserts that everyone who is legally resident in Guernsey should have access to accommodation that meets their reasonable needs. Action Area F of the CHP (‘Information’) recognises that in order to achieve this, there is a need to establish “...*an authoritative system for collating information about housing in order to monitor and review the effectiveness of the Corporate Housing Programme against strategic objectives.*” The results of the Housing Needs Study feed into Action Area F of the CHP.

4 HOUSING REQUIREMENT AS IDENTIFIED IN THE 2011 STUDY

- 4.1 The 2011 Study is a comprehensive assessment of the housing situation in Guernsey and contains predictions as to the Island’s housing requirements over a period of five years. In order to calculate the housing requirement level, the Study first looks at housing need and housing demand. These terms are defined in paragraph 1.7.
- 4.2 The 2011 Study uses Opinion Research Services’ Housing Market Model⁸ to calculate a housing requirement figure. The Model compares the number of homes to the number of households looking for somewhere to live (whether those households are said to have a housing need or a housing demand). When the number of households (in both the ‘need’ and ‘demand’ categories) exceeds that which is available, it creates a housing requirement.
- 4.3 The 2011 Study found that if the Island’s housing requirements were to be met over the next five years, an additional 2,253 homes (451 per annum)⁹ would need to be provided – a mixture of affordable and private housing.
- **Affordable housing** is for households who cannot afford to purchase a property or rent a private property, and who are therefore reliant on social rented housing or partial ownership housing provided by the Housing Department and the Guernsey Housing Association (GHA). Under the GHA’s partial ownership

⁷ Billet d’État II 2003: States Advisory and Finance Committee and States Housing Authority – The Development of a Housing Strategy and Corporate Housing Programme.

⁸ The ORS Housing Market Model, and its components, is described in detail in paragraphs 4.45 to 4.61 of the 2011 Housing Needs Study.

⁹ Source: Figure 89, page 66, of the 2011 Housing Needs Study.

scheme, qualifying households obtain a mortgage in respect of 40% to 80% of a GHA property, on top of which they pay a modest rent.

- **Private housing** is for households who can afford to rent privately or buy a property – either outright or with a mortgage.

4.4 Figure 1 shows the annualised housing requirement (451 homes) organised by tenure and size.¹⁰

Figure 1: Net annual housing requirement by property type and size

	Type of Housing				
	Market housing		Affordable housing		Total per annum
	Owned	Private rental	Partial ownership	Social housing	
1 bedroom	61	153	33	13	259
2 bedroom	62	-129	51	92	76
3 bedroom	40	-34	15	31	53
4+ bedroom	75	-36	2	22	62
TOTAL	238	-46 ₁₁	100	158	451

5 REVIEWING THE STRATEGIC HOUSING TARGET

5.1 The 2001 Study established that the Island's housing requirement could be met by creating 179 additional dwellings per year. At the time, the strategic housing target was set at 250 dwellings per year; however, in an effort to generate a housing surplus that it was hoped would facilitate movement within the housing market, the States agreed to increase the target to 300.

5.2 In 2006, when presenting the results of the latest Study to the States, the Department proposed that the Strategic Land Planning Group (SLPG) review the strategic housing target in light of the Study's findings and, in due course, set specific targets against each housing tenure. The States agreed this recommendation and the SLPG subsequently agreed to maintain the strategic housing target at 300 new dwellings per year. This remains the target today.

Meeting the housing target

5.3 Meeting the strategic housing target is not wholly dependent on brand new properties being built on undeveloped land: the target can be met, in part, by redeveloping or converting existing properties; by building on previously developed land; by subdividing houses into flats or smaller, self-contained units of accommodation; and by making greater use of multi-occupancy accommodation.

¹⁰ Source: Figure 94, page 70, of the 2011 Housing Needs Study

¹¹ The Survey identified an over-supply of private rented accommodation, with the exception of one-bedroom accommodation.

All but the last of these rely on the Environment Department first giving planning permission.

- 5.4 Policy HO1 of the Urban Area Plan requires the Environment Department to ensure that a two-year supply of permissions is “*effectively available for housing development at any one time*”. New housing is deemed to be “effectively available” (and is sometimes referred to as being ‘in the pipeline’) when planning permission has been granted but the development is not yet complete; and when a development has been agreed in principle, subject to the necessary permissions being granted.
- 5.5 Since the ‘two year supply rule’ came into effect, the Environment Department has consistently ensured that there are enough planning permissions in the system to create at least 600 new dwellings. Despite this, as Figure 2 indicates, from 2003 onwards the strategic housing target has been met only once, in 2014 (and then only as a result of the Housing Department and GHA creating two new extra care housing schemes).

Figure 2: Performance against the strategic housing target, 2002 to 2014¹²

2002	498
2003	231
2004	169
2005	141
2006	224
2007	184
2008	177
2009	219
2010	38
2011	275
2012	100
2013	200
2014*	320

*Quarters 1 to 3 only

¹² Figure 2 is populated with data gleaned from two sources: the Housing Monitoring Report (covering the years 2002 to 2010) and the Annual Housing Bulletin (2011 onwards); and while the Department is confident in presenting the table as proof that the strategic housing target is not being met, the figures should be treated with a degree of caution. The Housing Monitoring Report, produced by the Environment Department, records the number of dwellings for which planning approval has been given and the number of dwellings created as a result (because not all planning permission is acted upon). Planning permission remains in place for three years, and construction projects often begin in one year and end in another. Because the Report was designed to monitor the amount of planning permission in the pipeline, it is not necessarily a reliable indicator of the number of new dwellings created in any calendar year. The Policy Council’s Annual Housing Bulletin, on the other hand, uses multiple information sets to calculate the number of units added and deleted from the housing stock. While the Bulletin is a more reliable indicator of performance against the strategic housing target, it did not exist before 2011.

- 5.6 There will be many reasons why private developers do not begin building the moment planning permission is granted. But it is surely significant that the increase in dormant permissions has coincided with the global economic downturn. It may be that developers are waiting until market conditions improve so as to maximise the return on their investment, or they are struggling to secure the finance necessary to develop in the first place. As the 2011 Strategic Land Use Plan put it:

“Economic conditions tend to dictate when land with planning permission is actually developed, with the result that the level of permissions granted is no guarantee of physical supply regardless of the level of demand.”

Setting a strategic housing target for 2015 and beyond

- 5.7 In setting a strategic housing target, the Department is not proposing to adopt the housing requirement figure found in the 2011 Study; this is because certain assumptions that inform the Housing Market Model used to calculate the housing requirement figure are at odds with aspects of Guernsey’s planning and housing policy – specifically, the definition of “housing demand”, which the Department considers too broad, and the assertion – which is contrary to local planning policy – that anyone living in a house of multiple occupation (HMO) has a housing problem. To consider both in turn:

The nature of “housing demand”

- 5.8 The housing requirement figure is calculated by adding the number of households in the “housing need” category to the number of households in “housing demand” category. However, some households in the latter category only have a “demand” for housing because they wish to live elsewhere; there is nothing inherently unsuitable about their current accommodation.
- 5.9 The Department considers that in setting a strategic housing target that will influence both land allocation and the amount spent on the provision of affordable housing, it would be wrong to knowingly overstate housing requirement by conflating a desire to move with a need to move. Because the 2011 Study does not distinguish between need and desire within the “housing demand” category, it is not possible to work out the extent to which the housing requirement figure should be reduced to take account of the foregoing; what is certain, however, is that the figure would be reduced.

The suitability of multi-occupancy dwellings (HMOs)

- 5.10 The 2011 Study classifies households living in HMOs (in other words, two or more households that have to share a kitchen, bathroom, washbasin or toilet), as having a “housing issue”. If, in addition, they cannot afford a different type of accommodation, they are classed as having a “housing need”, which in turn increases the housing requirement figure.

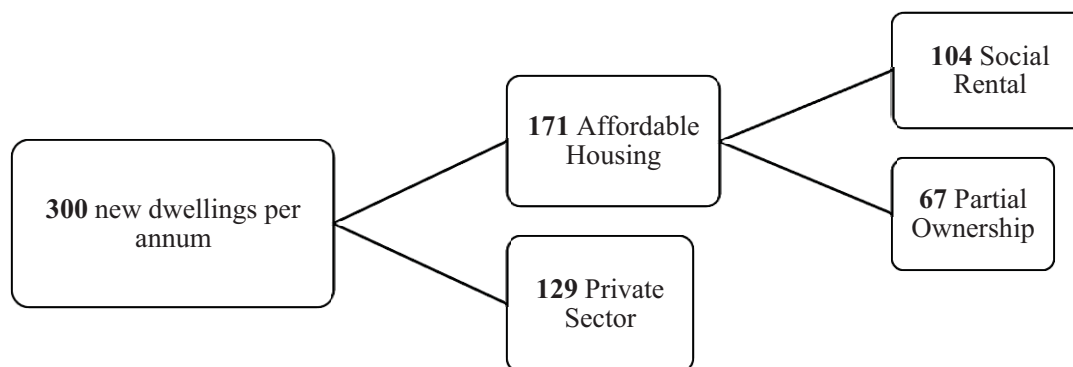
- 5.11 Policy HO7 of the Urban Area Plan, however, recognises that, provided certain standards are met, *“the conversion of buildings into [...] houses in multiple occupation can be an effective way of providing small, relatively low cost accommodation.”* In other words, contrary to assumptions underpinning the 2011 Study, HMOs are considered to be an effective housing solution. This is expected to remain the case under the new Island Development Plan. The Department is consequently of the view that such households should not be considered to be in need solely by dint of living in a multi-occupancy dwelling; and, by extension, they should not count towards the housing requirement figure.
- 5.12 It is not possible, based on the information collected as part of the 2011 Study, to work out how many households living in multi-occupancy dwellings are not – from a Guernsey perspective – in need. However, it is unarguably the case that the housing requirement figure would reduce if households living in HMOs and facing no other housing issues were excluded.
- 5.13 Ahead of the next Housing Needs Survey being carried out, the Housing Market Model will be adjusted to take account of the effect of States’ policy with regards to multi-occupancy accommodation and different types of housing demand.
- 5.14 Mindful of the fact that the housing requirement target has – from a Guernsey perspective – been overstated, but recognising that the degree to which it has been overstated is difficult to calculate, the Department is proposing to keep the strategic housing target at 300 new dwellings per year.
- 5.15 The draft Island Development Plan, published in February 2015, assumes that the strategic housing target will remain unchanged for at least five years and, accordingly, has made sufficient provision to create a minimum of (5 x 300) 1500 new dwellings.

Breaking down the strategic housing target

- 5.16 The Department argues that in order to link the strategic housing target more closely with the delivery of affordable housing, it should be subdivided into different categories: one in respect of the provision of private sector market housing, and the other in respect of affordable housing. The latter can be further subdivided into ‘social rental’ and ‘partial ownership’.
- 5.17 As shown in Figure 1, of the 451 households that make up the annual housing requirement figure, 158 need social rented housing, while 100 could afford to buy a property under the Guernsey Housing Association’s partial ownership scheme. Together, these 258 households (57% of the total) need affordable housing. The remaining 192 households (43% of the total) can afford to rent accommodation in the private rental sector, or buy their own home.
- 5.18 While the Department is recommending the adoption of 300 and not 451 as the strategic housing target, it nonetheless believes there is merit in using the

proportionate split between affordable housing and private housing as the basis for subdividing the strategic housing target: 57% and 43% of 300 is 171 (relating to affordable housing) and 129 (private sector housing) respectively. The figure of 171 can be further divided – again, by using the proportions established as part of the housing requirement figure – into 104 (social rental) and 67 (partial ownership). Figure 3 illustrates these splits:

Figure 3: Subdividing the proposed strategic housing target



5.19 The Department recognises that, if the housing requirement figure of 451 has been overstated, the proportionate split between ‘affordable’ and ‘private’ housing may be different to that quoted above. However, the number of affordable housing units required would be reduced in light of the fact that not all households in multi-occupancy dwellings would need to live elsewhere. Because the two factors would counteract each other, the Department is comfortable recommending that the proportionate split between ‘affordable’ and ‘private’ housing remains unchanged.

6 MEETING THE STRATEGIC HOUSING TARGET

6.1 The strategic housing target can only be met by increasing the supply of housing. As the Housing Department argues in a separate Policy Letter, co-authored by the Treasury and Resources Department, increasing supply will improve affordability and assist first time buyers. This section summarises the actions being taken by the Housing Department and the Environment Department to increase housing supply on the Island and to help meet the strategic housing target.

a) The Island Development Plan

6.2 Under current planning policies, the majority of housing provision is made available within the Urban Area Plan in the form of:

- Windfall sites¹³ brought forward via enabling policies;

¹³ Windfall sites have not been identified specifically for housing in the current Development Plan(s) but come forward for development and receive planning permission by being consistent with planning policy

- The approval of Mixed Use Redevelopment Areas (MURAs);
- Strategic reserves brought forward in response to a lack of housing provision elsewhere.

6.3 Some provision is made for housing supply within the Rural Area Plan in the form of:

- the subdivision of existing units;
- the conversion of redundant buildings;
- the development of sites adjacent to existing social housing or near a Rural Centre (such sites being used to provide affordable housing only).

6.4 The current approach is essentially reactive in that it relies on landowners putting their sites forward for consideration for housing development. There is little certainty as to how many sites might come forward for development, or when this might happen, which means that the States has limited control over increasing housing supply to meet the strategic housing target.

6.5 The classification of land for housing development has been reviewed through the Island Development Plan (IDP) review process, which commenced in 2012 following the adoption of the revised SLUP in 2011:

“[The new IDP] will be required to provide scope and flexibility for a sufficient quantity of housing provision to meet all the identified needs. [It] will also be required to adopt a proactive role in overcoming barriers to housing delivery and to encourage the Environment Department to work proactively with the Housing Department to enable designated sites to contribute to meeting housing needs.”

6.6 The 2011 SLUP directs the Environment Department to ensure that when identifying land supply as part of the new IDP, due regard is given to the Island’s housing requirements over the 10-year lifetime of the Plan¹⁴. The SLUP acknowledges certain problems with this approach:

“Identifying the land supply necessary to achieve this potential requirement [300 dwellings per year] for a full decade may not take sufficient account of the need to manage supply in a more responsive way taking into account the effectiveness of the housing policies in place or longer-term variables in the development sector such as market conditions and the ‘build capacity’ of the local construction industry.”

Strategic Land Use Plan (2011)

and other considerations identified in the Planning Law, which make them suitable for housing development.

¹⁴ The terms of The Land Planning and Development (Guernsey) Law, 2005 state that the Development Plans are valid for a 10 year period before requiring review. However, they may be reviewed in whole or in part at more frequent intervals if considered necessary.

- 6.7 Accordingly, the new IDP makes provision for a five-year supply of housing (1,500 new dwellings): 80% will be located on land specifically allocated for housing development, and the remaining 20% will come from windfall sites and sites with existing planning consent. The fact that the vast majority of the land required to meet the strategic target over a five year period will be identified at the outset makes the Environment Department's approach far more proactive than in the past.
- 6.8 The Environment Department will be required to demonstrate, through regular monitoring and reporting to the Strategic Land Planning Group, that at any one time there is a minimum of two years' supply of housing permissions (i.e. permissions relating to at least 600 new dwellings) 'in the pipeline'. The number of permissions acted upon will also be carefully monitored.
- 6.9 The more proactive approach to land allocation being taken by the Environment Department as part of the IDP process, in combination with a commitment to continually monitor the rate at which planning permission gives rise to actual dwellings, gives the Housing Department confidence that the States can more effectively facilitate the creation of new housing, and in so doing help meet the strategic housing target.

b) The provision of affordable housing

- 6.10 The Department maintains and manages its own stock of social housing, and supports, regulates and part-funds housing associations such as the GHA, who provide new affordable housing.¹⁵ In submitting a bid for funding as part of the capital prioritisation process, the Department outlined a 10 year housing development programme, to run from 2013 to 2022 inclusive, which would seek to address the need for social rented, partial ownership, extra care, supported, keyworker and specialist housing.

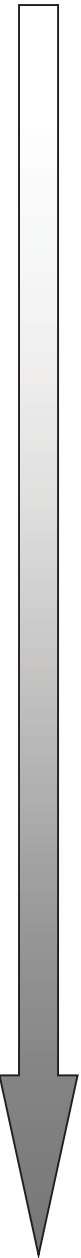
Figure 4: Existing and pending affordable housing in Guernsey

	Housing Dept.	GHA			
		Social rental	Partial ownership	Under construction or pending development	
				Rental	Partial ownership
1 bed	458	231	48	108	7
2 bed	320	194	41	65	35
3 bed	828	28	22	6	7
4 bed	44	2	6	0	0
TOTAL	1650	455	117	179	49

¹⁵ The Guernsey Housing Association and Housing 21 are the only two housing associations currently in operation in Guernsey.

- 6.11 Figure 4 shows that, at the end of Q1 2015, the Housing Department and the GHA have a combined affordable housing stock of 2,222 units, with a further 228 units either under construction or pending development.
- 6.12 In addition to the above, GHA manages 117 units of extra care housing across two specialist schemes in Vale and St Martins; and Housing 21 manages 66 extra care housing units at Rosaire Court.
- 6.13 The Housing Department and GHA are constantly looking for opportunities to acquire developable land at a reasonable price. Unless the Department can secure new sites, affordable housing waiting lists will increase significantly (at time of writing 248 households are waiting for social rented accommodation, and 234 are on the waiting list for partial ownership properties) and more people will be forced to live in accommodation that they either cannot afford or that does not meet their needs.
- 6.14 The cost of acquiring land depends on its location and the extent to which planning restrictions limit its development potential. Figure 5 illustrates this point by describing four distinct categories of land, organised by value – from the cheapest (land acquired through an affordable housing policy, such as the one proposed by the Environment Department as part of the new IDP) to the most expensive (private or commercial land). None of the cheaper land types are in such plentiful supply as to be sufficient to enable the Department to meet the recommended affordable housing target; but the States nonetheless have a responsibility to help the Department reduce its dependence on expensive commercial land. It can do this by (a) supporting the creation of affordable housing on certain ‘redundant’ States-owned sites that would otherwise be sold off; and (b) supporting the introduction of an Affordable Housing Policy such as the one being proposed as part of the new IDP.

Figure 5: Affordable housing – cost and supply of land

 <p>Cheapest</p> <p>Most Expensive</p>	<p>Land acquired by means of an affordable housing policy The Land Planning and Development (Planning Covenants) Ordinance 2011 provides the legislative framework within which planning covenants could be used by the States to acquire a percentage of privately-owned land. The proposed new IDP provides a policy framework within which planning covenants will be applied.</p>	<p>Timescale: Recommended for implementation as part of the Island Development Plan in 2016.</p>
	<p>States-owned land Sites have been identified as suitable for affordable housing as part of the rationalisation of States' land and property identified through the States Asset Management Plan. This land could be made available for the Housing Department to purchase at a discounted market rate; however this is not likely to be in the immediate future, and the amount of land available for housing is still unknown.</p>	<p>Timescale: Unknown at the time of writing.</p>
	<p>RH2 sites Under the current Rural Area Plan, limited affordable housing development is permitted if the housing development 'rounds off' a pre-existing affordable housing development or is well-related to a Rural Centre. Development is restricted on these sites unless provision is made for some affordable housing development and therefore true market prices should not apply. RH2 sites no longer exist under the new IDP.</p>	<p>Timescale: RH2 sites are not expected to exist beyond Spring 2016.</p>
	<p>Privately-owned 'commercial' sites These sites would most likely be purchased at market rate.</p>	<p>Timescale: Dependent on availability of sites and the willingness of the Department to pay the going rate.</p>

7 MONITORING AND REVIEWING PROGRESS AGAINST THE STRATEGIC HOUSING TARGET

The next Housing Needs Study

- 7.1 By carrying out regular Housing Needs Studies, the States is able to monitor and respond to changes in the Island's housing requirements, and to determine the success of various housing and planning policies.
- 7.2 By States Resolution¹⁶, the Department is compelled to repeat the Housing Need Study "*at intervals of not more than five years,*" meaning that the next Study is scheduled to take place in 2016. The Department is recommending, however, that the next Study be postponed by three years until 2019; the results can then be used to set a new strategic housing target in 2020, which in turn will inform the amount of land allocated for housing as part of the review of the IDP scheduled for 2021.
- 7.3 Should the adoption of the new IDP be delayed beyond 2016, the Department recommends that the next Study be undertaken in 2019 regardless; otherwise, the gap between Studies will be too great and other aspects of housing policy will suffer. The Department is of the view that the States should reaffirm or re-set the strategic housing target prior to the Environment Department's five-year review of the Housing Land Supply element of the IDP.
- 7.4 After the 2019 Study, it is recommended that the Study continues to be repeated at least every five years.

Additional Monitoring Methods

- 7.5 Direction to monitor and review housing provision is given through Action Area F of the CHP¹⁷ and Policy SLP12 of the SLUP:

*"Arrangements will be put in place through the Development Plans to ensure that provision is effectively made to meet the annual requirement for the creation of new homes of an appropriate mix of tenures, housing sizes and types, to meet the Island's housing needs. **This should be monitored through regular research and data collection and reviewed as necessary through the Strategic Land Use Plan.**" [emphasis added]*

- 7.6 A number of workstreams have been developed to monitor supply and demand in the Guernsey housing market, the most notable of which are summarised in Figure 6.

¹⁶ Billet d'État IX 2002: States Housing Authority - Survey of Guernsey's Housing Needs.

¹⁷ See paragraph 3.6

Figure 6: Monitoring the States Strategic Housing Target

HOUSING REQUIREMENT MONITORING		
DEPARTMENT	WORKSTREAM	COMMENT
Housing Department	Housing Needs Study	The main research tool to monitor any changes in Guernsey's housing requirements is the next Housing Needs Study. This will identify how effective Guernsey has been in reducing its housing requirement.
Housing Department	Affordable housing waiting lists	The Housing Department and the GHA's waiting lists for social rented and partial ownership properties indicate the demand for affordable housing on the Island.
Housing Department	Transfer waiting lists	The Housing Department's transfer waiting list records the number of tenants who need to be moved to a more appropriately sized property, usually in response to deteriorating health or under-occupancy.
HOUSING SUPPLY MONITORING		
DEPARTMENT	WORKSTREAM	COMMENT
Environment Department	Quarterly Housing Monitoring Report	Monitors the number of planning permissions granted and the number of new dwellings created in response; and provides an indication as to whether the strategic housing target is likely to be met. In order to make the data more meaningful it will be divided into the number of permissions/constructions for (1) the affordable housing target and (2) the private sector housing target.
Environment Department	IDP five year review	Within five years of the introduction of the IDP, the Environment Department must review the delivery of housing to ensure an appropriate level of provision exists for the remaining five years of the Plan.

Environment Department	Island Development Plan Monitoring Requirements	<p>In order to satisfy the requirements of the SLUP, it is anticipated that as part of the Island Development Plan process a more detailed version of the Environment Department's Quarterly Monitoring Report will need to be developed – one that details planning permissions received and granted by the size, type, tenure, and location of dwelling. It is envisaged that the Environment Department will liaise with the Housing Department on the structure and requirements of this framework.</p> <p>In addition to this, a more comprehensive annual report will be provided to the Strategic Land Planning Group, summarising the performance of IDP policies against the strategic objectives of the SLUP.</p>
Policy Council	Annual Housing Stock Bulletin	<p>This provides a snapshot of Guernsey's domestic property stock and reports on the number of completed dwellings added to the Island's housing stock in any one year.</p> <p>As with the Quarterly Housing Monitoring Report, it is recommended that the total number of dwellings added to the housing stock be broken down into affordable housing dwellings and private sector dwellings.</p>

8 CONSULTATION

- 8.1 This report is supported by the Environment Department, as per the letter of support included in this report at Appendix B.

9 RESOURCES AND LEGAL IMPLICATIONS

- 9.1 There are no additional resource implications, or any legal implications, resulting

from the recommendations in this report.

10 CONCLUSION

- 10.1 A robust strategic housing target sits at the heart of any States-wide commitment to meeting Islanders' housing needs. It provides the foundation upon which both housing and planning policies are built, monitored and reviewed.
- 10.2 The Department is recommending that the existing target of 300 new dwellings per annum be maintained and subdivided as follows:
- Affordable housing target – 171 new dwellings per year
 - Private market housing target – 129 new dwellings per year
- 10.3 If the affordable housing target is to be met it is essential, in the Department's view, that the States adopt an affordable housing policy such as the one being proposed as part of the new IDP; and that they support the principle of affordable housing being built on States-owned sites that would otherwise be sold into private ownership.

11 RECOMMENDATIONS

- 11.1 The Housing Department recommends that the States:
- i) Note the findings of the 2011 Housing Needs Study.
 - ii) Agree that the strategic housing target remains at 300 new dwellings per year.
 - iii) Agree that the strategic housing target be subdivided into affordable housing and private housing targets of 171 and 129 dwellings per year respectively.
 - iv) Agree that the next Housing Needs Study be carried out in 2019; and thereafter at intervals of not more than five years.
 - v) Note that the next review of the strategic housing target will take place before the Environment Department carries out its five-year review of the Housing Land Supply element of the new Island Development Plan.

Yours faithfully

D B Jones
Minister

M P J Hadley	(Deputy Minister)
P R Le Pelley	(Member)
B J E Paint	(Member)
P A Sherbourne	(Member)
D R Jehan	(Non-Voting Member)



States of Guernsey Housing Needs Study 2011

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1. Introduction

Background and Data Sources

Project Overview

- 1.1 Opinion Research Services (ORS) was commissioned by the States of Guernsey to undertake a housing assessment (Housing Needs Survey) including a comprehensive study of current and future housing requirements and housing need on the Island. The assessment was undertaken to inform future housing policies on the Island. The assessment is a follow-up to similar studies undertaken by ORS on behalf of the States of Guernsey in 2001 and 2006.
- 1.2 The States of Guernsey assessment was primarily based on the analysis of 1,500 interviews conducted with households across the Island. Secondary data from a range of other information also informed the analysis.
- 1.3 The housing requirements assessment was undertaken using the ORS Housing Market Model which has been used successfully by numerous local authorities across the UK, and in previous assessments in Guernsey. The study exceeds the standards promoted in all relevant UK Government Good Practice publications and the model and its analysis has withstood detailed scrutiny at numerous UK local planning inquiries.
- 1.4 The study was comprehensive in considering the different components of housing requirements and supply. In addition to households identified as currently being in housing need, the study identified the future housing requirements of established and newly forming households within the Island together with inward migrants from the UK and elsewhere abroad. These gross housing requirements were offset against the likely supply of housing from within the existing stock to yield a net requirement for additional housing.
- 1.5 The outputs considered household affordability in terms of the ability to:
 - » afford appropriate market housing within the Island;
 - » afford more than social rented housing (rented from the States or from the Guernsey Housing Association) without being able to afford appropriate market housing; and
 - » the inability to afford any more than the appropriate social rent.
- 1.6 Therefore the requirements for market housing, intermediate housing and social housing within the Island were comprehensively covered.
- 1.7 This report summarises the key findings of the study, in particular where they relate to existing policies or have implications for future policy decisions. Information from the primary data analysis is statistically reliable at an Island wide level and, whilst reliable information from the modelling process cannot be provided with statistical confidence for smaller sub-areas, local differences on key indicators are provided where appropriate.

The Strategic Policy Context

- 1.8 The States of Guernsey has recognised the need for ensuring that an authoritative system is in place for collecting and collating information upon which to base housing policy. Action Area F of the Corporate Housing Programme (CHP)¹ specifically refers to the need to collect data that relates to the quality, availability and affordability of housing across all tenures.
- 1.9 This is important to ensure that the Housing Department, and other lead departments with responsibilities under the CHP, have access to well-defined market research into the local housing position to inform the development of policies that most effectively meet housing needs.
- 1.10 Accordingly, this Housing Needs Survey has been carried out in order to:
- » monitor and review the effectiveness of the States Housing Policies against strategic objectives over the five year period since the previous survey was undertaken in 2006; and
 - » provide up to date, key information to assist with the identification and formation of new policies and to guide the implementation of housing policy workstreams for the next five years.
- 1.11 The information received from this Survey will therefore be extremely valuable, enabling the States to plan appropriately for the years ahead.

Housing Requirements: The Fundamental Questions of Need and Demand

- 1.12 The assessment of housing need must involve a consideration of housing requirements across the whole market and it is important to understand the different components. For any housing requirement study, the key or core issues are:
- » How many additional units are required?
 - » How many additional units should be affordable homes (including rented from the States Housing Department, Guernsey Housing Association or partial ownership schemes)?
 - » What is the appropriate mix for future housing provision?
- 1.13 Every Islander has a housing requirement but many people can satisfy their own requirements in the private housing market since they are able to afford to purchase a home of their own (usually with a loan or mortgage) or to pay a market rent. These households can be regarded as housing demand – in other words, housing demand takes account of preference (with the analysis being choice led) but is controlled by the ability to pay.
- 1.14 However, a proportion of households may be unable to attain housing of at least a minimum standard (defined in terms of size, type, condition) without some form of assistance, either through the provision of a home in the social rented sector or through subsidised access to the private sector, such as the

¹ The Corporate Housing Programme was agreed by the States in February 2003 and provides a practical framework for implementing the States Housing Strategy.

Partial Ownership Scheme operated by the Guernsey Housing Association. These households can be regarded as having a housing need – in other words, housing need takes account of those without adequate housing who are unable to resolve their situation without assistance.

- ^{1.15} It can be seen that housing requirement encompasses both housing demand and housing need, and is the quantity of housing necessary for all Island households to have access to suitable housing, irrespective of their ability to pay. In other words, it is the amount of housing necessary to accommodate Guernsey's population at appropriate minimum standards.
- ^{1.16} The study has sought to address a number of key issues which underlie these aspects of housing requirement in Guernsey. These include:
- » Current and future assessments of housing needs and demand, i.e. requirement.
 - » The affordability of different tenure options for new and existing households, analysing the relationship between housing costs in the private sector and available financial resources. As we have already indicated, the issue of affordability is critical to the development of local planning policies.
 - » Issues around the condition of the existing housing stock (although it should be noted that this is based upon occupiers' perceptions and is not by any means a comprehensive picture of current housing conditions).
 - » The housing and support needs of different sectors of the Island's population, which have implications not only for housing and planning policies but also for wider health and social care planning.
 - » Estimates of the number of homes needed to meet current and future housing requirements. The housing shortfalls are broken down by size and tenure.

Data Sources

- ^{1.17} The analysis was based on primary data gathered by the Household Survey (2011), complemented by secondary data sources. The Household Survey was conducted between September and October 2011 and a total of 1,511 households were successfully interviewed. The sample was based on a stratified random probability selection with a disproportionate number of small flats being sampled to ensure sufficient responses were obtained from respondents in these dwellings. Sample stratification and identified non-response issues were addressed by a comprehensive statistical weighting process.
- ^{1.18} Information derived from the weighted data was consistent with reliable comparable information from a range of other secondary data sources – including demographic details, and secondary housing statistics. Further information regarding the fieldwork and associated validation process can be found in Appendix A.
- ^{1.19} All figures from the Household Survey presented in this report have been grossed-up to represent the overall household population – therefore where the report discusses specific numbers of households or dwellings, it is not the number of respondents that is referred to but the number of households or dwellings across the Island.

- ^{1.20} Information from the Household Survey was complemented by secondary data sources to correspond with the date of the primary data – and was therefore based on a reference point of Quarter 3 2011. This is also the base date for the study projections.

2. Existing Housing Stock

Profiling the Housing Stock

- ^{2.1} This section of the report considers the existing housing stock in Guernsey, in particular the mix of housing and issues concerning the mismatch of households and housing, such as overcrowding. Some information is also provided on the condition of local housing – but this should not be seen as definitive, for the results are based on individual occupier perceptions, and not the professional views of a qualified surveyor.

Comparisons between 2006 and 2011: Households and Dwellings

- ^{2.2} An important clarification to be made at this stage is that the unit under consideration in the 2006 and 2011 household surveys are different. The 2006 household survey was based upon **the population of a dwelling**. In line with best practice in the UK, the 2011 household survey focuses upon the **household**.
- ^{2.3} For most respondents this distinction does not make a difference because there is only one household at the address. However, in 2011 if there were multiple households at the address an attempt was made to interview them all. Therefore, care should be taken when making comparisons between the findings of the 2006 and 2011 household surveys.
- ^{2.4} This issue can be illustrated by analysing dwelling type and tenure changes between the two surveys (see Figures 1 to 3).
- ^{2.5} Figure 1 and Figure 2 show how, when analysing the dwelling type, the mix of existing properties in Guernsey in terms of property type has changed between 2006 and 2011. As illustrated, nearly half of all properties on Guernsey are detached, however this has fallen slightly from 48% in 2006 to 46% in 2011, while the proportion of semi-detached dwellings has also fallen. A total of 23% of dwellings in 2011 are purpose built flats (12.2%) or part of a converted property (10.9%), a rise from 16% overall in 2006.

Figure 1
Dwelling Type 2006 (Source: Guernsey Household Survey 2006)

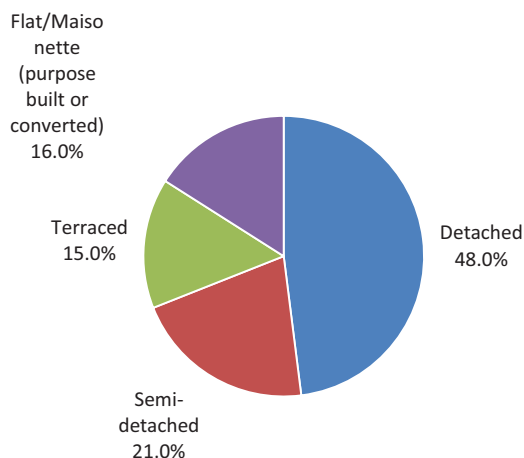
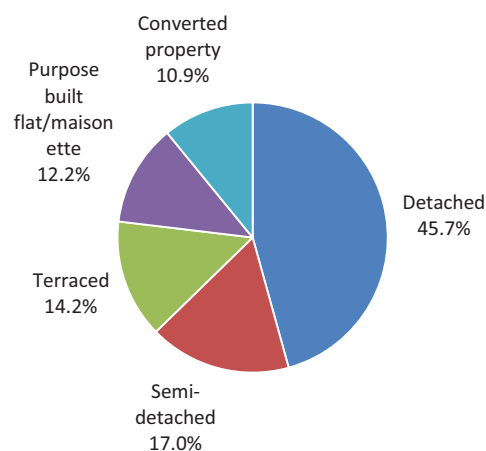
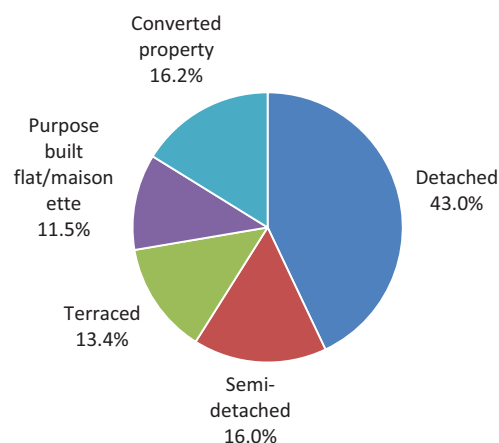


Figure 2
Dwelling Type 2011 (Source: Guernsey Household Survey 2011)



2.6 However, Figure 3 shows 16.2% of households live in a converted property and 11.5% live in a purpose built flat. These higher figures (28%) reflect many households sharing part of a dwelling, so more households live in converted dwelling than there are converted dwellings.

Figure 3
Dwelling Type by Household 2011 (Source: Guernsey Household Survey 2011)



2.7 Similarly, Figure 4 and Figure 5 show how the mix of existing dwellings in Guernsey in terms of tenure has changed between 2006 and 2011. The dominant form of housing in 2011 is owner occupation with 70% of all properties across the Island being owned outright or owned with a mortgage – a slight fall since 2006 (74%). In 2011 around 9% are rented from the States Housing Department or from the Guernsey Housing Association (i.e. social housing) while just over a fifth are privately rented – an increase from 2006 of around 4 percentage points.

Figure 4
Tenure by Dwelling 2006 (Source: Guernsey Household Survey 2006)

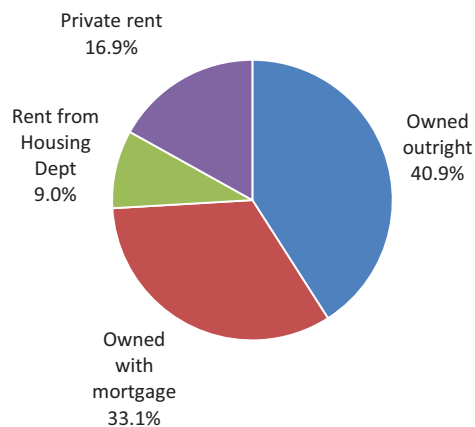
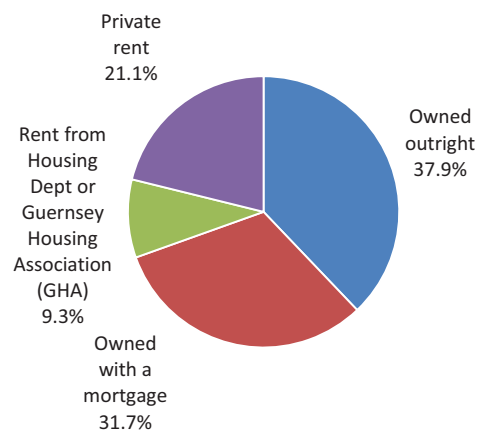


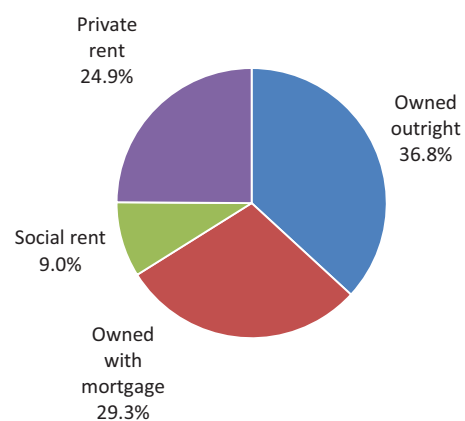
Figure 5
Tenure by Dwelling 2011 (Source: Guernsey Household Survey 2011)



2.8 However, Figure 6 shows 24.9% of households live in the private rented sector. This reflects the proportion in private rental multiple households living within one dwelling.

2.9 The implication of the above analysis is that extreme care should be taken when comparing findings from 2006 with 2011. For clarity, all results quoted in the remainder of this report relate to **households not dwellings**. Therefore, much of the data in the remainder of the report cannot be directly compared with the 2006 Guernsey Housing Needs Survey.

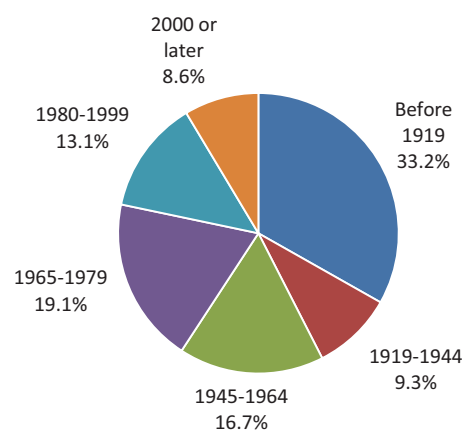
Figure 6
Tenure by Household 2011 (Source: Guernsey Household Survey 2011)



Property Information

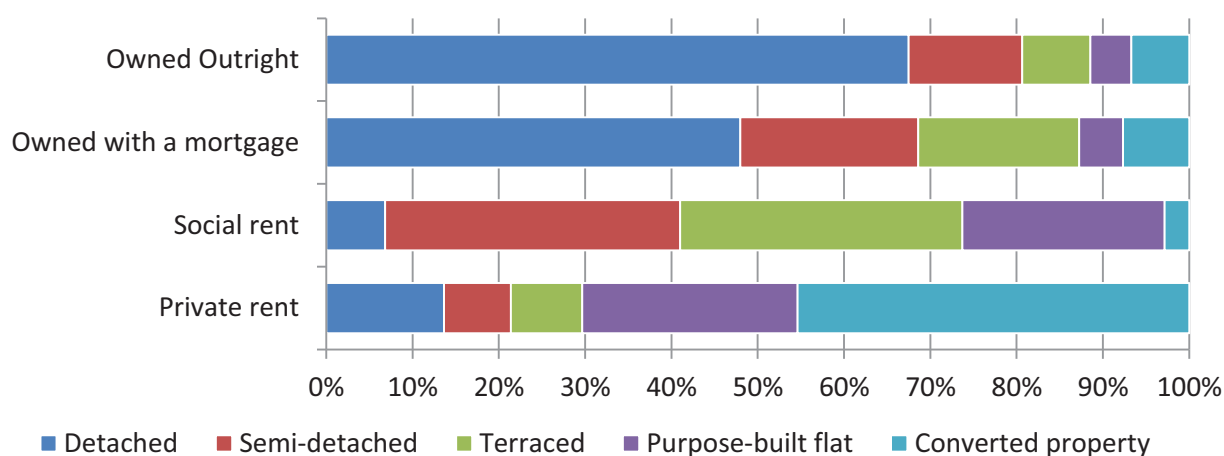
^{2.10} In terms of age, Figure 7 shows that a third of the households interviewed in 2011 estimated that their property was built before 1919 with only 9% estimating their property has been built since 2000. In 2006, however only 4% had been built since 2000 suggesting that 5% have been built in the last 5 years².

Figure 7
Age of Dwelling 2011 (Source: Guernsey Household Survey 2011)



^{2.11} Figure 8 shows how property type varies by tenure. It can be seen that the majority of households who own their property live in detached or semi-detached dwellings, while around almost two thirds of households in social rent live in semi-detached or terraced properties. Over two thirds (70%) of those in the private rented sector live in a flat as opposed to a house, including 46% who live in part of a converted property.

Figure 8
Property Type by Tenure 2011 (Source: Guernsey Household Survey 2011)

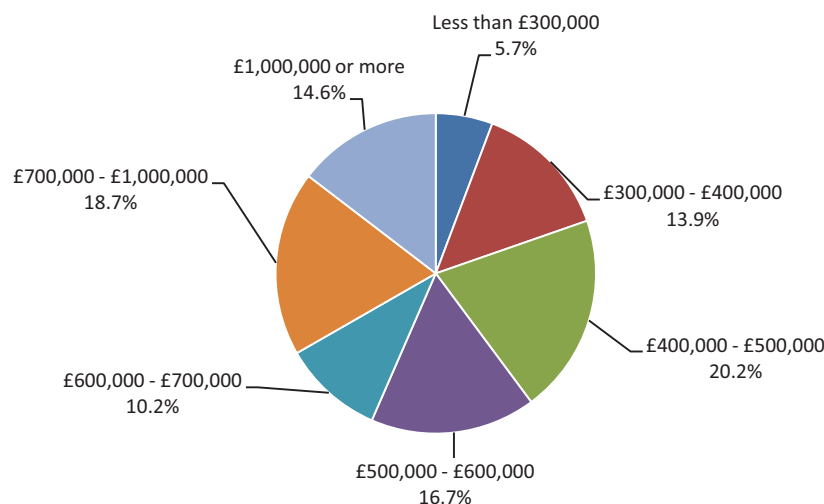


^{2.12} Respondents to the household survey who were owner occupiers were asked to estimate what the value of their property would be if were sold in the current market conditions. Figure 9 shows that less than 6% of households thought that their property was worth less than £300,000, while almost 15% felt that it was worth £1,000,000 or more and a third (33%) felt that it was worth at least £700,000. This compares to 2006 when 22% felt their property was worth less than £300,000 and only 13% felt their property was worth £700,000 or more.

² Please note that this 2006/2011 comparison uses dwellings and households, but 1% per annum is in line with other sources such as the Guernsey Annual Housing Stock Bulletin 2011

Figure 9

Estimated Current Value of Property (Note: Based on Owner Perception. Source: Guernsey Household Survey 2011)



- 2.13 Figure 10 shows that less than 20% of dwellings have 1 or no separate bedrooms (i.e. bedsits), nearly a quarter have 2 beds while a third (34%) contain 3 bedrooms and 23% contain 4 or more bedrooms. When we consider the match (or mismatch) of households and properties in terms of property size, it is interesting to note that in Figure 11 whilst the vast majority (79%) felt that they had about the right number of rooms, as many as 14% of those households interviewed felt that they had too few rooms, with 8% considering their current home to be too large.

Figure 10

Number of Bedrooms (Source: Guernsey Household Survey 2011)

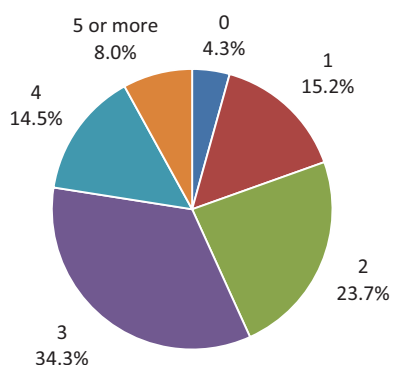
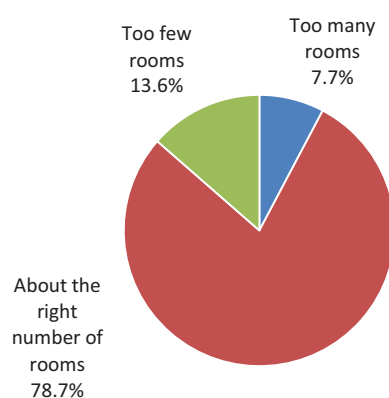


Figure 11

Too Many or Too Few Rooms? (Source: Guernsey Household Survey 2011)



- 2.14 When we consider these subjective views in the context of an objective comparison of household structure and number of bedrooms available (detailed further in Appendix B) it is apparent in Figure 12 that whilst most households (20,000 or 79%) consider their home to be about the right size as many as 15,700

households (62%) technically under-occupy their property – over half of these by a factor of two bedrooms or more. It is also interesting to note that as many as 950 households who already under-occupy their property still consider that they have too few rooms available.

- 2.15 Overall, a total of 1,350 (5%) households are currently living in technically overcrowded housing – though as many as 726 of these households (54%) consider their home to be about the right size.

Figure 12

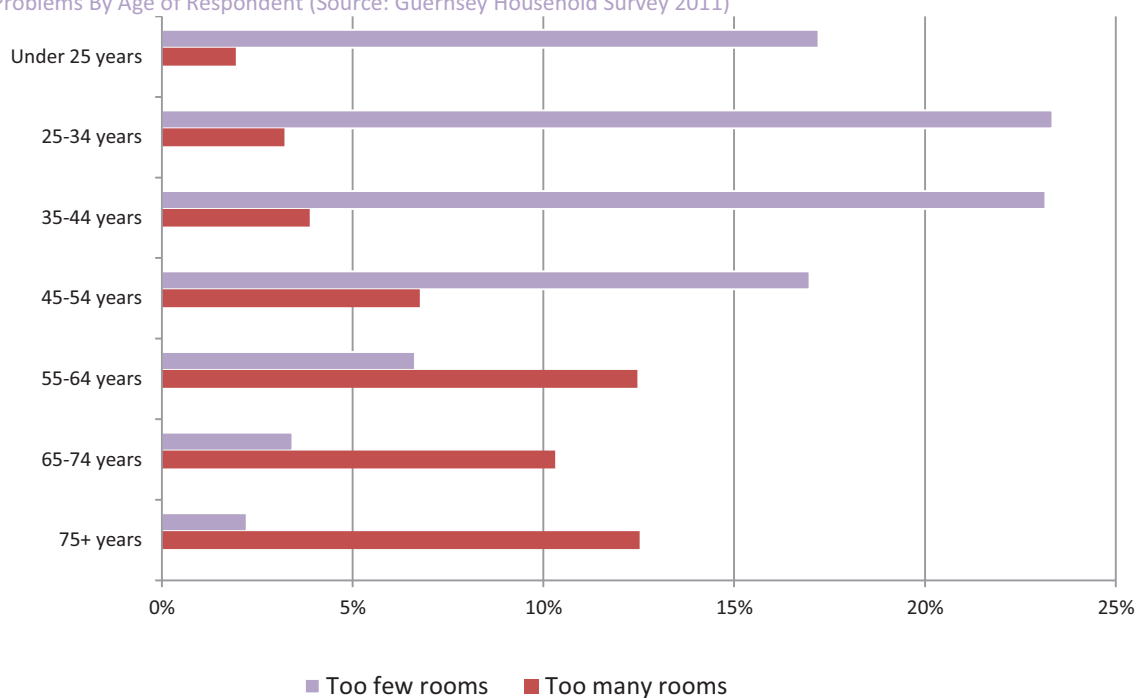
Perceived Size Problems Compared with Overcrowding (Source: Guernsey Household Survey 2011. Note: Formula regarding occupancy levels described in Appendix B)

Occupancy Level	Household Perception			All Households
	Too Many Rooms	About Right	Too Few Rooms	
Sufficiency of Bedrooms (as per formula)				
3 bedrooms too few	0	27	16	43
2 bedrooms too few	0	112	77	189
1 bedroom too few	0	587	540	1,127
Correct number of bedrooms	48	6,345	1,846	8,239
1 bedroom too many	212	6,335	729	7,276
2 bedrooms too many	888	4,560	199	5,647
3+ bedrooms too many	810	1,966	29	2,805
ALL HOUSEHOLDS	1,958	19,932	3,436	25,326

- 2.16 Figure 13 shows how perceived problems with the size of the property vary by age of the respondent. Older respondents are more likely to feel they have too many rooms, while nearly a quarter of those aged 25-44 years feel they have too few rooms.

Figure 13

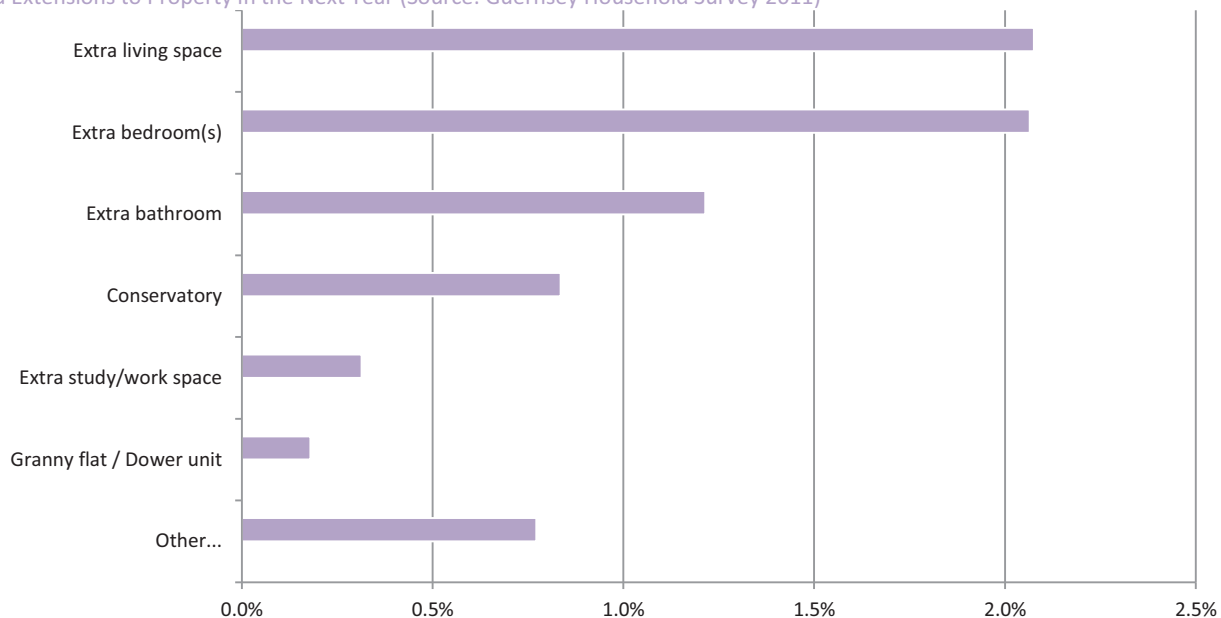
Perceived Size Problems By Age of Respondent (Source: Guernsey Household Survey 2011)



- 2.17 4.7% of households plan to extend their property in the next year (2011/12). The main planned extensions are shown in Figure 14.

Figure 14

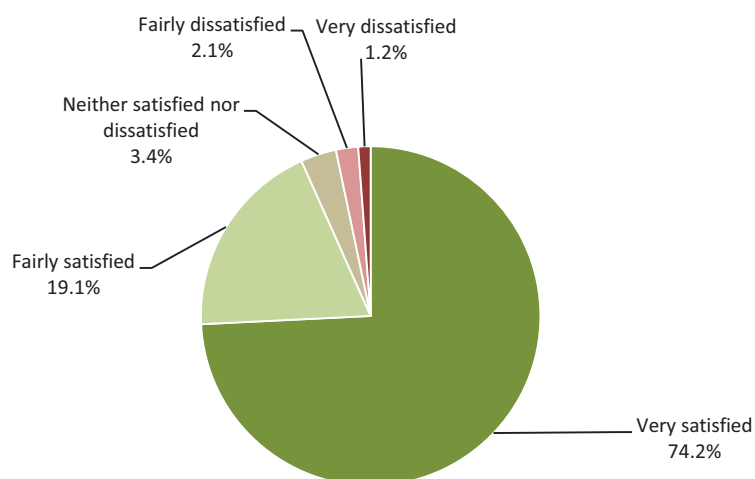
Planned Extensions to Property in the Next Year (Source: Guernsey Household Survey 2011)



- 2.18 Figure 15 shows that almost three quarters (74%) of households are very satisfied with their current home, while a further 19% are fairly satisfied. Only 3% are dissatisfied with their current home.

Figure 15

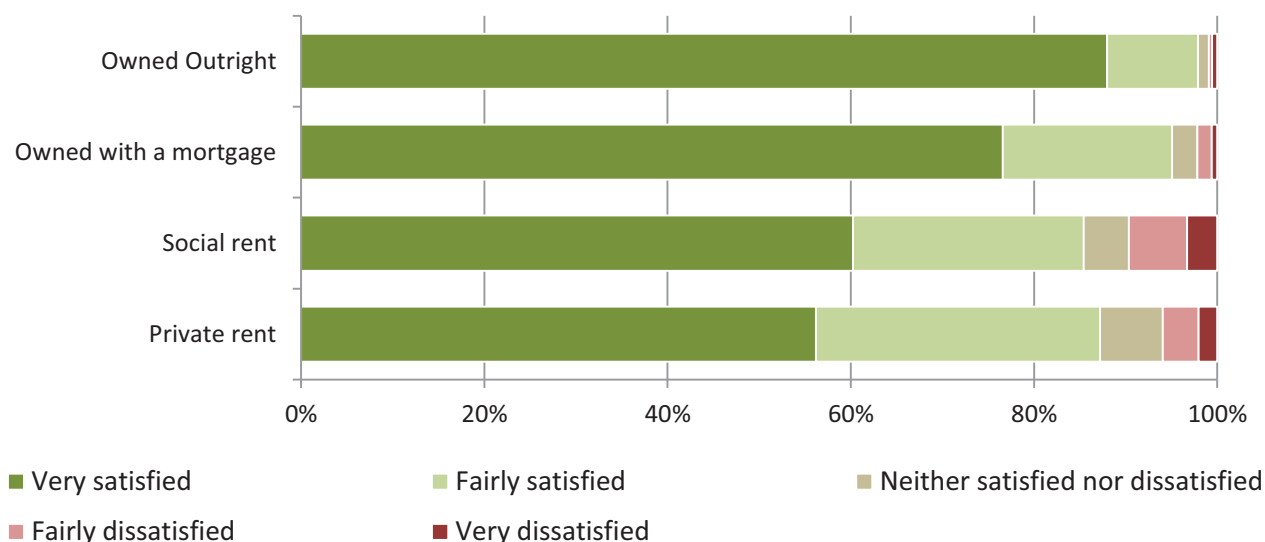
Satisfaction with Current Home (Source: Guernsey Household Survey 2011)



- 2.19 When examined by tenure (Figure 16) it can be seen that those who own their own home are more likely to be satisfied with their current home than those who rent their home. Furthermore 10% of those in social rented accommodation and 6% of those in the private rented sector are dissatisfied with their home. It is a standard finding in ORS studies that dissatisfaction with their homes is higher among social rented tenants than it is among any other group and the results for Guernsey show lower levels of dissatisfaction than we would expect to find in many areas of England and Wales.

Figure 16

Satisfaction with Home by Tenure (Source: Guernsey Household Survey 2011)



- 2.20 Figure 17 shows that 83% of households have the use of a garage, driveway or other off-road parking.

Figure 17

Availability of Garage, Driveway or Other Off-Road Parking (Source: Guernsey Household Survey 2011)

- 2.21 When examined by tenure and property type (Figure 18 overleaf) it can be seen that those who own their own home or who live in detached properties typically do have sole use of a garage, driveway or off-road parking. Social tenants, private renters and those in terraced houses or flats are less likely to have their own allocated parking space.

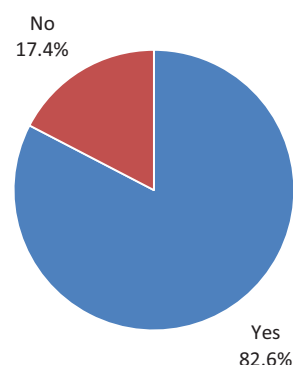
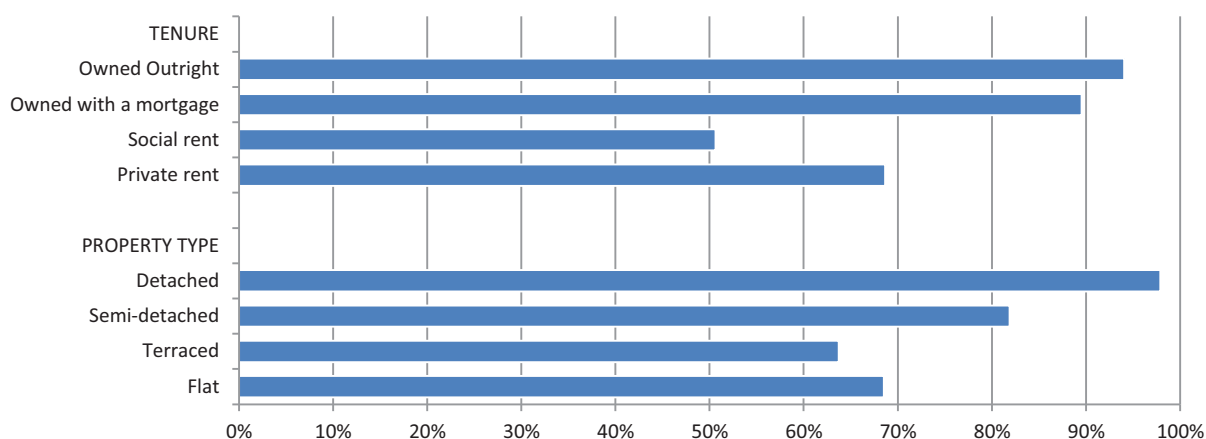


Figure 18

Availability of Garage, Driveway or Other Off-Road Parking by Tenure and Property Type (Source: Guernsey Household Survey 2011)



2.22 Figure 20 shows that around three quarters of households have their own private garden and a further 16% have access to a communal garden, a roof terrace/garden or balcony.

2.23 When examined by tenure and property type (Figure 19 overleaf) it can be seen that those who own their own home or live in social rent are most likely to have some form of outdoor space.

Figure 20

Availability of a Garden, Roof Terrace/Garden or Balcony (Source: Guernsey Household Survey 2011)

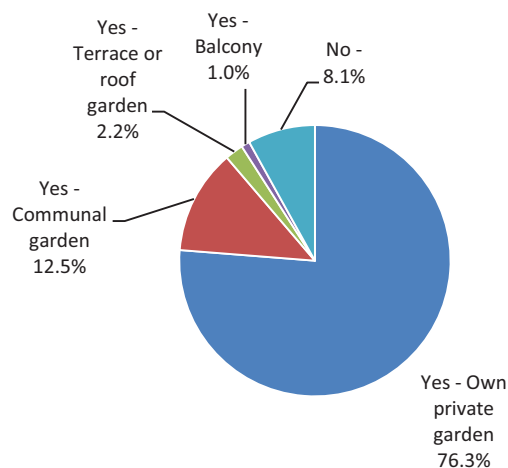
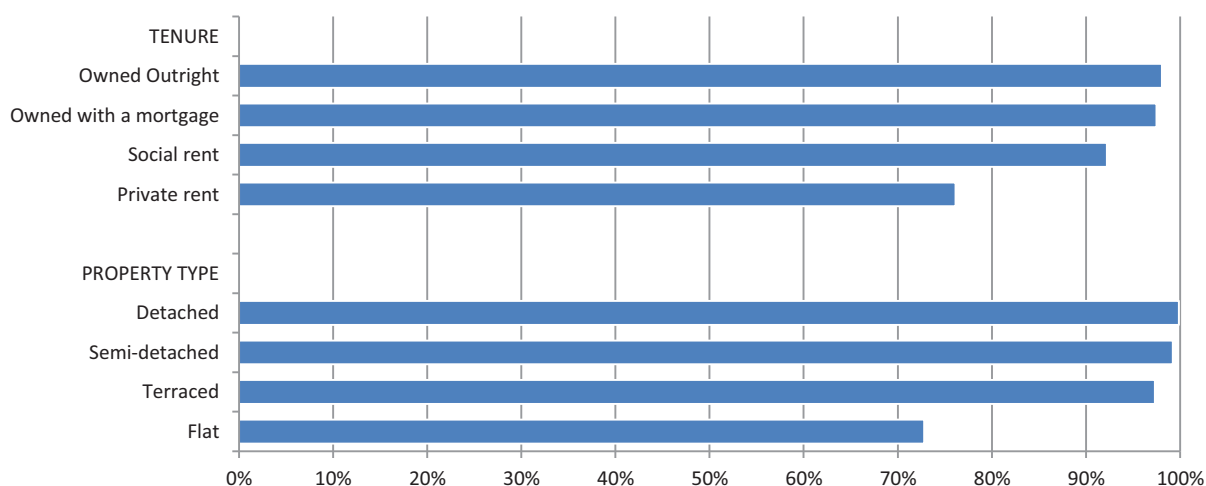


Figure 19

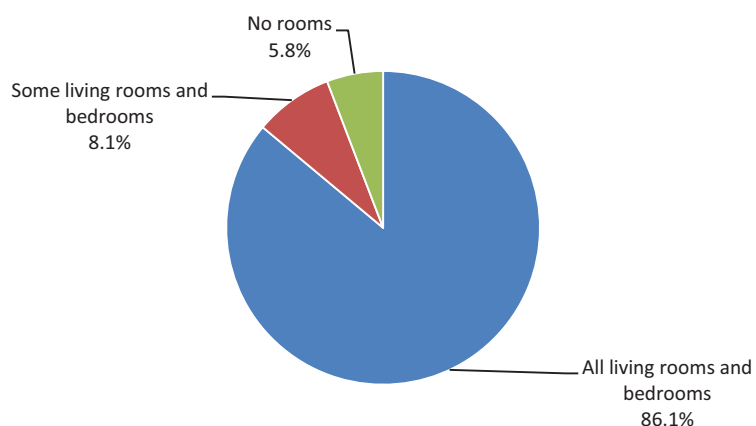
Availability of a Garden, Roof Terrace/Garden or Balcony by Tenure and Property Type (Source: Guernsey Household Survey 2011)



- ^{2.24} 86% of all households on Guernsey have fixed heating in all the living rooms and bedrooms of their property. Another 8.1% have fixed heating in at least some of the rooms of their property (Figure 21).

Figure 21

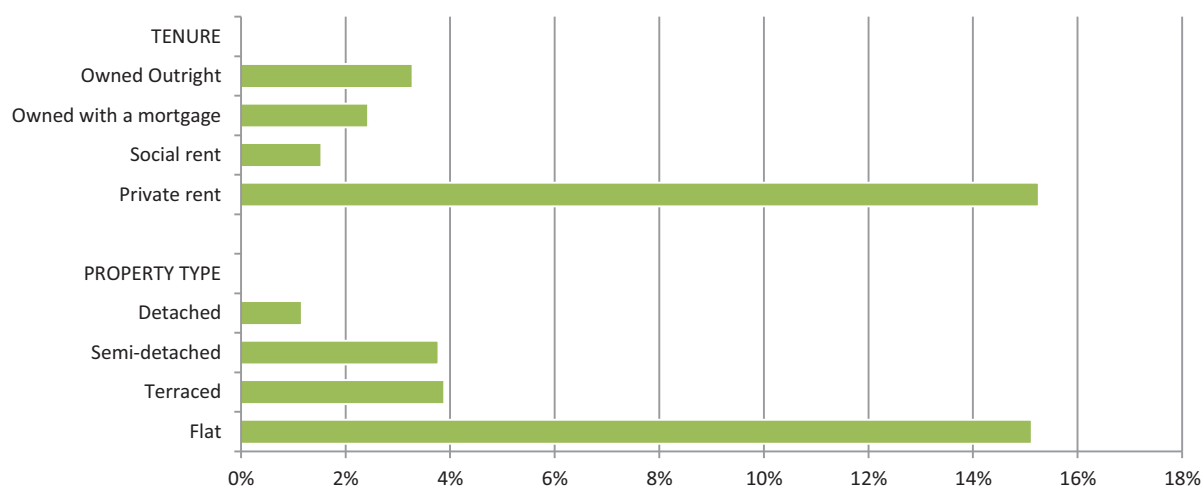
Presence of Fixed Heating (Source: Guernsey Household Survey 2011)



- ^{2.25} A breakdown of those households that do not have fixed heating shows that almost all households without fixed heating are living in the private rented sector in flats (Figure 22).

Figure 22

Lack of Fixed Heating by Tenure and Property Type (Source: Guernsey Household Survey 2011)



- ^{2.26} Households were also generally satisfied with how easy it is to access services on Guernsey. For almost all services an overwhelming majority of households felt that they were easy to access.

Figure 23

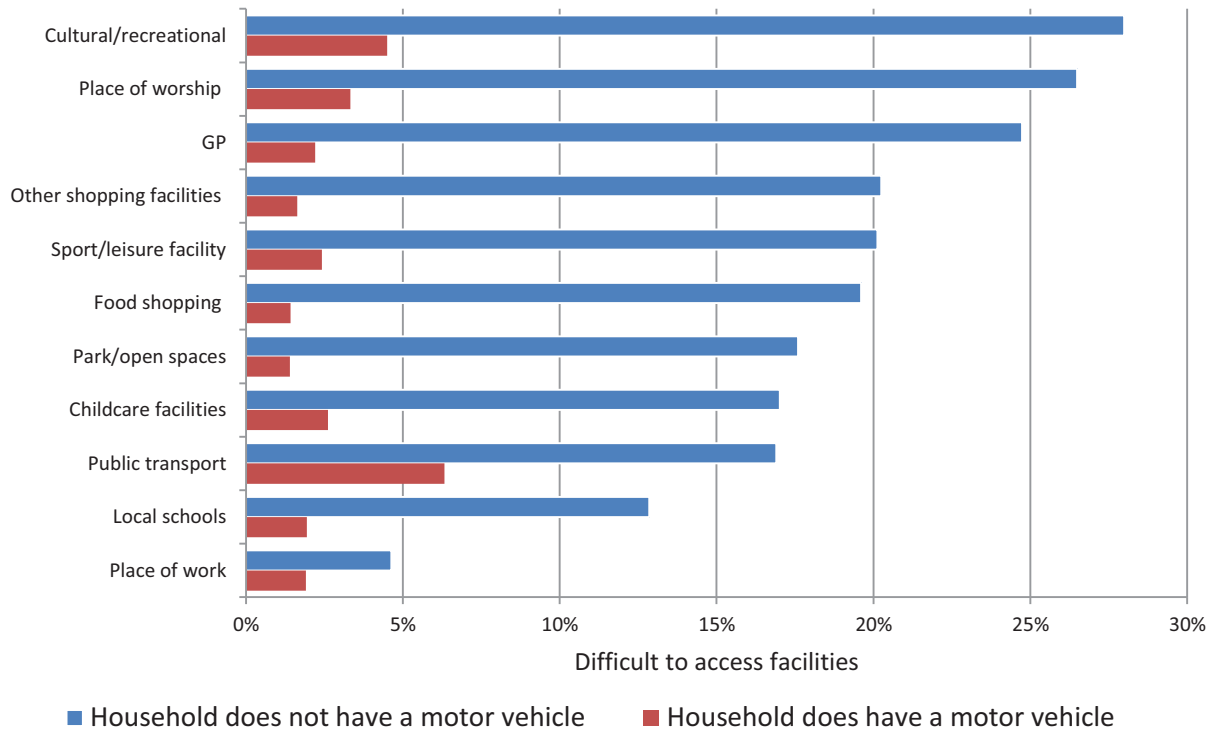
How Easy is it to get to Facilities (Source: Guernsey Household Survey 2011)

Type of Service	Very easy	Fairly easy	Neither easy nor difficult	Fairly difficult	Very difficult
Number of Household Respondents					
Parks and open spaces	21,763	2,248	330	456	456
Place of work	15,128	1,601	461	218	135
Food shopping	21,346	2,680	286	524	455
Local School	9,864	1,107	601	190	83
Other shopping facilities	20,977	2,930	335	528	522
Childcare facilities	7,528	776	544	144	138
GP	20,340	3,153	324	861	404
Sports and leisure facilities	19,095	3,081	614	659	423
Place of worship	12,331	1,836	562	353	403
Public transport	19,285	2,628	667	1,156	608
Cultural/recreational	17,733	3,121	1,077	1,147	544
Percentage of Household Respondents					
Parks and open spaces	86.2%	8.9%	1.3%	1.8%	1.8%
Place of work	86.2%	9.1%	2.6%	1.2%	0.8%
Food shopping	84.4%	10.6%	1.1%	2.1%	1.8%
Local School	83.3%	9.3%	5.1%	1.6%	0.7%
Other shopping facilities	82.9%	11.6%	1.3%	2.1%	2.1%
Childcare facilities	82.5%	8.5%	6.0%	1.6%	1.5%
GP	81.1%	12.6%	1.3%	3.4%	1.6%
Sports and leisure facilities	80.0%	12.9%	2.6%	2.8%	1.8%
Place of worship	79.6%	11.9%	3.6%	2.3%	2.6%
Public transport	79.2%	10.8%	2.7%	4.7%	2.5%
Cultural/recreational	75.1%	13.2%	4.6%	4.9%	2.3%

^{2.27} Figure 24 shows that access to a motor vehicle is key to being able to get to facilities. Those without access to a car or van are far more likely to find it difficult to get to any facility.

Figure 24

How Difficult is it to get to Facilities for households with or without a motor vehicle (Source: Guernsey Household Survey 2011)

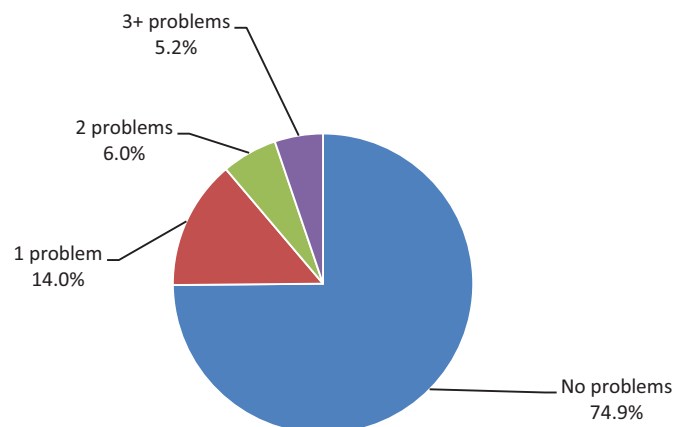


Problems with Condition of Property

^{2.28} In Figure 25 only 25% of households reported that they had any concerns with the condition of their home.

Figure 25

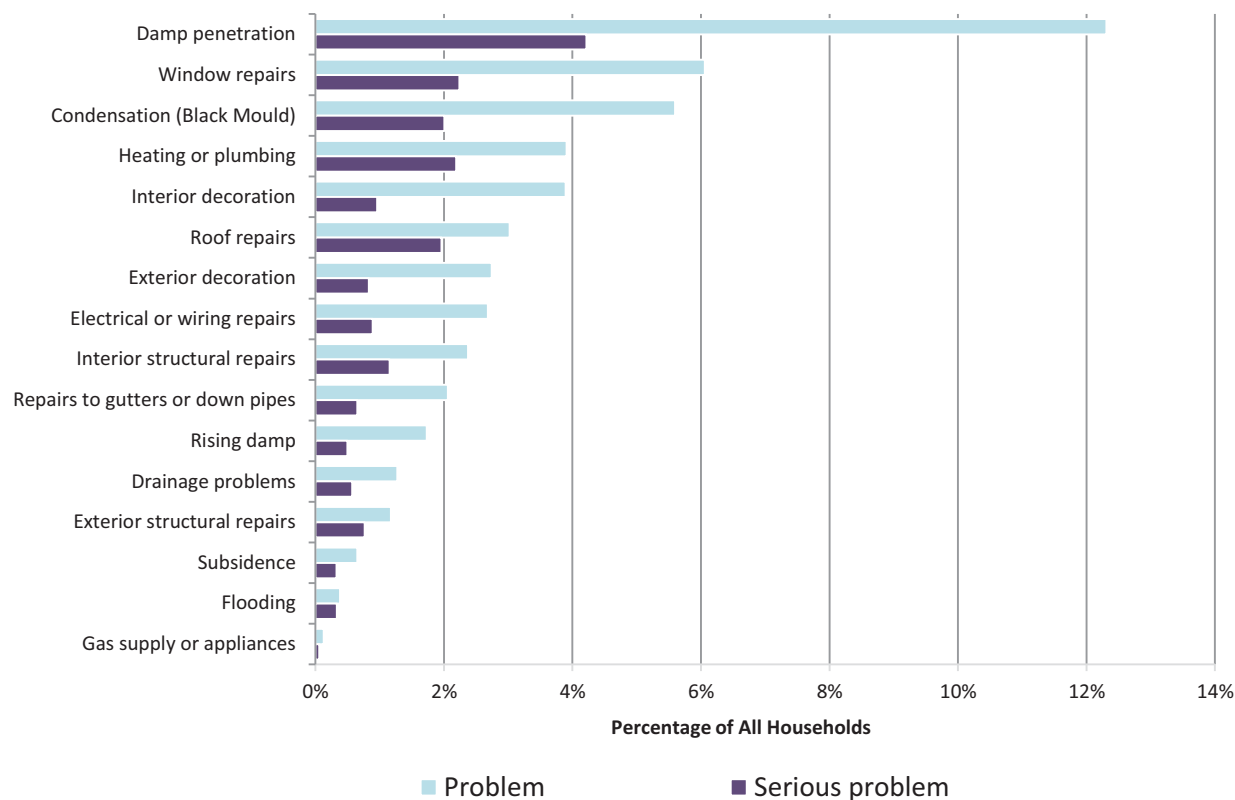
Number of Condition Problems Identified with the Current Home (Source: Guernsey Household Survey 2011)



^{2.29} Figure 26 illustrates the nature of problems experienced, also showing those problems that households perceived as being serious. The three most common problems cited related to problems with damp penetration, condensation and window repairs. All of the other listed problems affected less than 4% of households. Serious problems typically affected fewer than 2% of households.

Figure 26

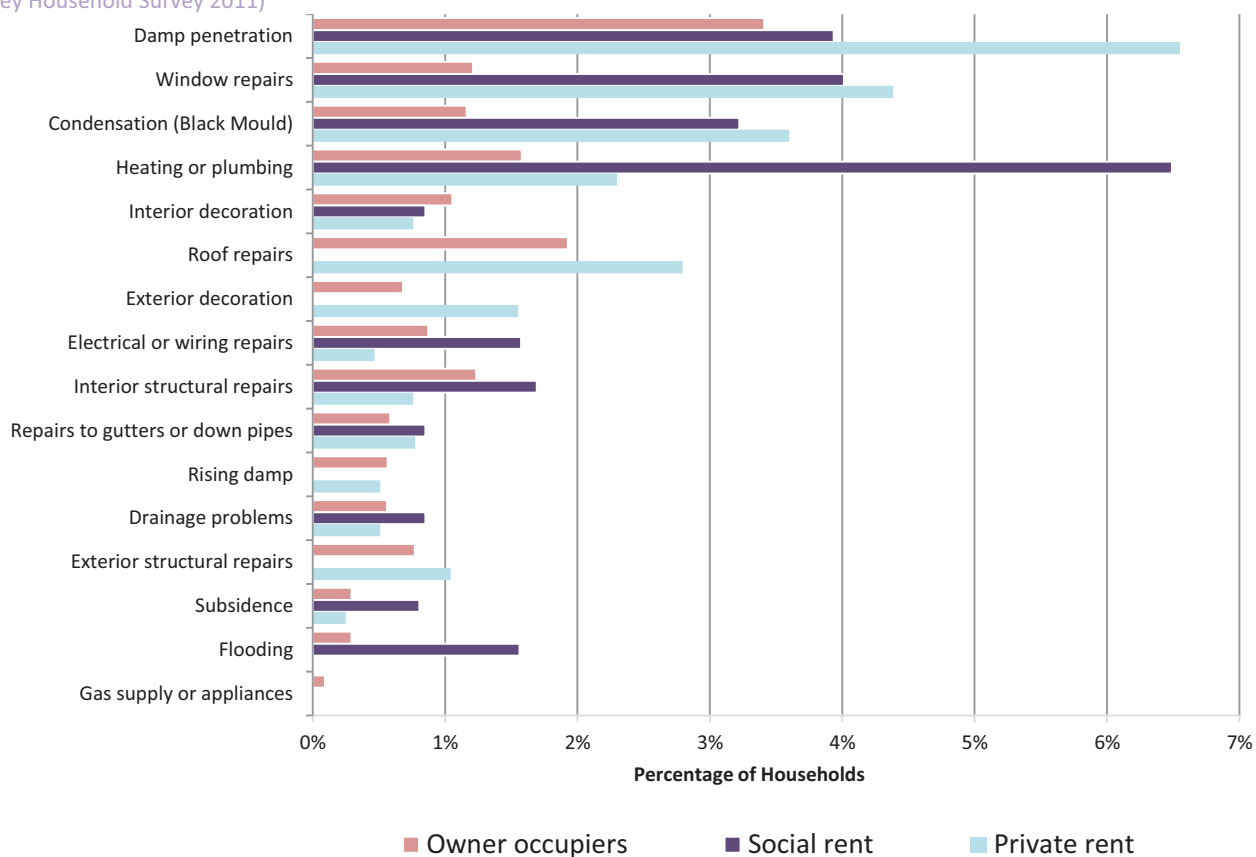
Condition Problems Experienced by Households in their Current Home (Source: Guernsey Household Survey 2011)



^{2.30} Figure 27 illustrates the serious problems experienced by owner occupiers, social and private rented tenants. This shows that 4% (89) of social rented tenants reported they had a problem with damp penetration and 7% (409) of private rented tenants had the same problem. 3.4% of owner occupiers (571) had a serious problem with damp penetration. 7% (147) of social rented tenants also had problems with heating and plumbing.

Figure 27

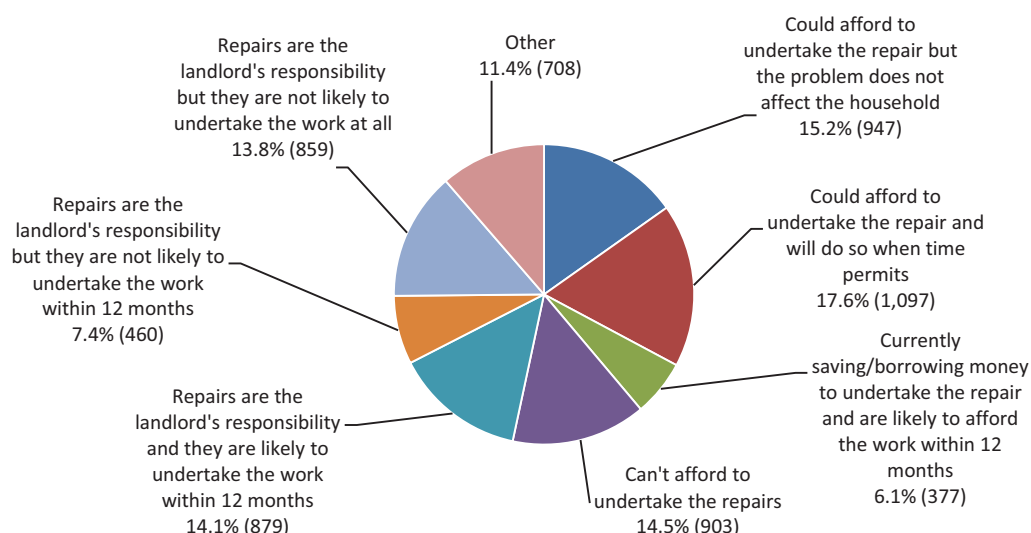
Serious Problems Experienced by Owner Occupied, Social Rented and Private Rented Households in their Current Home (Source: Guernsey Household Survey 2011)



- 2.31 Figure 28 illustrates that, of those households who did require repairs to their home which had not yet been undertaken, many either expected to undertake the work themselves (24%) or for their landlord (14%) to undertake the work soon.
- 2.32 Less than 15% felt that they could not afford to undertake the repairs which were necessary, but this still amounts to 900 households across Guernsey. It is also the case that over 1,300 (22%) households across Guernsey felt that the repairs were the responsibility of either their social or private landlord, but that they would not undertake them soon or not at all (Figure 28 overleaf). However, respondents also indicated that only 69% of those in social rent and 68% of those in private rent had contacted their landlord about the repair.
- 2.33 Text comments for the 'Other' category in Figure 28 show a number of respondents felt that their damp problem could not be repaired, while some were in the process of moving and therefore did not wish to address the problem or were awaiting planning permission for work.

Figure 28

Why the Condition Problem has not been addressed (Source: Guernsey Household Survey 2011)



3. Guernsey's Population Characteristics

Profiling Demographic Trends and Key Sub-groups

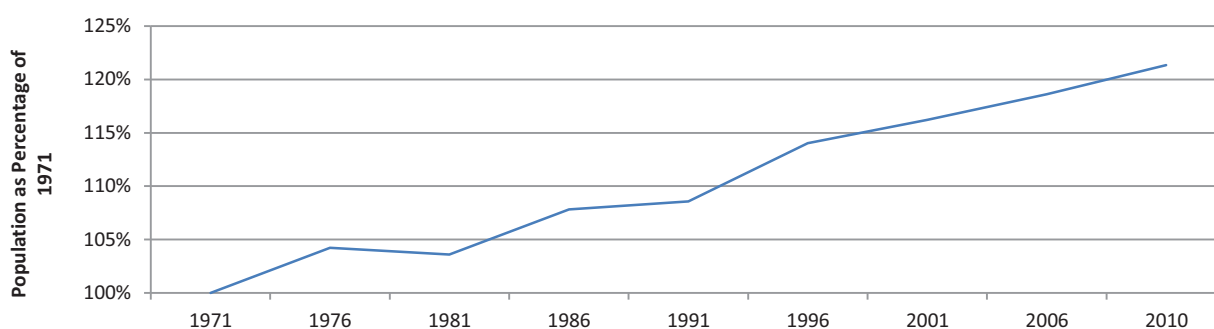
3.1 This section of the report considers the population across the Island, concentrating in particular on how circumstances have changed over recent years and how they are projected to change in future. Further information is also provided on the characteristics of households and employment patterns.

Population

3.2 The long term growth of Guernsey is illustrated in Figure 29. From 1971 to 2010 the population of Guernsey grew by around 21% from 51,500 to around 62,400.

Figure 29

Population of Guernsey: 1971-2010 (Source: Guernsey Census of Population and Guernsey Social Security Department)



3.3 Figure 30 shows that nearly a third of households of Guernsey live in St Peter Port.

Figure 30

Households in Guernsey Parishes 2010 (Source: Guernsey Facts and Figures 2011)

Parish	Households
Castel	3,445
Forest	626
St Andrew	914
St Martin	2,586
St Peter Port	8,224
St Pierre du Bois	873
St Sampson	3,749
St Saviour	1,106
Torteval	405
Vale	3,849
Total	25,777

3.4 Figure 31 shows the States own age profile estimates for Guernsey and how this compares with the results from the 2011 Household Survey. These two figures should not be expected to be exactly the same because:

- » The household survey did not include the population in some communal housing, such as prison, hospitals etc.
- » The household survey did not include the permanent population who were off the Island at the time of the survey,
- » The States own age profile was based on data from March 2010 while the household survey was September and October 2011. Therefore, any seasonal variation in population could cause the results to vary,
- » The household survey is a sample survey and there will be natural sample error within it.

3.5 Overall the States own age profile estimates and those from the household survey do match very well. This is emphasised by Figure 32 which shows the similarities between the private household population identified in the household survey and the States estimates for the age profile of the population in March 2010.

Figure 31

Age Profile for Population of Guernsey (Source: Guernsey Facts and Figures 2011 and Guernsey Household Survey 2011)

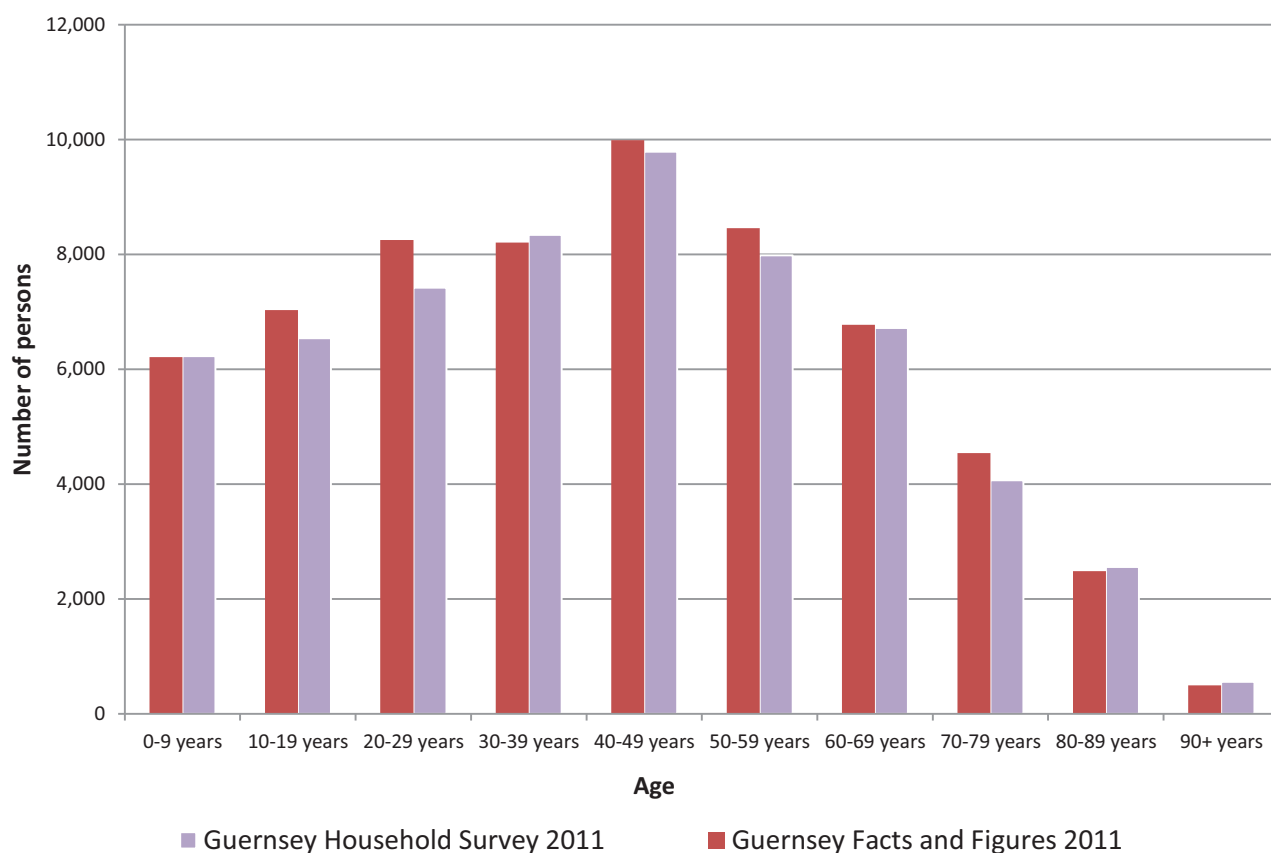
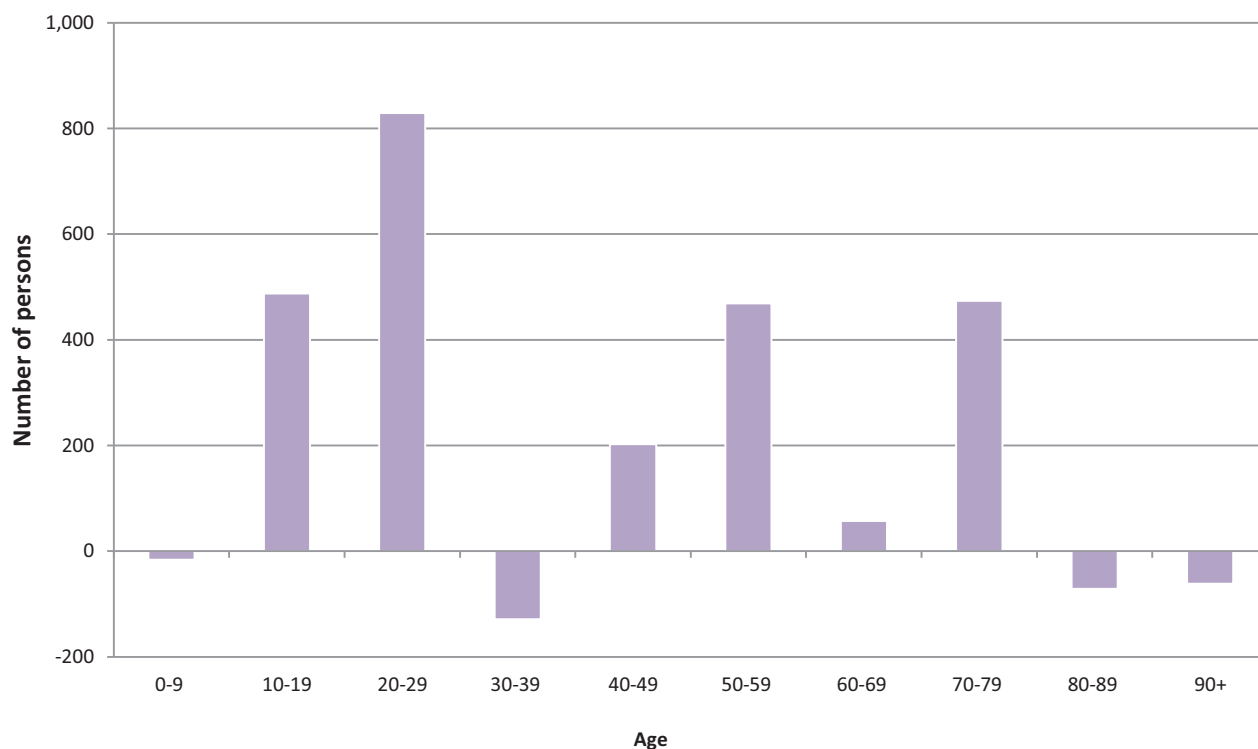


Figure 32

Difference between States and Household Survey Population Estimates by Age Group (Source: Guernsey Facts and Figures 2011 and Guernsey Household Survey 2011)



Migration

- 3.6 Up to 2001, the best data available to measure migration to and from Guernsey came from the 5 yearly Census. Since 2007 migration data has been available on a quarterly basis from the Guernsey Social Security Department. Data from both sources shows the migration of people rather than households. Therefore, if an adult child left an existing household to move to the UK mainland this would be recorded as the migration of one person, but would not represent a household migrating.
- 3.7 The 2001 Census shows that the Island experienced a net gain of 650 people due to migration in the period 1996-2001, while in the period 2007 to 2010 the Island experienced a net gain of 894 people (Figure 33). This is the equivalent to almost 1.5% of the population of the Island.

Figure 33

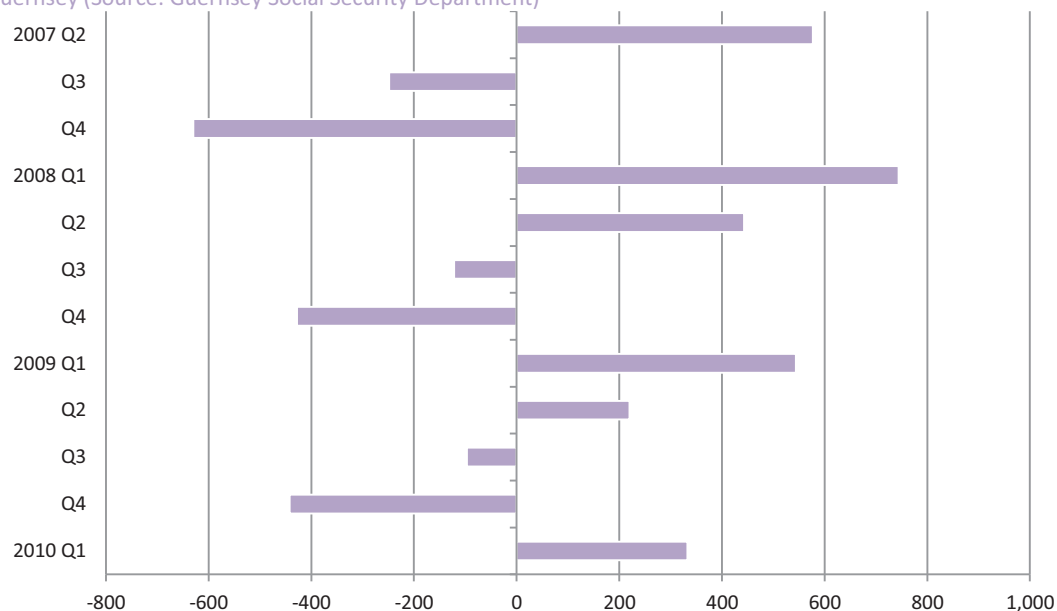
Migration to and From Guernsey 1976-2010 (Source: Census of Population and Guernsey Facts and Figure 2011)

Intercensal Period	Number of Persons		
	Immigration	Emigration	Net Migration
1976-1981	5,902	6,324	-422
1981-1986	6,854	4,716	2,138
1986-1991	7,695	4,794	2,901
1991-1996	6,259	6,893	-634
1996-2001	6,902	6,255	647
2001-2006	-	-	-
2007-2010	15,401	14,507	894

- 3.8 Figure 34 details net migration to Guernsey by quarter between 2007 and 2010 where it can clearly be seen that the Island typically gains population in the summer months and loses population in the winter months.

Figure 34

Net Migration to Guernsey (Source: Guernsey Social Security Department)



Households

- 3.9 It is important to consider the structure of households when assessing housing needs. An area with more single people requires more separate accommodation, while an area with large families will require larger houses to accommodate them.
- 3.10 Figure 35 shows that the household structure found during the 2011 Household Survey was very similar to that found in the 2001 Census. This shows an increase in single persons over 65 years and single parents since 2001, but the scale of the reduction in 'Other' households may mean that the data is not completely comparing like with like.

Figure 35

Population and Households of Guernsey Parishes 2001 (Source: 2001 Census of Population and Guernsey Household Survey 2011)

Note Figures may not sum due to rounding)

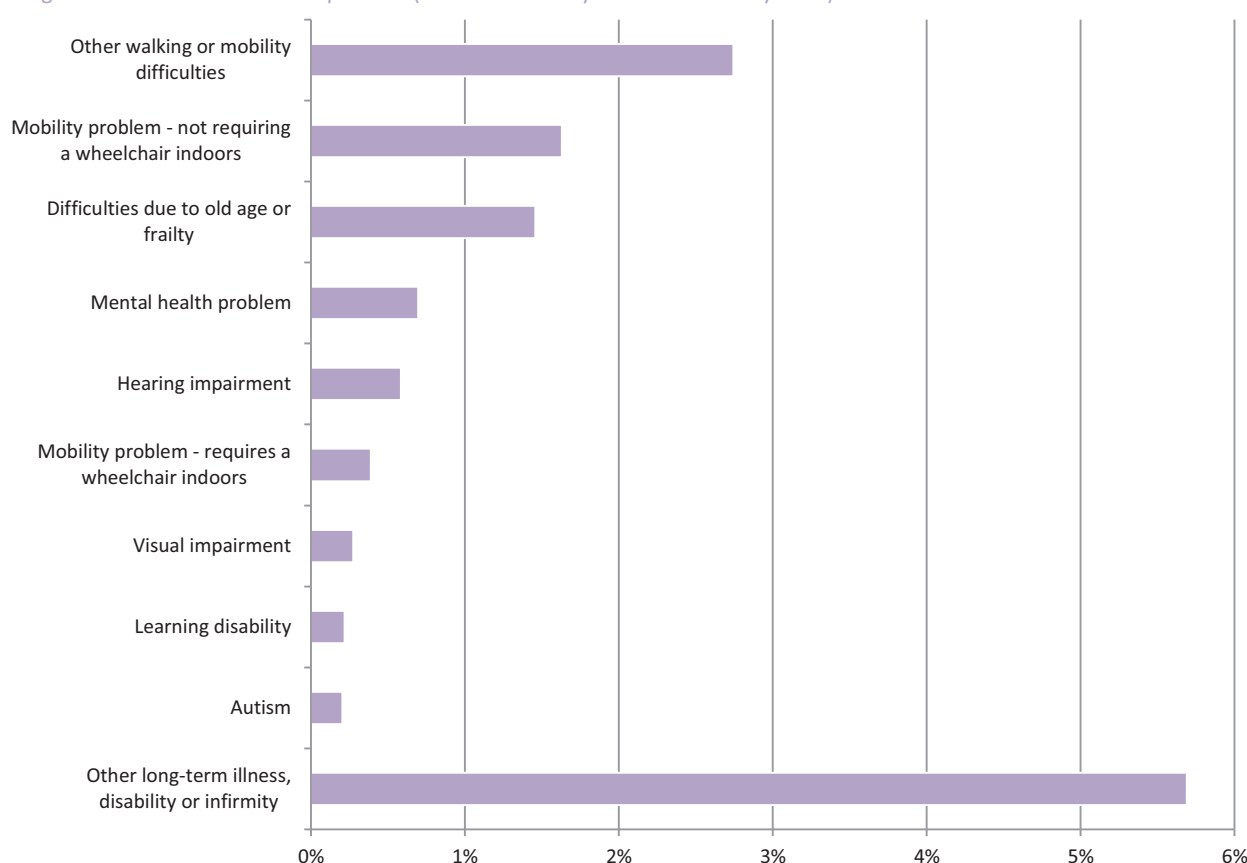
Household Type	Percentage of Households		
	2001 Census	2011 Household Survey	Difference
One person under 65 years	12.8	11.3	(1.5)
One person over 65 years	11.1	13.3	2.2
Single parent with dependent child(ren)	3.7	5.2	1.5
Single parent with adult child(ren)	2.7	4.3	1.6
Couple alone	30.2	30.9	0.7
Couple with dependent child(ren)	22.9	23.1	0.2
Couple with adult child(ren)	7.9	8.1	0.2
Other	8.7	3.9	(4.8)
Total	100%	100%	100%

Households and Persons with Health Problems

- 3.11 The respondents were asked about long term health issues for their households. Household respondents were initially asked about general health problems in their household and the health details of each person in the household were also collected.
- 3.12 In total 5,675 people living on Guernsey were reported as having long term health problems. This is around 9.3% of the total population. Some of the individuals with health issues resided in the same household. Therefore, in total 4,979 households contained at least one member with a health problem. This represents around 20% of all households (25,343) on Guernsey.
- 3.13 The main long term health problems faced by some people were walking or mobility problems and difficulties due to old age (Figure 36).

Figure 36

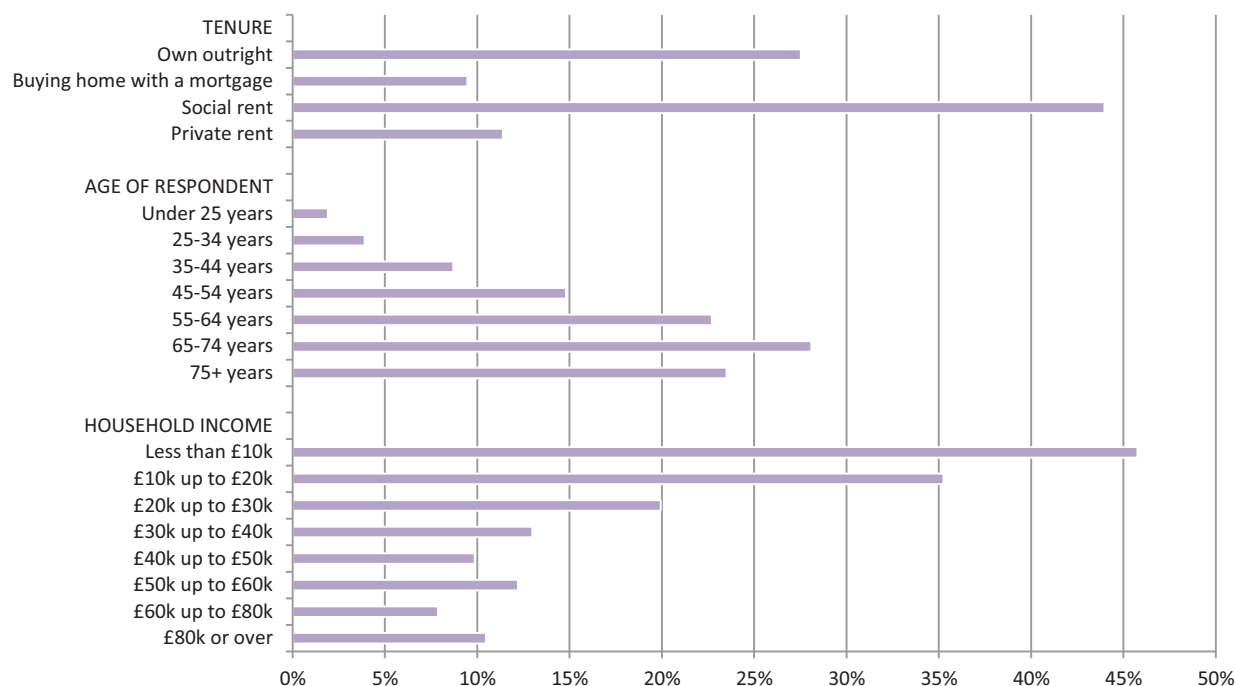
Long term Health Problems in Population (Source: Guernsey Household Survey 2011)



- 3.14 Figure 37 overleaf shows the proportion of households which contained at least one person with a health problem by tenure, age of respondent and household income. This shows that, as expected, households with older respondents were more likely to contain at least one member with a health problem. Households in the social rented sector and those with lower incomes were also much more likely to contain someone living with long term health problems. Please note that a household with an income of, for example, exactly £40,000 per annum would appear in the £40k up to £50k category.

Figure 37

Health Problems in Households by Tenure, Age of Respondent and Household Income (Source: Guernsey Household Survey 2011)



3.15 Figure 38 shows that of the 20% (4,979) of households which contained someone who had a health problem, almost a third (30.2%) felt that this affected their housing requirements. Figure 39 shows that of those (30%) who do have special housing requirements, 55% (814) felt that their needs were already met by their current home, which implies that 45% (678) of households felt that their homes were not adequately adjusted to meet the needs of household members with health problems. This represents 2.7% of all households on Guernsey.

Figure 38

Do Identified Long Term Health Problems affect Housing Requirements? (Source: Guernsey Household Survey 2011)

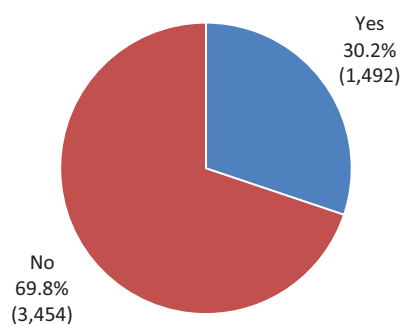
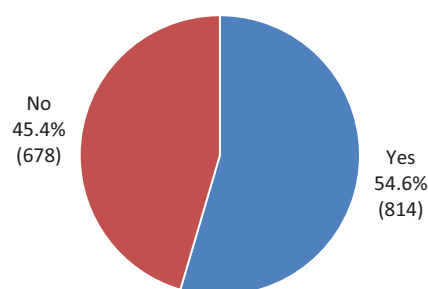


Figure 39

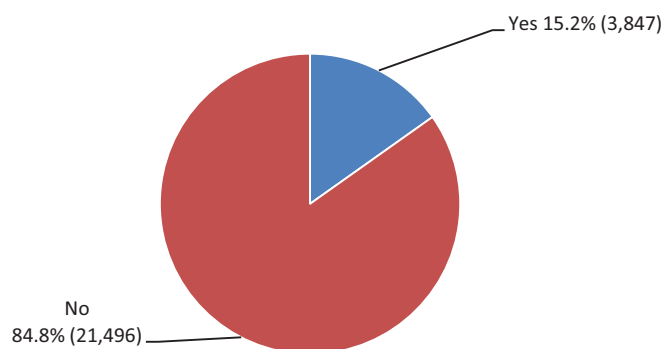
Does Current Home/Circumstances Meet the Needs of Household Member(s) with Health Problems where Housing Needs are affected? (Source: Guernsey Household Survey 2011)



- 3.16 Around 15% (3,847) of households also contain somebody who provides care or support to individuals with long-term physical or mental health issues or problems related to old age (Figure 40)

Figure 40

Does anyone in the Household Look After, or Give Help or Support to Anyone with a long term Health Problem (Source: Guernsey Household Survey 2011)



^{3.17} Of the 5,675 people who experienced long term health problems, Figure 41 shows that 668 are in need of help with personal care e.g. bathing, dressing, toileting, eating etc. This accounts for just over 1% of the entire population of Guernsey. Of those who do require help with personal care only 34 are in need of a professional overnight carer which accounts for only 0.1% of the population of Guernsey (see Figure 42).

Figure 41

Persons with Long-term Health Issues in Need of Help with Personal Care (Guernsey Household Survey 2011)

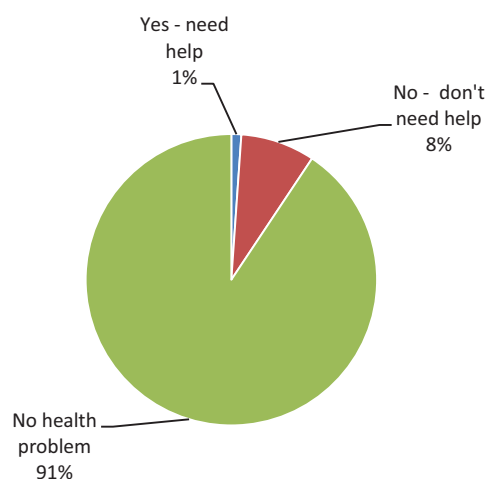
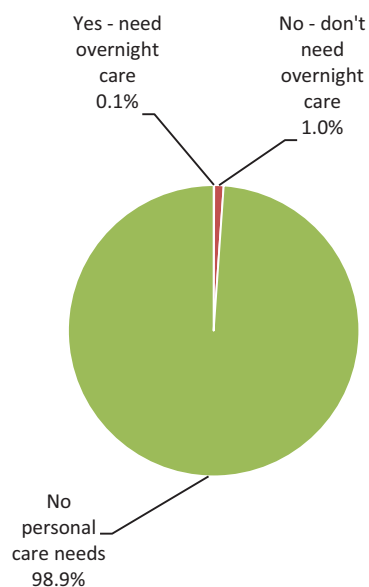


Figure 42

Persons in Need of a Professional Overnight Carer (Guernsey Household Survey 2011)



3.18 Figure 43 illustrates that the majority (4,377) of households which contain somebody with a health problem feel that they are currently receiving sufficient help with personal care, while 1,255 households feel they are not currently receiving sufficient help – these households represent 2.1% of the total households of Guernsey.

3.19 Figure 44 shows that 2.3% of the households also feel that they need support with aspects of daily social activities, such as preparing meals, shopping, managing finances, doing housework etc.

Figure 43

Persons currently receiving sufficient help with personal care and/or support with daily social activities by households (Guernsey Household Survey 2011)

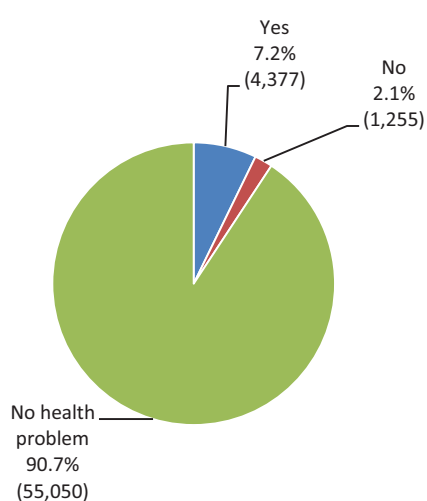
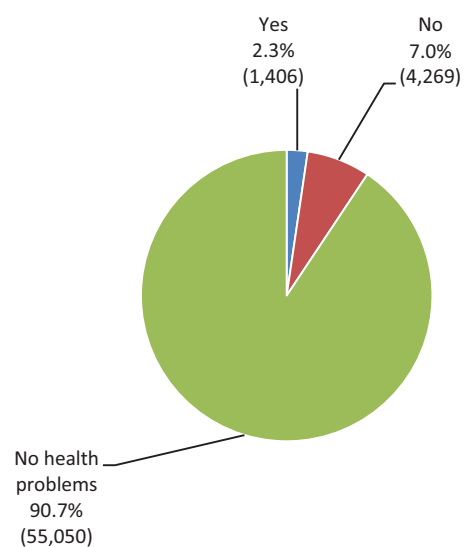


Figure 44

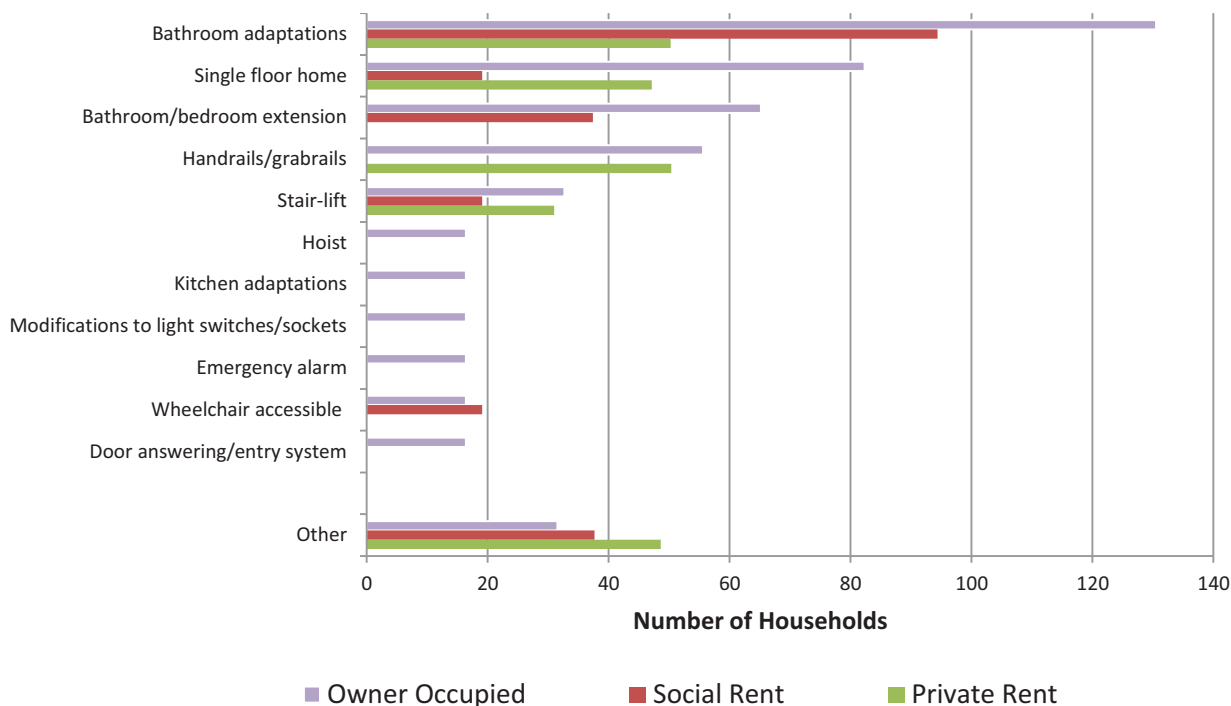
Persons in need of support with aspects of daily social activities by households (Guernsey Household Survey 2011)



3.20 Figure 45 illustrates what design features or adaptations are required across all households to assist people with health problems. The most commonly needed features are bathroom adaptations, followed by single floor living.

Figure 45

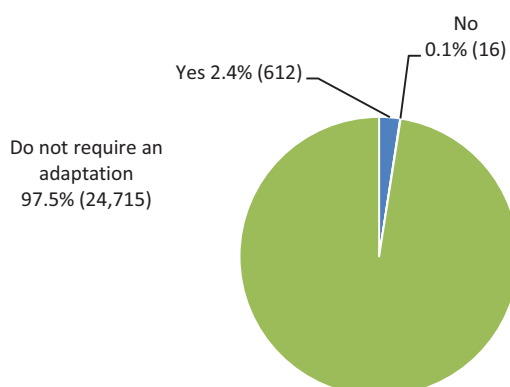
Design Features or Adaptations Required by Tenure across All Households (Source: Guernsey Household Survey 2011)



3.21 Figure 46 illustrates that the current home of the majority of households could be successfully adapted to meet the needs of member(s) with a health problem. Only 16 households would still not have their needs met even after adaptations were carried out – this equates to only 0.1% of all households in Guernsey. The survey respondents felt that where needs could not be met, the household member(s) with a health problem would need to move to sheltered housing, extra care housing, a residential home, a nursing home or hospital.

Figure 46

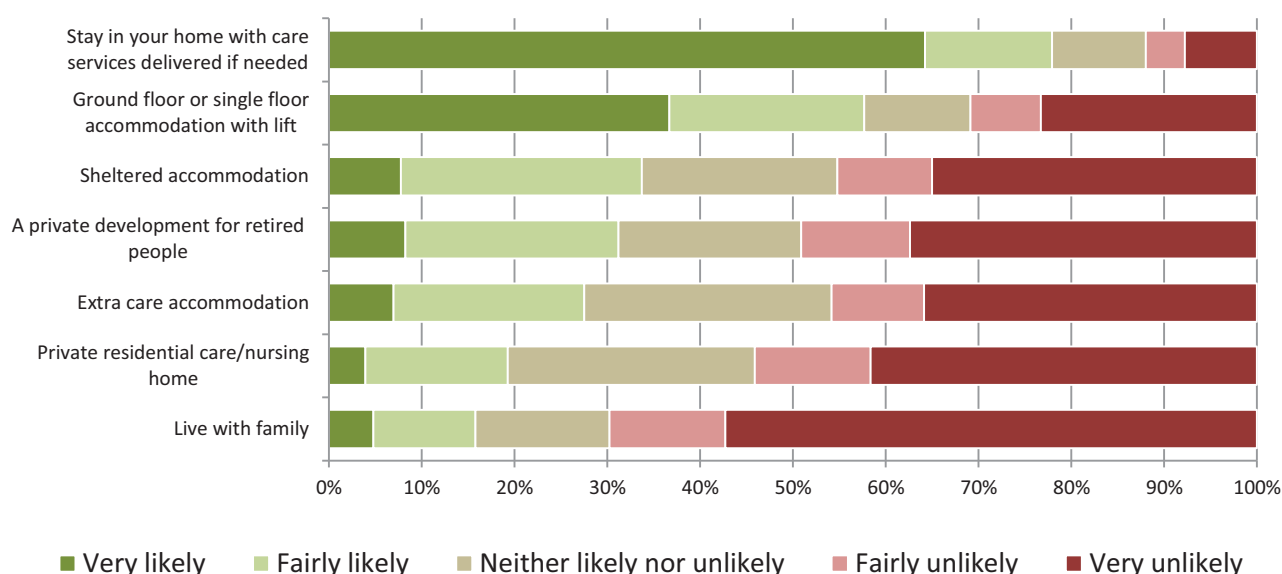
Would Current Home meet Needs Satisfactorily if Adaptations were made? (Source: Guernsey Household Survey 2011)



3.22 Household respondents who were aged 50 years or over were asked what living options in Guernsey they would consider if they were getting older and finding it more difficult to manage. Figure 47 shows that the most popular option (78% of households) was to stay in their own home with services delivered to them if necessary, 58% said that they would consider living on the ground floor or in single floor accommodation with a lift and 33% of households felt that it was likely that they would consider living in sheltered accommodation. The least popular living options were to that they would live with family (16%) or to move into a private residential care/nursing home (7%).

Figure 47

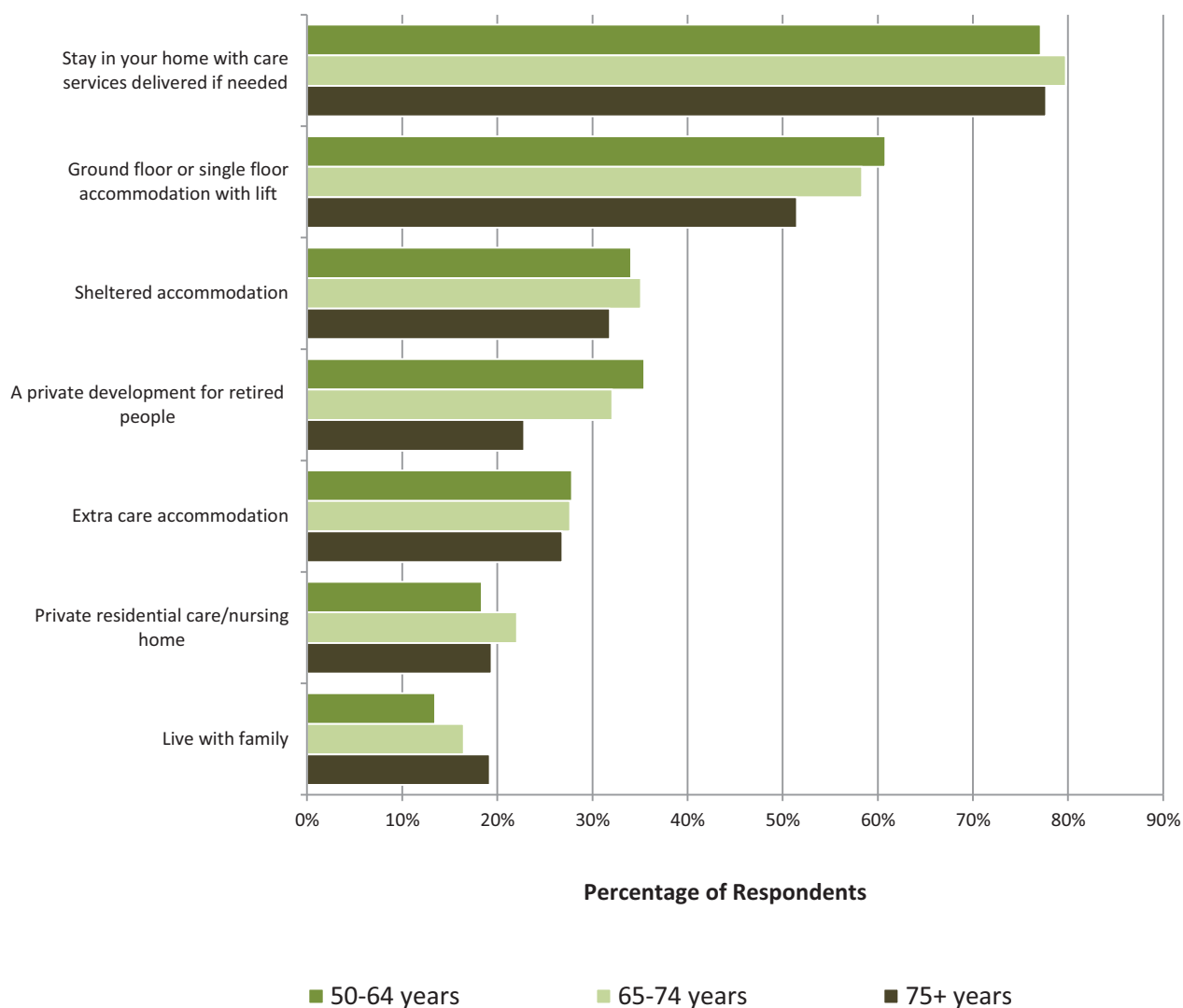
Likelihood of Moving to... by All Household Respondents aged 50 years + (Source: Guernsey Household Survey 2011)



3.23 Figure 48 shows that there is little variation by age in the preferred living options.

Figure 48

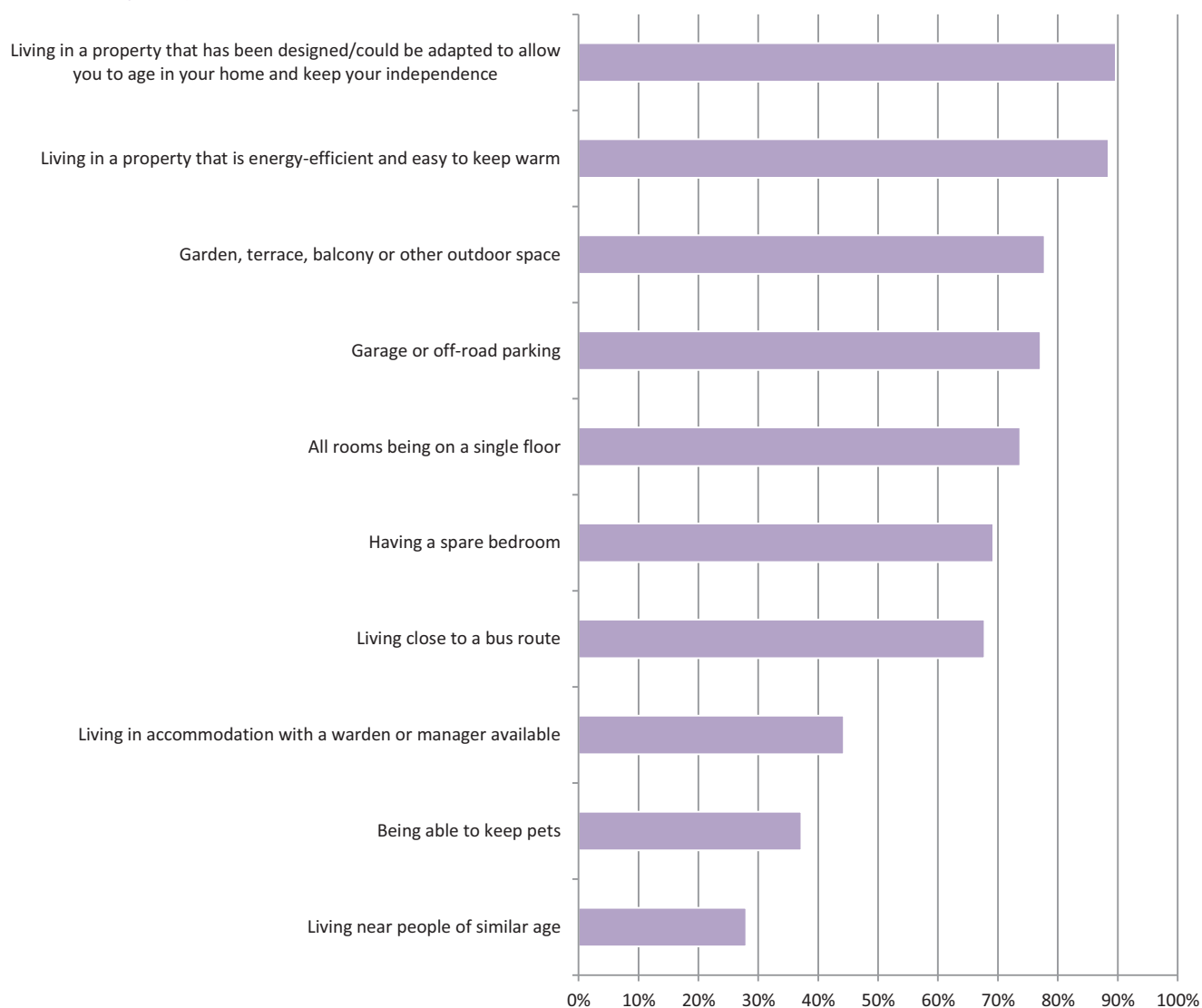
Very or Fairly Likely to Move to ... by Age of Respondent (Source: Guernsey Household Survey 2011)



3.24 Household respondents who were aged 50 years or over were also asked about how important various factors were in relation to the type of housing they may need as they get older. They were asked to rate each factor on a scale of 0 to 10 (where 0 was least important and 10 was most important). Figure 49 shows that the two factors rated as most important (given a score of between 8 and 10) are *'living in a property that has been designed/could be adapted to allow you to age in your home and keep your independence'* (47%) and *'living in a property that is energy efficient and easy to keep warm'* (46%). Less than 15% of household respondents aged 50 years or over felt *'living near people of similar age'* was important. Again there was little variation by age of respondent.

Figure 49

Importance of Factors Relating to Future Accommodation by All household respondents aged 50 years + (Source: Guernsey Household Survey 2011)

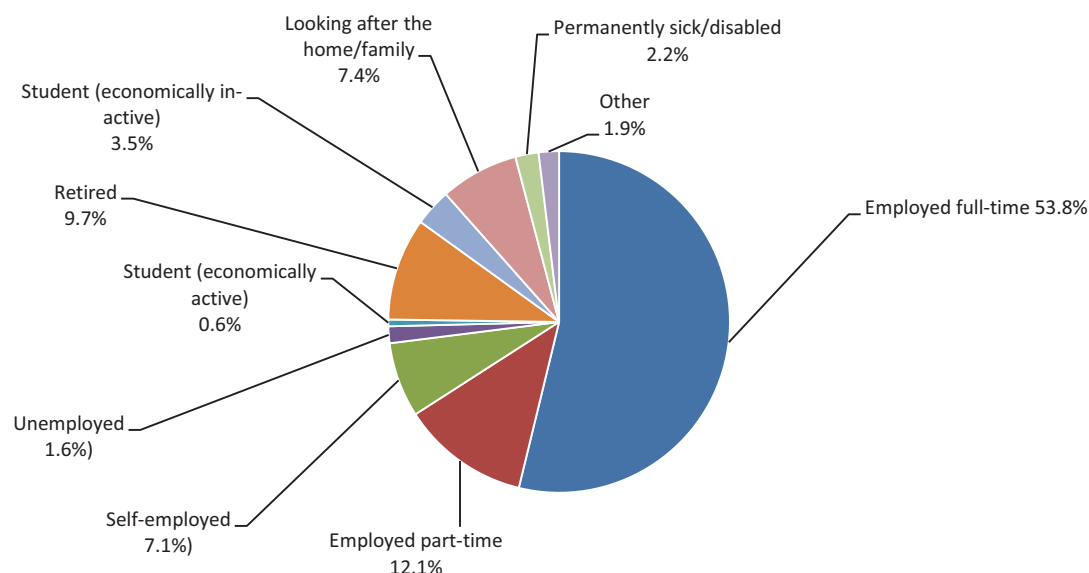


Employment and Economic Activity

3.25 Figure 50 shows the employment status of all people on Guernsey aged 16-74 years (based on the 2011 Household Survey). This shows that 54% of all adults on Guernsey are employed full-time. Another 7% are self-employed and 12% are employed part-time.

Figure 50

Economic Status for those aged 16-74 (Source: Guernsey Household Survey 2011)



3.26 Figure 51 shows that the results of the 2011 Household Survey are significantly different to the 2001 Census. Fewer people in the 2011 Household Survey identified themselves as being employed full-time than in the 2001 Census (although more than in 2006) and many more identified themselves as being employed part-time.

3.27 Much of this difference is likely to be due to the definition used to define part-time employment. In the 2011 and 2006 Household Surveys this was a self-defined category rather than the 20 hours or less per week used in the 2001 Census. It is likely that many people who work between 20 and 30 hours per week identified themselves as being employed part-time in the Household surveys but as full time in the 2001 census.

Figure 51

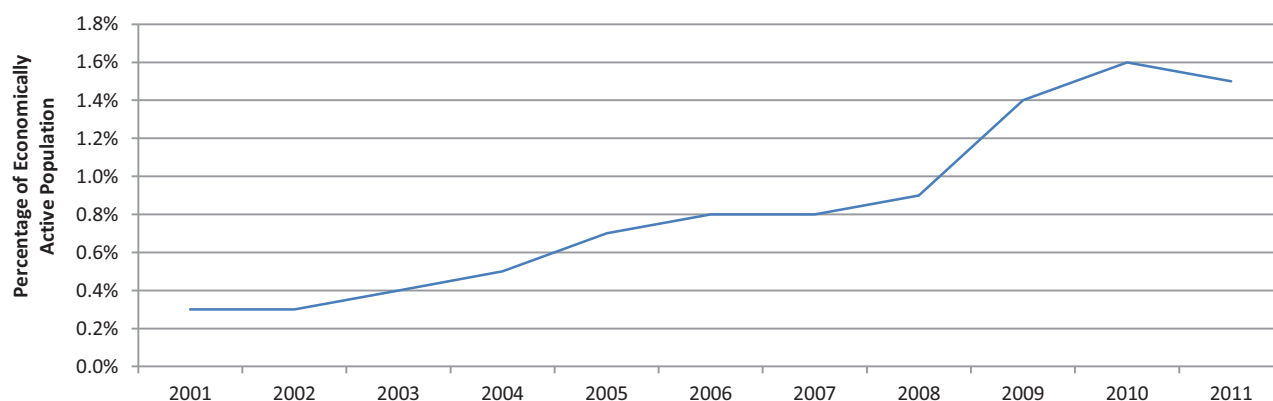
Economic Status for Guernsey in 2001, 2006 and 2011 (Source: Census of Population and Guernsey Household Surveys 2006 and 2011)

Economic Status	2001 Census	2006 Household Survey	2011 Household Survey
Employed full-time	26,038	21,973	24,268
Employed part-time	2,101	5,127	5,464
Self-employed (employing others)	1,979	3,459	3,201
Self-employed (not employing others)	2,175		
Total Employed	32,293	30,559	32,933

3.28 Figure 52 shows the unemployment rate in Guernsey for each year since 2001. This shows that unemployment has typically been low on the Island, however rates increased from 0.8% in 2007 to a peak of 1.6% in 2010.

Figure 52

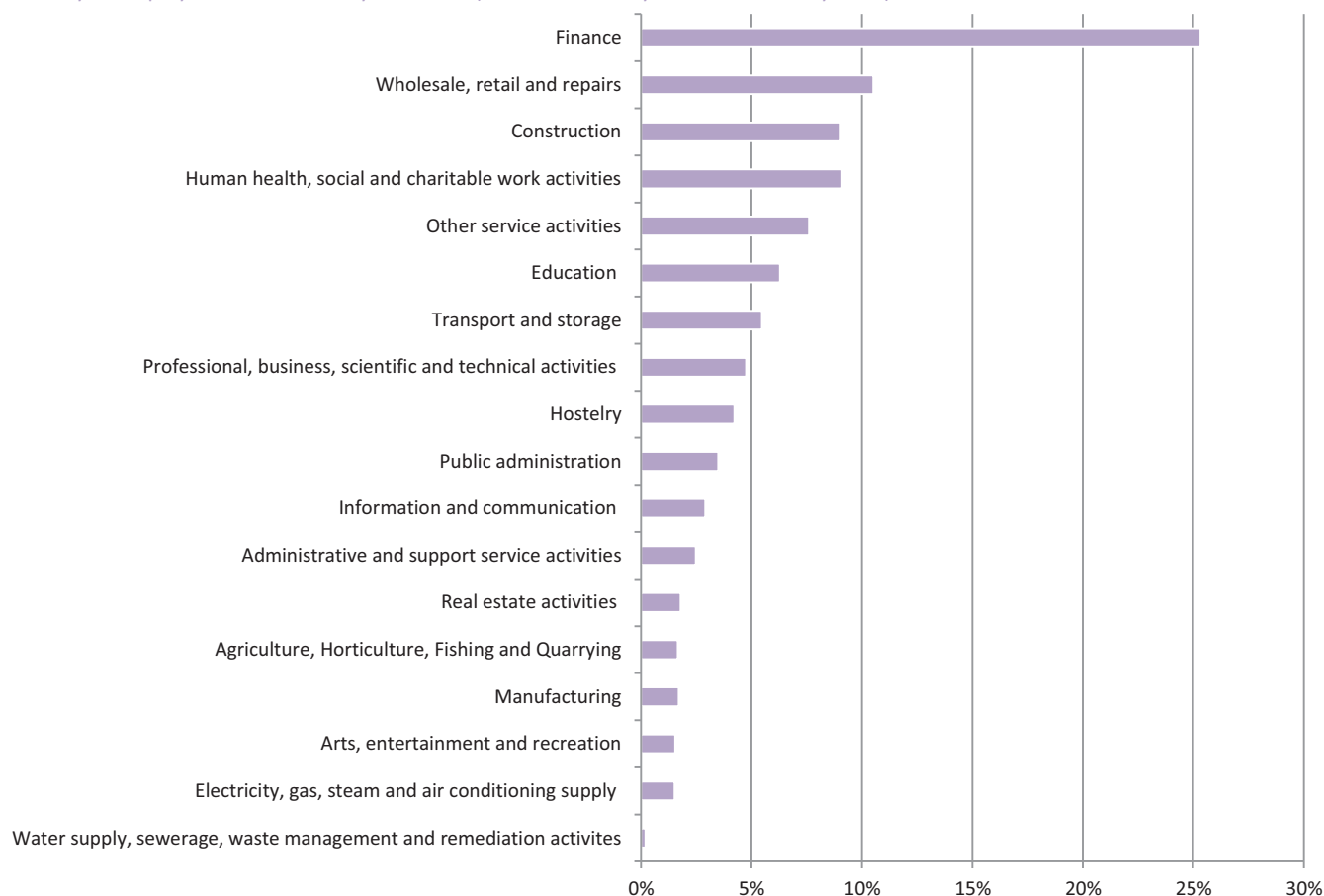
Unemployment Rate in Guernsey 2001-2011 (Source: Guernsey Social Security Department)



3.29 Figure 53 shows the industry of employment of residents of Guernsey as declared through the Household Survey 2011. This shows that the finance sector is the dominant employment sector in the Island.

Figure 53

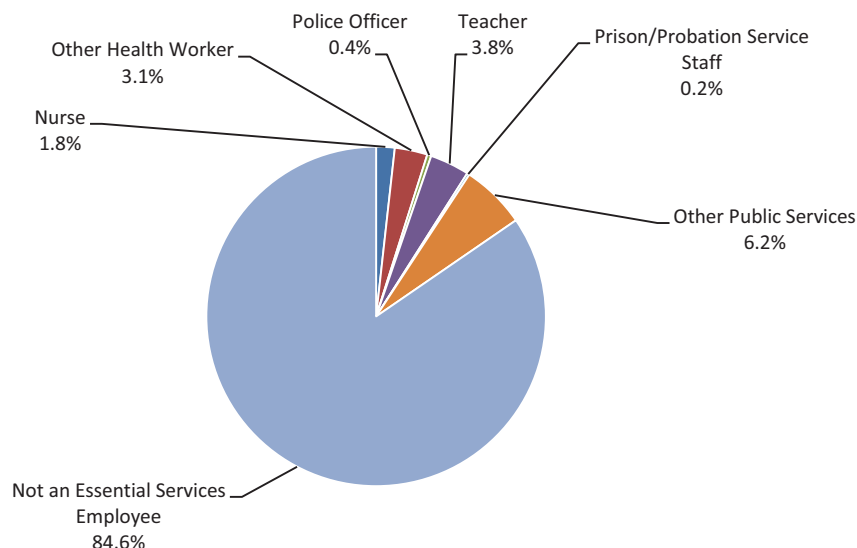
Industry of Employment for Guernsey Residents (Source: Guernsey Household Survey 2011)



3.30 Figure 54 illustrates that around 15% of the working population are employed in essential services. 5% of all employees work in the health care sector (2% nurses and 3% other health workers) and 4% work as teachers. It should be noted that these employees would include those who work in private establishments.

Figure 54

Persons Employed in the Delivery of Essential Services in Guernsey (Source: Guernsey Household Survey 2011)

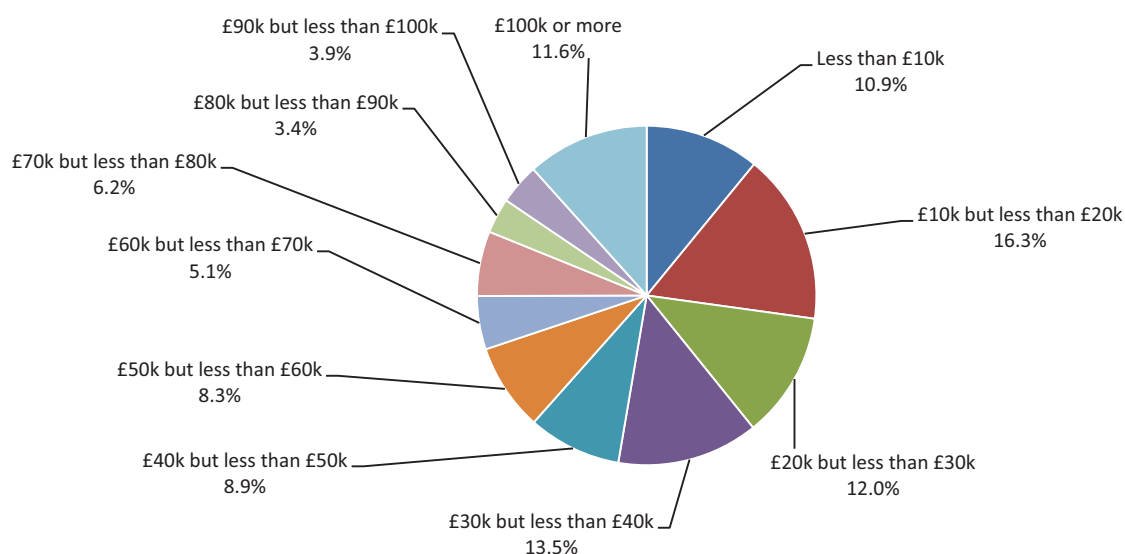


Incomes, Savings and Debts

3.31 Figure 55 shows that of the 25,343 household on Guernsey, 27% reported a total household income of less than £20,000 per annum, but 38.5% reported household incomes over £50,000 per annum, with 11.6% reporting incomes over £100,000.

Figure 55

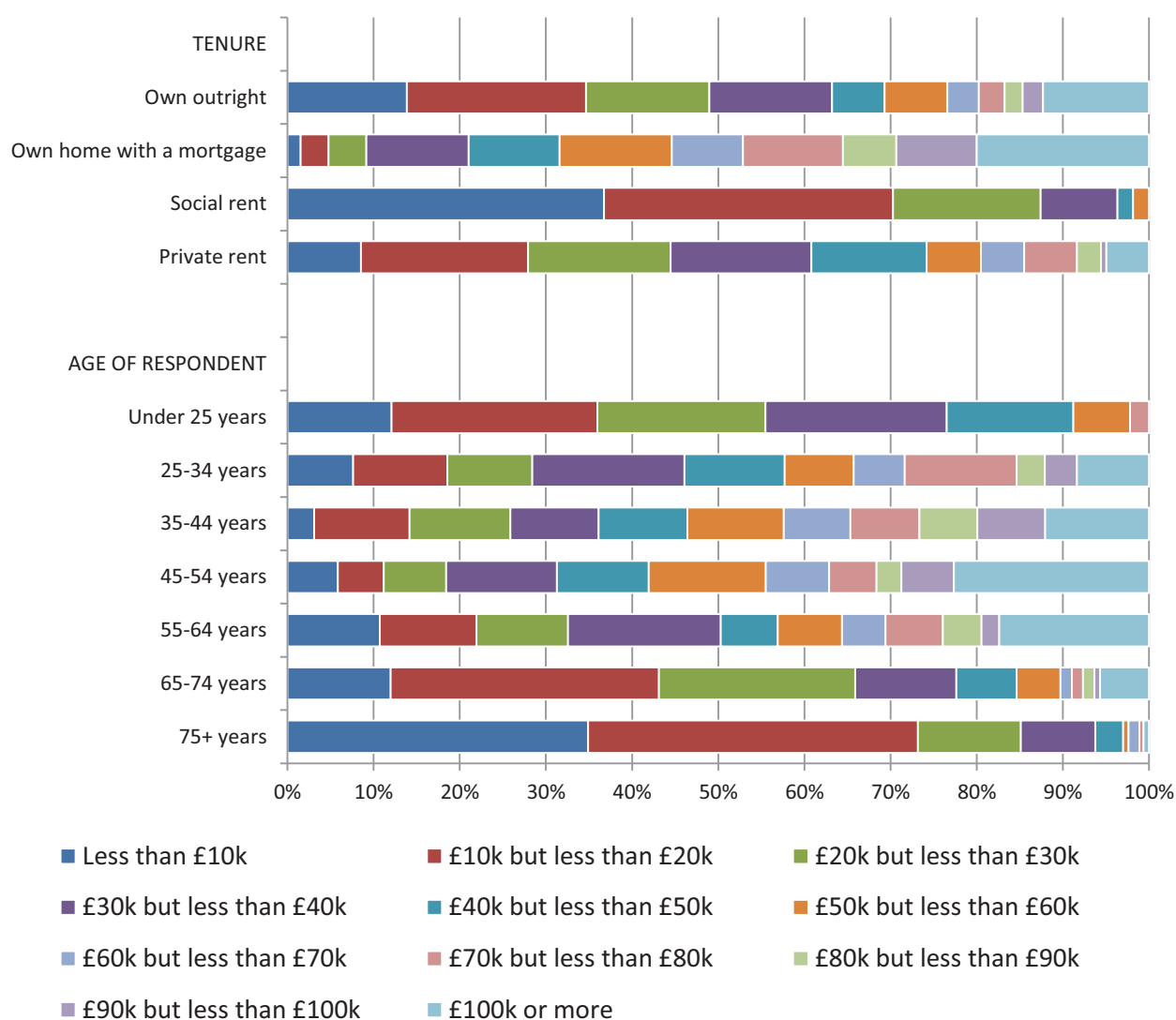
Household Income (Source: Guernsey Household Survey 2011)



- 3.32 Figure 56 shows how household incomes vary by tenure and age of respondent. This shows that over 30% of those who own their home outright had household incomes of less than £20,000 per annum. Meanwhile, 70% of those who own with a mortgage have incomes over £50,000 per annum. However, 70% of those in social rent had incomes of less than £20,000 per annum.
- 3.33 75% of those respondents aged under 25 years had household incomes of less than £40,000 per annum with 35% having incomes of less than £20,000. Typical household incomes peak for those with respondents aged 45-54 years before declining as households enter retirement age.

Figure 56

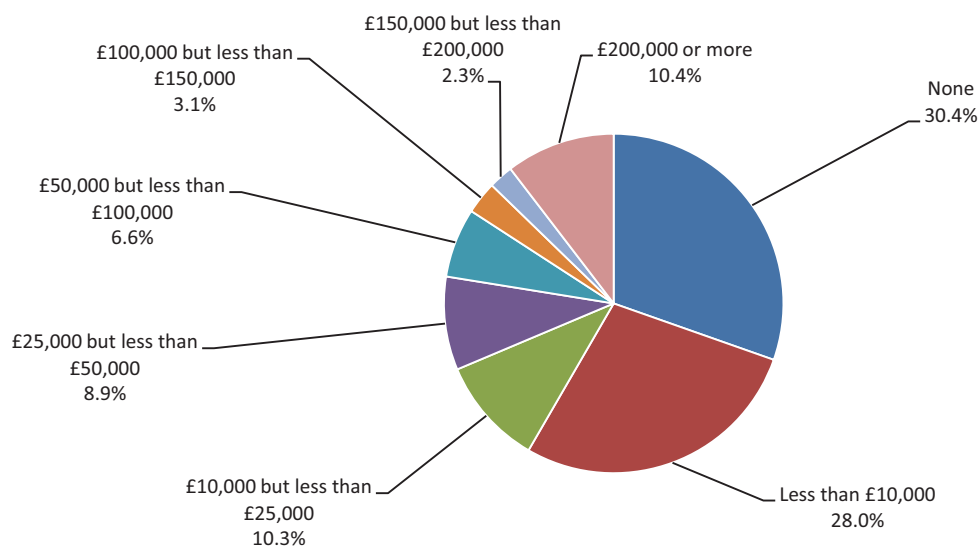
Household Income by Tenure and Age of Household Respondent (Source: Guernsey Household Survey 2011)



3.34 Figure 57 shows that 30% of households reported that they had no savings or investments. However, nearly 42% of households had savings of more than £10,000.

Figure 57

Household savings and investments (Source: Guernsey Household Survey 2011)

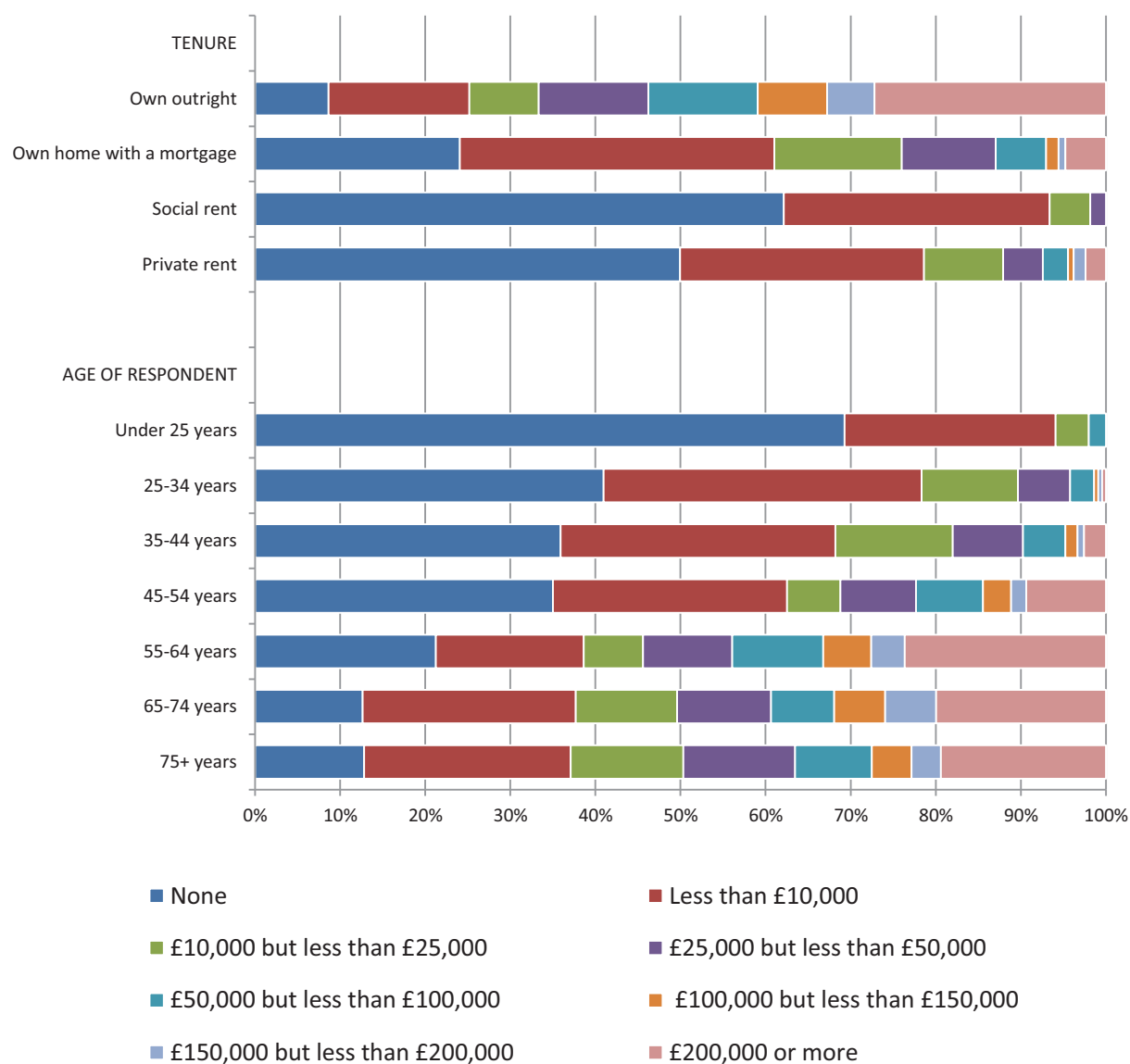


3.35 Figure 58 shows how household savings vary by tenure and age of respondent. This shows that over 40% of those who own their home outright had savings of more than £100,000. However, almost everyone in the social rented sector had savings of less than £10,000 with over 60% having no savings at all.

3.36 Nearly 70% of those respondents aged under 25 years had no savings, but around 30% of those aged 55-74 years had savings of over £100,000.

Figure 58

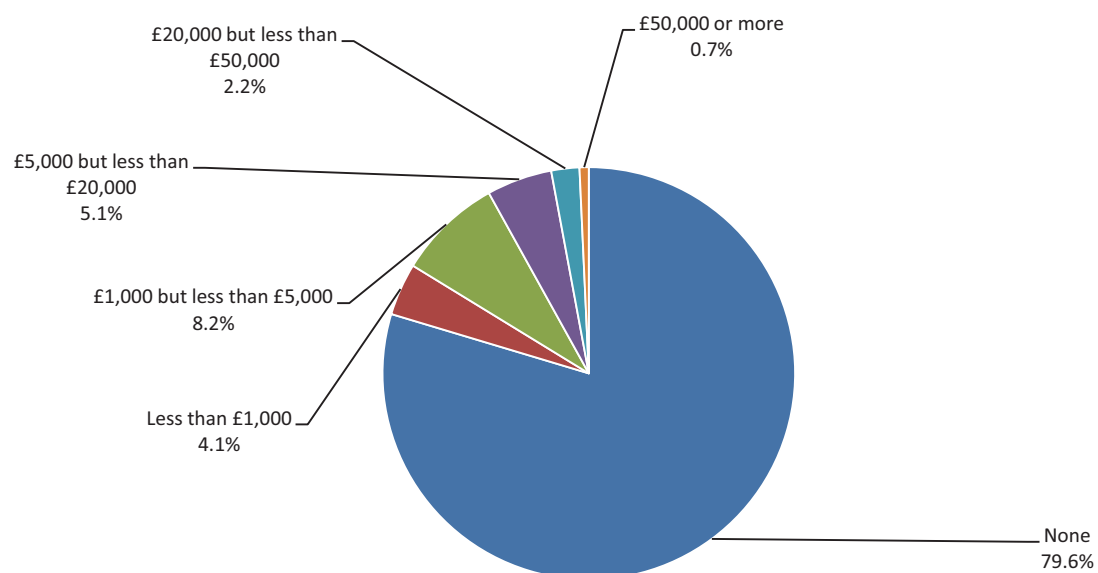
Household Savings and Investments by Tenure and Age of Household Respondent (Source: Guernsey Household Survey 2011)



3.37 Figure 59 shows that 80% of households reported that they had no debts. However, nearly 8% of households had debts of more than £5,000.

Figure 59

Household Debts (Source: Guernsey Household Survey 2011)

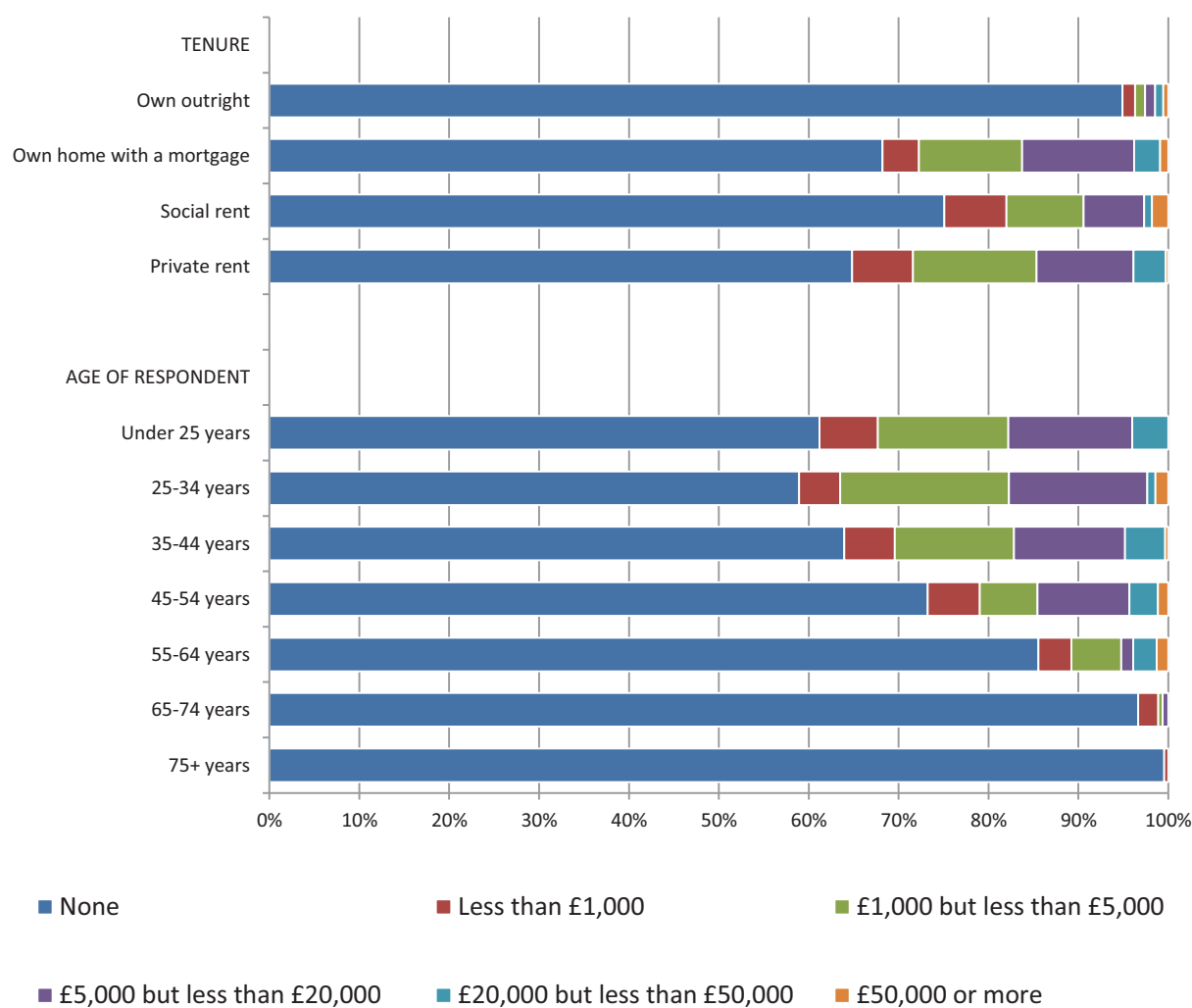


3.38 Figure 60 compares household debt by tenure and age of respondent. This shows that almost none of those households who own their home outright have any debts. However, around 17% of those who own with a mortgage and those in the private rented sector have debts of over £5,000.

3.39 Figure 60 also shows that debt is much higher among households with younger respondents. Almost 20% of households with a respondent aged under 45 years have debts of over £5,000.

Figure 60

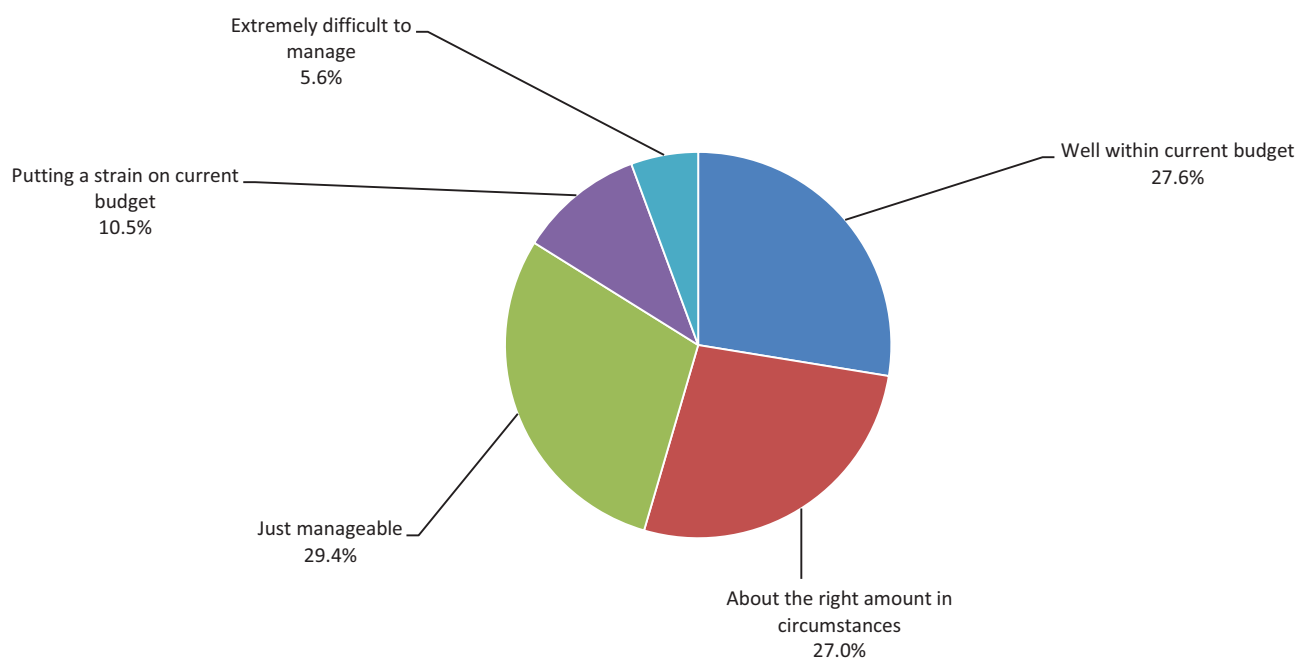
Debts by Tenure and Age of Household Respondent (Source: Guernsey Household Survey 2011)



^{3.40} Households were also asked about how affordable their housing was. Housing costs include only rents or mortgages and not other costs such as domestic bills or maintenance. Over half of the 25,343 total households (55%) felt that their housing costs were either well within their budget or about right. 10.5% (4.8% in 2006) felt that their housing costs were putting a strain on their budget and 5.6% (1.8% in 2006) felt that their housing costs were extremely difficult to manage (Figure 61 overleaf). This is an increase since the 2006 household survey.

Figure 61

Affordability of Home for Guernsey Households (Source: Guernsey Household Survey 2011)

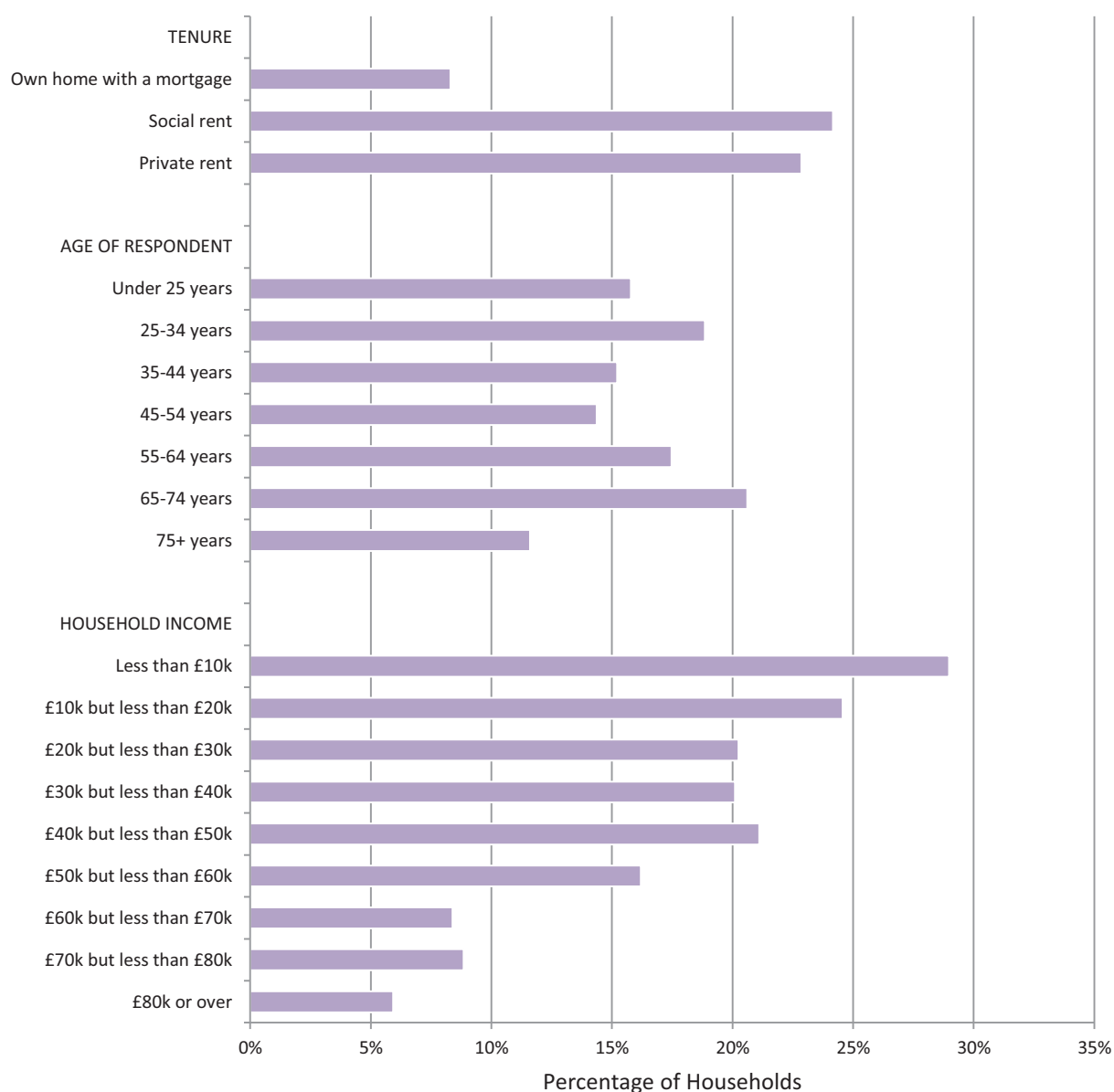


^{3.41} Figure 62 overleaf shows the proportion of households whose housing costs (mortgage or rent) were causing a strain, or were extremely difficult to manage by tenure, age of respondent and household income. It should be noted that anyone who owns their home outright is excluded, so the results only refer to those who contribute to their housing costs.

^{3.42} Figure 62 shows that social housing tenants, those renting in the private sector and those on the lowest household incomes were most likely to be having difficulties with their housing costs. Those buying their home with a mortgage and with the highest incomes were the least likely to be facing difficulties.

Figure 62

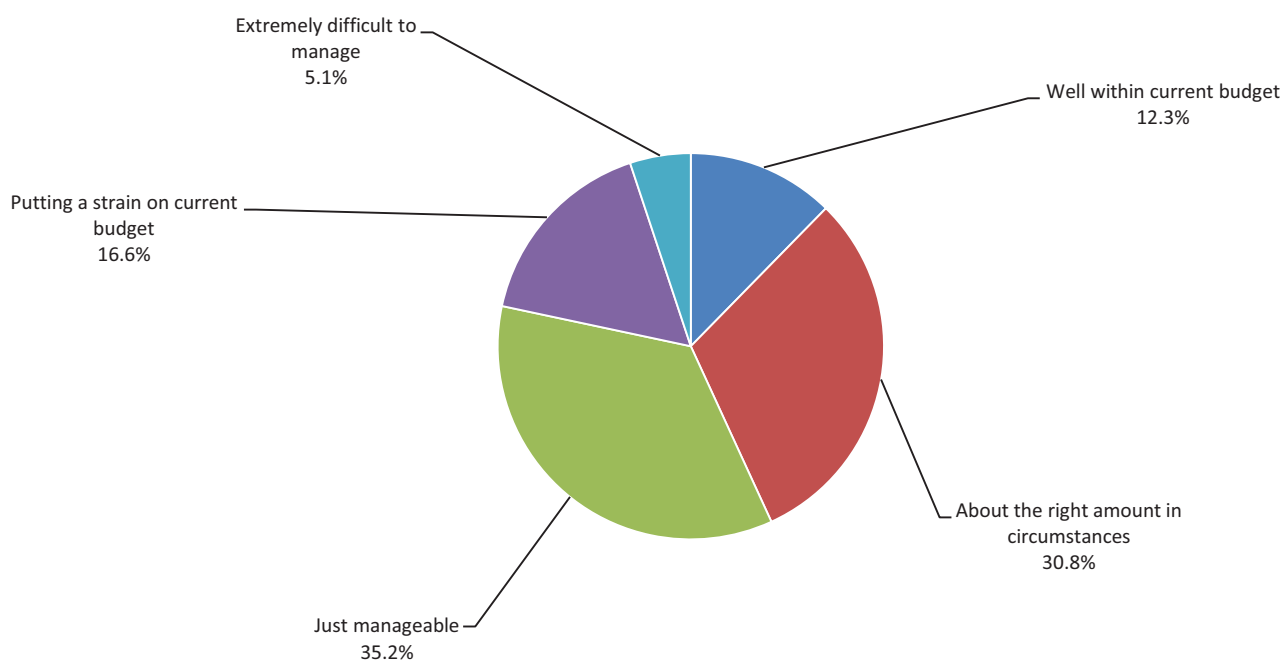
Housing Costs Causing a Strain or Extreme Difficulty for Guernsey households by Tenure, Age of respondent and Household Income
(Source: Guernsey Household Survey 2011)



3.43 Households were also asked about how affordable their fuel bills were. Just over two fifths (43%) felt that their fuel bills were either well within their budget or about right. 17% felt that their fuel costs were putting a strain on their budget and 5% felt that their fuel costs were extremely difficult to manage (Figure 63).

Figure 63

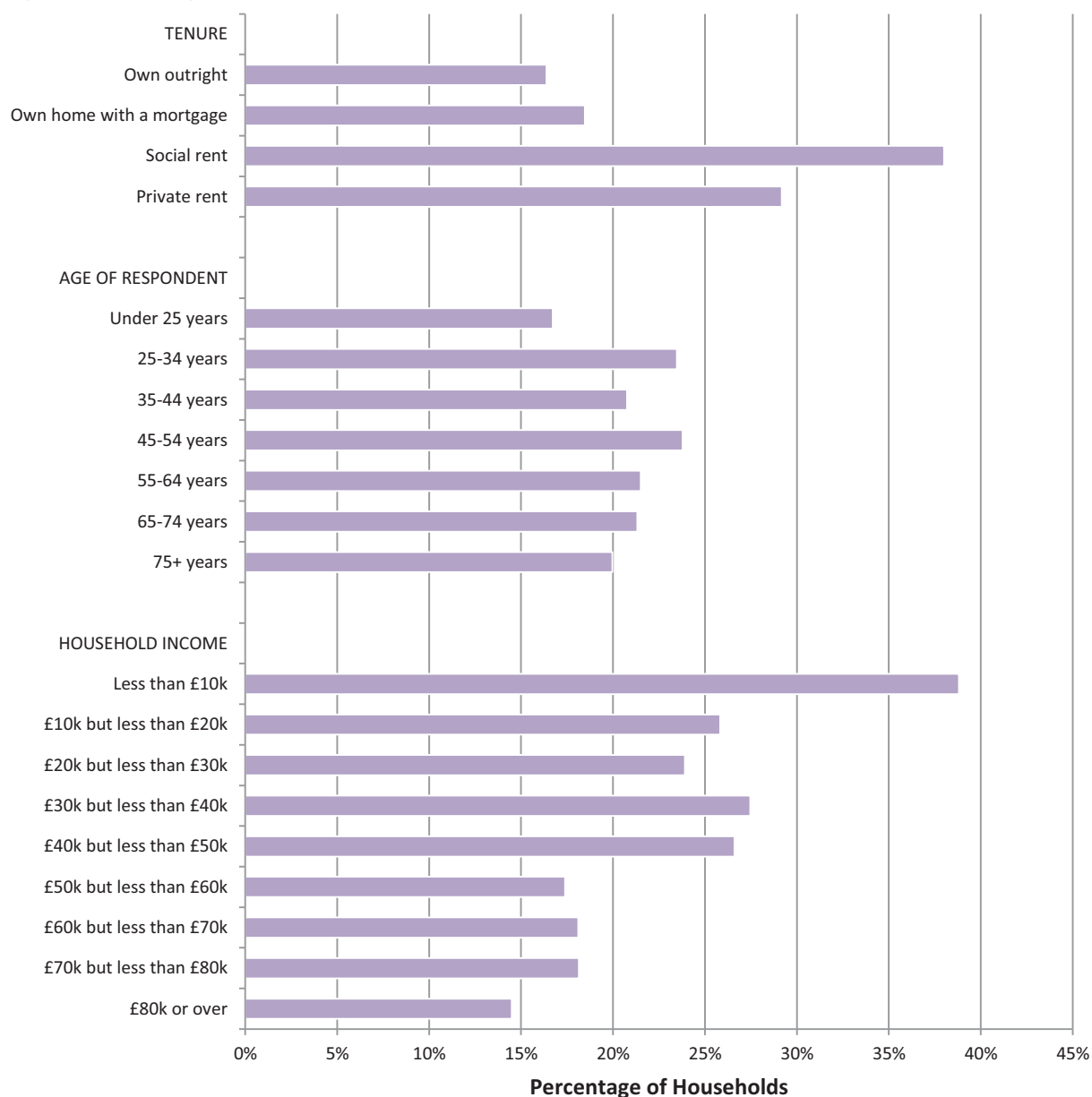
Affordability of Fuel Bills for Guernsey Households (Source: Guernsey Household Survey 2011)



^{3.44} Figure 64 shows the proportion of households whose fuel costs were causing a strain, or were extremely difficult to manage by tenure, age of respondent and household income. It also shows that it was those who rent in the private and social sector and those on the lowest incomes who were most likely to be having difficulties with their fuel costs. Those who owned their home and those with the highest incomes were the least likely to be facing difficulties.

Figure 64

Fuel Bills Causing a Strain or Extreme Difficulty by Tenure, Age of Household Respondent and Total Household Income (Source: Guernsey Household Survey 2011)



4. Housing Market Drivers

The Active Market

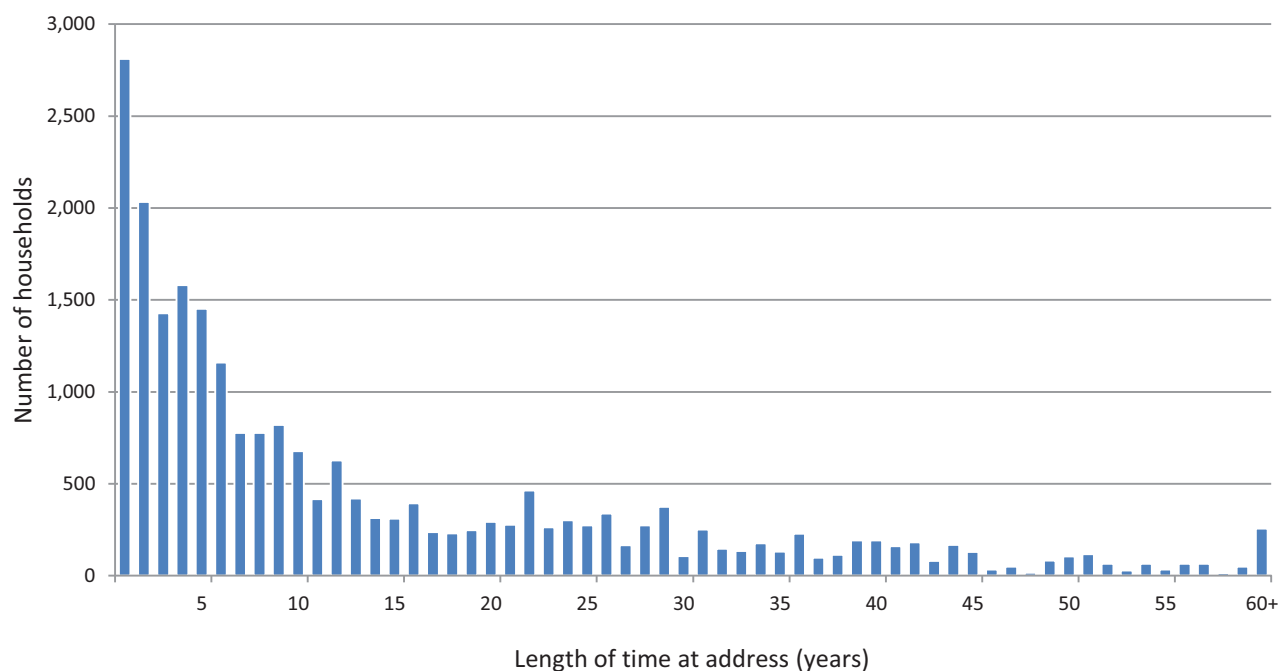
- 4.1 This section of the report describes trends in Guernsey's housing market and calculates the number of additional units of accommodation necessary to meet the Island's housing requirement over the next five years.

Housing Market Trends – Household Moves

- 4.2 Guernsey's housing market can be described as dynamic: as Figure 65 shows, 40% of Islanders have changed address at least once within the last five years. This level of mobility is similar to that recorded in the 2006 Guernsey Household Survey; in the UK, however, the number of people moving home has fallen sharply in recent years.

Figure 65

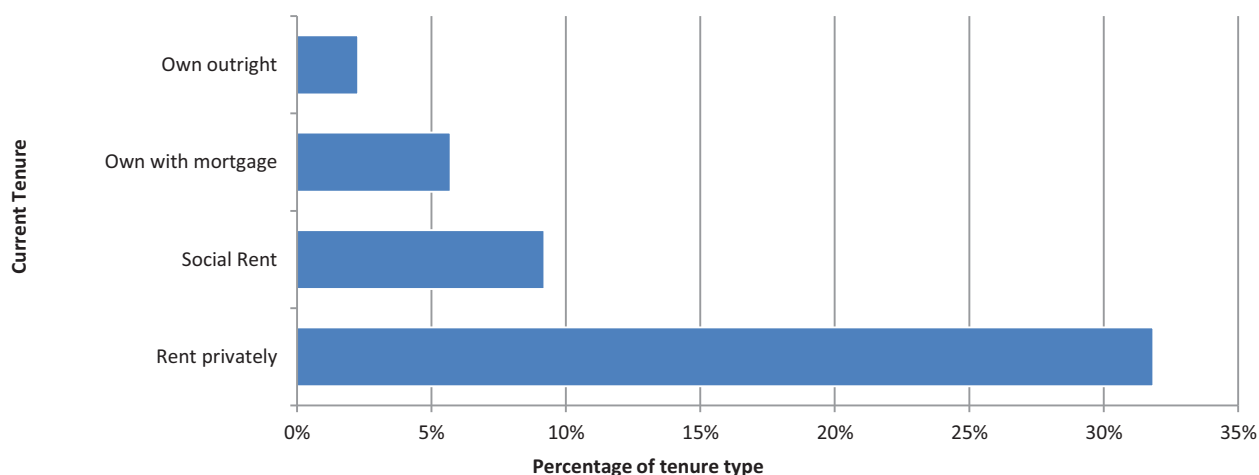
Households' Length of Time (Years) at Current Address (Source: Guernsey Household Survey 2011)



- 4.3 Figure 66 shows that there is a close correlation between tenure and mobility: nearly a third of people (32%) who are privately renting have changed address in the last 12 months. Owner-occupiers, by contrast, are much less likely to move; and homeowners without a mortgage represent the least mobile cohort of people, with only 2% moving in the last year.

Figure 66

Percentage of Households Moving in Last 12 Months by Current Tenure (Source: Guernsey Household Survey 2011. Note A: Private Rent category also includes housing tied to employment and people living rent free)



4.4 Figure 67 looks at the 2,497 households who have moved in the last 12 months and compares tenures: where they were living, compared to where they are living now. 68% (1,686) are currently living in private rented accommodation; 24% (601) are owner occupiers; and 8% (210) are social housing tenants.

4.5 The make-up of previous tenures is slightly more varied: 31% (781) moved from other private rented accommodation; 25% (616) were previously in owner occupied accommodation; and 8% (196) were in social rented housing. The remaining 905 (36%) had previously lived with family or friends, and so by moving were forming a new household.

Figure 67

Household Moves in Last 12 Months Previous and Current Tenure (Source: Guernsey Household Survey 2011. Note A: Private Rent category also includes housing tied to employment and people living rent free)

Current Housing Circumstances	Previous Housing Circumstances				Households' current tenure
	Established Households			Part of another household	
	Owner Occupation	Private Rent	Social Rent	Living With/Rent a Room	
Owner Occupation	361	80	16	143	601
Private Rent	255	662	64	706	1,686
Social Rent	0	39	115	56	210
Households' former tenure	616	781	196	905	2,497

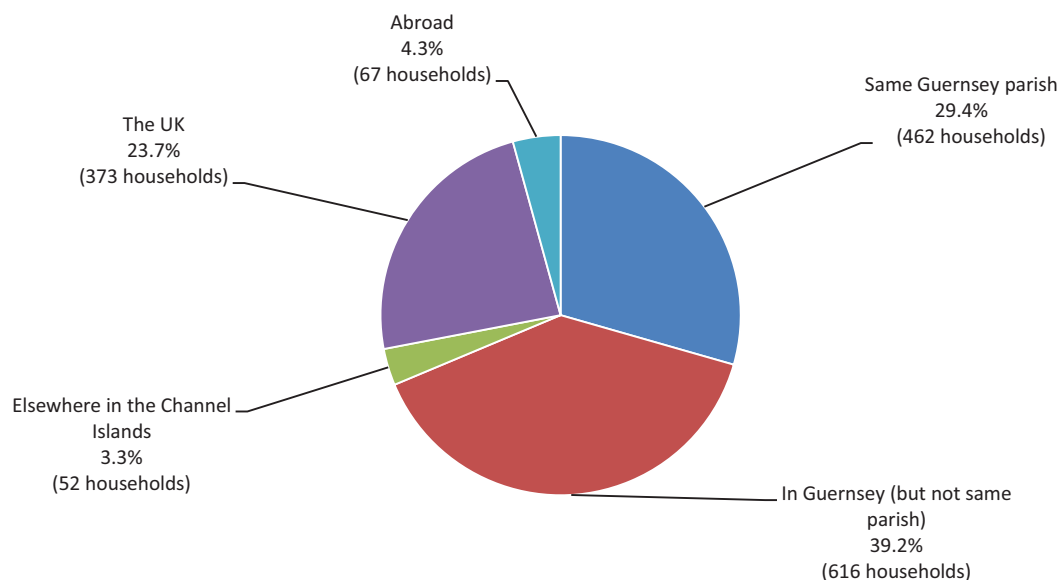
Housing Market Trends – Households With People Leaving in the Last Year

4.6 Only 6% of surveyed households reported people leaving the household in the last 12 months.

4.7 Figure 68 shows that 69% of the people leaving households remained on the Island, with almost a third remaining in the same parish.

Figure 68

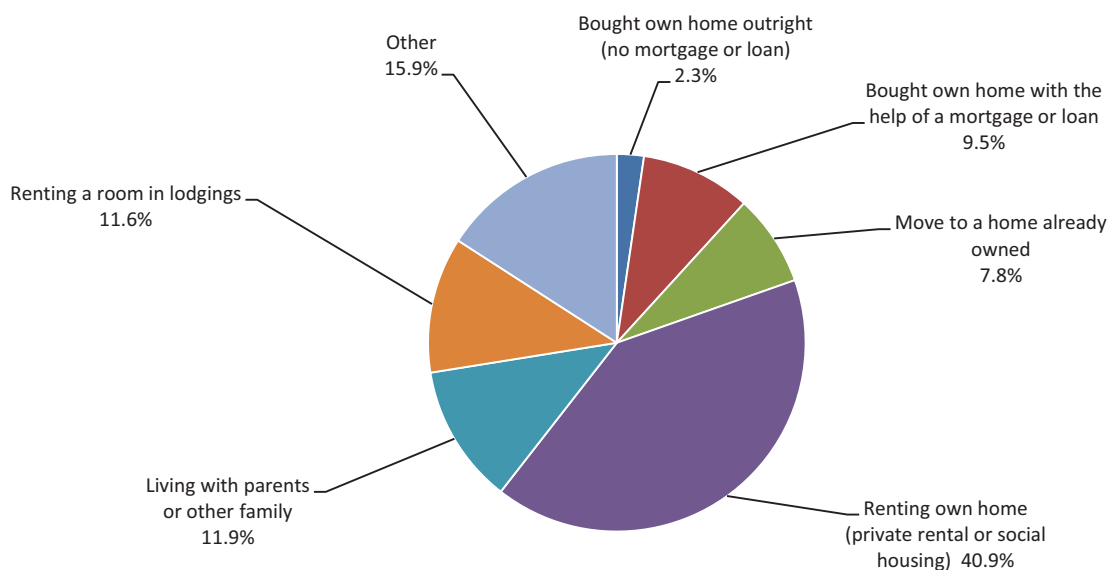
The Area Household Member Moved to. By all Households With People Leaving in the Last Year (Source: Guernsey Household Survey 2011)



4.8 Figure 69 shows that just under two thirds of people who left a household moved into rented accommodation: 41% moved into their own accommodation, approximately 12% became lodgers, and almost 12% moved in with their parents/family. Note that the 'Other' category includes people who moved to boarding schools and university (and so may not permanently have left the household), or to institutional accommodation such as nursing homes or hospitals – a form of housing that is outside the scope of this housing needs analysis.

Figure 69

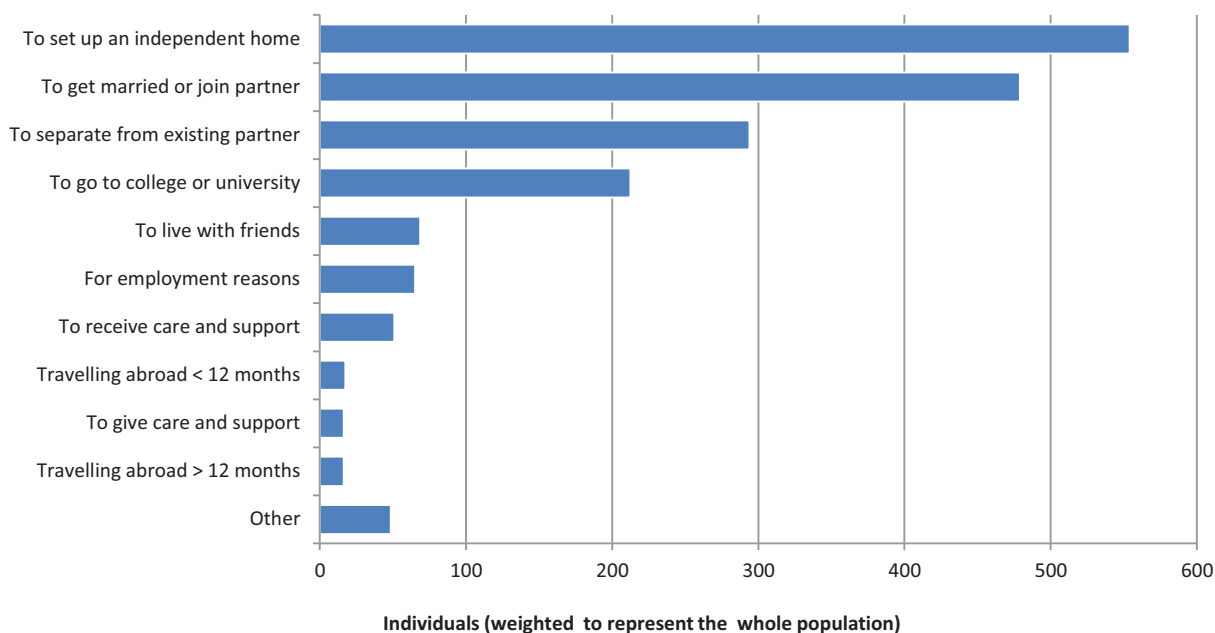
Tenure Household Members Move to. By all Households With People Leaving in the Last Year (Source: Guernsey Household Survey 2011)



- 4.9 Figure 70 looks at why people left a household and shows that, in the main, it was either to live independently, to set up home with a spouse or partner, or to separate from an existing partner.

Figure 70

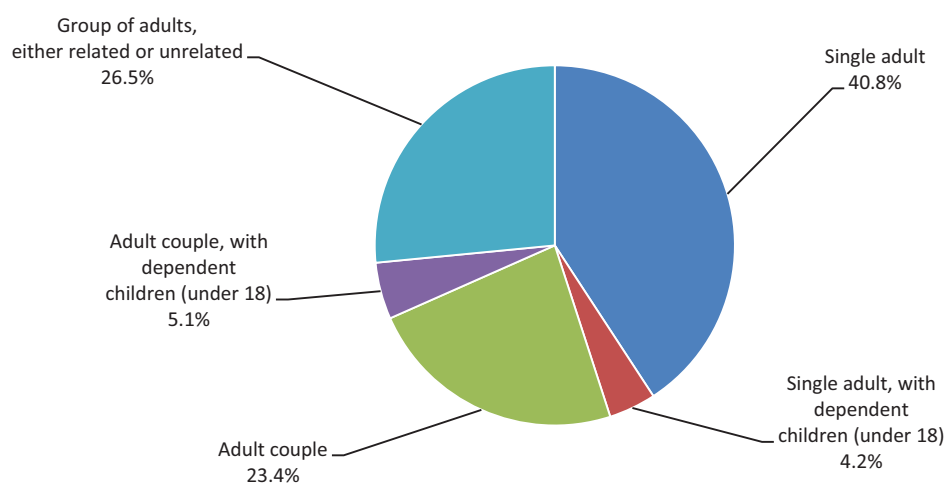
Why Did Member Leave the Household? By all Households With People Leaving in the Last Year (Source: Guernsey Household Survey 2011)



- 4.10 Figure 71 shows that 64.2% of the new households were comprised entirely of adults (singles or couples). This is unsurprising given that these households would have been created by people who were setting up home with a new spouse or partner, or who had left home to live independently. A further 26.5% moved to live with a group of other adults which may or may not include children.

Figure 71

Household Structure for Emerging Households. By all Households With People Leaving in the Last Year (Source: Guernsey Household Survey 2011)



Housing Market Trends – Future Moves

4.11 Figure 72 shows how 21% of households said that they wanted (or needed) to move home.

4.12 In answer to another question, only 7.3% of respondents expected to move within the next year (Figure 73).

Figure 72

Want or Need to Move Home.
(Guernsey Household Survey 2011)

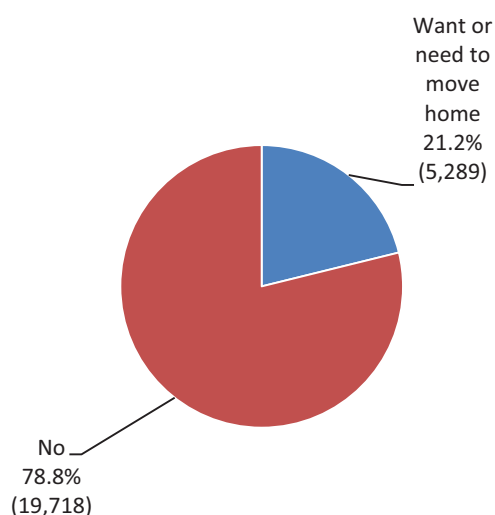
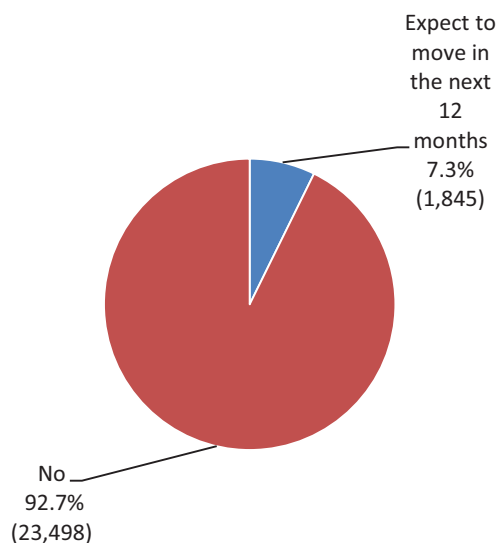


Figure 73

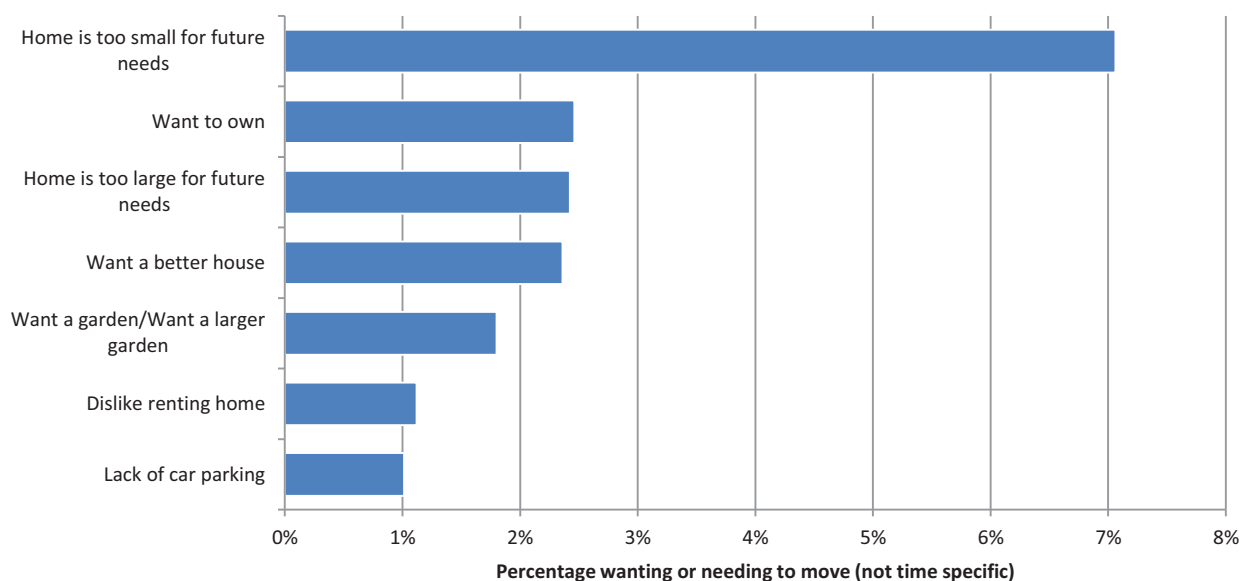
Expect to Move Home in the next 12 Months.
(Guernsey Household Survey 2011)



4.13 Figure 74 shows that 7% of the households who said they wanted/needed to move blamed the lack of space in their home.

Figure 74

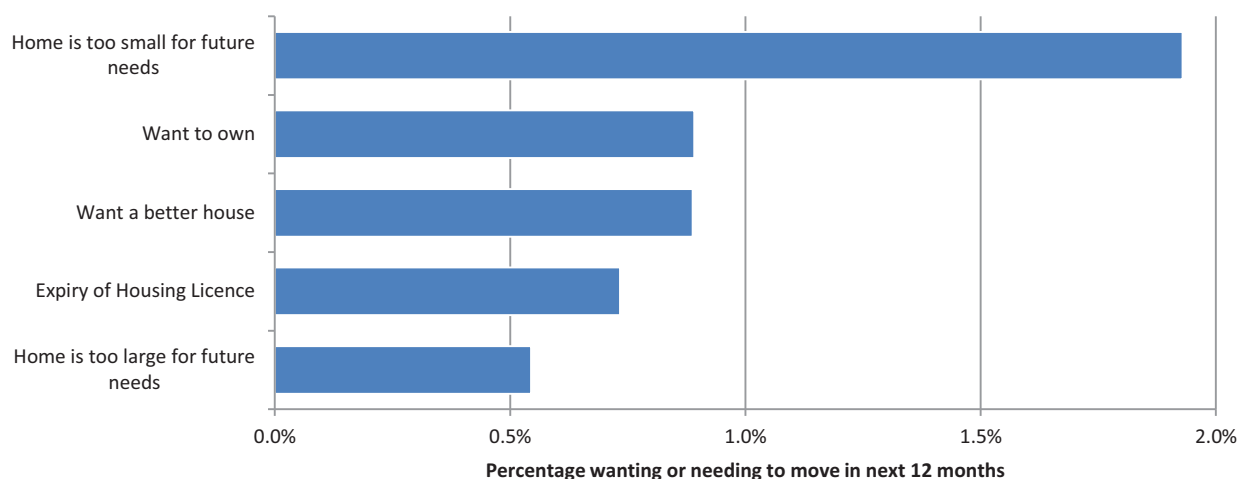
Why **Want or Need to Move** as Percentage of All Households (Source: Guernsey Household Survey 2011)



- 4.14 As Figure 75 shows, most of the households who expected to move within 12 months said that their current home was too small. Others said that they wanted to own their home, to have a better home, or to downsize. A new reason given for moving imminently was the impending expiration of a housing licence.

Figure 75

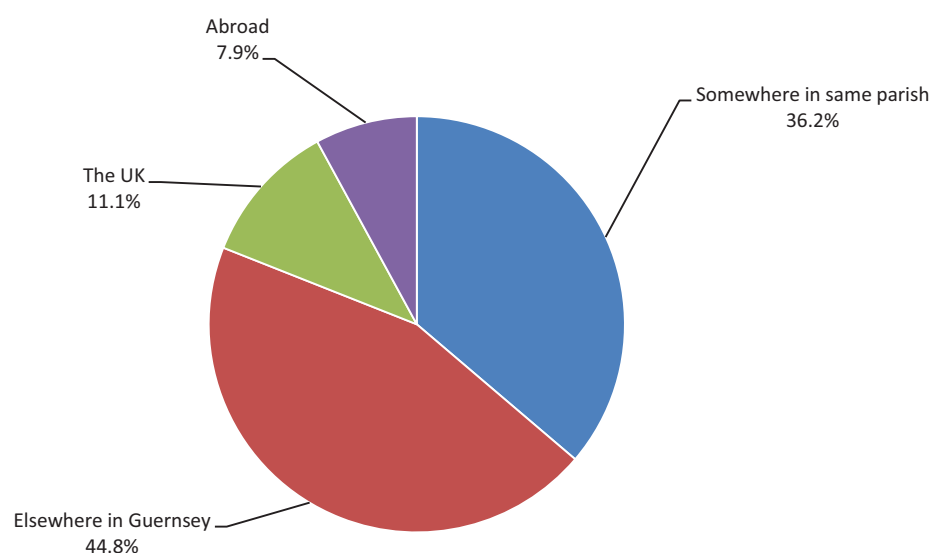
Why Expect to Move in the Next 12 Months as a Percentage of All Households (Source: Guernsey Household Survey 2011)



- 4.15 Of those households that are expecting to move in the next 36 months, 81% expect to remain on Guernsey, if not necessarily in the same parish; Figure 76 refers.

Figure 76

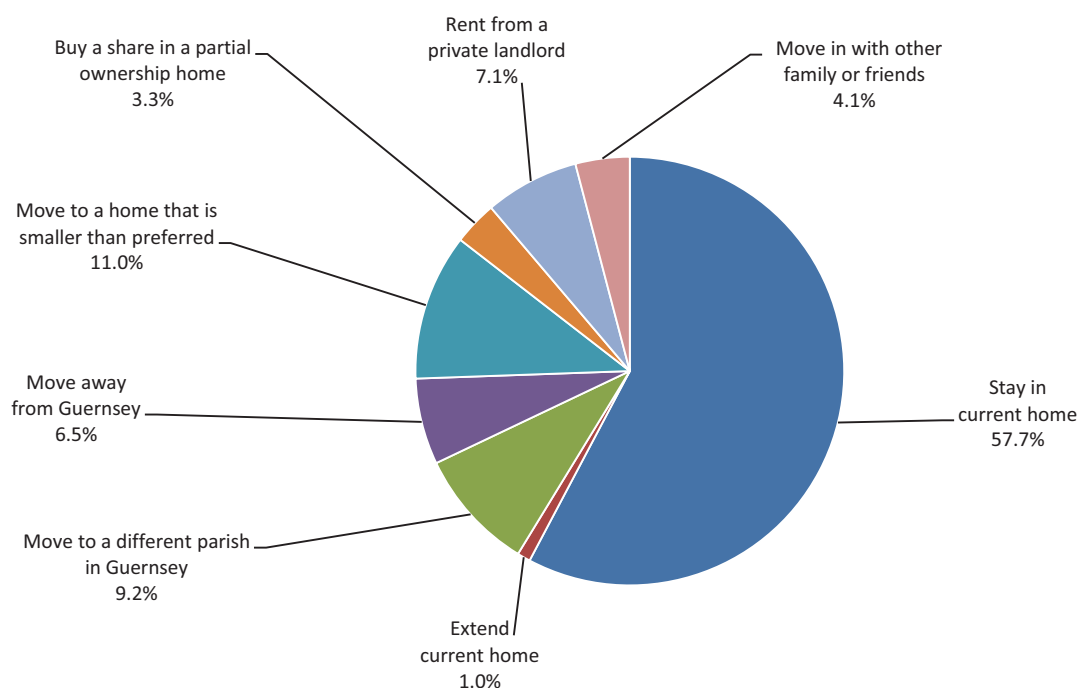
Where Expecting to Move? By all Households Who Expect to Move in the next 36 months by All Tenures (Source: Guernsey Household Survey 2011)



4.16 Figure 77 relates to homeowners and private tenants who expect to move into similar accommodation (i.e. another owned or privately rented property) within 12 months. Asked what they would do if they could not find a suitable property in their price range, the majority (58%) said they would remain in their current home. The remainder said that they might move to a smaller home than preferred (11%); move to a different parish (9%); or move off-Island (6.5%). In a change from the 2006 Survey, two new responses were given: 7% said that they would rent from a private landlord and 3% would look to buy a partial ownership home from the Guernsey Housing Association. 1% would extend their current home and 4.1% would move in with other family or friends.

Figure 77

What Households Will do if Unable to Find a Property They Want at Price They can Afford. By all Households who Expect to Move to Owner Occupation or Private Rent (Source: Guernsey Household Survey 2011)



Modelling the Housing Market - Assessing Affordability

- 4.17 Affordability depends on the relationship between household finances and the cost of appropriate housing (either for purchase or rental).
- 4.18 'Affordability' distinguishes housing demand from housing need: a household that is able to fund its wish to move represents an example of housing demand; a household that cannot afford adequate housing represents a housing need.

Assessing the Affordability of Private Rented Accommodation

- 4.19 To calculate the affordability of private rental accommodation it is necessary to establish three things: (1) the household income; (2) the point at which, in terms of the amount of money spent on rent (as a percentage), the rent becomes unaffordable; and (3) the rent charged for the property.
- 4.20 Respondents to the 2011 survey were therefore asked to provide information on their gross household income.
- 4.21 For the purposes of this analysis it has been decided that a household spending more than 25% of its income on rent would be living in unaffordable accommodation. The figure is taken from the Housing Department's Rent and Rebate Scheme, where social housing tenants are charged a rebated rent that equates to no more than 25% of their income. 25% was also the amount used in the 2006 Housing Needs Survey to establish affordability. In the UK, the equivalent of 25% of gross household income is assumed by many local authorities to be a reasonable cost for accommodation. Some local authorities also use 33% of net household income (after deductions for tax and Social Insurance).
- 4.22 Figure 78 shows weekly rents for social housing and for the lowest quartile in the private sector, organised by the size of the accommodation. (Monthly rents have been converted to a weekly equivalent.)

Figure 78

Weekly Rent by Property Size and Tenure 2011 (Source: Guernsey Policy and Research Unit and Guernsey Household Survey 2011)

Property Size	Social Housing	Lowest Quartile Private Rent
1 bedroom	£140.02	£184.62
2 bedrooms	£182.22	£253.85
3 bedrooms	£220.87	£349.04
4+ bedrooms	£270.75	£438.46

- 4.23 The social housing rent for each property category is the average of all the non-rebated weekly rents charged by the Housing Department and the Guernsey Housing Association. The private rental figures are based upon the bottom 25% (the lowest quartile) of all private sector rents in the Local Market (i.e. not the Open Market); effectively, each weekly private rent quoted in Figure 78 is the top of that particular lowest quartile range. Typically, the social rent is 60% to 70% of the lowest quartile private rent.

Assessing Affordability for Owner Occupation (a.k.a. purchasing power)

- 4.24 Assessing the ability of Islanders to afford to own a property is complex because owner occupiers normally rely upon a loan or mortgage in order to purchase a home.
- 4.25 Since the last Housing Needs Survey in 2006, the worldwide recession has made it more difficult for households to obtain a loan. A commercial lender will normally use a mortgage multiplier to determine a household's ability to meet loan repayments and therefore the amount that they can borrow. At time of this survey, Guernsey households could typically borrow an amount up to five times their household income. Higher multipliers were available in 2006, which makes the amount borrowable by Guernsey households generally lower in 2011, even though property prices have risen in the intervening period.
- 4.26 In addition, the introduction of less flexible commercial lending policies with lower loan-to-value requirements means that prospective purchasers usually have to possess larger deposits. In summary, households need to have significantly more resources than they did in 2006 in order to get a commercial loan to purchase a home.
- 4.27 It is important when assessing a household's ability to buy a home to consider the following: savings; debts; equity (if the household in question already owns property); and the borrowable amount, which is based upon income. Perhaps the most important additional resource in Guernsey is the likely equity that a household has in their existing home. Negative equity is less likely in Guernsey, where house prices have increased even during the recession. In summary:

$$\text{Purchasing power} = \text{savings} - \text{debts} + \text{equity} + \text{borrowable amount.}$$

- 4.28 Having determined a household's purchasing power, the next stage is to calculate the likely purchase price of a Guernsey property of a suitable size for the household in question. The information in Figure 79 is drawn from sales records for local market properties for the first three quarters of 2011. Purchase prices equate to those at the top of the lowest quartile of prices for realty (the purchase price for buildings and land, excluding any moveable assets such as carpets, fixtures and fittings).

Figure 79

Lowest Quartile Prices for Owner Occupation by Property Size 2011 (Source: Guernsey Policy and Research Unit)

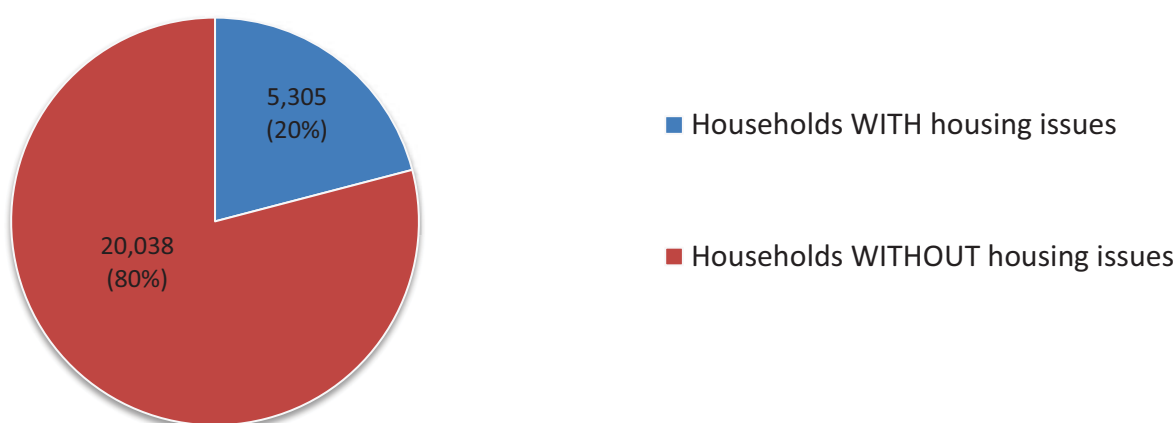
Property Size	Lowest Quartile Price
Selling Price	
1 bedroom	£196,650
2 bedrooms	£270,750
3 bedrooms	£363,375
4 bedrooms	£436,050
5+ bedrooms	£545,000

Identifying Guernsey Households with Housing Issues

- 4.29 This report uses the term ‘housing issues’ rather than ‘unsuitable housing’. The following sections look at the range of housing issues faced by local households.
- 4.30 A ‘housing issue’ is a problem experienced by a household that relates directly or indirectly to accommodation, e.g. lack of facilities, overcrowding, un-affordability. A housing issue does not necessarily relate to the condition of a property: a family living in immaculate but overcrowded accommodation still has a housing issue. Some of these housing issues will resolve themselves, e.g. if some of the household members leave to form a new household, or can be fixed in situ without the household moving, e.g. if the property is extended.
- 4.31 The 2011 Survey asked respondents to describe any housing issues they experienced in their current accommodation. The results were weighted to represent the whole of Guernsey, i.e. 25,343 households. Figure 80 shows that 20,038 Guernsey households (80%) live in accommodation that meets their reasonable needs.

Figure 80

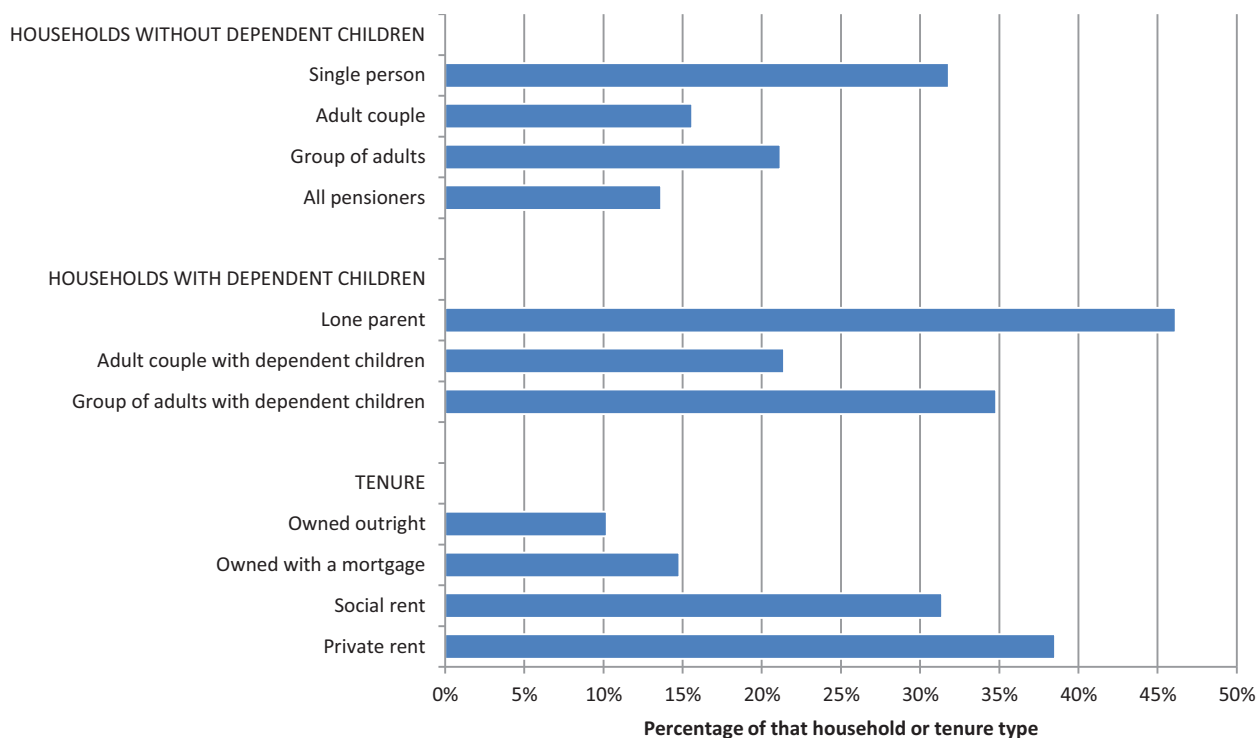
Established Households with or without housing issues regarding their accommodation (Source: Guernsey Household Survey 2011)



- 4.32 Figure 81 shows that housing issues are more common among certain household types than others. For example, almost half of single parents and a third of people living alone have housing issues. In terms of tenure, it is tenants, particularly tenants in private rented accommodation, who are the most likely to have housing issues. The households least likely to be affected by the housing issues are homeowners and pensioners.

Figure 81

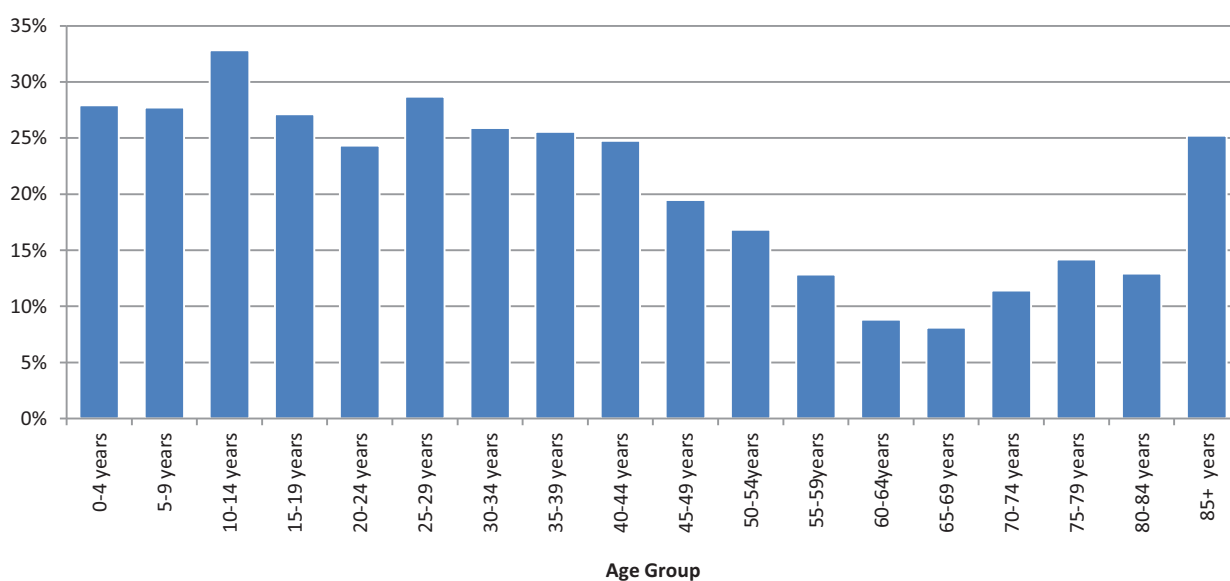
Proportion of Established Households with housing issues by Household Type and Tenure (Source: Guernsey Household Survey 2011)



4.33 Figure 82 shows that of the 5,305 households with housing issues, relatively few include adults aged between 50 and 84.

Figure 82

Proportion of Persons Living in Established Households with housing issues by Age (Source: Guernsey Household Survey 2011)



Housing issues experienced by Guernsey households

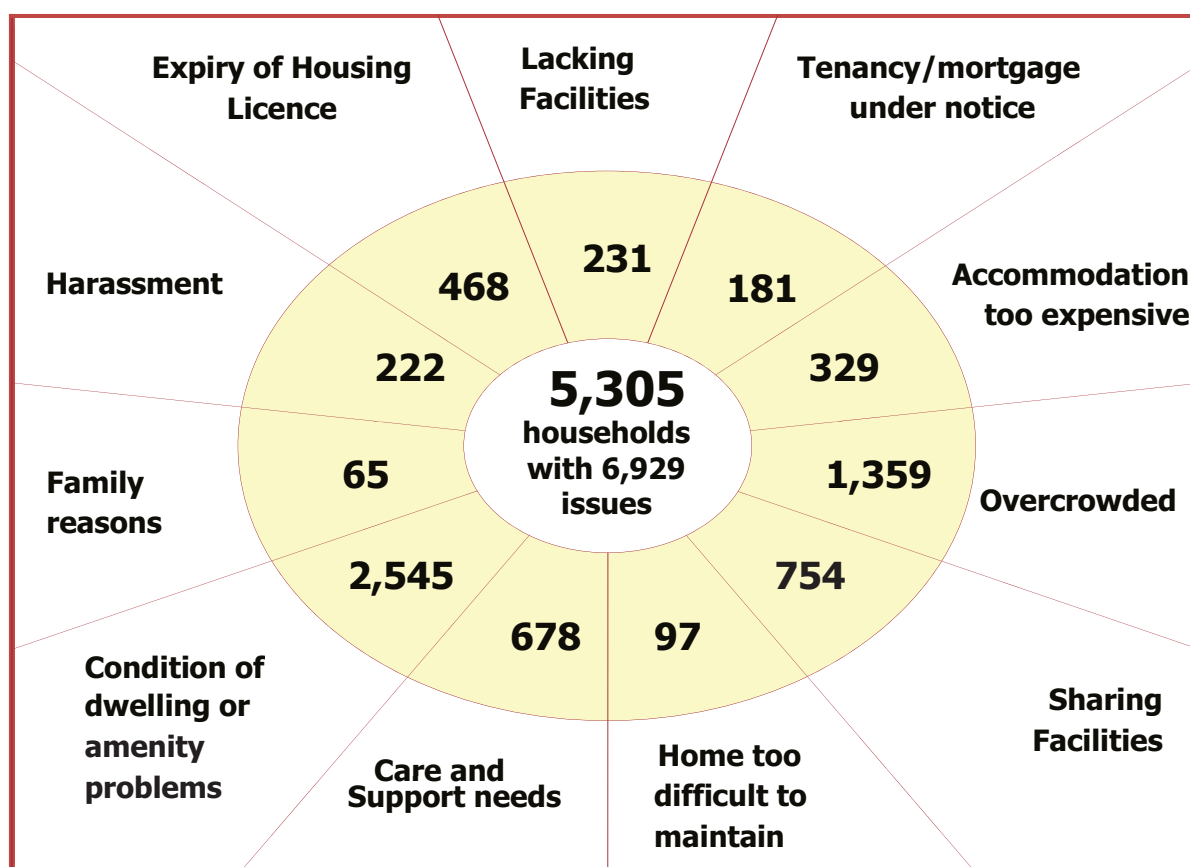
4.34 Figure 83 describes the 11 types of housing issues identified by the 5,305 households (identified in Figure 80). The total number of issues is 6,929 because some households have identified more than one issue.

4.35 The most common housing issue relates to poor quality accommodation (cited by 2,545 households), followed by overcrowding (1,359) and the need to share facilities such as toilets or kitchens with other households (754). 678 households said that one or more family members had 'care and support needs'. Care and support needs cover a range of options including:

- » Someone in household having a long-term illness/disability/infirmity and their current home/circumstances do not meet their needs satisfactorily because they need adaptations;
- » Need a carer to stay permanently or overnight and don't have space for them;
- » Need to move to sheltered housing, residential home, extra care, nursing home or hospital; or
- » Household wanting/having/needing to move to receive care from a friend or relative.

Figure 83

Proportion of Established Households Living with housing issues (Source: Guernsey Household Survey 2011)



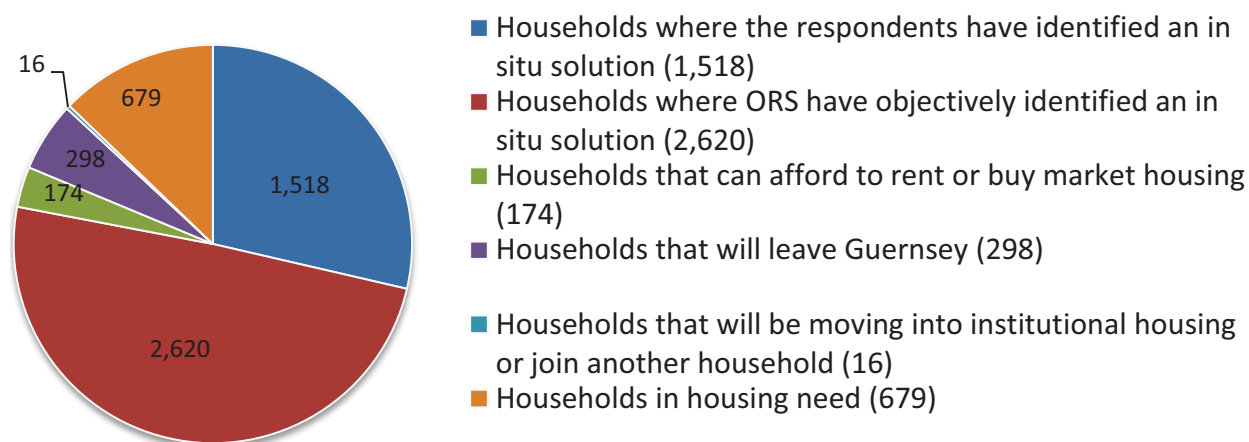
- 4.36 Some of the housing issues in Figure 83 can be resolved without the household needing to move house; and if moving to another house is the only option, the vacated property may be perfectly suitable for the next household. For this reason it is not true to say that the 5,305 households with a housing issue need new properties to be built to ensure that every issue is resolved.

Identifying Guernsey's Housing Need

- 4.37 According to Bramley & Pawson (2000), housing need arises when a household is homeless or lives in housing which is inadequate or unsuitable, and faces housing-related problems that are unlikely to be met by the housing market without some form of assistance.
- 4.38 Housing need cannot always be resolved by moving households into new accommodation, particularly when a housing issue relates to poor quality housing. For example, moving one household out of poor quality accommodation and into better housing will help that particular household's issue, but will not reduce the overall level of housing need in the Island because the vacant property will be occupied by another household who, by moving in, will 'inherit' the same housing issue.
- 4.39 The following strategic analysis is concerned primarily with addressing overall housing need rather than resolving the issues of individual households. For example, it recognises that an improvement in the existing housing stock is required to reduce the number of households in poor quality accommodation in the long term.
- 4.40 The net housing need in Guernsey has been calculated by looking at the 5,305 households with housing issues and removing households where:
- » the problems can be resolved without the household moving into new accommodation
 - » the household can afford to move into suitable property (by buying or privately renting)
 - » the household is due to leave Guernsey (e.g. when their housing licence expires)
 - » the household will move into residential, nursing or hospital accommodation – i.e. 'institutional housing' – which is a form of housing that is outside this housing needs analysis (see Figure 87, below, for details of how this was calculated).
- 4.41 Note that households who are leaving the Island have been discounted for the purposes of calculating housing need, but the arrival on the Island of households does have an impact.
- 4.42 Figure 84 shows that after removing the households who fall into the above categories, only 679 (14%) households remain in need from the original 5,305 with housing issues.
- 4.43 By definition, these 679 households have one or more housing issues; need to move; intend to stay on the Island; and cannot afford private sector housing (i.e. non-social housing) that will meet their needs. This is known as the backlog of need.

Figure 84

Resolving 5305 Households with Housing issues to identify those 679 Households in Housing Need (Source: Guernsey Household Survey 2011)



4.44 Within the ORS Housing Market Model there is an assumption that the backlog of need will be addressed at 10% per annum over a ten year period. To be more specific, it is assumed that of the 679 households with issues (see above), an average of 67.9 households will move to suitable accommodation each year. Since the households who occupy their vacated properties will 'inherit' the same issues, these household moves do not affect Guernsey's net additional housing requirement. This rationale was applied to the results of the 2006 Housing Needs Survey and is consistent with accepted methodology.

Modelling the Housing Market

4.45 The key considerations when examining data collected through the 2011 Survey are:

- » In total, how many extra units of accommodation are required to meet the backlog of need?
- » How many of these extra units should be 'affordable', i.e. social housing or partial ownership housing?
- » In order to meet housing demand, what type of private sector housing (i.e. non-social housing) is required?
- » How will housing demand and housing need change over time (see below)?

4.46 Differentiating between 'housing need' and 'housing demand' is important when modelling the housing market. A reminder: 'Housing need' arises when a household experiences one or more housing issues (a.k.a. problems) but cannot afford to resolve them. 'Housing demand' arises when a household wants to, and can afford to, move into new accommodation. The key difference between housing need and housing demand is therefore affordability.

4.47 According to the ORS Housing Market Model, housing demand is 'the quantity of housing that households are willing and able to buy or rent', whereas housing need is 'the quantity of housing required for households who are unable to access suitable housing without financial assistance'. Figure 85 gives more information.

Figure 85
Derivation of Elements of Housing Need and Housing Demand

Element	Housing Need and Housing Demand Derivation
Established households currently in need	<p>Households that need to move to resolve their housing issues and cannot afford to buy or rent private sector market housing.</p> <p>By definition, all households in need require affordable housing – but the split between intermediate housing (partial ownership and lowest quartile private rental) and social rental is based on affordability and eligibility.</p> <p>The size of property required is based on household composition.</p> <p>It is assumed that the identified existing need (679) is addressed over a 10-year period; therefore 10% (68) of the total is counted annually.</p>
Newly arising need from established households	<p>The future projection for newly- arising need is based on trend figures for the last 12 months.</p> <p>Households currently with a housing issue who were suitably housed one year ago are assumed to constitute new need during the period, together with households who were forced to move during the period and were re-housed in affordable housing due to a problem that would have not been identified 12 months ago.</p> <p>By definition, all households in need require affordable housing – but the split between intermediate (partial ownership and lowest quartile private rental) and social rent is based on affordability and eligibility.</p> <p>The size of property required is based on household composition.</p>
Effective demand from established households	<p>The future projection for effective demand from established households is based on expectations of existing households moving about within the island over the next 12 months.</p> <p>Households are only counted as effective demand if they are able to afford to buy or rent private sector market housing, therefore by definition all will require private sector market housing.</p> <p>Size of property required is based on household expectations in the context of expressed demand.</p>
In-migrant households to the island	<p>The future projection for the in-migrants flow is based on recent trend figures for the last 12 months.</p> <p>Households are allocated to market, intermediate (partial ownership and lowest quartile private rental) and social housing on the basis of affordability and eligibility.</p> <p>Size of property required is based on trends in terms of the number of bedrooms in properties occupied by recent in-migrant households.</p>
Hidden households emerging as newly forming households	<p>The future projection for the flow of hidden households emerging as newly forming households is based on recent trend figures for the last 12 months. The figure only includes newly forming households from host households in the island.</p> <p>Households are allocated to market, intermediate (partial ownership and lowest quartile private rental) or social housing on the basis of affordability.</p> <p>Size of property required is based on trends in terms of the number of bedrooms in properties occupied by recent newly forming households.</p>

^{4.48} The ORS Housing Market Model recognises that the housing market is dynamic: most households are only able to move when pre-existing properties become vacant (as a result of households moving on, breaking up, moving in with other households, or moving into residential and nursing care). The extent to which the market is able to meet housing demand therefore depends upon the match or mismatch between (a) the households seeking housing, and (b) the available supply of vacated housing stock. The sources of housing supply are detailed in Figure 86.

Figure 86

Derivation of Elements of Housing Supply

Element	Housing Supply Derivation
Property vacated by established households moving home	<p>The future projection is determined by the three flows of established households considered within the elements of housing need and demand (see Figure 85):</p> <ul style="list-style-type: none"> – Established households currently in need; – Newly arising need from established households; and – Effective demand from established households. <p>All established households moving are assumed to vacate their current home.</p> <p>The type and size of property counted within the supply is based on the actual tenure and number of bedrooms in the current home, i.e. the property being vacated.</p>
Property vacated by out-migrant households leaving the island	<p>The future projection is based on expectations of existing households moving away from the Island over the next 12 months.</p> <p>All out-migrant households are assumed to vacate their current home.</p> <p>The type and size of property counted within the supply is based on the actual tenure and number of bedrooms in the current home, i.e. the property being vacated.</p>
Property vacated following household break up	<p>The future projection for dissolution (due to death) flow is based on the structure of individual households coupled with Office of National Statistics survival rate statistics. Each household is allocated a probability of survival such that a residual probability of dissolution can be derived.</p> <p>All households identified as moving to “live with” another household, moving to communal/institutional housing or otherwise no longer requiring independent housing are also counted as vacating their current home.</p> <p>The type and size of property counted within the supply is based on the actual tenure and number of bedrooms in the current home, i.e. the property being vacated.</p>

4.49 Building new properties and converting existing properties into multiple units of accommodation will obviously contribute to housing supply; however no attempt is made to predict how much new supply will enter the market as the ORS Housing Market Model seeks to understand the extent to which the existing housing stock will be able to house future households.

4.50 The ORS Housing Market Model is concerned primarily with households that want or need to move; the Model also takes into account the inability of some households to afford appropriate housing, but looks at the mix of housing required by all households. It is the shortfalls identified in the existing housing stock that determines the mix of new housing required.

4.51 The key stages of the ORS Housing Market Model are summarised in Figure 87.

Figure 87

Core Modelling Assumptions

Gross housing requirement less housing supply = net housing requirement.

Housing Requirements

- Housing requirements (both in terms of housing demand and housing need) are generated from three sources:
 - Existing households moving based upon the expectation of moving in the next 12 months;
 - Newly forming households based upon trends from the previous 12 months;
 - In-migrant households based upon trends from the previous 12 months.

Housing Supply

- Housing supply is generated from three sources:
 - Existing households moving: based upon the expectation of moving in the 12 months;
 - Households ceasing to exist independently because of death, break ups, amalgamations with other households and moving to institutional accommodation (based on the Office Of National Statistics mortality rates for deaths and trends over the previous 12 months for households merging or dissolutions);
 - Out-migrant households; based upon expectations of moving away from Guernsey in the next 12 months.

Affordability

- Households are assigned to tenures based upon affordability and eligibility, and not preference.
- For owner occupation lending assumed to be 5x the gross income. The assessment of affordability for owner occupation also includes: Savings; Debts; and Equity (positive or negative) from current home (for current owners).
- Households are assumed to spend 25% of their gross income on rent (as described earlier in this chapter).
- Households who can afford private rent are assumed to access this, rather than intermediate housing such as partial ownership.
- Households who can afford more than social housing rents, but cannot afford private rent are allocated to intermediate housing (such as partial ownership). Intermediate housing also includes the lowest quartile of private rents because it fulfils the same role of meeting the needs of households in housing need.
- A household is in the backlog of need if they have at least one housing issue, require alternative housing provision in Guernsey and cannot afford private sector housing. The Model addresses the backlog of need over 10 years.
- The number of bedrooms a household is allocated in social and intermediate housing is based upon an objective bedroom standard (as described in Appendix B).

4.52 The ORS Model notionally assigns – or matches – available housing to households. The mismatch is the net housing requirement – i.e. those households who are unlikely to find suitable housing within the existing housing stock. Such an approach was recognised by Bramley and Pawson (2000) in the DETR Good Practice Guidance, where it was noted that:

‘The value of this approach is that it makes the connections between what is happening in the private sector and the social sector explicit. It keeps track of households, who can’t just disappear without trace, and draws particular attention to the roles of migration.’

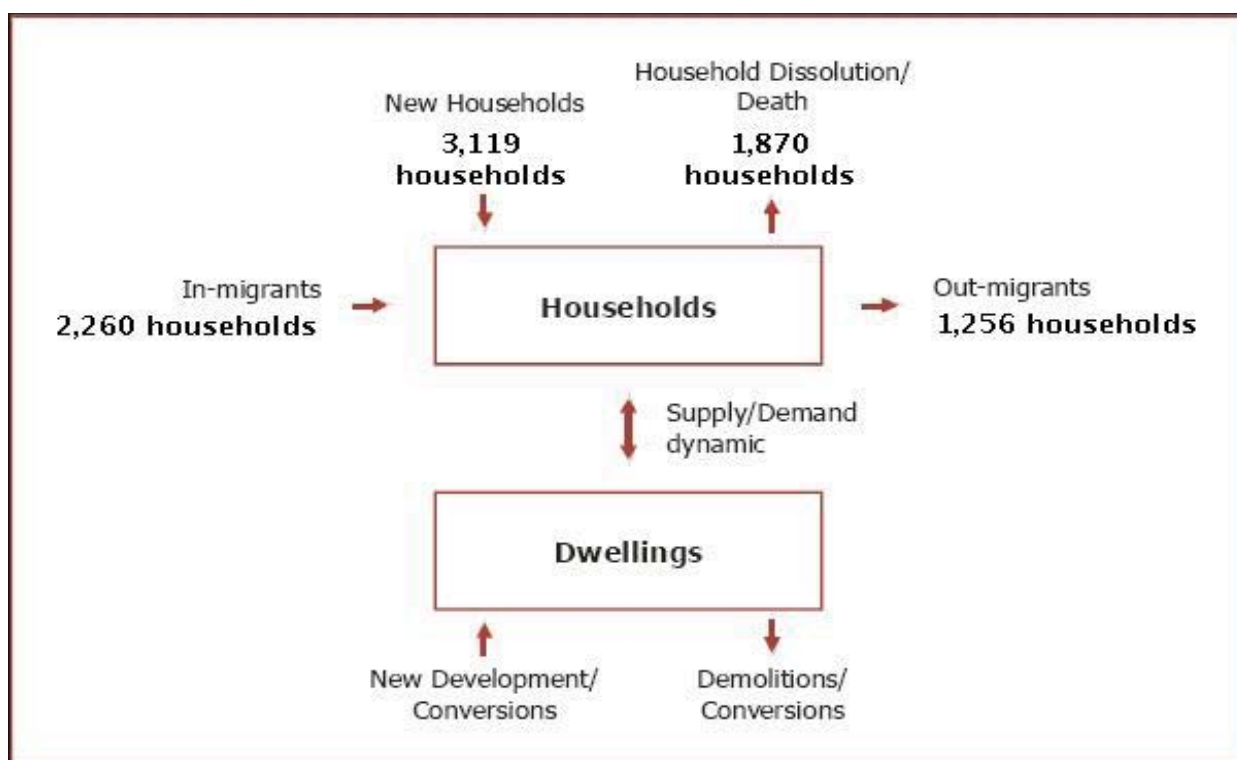
4.53 It is important to recognise that the modelling results may be affected by any policy initiatives designed to influence the movement patterns of individual households. This in turn may change the mix of new housing required.

4.54 Figure 88 shows the projected flow of households around the Island over a five year period. Each of the incoming household flows has an opposing outward flow, e.g. the number of new households being formed is offset by the number of households breaking up; and the number of new households coming into Guernsey is offset by households leaving the Island.

4.55 On the basis of current trends and existing population forecasts, the ORS Model estimates that 2,260 households will move to Guernsey over the next 5 years – though this will be offset by an estimated 1,256 households leaving the Island.

Figure 88

5-Year Requirement/Supply Flow Analysis (Source: ORS Housing Market Model)



^{4.56} Figure 89 below shows that over the next five years, 4,967 established households will move. The impact of these moves, and of each pair of household flows (e.g. 'in-migrants' and 'out-migrants') are detailed in Figure 89. These flows put pressure on the dwelling stock and therefore determine the requirement for additional housing provision. Homes will be needed for 2,253 additional households over the next five years to meet demand that is unmet by supply. This equates to 451 per annum. If this number of homes is not provided, one or more flows will change.

Figure 89

Summary of 5-Year Housing Requirements by Household Flows 2011-2016 (Source: ORS Housing Market Model 2011 & 2011 Household Survey)

Household Flow Type	Inward Flow	Outward Flow	Net
5 YEAR REQUIREMENT <u>2011-2016</u>			
Households moving into and out of Guernsey	In-migration 2,260	Out-migration 1,256	1,004
Indigenous household change	New households 3,119	Household break ups 1,870	1,249
Established household moves	Moving into dwelling 4,967	Moving out of dwelling 4,967	-
TOTAL	10,277	8,024	2,253

^{4.57} Figure 90 describes the household flows from the 2006 Survey.

Figure 90

5-Year Housing Requirements by Household Flows 2006-2011 (Source: ORS Housing Market Model 2006)

Household Flow Type	Inward Flow	Outward Flow	Net difference
5 YEAR REQUIREMENT <u>2006-2011</u>			
Households moving into and out of Guernsey	Inward migration 2,211	Outward migration 1,728	483
Indigenous household change	New households 2,444	Household break ups 1,229	1,215
Established household moves	Moving into dwelling 5,551	Moving out of dwelling 5,551	-
TOTAL	10,206	8,507	1,698

^{4.58} When the 2006 survey (see Figure 90) is compared with the results of the 2011 Survey (see Figure 89) it is apparent that the predicted number of households migrating to the Island was similar in both years but the projected number of households migrating away from the Island is lower. This means that the net difference in migration has risen from 483 to 1004.

^{4.59} Meanwhile, the number of new households (particularly in the private rental sector) and the number of households projected to break up (as a result of death, dissolution, or merging with another household) have both risen in 2011 compared to 2006. As both figures have risen a similar amount the net difference remains similar at just over 1,200.

- ^{4.60} The number of established households projected to move has fallen slightly from just over 5,500 in the 2006 survey to just under 5,000 in the 2011 survey, but because each household by moving also vacates a property, such movement has no overall impact on the total housing requirement (although they do have an impact on the tenure and size of dwellings required).
- ^{4.61} The migration issue represents the most significant numerical change between the previous and current surveys (the net increase was 483 in 2006-11 and is 1,004 in 2011-16). The main cause is the reduction in the 2011-2016 out-migration movement of households, which fell by 472 to 1,256. Most of the inward migration data is derived from the Guernsey Household Survey, Guernsey Facts and Figures 2011, and the Guernsey Annual Population Bulletin 2011, whereas the predicted number of households leaving the Island is based on respondents' stated expectations. The same approaches were used in 2006.

Understanding the Required Housing Mix

- ^{4.62} Having identified a net housing requirement of 2,253 over a five year period (451 units per annum), the next stage is to identify the tenure of accommodation required based upon what households can afford and what the market can supply.
- ^{4.63} The ORS Housing Market Model identifies three housing tenures (although these can be subdivided further):
- » **Social housing** – rented social housing provided by the Housing Department and the Guernsey Housing Association;
 - » **Intermediate housing** – partial ownership properties and private rented accommodation within the lowest quartile in terms of rent charges (see paragraph 4.23 and Figure 78 for more details); and
 - » **Market housing** – owner-occupied housing and higher-cost private rental accommodation housing.
- ^{4.64} The ORS Housing Market Model relies on the following rationale when grouping households by the three categories above:
- » Any household that can afford to buy or rent above the lowest quartile is assigned to **market housing**;
 - » Any household that cannot afford to pay more than social housing rents is assigned to **social housing**, providing they meet the eligibility criteria (namely: the tenant or their partner must be residentially qualified; must not have savings of over £20,000; and must not exceed the following gross weekly income: Single person – £500; Couple - £700; and Family with dependent child(ren) - £900);
 - » The remaining households are assigned to **intermediate housing**, which effectively means that they are ineligible for social rental, or are able to afford more than social rents but cannot afford to buy or to rent any housing above the lowest quartile market rent price.

- 4.65 The ORS Housing Market Model identified a net housing requirement derived from 2,253 additional households over a 5-year period (2011-2016). Figure 91 splits this requirement into housing type. The split between market housing, intermediate housing and social housing, expressed as a ratio, is 62:3:35.

Figure 91

Summary of 5-Year Housing Requirements by Housing Type 2011-2016 (Source: ORS Housing Market Model)

Housing Type	Gross Housing Requirement (Based on household affordability)	Housing Supply	Net Housing Requirement
5 YEAR REQUIREMENT <u>2011-2016</u>			
Market	6,307	4,921	1,386
Intermediate	2,203	2,125	78
Social	1,767	977	790
TOTAL	10,277	8,024	2,253

- 4.66 Figure 92 presents the equivalent information from 2006.

Figure 92

Comparison of 5-Year Housing Requirements by Property Type 2006-2011 (Source: ORS Housing Market Model 2006)

Housing Type	Gross Housing Requirement (Based on household affordability)	Housing Supply	Net Housing Requirement
5 YEAR REQUIREMENT <u>2006-2011</u>			
Market	9,093	7,792	1,302
Intermediate	249	-	249
Social	864	716	148
TOTAL	10,206	8,507	1,698

- 4.67 A comparison between Figure 91 and Figure 92 shows a sharp rise in the demand for social housing (previously 148, now 790). This jump is largely attributable to a change in how the ORS Housing Market Model assesses affordability: in 2011, the cost of social housing was based on the average of all the non-rebated weekly rents (see paragraph 4.23). In 2006, however, it was based on the average amount of rent actually charged to social tenants after the rent rebate had been applied. As the rebate scheme reduces the rent charged to between 14% and 25% of household income, the average rent was lower. In other words, the 2011 model reflects the real, un-rebated cost of social housing; as this is higher than the rebated cost, more households fall below the threshold that separates social housing from intermediate housing.

- 4.68 Another key change since 2006 is the rise in the cost of private rents: Figure 93 shows that renting privately has become considerably more expensive, so households that who could previously afford market rents (i.e. above the lowest quartile) are now identified as requiring social or intermediate housing.

Figure 93

Weekly Rent by Property Size and Tenure 2006 and 2011 (Source: Guernsey Policy and Research Unit, Guernsey Household Survey 2006 and 2011 and Survey of Letting Agents 2006)

Property Size	Lowest Quartile Private Rent 2006	Lowest Quartile Private Rent 2011	Change (%)
1 bedroom	£115.38	£184.62	+60%
2 bedrooms	£138.73	£253.85	+83%
3 bedrooms	£198.31	£349.04	+76%
4+ bedrooms	£264.43	£438.46	+66%

- 4.69 In seeking to better understand the impact of the growth in private rents in Guernsey in Figure 94, we have re-modelled the results to separate owner occupation from private rent (was formally combined and called 'market' housing). This creates a fourth housing tenure: 'Owned – for those households able to afford to buy market housing.' The supply is based upon all owner-occupied housing.
- 4.70 Figure 94 identifies the gross requirement for housing over the next 5 years in terms of the 4 housing types and size, and then details the net requirement for the next five years followed by the net requirement on an annualised basis. This shows that an additional 451 dwellings per year are required.
- 4.71 Please note that in Figure 94 the predicted demand for intermediate housing is different to that set out in Figure 91 and 92. In those earlier Figures, the 'intermediate housing supply' included partial ownership properties and the lowest quartile private rental; in Figure 94, partial ownership is given its own column, and all private rented dwellings (not just those in the lowest quartile) are included in the supply category 'rented'.
- 4.72 Figure 94 shows that given the current market rents on the Island there is technically enough private rent to meet the needs of those households who can afford private rent but cannot afford owner occupation; however there is a large shortfall of partial ownership housing. It appears that the cheaper private rented dwellings are accommodating households who could afford partial ownership housing.

Figure 94

5-year Housing Requirement by Property Type and Size (Source: ORS Housing Market Model)

Housing Requirement	Type of Housing				
	Private Sector Housing		Affordable Housing		Total All Sectors
	Owned	Rented	Partial Ownership	Social Housing	
Gross Requirement					
1 bedroom	615	2,364	248	459	3,686
2 bedrooms	1,423	460	254	581	2,719
3 bedrooms	1,474	246	76	619	2,415
4+ bedrooms	1,177	163	8	108	1,457
Total	4,690	3,234	586	1,767	10,277
Net Requirement					
1 bedroom	303	763	163	65	1,294
2 bedrooms	311	-643	254	460	381
3 bedrooms	201	-169	76	157	265
4+ bedrooms	375	-179	8	108	185
Total	1,191	-228	501	790	2,253
Net Requirement (Annualised)					
1 bedroom	61	153	33	13	259
2 bedrooms	62	-129	51	92	76
3 bedrooms	40	-34	15	31	53
4+ bedrooms	75	-36	2	22	62
Total	238	-46	100	158	451

Appendix A:

Household Survey Technical Report

Survey Design

1. In partnership with the States Housing Department and other States Departments, a detailed questionnaire was designed to gather the required information – including comprehensive information about individual household members both past and present.
2. The main sections of the questionnaire are detailed below.
 - » Current housing circumstances – tenure, type, size and condition of current home;
 - » Satisfaction with current area and local services;
 - » Previous homes – area, type, tenure and reasons for moving;
 - » Future moves – likelihood of moving, preferred tenure and likely destination;
 - » Household profile – age, gender, relationships and employment;
 - » Health problems, special needs and housing options for getting older;
 - » Changes in the household structure – persons that have recently left household and the likelihood of household members leaving the household in future;
 - » Financial issues – sources of income, income level, savings and debts;
 - » Housing costs – current costs, second homes and experiences of financial difficulties.

Sampling Framework

3. The need for reliable data about household composition, affordability and other characteristics, such as special needs, tenure and bedroom requirements meant that a household survey (based upon detailed personal interviews in people's homes) was the most appropriate method for the study.
4. Providing surveys are conducted with rigorous sampling and fieldwork standards to ensure a good approximation to a random survey, surveys can achieve very accurate results with quite moderate sized samples. However, it is not often understood that only proper random samples can be certified as more or less accurate at determinate confidence levels. The fieldwork for the Guernsey Study involved a household survey of a random and representative sample of 1,511 households.
5. The population base for selecting the required sample was the Corporate Address File (CAF) and the sampling strategy was based upon a stratified random probability selection. The sample was based on a stratified random probability selection with a disproportionate number of small flats, lodging houses

and 'houses in multiple occupation' (HMOs) being sampled to ensure sufficient responses were obtained from respondents in these dwellings.

6. In order to achieve 1,500 household surveys, an initial sample of 2,180 dwellings was selected – which would yield a response rate of c.70% before adjustment.

Fieldwork Procedures

7. Only experienced fieldwork staff that had previously worked on housing requirement studies with ORS undertook the interviews, and their work was carefully monitored on a day-by-day basis. Only householders or their partners were accepted as respondents, and they were interviewed in depth about their current and potential housing needs.
8. Of the 2,180 addresses called on, 67.3% yielded successful interviews – though this increases to 73.2% when invalid addresses are discounted from the base sample. It should also be noted that in line with UK Government Guidance, if more than one household was found to be present at the address attempts were made to interview all households. 33 dwellings contained more than one household and these yielded an additional 43 interviews, giving a total number of households who were interviewed as 1,511. The calls were as follows:

Figure 95

Summary of Interview Outcomes (Source: States of Guernsey Household Needs Survey 2011. Note: Figures may not sum due to rounding)

Interview Outcome	Number of Addresses Approached	% of Addresses Approached	% of Qualifying Households Approached
At Least 1 Household Interviewed			
Successful interview	1,468	67.3%	73.2%
Household Not Interviewed			
Refused to be interviewed	243	11.1%	12.1%
Not contactable	295	13.5%	14.7%
No Household Resident			
Property empty	134	6.1%	-
Non-residential or business only property	4	0.2%	-
Demolished or otherwise untraceable	36	1.7%	-
GRAND TOTAL	2,180	100.0%	100.0%

9. UK Government Guidance emphasises the importance of high response rates, and identifies an acceptable range of 60-80% (wider than the 67-75% identified in the earlier DETR Guidance). The achieved response rate of 73.2% clearly sits comfortably in the top half of this range.

Statistical Confidence

10. A random sample should be representative of its population to within specified statistical limits, and (as previously noted) the Guernsey Housing Requirements Study achieved 1,511 personal interviews with households randomly selected throughout the area. The analysis for such a sample should represent the entire population of households to within $\pm 2.5\%$ points at the 95% level confidence – that is, if all

households on Guernsey were interviewed, 19 times out of 20 the results would not differ by more than 2.5% points from the results for the sample.

11. Such error margins and levels of confidence are linked. Whilst we can be 95% confident that the overall sample is accurate to within $\pm 2.5\%$ points, we are confident that 4 times out of 5 the results will actually be within $\pm 2.1\%$ points. A further factor that influences the error margin is the split in opinion. If the result for a specific question is significantly biased to one response (e.g. if 95% of the sample stated Option A whilst only 5% stated Option B) the results will be subject to a smaller error than if there was less consensus. Whilst the achieved sample is always accurate to within $\pm 2.5\%$ points (based on the worse case scenario of a 50:50 split in opinion), the error margin reduces to $\pm 1.1\%$ points when at least 95% of respondents opt for the same option.
12. The level of accuracy and impact of changes in the opinion split are illustrated below, though most social research projects adopt a confidence level of 95% when reporting their findings.

Figure 96

Differential Error Margins by Sub-Sample Size and Opinion Split

Confidence Level	Opinion Split				
	50:50	75:25	90:10	95:5	99:1
MARGIN OF ERROR \pm					
80% (4 times out of 5)	1.7%	1.4%	1.0%	0.7%	0.3%
90% (9 times out of 10)	2.1%	1.8%	1.3%	0.9%	0.4%
95% (19 times out of 20)	2.5%	2.2%	1.5%	1.1%	0.5%
99% (99 times out of 100)	3.3%	2.9%	2.0%	1.4%	0.7%

13. Of course, the above table is based on results for the entire population. When results for individual sub-groups are considered, the error margins will increase – but to what extent will depend on the number of achieved interviews within the sub-group, as detailed below.

Figure 97

Differential Error Margins by Sub-Sample Size and Opinion Split

% of Overall Sample in Sub-sample	Opinion Split				
	50:50	75:25	90:10	95:5	99:1
MARGIN OF ERROR \pm					
75% of sample (1,134 cases)	2.9%	2.5%	1.7%	1.3%	0.6%
50% of sample (756 cases)	3.6%	3.1%	2.1%	1.6%	0.7%
25% of sample (378 cases)	5.0%	4.4%	3.0%	2.2%	1.0%
10% of sample (151 cases)	8.0%	6.9%	4.8%	3.5%	1.6%
5% of sample (76 cases)	11.3%	9.8%	6.8%	4.9%	2.2%

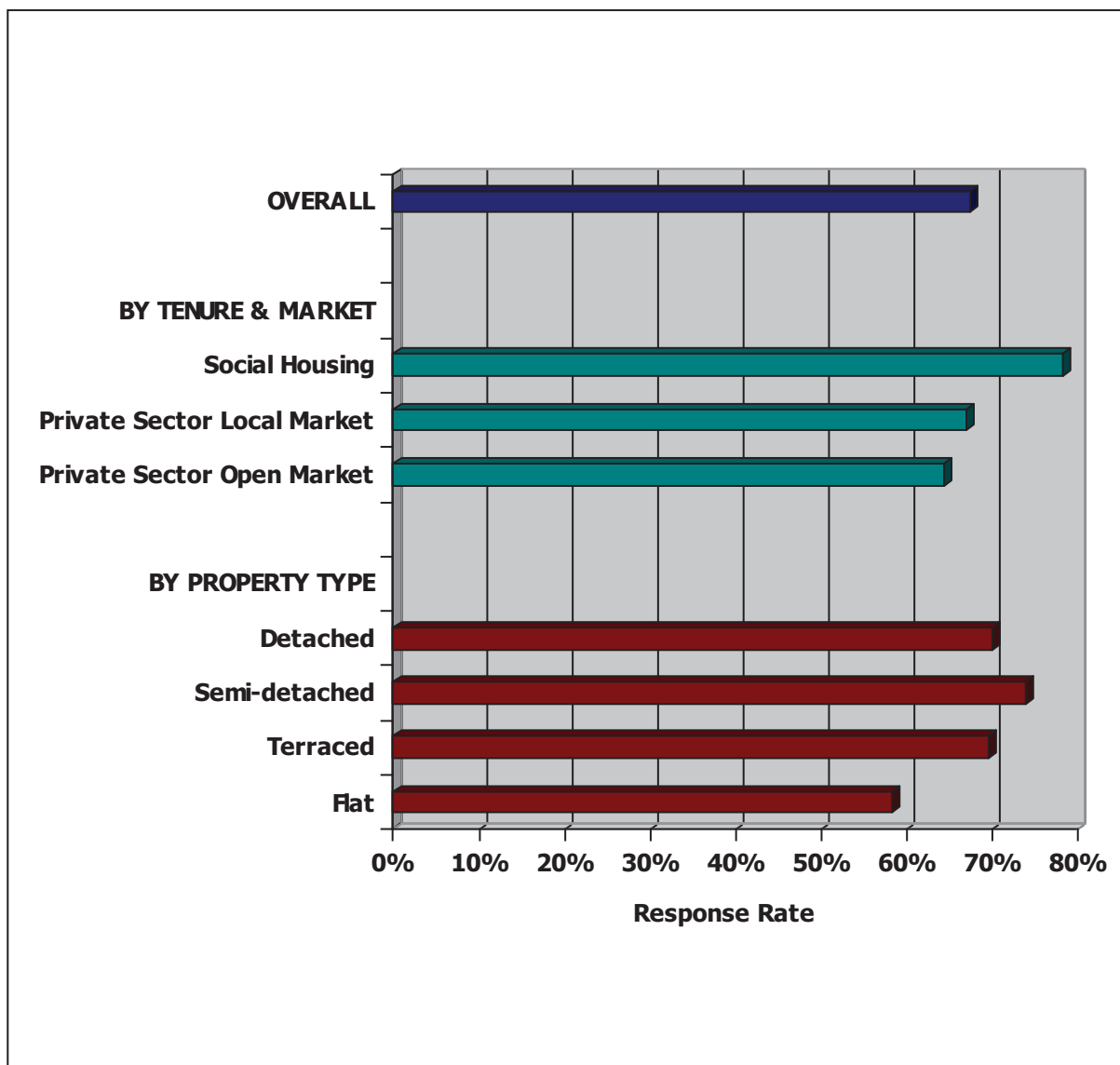
Response Bias

14. The confidence limits described above consider only the probability of errors arising in the figures from chance, and do not take account of other potentially more systematic errors arising from sample bias – that is, where some households are more likely to participate in the study than others.

15. As previously noted, interviews were achieved at 67.3% of all addresses approached – but this rate varied for different types of properties approached as detailed below. To compensate for these differential response rates, a statistical weight is derived for each case on the basis of tenure, market and property type to generate a weighting factor for each case.

Figure 98

Response Rate by Property Type (Source: States of Guernsey Household Survey 2011)



16. Whilst it isn't possible to identify further response bias in this way (insofar as no information is available about the households that were not interviewed), it is important to critically consider the profile of the achieved interviews against existing secondary data sources.

Appendix B:

Identifying Households with Housing Issues

1. Housing need refers to households lacking their own housing or living in housing which is inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some assistance (Bramley & Pawson, 2000). Therefore, to identify existing housing need we must first consider the adequacy and suitability of households' current housing circumstances i.e. their housing issues. The classification is sub-divided into four main categories, with a total of sixteen sub-divisions as detailed in Figure 99.
2. Most of the identified sub-divisions concern established households and several may cause a household to need to move from one property to another, though many will not necessarily need to move if appropriate changes are made to their existing home.
3. Even where a move is deemed necessary, facilitating households to relocate from one property to another will not inherently require additional homes to be provided because, whilst the characteristics of such dwellings may differ, the overall number of homes will remain the same. Nevertheless, to satisfy the needs of all households, it may be necessary to provide some additional housing with particular characteristics leaving an equivalent number of dwellings (with different characteristics) available to meet housing needs and demands from elsewhere in the market.
4. Whilst the majority of sub-divisions concerning established households may not contribute directly to the additional housing requirement, households who are currently in temporary housing (group ii) and a number of sub-divisions of the social requirements category may each require additional housing provision.

Figure 99:
Classification of Housing Issues (Source: Bramley & Pawson, 2000)

Main Category	Sub-divisions
1. Homeless or with insecure tenure	i. under notice, real threat of notice, or lease coming to an end ii. living in temporary accommodation (e.g. hostel, B&B, with friends or relatives) iii. accommodation too expensive
2. Mismatch of household and dwelling	iv. overcrowded v. house too large (difficult to maintain) vi. households with children living in high flats or maisonettes vii. sharing a kitchen, bathroom or WC with another household viii. household containing person with mobility impairment or other special needs living in dwelling not suited to their needs (e.g. accessed via steps or containing stairs)
3. Dwelling amenities and condition	ix. lacks a separate bathroom, kitchen or inside WC x. subject to major disrepair or unfitness

continued...

Main Category	Sub-divisions
4. Social requirements	<ul style="list-style-type: none"> xi. harassment or threats of harassment from neighbours or others living in the vicinity xii. relationship breakdown xiii. family unable to live together because of lack of accommodation xiv. need to give or receive support including living closer to family/friends xv. need to live closer to employment and/or other essential facilities xvi. want to live independently

Established Households with Housing Issues

5. Figure 99 above established four main categories for identifying housing issues, each with a number of sub-divisions. Whilst some of the indicators related to households currently lacking their own housing, the majority considered the circumstances of existing households.
6. Information on a wide range of housing issues was collated by the Housing Needs Survey, and by drawing on information gathered throughout the questionnaire we are able to rigorously identify whether or not households' current homes are suitable for their needs. Whilst the assessment of housing issues is based on responses to questions within the survey, many of the indicators are assessed relatively objectively on the basis of answers provided to factual questions. This is a far more sophisticated approach than relying on households identifying themselves with one or more problems selected from a "shopping list" of possibilities, and avoids households associating themselves with issues on the basis of interviewer prompts.
7. Objective assessments (based upon factual information) can clearly be used in assessing issues such as households' lack of facilities. Where, for example, respondents are asked whether they have an inside WC or not. Such a factual yes/no response clearly leads to an objective assessment of the criteria.
8. The measure of overcrowding and under-occupancy is also calculated objectively. The number of rooms required by a household is assessed through analysing the household profile against an agreed "bedroom & living room standard". This requirement is then set against the number of rooms available in the home. The bedroom standard used for the Guernsey study is similar as follows. It provides one bedroom for each of the following groups or individuals:
 - » Each adult couple;
 - » Each remaining adult (aged 18 or over);
 - » Each pair of children of the same gender;
 - » Each pair of children aged 10 or under;
 - » Each remaining child that has not been paired.
9. The number of rooms required is then set against the number of bedrooms in the current home, to determine the level of overcrowding or under-occupation.
10. A similar (though less complicated) assessment is used to identify children living in high rise flats – where the presence of children within the household is compared with the floor on which the household lives to determine whether or not the combination is acceptable.

11. Where it is not possible to identify problems in an objective manner, subjective responses from the survey have been used. Nevertheless, these are largely responses provided in an unprompted manner to more general, open-ended questions. This avoids any bias being introduced by the interviewing process.
12. A summary of the categories used to assess housing suitability from the Guernsey Household Survey data is detailed below:

Figure 100:
Classification of Housing Issues

Categories	Survey Analysis
1. Homeless or with Insecure Tenure	
Tenancy under notice, real threat of notice or lease coming to an end	Household wanting/having/needing to move because of end of tenancy, eviction, repossession or otherwise forced to move Or Landlord or mortgagor taking action to repossess the property or evict them because of arrears
Accommodation too expensive	Household currently in rent or mortgage arrears and currently finding housing costs extremely difficult to manage
Expiry of Housing License	Household wanting/having/needing to move because of expiry of Housing Licence
2. Mismatch of Household and Dwelling	
Overcrowding	Size and composition of household used to assess number of bedrooms required; compared with Number of current bedrooms
Households having to share a kitchen, bathroom, washbasin or WC with another household	Household with children/pensioners; and Living in multiple occupancy dwelling; and Sharing at least one basic facility
Home too difficult to maintain	Household wanting/having/needing to move because they have difficulty maintaining garden
Children living in high-rise flats	Household with children aged under 16; and Living in a flat above 4th floor
Households with support needs	Someone in household has long-term illness/disability/infirmity and their current home/circumstances do not meet their needs satisfactorily Need a carer to stay permanently or overnight and don't have space for them; or Need to move to sheltered housing, residential home, extra care, nursing home or hospital; or Household wanting/having/needing to move to receive care from a friend or relative

continued...

Categories	Survey Analysis
3. Dwelling Amenities and Condition	
Dwelling Amenities and Conditions	Household having no bathroom or shower-room; or Household having no inside WC; or Household having no kitchen; or Household having no washbasin with running hot water; or Household having no heating in the home; or Household relying exclusively on portable fires or heaters; or Household experiencing serious problems (as opposed to only experiencing problems) with interior or exterior structural repairs, roof repairs or rising damp or subsidence; or Household experiencing serious problems (as opposed to only experiencing problems) with two or more of the following: <ul style="list-style-type: none"> - Damp penetration or condensation - Window repairs - Electrical or wiring repairs - Gas supply or appliances - Heating or plumbing - Drainage problems - Repairs to gutters or down pipes
4. Social Requirements	
Harassment	Household wanting/having/needing to move because of racial or other harassment problems
Family reasons	Household wanting/having/needing to move because of separation from partner, to join other household members or to give care to a friend or relative

13. Households are classified as having housing issues if one or more of the above factors are found to apply. The households identified are considered to have housing issues regardless of the number of problems that are identified. This avoids potential double counting.
14. Although UK local authorities typically use points systems to score and prioritise overall needs, our analysis does not use artificial calculations to score the relative level of housing issues. After all, to say that some homes have greater housing issues than others does not mean that the households in the latter are not in need.

Appendix C: Glossary of Terms

Definitions

Affordability is a measure of whether housing may be afforded by certain groups of households, i.e. is within their means.

Affordable housing includes social rented housing provided by the Housing Department and the Guernsey Housing Association and intermediate affordable housing (such as partial ownership), provided to specified eligible households whose needs are not met by the market. Affordable housing should:

- Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices.
- Include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision.

Debts exclude any mortgage/house loan, but include debts on credit cards, hire purchase etc.

A dwelling is a single self-contained household space (an unshared dwelling) or two or more household spaces at the same address that in themselves are not self-contained, but combine to form a shared dwelling that is self-contained. A household space is the accommodation that a household occupies.

Equity is the difference between the selling price of a house and the value of the outstanding mortgage.

Hidden household is a household that currently lives within another household but that is likely to leave to form a new household and live in their own independent accommodation over a period of time, conventionally one year.

A household is either one person living alone or a group of people (not necessarily related) living at the same address who share cooking facilities and/or share living accommodation, i.e. a living room or sitting room.

Household costs are the mortgage or rental costs of a home, not the running or maintenance costs.

Household formation refers to the process whereby individuals in the population form separate households. 'Gross' or 'new' household formation refers to households that form over a period of time, conventionally one year. This is equal to the number of households existing at the end of the year that did not exist as separate households at the beginning of the year (not counting 'successor' households, when the former head of household dies or departs). 'Net' household formation is the net growth in households resulting from new households forming less the

number of existing households dissolving (e.g. through death or joining up with other households).

A household living within another household is a household living as part of another household of which they are neither the head or the partner of the head.

Households sharing are households (including single people) who live in non-self-contained accommodation and who do not share meals or living accommodation, i.e. a living room or a sitting room (e.g. 5 adults sharing a house like this constitute 5 one-person households).

Housing demand is the quantity of housing that households are willing and able to buy or rent.

Household income includes all salaries, benefits, pensions and investment income. It is a gross figure, i.e. before deductions such as tax and Social Insurance.

A housing issue is a problem experienced by a household that relates directly or indirectly to accommodation, e.g. lack of facilities, overcrowding, and un-affordability. A housing issue does not necessarily relate to the condition of a property, a family living in good but overcrowded accommodation still has a housing issue.

Housing need is the quantity of housing required for households who are unable to access suitable housing without financial assistance. For the purpose of technical assessment, this definition means there is a need to estimate the number of households who (a) cannot afford their own housing or (b) have a housing issue and cannot resolve it.

Housing requirements encompass both housing demand and housing need, and is therefore the quantity of housing necessary for all households to have access to suitable housing, irrespective of their ability to pay. In other words, it is the amount of housing necessary to accommodate the population at appropriate minimum standards.

Housing or dwelling size can be measured in terms of the number of bedrooms, habitable rooms or floorspace. This study uses the number of bedrooms.

Housing type refers to the kind of property, for example: market, intermediate or social housing; private sector or affordable housing; owned, rented, partial ownership or social housing.

Intermediate affordable housing is housing at prices and rents above those of social rent, but below market price and the top three quartiles for private rent, and which meet the criteria for affordable housing set out above. These can include partial ownership and other low cost homes for sale.

Low cost home ownership or partial ownership is housing designed to help people who wish to buy their own home, but cannot afford to buy outright (with a mortgage). Through this type of scheme you buy a share in the property with a Housing Association.

Lowest quartile means the value below which one quarter of the cases fall. In relation to home rental, it means the rental of the home that is one-quarter of the way up the ranking from the cheapest to the most expensive.

Market housing is private housing for rent or for sale, where the price is set by market demand.

Migration is the movement of people in and out of Guernsey. The rate of migration is usually measured as an annual number of individuals or households, living in Guernsey at a point in time, who were not resident there one year earlier. Gross migration refers to the number of individuals or households moving into or out of Guernsey. Net migration is the difference between gross in-migration and gross out-migration.

Partial ownership provide housing that is available part to buy (usually at market value) and part to rent.

A projection of housing needs or requirements is a calculation of numbers expected in some future year or years based on the modelling of existing conditions and assumptions.

Secondary data is existing information that someone else has collected. Data from administrative systems and some research projects are made available for others to summarise and analyse for their own purposes (e.g. Guernsey facts and figures 2011).

Social rented housing includes States rented housing and rented housing owned and managed by Guernsey Housing Association.

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APPENDIX B – Letter of support from the Environment Department



The Minister
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19th June 2015

Dear Deputy Jones,

Strategic Housing Target

The Environment Department is pleased to note that the results of the Housing Needs Study, 2011, will be placed before the States, along with the Housing Department's report regarding the Strategic Housing Target, in the near future. The Environment Department's Board welcomed the presentation given by Mr Jim Roberts at its meeting on 9th June 2015 which it found helpful in explaining the issues regarding revising the Strategic Housing Target.

I can confirm that the Environment Department concurs with the conclusion of the Housing Department's report to the States that households can be accommodated in a number of ways other than by new build housing, including by redeveloping or converting existing properties, by subdividing existing buildings into flats or smaller, self-contained units of accommodation, by making use of redundant and vacant buildings and by making greater use of multi-occupancy accommodation. For the reasons set out in the Housing Departments' States Report the Environment Department endorses the conclusion that the Strategic Housing Target should remain at 300 units per year.

Additionally the Environment Department would also like to make States members aware that, should the target figure increase, this is likely to have very significant implications for the delivery of the Island Development Plan. An increase in the target figure would require the Department to revisit the basis for allocation of housing sites within the draft Plan, would require further rounds of public consultation on new housing site allocations and would potentially require the current Planning Inquiry process to be re-commenced, all resulting in likely significant delays to delivery of the Island Development Plan.

POLITICAL RESPONSIBILITIES

Environmental policy; Management of States and Crown land; Land use policy and plans; Control of development including conservation and heritage protection; Public transport, traffic management, road safety, road networks and co-ordination of road works; Driving Licences, vehicle registration.

The Department also welcomes the Housing Department's support for an affordable housing policy in the Island Development Plan, which it sees as intrinsic to the supply of affordable housing on Guernsey. It also agrees with the recommendation that the next Housing Needs Study be carried out in 2019 which will provide more robust evidence for the five year review of the housing land supply in the Island Development Plan.

Yours sincerely



Deputy Yvonne Burford

Minister, Environment Department

- (N.B. Treasury and Resources Department noted that the most recent Housing Needs Study, the findings of which have informed the recommendations in this Policy Letter, was carried out in 2011 and, inevitably, since then there will have been changes in the economy and the population numbers and profile.

This Policy Letter recommends that the strategic housing target remains at 300 new dwellings per year. However, for the first time the Housing Department is recommending that the target is split into two parts with an objective for affordable housing of 171 dwellings per year. While the Treasury and Resources Department supports the need to develop affordable housing on the island, it is concerned that this target does not fit with the Guernsey Housing Association's most recent business plan which has been approved by the Housing and Treasury and Resources Departments as joint regulators and aims to provide 80 new homes per annum. Although the Treasury and Resources Department recognises that the provision of affordable housing is not the sole preserve of the Guernsey Housing Association, it is however the main provider. If the Association reaches its target, there will still be a shortfall of 91 dwellings each and every year. The Treasury and Resources Department is therefore concerned that attempting to meet the overall affordable housing target would put an unreasonable strain on the Guernsey Housing Association and require significant additional grant funding through the Corporate Housing Programme Fund which is not currently planned or available.

In addition, the requirement for this level of affordable housing stock will put pressure on the provision of land for development. Figure 5 of the Policy Letter sets out that land for the provision of affordable housing will ideally come from land acquired by means of the Affordable Housing Policy and through States-owned land. The proposed Affordable Housing Policy within the Island Development Plan provides the policy framework for planning covenants and should make available the opportunity for a percentage of private developments of five or more dwellings to include affordable housing. However, even at a 20-30% contribution, this is unlikely to deliver a significant number of units. This will inevitably result in significant demand for the provision of limited States owned land, the majority of which is currently tied up in providing other public services and which will need to be examined, as it becomes available, to ensure that social housing actually delivers the best social value (which is a combination of price and social outcomes) for those sites.)

- (N.B. The Policy Council notes the justification for retaining the Strategic Housing Target at 300 new dwellings per year, and supports the Housing Department's arguments for doing so. This figure will ensure that adequate provision is made for a recognised housing need and will not place any constraints on the figure of 300 being exceeded, in terms of dwellings being either granted planning permission or constructed.

The Policy Council notes that the Policy Letter does not articulate the consequences of failing to meet the 300 target. However, there appears to be no mechanisms available or viable to insist upon the submission of planning applications for development. In terms of the construction of dwellings, the Policy Council is of the view that the only viable mechanism for providing additional units, over and above those provided by the private sector, is through market intervention, such as enabling a recognised Housing Association to deliver against the affordable housing target.

The Policy Council supports the proposals in this Policy Letter and confirms that it 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 Policy Letter dated 13th July, 2015, of the Housing Department, they are of the opinion:-

1. To note the findings of the 2011 Housing Needs Study.
2. To agree that the strategic housing target remains 300 new dwellings per year.
3. To agree that the strategic housing target be subdivided into affordable housing and private housing targets of 171 and 129 dwellings per year respectively.
4. To agree that the next Housing Needs Study be carried out in 2019; and thereafter at intervals of not more than five years.
5. To note that the next review of the strategic housing target will take place before the Environment Department carries out its five-year review of the Housing Land Supply element of the new Island Development Plan.

**HOUSING DEPARTMENT
TREASURY AND RESOURCES DEPARTMENT**

JOINT REPORT ON FIRST TIME BUYERS SCHEMES

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

4th August 2015

Dear Sir

Executive Summary

1. In October 2014, Deputy Soulsby placed an amendment to the 2015 Budget Report¹ instructing the Treasury and Resources Department and the Housing Department to:

“...produce a joint report setting out proposals for the use of any such increase in the value of the Bond issue for the purposes of helping the people of Guernsey onto the property ladder by way of a first-time buyers’ scheme along the lines set out in section 7.14 of this Report; such joint report to also:

- *set out proposals that would help first time buyers but would not require funding from any Bond issue;*
- *set out the financial implications of such proposals; and*
- *be submitted to the States no later than 30 June 2015.”*

2. The two Departments have since examined a number of potential first time buyers schemes and have concluded that such schemes are fundamentally inflationary: by offering Islanders financial assistance to enable them to buy properties that they would otherwise be unable to afford, such schemes help to sustain – and, in the longer term, increase – house prices.
3. The two Departments are of the view that first time buyers are best served if house prices stabilise until they become more affordable, and then increase only in line with wages. This outcome can best be brought about by an increase in the supply of housing.
4. It follows that the Departments do not recommend that the proceeds of the bond are used to fund the creation of a first time buyers scheme. Instead, the Corporate Housing Programme Fund should in part be used, as is the case now, to facilitate the creation

¹ Billet d’État No.XXIII

of properties to sell to first time buyers through the Guernsey Housing Association's Partial Ownership Scheme.

Introduction

5. Last October, the States approved Deputy Soulsby's amendment to the 2015 Budget and instructed the Treasury and Resources and Housing Departments to produce a joint report which would look at how to help the people of Guernsey onto the property ladder by way of a First Time Buyers Scheme (see above).
6. The amendment refers to Section 7.14 of the 2015 Budget report, which states that such a scheme could be similar to the UK government's 'Help to Buy' scheme, or could involve the States paying home purchase loans or guaranteeing loan deposits. The amendment also instructed the two departments to examine the viability of first time buyer schemes which would not require funding from any Bond issue.
7. This report examines the three schemes referred to in Deputy Soulsby's amendment and identifies the advantages and disadvantages associated with each. Underpinning these assessments are three sound and provable assertions which are explained in paragraphs 13 to 23, below.

A note on affordable housing and Partial Ownership

8. In the context of this report, 'affordable housing' refers specifically to means-tested social rented housing provided by the Housing Department and the Guernsey Housing Association (GHA); and housing offered to first time buyers through the GHA's Partial Ownership Scheme. Demand for affordable housing is evidenced by waiting lists for partial ownership and social rented properties.²
9. To qualify for social rented housing, applicants' household income must fall below certain thresholds. Some social housing tenants are entitled to a reduction in the amount of rent they have to pay via the Housing Department's Rent Rebate Scheme.
10. The Partial Ownership Scheme has been in operation since 2005. In that time, 153 units of accommodation have been made available through the scheme. There is an average cost to the States, in terms of land value and capital grant, of £70,000 per property.
11. To be eligible for the Partial Ownership Scheme, applicants must be residentially qualified and a first time buyer; they must also be able to afford to repay a mortgage. Under the Partial Ownership Scheme, qualifying households can purchase between 40% and 80% of a GHA property.
12. In addition to servicing a mortgage, households pay GHA a modest rent. When they want to move, they must sell their property back to the GHA so that it can be offered

² The waiting list for Housing Department social rented, GHA rented, and GHA Partial Ownership combined is 479 at end 2014, of which 234 are on the Partial Ownership waiting list

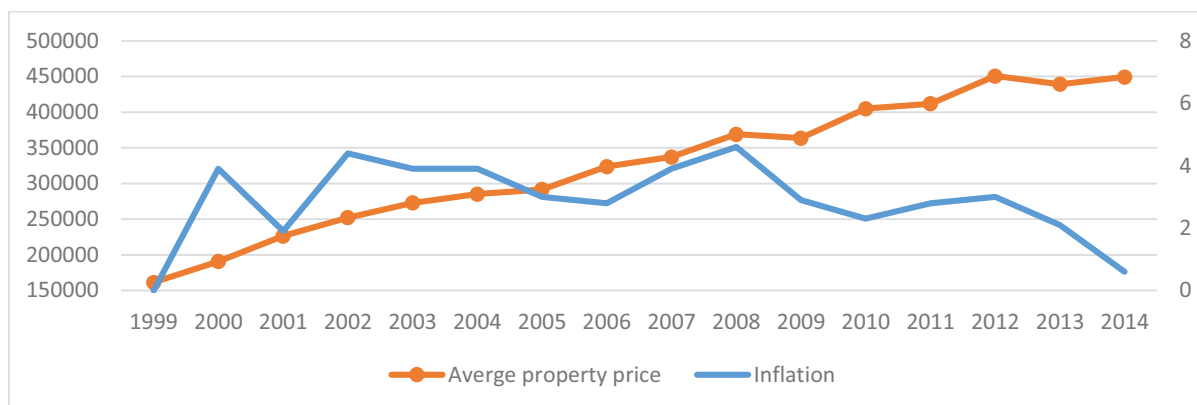
to another first time buyer. 28 of the 153 units have been re-sold through the scheme since its launch.

13. The Scheme is funded principally by the GHA, with financial support from the States in the form of the transfer of land or capital grants from the Corporate Housing Programme (CHP) Fund.
14. The Partial Ownership Scheme is concentrated exclusively on newly built properties. The properties themselves are ‘pepper potted’ throughout larger affordable housing developments.

Assertion 1: There is a Guernsey ‘housing bubble’

15. If the housing market was functioning effectively, the household income/property price ratio should be relatively stable; prices, like salaries, would be rising in line with inflation; and the number of property transactions would be similar year to year. Figures One to Three illustrate that none of this is happening. Inflation is going down yet property prices are increasing, with the average property now costing 15 times the average salary. As a result, fewer houses are being sold. The market should have corrected itself, with lower prices encouraging greater transactions; but at time of writing this has yet to happen.

Figure One: Average local market property price versus inflation ³

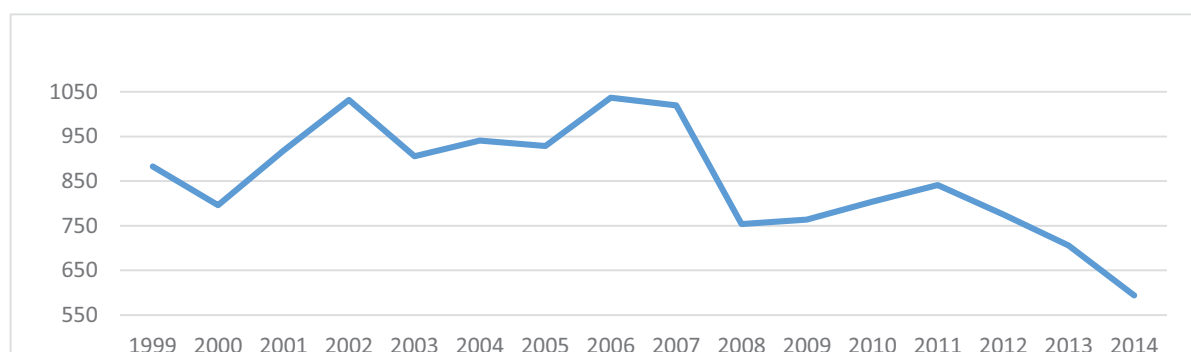


³ Residential Property Prices – Local Market History to December 2014: <http://www.gov.gg/property>

Figure Two: Average local market property prices as a multiple of average salary⁴, and mortgage rate⁵

Year	Average local market property price : Average salary ratio	UK Lifetime Tracker Mortgage rate
1999	7.2 : 1	6.54
2000	8.0 : 1	6.99
2001	8.4 : 1	5.00
2002	9.1 : 1	5.12
2003	9.3 : 1	4.91
2004	11.0 : 1	5.43
2005	12.9 : 1	5.29
2006	13.7 : 1	5.63
2007	13.5 : 1	6.20
2008	14.1 : 1	4.92
2009	13.4 : 1	3.92
2010	14.8 : 1	3.51
2011	14.5 : 1	3.38
2012	15.4 : 1	3.66
2013	14.8 : 1	2.92
2014	15.2 : 1	2.89

Figure Three: Local market residential property transactions (1999 – 2014)



16. As Figure Two illustrates, average local market properties now cost more than 15 times the average annual salary⁶, while the most recent Housing Expenditure Report (2012-13) indicates that owner-occupiers who owe money on their home spend an average of 31% of their income paying off a mortgage⁷. Getting a step on the first

⁴ Average salaries from Annual Earnings Bulletin (Facts and Figures booklet pre-2010)

⁵ Bank of England Statistical Database, Monthly interest rate of UK monetary financial institutions (excl. Central Bank) sterling Lifetime Tracker mortgage to households: <http://bit.ly/1R8iAO8>

⁶ The most recent Annual Earnings Bulletin (2013) states that the average annual salary in 2013 was £29,640: <http://bit.ly/1zSay3B> The purchase price to earnings ratio in the same year was 15.4, Guernsey Annual Supplementary Property Bulletin: <http://bit.ly/1zz1KPd>

⁷ 2012-13 Household Expenditure Report: <http://bit.ly/1M1uR4t>

rung of the property ladder is significantly more difficult now than it has been in the past. As Figure Four illustrates, mortgage interest reductions subsequent to the recent global recession have not led to a reduction in local house prices, or increased the affordability, relative to salaries, of monthly mortgage repayments; in fact the opposite has occurred. As interest rates fall, lenders are in a position to offer potential buyers larger mortgages, thereby increasing their spending power, which causes sellers to increase their prices.

Figure Four: Ten year household expenditure comparison

	1999	2014
Average house price	£161,000	£449,400
Average mortgage interest rate ⁸	5.50	2.89
Monthly repayment required, assuming a 25 year repayment mortgage	£990	£2,106
Average salary (individual)	£22,343	£29,600
Percentage of individual income required to meet demands of mortgage (sole earner)	53%	85%

17. Had house prices risen in line with RPI, a property costing £161,000 in 1999 would cost £258,000 in 2014. In reality, it costs just over £449,000. House prices are rising at a rate which is outpacing inflation and real wages, rather than lowering to reflect customers' ability to pay. Figures from Q1 2015 show a 1.6% drop in prices compared with the same period in 2014; this may indicate that the market is starting to self-correct, but it would be premature to declare, on the basis of a single quarter, that the housing bubble is starting to deflate.

Assertion 2: Home ownership is, on balance, of benefit to the Island

18. The fact that 64% of the properties on the Island are owner-occupied suggests that home ownership is something to which most people on the Island aspire.⁹
19. Home ownership can be beneficial to the States and to Islanders generally. A desire to own property can be a powerful driver economically if it leads to new homes being built. Additionally, the sense of putting down roots on the Island increases a sense of community spirit (on the face of it an intangible benefit, but something of material consequence for the States: increased social inclusion coincides with a both a decrease in crime and a reduced bill for elderly care support¹⁰).

⁸ <https://www.skiptoninternational.com/product/5yr-fixed-gsy-mortgage>

⁹ Guernsey Annual Housing Bulletin 2014: <http://bit.ly/1KERPyS>

¹⁰ 'Social Benefits of Homeownership and Stable Housing' (2012) <http://bit.ly/1EdtK0S>

20. Home ownership also enables older people, by downsizing, to achieve greater financial self-sufficiency (provided, of course, that they can find a buyer for their property).
21. At the core of this report is an assumption that there is little political will to move to a more European model, where renting a property is at least as common – and acceptable – as owning one.

Assertion 3: Market intervention should not lead to house price inflation

22. In a free market, supply and demand have a symbiotic relationship that should find its balance without the need for state intervention: sellers should provide customers with as much of a product as they demand, at the highest price they are willing to pay before the price acts as a deterrent. Translated for housing: developers should build as many new homes as are needed, at a price that is affordable, with ‘affordability’ being determined by purchasers’ income. House prices are a social construct: a property has no objective value beyond the amount that people are willing and able to buy and sell it for. Prices can and should go up, but from time to time they will fall in order that the market may find its balance. A drop in prices is evidence of the housing market self-correcting.
23. The Treasury and Resources and Housing Departments are of the view that a relatively stable growth in prices, in line with earnings, is the ideal situation. A strong housing market helps to generate the ‘feel-good factor’ which builds consumers’ confidence in ‘Guernsey Plc’.
24. As a rule, it is not the role of the States to interfere in the market unless not doing so will actively cause harm to disadvantage people. (This is, for example, how government justifies subsidising libraries.¹¹) Before intervening in the property market, the States must be satisfied that non-intervention would lead to worse outcomes for the general public.
25. The statistics above show that first time buyers are being priced out of the housing market. This can change in one of two ways, depending on whether or not the supply of housing increases. If more properties are built, house prices should reduce and home ownership should become more affordable. If more properties are not built and house prices stay the same (or go up), the States could help first time buyers make a purchase by offering them financial assistance through a first time buyers scheme. The latter approach amounts to direct market intervention.

¹¹ i.e. On free market principles, a library is a ‘bad’ business model. It cannot be self-sustaining, therefore it should close. However, the States recognise that there is a public benefit to be gleaned from the services libraries provide, and therefore it intervenes in the market to ensure that it can stay open.

The housing market in the Guernsey economy

26. Culturally, Guernsey places a very high value on home ownership, echoing a very Anglo-Saxon attitude where owning your own home is considered a sign of success. This emphasis on home ownership is not universal. In fact, some of Europe's largest and most successful economies have much lower rates of home ownership. Germany and Switzerland, for example, have rates of property ownership of 41% and 38% respectively (compared with 71% in the UK and 64% in Guernsey) and the majority of families choose to rent.
27. In Guernsey, owning your own home is considered to add a sense of permanence and stability to a household; it is seen as an investment in the local community and a way for families to accumulate wealth. In economic terms, home ownership should encourage savings and investment which adds stability to the economy, providing a mechanism by which gains in times of growth can be used to support consumption in times of economic stress.¹² It is undoubtedly true that through the periods of significant house price rises experienced over the last twenty to thirty years, many local households have received considerable financial benefit from owning their own home. This benefit has fed into the economy in terms of increased consumption and greater financial independence for those who have used the capital value of their home to better support their retirement, but this is unlikely to be the case going forward.
28. In absolute terms, the value of property as an investment has weathered the economic storm well, and in Guernsey it is not until relatively recently (since early 2012) that the fall in transaction volumes has fed into increases in house prices at a rate consistently at or below inflation. However, unlike most other forms of investments, few people purchase their property outright. This means that a drop in the house price values can wipe out all of a household's equity and those new to property ownership are usually most at risk.
29. As the recent financial crisis has proven, high levels of home ownership achieved through high-risk lending can cause a damaging level of economic volatility. A fall in house prices or a rise in interest rates can push households into financial difficulty, or can leave a family unable to sell a property no longer suited to their needs. This can increase the level of unsecured or bad debt in the economy, and reduce consumption levels as households struggle to pay for their investment in a way that they may not need to if they had invested in another form.
30. A return to the level of upward pressure on prices seen in the past is unlikely in the foreseeable future. Neither would it be desirable, since this would only increase the inaccessibility of the market for first time buyers. A steady erosion of the price to earnings ratio from price increases at or slightly below the rate of inflation, combined with a steady increase in median earnings, is a more desirable outcome –and of most long term benefit to those seeking to enter the market.

¹² Although some commentators believe the practice of equity release common before the start of the financial crisis actually increased economic volatility.

31. This does mean that the level of economic and financial gain from property purchase is likely to be less in the future, but a more stable market and a more conservative approach to lending also means that changes in the housing market are less likely to produce volatile swings in the economy.

Analysis of potential first time buyers schemes

32. In writing this report, the Treasury and Resources and Housing Departments have evaluated the three first time buyers schemes referenced in Deputy Soulsby's amendment.
33. For a scheme to be considered beneficial it has to satisfy three criteria relating to macroeconomic impact, net public good, and value for money:

Criterion 1: It is not inflationary; there is no evidence to suggest the scheme will contribute to further increases in house prices

Criterion 2: It does not help a minority of buyers in a way that causes harm to the majority

Criterion 3: On balance, based on all available evidence, the costs of implementing any scheme are outweighed by the benefits it brings about

34. The benchmark against which all three schemes were measured was the Guernsey Housing Association's Partial Ownership Scheme. As described in paragraph 11, the Partial Ownership Scheme is a *de facto* first time buyers scheme. Diverting funds away from the Partial Ownership Scheme would be justified if a new scheme offered better value for money or was otherwise preferable.
35. The Partial Ownership Scheme satisfies all three criteria. It addresses supply, and is entirely focused on new properties, which are built with the express purpose of providing affordable housing, it is not inflationary. It is open to anyone who meets the eligibility criteria, and because it is not inflationary, it does not negatively impact those who do not participate in the scheme. Finally, the cost to the States, c.£70,000 per unit (as a combination of capital grant and land value), are justified, because the 'buy-back' clause ensures that the States has a stake in the property in perpetuity.

Scheme 1: A version of the UK's 'Help to Buy' scheme

36. Since October 2013, the UK Government has been offering first time buyers assistance by way of a mortgage guarantee. The scheme operates by allowing mortgage lenders the option to purchase a guarantee on mortgage loans, thereby allowing them to increase their offer of high loan-to-value (LTV of 80-95%) mortgages. Under the Help to Buy scheme, the borrower is responsible for paying

back the entire mortgage; but in the event that they default, the Government guarantees up to 15% of the loan.¹³

37. The scheme is designed to run for three years until 2016, as the UK Government has stated that it believes the housing market is cyclical and that the current high prices are a result of normal market forces. It denies criticism that by making it easier to access borrowing, the scheme carries a risk of being inflationary.
38. A full review of the scheme is expected later in 2015. However, early indications suggest that the scheme's detractors were right to warn that it would have an inflationary effect¹⁴: average prices paid by first time buyers have risen by 7.6% following the scheme's introduction.¹⁵
39. There is no doubt that the scheme has been welcomed by first time buyers. By providing a mortgage guarantee, the Government is effectively allowing buyers to access interest rates equivalent to those offered to buyers with a 20% LTV (Loan-To-Value) deposit. By artificially stimulating the market, however, the scheme in the longer term simply allows house prices to rise out of step with inflation, and does nothing to make houses more affordable. Lenders can offer mortgages with a LTV ratio of up to 95%, which attracts investment from buyers who would not easily be able to afford a larger deposit for their property, i.e. the group who are most likely to default on payments if their circumstances change and they can no longer keep up with repayments. If that happens, the taxpayer has to make up the shortfall if the buyer has paid off less than 20% of the property's value.
40. The scheme has been criticised¹⁶ on the grounds that it does not increase housing supply.¹⁷ It allows the property market to work as it always has done, with a limited number of properties being bought by a limited group of people, to be sold for maximum profit to anyone who can afford to buy. It does not bring about lower property prices; nor does it address shortages in the supply of housing. The conditions of the scheme are such that prospective buyers only have to be able to prove that they can afford a 5% deposit and regular monthly repayments. It is not tied to income levels (e.g. 4 x income), and therefore there is no incentive for the market to price property at this level.

Evaluation of Scheme 1: A version of the UK's 'Help to Buy' scheme

41. *Criterion 1: It is not inflationary; there is no evidence to suggest the scheme will contribute to further increases in house prices*

¹³ UK Government Help to Buy site: <http://bit.ly/1wGzWO1>

¹⁴ Daily Mail, March 2014, "Help to Buy may have to end early, warn mortgage brokers, as fears grow over cheap money fuelling house price inflation": <http://bit.ly/17Nkns3>

¹⁵ The Guardian, March 2014, "UK house price inflation rises to 7%": <http://bit.ly/1jtttd2Q>

¹⁶ Financial Times, May 2013, "IMF adds to growing criticism of 'Help to Buy' mortgage scheme": <http://on.ft.com/1BPyawe>

¹⁷ Telegraph, July 2013, "George Osborne's Help to Buy is 'very dangerous', expert warns": <http://bit.ly/1zz2fsm>

The scheme fails to meet this criterion, as evidence from United Kingdom, and critical economic analysis of the scheme, strongly suggests that the scheme will have an inflationary effect.

42. *Criterion 2: It does not help a minority of buyers in a way that causes harm to the majority*

The scheme, on balance, fails to meet this criterion. There would be benefits gained from the scheme in that some people who might otherwise be shut out of the market will be able to access borrowing, and thus be able to purchase property and access the benefits which flow from the same. However in the long term, by creating inflation and increasing demand without addressing supply, the scheme is damaging to the property market.

43. *Criterion 3: On balance, based on all available evidence, the costs of implementing any scheme are outweighed by the benefits it brings about*

The scheme, on balance, fails to meet this criterion. It would have minimal set-up costs, and by charging lenders to participate it could even be self-sustaining. However, funding the building of affordable units through the CHP Fund offers better value for money in the longer term, because of the buy-back clause. The potential harm caused by the scheme through its inflationary effect are not outweighed by the benefits it offers.

- 44. The Help to Buy scheme requires the States to accept significant risk but does not offer significant long-term benefits.
- 45. There is reason to believe that introducing a Help to Buy scheme in Guernsey would actively damage the property market; and even if that was not the case, the funds required to launch and sustain such a scheme would be better spent by expanding the Partial Ownership Scheme.
- 46. By contrast, building affordable housing through the Partial Ownership Scheme has a three-fold benefit: it resolves the problems faced by first time buyers at present; it ensures the sustainability of affordable housing through the buy-back clause in partial ownership; and it does not inflate the housing bubble.
- 47. The GHA's Partial Ownership Scheme is similar to a Help to Buy scheme in the sense that it allows people with small deposits to access the property market. The key difference, however, is that partial ownership properties remain in GHA's ownership in perpetuity, and will always be bought by first time buyers.

Figure Five: Partial ownership/Help to Buy comparison

One unit of accommodation	GHA partial ownership	Help to Buy
Funding	£70,000	Zero, assuming homeowner does not default (in which case up to 20% of property value)
Return – financial	Zero	Zero
Return – social value	Provision of affordable housing for people who might otherwise occupy a rented unit	Negligible
Long term	An additional unit of accommodation remaining in public control in perpetuity	Negligible

Scheme 2: Offer direct loans

48. Until 2010¹⁸ the States offered first time buyers loans from the Home Loans Fund (HDLF). Between 2000 and 2010, the maximum loan available was £130,000. In 2000, 280 borrowers took loans totalling £32 million. As property prices increased, this number fell proportionally as the availability of low-cost property decreased. The scheme had an inflationary effect¹⁹ as it opened the market to buyers who would not otherwise have been likely to attain a mortgage, without increasing supply.
49. Furthermore, as the market thrived, rates charged by commercial lenders fell, until it was often the case that they were charging lower rates of interest than the States.
50. These factors, considered alongside the launch of the GHA's Partial Ownership Scheme in 2007, significantly reduced take up. A Housing Department States Report in 2010²⁰ discussed whether the threshold should be increased to allow debtors to access properties with a value greater than £130,000, but concluded that any such move would be likely to have an even greater inflationary effect.²¹
51. While the scheme was in operation there was no market-led incentive for homeowners to reduce their prices. Today, the bottom end of the market is stagnating; those who want to enter the market cannot afford the £40,000 to £80,000 deposit required to buy

¹⁸ States Report, *Corporate Housing Programme – Progress Against The 2009 Action Plans And Future Strategy*, March 2010, pp.116 – 130

¹⁹ 'The Operation of the Housing Market in Guernsey: A Report to the States of Guernsey Housing Authority and the Advisory and Finance Committee', Michael Parr (2003), published as an appendix to: States Advisory and Finance Committee and States Housing Authority, *The Development of a Housing Strategy and Corporate Housing Programme*, Billet d'État II, February 2003.

²⁰ See note 17

²¹ Parr [see note 18] stated the following: 'The States Home Loans Scheme's effect is to make housing more affordable to those first time buyers fortunate enough to be given the financial subsidy, but its effect will be to bid up prices generally. This will be for both those with a SHLS mortgage and all other first time, and other, buyers.'

a property at £400,000. The average house price has risen out of line with inflation and salaries and does not represent a realistic reflection of people's ability to buy. Low-deposit mortgages at favourable interest rates may stimulate the bottom end of the market, but only by making it possible for buyers to meet the prices set by the sellers.

Evaluation of Scheme 2: Offer direct loans

52. *Criterion 1: It is not inflationary; there is no evidence to suggest the scheme will contribute to further increases in house prices*

The scheme fails to meet this criterion; it has been proven to contribute to house price inflation.

53. *Criterion 2: It does not help a minority of buyers in a way that causes harm to the majority*

The scheme fails on this measure. Similar to Help to Buy, a scheme of this nature would benefit the few at the expense of the many. In 2003 the Parr Report – an analysis of the Guernsey housing market commissioned by the Housing Authority – concluded that the scheme created a greater reliance on States' intervention. If potential first time buyers could not access the scheme, they were put at a bigger disadvantage than they would have been if the scheme did not exist, because the loan created an uneven playing field by falsely inflating the buying power of those who could access the loan. That the scheme did nothing to increase supply meant that prices continued to rise, and if it was to continue to ease the burden on first time buyers, the States were forced to keep up high levels of spending financing the scheme.

54. *Criterion 3: On balance, based on all available evidence, the costs of implementing any scheme are outweighed by the benefits it brings about*

The scheme fails on this measure. As past experience shows, in order to make a meaningful difference, the cap on borrowing has to be high. This makes it a very expensive scheme to operate, and the benefits are felt by so small a group it cannot be justified. As seen below, increasing supply by investing in the Partial Ownership Scheme would yield better results in the short and longer term.

Figure Six: Partial ownership/Direct loan comparison

One unit of accommodation	GHA Partial Ownership	Direct loan
Funding	£70,000	£150,000
Return – financial	Zero	c.4.8% (assuming in line with other lenders)
Return – social value	Provision of affordable housing for people who might otherwise occupy a rented unit	Negligible
Long term	An additional unit of accommodation remaining in public control in perpetuity	Negligible

Scheme 3: A Home Deposit Loan Scheme

55. Under a Home Deposit Loan Scheme, the States would offer first time buyers a loan (interest free for five years) equivalent to 15% of the cost of a property, subject to certain limits.
56. Jersey's housing market is similar to Guernsey's, with demand pushing home ownership out of reach for many first time buyers who cannot afford a 20% deposit. In June 2013, at a cost of £2.5 million, the States of Jersey introduced a Starter Home Deposit Loan Scheme, offering first time buyers a deposit worth up to 15% of the purchase price of a home, provided they already had a 5% deposit.
57. The Jersey scheme was due to run for six months. Take up of the scheme was 52 households in the first six months, at a cost of £2.7 million.²²
58. For the purposes of calculating an estimated rate of interest for a Guernsey-based deposit assistance scheme, it is reasonable to assume that an investment of just over £2.5 million would enable the States to provide assistance to just 37 households (c. £67,400 per household, based on the average house price of £449,000).
59. Jersey's scheme has, for several households, brought forward the point at which they can purchase their first property: without it, their entry into the housing market would have been delayed while they saved for a deposit. A further benefit is that the restrictions placed on the type of property that can be purchased through the scheme has created much-needed movement at the bottom end of Jersey's housing market.
60. A major drawback, however, is that homeowners who buy property through the scheme are not obliged to sell it on to first time buyers. Homeowners might choose to extend or renovate the property, increasing its value and pushing it into second-time-buyer territory. Using the Jersey model, a homeowner who had benefitted from this scheme could make a profit selling the property to a buy-to-let investor. For that reason, if the scheme were to be adopted in Guernsey without such restrictions being put in place, it would assist only the first generation of first time buyers; it would not have a long term benefit.
61. If restrictions were applied so that properties could only be bought and sold by first time buyers, the scheme would be similar to the Partial Ownership Scheme. For £2.5m, GHA could create 31 partial ownership units²³ that would remain available for first time buyers in perpetuity – additionally, the extra units would increase GHA's assets, enabling them to borrow more and become less dependent on the States' financial support.

²² States of Jersey, *Corporate Services - Approved Panel Minutes - 26 February 2014 - Scrutiny Minutes*
<http://bit.ly/1DFQFy0>

²³ In figures reported to the Housing Department by GHA in 2014, an SoG grant of £1.7million and a land subsidy of £0.7million allowed GHA to build 31 units.

Evaluation of Scheme 3: A Home Deposit Loan Scheme

62. *Criterion 1: It is not inflationary; there is no evidence to suggest the scheme will contribute to further increases in house prices*

The scheme is likely to fail on this measure in the long term. Based on initial findings in Jersey, the scheme is not directly inflationary at launch. It is reasonable to assume, however, that it will have an inflationary effect when the time comes for homeowners who purchased under the scheme to sell. They will have no incentive to set their asking price at anything other than the highest possible achievable price. It also disincentivises the market lowering prices more generally, which means that anyone who wishes to purchase a house without using the scheme will continue to be unable to do so.

63. *Criterion 2: It does not help a minority of buyers in a way that causes harm to the majority*

The scheme fails on this measure. Because the scheme exacerbates the problem for those who cannot access the deposit loan, this scheme actively worsens the position of most people. To safeguard against this, the States would have to offer it to more people. In order to help a reasonable amount of first time buyers the cost of the scheme would rocket.

The long term effect of the scheme is negative. It creates another housing bubble which is disadvantageous to future generations.

64. *Criterion 3: On balance, based on all available evidence, the costs of implementing any scheme are outweighed by the benefits it brings about*

The scheme fails on this measure. The cost of the scheme would be significant, and the benefits felt by so few that it is not a defensible use of funds.

Figure Seven: Partial ownership/Home Deposit Loan Scheme comparison

One unit of accommodation	GHA Partial Ownership	Home Deposit Loan
Funding	£70,000	c.£67,400 (15% of the value of the property)
Return – financial	Zero	Zero (assuming loan repaid within interest free period)
Return – social value	Provision of affordable housing for people who might otherwise occupy a rented unit	Negligible
Long term	An additional unit of accommodation remaining in public control in perpetuity	Negligible

Assisted Mortgages

65. The Assisted Mortgages (AM) concept is that a private company operates along similar lines to the way in which certain banks lend to GHA's partial ownership buyers. First-time buyers could purchase a proportion of the value of the property up to 100% (the remainder being in the ownership of AM), and have a proportionate interest in any variation in the property value over the period of ownership. They would obtain a 100% mortgage from AM for the value of the proportion of the property they have purchased and pay 'rent' to AM for the remainder of the property. Once the property is sold, the mortgage is redeemed and it becomes an ordinary home for sale in the private (local) market.
66. There is currently virtually no access to 100% mortgages as banks are not willing to provide such a product. However, the business model for AM would require the States to provide substantial funding (on which it would generate a return) and act as the anchor funder for the scheme in order to attract private investors. The States would be exposed to potential losses if mortgagors defaulted on their loan. It is likely that the cost to the borrower for accessing funding through an AM scheme would be higher than through a conventional mortgage.

Evaluation the Assisted Mortgages Scheme

67. *Criterion 1: It is not inflationary; there is no evidence to suggest the scheme will contribute to further increases in house prices*

The volume of transactions would be relatively small. However, the impact of the scheme would be to increase demand by creating access to property ownership from buyers who would not otherwise be able to do so. Even if the States' funding was only available for mortgages for the purchase of new builds, it would still boost demand, and those new units would likely have been built in any case (unlike partial ownership, where they are built for the purpose of PO with the freehold remaining in public ownership in perpetuity).

68. *Criterion 2: It does not help a minority of buyers in a way that causes harm to the majority*

There would be benefits gained from the scheme: some people who might otherwise be shut out of the market will be able to access borrowing, and be able to purchase property and access the benefits which flow from the same. However, there is currently no evidence that the existence of this scheme would result in an increase in supply to balance out increased demand.

69. *Criterion 3: On balance, based on all available evidence, the costs of implementing any scheme are outweighed by the benefits it brings about*

If a proportion of the bond proceeds are used to invest in AM, then they will not be available to fund island infrastructure, via States owned or controlled entities.

In particular, the obvious comparator is the States' contribution to GHA's partial ownership new builds, in the form of a States' subsidy. This subsidy is estimated to be in the region of £70,000 per unit of accommodation but the property will remain in partial ownership by first-time buyers in perpetuity. It is estimated that, at least in the initial years of an AM scheme, borrowing from the States of £350,000 per unit of accommodation would be required.

Document Duty

70. One of the resolutions arising from the Personal Tax, Pensions and Benefits Review (Billet d'État IV, March 2015) was:

"To direct the Treasury and Resources Department to review the structure of Document Duty as part of the ongoing budgetary process."

71. It is considered that the current structure of Document Duty (2% up to £250,000, 2.5% up to £400,000 and 3% above £400,000) may represent a barrier to entering the housing market for some people and also for moving up the housing ladder. In the UK and Jersey, equivalent charges are lower for low value sales and higher for high value sales. Therefore, there may be scope to move to a more sophisticated, graduated system of charges which would avoid step changes in the cost of purchasing a property as the property value increases that could also ease any distortion to the housing market these step changes may be causing.

Mortgage Lenders

72. There is perceived to be a shortage of lenders in the Guernsey market which is suppressing competition and lending. The Treasury and Resources Department intends, in conjunction with the Commerce and Employment Department to review any barriers to entry, measures that could encourage new entrants, and the merits of a savings and loans type institution being established in Guernsey.

Conclusions

73. The Departments have looked at all the evidence available regarding first time buyers schemes, and do not consider it advisable to implement a scheme at this time. First time buyers are best served if house prices level off until they become more affordable, and then increase only in line with wages. This outcome can best be brought about by an increase in the supply of housing.
74. The Housing and Treasury and Resources Departments are confident that the Partial Ownership Scheme offers the best possible solution for the Island's housing market. This is because it increases supply, presents minimal risk for the States, and provides a means for today's first time buyers to get a foot on the property ladder. The Departments note that for the Partial Ownership Scheme to continue to operate effectively, there is a need for the GHA to acquire land on which to build; to that end, discussions have taken place between the Treasury and Resources and Housing

Departments to identify potential States owned sites, and it is hoped that these will lead to the release of several sites.

RECOMMENDATIONS

75. The Treasury and Resources Department and the Housing Department recommend that the States note that:

- a) The Guernsey Housing Association's Partial Ownership Scheme is the preferred means by which the States assists first time buyers;
- b) The two Departments will continue to work together to expand the Partial Ownership Scheme by facilitating the release of appropriate sites, either by releasing suitable States owned sites or by using the Corporate Housing Programme Fund to purchase privately-owned sites;
- c) With a view to further assisting first time buyers, the Treasury and Resources Department will continue to progress work in relation to a review of document duty, and will consider with the Commerce and Employment Department ways of encouraging new mortgage lenders to operate on the Island.

Yours faithfully

D B Jones
Minister

M P J Hadley
Deputy Minister

P R Le Pelley
B J E Paint

P A Sherbourne
States Members

Mr D R Jehan
Non-States Member

G A St Pier
Minister

J Kuttelwascher
Deputy Minister

A H Adam
R A Perrot

A Spruce
States Members

Mr J Hollis
Non-States Member

(N.B. The Policy Council notes that the Treasury and Resources and Housing Departments have undertaken a thorough review of potential first time buyers' schemes. The Policy Council supports the criteria used by the Departments to determine whether a scheme can be deemed beneficial and agrees with the assessment of the considered options.

Recognising the pressing need to address the issue of the affordability of home ownership in the Island, the Policy Council agrees with the two Departments that the most appropriate way to do so is through increasing supply of new housing through the Guernsey Housing Association's Partial Ownership Scheme. However, the Policy Council is concerned that the policy letter does not identify any specific sites that will enable the delivery of such properties in the immediate future; in particular, none in States' ownership.

The Strategic Asset Management Plan (SAMP) considered by the States in 2013, identified a number of sites that, once vacated by their current occupants, might be used for the purposes of providing "affordable housing". As part of progressing SAMP, the Policy Council intends to work with the Treasury and Resources Department to see what can be done to accelerate the release of those sites and to determine their future use, with the intention of reporting back to the States before the end of this term.

With that caveat, the Policy Council supports the proposals in this policy letter and confirms that it 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 Policy Letter dated 22nd July, 2015, of the Housing Department and the Treasury and Resources Department, they are of the opinion:-

1. To note that the Guernsey Housing Association's Partial Ownership Scheme is the preferred means by which the States assists first time buyers.
2. To note that the Housing Department and the Treasury and Resources Department will continue to work together to expand the Partial Ownership Scheme by facilitating the release of appropriate sites, either by releasing suitable States owned sites or by using the Corporate Housing Programme Fund to purchase privately-owned sites.
3. To note that, with a view to further assisting first time buyers, the Treasury and Resources Department will continue to progress work in relation to a review of document duty and will consider, with the Commerce and Employment Department, ways of encouraging new mortgage lenders to operate on the Island.

COMMERCE AND EMPLOYMENT DEPARTMENT**REGULATION OF SUNDAY TRADING**

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

2nd July 2015

Dear Sir

1. Executive Summary

- 1.1 This Policy Letter considers the historic and current position regarding the regulation of retailing on Sundays in Guernsey and explains the practical issues and anomalies which have been identified since the Sunday Trading Ordinance was enacted in 2002.
- 1.2 Regulatory schemes in other communities were briefly explored as they could provide a model for a possible regulatory scheme that might be suitable for Guernsey.
- 1.3 The Department undertook a wide public consultation on the topic and an analysis of the survey responses is provided. The main finding was that 64% of respondents favoured total deregulation (i.e. removal of restrictions on opening shops on Sundays), 31% favoured retaining the existing system, with amendments if necessary, whilst 5% considered that no shop should be allowed to open on any Sunday.
- 1.4 The Board recognised that the survey was not a formal piece of research based around a representative balance of the population at large but rather sought to gather a flavour of the range of views held on the subject.
- 1.5 Recognising that the split in opinion on the way forward within the Department's Board would mirror that in the Island community more generally, members agreed that, whilst the Department's majority view should be clearly identified, two options should be put forward for consideration by the States.
- 1.6 The options considered in this Policy Letter are Option 1 which proposes total deregulation (that is, there would be no statutory control over trading on Sundays) and Option 2 which proposes a number of amendments to the existing scheme simplifying its operation but maintaining a similar approach.

- 1.7 Option 1 is supported by four Board members (one non-voting) whilst Option 2 is supported by two Board members. Both options are put forward for consideration by the States to reflect the different views held across the Island's population.
- 1.8 Nothing in this Policy Letter is meant to have any effect upon regulation relating to the sale of intoxicating liquor which is regulated by other provisions not considered in this report.

Part I Regulation of Sunday Trading in the Past and Previous Consideration of the Topic by the States

2. Background

- 2.1 Sunday retailing in Guernsey was first regulated in 1911, following a petition to Chief Pleas by the Dean of Guernsey, most of the Parish Constables on behalf of their Douzaines and by others. The reasons given by the petitioners for considering the closure of shops included:

“That from time immemorial shopkeepers and the sellers of goods have acted in harmony with public opinion by abstaining from business on a Sunday; That there are however some, and their number is increasing, who neglect to observe this custom; That in the interests of the community and the morality and well being of the rising generation of the island some steps should be taken to restrict the sale of goods on Sundays.”

- 2.2 The provisions of the 1911 Law were broadly repeated in the Sunday Trading Law, 1973 together with the Sunday Trading (Implementation) Ordinance, 1974. In essence, these enabled an applicant to apply to the Constables and Douzaine for “*special dispensation*” thereby enabling the shop to open on Sundays for the serving of customers. The Constables and Douzaine were able to grant special dispensation when there were “*exceptional reasons for that shop to be so open*” and specified conditions could be applied to the dispensation. Some activities did not require special dispensation and these included the sale of victuals, stores or other necessities (including the sale of fuel and lubricants) required for a ship or an aircraft.
- 2.3 By the early 1990s it had been identified by Deputy P Mellor that the Sunday Trading (Implementation) Ordinance, 1974 was not being administered correctly nor uniformly by the Parishes and that it no longer reflected retail business actually being conducted on Sundays. Special dispensations were typically being issued for a 12 month period and some Parishes restricted the range of goods which a shop was able to sell, whilst others did not.
- 2.4 At the conclusion of a States debate in September 1993 the then Board of Employment, Industry and Commerce was directed to:

“establish a policy in connection with the Douzaines regarding the categories of retail outlets which could open on a Sunday” and [propose] “amendments to remove existing anomalies”. (Billet d’État XVIII 1993 – article 25).

- 2.5 Having worked with representatives of the Island’s Douzaines, the Board of Industry reported back to the States in April 1996 with a scheme which reflected the 1993 resolutions. However the States rejected the proposals and resolved to:

“agree that the legislation relating to Sunday trading should remain in force as at present, save for the creation of a statutory appeals procedure”;

and

“to direct the Board of Industry to consult with the Douzaines with a view to formulating an appeals procedure and report back to the States”. (Billet d’État V 1996).

- 2.6 When the Board of Industry reported back to the States in October 1998 the Policy Letter stated:

“It is the unanimous view of the Board that it is unable to implement the States resolution of April 1996” and “It believes that the earlier decision of the States has proved, after consultation with the Douzaines, to be impractical.”

Further,

“By a majority the Board has concluded that due to the operation of the existing legislation the only coherent and logical recommendation that can be made to the States is for deregulation and the repeal of the relevant legislation.” (Billet d’État XXII 1998 – article 11).

- 2.7 The Board’s proposals were Sursied and the Board was directed to lay before the States a Policy Letter containing:

- “1) A report on further consultations with the Island Douzaines;*
- 2) Consideration of reforms redefining “exceptional” and “special” reasons for dispensations;*
- 3) Various scenarios for an appeals procedure or tribunal review board; and*
- 4) Any other arguments and issues considered appropriate.”* Billet d’État XXII 1998 – resolution on article 11)

- 2.8 The resulting policy letter laid before the States in October 1999 indicated that the 1996 debate had concluded:

- “- there was no enthusiasm on the part of the States for major changes to its existing legislation; but*
- anomalies must be addressed; and*
- a consistent approach developed through the island;*
- the emphasis must shift from categories of goods to categories of shops.*

Furthermore,

- *in relation to food shops in particular, emphasis should be to provide reasonable access to small scale shopping for basic provisions on a convenience basis – but not for full scale weekly shopping for the family;*
- *with the exception of alcohol, an outlet which is open for whatever reason on a Sunday should be permitted to sell the full range of its goods;*
- *the Douzaines should continue to play a key role alongside the Board of Industry in administering Sunday trading arrangements;*
- *there should be special recognition of the trading position of certain places of visitor interest, given the States commitment to support the tourist economy” (Billet d’État XVIII 1999 – article 7).*

2.9 In the Policy Letter the Board also stated:

“it has produced an approach to Sunday trading which it believes reflects a majority of the views expressed during the Sursis debate and in other debates in recent years.”

- 2.10 No proposals had been included to enable garden centres to open and whilst the States supported the majority of the Board’s proposals, the States further instructed the Board to devise a category to enable garden centres to open where over half of the total trading area is devoted to the sale of living plant material.
- 2.11 The resulting Sunday Trading Ordinance, 2002 was enacted on 25th September 2002 but not before two Requêtees were debated (one in September 2000 the other in October 2001), each proposing deregulation. Neither was successful.
- 2.12 Additionally, in March 2002, the States had debated and approved proposals relating to the criteria to enable plant and garden centres to open on Sundays.
- 2.13 In July 2003, November 2003 and November 2004 three further debates were held, dealing with minor amendments to the 2002 Ordinance. These related to a number of issues including the sale of tobacco and alcohol; the constitution of a revised appeal tribunal; and establishing a concessionary period during which plant and garden centres would be able to sell a wider range of Christmas decorations.
- 2.14 The July 2003 debate included a recommendation that the Law should be repealed but this was not supported by the Assembly which chose to support the alternative recommendation for the amendment to the existing Ordinance.
- 2.15 It can be seen that whilst attitudes and the regulatory mechanisms have altered since the original Law in 1911 those changes have had the characteristics of an evolutionary shift with previous Assemblies showing limited enthusiasm for the introduction of significant changes or for deregulation.
- 2.16 In July 2010, the Minister of the Commerce and Employment Department (Deputy McNulty Bauer) informed the Assembly that a review was to be undertaken on

the existing Sunday trading regulatory regime. This statement arose following several expressions of unease that, over a period of time, difficulties had been identified with the clear and uniform application of the legislation. A second appeal under the Ordinance, during 2010, added further weight to those expressions of unease.

- 2.17 The Department planned to undertake a wider review of the law during 2012 and initially, and as an interim stage, work was undertaken in 2011 with the ten Island parishes to identify particular practical difficulties which could be addressed without the need to amend the Ordinance. A number of administrative changes were introduced, whilst remaining within the requirements of the existing Ordinance.
- 2.18 Following the General Election of People's Deputies in 2012, a new Commerce and Employment Board was appointed and one of the early tasks of the members was to review the work plans of their predecessors. In respect of Sunday Trading, the decision was made to retain the status quo, retain the current administration and not progress with a review of the Ordinance. In a media release at the time the Department stated *"It was felt that this [Sunday Trading] was an issue which would always divide the community and that would never be resolved to please a majority."* The Minister commented *"I think this was a pragmatic and the right decision. The Board is committed to working across all aspects of the mandate but it was felt that this was not a priority work stream at this time"*.
- 2.19 Later, in October 2012 a Requête was led by Deputy Hadley which proposed a twelve month trial period during which the regulatory regime would be suspended. The Requête was unsuccessful but during the debate the Minister (Deputy Stewart) informed the States that the Department would be undertaking a review of the legislation with a view to reporting back to the assembly within the life of the current States Assembly; that is prior to the general election in 2016.

Part II The Current Regulation of Sunday Trading, Locally and Elsewhere

3. The Existing Regulatory Scheme

- 3.1 The Sunday Trading Ordinance, 2002 (as amended) has effect in Guernsey, Herm and Jethou.
- 3.2 Subject to certain exemptions, a shop wishing to open on a Sunday must obtain a licence from the Constables and Douzaine of the parish where the shop is located (or in the case of a mobile shop, the place of residence of the proprietor). An application must be accompanied by a fee of £25 and must be made at least 28 days before the licence is required.
- 3.3 The Ordinance applies to shops or premises carrying on a retail trade or business where goods are sold to ordinary members of the public. Businesses that only sell goods wholesale or only provide services are not prohibited from opening on a Sunday.

- 3.4 The Ordinance not only applies to physical shops, but extends to “*any place where a retail trade or business is carried on, as if that place were a shop*”. Therefore a stall within a wider area is considered a shop, as are kiosks or mobile vans.

The following activities are considered exempt purposes under the Ordinance and are not regulated:

- Door to door delivery of newspapers, periodicals or magazines.
- Door to door delivery of dairy products.
- Door to door delivery of heating fuels.
- The sale by fishermen of freshly caught fish (including shellfish).
- The sale at a farm, growing property, allotment or similar place, of product produced thereon.
- The sale of meals and refreshments.
- The carrying on of the business of a hairdresser or barber.
- The provision of Automatic Teller Machines/cashpoints.
- The sale of tobacco, tobacco products and smokers’ requisites.
- The sale of programmes and catalogues at theatres and places of amusement.

- 3.5 The Ordinance prohibits shops from opening without a licence for “*the serving of customers*”. This is not limited to just the exchange of goods for money and customers can be served without any sales taking place; a sales assistant discussing the products with a customer or the arranging or taking of vehicle test drives would constitute the serving of customers.

- 3.6 Sunday opening licences are issued for a calendar year (i.e. January to December). A Sunday opening licence may be issued at any time, but will only be valid for the remainder of that calendar year. There are no special provisions for the renewal of licences; a trader wishing to open his shop in the following year must apply in the same way as if it were a new application.

- 3.7 There are 13 categories of Sunday opening licence. These are:

- A. Suppliers of victuals etc. to ships and aircraft.
- B. Small convenience grocery stores.
- C. Fuel outlets.
- D. Newsagents.
- E. Authorised pharmacist.
- F. Beach shops.
- G. Small shops within a designated tourist or recreational area.
- H. Shops within a place of particular interest.
- I. A shop within airport or harbour terminal buildings.
- J. Mobile shops.
- K. Souvenir shops (cruise ships).
- L. Plant and garden centres.
- M. Miscellaneous small shops.

- 3.8 In addition licences can be issued for special events (individual or “one-off” events which are held to raise money for a qualifying organisation (either a charity or a club or organisation not established for business purposes), or to celebrate or commemorate an event of special historic or cultural significance, for example, Liberation Day).
- 3.9 There is a further emergency licence category to enable shops to open when there have been unforeseen circumstances such as a natural disaster rendering it necessary or desirable for the population to have emergency access to goods or items. No such licences have been issued to-date.
- 3.10 Appendices 1 and 2 to this Policy Letter provide an extract from the Ordinance and details the criteria which a shop must meet in order to be granted a licence.
- 3.11 Most statutory categories require shops to have a predominant range of goods that matches the category description, e.g. a newsagent will predominantly have to sell newspapers, magazines, periodicals, books or stationery. Whilst the Ordinance does not provide a specific definition of the term “predominant range of goods” the assessment of a shop’s predominant range of goods is made by two Parish Inspectors who are required to visit the premises as part of the licence application and determination by the Constables and Douzaine. The Inspectors are required to consider the number of goods of a particular type on display and the floor area dedicated to those goods, but not the value of the sales over any particular period.
- 3.12 Shops holding a category A, B, D, F, J, K, or M licence can sell any other goods they so wish, as long as the shop always meets the criteria regarding the predominant range of goods relevant to their licence.
- 3.13 Having received an application and visited the shop the two Parish Inspectors are required to prepare a short report including their assessment as to whether they consider the shop meets the criteria for the licence applied for. A copy of this report has to be forwarded to the Commerce and Employment Department who may, in the interest of Island-wide uniformity, pass comment back to the Constables and Douzaine. In practice and for consistency, comments have always been made, even in cases where the shop clearly meets the criteria.
- 3.14 The decision as to whether or not to grant a licence is taken by the Douzaine and Constables of a parish who consider the parish inspectors’ report, the Commerce and Employment Department’s comments, any additional comments or statements made by the applicant, and any other matters they deem relevant.
- 3.15 An appeal can be made against a parish refusing to grant a licence, revoking or suspending a licence, refusing to designate an area under sections 28 or 29 of the Ordinance, or revoking or suspending such a designation. Appeals can also be made for applying conditions to a Special Event licence, or varying such conditions. There must be specific grounds for an appeal other than the applicant simply not agreeing with the decision made.

- 3.16 Appeals are heard by a Sunday Trading Appeals Tribunal and there is a further right of appeal to the Royal Court but only if a party is aggrieved by a decision of the Tribunal on a point of law.
- 3.17 Enforcement of the Ordinance ultimately rests with the Police, with an expectation that parish officials monitor compliance and report apparent infringements to the Police. Parishes do have the right to suspend or revoke licences if a shop no longer meets the criteria for that category of licence.
- 3.18 The Ordinance sets out certain statutory offences. Opening a shop without a licence carries a maximum penalty of £50,000 whilst making a statement known to be false, in connection with the application for a licence, carries a maximum penalty of a fine of £10,000 and imprisonment for a term of 3 months. To date, no prosecutions have been taken under the Ordinance.

4. Some Common Misconceptions with the Current Scheme

- 4.1 There is a degree of misunderstanding over some of the controls exercised over Sunday trading by the Ordinance. Some of these misunderstandings have almost taken on the level of urban myths and in order to help enable an informed debate, the following notes aim to clarify some of them.
- 4.2 *"Large shops cannot open under the current regulations"*. This is only true for three categories of licence (category B, small convenience grocery stores; category G, small shops within a designated tourist or recreational area; and category M, miscellaneous small shops). Other shops are not regulated by size. Where size restrictions do exist a shop may not exceed a floor area of 400 square metres.
- 4.3 *"The law restricts what goods shops can sell."* For most categories there is no direct restriction on what goods can and cannot be sold. Generally, in order to be granted a licence the shop must have certain goods as its predominant range, but there is no restriction on what other goods can be sold. There are three exceptions to this principle. Plant and Garden Centres (category L) may not sell some goods on a Sunday but they may sell these during the week. Fuel outlets (category C) may only sell fuel or lubricants on a Sunday. Additionally, shops within a designated place of particular interest (category H) may only sell goods with a close thematic connection with the place or of particular interest to tourists and other visitors to the place.
- 4.4 *"I can buy a pornographic magazine but not a bible on Sundays"*. This misunderstanding arose from UK legislation which is now repealed and is not the case in Guernsey. Either item can be sold by the holder of a category D (Newsagent) licence, or holders of other categories of licence, provided the criteria for the predominant range of goods for their particular type of shop is met.
- 4.5 *"Shops have to segregate off things they can't sell on Sundays"*. This is only true in the case of the holder of a category L licence (plant and garden centres), but

will depend upon what range of goods the shop has decided to sell on other days of the week (excluding Sundays). As discussed later in section 5 it was originally intended that the range of goods which would be available from a plant and garden centre would be limited. Where the holder of a category L licence has chosen to offer a wide range of goods this has had the effect of requiring them to segregate off some of those goods on Sundays.

- 4.6 *"You can buy a vase with flowers in it, but not a vase on its own"*. Both items can be sold collectively or individually on a Sunday. For shops with a category L licence (plant and garden centres), vases without flowers are defined as giftware so they may only be displayed within a single and discrete area of no more than 100 square metres.

5. Practical Issues and Anomalies Arising from Operating the Existing Regulatory Scheme

- 5.1 In the period since the 2002 Ordinance was enacted, a number of problems have been encountered and anomalies identified with the legislation and its administration and enforcement.

Inconsistent administration

- 5.2 The Department considers that the ten Island parishes have approached their responsibilities in administering the Ordinance in a responsible and positive manner. However having ten separate Parishes (and innumerable individuals) involved in administering Sunday trading legislation creates a risk that the approaches to the task will be, on some occasions, inconsistent between Parishes and over time. Some Parish officials (especially Constables) have relatively short terms of office, and are elected at around the same time of year that the majority of Sunday opening licence applications are processed. This can mean the officials are required to undertake inspections and complete paperwork with limited or no prior knowledge, training or experience. The Department has sought to help this situation by producing comprehensive and readily accessible guidance for parish officials to use and has also provided training from time to time but both have been of limited success.
- 5.3 The situation has not improved over the years and unfortunately, in some recent years, up to 50% of applications and Inspectors' reports forwarded by the parishes to the Department have had errors or been incomplete. This had led to additional time having to be spent explaining what was required to correct the error. Sometimes the same error has been repeated by that Parish when the paperwork has been resubmitted or has been repeated in respect of other applications from that Parish at a similar time or in subsequent years.
- 5.4 Numerous difficulties have been experienced with regards to a wide difference in how Parishes interpret the phrase "the predominant range of goods". There can be inconsistency between the Parishes with regard to the number or type of goods

that can form a shop's predominant range, leading to different standards having to be met depending upon the Parish in which a retailer is located.

- 5.5 Whilst the role of the Commerce and Employment Department has been to ensure consistency, the Ordinance does not provide any powers to enable it to ensure that parishes act in a consistent manner. This has led to instances where a trader with shops in different Parishes has been given conflicting advice by those different Parishes.
- 5.6 Whilst it is right to identify these problems and difficulties it is also appropriate to identify that many Parish officials are volunteers and Sunday Trading is but one part of a range of responsibilities they are required to undertake.
- 5.7 These issues are addressed in Option 2 below (paragraph 10.9.7).

Garden centres

- 5.8 The development of certain local shops has highlighted that today's garden centres are different retail establishments than when the legislation was created. The criteria for category L (Plant and Garden Centres) was originally intended to link up with planning law that would control and define the development of out-of-town retail areas. In practice planning law has not been developed in this way and therefore the current wording for category L appears confusing and, when viewed in detail, in many ways, arbitrary.
- 5.9 When the then Board of Industry developed the 2002 proposals, it struggled with setting suitable, detailed criteria that a plant and garden centre would have to meet, namely, predominantly satisfying the needs of the gardener or grower. This was against the background of seeking to ensure such establishments, situated in the rural area, should not have the opportunity (by offering a wide range of non-garden orientated goods) to significantly impact on non-garden orientated shops located in the urban shopping areas. However, partly due to an inconsistent approach by some parishes, plant and garden centres generally do offer a very wide range of non-gardening goods, at least Monday to Saturday.
- 5.10 On the other hand there appears to be significant public support for local garden centres to be allowed to continue to open on Sundays offering their full range of goods, and there is criticism that certain goods currently have to be cordoned off on a Sunday.
- 5.11 These issues are addressed in Option 2 below (paragraph 10.9.1).

Items likely to be of particular interest to tourists

- 5.12 The phrase which appears in several places in the Ordinance "*items of a type likely to be of particular interest to tourists visiting, or other visitors to the vicinity of*

that shop” is used to describe the predominant range of goods of certain categories of Sunday opening licence (categories F, J, K, and M). This particular phrase is open to interpretation which can cause inconsistency in which shops are granted licences. It was originally intended that shops permitted to open under certain categories of the Ordinance would be those specifically aimed at the needs of tourists and other visitors to the island. The wording was developed in an attempt to require shops seeking a licence under these categories to have a predominant range that would be attractive in particular to tourists and visitors to Guernsey. The apparent vagueness of this wording has, however, led to some confusion and shops have applied for licences based on the fact that they consider their goods of interest to any shoppers who may visit their business.

- 5.13 This issue is addressed in Option 2 below (paragraph 10.9.11).

Serving of customers

- 5.14 Certain traders (particularly some vehicle showrooms) open their doors on a Sunday but claim not to be serving customers because no sales are actually made (i.e. money does not change hands). In reality sales assistants are present and the serving of customers may well take place when those assistants talk to customers about the goods on display. Some Parishes have failed to report such apparent breaches to the Police and this creates an unfair advantage with regards to other traders (often in other Parishes) who abide by the law and do not open at all on a Sunday. Whilst the Department has published notes for guidance for traders which address this particular issue, amongst others, this guidance has sometimes been ignored by retailers.

- 5.15 This issue is addressed in Option 2 below (paragraph 10.9.11).

Pet shops

- 5.16 Under the current legislation a dedicated pet shop cannot be granted a licence, yet garden centres and small convenience grocery stores can have pet care sections and open on a Sunday. This is inconsistent given that the pet sections in garden centres can be as large as a dedicated pet shop and are in direct competition with dedicated pet shops.

- 5.17 This issue is addressed in Option 2 below (paragraph 10.9.3).

Exhibition events

- 5.18 In recent years there has been a steady rise in the number of exhibition-type events held locally, for example wedding fayres, craft exhibitions and home life shows. For such events, at present each stall holder is required to obtain their own Sunday

opening licence. Depending on whether the location of the exhibition has been designated under section 28 of the Ordinance (a tourist or recreational area), some stallholders cannot obtain a licence because they do not meet any criteria in their normal business operations. Other stallholders are exempt as they only provide services. Exhibitions usually only take place over one Sunday, but traders have to pay the full £25 fee and cannot trade under any licence they may already have for their main premises.

5.19 This issue is addressed in Option 2 below (paragraph 10.9.4).

Renewal of licences

5.20 It was mentioned previously that there are currently no special provisions for the renewal of licences; a trader wishing to open his shop in the following year must apply in the same way as if it were a new application. This results in such shops having to be inspected leading to approximately 200 inspections of premises being carried out island-wide on an annual basis. In many cases, neither the goods being sold, nor the size of shop has changed. This process leads to unnecessary work for both the parishes and the Department, as well as unnecessary bureaucracy for the retailer.

5.21 This issue is addressed in Option 2 below (paragraph 10.9.9).

Charitable events

5.22 Charitable events such as car boot sales are issued Special Event licences so are not required to be inspected by the parish inspectors, nor does the Commerce and Employment Department comment on the applications. Charitable events are exempted from paying any fee. A significant amount of time is currently spent by charitable organisations in applying for such licences and by the parishes in issuing them and this is inconsistent with the type of trading the Ordinance is seeking to control.

5.23 This issue is addressed in Option 2 below (paragraph 10.9.6).

Sunday Trading Appeal Tribunal

5.24 An applicant who is aggrieved that his application for a licence has been rejected has a right of appeal to the Sunday Trading Appeal Tribunal, constituted by three independent individuals approved by the States and appointed by the Department (Panel members). To-date there have been two appeals since the Ordinance came into force in 2002. This infrequent need for the Tribunal generates difficulties in itself as the members are unable to build up expertise on the interpretation of the Ordinance and hence revision sessions are necessary prior to any hearing.

Additionally it has become increasingly difficult to find members to sit on the Panel.

- 5.25 This issue is addressed in Option 2 below (paragraph 10.9.12).

6. Regulatory Schemes Elsewhere

- 6.1 The following paragraphs provide an insight into the main elements of the regulations in place elsewhere.
- 6.2 Alderney: There are no restrictions on the opening of shops on Sundays in Alderney, save for specific restrictions on the sale of alcohol.
- 6.3 Sark: There are no restrictions on the opening of shops on Sundays in Sark, save for specific restrictions on the sale of alcohol.
- 6.4 Jersey: The Shops (Regulation of Opening) (Jersey) Regulations 2011 regulates opening on Sundays and also opening on Good Friday, Liberation Day, Christmas Day and 26th December irrespective of which day of the week they fall.

Shops seeking to open on Sundays require a permit to do so, issued by the Constables of the Parish where the shop is located (a “general permit” valid until the 31st December in each year). The Constables may also grant a “single permit” enabling a shop to open for up to five Sundays in a year. Additionally the Constables may issue a “blanket permit” authorising the opening in a parish of every shop as described in the permit, on those special occasions as designated by the Minister for Economic Development. In practice, the designated special occasions have been the four Sundays in the lead up to Christmas.

An application for a general permit or a single permit must be accompanied by a £50 fee. A general permit cannot be granted to a shop with a retail sales area exceeding 700 square metres (but such a shop may still be granted a single permit or a blanket permit).

- 6.5 England and Wales: Under legislation introduced in 1994 shops with a floor area not exceeding 280 square metres may open unrestricted hours on a Sunday. Large shops, that is those with a floor area exceeding 280 square metres, may only open for a maximum of six consecutive hours between 10 am and 6 pm. Large shops are also prohibited from opening on Easter Sunday and Christmas Day, whatever day that falls on.
- 6.6 Scotland: Shops are able to open unrestricted hours on Sundays.
- 6.7 Isle of Man: Sunday trading regulation was revoked in 2000 and shops are now able to open unrestricted hours on Sundays, although shops may not open on Christmas Day. Shop worker protection legislation is enacted which provides similar levels of protection to shop workers as the current legislation in Guernsey.

- 6.8 France: Widespread opening of shops is restricted although shops within the metropolitan areas, Paris, Marseille and Lille are permitted to open on Sundays as are shops in a number of towns and villages deemed of "tourist interest". Opening restrictions in the run up to Christmas are relaxed throughout the country.
- 6.9 Germany: There are similar regulations to France but shop opening hours are predominantly determined by the individual German states rather than by the federal government. Typically there are designated Sunday shopping days varying from a maximum of three to ten each year. In addition shops at airports, railway stations and petrol stations can open.
- 6.10 United States: Sunday trading regulation is set by the individual states and municipalities and varies throughout the country, although in general shops are often permitted to open, perhaps a limited number of hours.
- 6.11 Canada: Regulation is determined by each province and territory. The result is unregulated Sunday opening in some provinces whilst restrictions exist in others.

PART III Consultation and Possible Options

7. Consultation

- 7.1 The Department undertook a consultation exercise seeking the opinion of the public, traders and parish representatives on the existing regulation of retailing on Sundays and to seek opinions on what should be the main features of any possible future regulation.

For information the consultation document and questionnaire are attached as Appendix 3.

- 7.2 The consultation was launched on 20th November 2014 and closed on 31st January 2015. To ensure it was well publicised all the local media carried articles about the launch and it featured on the home page of the States web site as well as on the States Twitter feed. In January 2015 two media releases were issued to act as reminders of the closing date. Again these were carried by the local media and led to a significant increase in the final number of responses.
- 7.3 To ensure there was widespread accessibility the consultation and questionnaire were available on-line and printed copies were also available from a number of different locations around the Island. 1,150 responses were received on-line and 90 in writing.
- 7.4 The Board put a strong emphasis on the survey being widely available to allow the whole population to have the opportunity to express an opinion. It was not a formal piece of research structured around a balanced survey of a group of individuals representative of the population at large, rather it sought to gather a flavour of the range of views held on this subject.

- 7.5 It should be noted that it was possible for individuals to submit multiple responses to the questionnaire, either on line or in hardcopy if desired. Analysis of the IP addresses used to submit responses has been carried out and no evidence has been found to suggest the results of the questionnaire have been affected by deliberate attempts to skew them one way or the other.
- 7.6 The public consultation was a valuable exercise providing those who wished to express a view an opportunity to do so. The full results of the consultation are attached as Appendix 4 but an overview is as follows:-
- There was greater support for deregulation rather than for any system of control, but not overwhelming support;
 - There might be an increase in shopping activity on a Sunday if more shops were open and a reduction in internet shopping if more local shops were open;
 - Retailers responding did not express an overwhelming wish to be able to open on Sundays;
 - Retailers did not anticipate that Sunday opening would lead to an economic benefit to their businesses;
 - There was minimal support from the public and retailers for shops, as an alternative, to open later during the week;
 - There was strong support for garden retail centres to be able to offer a range of goods beyond those directly associated with gardening;
 - There was strong support for a greater range of shops across the Island to be permitted to open when cruise liners visit the Island;
 - Respondents overwhelmingly were of the view that there should be uniformity around the Island; and
 - There was little support for the Parishes continuing to administer the law.
- 7.7 The consultation sought views on what key factors respondents felt should be incorporated into any future regulatory scheme. These were, in order of greatest support:
- An ability to relax the law at certain times (e.g. in the run up to Christmas or during the summer);
 - Restrictions on opening hours;
 - The type of goods sold;
 - The location of the shop (eg special arrangements for shops in town or at tourist attractions).

The responses to the consultation supported the view that there is a divergence of local opinion, but such divergence is not absolutely clear cut one way or another.

8. Possible alternative regulatory schemes for Guernsey

- 8.1 The public consultation brought forth a number of views on the elements which were favoured in making up a possible regulatory scheme for the Island. Taking these views into account and also reviewing the types of regulatory schemes

elsewhere, together with the current scheme in Guernsey the Department identified that there were several different potential schemes which could work for Guernsey. These were:

8.1.1 *A system based upon opening hours.*

In such a scheme there would be no distinction between the types of shop or the types of goods sold, save for any restrictions imposed by, say, liquor licensing legislation. Any shop would be permitted to open either between set hours in the day (eg between 10 am and 8 pm) or for a set maximum number of hours of the retailer's choosing (eg any 4 hours between 8 am and 10 pm). No licences would need to be issued.

8.1.2 *A system based upon the size of shop and opening hours.*

This would be a scheme similar to that in England and Wales. Small shops would be permitted to open unrestricted hours (save for restrictions imposed by, for example, liquor licensing legislation) whilst larger shops would only be permitted to open a restricted number of hours, such as any 6 hour period between 10 am and 6 pm). The floor area distinction between large and small shops would have to be determined but could follow the existing threshold of 400 square metres. No licences would need to be issued.

8.1.3 *A system based upon a revision of the current scheme.*

Section 5 of this report has identified a number of issues and anomalies which have arisen over time with the current scheme. These could be addressed, in particular by removing the anomalies which have arisen, introducing uniformity of enforcement around the island and addressing the level of administrative time taken to deal with licence applications. The scheme would, however, retain much of the fundamental elements of the current scheme with various categories of shops being able to open based upon the predominant range of goods which they sell. It would be an incremental development of the current scheme, a step which has been favoured by previous States.

8.1.4 *Total deregulation.*

Board members also considered total deregulation where all restrictions would be removed and traders would be free to choose whether they wished to open on Sundays.

- 8.2 **Having considered all the implications resulting from the possible adoption of each of the above schemes four Board members (one non-voting) favoured total deregulation whilst two felt that adopting a modified version of the existing scheme was more appropriate for Guernsey at this time.**
- 8.3 **It was recognised that different views are held on the topic of Sunday trading, not only by Board members but also by States members and the public at large. It was also recognised that the debate in the Assembly would likely reflect those different views and that to provide a good focus for debate it was appropriate to set out the two favoured options for**

consideration by the States. These two options are explored further in the next sections.

9. Total Deregulation (Option 1)

- 9.1 This is the approach favoured by a majority of Board members (Deputies Stewart, Collins and Trott and non-voting member Advocate Carey).
- 9.2 The simplest approach to Sunday trading is to impose no controls on it and simply repeal the current Ordinance. This would enable retailers to choose whether or not to open their shops as it would not impose any restrictions. This is the situation on the other six days of the week (Monday to Saturday), save for any specific restrictions imposed such as with the sale of intoxicating liquor where there are restrictions on the hours when liquor may be sold.
- 9.3 Whilst retailers could open for 24 hours per day, six days a week, they do not. Rather, they choose to open whenever they feel is appropriate for the service of their customers. Some retailers (especially grocery stores and petrol stations) have identified that their customers expect to be able to buy goods throughout the day from early morning to late evening, whilst other businesses choose to delay opening until mid-morning and perhaps stay open later into the evening. Few now close during the lunch break although this was common practice not that many years ago. Similarly, Thursday half day closing has fallen out of favour for some time.
- 9.4 The reality is that retailers choose the opening hours which they believe best suit their business and their customers.
- 9.5 Currently on a Sunday things are different. Whilst there are no restrictions on the hours of opening (save again for certain matters such as the sale of alcohol), most shops may only open if they have been granted a licence to be able to do so. Thus the States has determined what access people are permitted to have to specific types of shop. Whilst the 2002 Ordinance does not, ordinarily, set out a list of goods which are permitted to be sold, regulating the type of shops also, in practice, limits the range of goods which are offered for sale. Thus, for example, someone would currently not be able to visit a shop to view and purchase a full range of TVs or washing machines on a Sunday, nor would they be able to view and purchase a full range of DIY products. Not because such goods may not be sold on a Sunday but because the States has determined that shops wishing to display and sell a full range of certain types of products may not open.
- 9.6 If total deregulation were introduced, shops of all kinds would be free to open on Sundays in the same way as they are able to do so on the other days of the week (but subject still to other regulatory measures such as with the sale of intoxicating liquor). Nothing would compel shops to open, just as shops are not compelled to open Mondays to Saturdays.

- 9.7 At present few shops open early mornings or late into the evenings, Mondays to Saturdays and similarly it is expected that few shops will open such hours on Sundays if deregulation were introduced. Furthermore it is possible that many shops will choose to remain shut all day Sundays.
- 9.8 It is unknown what effects could result from shops being permitted to open on Sundays. This will partly depend upon the number of shops which choose to open but the effect (positive or negative) will also depend upon one's individual viewpoint and circumstances. It will be a subjective viewpoint. For some it will be an opportunity to re-prioritise their activities over the weekend, no longer having to limit their retail-associated activities to a busy Saturday. For others it will make negligible difference if they have no need (or wish) to go shopping on a Sunday.
- 9.9 In the recent consultation exercise (see section 7 above), of those retailers completing the questionnaire 50% indicated that they wished to open their shops on a Sunday and 42% considered that deregulation would lead to an economic benefit to their business. These figures may indicate that widespread opening of shops on Sunday will not occur if the law is deregulated. It is not possible to know with any certainty.
- 9.10 Except for the minimal time taken to produce the necessary revocation legislation, the removal of regulation will result in reduced resource demands upon the Department, the Police and the parishes. There will be no law to police, no licences to issue and no records to be maintained. Bureaucracy will also be minimised for retailers, with no licence applications or renewals having to be made.
- 9.11 In summary, deregulation will provide choice to the retailer who might wish to open on Sundays and choice to the consumer who wishes to prioritise their activities throughout the week. Inconsistencies between the opening hours of small and large shops are removed as is any inconsistency between the types of shop enabled to open and the range of goods on offer. Significantly, bureaucracy and administrative costs will be minimised.
- 9.12 The Board members supporting Option 1 are conscious that if they are successful some traders will be anxious to open, particularly in the lead up to Christmas. Whilst the Law Officers' have advised that a revocation Ordinance will take up little drafting time, even by expediting the legislative drafting and legislative process, a revocation Ordinance cannot be brought before the Assembly (and hence not have effect) until the December 2015 meeting at the very earliest, as it will have to be drafted following a resolution of the States made on the basis of paragraph 13.1.1 of this report. In order to introduce certainty it is recommended that a Revocation Ordinance would have an implementation date of 11th December, thereby enabling shops to open on two Sundays before Christmas 2015. Until a Revocation Ordinance has been approved the current 2002 Ordinance will continue to have effect.

10. An Alternative Regulatory Scheme (Option 2)

- 10.1 This is the option favoured by two Board Members (Deputies Brouard and De Lisle).
- 10.2 Option 2 builds on the foundations of the present system but makes it easier to administer, provides clarity and addresses the anomalies. In brief summary it proposes the following changes:
- Amendment to the criteria for a category L (Plant and Garden Centre) licence to enable a full range of goods to be sold on Sundays;
 - Amendment and extension to the criteria for a category K (Souvenir Shops (Cruise ships)) licence to simplify the opening of shops in the town area when cruise ships are visiting and additionally for the occasion of themed “Sea Front Sundays”;
 - Introduction of a new licence category for pet shops;
 - Introduction of a new licence category for exhibitions;
 - Amendment to the criteria for a category C (Fuel Outlet) licence to permit a wider range of goods to be sold on Sundays;
 - Removal of the need for those holding charitable events to require a licence;
 - Rearrangement of the administration of the scheme together with a more streamlined application process including reducing bureaucracy at the time of renewal of a licence;
 - Greater clarity regarding some of the phrases used in the current Ordinance; and
 - A simplified appeal process.
- 10.3 The recent consultation exercise (see section 7) revealed a similar position to the views expressed over the years, namely that whilst some seek deregulation others remain broadly content with the current system of regulation. Some individuals manage their retail affairs Monday to Saturday and have little or no need to shop on a Sunday. Some feel that Guernsey’s charm and uniqueness partly comes from the fact that we do things differently to many parts of the world.
- 10.4 The view that all shops should be closed on Sundays is supported by few people. Most take the pragmatic view that, for a range of reasons, some trading activity should be and needs to be facilitated on Sundays.
- 10.5 Some have expressed the opinion that the current system is satisfactory. However, as section 5 above has explained, there are a number of difficulties with the administration and application of the current Ordinance and Option 2 seeks to address these.
- 10.6 Whilst other schemes have been considered (see Sections 6 and 8), two Board members feel that there is much to commend continuing with the current scheme as a basis but incorporating amendments where appropriate to make the administration more straightforward and more efficient, to take into account some

of the practical issues and anomalies which have arisen with some categories of licence and also to address some of the other practical issues which have been identified in section 5 of this Policy Letter.

- 10.7 The amendments suggested as part of Option 2 are based on experience of the operation of the existing regulatory system and “better regulation” reviews and views expressed in the consultation responses. These approaches have also been the subject of consultation with the Law Officers’ and the intention is to bring the 2002 Ordinance up-to-date whilst also maintaining many of the key elements of a system which is well known and has been in place for nearly 13 years.
- 10.8 This proposed incremental change is in line with and follows previous approaches by the States to changes to this law, as set out in section 2 of this policy letter, where in the past significant or radical change has been resisted.
- 10.9 The changes proposed to the 2002 Ordinance by Option 2 are:

10.9.1

Amendment of category L (Plant and garden centre) licence criteria to enable businesses holding such a licence to be able to sell their full product range on a Sunday without having to rope off some goods. However the criteria will be modified to require the predominant range of goods to be those directly associated with gardens and gardening to ensure such businesses retain these products as their core business.

Amendment of category K (Souvenir Shops, cruise ships) to facilitate a greater range of shops within the town area to be able to open on designated cruise liner Sundays (without the need for a licence). Shops outside the town area will still be able to gain a category K licence, as they can do now, provided they meet the criteria thereof. The category will also be extended (and retitled) to enable shops within the town area to open on those Sundays when the St Peter Port Quay and North Esplanade are closed to traffic for the purposes of a special themed event, colloquially referred to as a “Sea Front Sunday”.

10.9.2

Introduction of a new category for pet shops as currently there is no category under which they can open. It will be a requirement for such shops to have a predominant range of goods made up of pets, pet care products, pet accessories or pet food. At present a plant and garden centre can and often does sell “pets, pet care products, pet accessories and pet food”, typically from a very large area and the amendment will seek to address that anomaly.

10.9.3

Introduction of a new category for exhibitions including events such as wedding fayres or home and lifestyle exhibitions. Currently all exhibitors have to pay £25 even where the exhibition only lasts a single Sunday. The

Department will be able to designate certain premises as exhibition venues (premises such as hotel ballrooms, public halls or leisure centres but not retail locations such as garage showrooms or forecourts). The organiser of an exhibition at such premises will then be able to apply for a single licence which would cover all stallholders for the duration of that exhibition. This category of licence will only be available for infrequent events to ensure it is not misused by those seeking to open on a regular basis.

10.9.4

Amendment of the criteria for a category C (Fuel outlet) licence to permit the holder to sell a wider range of goods. However this will not extend to be able to sell motor vehicles.

10.9.5

Removal of the need for those holding charitable events to require a licence.

10.9.6

Rearrangement of the administration of the future scheme with all licence applications being received and considered, and where appropriate licences granted, by staff of the Commerce and Employment Department. The parishes would no longer be involved.

10.9.7

A more streamlined application process, available on-line (although written applications to remain available for those wishing to apply in this way), together with licences valid for a 12 month period, not necessarily ending in December.

10.9.8

Removal of the current need for an inspection of premises to be undertaken whenever an application is made (including at the time of renewal) and instead permitting the Department to determine those occasions when it considers inspection is required.

10.9.9

At the time of a renewal of a licence the introduction of a self-declared statement by the applicant indicating that their shop continues to meet the criteria for the category of licence.

10.9.10

Greater clarity regarding the meaning of certain terms such as, “*open for the serving of customers*”; “*predominant range of goods*”; “*items of a type likely to be of particular interest to tourists visiting, or other visitors to the vicinity of that shop*” and “*items for use in connection with any outdoor recreational activity undertaken or pursued in the vicinity of that shop*”[where] *the shop is located in the (immediate) vicinity of a beach or cliff*” either by means

of amendments to the Ordinance or by way of a power for the Department to be able to issue statutory guidance on interpretation of the Ordinance.

10.9.11

Replacing the current Sunday Trading Appeal Tribunal with a right of appeal to the Department.

10.9.12

Additionally, there will need to be a number of consequential amendments such as, enabling the power to grant special event and emergency licences to be transferred to the Department; power to designate premises under sections 28 and 29 of the Ordinance to be transferred to the Department, as will the power to vary, revoke, etc any designations already issued. To save having to redesignate premises it is proposed that the existing designations issued by the parishes will be deemed to have been issued by the Department.

10.9.13

The present requirement of a copy of the designation notice to be published in La Gazette Officielle will be replaced by the Department maintaining a record, accessible on-line.

10.9.14

The Department will no longer maintain a written public record of licences issued (the existing public register has only been accessed once in the last 12 years) but will maintain a register accessible on-line, and will respond to individual verbal or written requests from those without such access.

- 10.10 It is recognised that on the one hand this revised scheme will require the staff of the Department to undertake additional functions but it is also recognised that a more streamlined system for applications and the issuing of licences will free up time. These possible changes have been considered and it is estimated these will lead to no net change in staff involvement which, taken across the full year, is currently equivalent to one half of a full-time employee (1/2 FTE).
- 10.11 **In summary, Option 2 is seen as maintaining many of the positive elements of the existing regulatory scheme whilst amending those areas which have proven to be problematic in practice, including removal of the anomalies identified over time. Changing the way in which Sunday opening licences are considered and granted will introduce island-wide consistency but will not result in additional costs for the States.**
- 10.12 The Law Officers' Chambers have advised that the drafting of the required amendments will take somewhat longer than a revocation Ordinance and that, together with the relevant legislative process, means that the new scheme is unlikely to be placed before the Assembly prior to the middle of 2016 (subject to the legislative prioritisation process). As a consequence the current 2002 Ordinance will remain in force until such times as the revisions are granted

approval. This will mean that licence applications for 2016 will initially still have to be dealt with by the parishes and the Department as is currently the case.

11. Employment protection

11.1 A number of respondents to the public consultation expressed concern that employees would be forced to work on Sundays. However laws to protect Sunday Shop Workers have been in place since 2001. Under The Employment Protection (Sunday Shop Working) (Guernsey) Law, 2001, shop workers¹ have the right:

- not to be dismissed;
- not to be selected for redundancy;
- not to suffer any other detriment;

for refusing, or proposing to refuse, to do work in or about a shop² on a Sunday.

11.2 It should be made clear that whether Option 1 or Option 2 is approved by the States the Department is not recommending amendment or repeal of these employment protection provisions.

11.3 The rights described above apply irrespective of age, length of service or hours of work. However, they ***do not apply to those employed to work only on Sundays.***

11.4 A dismissal related to a refusal to do shop work³ on Sundays is ‘automatically unfair’.

11.5 **‘Protected’** shop workers qualify for these rights automatically, and can simply tell their employer that they no longer wish to work on Sundays. They can then only give up their right not to work on Sundays by giving their employer a signed and dated written ‘opting-in notice’ that says that they **do** want to work on Sundays or that they **do not object** to working on Sundays. They must then agree with their employer exactly what work on Sundays, or on any particular Sunday, they are agreeing to do.

All other shop workers can ‘opt out’ of Sunday working by giving their employer three months’ notice, in writing, that they want to stop working on Sundays.

¹ A ‘shop worker’ is ‘an employee who, under his contract of employment, is or may be required to do shop work’.

² A ‘shop’ includes ‘any premises where any retail trade or business is carried on’. Some shop workers are automatically ‘protected’ from having to work Sundays, others need to ‘opt out’ of Sunday working.

³ ‘Shop work’ means ‘work in or about a shop in Guernsey on a day on which the shop is open for the serving of customers’.

11.6 **Automatically ‘protected’ workers** are:

- Those shop workers employed by the same employer since before the date when the law came into force (1st July 2002) including those who, before that date, had agreed to work on Sundays.
- All shop workers whose contract of employment does not require them to work on Sundays. (These shop workers are already protected by virtue of their contract of employment.)

- 11.7 Shop workers who want to opt out of Sunday working must give their employer a signed and dated written notice saying that they object to Sunday working. They do not have to give any reason. They must then serve a three month notice period.

During this period they still have to do the Sunday work required under their employment contract, if their employer wants them to do so.

- 11.8 However, shop workers may not be dismissed or subjected to any other detriment by their employer, during the notice period, for giving an ‘opting-out notice’. Once the three month notice period has ended, the worker has the right not to do Sunday shop work, because he or she is protected as an ‘opted out’ shop worker.

- 11.9 The right to opt out is a continuing one. Any shop worker who opts in to Sunday working has the right to opt out again at any time, subject to giving the ‘opting-out notice’ and the three months’ notice period.

- 11.10 Employers **must** give every shop worker who is, or who may be, required by his or her contract of employment to work on Sundays, a written statement explaining the right to opt out. This statement must be given to the worker within two months of the date he or she starts work. (It is a good idea to include the statement with the employee’s written statement or contract of employment.) If the employer fails to do this, and the worker gives the employer an ‘opting-out’ notice, then the period of that notice is reduced from three months to one month. This means that the worker can stop working Sundays after only one month instead of after the normal three month period.

- 11.11 The Department believes these provisions are sufficient and appropriate protection for shop workers and that no changes are required as a result of any of the recommendations within this policy letter.

Part IV Conclusions and Recommendations

12. Conclusion

- 12.1 We might surmise that political and public opinion 100 years ago on Sunday trading was strongly and clearly in favour of the imposition of statutory control. However, the numerous debates in the last 20 years have highlighted that the topic of the regulation of shop opening on Sundays is one where fairly polarised views

exist, with similar levels of support in the Island for each side. Some favour total deregulation whilst others favour regulation to some degree. This position appears to be reflected in other communities around the world. Whilst some individuals express their views in a forthright manner, many respect the alternative viewpoint.

- 12.2 This position is reflected in the views of the Commerce and Employment Board members, with four members (one non-voting) favouring deregulation and two favouring the retention of existing regulation, albeit with a number of amendments.
- 12.3 For this reason the Department is taking the unusual step of placing a Policy Letter before the Assembly which contains two options.
- 12.4 Option 1, which is supported by a majority of Board members, is for total deregulation and is seen as being the most cost effective and least bureaucratic way forward. Traders will be given the choice as to whether or not to open on Sundays and consumers will also have the choice as to whether they wish to visit those shops which are open.
- 12.5 Option 1 is seen to remove a layer of bureaucracy from retailers and in so doing will also save time within the public sector not only from an administrative point of view but also from the need to enforce statutory provisions.
- 12.6 The Department is conscious that if a majority of the Assembly supports deregulation some retailers will be anxious to open their doors as soon as possible. However there is a due process to the introduction of new law (including legislation to revoke existing provisions) and against this background the Department would anticipate, with the help of the Law Officers, and by expediting the legislative process, to bring suitable legislation before the States at the December 2015 meeting, the legislation having effect from the 11th December 2015. Until that date the existing provisions shall remain in force.
- 12.7 As explained previously two Board members believe that the Island would be better served by retaining regulation over shop opening on Sundays and therefore they support Option 2 which continues with many of the existing provisions whilst addressing some of the anomalies and the problems which have arisen in practice since the 2002 Ordinance was enacted.
- 12.8 Option 2 is seen as following a former trend whereby the States has previously sought to introduce incremental changes to trading on Sundays rather than significant changes.
- 12.9 Existing legislation providing protection to employees who do not wish to work on Sundays is considered by the Department to be satisfactory and appropriate whether Option 1 or Option 2 is approved by the States.

13. Recommendation

13.1 The Department recommends the States:

- 13.1.1 To approve the removal of restrictions on the opening of shops on Sundays (Option 1 in this report).
- 13.1.2 To direct the preparation of such legislation as may be necessary to give effect to the above decision with an intended implementation date of 11th December 2015.

If recommendation 13.1.1 is not approved by the States

- 13.1.3 To approve the revision of the Sunday Trading Ordinance, 2002 as set out in paragraph 10.8 in this policy letter.
- 13.1.4 To direct the preparation of such legislation as may be necessary to give effect to the above decision.

Yours faithfully

Deputy K A Stewart
Minister

Deputy A H Brouard
Deputy Minister

Deputy D de G De Lisle
Deputy G M Collins
Deputy L S Trott
States Members

Advocate T Carey
Non States Member

Appendix 1

This Appendix, which is an extract from the Sunday Trading Ordinance, 2002 sets out the existing criteria which must be met in order for a shop to currently be granted a Sunday opening licence in the statutory categories A to M.

Category A – Suppliers of victuals etc. to ships and aircraft.

A. A shop upon or from which is carried on a trade or business –

(a) involving the sale or delivery of –

(i) victuals, stores or other necessities required by any person for a ship or an aircraft, or

(ii) fuel or lubricants to the owner or other person in charge of a boat or aircraft for the purposes of that ship or aircraft,

during, or during a substantial part of, customary shop opening hours, and

(b) where the predominant range of goods or items offered for sale, despatch or delivery upon or from that shop –

(i) in the course of the trade or business,

(ii) during, or during a substantial part of, customary shop opening hours,

is a range consisting of one or more of the type or types of the goods or items referred to in subparagraphs (a)(i) and (ii).

Category B – Small⁴ Convenience Grocery Stores.

B. A small shop upon or from which is carried on a trade or business –

(a) involving the sale of food, drinks, cleaning materials or toiletries during, or during a substantial part of, customary shop opening hours, and

(b) where the predominant range of goods or items offered for sale from that shop –

(i) in the course of the trade or business,

(ii) during, or during a substantial part of, customary shop opening hours,

is a range consisting of one or more of the type or types of the goods or items referred to in subparagraph (a).

[Note: Fuel or lubricants may be sold from petrol filling station premises which incorporate a shop with a category B licence]

⁴ A small shop is one with a floor area not exceeding 400 square metres.

Category C- Fuel Outlets.

C. (1) A shop upon or from which is carried on the trade or business of a retail fuel supplier during, or during a substantial part of, customary shop opening hours.

(2) A Sunday opening licence granted in respect of a shop by virtue of section 3 and subparagraph (1), is granted subject to the condition that the shop to which the licence relates is open solely for the serving of customers on a Sunday in connection with the sale, despatch or delivery of fuel or lubricants.

[Note: Other goods may be stocked and sold on other days of the week but may not be offered for sale on a Sunday]

Category D – Newsagents.

D. A shop upon or from which is carried on a trade or business –

(a) involving the sale of newspapers, magazines, periodicals, books or stationery during, or during a substantial part of, customary shop opening hours, and

(b) where the predominant range of goods or items offered for sale from that shop –

(i) in the course of the trade or business,

(ii) during, or during a substantial part of, customary shop opening hours,

is a range consisting of one or more of the type or types of the goods or items referred to in subparagraph (a).

Category E – Authorised Pharmacist.

E. (1) A shop upon or from which is carried on the trade or business of an authorised pharmacist.

(2) A Sunday opening licence granted in respect of a shop by virtue of section 3 and subparagraph (1), is granted subject to the following conditions –

(a) that the shop is open for the serving of customers on a Sunday for a period of no longer than one hour during the Sunday in question, and

(b) where the trade or business of the authorised pharmacist is carried on in a shop consisting of a building having more than one floor, that only the floor, upon which that part of the trade or business involving the dispensing of medicines is carried on, is open for the serving of customers on a Sunday.

(3) For the purpose of this paragraph –

"authorised pharmacist" means a person authorised to practise as a pharmacist within the law for the time being in force, and

"dispensing" has the meaning given by section 42(1) of the Poisons and Pharmacy Ordinance, 1970.

[Note: No fee is payable when applying for a Category E licence]

Category F – Beach shops.

F. (1) A beach shop upon or from which is carried on a trade or business –

(a) involving the sale of –

(i) food or drinks,

(ii) items for use in connection with any outdoor recreational activity undertaken or pursued in the vicinity of that shop, or

(iii) souvenirs for, or items of a type likely to be of particular interest to tourists visiting, or other visitors to the vicinity of that shop,

during, or during a substantial part of, customary shop opening hours, and

(b) where the predominant range of goods or items offered for sale from that shop –

(i) in the course of the trade or business,

(ii) during, or during a substantial part of, customary shop opening hours,

is a range consisting of one or more of the type or types of the goods or items referred to in subparagraphs (a)(i), (ii) and (iii).

(2) In subparagraph (1) the expression, "a beach shop" means a shop located upon, or in the immediate vicinity of, a beach or a cliff.

Category G - Small shops within a designated tourist or recreational area.

G. A small shop located within an area designated under section 28.

[Note: the Constables and Douzaine of the parish may designate areas under section 28 and these must be either a hotel, or a shopping or recreational complex of special interest to tourists or other visitors as a tourist or a recreational area.]

Category H - Shops within a place of particular interest.

H. (1) A shop within a place designated under section 29.

(2) A Sunday opening licence granted in respect of a shop by virtue of section 3 and subparagraph (1), is granted subject to the condition that, except in relation to food and drink, goods or items offered for sale upon or from the shop shall –

(a) have a close thematic connection with, or

(b) be of a type likely to be of particular interest to tourists or other visitors to,

the place designated under section 29.

[Note: The Constables and Douzaine of a parish may designate areas under section 29 and these may be an art gallery or premises or land which they regard as being of particular educational or historic interest. Additionally all goods sold must have a close thematic connection with or be of a type likely to be of particular interest to tourists or other visitors to the designated place.]

Category I - A shop within airport or harbour terminal buildings.

I. A shop located within an airport or harbour terminal building.

Category J - Mobile shops.

J. A mobile shop which is used for the purposes of carrying on a trade or business –

(a) involving the offering for retail sale of –

(i) food or drinks,

(ii) items for use in connection with any outdoor recreational activity, or

(iii) souvenirs for, or items of a type likely to be of particular interest,

to tourists visiting, or other visitors to, the vicinity in which the mobile shop is located for the purposes of the carrying on of the trade or business, and

(b) where the predominant range of goods or items sold from that shop is a range consisting of one or more of the type or types of the goods or items referred to in subparagraphs (a)(i), (ii) and (iii).

Category K - Souvenir Shops (Cruise ships).

K. (1) A shop which is likely to be visited by passengers from a cruise ship which is visiting Guernsey and upon or from which is carried on a trade or business –

(a) involving the sale of –

(i) food or drinks,

(ii) items for use in connection with any recreational activity undertaken or pursued in or in the vicinity of that shop, or

(iii) souvenirs for, or items of a type likely to be of particular interest to tourists visiting, or other visitors to the vicinity of that shop,

(b) where the predominant range of goods or items sold from that shop in the course of the trade or business, is a range consisting of one or more of the type or types of the goods or items referred to in subparagraphs (a)(i), (ii) and (iii).

(2) A Sunday opening licence granted in respect of a shop by virtue of section 3 and subparagraph (1), is granted subject to the condition that the shop shall not be open for the serving of customers on a Sunday, other than a Sunday designated for the purposes under section 30.

[Note: To be granted a licence a shop must be likely to be visited by cruise ship passengers and may only open on Sundays that have been designated “cruise liner Sundays” by VisitGuernsey.]

Category L - Plant and Garden Centres.

L. (1) A shop upon or from which is carried on –

(a) a trade or business –

(i) involving the sale of one or more of the type or types of the goods or items described in Part 1 of Appendix 2 during, or during a substantial part of, customary shop opening hours,

(ii) where the predominant range of goods or items offered for sale from that shop –

(aa) in the course of the trade or business,

(bb) during, or during a substantial part of, customary shop opening hours,

is a range consisting of one or more of the type or types of the goods or items described in paragraph 1 of Part 1 of Appendix 2, and

(iii) where, if in the course of the trade or business, giftware is offered for sale from that shop, the floor area from which that giftware⁵ is offered for sale is a single and discrete floor area not exceeding 100 square metres, or

(b) where regulations under section 27A prescribe a concessionary period, a trade or business which –

(i) during any period falling outside the concessionary period, falls within the description set out in subparagraph (a), and

(ii) during the concessionary period, either –

(aa) falls within the description set out in subparagraph (a), or

(bb) falls within the description set out in paragraph (2).

(2) A trade or business –

(a) involving the sale of one or more of the type or types of the goods or items described in Part 1 of Appendix 2 during, or during a substantial part of, customary shop opening hours,

(b) where the predominant range of goods or items offered for sale from that shop in the course of the trade or business, during, or during a substantial part of, customary shop opening hours, is a range consisting of –

(i) one or more of the type or types of the goods or items described in paragraph 1 of Part 1 of Appendix 2, or

⁵ Giftware are those goods or items described in Part 3 of Appendix 2 to this policy letter

(ii) goods or items described in paragraph 7 of Part 3 of Appendix 2 ("Christmas decorations and wrapping paper"), and

(c) where, if in the course of the trade or business, giftware is offered for sale from that shop, the floor area from which that giftware (excluding Christmas decorations and wrapping paper) is offered for sale is a single and discrete floor area not exceeding 100 square metres.

(3) A Sunday opening licence granted in respect of a shop by virtue of section 3 and subparagraph (1), is granted

subject to the following conditions –

(a) that the only type or types of goods or items offered for sale or sold from the shop on a Sunday are –

(i) one or more of the type or types of the goods or items described in Appendix 2, or

(ii) one or more of the type or types of the goods or items described in Appendix 2 and food or drinks, and

(b) that the shop is not used as a venue at which to hold any fair, social occasion or similar event other than one associated with gardening or activities linked with the countryside.

(4) In this paragraph the expressions –

"giftware" means the goods or items described in Part 3 of Appendix 2.

[Note: During November, December and January there is no limit on the floor area that can be used to display Christmas decorations and wrapping paper.]

Category M - Miscellaneous Small Shops.

M. A small shop upon or from which is carried on a trade or business –

(a) involving the sale of –

(i) food or drinks,

(ii) items for use in connection with any recreational activity undertaken or pursued in or in the vicinity of the shop, provided that the shop is located in the vicinity of a beach or cliff,

(iii) souvenirs for, or items of a type likely to be of particular interest to tourists visiting, or other visitors to the vicinity of that shop, or

(iv) newspapers, magazines, periodicals, books or stationery, during, or during a substantial part of, customary shop opening hours, and

(b) where the predominant range of goods or items sold from that shop in the course of the trade or business, is a range consisting of one or more of the type or types of the goods or items referred to in subparagraphs (a)(i), (ii), (iii) and (iv).

[Note: this category was devised to deal with a shop which had elements of many of the other statutory categories of shop but did not meet any of them, although it collectively met some of them.]

Appendix 2

(This Appendix, which is also an extract from the Sunday Trading Ordinance, 2002 is to be read with Appendix 1 and provides details of the existing range of goods referred to in Category L (Plant and Garden Centres).)

PART 1

1. All types of living plants, flowers, fruit, vegetables, seeds and bulbs.
2. Growing media and mulches of all types including peat, composts and barks.
3. Fertilisers and plant protection products.
4. Lawn care products.
5. Garden tools, equipment for gardening and irrigation equipment.
6. Plant containers and garden ornaments.
7. Garden related books.
8. Garden ponds and products for aquatic gardens.

PART 2

1. Clothing specifically designed –
 - (a) for use when gardening (including by way of example and not limitation - Wellington boots and gardening gloves), or
 - (b) to protect the user when –
 - (i) applying gardening products (including by way of example and not limitation - herbicides, insecticides or fertilisers), or
 - (ii) using garden tools or machinery.
2. Furniture designed for use in a garden or conservatory and associated coverings.
3. Garden machinery.
4. Greenhouses and equipment associated with greenhouse use.
5. Timber garden sheds with a floor area no greater than 6 square metres and a height no greater than 3 metres.
6. Materials necessary for the construction of patio flooring, garden paths, fences, rockeries or pergolas (including outdoor surfacing materials such as artificial lawn material).
7. Plant windbreak materials, plant supports and plant protection materials.

8. Treatments for timber products used in the garden, path and patio cleaners.
9. Swimming pools, spa pools and pool care products and associated care and maintenance products.
10. Greenhouse and garden conservatory heaters, barbeques, equipment for the use of the barbeque and fuel for the same.
11. Conservatories and gazebos.
12. Pets, pet care products, pet accessories and pet food.
13. Garden lighting, plant lighting and associated electrical equipment.
14. Books, videos, compact discs, digital versatile discs, computer software, magazines and audio tapes related to any of the goods or items described in paragraphs 1 to 6 and 8 of Part 1 and paragraphs 1 to 13 of Part 2 of this Appendix.

PART 3

1. Flower vases.
2. Candles, candlesticks and candleholders.
3. Picnic-ware, cutlery and tableware designed primarily for the purpose of outdoor use.
4. Calendars, diaries, cards, gift wrapping materials and souvenirs.
5. Garden and outdoor toys and outdoor garden games.
6. Arts and crafts products (including by way of example and not limitation) dried flowers, cones, artificial plants and flowers, fruit and vegetables, needle ware and tapestries.
7. Christmas decorations and wrapping paper.

Appendix 3

TEXT CONTENT OF THE QUESTIONNAIRE

The consultation was launched on November 20th 2014 and closed on 31st January 2015.

Purpose and type of consultation

This public consultation document and opinion questionnaire consists of four parts:

1. An introduction, including a brief explanation as to why the Commerce and Employment Department (C&E) is undertaking this work.
2. A brief description of different methods of regulating trading on Sundays.
3. A brief explanation of the requirements of the law together with an explanation of some difficulties which have arisen since the Ordinance was enacted.
4. The response questionnaire.

Opinions are sought from the public at large, retailers, the parishes and other interested individuals or groups. Whilst it is preferred that responses are provided to all the questions, responses to a select number of questions will still be welcomed.

Further information on Sunday trading in Guernsey is available at www.gov.gg/sundaytrading

Contacts

Further information:

Sunday Trading Consultation
Commerce and Employment Department
Raymond Falla House
P O Box 459
Longue Rue
St Martin
Guernsey

How to contact us

Telephone: (01481) 234567
Email: ts@commerce.gov.gg

How to Respond

Electronic Responses

The easiest way for many to respond to this consultation is to fill in the on-line questionnaire at www.surveymonkey.com/s/sundaytradingconsultation.

Hard Copy Responses

Alternatively you may print out the questionnaire from survey monkey or complete the questionnaire at the end of this document (print out/detach : pages 13 to 18) fill in by hand and return either: post as hard copy / or scanned attachment by email.

PLEASE SEND COMMENTS TO

Sunday Trading Consultation Commerce and Employment Department FREEPOST GU245 Guernsey GY1 5SS	Telephone: (01481) 234567 Email: ts@commerce.gov.gg Fax: (01481) 235015
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Your views will help formulate policy as the Department progresses to the next stage of work on this topic.

The Department wishes to thank you in advance for taking the time to read and respond to this consultation.

Part 1 - Introduction

The present situation

The Sunday Trading Ordinance, 2002 (the current law) resulted from certain key positions of the States at that time. These were:

- There was no enthusiasm on the part of the States for major changes to the legislation existing at that time but anomalies needed to be addressed and a consistent approach developed throughout the Island.
- The emphasis needed to shift from categories of goods to categories of shops.
- In relation to food shops in particular, the emphasis should be to provide reasonable access to small scale shopping for basic provisions on a convenience basis — but not for full scale weekly shopping for the family.
- An outlet which is open for whatever reason on a Sunday should be permitted to sell the full range of its goods.
- The Douzaines should continue to play a key role alongside the then Board of Industry (now Commerce and Employment) in administering Sunday Trading arrangements.
- There should be special recognition of the trading position of certain places of visitor interest, given the States commitment to support the tourist economy.

Why is the Department now consulting on Sunday trading regulation?

The topic of trading on Sundays is often an emotive one, with strong and polarised views being expressed from businesses and the public at large. In the lead-up to the introduction of the Sunday Trading Ordinance, 2002 the States debated the topic of trading on Sundays no less than seven times, including two Requêtees proposing total deregulation. There have been four further debates involving Sunday trading since the 2002 Ordinance was approved by the States. The debates in the Assembly sometimes reflected the strong feelings mentioned earlier. Most people will hold an opinion on whether shops should be permitted to open on Sundays and similarly it is a matter of personal choice as to whether one wishes to visit any shop which might be open.

In 2012 a Requête brought by Deputy Mike Hadley sought to establish a trial period of twelve months during which the Ordinance would be suspended (i.e. it would not be enforced). That Requête was unsuccessful but during the debate the Minister (Deputy Kevin Stewart) gave an assurance to States Members that the Commerce and Employment Department would undertake a review of the regulation of trading on Sundays with a view to reporting back to the States during the term of this current Assembly (i.e. prior to the General Election in April 2016).

Part 2 - Different methods of regulating trading on Sundays

If the States wishes to regulate trading on Sundays there are many different ways of doing so and several different factors which could be incorporated into any new scheme. Your views are sought on which of the following factors should feature in any future regulation of trading on Sundays.

The goods sold (the main factor in the current scheme)

It could be possible to regulate trading by having a list of goods which the States determines can be sold on a Sunday. An item not on the list could not then be sold. However such a list might well be extensive and might not be able to keep pace with new products coming to the market.

A variation to this approach would be to define different types of shops based upon the main types of goods found in each type of shop. For example, newsagents mainly sell newspapers, magazines and stationery. This approach avoids the need to maintain a definitive list of goods which may be sold but nevertheless does maintain a focus on the goods sold.

Relaxing the law at certain times of the year

Some shops have expressed a wish to be able to open on Sundays in the lead-up to Christmas. Other shops have expressed a wish to open on Sundays during the summer months where there is increased tourist activity.

A system could be introduced which allows special opening arrangements at specific times of the year, such as Sundays in the lead-up to Christmas or during the height of the tourist season.

The location of the shop

In some countries a shop's ability to open on Sundays depends upon where the shop is located, with greater freedom being given to shops in tourist or major retail areas, whilst those in rural areas are not able to open.

In Guernsey the distinction between tourist or retail areas and rural areas is not necessarily distinct but the location of the shop could still be a factor in future regulation. Shops located in certain specific areas (such as the town centre, adjacent to beaches or cliffs, or at tourist attractions) could be treated differently than shops elsewhere.

Restricting the opening hours

Rather than categories of shops and the need for a licence, all shops could be permitted to open on Sundays, but only for a limited number of hours. The States could specify the actual hours (e.g. shops may only be open between 10am and 6pm) or the States could, for example, set a maximum allowance of any four consecutive hours between 8am and 8pm. Alternatively, retailers could be given the opportunity to open, say, a maximum of 4 hours on a Sunday; freedom given to the retailer as to which hours he considers appropriate. Note that these are just examples of possible times and are not to be taken as the confirmed times.

At present, except for category E (pharmacies), shops with a licence can open all hours on a Sunday

The size of the shop

At present, certain categories of licence (B, G and M) can only be granted to small shops, defined as being those which do not exceed a floor area of 400 m² (around 1½ times the size of a tennis court). Other categories of licence have no such size restrictions, although in some cases

the size of a shop is a feature of the type of business operated. For example it is unlikely that a newsagent (category D) would ever approach 400 m² in floor area.

In the UK, small shops (defined there as not exceeding 280 m²) may open unlimited hours whilst the opening times of larger shops are restricted. Guernsey could also have a two tier approach to opening hours with larger shops being permitted to open, but with restricted hours, whilst their smaller competitors might have no such restrictions. Alternatively, the island could permit smaller shops (whatever area is considered appropriate by the States at the time and no matter what goods they sell) to open on Sundays whilst large shops would not be permitted to open at all. This type of approach would reflect an element of the States' original views, namely that convenience grocery shopping should be permitted, but not the family weekly shop.

Limiting the number of Sundays a shop can open during a year

It is often commented that retailers should be able to decide whether they wish to open on Sundays. Balancing this view with a wish to limit retailing on Sundays, the States could determine that retailers are permitted to open on, say, 26 Sundays in any year. There would be no limitations applied to other days of the week. Retailers would then be able to decide which Sundays were the most appropriate for them to open (e.g. a tourist attraction would probably wish to open during the spring/summer/autumn period but not during the winter).

Part 3: The requirements of the law and some difficulties which have arisen since the Ordinance was enacted

This part of the consultation document briefly explains the existing requirements which are set out in the Sunday Trading Ordinance, 2002 (which applies to Guernsey and Herm but not to Alderney or Sark). It also explores some of the administrative and enforcement difficulties identified over time.

More detailed information on Sunday trading in Guernsey may be viewed at www.gov.gg/sundaytrading

Summary of the main requirements of the law

The current Sunday trading regime commenced in 2003 when the Sunday Trading Ordinance, 2002 came into force.

Most shops intending to open on a Sunday require a "Sunday opening licence" issued by the parish where the shop is located. There are 13 basic categories of licence. Some shops are exempt from the need for a licence.

A licence is valid from January to December each year (or until the end of December when issued part-way through a year) and has to be renewed at the end of each year if the trader wishes to continue to trade on Sundays. An application to the parish costs £25, whether or not a licence is issued.

In addition to the 13 basic categories of licence there are also special event licences and emergency licences.

Whether or not to issue a "Sunday opening licence" is determined by the Constables and Douzaine of each individual parish, having received comments on the application from the Commerce and Employment Department [C&E]. The intention behind C&Es involvement is to help ensure uniformity, island-wide.

A trader who is aggrieved they were refused a licence has a right of appeal. This is initially to the Sunday Trading Appeals Tribunal and subsequently to the Royal Court on a point of law.

Shop workers (working in a shop open for the serving of customers) are granted certain rights under the Employment Protection (Sunday Shop Working) (Guernsey) Law, 2001, including the right not to be dismissed and not to be selected for redundancy if they opt not to work on a Sunday.

When is a licence to trade on a Sunday required – what the law says

Under the 2002 Ordinance shops carrying on a retail trade or business (including stalls, kiosks and mobile vans) need a licence to open on a Sunday unless they are open solely for one of the exempt purposes below:

- Door to door delivery of newspapers, periodicals or magazines.
- Door to door delivery of dairy products.
- Door to door delivery of heating fuels.
- The sale by fishermen of freshly caught fish (including shellfish).
- The sale at a farm, growing property, allotment or similar place, of product produced thereon.
- The sale of meals and refreshments.
- The carrying on of the business of a hairdresser or barber.
- The provision of ATMs/automated cashpoints.
- The sale of tobacco, tobacco products and smokers' requisites.
- The sale of programmes and catalogues at theatres and places of amusement.

One of the particular principles of the Sunday trading legislation is that it does not just regulate the ability of a shop to make sales on a Sunday. Under the legislation, a shop covered by the Ordinance may not be open for the “serving of customers” without a licence. Customers can be served without any sales taking place; a sales assistant talking about products, shop opening times, the potential to place orders etc. would constitute serving customers, as would the arranging or taking of test drives in the case of motor vehicles.

The difficulties with this approach

The meaning of “serving of customers” is largely not understood, and it is believed some premises on the island are opening for the serving of customers without a licence because of this misunderstanding.

Sunday opening licence categories - what the law says

The 13 categories of Sunday opening licence specified in the Ordinance brought into force the resolutions made by the States, reflecting the views at the time regarding which types of shops should be able to open and which activities should be permitted:

- **Category A – Suppliers of victuals etc. to ships and aircraft.**
- **Category B – Small convenience grocery stores.** The floor area cannot be larger than 400 m² (about 1½ times the size of a tennis court). Petrol stations located on the same site can also open under the licence.
- **Category C – Fuel outlets.** Only fuel and lubricants can be sold on a Sunday.
- **Category D – Newsagents.**
- **Category E – Authorised pharmacist.** The shop may only open for a total of 1 hour each Sunday. There is no restriction in what goods can be sold and there is no charge for an application for a category E licence.
- **Category F – beach shops.** Those near a beach or a cliff and selling food or drinks, souvenirs or items likely to be used for recreational purposes.
- **Category G – small shops within a tourist or recreational area** designated under section 28 of the Ordinance with a floor area no larger than 400 m². Areas designated under section 28 are hotels or shopping or recreational complexes of special interest to tourists or other visitors.
- **Category H – shops within a place of particular interest** designated by the Constables and Douzaine under section 29 of the Ordinance. All items offered for sale (except food and drink) must have a close thematic connection with, or be likely to be of particular interest to tourists or other visitors to, the area designated. Areas designated under section 29 of the Ordinance are art galleries or other premises or land which are of particular educational or historic interest.
- **Category I – a shop located within airport or harbour terminal buildings.**
- **Category J – mobile shops,** selling food or drinks, souvenirs or items likely to be used for outdoor recreational activities.
- **Category K – souvenir shops (cruise ships),** selling food or drinks; souvenirs or items likely to be used for recreational purposes near the shop. Shops must be likely to be visited by cruise ship passengers and can only open on designated cruise ship Sundays.
- **Category L – plant and garden centres** predominantly selling living plants, flowers, fruit, vegetables, seeds and bulbs. Only goods listed in an appendix to the Ordinance may be sold on a Sunday, other goods may be sold Monday to Saturday.
- **Category M – miscellaneous small shops,** selling food or drinks, souvenirs, newspapers, magazines, books or items likely to be used for a recreational activity near a beach or cliff if the shop itself is near a beach or cliff. The floor area cannot be larger than 400 m².

The difficulties with this approach

Having several different categories can cause confusion when a shop is seeking a Sunday opening licence. Also, if a trader is seeking to establish a new shop they may be particularly confused as to whether they might be justified in applying for a licence.

Some retailers find the Ordinance confusing, particularly those where the administrative base or head office is not in Guernsey. It may be difficult for traders to know whether their business is covered by the Ordinance in the first place, and then whether their shop is eligible for a licence. Some retailers (especially new applicants) do not know which category of licence to apply for. The parish has to provide this information and advice.

Predominant range of goods - what the law says

For most licence categories shops are required to have a predominant range (i.e. more than half) of goods of a certain type. The required predominant range for each category is specified in the Ordinance. As an example, the predominant range for a small convenience grocery store (category B licence) is food, drinks, cleaning materials and toiletries. The reasoning behind requiring the assessment of the predominant range of goods is that if a shop is described as being a certain type, it mostly sells goods expected of that type of shop, e.g. a shop described as a newsagent would sell mostly those items a newsagent would be expected to stock.

Two parish inspectors assess the predominant range of goods of a shop when they visit as part of the application process.

The difficulties with this approach

The concept behind this approach was to capture the essence of the type of shops which were, in practice, opening on Sundays under previous legislation. This avoided having to create an extensive and exhaustive list of goods which the States considered appropriate to be on sale on Sundays (and if an item was not on such a list it would not be able to be sold).

It was also identified that retailing is and always will be a dynamic industry with ranges of goods coming in and out of popularity over time with some businesses broadening the range of goods on offer.

For many licence categories, parish inspectors are required to determine whether the predominant range of goods of the shop meets the criteria. What the predominant range of a shop is, and whether certain goods fit the criteria can be interpreted in different ways by different parish inspectors. This can lead to confusion amongst traders and difficulties if traders have premises in different parishes.

There are a number of inconsistencies that have arisen out of the system, especially in cases where several of the categories of licence allow any goods to be sold so long as the predominant range of goods meets the criteria. For example, small convenience grocery stores and garden centres can open and, in addition to their predominant range, can sell pet food or toys for animals. But there is no category which enables a dedicated pet shop to open. This may be seen to be unfair.

Plant and Garden Centres – what the law says

Category L applications are dealt with in a slightly different manner than other categories. The shop must have a predominant range of living plants, flowers, fruit, vegetables, seeds and bulbs and as with other categories this assessment is based upon the range of goods in the shop during the week, Monday to Friday. Additionally, and critically, only goods listed in an appendix to the Ordinance may be sold on a Sunday, whilst other goods not listed may only be sold Monday to Saturday. Furthermore there is a restriction on the floor area which may be devoted to the sale of certain goods on Sundays. These goods are termed “giftware” in the Ordinance and include candles, picnic-ware, cards, calendars, arts and craft products and Christmas decorations and wrapping paper.

This approach moves away from the principle with most other categories that once a shop is granted a licence it may sell any other types of goods providing the predominant range of goods continues to meet the criteria. It came about because of concerns that plant and garden centres could develop into out of town retail centres and lead to an unwanted demise of the High Street and other similar retail areas.

The difficulties with this approach

It was originally identified that whilst the traditional style of plant centre (one predominantly selling plants, seeds or bulbs) still existed there was a move, especially outside the island, towards garden centres offering a much broader range of goods. Recognising that these developments could migrate to Guernsey the then Board of Industry consequently had great difficulty in setting out the criteria for plant and garden centres.

Over recent years these type of businesses have continued to broaden their scope and the focus of serving the direct needs of the gardener (e.g. selling plants, seeds, bulbs, fertiliser, gardening tools etc.) has developed into offering a wider range of goods, typically including books, giftware, household wares, furniture and fashion-orientated clothing. A café facility may be provided; gardening orientated goods on sale almost occupying a second stage to the main event.

Garden retail centres in particular will typically change their main focus of business throughout the year, especially around Christmastime when a broad range of festive decorations (often for indoor use) may fill the shelves. A special dispensation, permitting an increased area for the sale of Christmas decorations and wrapping paper, is given to category L licence holders during the months of November, December and January to facilitate a change in focus. A significant change in the goods on offer can present particular difficulties for the parish inspectors seeking to judge the predominant range of goods in the shop, especially when inspecting around December-time, a time when licences are being sought for the following year.

Cruise liner Sundays – what the law says

Category K (souvenir shops (cruise ships)) allows certain shops to open on those Sundays which are declared as cruise liner Sundays by the Commerce and Employment Department's Visit Guernsey section. The types of shops which can open with a category K licence are those which can be expected to be visited by cruise liner tourists or other visitors.

The difficulties with this approach

The current criteria have been felt by some as not being flexible enough to allow new initiatives aimed at supporting tourism and recreation.

Process for granting Sunday opening licences (categories A to M) - What the law says

Applications are submitted to the parish where the shop is located. Applications must be submitted at least 28 days before the licence is needed. Except for applications for an authorised pharmacist (category E), there is a fee of £25 per application.

Once an application is received by a parish, the shop is visited by two inspectors from that parish to determine whether they consider the shop meets the criteria to be granted a licence.

Parishes send completed application forms and inspectors' reports to the Commerce and Employment Department (C&E) where officers review the documentation and provide a comment to the parishes on any category A to M application. This helps ensure consistency of decision-making across all parishes.

The decision as to whether or not to grant a licence is taken by the Douzaine and Constables of a parish based on the inspectors' report and the comments provided by C&E.

The difficulties with this approach

This scheme is very reliant upon the assessment undertaken by the two parish inspectors. Whilst it can be safely assumed that they undertake their roles with due diligence, in some cases

the Constable is only in post for two years and their knowledge and skill may be lost to the parish or may not be transferred to their successor. Additionally several parishes have few shops requiring licences and so deal with Sunday trading matters infrequently. It is therefore understandable that these parishes have only a limited detailed knowledge of the legislation and problems frequently arise with the renewal process at the end of each year, and also on some occasions when new licences are sought part way through a year.

As a consequence some traders can find it difficult to obtain consistent advice from some parishes, especially where they have similar shops in different parishes.

There is a significant amount of administrative work required on the part of the parishes and C&E to deal with the legislation.

While C&E has a role to ensure consistency it does not have any powers under the Ordinance to check whether individual parishes are carrying out their role appropriately, including whether inspections of shops are being carried out correctly and whether premises, once issued with a licence, are being monitored to ensure they remain within the law.

The legislation (and associated guidance) is readily accessible to parishes, traders and the public at large. But there are a number of subtle details that can be missed or misunderstood. C&E staff are often able to advise on these, but as the Department's role in the process comes fairly late difficulties do arise, especially if licences are required for set dates e.g. exhibitions.

The current legislation has no separate provision for renewals of licences so shops have to apply for a completely new licence each year. This procedure was established to ensure that every business had to receive at least one inspection a year with an associated assessment that it met the criteria for that category of licence. Practically, many parishes treat repeat applications as renewals and will make use of the previous years' information when considering the new application. Some will take a copy of the previous years' inspection report along and simply consider whether anything has changed. If no change can be seen, the exact same wording will be entered on the new form. There are a significant number of businesses who have been issued licences for a number of years and where there has been no change to their predominant range of goods or floor area. If there was a shorter renewal process available to these businesses it would cut down on work for parishes and C&E and reduce inconvenience to the businesses.

Special event licences and Emergency Licences – what the law says

Special event licences are for individual “one-off” types of events, and are not for shops which wish to open regularly on a Sunday. These licences are valid only for the date(s) specified on the licence. If an event is repeated in subsequent months or years, a new special event licence will be required. A £25 fee must be paid in some cases, although charitable and similar events are exempt from fees.

Licences may only be issued for events which are promoted as being held to raise money for a charity or other qualifying organisations or to celebrate or commemorate an event or occasion of historic or cultural significance e.g. Liberation Day if it falls on a Sunday.

The Ordinance also allows for the issuing of Emergency Licences in certain circumstances such as a major storm, mass flooding, extended power cuts etc. No emergency Sunday opening licences have ever been issued.

Appeals & Tribunals – what the law says

Appeals can only be made against certain decisions and can only be made by someone who has a specific connection with the decision made, e.g. the applicant. Members of the public would not normally have a right of appeal against a decision.

All appeals are heard in the first instance by a Sunday Trading Appeals Tribunal. The tribunal can either decide to dismiss the appeal or to uphold the appeal and quash the decision being appealed against. If any party is unhappy with the outcome of a tribunal hearing based on a point of law there is a further right of appeal. A person found against by the tribunal cannot appeal to the Royal Court simply because they do not agree with the decision of the tribunal.

The difficulties with this approach

The Sunday Trading Appeals Panel is comprised of local members of the community, but they are not experts in, or familiar with, the intricacies of Sunday trading legislation. With only two appeals since the inception of the Ordinance, such expertise is unlikely ever to be gained from appeal hearings. On the other hand, staff at C&E have built up such knowledge and expertise but there is no legal requirement for the panel to consult any expert witnesses in the process of reaching their judgment.

There is also no process for Commerce and Employment to appeal any decision of the tribunal.

The cost of defending an appeal could become significant and a parish may not have sufficient funds available for this purpose. It is also considered unfair that one parish may be burdened with the cost of defending an appeal on a point of law which affects many or all parishes.

Enforcement & Monitoring – what the law says

Enforcement of the legislation ultimately rests with the Police, but parish officials monitor compliance and report apparent infringements to the Police.

Parishes have a responsibility to monitor traders and business premises within their parish to determine whether any enforcement action might be needed.

A parish may revoke or suspend a licence if there is a breach of the Ordinance.

Protection rights for employees – what the law says

Under Part IIA (Protection for Sunday Shop Workers) of the Employment Protection (Guernsey) Law, 1998*, shop workers (working in a shop which is open for the serving of customers) have the right:

- not to be dismissed
- not to be selected for redundancy
- not to suffer any other detriment for refusing, or proposing to refuse, to do work in or about a shop on a Sunday.

These rights apply irrespective of age, length of service or hours of work. However, they do not apply to those employed to work only on Sundays.

* Part IIA was inserted in the 1998 Law by the Employment Protection (Sunday Shop Working) (Guernsey) Law, 2001.

Part 4 – the Questionnaire

Thank you for reading this information, please now complete the questionnaire online at <https://www.surveymonkey.com/s/sundaytradingconsultation>.

Part 4 Questionnaire

Section A: Preliminary Questions

1. **Do you normally reside in or have business interests based in Guernsey?**

Yes	<input type="radio"/>
No	<input type="radio"/>

2. **Please tick which of the following you are responding as, or on behalf of.**
 Please tick only one:

<input type="radio"/> Member of the public
<input type="radio"/> Retail business
<input type="radio"/> Retail employee
<input type="radio"/> Parish official
<input type="radio"/> Other (please specify) _____

3. **Please tick the box of the option you most agree with (tick only one box):**

<input type="radio"/> i. the existing system should be kept as is, with amendments if necessary;
<input type="radio"/> ii. any shop should be allowed to open on any Sunday;
<input type="radio"/> iii. no shop should be allowed to open on any Sunday.

4. **If you chose option i) for the above question (Q3), what, if any, amendments do you feel would be useful?** (Please also see the following questions as these may cover some of your points.)

SPACE for WRITTEN RESPONSE

If you chose option ii) or iii) in question 3, you may feel the rest of this survey is not relevant. However, it may be that the States will decide Sunday trading should remain regulated, therefore we would still welcome your opinions regarding the remaining questions.

Section B: How Sunday trading is regulated

5. Which, if any, of the following do you believe should be a factor in how Sunday trading is regulated?

Tick all options which you believe should be a factor:

- ☐ The goods sold (the current system)
- ☐ Relaxing the law at certain times of the year (e.g. the run up to Christmas or during the summer)
- ☐ The location of the shop (e.g. special arrangements for shops in the town or tourist attractions)
- ☐ Restricting the opening hours (e.g. any 4 hours between 8am and 8pm)
- ☐ The size of the shop
- ☐ Limiting the number of Sundays a shop can open during the year
- ☐ Other (please specify)

SPACE for WRITTEN RESPONSE

Section C Consumer Questions

This section must be completed from the perspective of a consumer. If you are completing this questionnaire as a retailer, you may consider the following three questions not to be applicable.

6. How likely would you be to do more of your shopping on Sundays if more shops were open?

- ☐ Very likely
- ☐ Likely
- ☐ Undecided/not applicable
- ☐ Unlikely
- ☐ Very unlikely

7. Would you prefer shops to open later during the week rather than on Sundays?

- ☐ Yes
- ☐ No
- ☐ Undecided/not applicable

8. How likely would you be to shop less on the internet if more local shops were open on a Sunday?

- ☐ Very likely
- ☐ Likely
- ☐ Undecided/not applicable
- ☐ Unlikely
- ☐ Very unlikely

Please go to section E

Section D: Retailer Questions

Please only answer these questions if you are completing the survey as a retailer.

9. Please indicate what type of retail business you are responding on behalf of:

10. Would you like to be able to open on a Sunday?

- ☐ Yes
- ☐ No
- ☐ Undecided

11. If there was total deregulation of Sunday trading (i.e. full commercial freedom), do you believe this would lead to economic benefit for your business?

- ☐ Yes
- ☐ No
- ☐ Undecided

12. Would you prefer to open your shop later during the week rather than on a Sunday?

- ☐ Yes
- ☐ No
- ☐ Undecided

Please go to section E

Section E: Other Questions about Sunday Trading

13. Do you consider that garden retail centres, offering a range of goods beyond those directly associated with gardening should be permitted to open on Sundays?

- ☐ Yes
- ☐ No
- ☐ Undecided

14. When a cruise liner is visiting the island on a Sunday, do you believe that a greater range of shops should be allowed to open than on other Sundays?

- ☐ Yes
- ☐ No
- ☐ Undecided

15. If so, do you believe that such arrangements should apply just to shops in St Peter Port?

- ☐ Yes
- ☐ No
- ☐ Undecided

16. Who do you believe should make the final decision to allow an individual shop to open on Sundays (either by granting a licence or through whatever other mechanism may be decided by the States)?

- ☐ The parish where the business is located
- ☐ A Department of the States
- ☐ Other (please specify) _____

17. Do you believe that the same rules on Sunday trading should apply in all parishes?

- ☐ Yes
- ☐ No
- ☐ Undecided

Section F: Any Other Comments

18. Do you have any other comments you wish to make about Sunday trading?

SPACE for WRITTEN RESPONSE

PLEASE SEND COMMENTS TO

Sunday Trading Consultation
Commerce and Employment Department
FREEPOST GU245
Guernsey
GY1 5SS

Telephone: (01481) 234567
Email: ts@commerce.gov.gg
Fax: (01481) 235015

Disclaimer*

Please note that consultation responses may be made public (sent to other interested parties on request, quoted in a published report, reported in the media, published on www.gov.gg, listed on a consultation summary etc.)

*Please indicate how the Department should treat your response, the options available include:

- ☐ I agree that my comments may be made public and attributed to me
- ☐ I agree that my comments may be made public but not attributed (i.e. anonymous)
- ☐ I don't want my comments made public

Name:	
Address:	

Supply of Name and address is optional

Appendix 4

Analysis of the consultation responses

Results from “The Regulation of trading on Sundays in Guernsey – a public consultation document” (Nov 2014 to Jan 2015)

NOTE: Where percentages are provided they are calculated from the number of responses received to the specific question to which they relate and not the total number of responses received to the questionnaire as a whole, which was 1240.

Not all respondents answered all the questions they could have, and there are instances of numerically inconsistent responses (e.g. see questions 2, 9, 10, 11, 12)

Section A: Preliminary Questions

Question 1: Do you normally reside in or have business interests based in Guernsey?

1,228 respondents answered this question

- | | |
|-------|-------------|
| • Yes | 1,178 (96%) |
| • No | 50 (4%) |

Question 2: Please tick which of the following you are responding as, or on behalf of. Please tick only one box:

1,233 respondents answered this question

- | | |
|------------------------|-------------|
| • Member of the public | 1,098 (89%) |
| • Retail business | 39 (3%) |
| • Retail employee | 61 (5%) |
| • Parish official | 15 (1%) |
| • Other | 20 (2%) |

Question 3: Please tick the box of the option you most agree with (tick only one box):

1,208 respondents answered this question

- | | |
|----------------------------------------------------------------------------|-----------|
| i) the existing system should be kept as is, with amendments if necessary; | 372 (31%) |
| ii) any shop should be allowed to open on any Sunday; | 770 (64%) |
| iii) no shop should be allowed to open on any Sunday. | 66 (5%) |

Question 4: If you chose option i) for the above question (Q3), what, if any, amendments do you feel would be useful?

255 respondents answered this question. Most respondents put forward completely different schemes, which was covered in question 5, or restated their support for their answer to question 3. Of the small number of responses that suggested amendments, there was strong support for a resolution to the issue of garden centres being unable to sell their full range of goods on a Sunday.

Section B: How Sunday trading is regulated

Question 5: Which, if any, of the following do you believe should be a factor in how Sunday trading is regulated? Tick all options which you believe should be a factor:

866 respondents answered this question

- | | |
|-------------------------------------------------------------------------------------------------------|-----------|
| •The goods sold (the current system) | 224 (14%) |
| •Relaxing the law at certain times of the year
(e.g. the run up to Christmas or during the summer) | 342 (21%) |
| •The location of the shop
(e.g. special arrangements for shops in the town or tourist attractions) | 210 (13%) |
| • Restricting the opening hours (e.g. any 4 hours between 8am – 8pm) | 306 (19%) |
| • The size of the shop | 177 (11%) |
| • Limiting the number of Sundays a shop can open during the year | 102 (6%) |
| • Other | 267 (16%) |

Under “Other”, several replies restated the respondents earlier position. There was no overall support provided for any additional factor beyond those listed above.

Section C: Consumer Questions

Question 6: How likely would you be to do more of your shopping on Sundays if more shops were open?

1,125 respondents answered this question

- | | |
|----------------------------|-----------|
| • Very likely | 439 (39%) |
| • Likely | 223 (20%) |
| • Undecided/not applicable | 54 (5%) |
| • Unlikely | 136 (12%) |
| • Very unlikely | 273 (24%) |

Question 7: Would you prefer shops to open later during the week rather than on Sundays?

1,113 respondents answered this question

- | | |
|----------------------------|-----------|
| • Yes | 228 (20%) |
| • No | 619 (56%) |
| • Undecided/not applicable | 266 (24%) |

Question 8: How likely would you be to shop less on the internet if more local shops were open on a Sunday?

1,124 respondents answered this question

- | | |
|----------------------------|-----------|
| • Very likely | 148 (13%) |
| • Likely | 264 (23%) |
| • Undecided/not applicable | 197 (18%) |
| • Unlikely | 217 (19%) |
| • Very unlikely | 298 (27%) |

Section D: Retailer Questions

Question 9: Please indicate what type of retail business you are responding on behalf of:

This question was answered by 49 respondents representing a range of different retail businesses.

Question 10: Would you like to be able to open on a Sunday?

59 respondents answered this question

- | | |
|-------------|----------|
| • Yes | 31 (53%) |
| • No | 25 (42%) |
| • Undecided | 3 (5%) |

Question 11: If there was total deregulation of Sunday trading (i.e. full commercial freedom), do you believe this would lead to economic benefit for your business?

59 respondents answered this question

- | | |
|-------------|----------|
| • Yes | 27 (46%) |
| • No | 28 (47%) |
| • Undecided | 4 (7%) |

Question 12: Would you prefer to open your shop later during the week rather than on a Sunday?

59 respondents answered this question

- | | |
|----------------------------|----------|
| • Yes | 8 (14%) |
| • No | 38 (64%) |
| • Undecided/not applicable | 13 (22%) |

Section E: Other Questions about Sunday Trading

Question 13: Do you consider that garden retail centres, offering a range of goods beyond those directly associated with gardening, should be permitted to open on Sundays?

1,100 respondents answered this question

- | | |
|-------------|-----------|
| • Yes | 839 (76%) |
| • No | 199 (18%) |
| • Undecided | 62 (6%) |

Question 14: When a cruise liner is visiting the island on a Sunday, do you believe that a greater range of shops should be allowed to open than on other Sundays?

1,081 respondents answered this question

- | | |
|-------------|-----------|
| • Yes | 802 (74%) |
| • No | 219 (20%) |
| • Undecided | 60 (6%) |

Question 15: If so, do you believe that such arrangements should apply just to shops in St Peter Port?

986 respondents answered this question

- | | |
|-------------|-----------|
| • Yes | 120 (12%) |
| • No | 796 (81%) |
| • Undecided | 70 (7%) |

Question 16: Who do you believe should make the final decision to allow an individual shop to open on Sundays (either by granting a licence or through whatever other mechanism may be decided by the States)?

1,056 respondents answered this question

- | | |
|--------------------------------------------|-----------|
| • The parish where the business is located | 203 (19%) |
| • A Department of the States | 496 (47%) |
| • Other | 357 (34%) |

Of the respondents who answered “Other” to this question, the majority of respondents stated that it should be for the business to decide, i.e. deregulation.

Question 17: Do you believe that the same rules on Sunday trading should apply in all parishes?

1,105 respondents answered this question

- | | |
|-------------|-------------|
| • Yes | 1,028 (93%) |
| • No | 38 (3%) |
| • Undecided | 39 (4%) |

Section F: Any Other Comments

Question 18: Do you have any other comments you wish to make about Sunday trading?

590 respondents answered the question. A number of themes were identified and are listed below.

NB: The list is not ranked in any particular order and does not indicate the number of respondents who commented on any particular theme.

- Shops should be able to choose whether or not to open on Sunday.
- Those with religious beliefs should not be dictating what others can or cannot do.
- In many other countries Sunday trading is restricted in various ways, yet this does not seem to have harmed their economies.
- Tourists often appreciate the peace and quiet on Sundays.
- Opening a further day could lead to increased costs, spreading the existing turnover to seven rather than six days.
- The States have more important issues to deal with rather than worrying about the regulation of trading on Sundays.
- Family life will be significantly affected if unregulated trading is allowed on Sundays.
- Employees should be protected if they do not wish to work on Sundays.
- The current system is unfair when one shop cannot open but another can and they both sell the same items.
- Cruise liner passengers do not come here to shop.
- Unlimited Sunday trading will be one more step to eliminating why people appreciate weekends.
- Move with the times, do not delay the inevitable.
- Keep the Guernsey Sunday special. Sunday trading in the UK means Sundays are just like any other day.

(N.B. The Treasury and Resources Department notes that Option 1 would result in reduced resource demands. The Commerce and Employment Department has advised that this is likely to be in the region of £30,000 per annum (0.50 FTE) and it will consider how best to reallocate these resources in order to progress other mandated responsibilities.)

(N.B. The Policy Council recognises that the current arrangements for Sunday trading are complex, labour-intensive to administer and in need of reform. However, history has shown there to be no consensus within the community on what reform should be; and this has been confirmed by the recent public consultation. The Policy Council, therefore, agrees with the approach taken by the Commerce and Employment Department to place before the States two options for consideration.)

The States are asked to decide:-

XVI.- Whether, after consideration of the Policy Letter dated 2nd July, 2015, of the Commerce and Employment Department, they are of the opinion:-

1. To approve the removal of restrictions on the opening of shops on Sundays as set out in section 9 of that Policy Letter.
2. To direct the preparation of such legislation as may be necessary to give effect to the above decision, with an intended implementation date of 11th December 2015.

OR, if Propositions 1 and 2 are not approved:

3. To approve the revision of the Sunday Trading Ordinance, 2002 as set out in paragraph 10.9 of that Policy Letter.
4. To direct the preparation of such legislation as may be necessary to give effect to the above decision.

PUBLIC SERVICES DEPARTMENT

RECOVERING ADDITIONAL COST CAUSED BY WORKS IN THE PUBLIC HIGHWAY

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

8th July 2015

Dear Sir

1. EXECUTIVE SUMMARY

- 1.1. The Public Services Department [the Department] is mandated to repair and maintain the network of roads in Guernsey, known as the public highway. It does this through its business unit called Guernsey Roads.
- 1.2. Roads (the road and pavement) are one of Guernsey's most valuable assets, being vital to the economic, social and environmental wellbeing of the Island. In recent years, the amount of money invested in the roads has not been sufficient to keep pace with the level of maintenance required; in particular, the additional cost of repairing damage caused by other parties. Coupled with this is an expectation in the community that roads should be maintained to a level of repair which provides a safe journey.
- 1.3. The Department has considered other ways to improve management of the roads in order to operate more efficiently and achieve the best value for money solutions. To support this, it has also considered ways in which its costs might be offset and its budget supplemented. Without additional funding, the backlog of several years' worth of works will continue to grow and the roads will continue to deteriorate. It represents good value for money to invest in the roads now.
- 1.4. Excavations contribute to a reduction in overall service life of roads. This results in the additional financial burden of costly resurfacing and maintenance work by the States of Guernsey in maintaining prematurely deteriorated roads. Were it not for excavations, over half of the roads needing repair in 2014 would have lasted many more years. This loss of service life is costing Islanders hundreds of thousands of pounds each year.
- 1.5. It is considered that the most equitable way to minimise the Department's additional costs would be to obtain a financial contribution towards the cost of repairs caused by the need to resurface a road earlier than if it had not been excavated. This

contribution would allow the Department to perform further valuable resurfacing work.

- 1.6. The States of Guernsey also has an opportunity to change behaviours and encourage improved forward planning by those excavating the roads. Those parties that excavate the roads accept that this proposal will encourage them to carry out works ahead of resurfacing schemes wherever possible. At present, there is no disadvantage for a party that has not forward-planned its works and excavates a road three years after it has been resurfaced. Increased forward planning will also assist in the coordination of works to reduce the impact on the public.
- 1.7. The Department's considerations are set out in this report, with the conclusion that charges be imposed on parties for digging in the road. This is because such works create damage to the road and shorten its life and the Department considers it right that those parties, which undertake such work and benefit from it, should contribute to mitigating the damage it causes.
- 1.8. Rather than recommend the preparation of new primary legislation, the Department proposes that relevant charges be introduced by way of fees prescribed in Orders made by the Environment Department under the Public Highways (Co-ordination of Temporary Road Closures etc.) (Guernsey) Law, 2003 ["the 2003 Law"]. Although the Policy Letter¹ that led to the making of the 2003 Law focussed on incentivising the completion of road work projects as quickly as possible, the Law itself is drafted in sufficiently wide terms that it could be used to recover costs relating to damage to the road caused by works in it.
- 1.9. This approach requires close consultation and co-operation with the Environment Department, and the two Departments have worked and continue to work closely together in this area.
- 1.10. The Department will use the funds collected through this charge for excavations in the road to supplement the existing budget to fund ongoing resurfacing projects which represent value for money.

2. BACKGROUND

- 2.1. There is an under-appreciation of roads, which makes it easy to overlook the practical value of the network and the risks inherent in failing to maintain it. The States of Guernsey must ensure a good level of infrastructure to enable goods and people to move around efficiently to the economic benefit of the Island. For example, once on Island, all of Guernsey's goods are transported by road. In addition, roads and pavements enable people of all ages and abilities to get around and are fundamental to social inclusion, as set out in the Social Policy Plan and the Disability and Inclusion Strategy.
- 2.2. Therefore, the road network is the Island's largest and most visible asset and is vital to the economic, social and environmental wellbeing of the Island. Roads provide access for business and communities, as well as contributing to the Island's

¹ Article XI of Billet d'État No. IX of 2002.

character and quality of life. It is for these reasons that roads really do matter to Islanders.

The Department's Responsibilities

2.3. The Department is mandated to be responsible for, *inter alia*:

- The maintenance of the structure and wearing surfaces of the road network.
- The maintenance of the surfaces of green lanes.
- The management, collection and disposal of surface waters that fall on and/or pass under the road network.

2.4. Guernsey Roads is responsible for maintaining and cleaning the Island's 260 miles of public highways network (roads, streets, lanes, pavements, etc.), the value of which has been calculated at £300m. Guernsey Roads carries out routine maintenance, along with renewal and improvement works, to roads and associated structures to make the network safe, serviceable and reliable.

Expected Service Life of Guernsey's Roads

2.5. On average, it takes more than 30 years to resurface all of the roads in Guernsey. Typically, the service life of a road in Guernsey that has not been excavated, dependent on traffic loading, is between 20 and 35 years. The current average service life has been calculated at 32 years. Figure 1 below shows the service life of roads broken down by their position in the States of Guernsey's Roads Hierarchy.

Road Hierarchy <i>(Definitions can be found in Appendix 1)</i>	% of Road Network by Length	Service Life (years)
Inter Harbours Route	1	20
Traffic Priority Routes	22	25
Circulation Routes	15	30
Neighbourhood Roads	62	35
Average		32

Figure 1.

2.6. However, a good proportion of roads are deteriorating well before the ages shown in the table and need to be resurfaced sooner.

2.7. Roads deteriorate owing to:

- Environmental factors (weather, particularly rain);
- Excavations (and the need for utility companies to lay/maintain networks);
- Traffic usage; and
- Age.

2.8. In many cases, these factors combine with repeated excavation, creating weak points that are vulnerable to damage by the other factors, such as environmental (particularly rain), coupled with heavy trafficking, which accelerates deterioration.

2.9. These factors can cause cracks and holes to appear on the surface, and uneven, undulating surfaces, which affect ride quality.



Figure 2: An example of the problems caused by a failing excavation.

2.10. As a result of this problem, many of Guernsey's main roads have to be resurfaced on average every 15 to 20 years. At present, it would take over 30 years to resurface all of the roads and this clearly presents the very real possibility of having a backlog of works that is far in excess of the available budget.

2.11. Examples of roads prematurely failing after excavation are North Esplanade and Sausmarez Road (busy arterial routes). Both were resurfaced in 2002 and by 2014 were already approaching the end of their service lives. Despite the fact that Guernsey Roads works hard to maximise the life of roads, it is inevitable that some roads will fail prematurely and will have to be used well beyond their useful life, leading to continued problems such as potholes as excavated areas of road fail.

2.12. It is also worth noting that, at present, around half of Guernsey's road network is more than 17 years old and a quarter of it is over 25 years old and will suffer from the deterioration associated with old roads.

3. What condition are Guernsey's roads in?

3.1. As a result of a combination of successive cold and, latterly, wet winters and little increase in funding in recent years, because of a need for the States of Guernsey to reduce its expenditure, the condition of the road network has continued to suffer.

Our network has become increasingly fragile and more susceptible to damage by water. More roads are showing accelerated deterioration with an associated increase in cracking and potholes.

- 3.2. This, along with a significant number of excavations, large volumes of traffic and an ageing network has placed pressure on road maintenance budgets. The budget for road maintenance is under particular pressure from the additional volume of reactive work (unplanned repair works - e.g. potholes) required to keep the roads safe and serviceable.
- 3.3. A condition survey of the Island's roads was undertaken to produce a detailed assessment of the situation that had developed over the years. It showed that in December 2013, almost 6% of the Island's roads were in the 'red' category, meaning that they were in a very poor condition and in immediate need of resurfacing. The mileage of roads categorised as 'red' represents twice as much as the amount the Department resurfaces each year. Therefore, an immediate backlog already exists.
- 3.4. Of greater concern was the fact that, in almost a third of the Island's roads network (74 miles), maintenance works were required. Guernsey Roads continues to work to find new ways to be more efficient, so that it can carry out preventative maintenance on as great an area as possible. However, without remedial work, it is inevitable that these areas will deteriorate further and the length of roads in poor condition is destined to grow year on year. Consequently, this will increase the backlog of works and investment required to restore Guernsey's roads to a satisfactory state.
- 3.5. Such a situation means that Guernsey's level of reactive works is too high, making up around 25% of the annual budget. Ideally, Guernsey should be aiming for a maximum of 15%. Reactive repairs are much more expensive and, whilst a limited programme of reactive repairs can extend the life of roads in certain cases, it should not be used widely because it does not address the fundamental issues.² It simply hides the issue until the point where it becomes unacceptable to the public and/or unmanageable and considerable investment is required to improve the roads. However, with each passing year of delay, the cost of repair increases.
- 3.6. In order to benchmark whether the amount Guernsey's expenditure on its roads represents good value for money, it has compared itself to Jersey. The States of Jersey has a resurfacing budget of £2.4 million and spends £500,000 on remedial repairs. In comparison, Guernsey spends £2.4 million on resurfacing and £370,000 on remedial repairs. However, crucially, the States of Jersey look after almost 100 miles less length of road than the States of Guernsey's 260 miles. As a larger island, it has the economies of scale that allow its parishes to look after minor roads.
- 3.7. Guernsey is, of necessity, making its money stretch much further than Jersey but this is not always considered a good value for money indicator. Jersey's greater spending power means it can afford to spend additional money on repairing base

² Annual Local Authority Road Maintenance (ALARM) Survey 2014, p.5.

layers to prevent historic underlying problems from reoccurring, such as cracks reflecting through from old trenches. Guernsey Roads favours this approach as it extends the life of the road and, as part of its new approach, does this wherever possible. It is endeavouring to maximise the amount of roads it resurfaces and, in the process, to address considerably more of the underlying issues that cause the premature failure of roads.

- 3.8. If expenditure on the resurfacing programme continues at around £2.4 million, with a similar amount of work being undertaken as at present, the percentage of roads in a very poor state (red category) is forecast to increase from almost 6% to around 25% in just ten years. Such an increasing state of disrepair could be expected to have considerable bearing on Island life and present a poor image to visitors.
- 3.9. This demonstrates that, whilst Guernsey is not yet in an extremely worrying position, it does have an ageing road network and a growing problem that requires considered value for money solutions.

4. THE CAUSE OF THE CURRENT SITUATION

- 4.1. As with many of Guernsey's publicly-owned assets in recent years, investment in roads infrastructure has, of necessity, been constrained. In recent years, the budgets allocated have not kept pace with increases in the cost of living (RPI).
- 4.2. In 2015, the spending power for roads was 80% of what it would have been had it kept pace with inflation from 2000. This is particularly pertinent given that the major costs in road maintenance tend to be labour and bitumen, the costs of which traditionally rise each year. Whilst oil prices have decreased recently, bitumen prices remain high because supply to the world markets has reduced.
- 4.3. There is always external pressure to deal with the "worst first", and prioritise expenditure on short-term fixes, for example to potholes. This can draw already insufficient funds away from routine maintenance, sometimes at the expense of carrying out enough properly planned and implemented longer-term solutions, which would improve the roads and reduce long-term expenditure. However, Guernsey cannot continue to perpetuate this cycle. Short-term repairs provide poor value for money and themselves need further maintenance and remediation, making them poor value in comparison with resurfacing.
- 4.4. In addition, a number of resurfacing jobs in past decades simply involved relaying the surface to reduce cost. Underlying issues were not dealt with and have been allowed to build up and now there is extensive work needed to base layers in many of the roads. These underlying issues can cause the road surface above them to fail prematurely.
- 4.5. Equally importantly, and in common with many jurisdictions around the world, past decisions have been made on the management of the asset without the benefit of sufficiently robust information. This has meant there was inadequate assurance that, overall, the appropriate level of funding was being provided; it was being spent

prudently; and that expenditure was targeted on the roads most in need of maintenance.

- 4.6. The deferral of necessary resurfacing works for many roads well beyond the optimum point for treatment has resulted in the progressive deterioration of these roads and the costs of repair have subsequently increased.
- 4.7. Following analysis of the condition of the Island's roads and how the situation had been allowed to develop, the Department recognised that it needed to act quickly to improve its management of the roads and address the challenges faced.

5. WHY WILL THE ROADS CONTINUE TO DETERIORATE?

- 5.1. In essence, the problem is a simple one. Even with Guernsey Roads undertaking operations more efficiently, too many roads are reaching the end of their life and the amount of damage is greater than the repair works that are affordable under the annual budget. This issue has been manageable in the past but it is becoming more apparent that reinstatement works (putting the road back to how it was following excavation) in particular are starting to fail at a quicker rate than repair works can be carried out.
- 5.2. In 2012, there were 731 utility excavations in Guernsey's roads and 717 in 2013. This did drop to 640 in 2014 as a result of more restrictive closure policies by the Environment Department. However, the need for excavations has not diminished, merely the ability to close roads. Also, whilst the number of excavations did not grow, some of the areas excavated have been significant in recent years. One utility alone performed around 7 miles of excavations per annum in 2013, 2014, and 2015. It has a legal right to perform these works but a real issue and growing deficit can be seen when this is compared to the fact that the Department only has funding to resurface, on average, a length of 6.5 miles of road a year.

Damage caused by Excavations

- 5.3. It is very difficult, if not impossible, to restore to its original state a road that has been dug into. It is also very difficult, if not impossible, to make a repair match the current state of the surrounding road's physical properties. A patch repair will not achieve the performance of resurfaced road owing to the general limitation of the processes involved. Such patches are prone over time and trafficking to reduce ride quality because of the patches deforming, cracking or breaking up.
- 5.4. In Guernsey, situations like the one shown below have increased political and public concern regarding the impact of failing reinstatements on the Island's roads. An example of the effect can be seen in Figure 3, which shows where an underlying trench in a Guernsey road has caused the road to fail.



Figure 3: A deteriorating trench

- 5.5. Such failures result in additional maintenance costs because of a reduced asset life and these costs are borne by the public purse at the expense of other services or projects. Road users suffer greater inconvenience and general disruption to daily life because of the need to close roads more frequently in order to perform repair works.
- 5.6. Studies across the world have clearly proven that excavations, such as trenching, have a detrimental effect on both the surface condition and the base structure of roads, thereby shortening their service lives. This is detailed in a 2009 report from the UK's Transport Research Laboratory.³ Excavations provide an opportunity for moisture to reach the base layers of the road and this reduces the structural integrity and decreases its service life. The most significant studies into the loss of service life have taken place in North America and showed the reduction in the life expectancy of the road ranged from 20% to 56%.
- 5.7. Within the UK, the Transport Research Laboratory estimated that the median reduction in the service life of the road structure because of trenching was 17%. However, it concedes that this figure was based on sites in good condition. The Local Authorities consulted believed this figure was on the low side and did not reflect the true loss of service life because reinstatements were scrutinised throughout and therefore not undertaken under 'normal' conditions. The independent Annual Local Authority Road Maintenance (ALARM) 2014 survey of all highways departments in England and Wales states that, "most highways engineers believe the effect of deep trenching reduces road life by at least 30%".

³ "A Charge Structure for Trenching in the Highway", Transport Research Laboratory'
http://www.trl.co.uk/online_store/reports_publications/trl_reports/cat_highway_engineering/report_a_charge_structure_for_trenching_in_the_highway.htm, Published Project Report PPR386, 2009

- 5.8. Guernsey has not historically gathered data which could provide a meaningful comparative rate. Indeed, performance of the roads would need to be monitored for many years. However, Guernsey Road has investigated the main reasons why the roads it has included in its recent annual programmes needed resurfacing and this reveals that over half of the roads needing repair in 2014 and 2015 were because of excavations and without them would have lasted many more years.
- 5.9. Taking a simple average between the American studies (36%) and the UK's Transport Research Laboratory study (17%) gives a reduction in service life of 27% as a result of excavations.

The impact of the utilities on the roads

- 5.10. Clearly, the provision of essential services such as water, sewerage, electricity, gas and telecommunications is vital to both the social and economic welfare of the Island. These utility services are provided through a vast network of infrastructure which, for historical and practical reasons, is buried beneath the Island's roads. As these networks are maintained, upgraded, or expanded it becomes necessary to excavate the roads.
- 5.11. The utilities have a statutory obligation to install and maintain essential services, and to keep their apparatus safe. The principal statutory right to place and maintain apparatus in the road is set out in the Public Thoroughfares (Guernsey) Law, 1958.
- 5.12. While the benefits associated with utility installations are freely acknowledged, the level of excavation activity inevitably has an impact on the physical condition of the Island's road network which, in itself, is an extremely valuable asset that is vital to the Island's economy and expensive to maintain. As stated earlier, the amount of works is increasing and it has a negative effect on the Island's roads. Most of what are commonly referred to as "potholes" are in fact reinstatements that have sunk following settlement, or failures at the edge of excavations.



Figure 4: A sunken area of trench in Fountain Street.

- 5.13. The utilities do have to provide a warranty for their trenches of three to five years but trenches rarely fail in these years. It stands to reason that they are more likely to fail as they get older.
- 5.14. Trenches cause not only the premature failure of the trenched area, but also the premature failure of the surrounding area. The UK's Transport Research Laboratory, supported by studies elsewhere, calculated that an area 1.5 times the area dug is affected by the excavation.
- 5.15. The Department would argue that the damage caused to the roads is an indirect business expense arising from such organisations' activities and, as such, should be reflected in these businesses' cost bases and not paid for from taxation revenue.
- 5.16. It would be beneficial to the long-term management of the road network to introduce a charge for digging in the road. The purpose would be to recover the additional cost of maintenance caused by the need to resurface a road earlier than if it had not been excavated.
- 5.17. If a party undertakes work which results in a need for premature intervention by Guernsey Roads, then it is surely equitable that the party in question should contribute to the early repairs and not rely on the public purse. Such charges are well established in Canada, for example, where the newer the road, and the more important the road, the higher the charge.
- 5.18. This follows the principle that the 'user pays'. Guernsey Roads already has a backlog of maintenance, exacerbated by the additional damage caused by excavations. The States of Guernsey can no longer afford to devote public money to work that is needed largely because of the activities of third parties.
- 5.19. These charges will assist in changing behaviours and encourage improved forward planning by those working in the road. This will encourage parties to carry out excavations ahead of resurfacing works wherever possible. Increased forward planning will also assist in the coordination of works to reduce the impact on the public.

Why not simply inspect works more often?

- 5.20. The quality of the reinstatement has an impact on the rate of deterioration as do the age and condition of the road. Therefore, it is important to have a robust inspection regime to ensure good quality reinstatements are undertaken. However, even if more inspectors were employed and they stood observing the entire process of reinstating at every site, the reinstatement would still have a negative effect on the life of the road because it is impossible to put the road back as good as it was beforehand. No matter how well a trench has been repaired, the impact is an accelerated loss in useful road service-life.

6. WHAT STANDARD OF ROADS IS REQUIRED?

- 6.1. In determining this question, the Department must be mindful of the opinions of Islanders and the States of Deliberation in how they want to prioritise their spending, and should consider the experience of other jurisdictions.
- 6.2. The Department has increasing anecdotal evidence that there is political and public belief that Guernsey's roads should be kept in a very good state of repair. There seems to be little appetite for accepting a defective area of road - for example, where potholes have appeared.

Meeting States' Strategic Objectives

- 6.3. The States Strategic Plan sets out that, the Government of Guernsey aims to protect and improve:
 - The quality of life of Islanders.
 - The Island's economic future.
 - The Island's environment, unique cultural identity and rich heritage.
- 6.4. A well maintained road network plays a significant role in delivering the States of Guernsey's aims and objectives in its Strategic Plan and Corporate Policy Plans.
- 6.5. The road network helps to shape the character and quality of the Island and makes an important contribution to wider priorities. It is used daily by a majority of people living within the Island and is fundamental to the economic, social and environmental well-being of all members of the community.
- 6.6. The States Strategic Plan recognises this by highlighting the need to ensure there is essential public infrastructure investment over the next 25 years. This proposal will complement the forthcoming Island Infrastructure Plan and will help to achieve one of the States' Fiscal and Economic Objectives, namely the provision of modern key strategic infrastructure, (with public capital investment averaging 3% of GDP). If the States are to meet the objectives they have set out they must ensure that they are appropriately funding the operational areas delivering them or it is difficult to fulfil these policies.
- 6.7. This would tie in with the solutions that offer best value for money. In the UK, research has proved that reactive repairs are more costly than preventative treatments. The All Party Parliamentary Group on Highway Maintenance stated in 2013 that,
 - 6.7.1. ***“Planned, preventative maintenance, which involves resurfacing at regular intervals, is the most cost effective method of keeping the road surface in good repair. The experience of the highway maintenance industry is that it is at least 20 times more expensive to continuously patch and mend than it is to undertake long lasting repairs.”***⁴

⁴All Party Parliamentary Group on Highway Maintenance,
<http://www.highwaysmaintenance.org/funding.asp>

- 6.8. Guernsey Roads does not have the economy of scale of resurfacing large sections of multi-carriageway roads as UK Local Authorities do, so the price difference in Guernsey is not so extreme. However, the general principle applies.

Enabling Economic Growth

- 6.9. The focus is on keeping Guernsey “open for business” and includes facilitating the movement of vehicles linked to commercial activities, to tourism in the area, and enabling residents and visitors to go about their normal everyday business. To support this, the road network must be maintained in a condition that is fit for purpose.

Health, Wellbeing and Inclusion

- 6.10. The focus is on providing a safe road network for users where risks are carefully managed.
- 6.11. In order to support the Integrated Transport Strategy, the network, which includes cycle paths and green lanes, must be maintained to a standard that promotes walking and cycling. This not only encourages healthier lifestyle choices but also contributes to a reduction in pollutants in the atmosphere caused by vehicles.
- 6.12. To support the Disability and Inclusion Strategy, there must be greater investment in the network to level surfaces and incorporate more crossings that facilitate easier use of the pavements and crossings by disabled users.
- 6.13. In order to fulfil its potential, and for these aims and aspirations to be met, a planned and structured long-term programme of investment is needed, which must be efficiently managed by Guernsey Roads.

7. OPTIONS FOR MAINTAINING THE ROADS

- 7.1. Managing our roads is a key challenge for the States of Guernsey, as it is for all governments, who have to manage an ageing network set against a background of high public expectations for safe, reliable and comfortable travel. At the same time, the need to present value for money solutions becomes more important. This has led Guernsey Roads to evaluate the future options for the maintenance of the Island’s roads.
- 7.2. In order to achieve value for money Guernsey Roads must strike a balance between meeting public expectation, implementing sound engineering inputs and applying asset management principles, whilst taking account of the States’ fiscal position.

What are the options for maintaining the roads?

7.3. Some of the options available to Guernsey Roads are:

7.3.1. Location-specific reactive repairs only

This involves no investment in resurfacing and only doing the minimum (i.e. reactive maintenance). This does nothing to improve the condition of the network and with an ageing network will lead to significant deterioration of the roads, which will result in vast expenditure to put it right in the future.

7.3.2. A minimum amount of resurfacing with cheaper short-term options on other roads to allow more roads to be kept in a serviceable condition for a few years longer with the acceptance that there will need to be very significant future investment because of the shortfall in long-term treatment.

External pressures can make this seem appealing as it will address issues such as potholes in the short-term. However, the problem is simply hidden for another day and it is borrowing from future generations at a high interest rate when there is no guarantee that there will be funds available to undertake the work. It is expected that it would take tens of millions of pounds to clear the backlog if this policy were pursued

7.3.3. Maintain current level of funding

Based on the current funding for resurfacing, the network deterioration has been modelled. If similar investment continued over a ten year period, the network condition is projected to decline. Approximately 25% of the roads could fall into a very poor condition over this period.

7.3.4. Appropriate investment to ensure value for money solutions, as in option 3, incorporating cost recovery proposals in order to improve the condition of the asset

To return the network to a better condition will require targeted investment. Guernsey Roads must establish value for money solutions for each project, investing in the right method and at the right time. This strategy includes recovering the cost of the damage caused by excavations and changing the behaviour of those that excavate in the road to ensure the forward planning and coordination of works. By recovering the cost of the loss of service life caused by excavations, the States of Guernsey can ensure that it no longer meets the cost of damage by other parties. This will start to increase the money available for resurfacing by offsetting the cost of damage.

Evaluating these options

7.4. It is clear that additional action is required if our roads are going to provide the level of service to which the community of Guernsey aspires. The approach to maintenance must change to make the best possible use of available funding.

- 7.5. Road surfaces become increasingly fragile and less resilient to damage from wear and tear, increasing traffic and severe weather if used beyond their effective service life. They need regular maintenance to perform at expected levels.
- 7.6. Focusing on short-term fixes, as per Option 2, rather than properly planned and implemented longer-term solutions has been pursued in other jurisdictions and been shown to be a wrong choice. Short term options provide a quick fix that may last a year or two but failure to undertake routine maintenance has been proven to lead to more rapid decline of a road surface and ultimately it leads to far higher costs to work through the backlog.
- 7.7. This is why the Audit Commission for England and Wales highlighted in its report, 'Going the Distance: Achieving better value for money in road maintenance' (2011) that "worst first" reactive maintenance strategies are inefficient and this message continues to be echoed in report after report.
- 7.8. Such a strategy would soon lead to roads rapidly deteriorating and in time be unusable by some Islanders for fear of damaging their vehicles. Islanders could become isolated, especially if vital services such as sewage and fuel lorries could not service householders on these roads. This would soon lead to increasing demands for reactive maintenance. If these were undertaken it would quickly use up the funding and additional funding would once again be required but in greater amounts.
- 7.9. These defects are seen and felt by all and so strategies such as those outlined in options 1 and 2 cannot be recommended to the States of Deliberation.
- 7.10. Option 3 is slightly better but even this option will lead to five times more roads being in a poor state within a decade. This means that funds will become more and more spent on "firefighting" with reactive repairs and falling further behind with routine maintenance.
- 7.11. Option 4 is considered a key part in delivering a cost-effective solution as it represents best value in the long-term. Targeted investment in the roads now and for the next decade will prevent the number of roads in a poor state continue to grow steadily. Otherwise, the additional cost to the States of Guernsey to repair all of these roads will continue to grow.
- 7.12. This option should be combined with continuation of a complete Island-wide approach with better asset management ensuring that all roads are in a good state of repair and that the maintenance used is the most cost-effective in the long-term in time and will lead to an improved network.

8. ENHANCED MANAGEMENT OF EXPENDITURE ON THE ROADS

- 8.1. Budgets have previously been allocated on a historical basis rather than on the basis of quantifiable need. Guernsey Roads has already set out to demonstrate a justifiable need for funding on that basis. Before receiving additional funding it is imperative to ensure that existing funding allocation is being maximised and the asset (the roads) is being managed effectively.

- 8.2. Guernsey Roads has worked hard to improve its management of the asset and the service it offers Islanders. The Department firmly believed that it needed to demonstrate it had worked hard (and would continue) to improve the way it operated before looking at alternative funding options. As outlined in the section on consultation, this approach has been recognised and appreciated by its consultees.

Informed decision making

- 8.3. Many other jurisdictions have been developing robust asset management in the past decade. Guernsey did not follow this example and has previously relied on reports from its staff and the public to plan its work. This approach works up to a point but has limitations, as it does not offer a comprehensive assessment of all the roads. It is subjective, often leading to a reactionary approach, and does not allow for long-term planning. Ultimately, a lack of long-term planning, and budgeting on that basis, has allowed a backlog of works to develop. It should be noted that many other jurisdictions' roads have also suffered from a lack of long-term planning.
- 8.4. Guernsey needs to react positively to the problems it faces. As it had fallen behind best practice, it is working to advance its management of the roads. This process is rapidly being developed and Guernsey Roads has made some significant steps since 2013.
- 8.5. Condition surveys will become a regular occurrence. Such surveys provide an understanding of the condition of the Island's roads, which is essential for forward planning, both in making decisions about how they are managed and in understanding the future investment required to maintain or improve condition. Decisions have to be made about strategies for maintaining them during their life and the need for reactive repairs increases as assets deteriorate and these must be informed.
- 8.6. Condition data also forms the basis of calculations regarding asset depreciation and maintenance backlogs. It also assists in maintenance works identification and subsequent prioritisation.

How the Department protects newly resurfaced roads

- 8.7. Following major resurfacing works, Guernsey Roads places the newly surfaced area under an embargo, whereby no excavations apart from emergency works for safety reasons, are permitted for a period of three years.

Ways in which Guernsey Roads has reduced costs to complete more work

- 8.8. In order to reduce the pressure of having to do more within limited budgets, the Department has considered very carefully how it can offset its costs in order to make its funding go further. However, there are limited ways in which resurfacing costs can be reduced, given that the two areas of greatest expenditure are labour and materials.

- 8.9. Notwithstanding these constraints, Guernsey Roads has found a number of ways to spend its budget in a more cost effective manner.

Targeted expenditure

- 8.10. Guernsey Roads has been ensuring it focuses spending on key priorities and avoids expenditure on areas where the need is less pressing. It prioritises getting the best long-term value for money as opposed to a short-term approach which might prioritise immediate repairs over preventative work to preserve the asset and extend its life.
- 8.11. Where a road needs treatment to arrest further deterioration Guernsey Roads will always look at long-term costs and the consequences of the choices that it makes. It will decide whether it is more cost effective to carry out an isolated repair or whether it has reached the end of its service life and needs resurfacing. It is beneficial to extend the life of a road to avoid the need for early renewal as a shorter life means more cost. Guernsey Roads will not resurface a whole road where there are isolated areas of deterioration. These will be repaired separately, which will extend the life of the road.

Reducing the cost of resurfacing

- 8.12. By re-evaluating how works are carried out in partnership with its contractors, Guernsey Roads has managed to resurface a greater area for the same budget without reducing the service life of the road.
- 8.13. This transitional period began in 2013 when Guernsey Roads managed to resurface the same overall area of road as in previous years but did it for less money. In 2014, it built upon this and resurfaced almost 10,000 square metres more road area for the same budget. This is the equivalent road area measured from the St Julian's roundabout to the Longstore. This area equates to a value of over £400,000 and whilst the budget has remained identical, labour and material costs have increased by an average of around 3% across its £2.7 million budget for works in the road.
- 8.14. Guernsey Roads continues to work hard to find further efficiencies.

Extension of guarantee period

- 8.15. From 2015, Guernsey Roads has extended the warranty for most utility reinstatements from three to five years. This extension of the warranty will bring indirect savings to the States of Guernsey, likely to be in the region of tens of thousands of pounds per annum. Importantly, it ensures that additional care will be taken to ensure the workmanship in reinstating the road is of the highest quality.

Working with parties undertaking development adjacent to the road

- 8.16. Guernsey Roads has improved joined-up working with the Environment Department's Planning and Building Control Department and reached out to architects and developers to ensure those carrying out development near roads are made aware of the need to liaise with Guernsey Roads well in advance of their

works. This minimises the chances of the road being unnecessarily damaged. It also helps members of the public to make informed decisions about how to undertake development.

- 8.17. By being proactive in working with the public and businesses, Guernsey Roads has received good engagement and support. It has also almost eradicated a former problem of work being carried out and it later finding damage, which it was forced to repair, at cost to the public if it could not recover the cost of damage. The repair of this damage was costing thousands of pounds a year.

Recycling of materials

- 8.18. In 2013, Guernsey Roads began recycling chippings from old road surfaces. These are reused in future resurfacing projects to reduce the amount of new material needing to be bought. Whilst only small percentages have been reused so far, the amount will continue to increase in the future, producing savings in material cost.

Summary

- 8.19. Limited funds mean that a finite amount of work can be carried out each year. Efficiencies have been found to reduce cost and the process continues but with most of the cost in labour and material this can only result in a finite amount of additional work. Ultimately, there is a decision for the Island; to address the rate of damage which outstrips the rate of repair or to accept a lower standard of roads.
- 8.20. Even the most conservative estimates show that underinvestment in road maintenance is a false economy. In terms of upkeep alone, deferred maintenance makes future maintenance more expensive, with reactive repairs being needed and often repairs to the base layers needed on top of the cost of resurfacing. Underfunding road maintenance is effectively borrowing against the future with a very high interest rate. Ensuring there is adequate routine resurfacing is simply a prudent and efficient use of funds, making responsible use of limited resources.
- 8.21. Guernsey Roads will always calculate its future funding requirements demonstrating an absolute need for this funding and that the solution represents value for money.
- 8.22. However, the current constraints on States spending have meant there are not the funds available to increase investment through a greater allocation from General Revenue. This is why, after working to reduce costs, the Department is forced to look at alternative options for obtaining additional funding to increase the rate of road resurfacing or the Island must accept an inevitable decline in the standards of its roads.

9. RECOVERY OF COSTS

- 9.1. The Department believes firmly that the best and fairest option is that parties (such as utilities) should pay for damage caused to roads in order to supplement (but not replace) General Revenue expenditure. However, if such third parties improve their

forward planning and carry out works ahead of resurfacing projects, they can avoid incurring charges.

- 9.2. It must be borne in mind that such excavations have resulted in the premature deterioration of Guernsey's roads and have forced Islanders into significant repair costs. Therefore, the proposed approach is considered equitable in so far as those who contribute the most to the accelerated deterioration of the road surface will be required to make a contribution to its repair.
- 9.3. In developing this proposal, the Department has been guided by the States of Guernsey's Fees and Charges Policy Guidance document and further details can be seen in Appendix 4. In addition, particular attention has been given to ensuring compatibility with Strategic Policy Objectives.
- 9.4. With good forward planning of future maintenance, charges are avoidable. However, even if charges are incurred, those carrying out excavations (such as utilities) still have a choice. That is to follow Guernsey Roads' lead in finding ways to work more efficiently to absorb rising costs or simply to pass it on to customers. It is acknowledged that some will simply pass on any additional charges.
- 9.5. Under the provisions of the 2003 Law, the Environment Department already has the power to prescribe fees relating to road closures. The Policy Letter which led directly to the preparation of the legislation made clear that the purpose of the provisions was to create a mechanism to incentivise the speedy completion of work and so minimise disruption and to recoup the costs of managing road closures and diversions. The Environment Department's plans to introduce such fees are on hold.
- 9.6. The Department has been advised by the Law Officers of the Crown that the provisions of the 2003 Law are wide enough to enable the Environment Department to impose charges of the type proposed in this section of the report by way of fees prescribed in Orders made under the Law. This avoids the need to draft additional primary legislation. The legislation was drafted, in accordance with the Policy Letter, so as to facilitate a considerable degree of flexibility so that the Environment Department could use the provisions of the legislation with discretion allowing for significant matters to be considered on their merits and through the Department's policy. Although the recovery of costs was envisaged in the original Policy Letter, it is not clear to what extent it was envisaged that costs would be recovered in relation to maintenance, repair, administration and inspection costs associated with loss of service life of the public highway due to excavation works. The Department has been advised that before the relevant Orders are made, it is right that the States should be asked expressly to note this course of action.
- 9.7. If such charges were introduced, the monies collected for the recovery of costs for damage to the roads could be applied towards the reconstruction, resurfacing and maintenance of the Island's roads, since the accelerated deterioration of roads due to works in the roads is the underlying principle for imposing such cost recovery.
- 9.8. Should the Environment Department or a future Committee ever wish to impose further charges under the 2003 Law, for the purpose of incentivising quick working,

it would clearly make no sense to have two similar, parallel charging systems and to impose two different charges, on essentially the same customers. It would be far more efficient, and simpler, to use the 2003 Law provisions to impose a unified regime. This would also avoid the need to draft additional legislation.

- 9.9. To be clear, the charges that this Policy Letter proposes would be imposed by way of Orders made by the Environment Department, not by the Public Services Department. Such Orders will be laid before the States as soon as possible after being made in the normal way. Both Departments fully recognise that it is unusual for a Department to propose in a Policy Letter the preparation of legislation by another Department. Equally, both Departments consider that in these particular circumstances it is an appropriate course, which will allow a policy objective to be achieved without the preparation of further primary legislation, and that it represents an example of constructive cross-Departmental co-operation.

Proposed Charge

- 9.10. The proposed charge has been calculated below to take account of the designated road hierarchy and the age of the road.

Road hierarchy

- 9.11. The more important a road is to life in the Island the higher the charge for reducing its serviceable life. These roads are resurfaced with a greater thickness of bitmac to carry that level of traffic, which makes them more expensive to resurface. In addition, the more traffic that uses a road the more the effect of trenching will be amplified.
- 9.12. Therefore, a higher rate is charged for the Inter-Harbours route than circulation routes. Separate and lower rates will be charged for the other categories of roads.

Road age

- 9.13. The charge is also based on road age, with a party excavating a road with many years of serviceable life remaining charged a higher rate than for excavating a road with only a few years' life left in it. The charge is a reflection of the reduction in service life. As highlighted before, the earlier a road is excavated after resurfacing the shorter the time will be until it will need resurfacing again.
- 9.14. Any charge will always be based on the original age of the road and not, if the same area is excavated, when that area was last reinstated.
- 9.15. In line with a charging system based on road age, the highest will be for works within five years of resurfacing, during the time in which the road can be considered "new".
- 9.16. Where it is in the public interest to allow a breach of the embargo (e.g. emergency utility works), Guernsey Roads will continue to impose any reasonable conditions on works it permits, which are in keeping with its mandate on any contractor undertaking permitted works during the embargo period.

- 9.17. If there is ever an unauthorised excavation, once an area of damage has been identified the appropriate penalty charge can be imposed and a rectification notice issued including conditions. Such an excavation may also constitute a criminal offence under the Public Thoroughfares (Guernsey) Law, 1958.

How the charge will be calculated

- 9.18. The proposed charge consists of two elements:

- A fixed charge for inspections and administration (per IRIS application)
- A variable charge that will reflect the extent of excavation, the priority of the road and age of the road surface

- 9.19. The proposed charge will be recalculated each year with the resurfacing cost based on that year's schedule of rates. The basis for calculating both elements is included in Appendix 3.

How the charge will be processed

- 9.20. Any party wanting to close a road or restrict access in some way for whatever purpose is required to make application for a closure or partial closure through the Island Roadworks Information System (IRIS) system.

- 9.21. The IRIS system is owned by the Environment Department but in operational and financial terms is a shared computer programme which Public Services and the Environment Department use for managing the coordination of road works, and to ensure that works in the roads are completed to a satisfactory standard, respectively. A shared system relies on close working between the two Departments and both are used to cooperating closely for the mutual interest of the States of Guernsey.

- 9.22. The IRIS system already needs upgrading and the expansion of it to levy separate charges is easily achievable. As fees would be charged under the Environment Department's 2003 Law, they would be levied in the Environment Department's name. However, collaborative working between the Departments will ensure a seamless customer experience, where any queries will be addressed by Guernsey Roads.

- 9.23. Any party that excavates in the road will be obliged, following completion of works, to submit an accurate measurement of the size of the excavation through IRIS. Where a measurement is found by Guernsey Roads to be outside a marginal tolerance level, the party will be required to pay any additional costs plus an administration charge for the additional work created.

How much will the charge generate?

- 9.24. Based on the excavations in the past few years it is estimated that the administration charge will raise around £40,000.

- 9.25. It is harder to calculate the variable charge because it is expected that the charge will bring about change in habits and that more works will be programmed prior to resurfacing. This will mean that these works are undertaken in the period where

there is no charge. However, it is important to remember that whilst this does not bring direct income it will bring significant indirect savings in the long-term by extending the life of roads.

- 9.26. JT is due to finish its network build at the end of 2015, which will reduce the length of future excavations (although probably not the number).
- 9.27. It is estimated that the variable charge will collect between £100,000 and £150,000 each year. However, this is very much dependent on activity following the introduction of charging.

Additional Benefits

- 9.28. The cost of excavations in the road and road resurfacing and repair will be borne by the community – either directly through utility charges or indirectly through taxation. If the Department imposes charges, the cost of utility excavations could be met in part through efficiency in the way a utility carries out its work or some may simply choose to pass the cost on to customers.
- 9.29. The States of Guernsey has an opportunity to encourage more work to be done by alternative methods such as ‘trenchless’ technology (as used by Guernsey Water) or by excavating through private land. This could potentially reduce costs. Similarly, if duct sharing can be encouraged, this could bring about economic benefits to the consumer.
- 9.30. In addition, road closures and other traffic control associated with excavations can have an impact on businesses by either limiting access to the business, or by deterring potential customers from navigating around the traffic diversions. These costs are not easily quantifiable, but can have an impact on local businesses.
- 9.31. Whilst not a primary driver behind the proposal to levy charges for excavating in the roads, if such charges discourage companies from carrying out works and/or encourage trench sharing, the likelihood is that diversions and consequent traffic delays will reduce.
- 9.32. This charge is part of a wider effort to improve coordination and sharing of information and resources between utilities and the States and should lead to a better public perception of the States and its management of its infrastructure.
- 9.33. From an environmental perspective, long term planning for the public highway ensures that areas of the public highway are not left to deteriorate and are maintained as part of a planned programme.

Consultation

- 9.34. In developing its proposals, the Department recognised that it needed to gather the views and experience of those likely to be directly affected by them. This feedback has been used to inform and influence the decision-making process.
- 9.35. By undertaking this consultation process the Department believes it has demonstrated its commitment to be open and accountable and given itself the

opportunity to develop realistic and robust proposals. This approach has been welcomed by those consulted. The consultation process also had the added benefit of creating better working partnerships and mutual understanding between Guernsey Roads and those that need to excavate in the roads.

9.36. The Department has closely consulted and cooperated with the Environment Department in the preparation of this Policy Letter. This has allowed a joined up approach to the management of works in the Island's roads.

9.37. As well as also liaising with the Commerce and Employment and Treasury and Resources Departments at officer level, the Department also carried out consultation with:

- Guernsey Water
- Guernsey Electricity
- Sure
- JT
- Guernsey Gas
- Guernsey Construction Industry Forum

9.38. These parties were able to provide feedback on behalf of themselves and their customers. The Construction Industry Forum was consulted because it represents most of the construction firms in the Island and has an insight into all of their business requirements.

9.39. The consultation process went through three distinct stages between January 2014 and February 2015:

9.40. The initial circulation of outline proposals and the reasoning behind them. This included a follow-up presentation for the utilities

9.41. Consideration of feedback received and the drafting of a second consultation document

9.42. Receiving further feedback, preparing a final draft and inviting all parties to meetings to discuss the implications and to answer any questions which remained.

9.43. Between each stage Guernsey Roads endeavoured to enhance its proposals in light of the feedback it received. This led to the final proposal set out in this report.

9.44. For example, during consultation it was suggested a free period should be included as an incentive to undertake works prior to resurfacing. This was incorporated even though it will reduce the total income collected; it could result in indirect savings to the States of Guernsey because it provides a greater incentive to programme works prior to resurfacing wherever possible. This does not occur regularly at present, as there is no incentive to plan with maintenance of the roads in mind.

9.45. The utilities requested that any charge levied, which is to be based on the cost of increased road repairs, should go directly into the funding for those road repairs and not merely go into General Revenue. There remained a desire that the maintenance of the roads should be solely funded through General Revenue and that this funding should be increased.

- 9.46. The Department is pleased that the overall response from the consultees was that the principle of having a charge can be justified and the proposed charges are both reasonable and proportionate. It was also noted that the implementation encourages the utilities to make every effort to schedule works during the latest and cheapest phase of a road's life. As such, the cost to the customer should be minimised.
- 9.47. Positive feedback was received for the fact that Guernsey Roads has not simply asked for money from those that excavating the roads but has also explored ways it can work more efficiently and has set out how it will improve the service it offers to the utilities and, in turn, its customers as part of the process. This includes changes such as extending its forward notification of its resurfacing programme from one to three years in advance and enhancing its code of practice for those excavating in the road.
- 9.48. Guernsey Roads believes that it has undertaken a thorough process of consultation and listened to consultees, which has led to the development of the current proposal and its broad acceptance by the utilities.

Consultation with the Law Officers of the Crown

- 9.49. The Law Officers of the Crown have been consulted in connection with the preparation of this report.

10. USE OF THE FUNDS COLLECTED

- 10.1. The proposed charging regime provides a fair contribution against repairs in the future. This will enable the proposed charges to be held and offset against that future expense.
- 10.2. Guernsey Roads has expanded its forward planning and already has a programme of resurfacing works until 2017. This list continues to grow as predicted through modelling. Additional funds would allow the advancement of schemes and quicker progress to be made in working through the list of outstanding projects. Roughly, for every £100k received up to 2,500m² (one larger road / two medium roads / or four lanes) can be resurfaced.
- 10.3. Guernsey Roads will also use some of the funds to do more extensive repairs to the base layers of the higher priority roads it is treating to address underlying issues and reduce the chances of their reappearance and so extend their expected service life.
- 10.4. It would not be best to focus simply on isolated repairs. This may work in the very short-term but will expand the overall problem, as it does not address the fundamental issue of having too many roads that have been allowed to get towards the end of their service life.

11. MEASURES OF EFFECTIVE USE OF FUNDS

- 11.1. There are several Key Performance Indicators (KPIs) to measure the effectiveness of management of the roads and the application of the funds used for this. These include:
- improvement in results of the next survey of the condition of the roads
 - increased service life of roads
 - reduced level of remedial works (no more than 15% of total budget)
 - measure of public satisfaction
- 11.2. The Department will be utilising these KPIs. However, at present these indicators are destined to show a decline in performance revealing the consequence of the States previously not managing its highways as effectively as it should. This is the result of insufficient funds being available to invest in the roads rather than an assessment of Guernsey Roads' current performance.
- 11.3. The Department can still measure the effectiveness of its use of funds for the maintenance of the roads to an extent through KPIs that measure:
- 11.4. Average amount spent per square metre against an annually set target for each type of road.
- 11.5. Higher percentage of works undertaken prior to resurfacing
- 11.6. It will also continue to develop management of the asset in accordance with industry standards that are designed to deliver service in the most cost-effective manner.

12. COSTS TO BE INCURRED IMPLEMENTING THE PROPOSAL

- 12.1. There will be an initial set up cost to amend the current IRIS system to allow an automated charging facility to be added to this IT programme. This one-off cost is estimated to be £16,000 and will be recovered from charges. Once this system is in place there will be a minimal increase in the annual maintenance fee already paid for maintaining the programme. These costs will be met from an existing budget.
- 12.2. The implementation of charging enacted under these arrangements will not have any significant staffing cost implications, as IRIS will process automatically the charges and there will be limited additional work for staff.

13. ADDITIONAL FUNDING MOVING FORWARD

- 13.1. The proposed charging regime outlined provides a contribution against future repairs. A sustained drive to improve the asset management will continue to improve the value for money achieved by the States.
- 13.2. The recovery of the cost of the damage caused by the roads is another positive step in the process.

- 13.3. When planning long-term maintenance programmes for the roads if additional investment in the roads represents value for money sound business cases will be presented to the Treasury and Resources Department.

14. TIME FRAME FOR IMPLEMENTATION

- 14.1. At this time, it is the Department's intention to introduce charges and fees and to recover costs under the 2003 Law from 1 January 2016. All of the consultees are aware of this.

15. CONCLUSION

- 15.1. In this Report, it has been demonstrated that excavations in the roads do contribute to a reduction in overall service-life of roads and therefore reduce the value of the Island's investment in its road infrastructure.
- 15.2. This proposal seeks to apportion those costs more fairly, and provide incentive to minimise them. Companies whose activities result in long term damage to the Island's roads have been asked to make a reasonable contribution to their maintenance. Those who make have the greatest impact would make the biggest contribution.
- 15.3. By recovering the cost for the loss in road serviceability, the States of Guernsey will be in a better position to maintain its investment and ease the future financial burden of costly rehabilitation work that will need to be undertaken or advanced as a direct result of damaging works in the roads.
- 15.4. Most importantly, these improvements will ensure that public safety is maintained and that the inconvenience and disruption to the travelling public by work undertaken within Guernsey's roads are minimised.
- 15.5. Those organisations that have been consulted are prepared to pay this charge if it is implemented on the basis that funds are utilised to offset the damage they have inflicted. They have accepted the case put forward by the Department as having basis and accept that the charge is well reasoned and proportionate.
- 15.6. This charge will be used prudently to slow the rate of decline of the Island's roads and to reduce the amount of future public investment needed to restore the roads to a good standard.

16. RECOMMENDATIONS

- 16.1. The States are recommended:-

- to note the contents of this Policy Letter;
- to note the intention of the Environment Department (in close co-operation with the Public Services Department) to make one or more Orders under section 3 of the Public Highways (Co-ordination of Temporary Road Closures

etc.) (Guernsey) Law, 2003 which include provision for the introduction of charges to recover maintenance, repair, administration and inspection costs associated with loss of service life of the public highway due to excavation works and as further detailed in this Policy Letter.

Yours faithfully

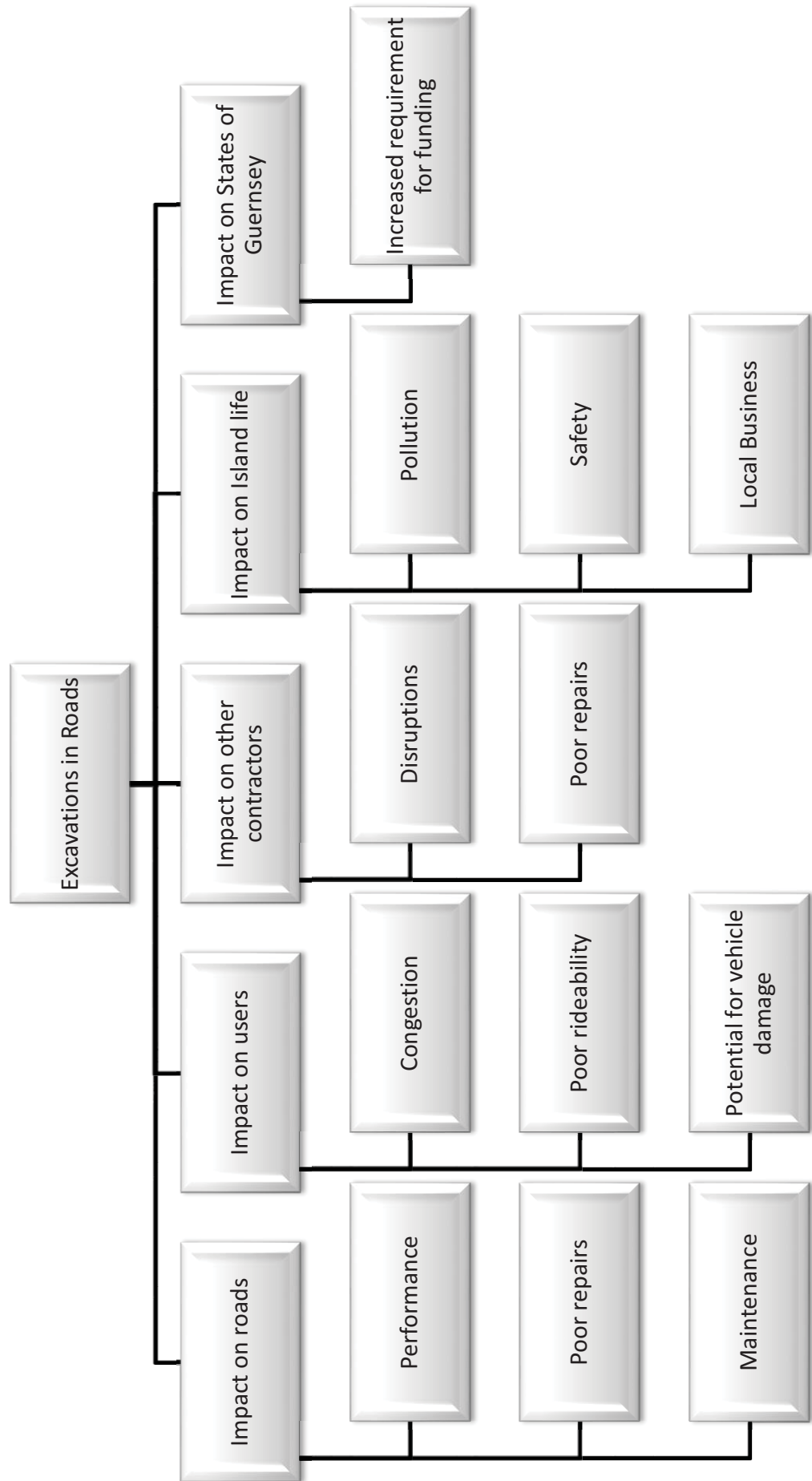
S J Ogier
Minister

D Duquemin, Deputy Minister

M Dorey
P Harwood
R Jones

APPENDIX 1**THE BASIS OF GUERNSEY'S ROAD HIERARCHY**

Inter Harbour HGV Route
The route between St. Sampson's Harbour and the Weighbridge. This special route must accommodate 15m long vehicles and high traffic flows. This route is of strategic importance, linking the two main urban areas of the Island.
Traffic Priority Routes
These routes have high traffic flows and comprise the busiest of the Island's main roads. These are key routes whose primary function is to distribute traffic throughout the Island. The functional emphasis is mobility and free traffic flow.
Local Circulation Routes
These routes comprise main roads, which have lower traffic flows than Traffic Priority Routes. They must accommodate limited through traffic and traffic movements terminating within the surrounding areas.
Neighbourhood and Country Roads
Predominately residential in character with little or no through traffic but may include other areas such as rural lanes. The functional emphasis is primarily one of access to individual properties and provision for vulnerable road users.

APPENDIX 2THE NEGATIVE IMPACT OF EXCAVATIONS

APPENDIX 3

PROPOSED METHOD OF CHARGING FOR LOSS OF SERVICE LIFE TO THE PUBLIC HIGHWAY

The proposed charge consists of two elements:

- A fixed charge for inspections and administration (per IRIS application)
- A variable charge that will reflect the extent of excavation, the priority of the road and age of the road surface

The basis for calculating the variable charge is detailed below.

The variable charge

This will be applied as a charge per square metre, and recalculated annually according to that year's schedule of resurfacing rates. It will be based on a number of factors:-

- **Average Resurfacing Cost**

This is based on the engineering requirements for resurfacing the different categories of road, together with Guernsey Roads' forecast of costs over the typical life, and is calculated on current costs.

- **Area Affected**

The area affected is always greater than the excavation itself. The UK's Transport Research Laboratory (TRL) has calculated a standard factor of 1.5, and this is the figure that Guernsey Roads has decided to use.

The area of excavation will be measured and entered in IRIS by the party carrying out the work. For ease, it is assumed the width of trench is largely proportionate to depth, so the charge will be based on area not volume.

- **Loss of Service Life**

Guernsey Roads has taken the average between American studies (36%) and the TRL study (17%). It is worth noting the latter figure is considered on the low side because reinstatements were observed therefore not undertaken under 'normal' conditions.

This gives a reduction in service life of 27%, which better reflects actual UK experience. The independent Annual Local Authority Road Maintenance (ALARM) 2014 survey of **all highways departments in England and Wales** states that, "most highways engineers believe the effect of deep trenching reduces road life by at least 30%."

- **Road Age**

Guernsey Roads has broken down the lifespan of a given road into four age-based phases, thereby simplifying the charging regime. These four phases were identified as being:

- **New** – Resurfaced or constructed, up to 5 years old

- **Young** – From 6 to 10 years old, usually in good condition
- **Ageing** – Older than 11 years, usually in good or fair condition
- **Resurfacing Programme** – Identified as poor and scheduled for resurfacing within three years. May be at or close to the end of their normal life, or newer roads where accelerated deterioration has taken place. To encourage works in this phase, the charge is reduced to zero for roads in the Resurfacing Programme.

The age of the road will be taken from the date of either construction or the last full resurfacing, whichever is later.

- **Deterrent Factor**

This is intended to deter excavations in the ‘New’ or ‘Young’ phases, as these considerably reduce the overall service life of the road and increase cost to Islanders.

Proposed charges at 2015 rates

If the charge were to be introduced in 2015, Table 1 shows an example of the potential charges per square metre which would be made for an excavation. This is 2015 costs and so the charges will be recalculated each year based on Guernsey Roads’ costs in that respective year.

Table 1: Example Charges per square metre for an excavation						
IRIS Hierarchy:	Road	% of Total Road Length	Time since resurfacing			In Resurfacing Programme
			0-5 years	6-10 years	11+ Years	
	Inter-Harbour Route	1%	£78.52	£56.09	£28.04	£0.00
	Traffic Priority Routes	22%	£42.80	£30.57	£15.29	£0.00
	Circulation Routes	15%	£34.86	£24.90	£12.45	£0.00
	Neighbourhood Roads	62%	£30.32	£21.66	£10.83	£0.00

Inspection and Administration Charge

This fixed Administration Charge reflects the cost to Guernsey Roads of carrying out inspections of excavations and reinstatements, together with the administrative support for each application. It comprises a contribution to staff time (noting site details, inspection during works, measuring after works and processing in the office), a

contribution to maintaining IT systems that will record all excavations in the public roads, equipment used by the Highways Inspector and fuel.

The estimated a fixed Administration Charge, based on 2015 costs, would be £90. This will apply to ALL IRIS applications for excavations. If there are multiple holes being dug in the same section of road by the same company, this Charge will only be applied once. Wherever an Administration Charge is referred to in this document, it will also be this charge.

As the charge is designed to be fair and equitable, it is based on the proportion of the Highways Inspector's time spent on inspecting and measuring a reasonable number of excavations (not visiting every site) across the average number of IRIS applications made per annum.

Where the reinstatement of an excavation is found to be substandard during the guarantee period, a further fixed Administration Charge will be charged for the time taken to inspect the failure, process it, and report it to the party responsible.

In the event that measurements entered into IRIS are, more than 10% different to that measured by Guernsey Roads, a fixed Administration Charge (the £90) plus a penalty surcharge of 25% will be levied to cover the cost of having to correct records and issuing a new invoice.

Two-stage reinstatement

For shallow excavations, Guernsey Roads is content to accept single-stage reinstatements as this causes the least disruption and cost, both to the contractor and Guernsey Roads. However, it is important that single-stage reinstatements are undertaken correctly, so that subsequent failures requiring repair and reinstatement are reduced or eliminated. To encourage this, for single-stage reinstatements, the period of guarantee is five years from the date of reinstatement.

For deeper excavations, such as for foul water systems, Guernsey Roads prefers two-stage reinstatement, as this allows a period of settlement before finishing. This process does not eliminate the effect of excavations, as it still creates weak points which will be exposed by environmental factors. However, it does reduce the chance of settlement leading to depressions in the road surface.

Guernsey Roads does not want to discourage this process, so does not propose to charge additionally for the final reinstatements. Where this method is used, the charge will be based on the area of initial excavation.

The fixed Administration Charge only (i.e. the fixed charge referred to above) will be charged for the second reinstatement to cover Guernsey Roads' inspection and administration costs.

For two-stage reinstatements, the period of guarantee will be three years from the date of final reinstatement.

Six month lead-in period

Guernsey Roads has had a six month 'no-dig' policy prior to resurfacing, to reduce the likelihood of settlement affecting the new road surface. It is not a perfect solution but it is a pragmatic one. However, because exceptions have been made in the past to assist companies, there has been a noticeable increase in requests for works during this period, and it is almost expected that permission should be given.

To reduce the likelihood of late requests, Guernsey Roads has already increased its period of notice for future works to 12 months. It has also followed up on some of the requests and verbal feedback received from customers suggests that the requests are made in good time.

It is proposed that any works during the six month period will be charged at the same rate as digging in a road of 0-5 years. For its part, Guernsey Roads will increase its notice period of resurfacing to at least 24 months, to give adequate time to programme works, with a commitment to increase this to three years. This should allow utilities, developers and members of the public a greater chance to better schedule infrastructure improvements to coincide with the later stages of a road's life and to fall within the free period.

Sharing Excavations

Where two parties share a closure but not the excavation, each party will be charged separately. Where parties share an excavation, the lead contractor will be charged and must pay the invoice. In this case, it would be up to the parties involved to come to their own arrangement on how the costs will be apportioned between them, as at present.

This will encourage the sharing of excavations and minimise the effects on the roads, whilst reducing costs for both parties.

Reductions and Exceptions to charging

- Digging exclusively in the pavement will be treated and charged the same as a Neighbourhood Road (the lowest category), since the loss of service life will not be as severe as in a trafficked road.

Where a party undertakes a full width reinstatement of a pavement for a minimum continuous length of five metres, this will be treated as though it were a full resurfacing. As this effectively increases the lifespan of the pavement, there will be no charge.

- Where an excavation has a wider benefit, such as laying additional ducting for use by the States or other utilities, a discount may be applied. The structure and amount is still to be decided.
- To encourage utilities and other parties to undertake works ahead of resurfacing, a reduced no charge would be applied to works scheduled during the three year Resurfacing Programme.

- Guernsey Roads currently has a successful proactive system of speaking to landowners before commencing development, to ensure they are aware of the duty to repair any damage to the road and assisting them as much as possible during development.

In light of the success of this scheme, work by owners on the property boundary (e.g. rebuilding walls), which extend no more than 0.25m into the road, will be exempt from charging. As at present, they will be required to pay for the reinstatement of the road or footpath by an approved contractor.

- Other States of Guernsey Departments funded by General Revenue, such as the Environment Department will not be charged for works such as the erection of sign posts, bollards, and other street furniture.

APPENDIX 4

ADHERING TO THE STATES OF GUERNSEY'S FEES AND CHARGES POLICY

In developing this proposal, the Department has been guided by the States of Guernsey's Fees and Charges Policy Guidance document. Particular attention has been given to the following sections of the document:

1.1 Ensuring Compatibility with Strategic Policy Objectives

The proposed charges are intended to encourage companies to plan infrastructure changes to take place when a road has reached or is reaching the end of its life. At this stage, any charge levied would be minimal and have little effect.

1.2 Practical and Legal Feasibility

Legislation to enable this charge is already in place. It is intended that the proposal should be noted by the States as the legislation may be used to recover cost in a different way to first intended.

1.3 Categorisation of the Charge

The charge is a statutory charge which falls under sub-section E of the document; being a charge which acts as a disincentive.

1.4 Identifying the Cost of Delivery

As the company (ordinarily a utility) involved is usually the main beneficiary, the charge in the early years of a road's life is intended to be a disincentive and carries an additional contribution. The charge then diminishes correspondingly with the age of the road and its categorisation. The final period, where a road is due to be resurfaced, would be free of the variable part of the charge and subject only to the administrative charge.

The cost to the Department of administering the charge have been calculated and included in the formula used to develop the charge.

The charge would be made via IRIS and be based on the size of excavation. IRIS would then automatically bill the utility or company concerned. There would be a cost for additional inspection to check a proportion of these measurements in order to ensure that they are accurate and correctly charged. An amount for this has been included in the formula used to develop the charge.

The method of calculating the charge and example charges using 2015 rates have been developed with the utilities as part of the consultation process. They accept that they are justifiable and proportionate, which demonstrates the fairness of the charges.

APPENDIX 5**LETTER FROM THE ENVIRONMENT DEPARTMENT**

Deputy S Ogier
Minister
Public Services Department
Brickfield House
St Andrew
Guernsey
GY6 8TY

9th July 2015

Dear Deputy Ogier *Scott,*



Environment
Sir Charles Frossard House
La Charroterie
St Peter Port, Guernsey
GY1 1FH
Tel +44 (0) 1481 717200
Fax +44 (0) 1481 717099
Email env@gov.gg
www.gov.gg

RECOVERING ADDITIONAL COST CAUSED BY WORKS IN THE PUBLIC HIGHWAY

I refer to the Policy Letter drawn up by the Public Services Department in respect of the above.

It is evident that your proposals for the recovery of costs for the repair of the highway would be best delivered by the Public Services Department under the auspices of *The Public Highways (Co-Ordination of Temporary Road Closures etc.) (Guernsey) Law, 2003*, which legislation was clearly drafted for the purposes of the Environment Department. I am pleased to confirm that my Board has no objection to the Public Services Department using this law for these proposals.

I trust this sets out a clear perspective on the Environment Department's approach to this matter and wish the Public Services Department well in bringing its proposals into operation.

Yours sincerely

Deputy Yvonne Burford
Minister, Environment Department

POLITICAL RESPONSIBILITIES

Environmental policy; Management of States and Crown land; Land use policy and plans; Control of development including conservation and heritage protection; Public transport, traffic management, road safety, road networks and co-ordination of road works; Driving licences, vehicle registration

(N.B. The Treasury and Resources Department supports the Public Services Department for the responsible approach it is taking in improving the way it operates to manage the roads asset and expenditure thereon in the most effective manner and achieve better value for money. The introduction of a financial contribution from those excavating roads towards the cost of repairs caused by the need to resurface a road earlier than if it had not been excavated is supported as it is in accordance with the ‘user-pays’ principle and to encourage better planning of road excavations by third parties.)

(N.B. The Policy Council notes that the Public Services Department has thoroughly reviewed the existing working practices associated with managing and carrying out works to the public highway, and has consulted appropriately with those businesses likely to be affected by the introduction of an excavation charge.

Unless services can be removed from beneath the public highway and relocated elsewhere, there will always be a requirement to excavate the road network from time to time. The Policy Council is of the view that the proposal to introduce a charge to excavate recently repaired roads is fair and will encourage service providers to plan infrastructure revisions in harmony with PSD’s road repair programme, reducing costs for the companies and reducing the frequency of road closures to the benefit of road users.)

The States are asked to decide:-

XVII.- Whether, after consideration of the Policy Letter dated 8th July, 2015, of the Public Services Department, they are of the opinion:-

1. To note the contents of that Policy Letter.
2. To note the intention of the Environment Department (in close co-operation with the Public Services Department) to make one or more Orders under section 3 of the Public Highways (Co-ordination of Temporary Road Closures etc.) (Guernsey) Law, 2003 which include provision for the introduction of charges to recover maintenance, repair, administration and inspection costs associated with loss of service life of the public highway due to excavation works and as further detailed in that policy letter.

COMMERCE AND EMPLOYMENT DEPARTMENT

PURCHASE OF A REPLACEMENT FISHERIES PATROL VESSEL

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

2nd July 2015

Dear Sir

1. Executive Summary

- 1.1 The Department is seeking the approval of the States to proceed to the final stages of the project to purchase a fisheries patrol vessel (FPV) to replace the existing fisheries patrol vessel ‘Leopardess’¹, which came into service in 1998.
- 1.2 Over the past 18 years, the FPV Leopardess has proved a vital part of the protection within the British fisheries limits of the Bailiwick allowing a credible enforcement programme to be operated, which has safeguarded fishing stocks, protected the livelihoods of local fishing businesses, and supported the environmentally responsible stewardship of the waters surrounding our Bailiwick.
- 1.3 The FPV patrols the waters of all three Islands of the Bailiwick, representatives of which work together on the Bailiwick Fisheries Management Commission. The Commission representatives of Alderney and Sark are fully supportive of the continuation of this enforcement work with a suitable replacement vessel in the future.
- 1.4 When vessels have been detected at sea for fisheries related offences they are detained to St Peter Port and summonsed to the Magistrate’s Court. In the last 19 years the accumulated fines handed down from Bailiwick Courts for fisheries related offences is circa £0.5m.
- 1.5 The estimated value for landings for all wetfish and shellfish for 2014 from Bailiwick registered vessels only is £5.2m. In addition, a number of qualifying UK and Jersey vessels have been licensed to fish (subject to stringent controls) within Bailiwick waters for species such as horse mackerel and scallops.

¹ For simplicity this policy letter refers to the Leopardess and its replacement as a single vessel, in reality the project is to purchase both a fisheries patrol vessel and a suitable, but standard production model, deck stored/launched rigid inflatable (RIB) which is deployed for all boarding activity and for inshore patrols ... as per the current vessel design.

- 1.6 Prior to licensing controls being in place the scallop fishing grounds west of Guernsey were fished heavily by UK vessels in 2008 and 2010. The quantities and catches proved that the Bailiwick's scallop fishery is extremely valuable with estimated annual landings for UK vessels prior to licensing controls, (which are enforced by FPV patrols) being £16m. The winter pelagic fishery is estimated as having a potential value of £2to £5m. The FPV protects Bailiwick waters, which have estimated potential commercial landings with an annual value of some £26m.
- 1.7 As well as its core fisheries enforcement role, the vessel has taken part in numerous tasks for the Guernsey Police and Border forces, as well as assisting the work of the Guernsey Fire and Rescue Service, renewable energy investigations, as well as cable inspections for Guernsey Electricity Ltd.
- 1.8 The vessel will reach the end of its 20 year design life in 3 years and the costs of maintenance are rising. Furthermore, the risk of problems such as mechanical failure leading to the requirement for the expensive replacement parts are an increasing concern.
- 1.9 The Department has considered a wide range of options for the future of this service and has concluded firmly that, not only is the case for the Bailiwick having a FPV compelling, but also that replacement of the Leopardess now, with a new vessel, is by a significant margin, the lowest cost and best value approach for the Island to take, even when compared to the options of keeping the current vessel in service with a make do and mend philosophy.
- 1.10 The greater reliability of a new vessel reduces the risk of breakdown or lengthy refit and repair times during which the FPV would not be available. The new vessel proposed will help ensure that the Bailiwick is seen as having a patrol vessel ready to act as a credible deterrent for enforcement operations in our waters, as well as providing an essential marine capability to other Government Departments.
- 1.11 As part of the process of evaluating the design of a new vessel, the Department has concluded that the most suitable and economical option is to use a very similar and proven design to the existing vessel. Furthermore, and while not compromising its primary operational function, the opportunity has been taken to liaise with other Departments and incorporate design features which give options for the extended use of the new FPV making it a more versatile marine asset for the Island. A letter of comment from the Home Department, which recognises this aspect of the use of the existing and any future FPV, is appended (Appendix 1).
- 1.12 Following the States' Capital Investment Portfolio (SCIP) procedures, the Department has, with support and guidance from officers at the Treasury and Resources Department and the assistance of St James Chambers, completed a detailed Outline Business Case (OBC). This process has used the required "5 case" model. The OBC for this project is appended (Appendix 2) to this Policy Letter and, as a consequence, only a key summary of the elements of this capital project is presented.

- 1.13 The FPV Leopardess cost some £750,000 to purchase in 1998. The most recent estimate of its residual value is that it is still worth some £280,000, which suggests that it has held its value well, not least because of the way it has been carefully maintained and used over the past 18 years. In view of this residual asset value, it is intended that it will be “traded in” to offset the total project cost.
- 1.14 The OBC estimated a total cost of just under £3m, however, largely due to favourable exchange rate movements, it is anticipated that the total cost will be lower. The final budget will be ascertained following States’ approval and will be presented to the Treasury and Resources Department within the Final Business Case.
- 1.15 The estimated project timescale is that it will take 12 months from the signing of the contract before the new vessel is built, accepted for trials and on station.
- 1.16 In view of the vessel build time and the increasing age of the Leopardess, the Department has worked closely with the Treasury and Resources Department to move the project through the approvals process in as timely a manner as possible. This has created no contractual or other commitments and has lowered the financial risk to the States that might arise from the longer timescales and costs that would be created if there was a need for a substantial expenditure for a refit to extend the operational life of the Leopardess, or to deal with significant equipment failure.
- 1.17 The States is recommended to give its support for the completion of this project, subject to approval of a Full Business Case by the Treasury and Resources Department.

2. Background

2.1 The strategic drivers for this investment are to:-

- Safeguard the Bailiwick’s marine resources by enforcing all relevant fisheries conservation legislation within British Fishery Limits (12nm limit) adjacent to Guernsey, Alderney and Sark.

[Note: Since the Leopardess came into service in 1997 the Leopardess has proved to be an effective asset in protecting Bailiwick waters from the over exploitation of commercial fishing. On the occasions where vessels have been detected at sea for fisheries related offences they are detained to St Peter Port and summonsed to the Magistrate’s Court. In the last 19 years the accumulated fines handed down from Bailiwick Courts for fisheries related offences is in the region of £0.5m.]

- Protect the fish stocks in Bailiwick waters from over exploitation through routine patrols and the monitoring of fishing activity both remotely and from boarding and inspections at sea, as well as targeted and information led enforcement activity.

[Note: The Leopardess is operationally ready at all times and completes approximately 500 to 600 engine running hours per annum. Of these operationally active hours, some 80% are spent on Sea Fisheries patrol work. The remainder in support of the vessel's other deployments for the States of Guernsey. Whilst the engine hours gives an indication of the use of the Leopardess it does not represent the man hours involved each year with the varying operational deployments that are carried out. The operation of the Leopardess uses approximately 4000 to 5000 man hours per annum.]

- Assist with the development of a sustainable Bailiwick fishing industry employing some 200 people and landing fish and shellfish worth approximately £5m annually in gross sales. The leisure shore angling sector is worth around £1m annually. Bailiwick waters are a valuable marine resource to the Island with abundant high value commercial fish species.

[Note: In addition to Bailiwick vessels, a number of qualifying UK & Jersey vessels have been granted licenses to fish (subject to stringent controls) within Bailiwick waters for species such as horse mackerel and scallops. Prior to licensing controls being in place the scallop fishing grounds west of Guernsey were fished heavily by UK vessels in 2008 and 2010. The quantities and catches proved that the Bailiwick's scallop fishery is extremely valuable with estimated annual landings (wholesale value) for UK vessels being £16m.

The winter pelagic fishery is estimated as having a potential value of £2-£5m. The Leopardess is an essential asset protecting Bailiwick waters which have potential commercial landings with an annual value estimate of some £26m.]

- Provide a maritime capability, on a cost recovery basis, for other States of Guernsey Departments.

[Note: The Leopardess is used by the Guernsey Police, Guernsey Border Agency, Guernsey Renewable Energy, and Guernsey Electricity Ltd, as well as carrying out fisheries patrols in the English Channel and the South Coast of the UK with HM Government's Marine Management Organisation (MMO).]

- Form part of the States of Guernsey search and rescue assets (SAR) and are called on as needed by the Harbour Master to assist with operations.

2.2 The Department Sea Fisheries Section operates and maintains the (FPV) Leopardess to Marine and Coastguard Agency (MCA) standards. She continues to give excellent and flexible service to the Bailiwick, but, as the vessel has aged, the maintenance costs and the operational and financial risks associated with running a vessel approaching the end of her working life of 20 years have risen.

- 2.3 Although carefully maintained and operated, there is the continuing risk of breakdown associated with operating an ageing hull and machinery; should either engine fail for example, the costs for repair or replacement would exceed £200,000 per engine. In view of the increasing age of the vessel, the current operational policy for the Leopardess is to ensure that undue strain on the ageing engines is avoided by operating at speeds cautiously below its full potential.
- 2.4 The key business need and the objective of this proposed investment is to ensure the effective enforcement of fisheries legislation within Bailiwick waters. This can only be achieved through sea based fisheries protection patrols, which will only be effective with an FPV capable of year round enforcement patrols, acting as a deterrent to illegal fishing.
- 2.5 Replacement with a new vessel at this time will provide the best value for money for the Island. The Outline Business Plan calculations suggest that this route to maintaining the ability to carry out fisheries patrols and other work in Bailiwick waters will require some £500,000 less capital funding as a result of the avoidance of a major refit to the Leopardess in the coming years if it were to be kept in service beyond 2016.
- 2.6 A new vessel will significantly reduce vessel and equipment failure risks and the associated unplanned repair, replacement and service cover costs will be reduced. Vessel annual maintenance costs will be reduced and, importantly will be more predictable, greatly assisting the annual budgeting process. With the new vessel having more up-to-date engines (the current engines are now obsolete models), vessel engine operating emissions will be reduced.

3. Progress through SCIP to date

- 3.1 In September 2013 (Billet d'État XIX 2013), as part of the capital prioritisation process, the States gave a category A 'Must do' status to this project.
- 3.2 The project has followed the States approved approach for capital projects funded from the Capital Reserve as detailed in Appendix 2.

4. Assessment of Options

- 4.1 The Department has considered a wide range of options of the provision of a fisheries patrol capability in Bailiwick waters and assessed these against a set of success criteria.
- 4.2 As a result of that process, which is described in full in the appended OBC document, a shortlist of 3 options was examined in greater detail and with particular emphasis on the total and whole life cost to the States that each would entail.

4.3 The options shortlisted were:-

Option 7: Purchase a new replacement vessel now (= “replace”)

Option 8: Major refit of the Leopardess now (replacing both engines) and plan to purchase a new vessel in 7 years’ time. That is, 5 years beyond the vessel’s working life (= “delayed replacement”)

Option 6: Maintain the Leopardess to the end of her working life (estimated as 2018) with no scheduled refit and then replace (= “minimum”)

NB: This final option was added for comparative purposes only as it is considered to be high risk and increasingly financially and operationally unpredictable as each year passes.

5. Proposed way forward

5.1 Consultation with stakeholders confirmed that the following features had to be supplied by the chosen vessel:

- The continuation of all existing fisheries protection services.
- The capability to continue all existing deployments, in particular boarding at sea.
- The FPV being a credible deterrent to illegal fishing.
- No increase in operating costs and manning requirements.
- The vessel should present fewer financial risks and greater cost predictability.
- Equipped and ready for other end-users (i.e. other States Departments) to use.

5.2 The current patrol vessel was designed on the basis of work by expert marine architects who took into account the sea and other conditions in which a vessel would operate. And, although many aspects, of technology have changed in the intervening years, these operating parameters have not.

5.3 In the Department’s view, the preferred way forward is to purchase a replacement FPV based on tried and tested technology and design. It believes that it would be wrong and imprudent to consider an untried approach as this would introduce financial and operational risk to the project and in the future.

5.4 The cost and value for money analysis showed that option 7 – replace the Leopardess with a comparable modern version without delay – is the most financially beneficial and is recommended.

6. Procurement Route

- 6.1 As detailed in the appended OBC, the Department recognised that the potential suppliers of a specialised vessel of the nature required (and as purchased in 1997) could in fact be quite limited. So, with support and advice from the States' procurement officers, a market testing exercise was designed and carried out to identify the number of firms across Europe that may be potential bidders for such a project. The process included Channel Island and UK firms on the same basis as all others contacted. The results of this work are detailed in the OBC (Appendix 2), detail to be found at OBC Appendix 1- FPV Outline Specification.
- 6.2 The conclusion was that the field was very limited and when experience of the construction of aluminium hull vessels, a track record of the completion of comparable projects, proven and tested designs and price were considered, the conclusion was reached that the Damen Shipyard in Holland – which designed and built the current FPV Leopardess – was the only credible source of this replacement vessel.
- 6.3 This outcome was considered with the States' procurement officers and it was concluded that the project would not benefit from going through a conventional tender process and thus an "Exemption To Tender" was granted by the Treasury and Resources Department.
- 6.4 In the light of this, the development of the project has been progressed in recent months by the Project Team working closely with Damen Shipyards, Holland to examine more detailed design requirements and value engineering the project.
- 6.5 It is important to stress that no undertakings have been given and the States is not committed in any way to any project costs at this stage despite this practical way forward being pursued. As the project has yet to be approved by the States, the detailed design work is still in progress and indicative prices have been obtained from various potential suppliers to the project.

7. Required Steps to Project Completion

- 7.1 The project is subject to Project Assurance Reviews as required by the States Capital Investment Programme. The project's Strategic Outline Case completed its PAR1 in January 2014 and the project moved forward to OBC stage.
- 7.2 The project OBC developed in the subsequent months was the subject of a PAR2 in October 2014. The PAR2 report contained several recommendations for the strengthening of the case, but only 2 items were classified as Amber.
- 7.3 The project team addressed all recommendations arising from the PAR2 and resubmitted the OBC in March 2015.

- 7.4 During the development of the project two particular risks have been identified that could result in significant total cost increases if not mitigated. These both arise from delay and are that:-
- the build cost could steadily increase as labour and material costs rise; and
 - the condition of the Leopardess will deteriorate and might call for expenses for refits and, in the extreme, replacement engines and a lowered trade in value.
- 7.5 It was assessed that expenditure on the Leopardess in the short term would not be clawed back through an improved trade in value and should therefore be avoided if at all possible. It was therefore concluded that work should be started in parallel to the process of submission to the States to reduce the project time scale as much as possible, but without making any commitment or incurring financial risk to the States prior to obtaining the approval to proceed.
- 7.6 The project team has worked on the design details for a new vessel with Damen Shipyard and other equipment suppliers. Following this, the project team will be able to obtain firm prices that will remain valid for a period covering the time during which final approvals for the project are sought. It is planned that the project FBC will be submitted for its final, PAR3, review in early September 2015.
- 7.7 What this approach will mean is that, should the States be minded to support this project (having considered this Policy Letter), work can begin very quickly this autumn to finalise a vessel construction contract and to reserve the crucial shipyard build slots to ensure the earliest delivery of a replacement vessel.
- 7.8 The Department re-iterates that this process will not result in any unavoidable commitment by the States to any particular final procurement route, costs, or to the purchase of a vessel at all.

8. Project Budget

- 8.1 The Department has investigated and developed the design and equipment requirements for a replacement fisheries patrol vessel and its best estimate at the present time of the full project budget is as follows:-

Project Element	Estimated Project Costs £
Damen Stan Patrol 2005MK New Build Vessel	£2,212,000 (Damen Shipyards Holland) NB No taxes anticipated
Vessel Electronics	£150,000 Systems include: Furuno Radar £25,000 ECDIS or Navnet £25,000 Vessel Sensor & Instruments, Wind, Depth and relay stations £50,000
Vessel Electronics (continued)	Sonar £25,000 Installation £25,000
Rigid Inflatable Boat (Rib)	£100,000 Ribcraft, Humber, Delta or equivalent.
Contingencies	£200,000 Includes variations in build, sea trailing, training and delivery to and from Guernsey
Project Monitoring	£51,000
Project Technical and Legal Support	£100,000
Project assurance review costs and Post Implementation Review	£80,000
Project/Design Development Expenses	£12,000
Sale of Leopardess	(£280,000)
PROJECT TOTAL COST ESTIMATE LESS RESALE OF EXISTING VESSEL	£2,625,00

Note: Prices for the vessel are based on a Euro exchange rate of 1.166 GBP

- 8.2 Discussions with Damen Shipyards have indicated that the existing FPV can potentially be the subject of a trade in arrangement. The value attached to the vessel in such an arrangement can only be determined at the time that a final deal is struck and contracts are signed. It is anticipated that the total budget will be adjusted due to reflect any exchange rate fluctuation as well as any variation in trade-in value of the existing vessel as this is dependent on the current market value at the time the contracts are completed with Damen Shipyards.

- 8.3 The FPV Leopardess cost some £750,000 to purchase in 1998. The most recent estimate of its residual value is that it is still worth some £280,000, which suggests that it has held its value well, not least because of the way it has been carefully maintained and used over the past 18 years.
- 8.4 In the light of this, the Department is confident that a significant trade in value would be obtained in due course should the project go ahead as proposed and this asset value realisation will significantly reduce the overall project cost to the States. The final details for this aspect of the project will be set out at FBC stage in due course.
- 8.5 The proposed replacement vessel itself is priced in Euros and represents some 70% of the total project cost estimate. This introduces exchange rate risk to the project. Recognising this, and conscious of the weakening Euro to £ exchange rate, the project team has continued to base its calculation on a historic exchange rate as shown above.
- 8.6 The intention is that as soon as the project is approved (both by the States and by the Treasury and Resources Department on consideration of the Final Business Case) foreign exchange transactions will be executed in collaboration with Treasury and Resources to provide clarity and certainty and to protect the project budget.
- 8.7 It is anticipated that the vessel will be procured with a maintenance programme in conjunction with Damen Shipyards. It is anticipated that the maintenance costs of £30,000 per annum will remain the same. It is also anticipated that fuel costs will remain the same and not increase. The current revenue budget for fuel per annum is £30,000. The replacement vessel will not incur any additional staffing costs and there will be no increase in FTE's.

9. Consultation

- 9.1 Throughout the process of development of this project, the Department has consulted with the Treasury and Resources Head of Procurement, the States Portfolio team and St James Chambers. All significant recommendations and advice received has been actioned and incorporated in the project.
- 9.2 Particular emphasis was placed on consultation with States Departments with an operational requirement for a maritime facility (principally Guernsey Police, Guernsey Fire and Rescue Service and the Home Department). The purpose of these consultations was to ensure that no cost, or low cost, design modifications could be considered at an early stage in the project so that the resultant new vessel would be as useful for the Island as practically possible. In addition, the project team consulted with the St John Ambulance and Rescue Service to enable the new vessel to be suitably equipped to support and back up the marine ambulance service.

10. Recommendations

10.1 The Department recommends the States to:

1. Approve the purchase of a replacement Sea Fisheries Patrol Vessel by the Commerce and Employment Department at a cost not exceeding £2.625 million (to be adjusted for exchange rate fluctuation and variation in proceeds from the sale of the Leopardess).
2. Authorise the Commerce and Employment Department to continue exclusive negotiations with Damen Shipbuilders BV to finalise the vessel construction contract.
3. Delegate authority to the Treasury and Resources Department to approve the Full Business Case, award the contract to Damen Shipbuilders BV and open a Capital Vote not exceeding £2.625 million (to be adjusted for exchange fluctuations and variation in proceeds from the sale of the Leopardess) charged to the Capital Reserve.

I should be grateful if you would lay this matter before the States.

Yours faithfully

Deputy K A Stewart
Minister

Deputy A H Brouard
Deputy Minister

Deputy D de G De Lisle
Deputy G M Collins
Deputy L S Trott
States Members

Advocate T Carey
Non States Member

Appendix I

Letter of comment on the Project from Home Department – dated 23rd June 2016



Deputy Kevin Stewart
Minister
Commerce and Employment
Raymond Falla House
Longue Rue
St Martin
Guernsey
GY1 6AF

23 June 2015

Dear Deputy Stewart, *Kevin*

Replacement Fisheries Protection Vessel Project

Thank you for the presentation delivered by officers from your Department on 15th June 2015 to the Home Department Board in relation to the ongoing SCIP project being progressed by the Commerce and Employment Department considering the possible replacement of the fisheries protection vessel.

Members were pleased to receive an update in relation to the work currently under consideration by your Department and the reasoning behind the three options which were presented. The Department recognises the importance of the States of Guernsey as an organisation having access to a maritime vessel and welcomes the steps that Commerce and Employment are taking to consider the available options in respect of the Leopardess both at this time and into the future.

Living on an island brings with it its own unique challenges in terms of policing, border and immigration control and civil protection. Without being able to access a vessel such as the Leopardess, the Home Department would find it increasingly difficult to discharge its mandated responsibilities in relation to these vital functions. For a number of years, the Home Department has been able to benefit from the services of the Leopardess to support a broad range of operations, including the transportation of prisoners where the circumstances make the use of commercial carriers impracticable.

In conclusion, the Department believes that the Bailiwick has a well evidenced and clear requirement to maintain a maritime capability in order to flexibly meet the variety of operational needs experienced within the Islands. A careful analysis of the Business Case will be needed to determine the best way of securing this important operational capability in the future.

Yours sincerely,

Deputy Peter Gillson
Minister
Home Department

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POLITICAL RESPONSIBILITIES

Guernsey Police, Guernsey Border Agency, Guernsey Prison Service, Guernsey Probation Service, Guernsey Fire & Rescue Service, Emergency Planning, Bailiwick Drug & Alcohol Strategy, Criminal Justice Strategy, Domestic Abuse Strategy, Broadcasting, Gambling Control, Electoral Roll

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APPENDIX 2

[Commerce and Employment Department - Sea Fisheries Section](#)

Replacement Fisheries Protection Vessel (FPV)



Outline Business Case (OBC)

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1. Executive Summary

1.1 Introduction

This OBC seeks approval to invest an estimated £2,977,000 in the purchase of a Fisheries Protection Vessel to replace the current vessel -Leopardess – which is in its 17th year of operation and is nearing the end of its accepted service life of 20 years.

1.2 Strategic case

1.2.1 The strategic context

The strategic drivers for this investment and associated strategies, programmes and plans are:

- The responsibility to safeguard the Bailiwick's marine resources by enforcing all relevant fisheries conservation legislation within British Fishery Limits (12nm limit) adjacent to Guernsey,
(NB: This is a commitment given in the Fisheries Management Agreement signed with the UK and devolved administrations, which was a pre-requisite of being given jurisdiction to legislation in British fisheries limits (3 to 12 nautical miles limit) around the Bailiwick.)
- The wish to protect Bailiwick waters from over exploitation and thus assisting with the development of the Bailiwick's fishing industries in Guernsey, Alderney and Sark.
- The Bailiwick fleets employ some 200 people and land fish and shellfish with a value of some £4m - £5m annually in gross sales. The leisure shore angling sector is worth around £1m annually. Bailiwick waters are extremely valuable to the Islands.
- The Leopardess is made available on a cost recovery basis for other States of Guernsey Departments needing a maritime capability.
- The Leopardess is used by the Guernsey Police, Guernsey Border Agency, Guernsey Renewable Energy, and Guernsey Electricity Ltd, as well as carrying out fisheries patrols in the English Channel and the South Coast of the UK with the HM Government's Marine Management Organisation (MMO). The Leopardess (and her crew) also form part of the States of Guernsey search and rescue assets (SAR) and are called on as needed by the Harbour Master to assist with operations.

1.2.2 The case for change

The current situation is:

The Commerce and Employment Sea Fisheries Section operates and maintains the Fisheries Protection Vessel (FPV) Leopardess to Maritime and Coastguard Agency (MCA) standards.

The Leopardess continues to give excellent and flexible service to the Bailiwick, but as the vessel has aged the maintenance costs and the operational and financial risks associated with running a vessel approaching the end of her working life of 20 years have risen.

Although carefully maintained and operated, maintenance cost forecasts do not include the risk of breakdown associated with operating an ageing hull and engines. Should either engine fail the costs for repair or replacement will far exceed the Sections current annual maintenance allocation.

The key business need is to ensure the effective enforcement of fisheries legislation within Bailiwick waters. This can only be achieved through sea based fisheries protection patrols. Without such legislation and enforcement in the past, the following negative effects and activities occurred;

- A significant increase of the number of fish being caught within Bailiwick waters, (particularly Horse Mackerel, Black Bream and Scallops exacerbated by non-Bailiwick vessels and Bailiwick vessels fishing in Bailiwick waters).
- Nomadic visiting vessels being able to develop a track record and thus attempt to claim “Historical Rights” to fish commercially in Bailiwick waters.
- No control on the permitted methods or locations where vessels could fish.
- Regular and unsustainable damage to fishermen’s fishing gear and grounds.
- Failure to properly protect the Bailiwick’s fishing industries, fish stocks and the marine environment.

On the basis of this analysis, the **potential scope** for the scheme is the provision of an FPV capability that is safe and reliable to operate, able to deliver the objectives and business needs identified.

1.2.3 Operational Statistics

The Leopardess is operationally ready at all times and completes approximately 500 – 600 engine running hours per annum. Whilst the engine hour’s offer’s an indicative evaluation of the use of the Leopardess its does not represent the man hours carried out each year with the varying operational deployments that are carried out. The man hours relating to the operation of the Leopardess equate to approximately 4000 – 5000 per annum.

- Approximately 10% of the operational hours are attributed to the Guernsey Police who carryout varying tasks within Bailiwick waters and other Bailiwick Islands.

- Approximately 3% of the operational hours are used by the Guernsey Renewable Energy Team (GRET) in carrying out Marine Scientific studies/research and logistical support with France regarding marine energy projects.
- Approximately 3% of the operational hours are used by Guernsey Electricity to carryout surface surveys of the Guernsey-Jersey subsea electricity cable.
- Approximately 3% of the operational hours are used in Search and Rescue purposes at the request of the Harbour Master or other Search and Rescue Authority. Whilst not the primary search and rescue marine asset within the Bailiwick, the Leopardess is often called upon to assist in Search and Rescue tasks and is designated a SAR asset.

An example of which was in March 2011 when the Leopardess was requested by the Alderney coastguard to investigate a stricken French fishing vessel which had run aground on the small Island of Burhou during the night and the crew taken off by lifeboat.

With 20,000lt of fuel on board and the threat of significant pollution within the Alderney RAMSAR area the Leopardess and her crew were able to put aboard salvage pumps and secure a tow and moving the vessel to safety before handing the vessel over to the French authorities. <http://alderney.gov.gg/article/100330/French-Trawler-towed-to-safety>

- The remaining 81% of operational hours are used by the Sea Fisheries Section to carry out core function of fisheries patrol and enforcement at sea. The Sections Officers carryout approximately 40 – 50 boarding's at sea, inspecting fishing vessel paperwork, equipment, nets and to ensure catches are in accordance with conservation regulations.

1.2.4 Investment Objectives and Benefits Criteria

Investment objectives	Main benefits criteria by stakeholder group
<p>The Bailiwick fishing industry is protected by an “operationally capable and ready” FPV capable of year round enforcement patrols, acting as a deterrent to illegal fishing.</p>	<p>Improved business confidence of Bailiwick commercial fishing arising from a credibly regulated fishery</p> <p>Reduced fishing and gear conflicts saving costs and lowering safety risk level</p>
<p>The Section can continue to offer a marine capability to States and non-government organisations</p>	<p>Cost and convenience savings and the Department will reduce nett operating costs from charges.</p> <p>Lower overall costs for a suitable maritime capability for the States of Guernsey</p> <p>Improved ability to provide the required level of service</p>
<p>Vessel annual maintenance costs are reduced and are more predictable.</p>	<p>Revenue cost control and financial predictability/budgeting enhanced</p>
<p>FPV equipment failure risks and associated unplanned repair, replacement and service cover costs are reduced</p>	<p>Greater assurance of availability of FPV for patrol work</p> <p>Less time “off station”</p> <p>Reduced calls for routine capital funding</p>
<p>Vessel engines operating emissions are reduced in accordance with Environmental Protection Agency (EPA) Tier 2</p>	<p>Lowered environmental impact without compromise on maintenance, service and performance. The Volvo Penta Engines are constantly monitored using electronic computer units (ECU) to ensure emissions compliance.</p>

1.3 Economic case

1.3.1 The long list

The following options have been considered:

- Option 1:** Outsource the provision of enforcement and monitoring of fishing activity in Bailiwick waters to a 3rd Party provider.
- Option 2:** Charter a (patrol capable) vessel for a fixed number of days per year.
- Option 3:** Lease or Hire a (patrol capable) vessel on an ad-hoc basis.
- Option 4:** Jointly own and operate an FPV with Jersey
- Option 5:** Purchase a second hand vessel
- Option 6:** Maintain the Leopardess to the end of her working life (estimated as 2018) with no scheduled refit and then replace (minimum)
- Option 7:** Purchase a new replacement vessel now (replace)
- Option 8:** Major refit of the Leopardess now (replacing both engines) and plan to purchase a new vessel in 7 years' time. That is 5 years beyond the vessels working life (delayed replacement)

1.3.2 The short list

The following options have been the subject of more detailed evaluation within the Outline Business Case (OBC):

- Option 7:** Purchase a new replacement vessel now (= "replace")
- Option 8:** Major refit of the Leopardess now (replacing both engines) and plan to purchase a new vessel in 7 years' time. That is 5 years beyond vessel's working life (= "delayed replacement")

In addition the Department would also add the following option for comparative purposes only as it is high risk and increasingly financially and operationally unpredictable as each year passes.

- Option 6:** Maintain the Leopardess to the end of her working life (estimated as 2018) with no scheduled refit and then replace.(= "minimum").

1.3.3 Key findings

The preferred and recommended way forward is Option 7, that is, to purchase a replacement FPV based on tried and tested technology and design, with the new vessel on station as soon as possible after the start of 2016.

The main benefits to stakeholders, customers/ users would be:

- The continuation of existing Fisheries Protection services (i.e. satisfies the business needs.)
- The FPV is capable of all existing deployments, in particular boarding at sea.
- The FPV is a credible deterrent to illegal fishing.
- There is no increase in Resources and Operating costs
- The FPV presents fewer financial risks and greater cost predictability
- It is equipped and ready for other end-users (principally other States departments) to use.

The economic appraisal of the short listed options is:-

	2015 – 2029 Undiscounted (£)	2015 – 2029 Net Present Cost (£)
Option 6: Maintain Only until the end of vessel's working life (2018) then replace – Carried forward Reference Project only.		
Capital	£3,247,000	£2,763,356
Revenue & routine capital maintenance	£1,324,000	£1,015,938
Total costs	£4,591,000	£3,779,294
Less cash releasing benefits	£0	£0
Costs net cash savings	£4,571,000	£3,779,294
Non- cash releasing benefits	£0	£0
Total	£4,571,000	£3,779,294
Option 7: Replacement FPV now PREFERRED OPTION		
Capital	£2,742,000	£2,677,296
Revenue & routine capital maintenance	£1,255,000	£957,722
Total costs	£3,997,000	£3,635,018
Less cash releasing benefits	£0	£0
Costs net cash savings	£3,997,000	£3,635,018
Non-cash releasing benefits	£0	£0
Total	£3,997,000	£3,635,018
Option 8: Refit now and Delay Replacement for 5 years beyond working life		
Capital	£3,620,000	£2,778,041
Revenue & routine capital maintenance	£1,850,000	£1,645,043
Total costs	£5,470,000	£4,423,084
Less cash releasing benefits	£0	£0
Costs net cash savings	£5,470,000	£4,423,084
Non-cash releasing benefits	£0	£0
Total	£5,470,000	£4,423,084

Notes on this table above

- £235,000 Procurement, Legal and Support costs are to be added to the total project cost of each of the above options.
- The Time period 2015 – 2029 is chosen to give a long term comparison of costs, whereas whole life comparisons will be based on different time periods due to the different replacement dates.
- “Whole life” is defined as the time span to the next vessel replacement under each option which is calculated to be 20 years after the replacement date of the Leopardess.

1.3.4 Overall findings: the preferred option

Summary of overall results

Evaluation Results	Option 6	Option 7	Option 8
Economic appraisals	2	1	3
Benefits appraisal	3	1	2
Risk appraisal	3	1	2
Overall ranking	3	1	2

1.4 Commercial case

1.4.1 Procurement Strategy

The proposed solution to replace the Leopardess is to procure a vessel on a design and build basis.

This means that whichever shipyard is selected they will design and build the vessel as opposed to contracting an independent naval architect to design a replacement vessel. This process focusses risk and responsibility away from the States and onto the contracting shipyard.

The States of Guernsey have, for many years been extremely satisfied with the design of the Leopardess and she has been fit for purpose, and therefore the Department wishes to move forward with a similar design as the Leopardess incorporating new technology and stakeholder needs.

Investigations have found that procuring a vessel extremely limited. In recent months many UK ship builders specialising in small work boats have gone into receivership. Therefore, in consultation with the Treasury and Resources Department Head of Procurement it was agreed that the Department would develop an outline specification and carry out a market testing exercise by sending an Expressions of Interest letter to ship building companies which offer a design and build solution.

The list of companies were selected in consultation with the Treasury and Resources Head of Procurement and are shipbuilders who have tendered for vessels and are registered on the Official Journal of the European Union (OJEU) system. OJEU is the EU system for Member State tendering and procurement.

Commerce and Employment also included shipbuilders who they were also aware of who have built comparable vessels for the Inshore Fisheries and Conservations Authorities (IFCA's) in the UK. The Bailiwick boat building company, Aquastar was also invited to express their interest in the project.

The aim of this process is to establish the level of interest and capability to supply a replacement Fisheries Patrol Vessel.

The outcome of market testing is as follows;

Ship Builders Approached with Expression of Interest Letter	Responded to Letter? i.e. interest displayed	Relevant Experience?	Response within Spec.?
Alnmaritec Ltd	✓	?	✓
Aquastar Ltd	✓	x	x
Baltic Workboats	x		
Damen Shipyards	✓	✓	✓
Fassmer	x		
Goodchild Marine Services	✓	x	x
Holyhead Marine	x		
Rodman	x		
Safehaven	x		
Tyovene	x		

The table above shows only two yards interested in the project and capable in principle of producing a replacement FPV. Significant concerns exist over Alnmarintec's long term viability, a situation that increases risk for the States on such a long term procurement.

In the light of these findings and following discussions with the Head of Procurement and St James Chambers, a "Tender Exception" has been approved.

The Team will develop the project on the basis that a replacement FPV will be purchased as a new build from Damend Shipyards, Holland.

With support from St James Chambers and Head of Procurement T&R, the Project Manager and Technical Officer will develop a final vessel specification with Damen Shipyard's Design Team in early 2015.

The final build specification will be assessed against other equivalent models and designs to ensure value for money ahead of the Final Business Case being submitted to the Treasury and Resources Department. It is estimated that this will be completion by Q1 2015.

1.4.2 Required Services

The Department will procure a vessel on a design and build vessel basis . Damen will use their own and extensive facilities to complete these tasks.

The build of the vessel includes all design and survey costs however the project team have indicated that outsourced legal and technical services may be required in accordance with 1.3.3. an Allowance in the project cost estimates for this.

1.4.3 Potential for risk transfer and potential payment mechanisms

The main risks associated with the scheme are late delivery and loss of trade-in value on the existing patrol vessel. These would be established down contractually within the deal and associated payment mechanisms.

The standard payment profile for the vessel is:-

1. Signing of Contract 30%
2. Completion of Hull Build 30% (Approximately 7 to 8 months after start of build)
3. Both Engines fitted 30% (Approximately 9 months after start of build)
4. Final payment 10% on acceptance of vessel.

Final payment terms will be specified within the contract and approved by St James Chambers

1.5 Financial case

1.5.1 Summary of financial appraisal

The indicative financial implications of the proposed investment are as follows:

	2015	2016	2017	2018	2019	2020	2021	2022	Total
	£	£	£	£	£	£	£	£	£
Cost of Preferred way forward: Option 7 Purchase Replacement Vessel Now									
Capital	1,043,600 #	1,933,400	0	0	0	0	0	0	2,977,000
Revenue	0	0	0	0	0	0	0	0	0
Total	1,043,600	1,933,400	0	0	0	0	0	0	2,977,000
Funded by: Capital Allocation and trade in of existing FPV									
Additional	1,043,600	1,933,400	0	0	0	0	0	0	2,977,000
Trade in of Leopardess	0	*(150,000)	0	0	0	0	0	0	(150,000)
Total	1,043,600	1,783,400	0	0	0	0	0		2,827,000

#£235,000 Procurement, Project, Legal and Support costs included

*£150,000 is a current trade-in estimate of the existing vessel.

1.5.2 Project Funding Options

The Project Team reviewed the funding options for this project in a workshop and identified the funding options considered as potentially relevant in principle for this project as follows:

- (a) A cash purchase
- (b) Loan – From Treasury
- (c) Loan – Commercial
- (d) Marine Mortgage
- (e) Leasing

The Treasury and Resources Department has confirmed that option (a) is the only funding option available for this project that complies with States of Guernsey Policy.

1.5.3 Overall affordability and balance sheet treatment

The overall affordability of the scheme is dictated by the availability of funding.

The replacing of the vessel now, will minimise the maintenance costs of the FPV, reducing annual costs in the short and medium term. Analysis to date suggests that the preferred option 7 has the lowest cost to the States to bring about the required service and to answer the business need.

All stakeholders have expressed their support for the defined scope of this project and the preferred option.

The funding requirement, assuming a trade in value of at least £150,000 for the existing FPV, is an allocation of some £2,827,000 (including project costs) from central funds over a 12 month period commencing on the date of the signing of the contract.

1.6 Management case

1.6.1 Project management arrangements

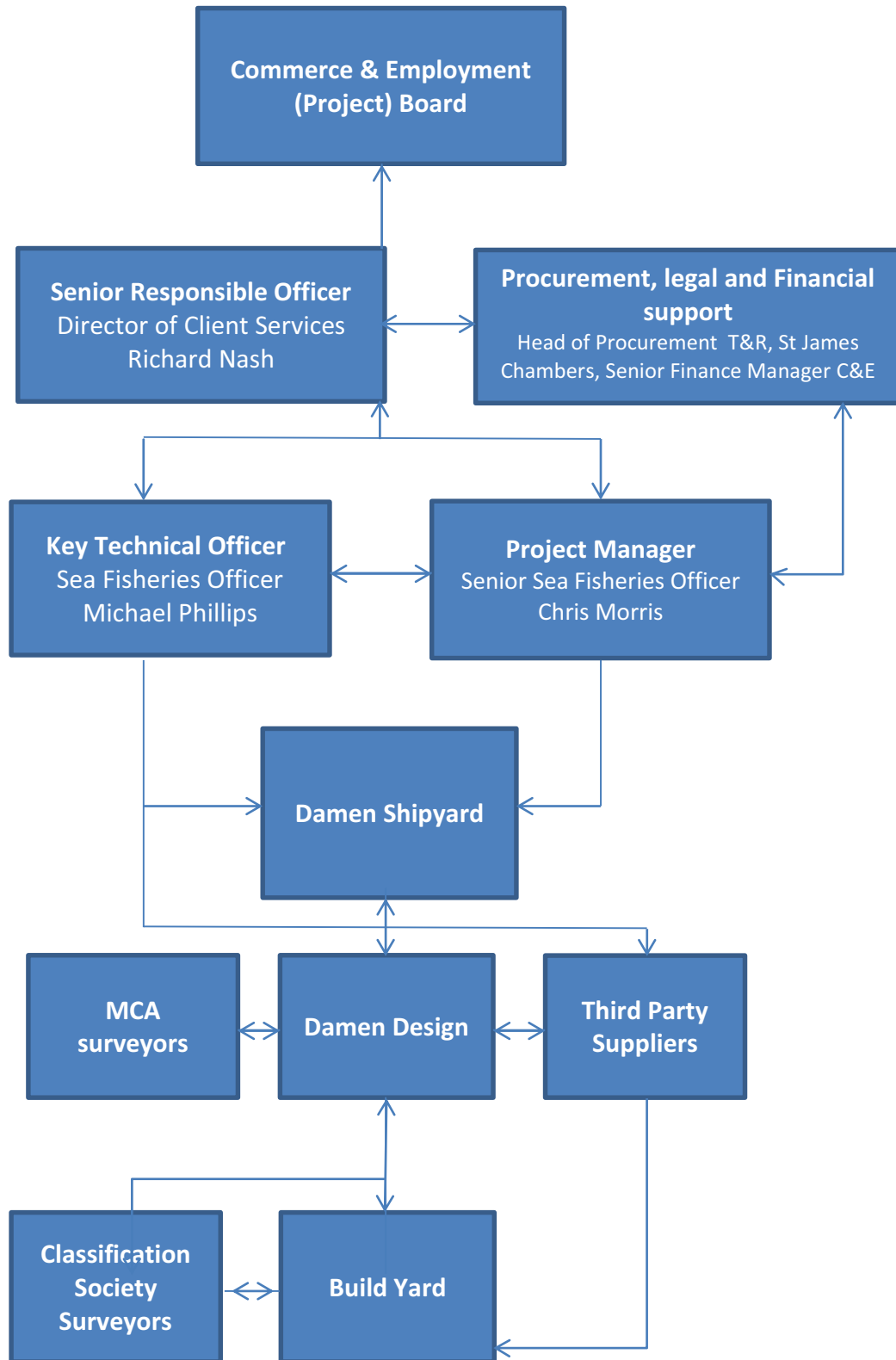
The scheme is of the States of Guernsey Capital Prioritisation Portfolio (SCIP) which comprises a portfolio of projects for the delivery of investment projects for the States of Guernsey.

These are set out in the Strategic Outline Programme for the Project, which was agreed by the States of Deliberation on the 29th July 2014.

The programme management arrangements are as follows:

- **The Commerce and Employment (Project) Board** are responsible for ensuring that the project continues to be viable overall and the proposals continue to meet the Departments and the States of Guernsey objectives.
- **Senior Responsible Officer (SRO)** is ultimately accountable for the project success and has the veto on any decision making. The SRO is responsible for the Business Case.
- **Procurement, legal and Financial Support** to support the project and help ensure that procurement, financial and contractual management is in place to protect the States of Guernsey from contractual and financial risk.
- **Project Manager** is responsible for the day-to-day management of the project within the constraints laid down within the Project contract.
- **Key Technical Officer** is responsible for the technical design, development and ensuring the project is completed to meet the required standards including classification and operational requirements.
- **Damen Shipyard** main contractor.
- **MCA surveyors** to provide vessel coding in accordance with operational requirements.
- **Classification surveyors** to insure build quality and specification.

A Project Team has been formed with approval from the Commerce and Employment Department. The reporting organisation and the reporting structure for the project are as follows:



1.6.2 Benefits Realisation and Risk Management

The strategy, framework and plan for dealing with the management and delivery of benefits are as follows;

A copy of the Project Benefits Realisation Register is provided in Section 6.6 to the main report

This sets out who is responsible for the delivery of specific benefits, how and when they will be delivered and the required counter measures, as required.

1.6.3 Post Project Evaluation Arrangements

The outline arrangements for Post Implementation Review (PIR) and Project Evaluation Review (PER), have been established in accordance with best practice.

These reviews ascertain whether the anticipated benefits have been delivered and are timed to take place once the vessel has been delivered and entered service – Estimated Summer 2016.

1.7 Recommendation

We recommend approval of the preferred option (option 7) of the purchase of a replacement FPV now from Damen Shipyards, Holland.

On the current projected project timetable, construction would commence from mid-2015 with the vessel delivered some 12 months later in mid-2016.

This scenario would enable the States to reduce the purchase costs by trading in the existing FPV and would avoid the increasing risk and maintenance costs that arise from further delay.

Signed: R Nash

Date:

**Senior Responsible Officer
Project Team**

2. The Strategic Case

2.0 Introduction

This Business Case) is for the provision of a (replacement) Fisheries Protection Vessel to be operated by the Sea Fisheries section as an enforcement/compliance tool in respect of the 1200 squares nautical miles of sea that comprise the Bailiwick sea fisheries limits out to 12 miles from the shore (or where applicable to the median line with France and Jersey territorial waters).

The replacement vessel would also be capable of continuing the existing support for the operation of other Departments of the States of Guernsey supplying an as-required marine asset capable of routine tasking on a charged-for basis.

Structure and content of the document

This business case uses the approved format of the Five Case Model, which comprises the following key components:

The **strategic case** section sets out the strategic context and the case for change, together with the supporting investment objectives for the scheme

The **economic case** section demonstrates that the organisation has selected a preferred way forward, which best meets the existing and future needs of the service and is likely to optimise value for money (VFM)

The **commercial case** section outlines what any potential deal might look like

The **financial case** section highlights likely funding and affordability issues and the potential balance sheet treatment of the scheme

The **management case** section demonstrates that the scheme is achievable and can be delivered successfully in accordance with accepted best practice.

The initial proposal document (equivalent to the Strategic Outline Programme) was submitted in 2013 and approved as part of the States Capital Prioritisation Plan in September 2013.

The essence of the proposal - to replace the existing 17 year old Fisheries Protection Vessel "Leopardess" with a new but essentially similar vessel - has not changed since then, not least because the process of initial investigation that the Department's staff had used was detailed and established a specification and the early identification of potential suppliers. This was done to clarify the achievability of the project.

Since that submission, the estimate of the cost of the project has risen and, in producing the OBC, a wide range of options have been considered.

Part A: The Strategic Context

2.1 Organisational overview

The Commerce and Employment Sea Fisheries Section (The Section) are responsible for safeguarding the Bailiwick's marine resource and enforcing all relevant fisheries conservation legislation within British Fishery Limits (12nm limit) adjacent to Guernsey.

The Section's primary roles are to protect Bailiwick waters from over-exploitation as well as assisting with the development of the Bailiwick's fishing industries in Guernsey, Alderney and Sark.

The Bailiwick fishing fleet has remained stable over the last two decades, employing some 200 people throughout the Bailiwick Islands, and is worth approximately £4m - £5m annually in sales.

Recent research carried out by the Section shows that the leisure shore angling sector is worth around £1m annually. Therefore, Bailiwick waters are extremely valuable to the Islands.

Key to ensuring a fishery is not over-exploited and is fished sustainably is a robust fisheries protection capability. As with all other jurisdictions this is carried out using marine based assets that are government owned.

Such vessels must be:

- cost effective to operate,
- of a size and power that makes it capable of working safely in anticipated sea conditions,
- a safe platform for the interception and boarding of vessels engaged in fishing operations,
- equipped to allow a full communications capability and the precise and recordable monitoring of fishing activity

2.2 Business strategies

To fulfil its mandated responsibilities, the Section operates and manages the Fisheries Protection Vessel (FPV) "Leopardess", which enables the Section's officers to operate effective sea based enforcement and ensures that vessels fishing commercially within Bailiwick waters are doing so in compliance with all legal requirements.

The Commerce and Employment Business Plan 2015 documents the Sea Fisheries purpose and gives an overview of its core work.

The Section fulfils the Department's statutory duty to license fishing activity throughout Bailiwick waters and enforce UK and European fisheries legislation.

The Section is responsible for enforcing;

- Access for foreign fishing vessels in British Fishery Limits adjacent to Guernsey
- Total allowable catches and quotas for fish stocks
- Technical conservation measures for juvenile and spawning fish, such as minimum fish sizes, mesh sizes for nets and closed areas (or areas covered by multi annual plans or licence conditions)
- Control measures for monitoring and inspecting fishing vessels and their catches, such as fishing logbooks and landing declarations
- Effort limitation measures limiting the number of days that vessels may fish

The following legislation is in force;

- The Sea Fish Licensing (Bailiwick of Guernsey) Law, 2012
- The Sea Fish Conservation Act 1968, as extended to Guernsey by the Sea Fisheries (Channel Islands) Order 1973 and 1989
- Fishing (Bailiwick of Guernsey) Law, 1989
- Fisheries Limits Act 1976
- Council Regulation 850/98 the Conservation of fishery resources through technical measures for the protection of juveniles of marine organisms.
- Foreign Fishing Boats (Stowage of Gear) Order 1970
- The Fishing Boats (France) Designation Order 1965
- The Fishing (Guernsey) Ordinance 1997
- The Fishing (Alderney) Ordinance (Amendment) 1980
- The Sea Fish Licensing (Alderney) Ordinance 2003
- The Sea Fish Licensing (Sark) Ordinance 2003
- The Fishing (Sark) Ordinance (Amendment) 2010

The States of Guernsey is a signatory to the Fisheries Management Agreement signed (in 2011) by the States of Guernsey, Sark Chief Pleas, the States of Alderney General Services Committee, the Department for Environment, Food and Rural Affairs DEFRA (England), the Welsh Government, Marine Scotland (Scottish Parliament) and the Department for Agriculture and Rural Development Northern Ireland.

Crucially, the FMA (Section 22) requires the Bailiwick Governments to make arrangements for the effective enforcement of fisheries laws within Bailiwick waters. The practicalities of how the Section enforces fisheries legislation is set out within a separate agreement between the States of Guernsey and the Marine Management Organisation.

<http://webarchives.nationalarchives.gov.uk/20140208121958/http://marinemanagement.org.uk/about/documents/mou/guernsey.pdf>

2.3. Other organisational strategies

2.3.1 Territorial Sea

One of the States of Guernsey Policy Council's objectives is to extend the Territorial Seas Act 1987 (by Order in Council) within Bailiwick waters. The enactment of this legislation will have a significant impact on the Bailiwick of Guernsey as it will be responsible for all aspects of the marine environment extending to 12nm from the shore. Responsibilities include Search and Rescue, Border Control, Fisheries, Shipping, Marine Pollution (MARPOL) and Marine Policing. This is planned for implementation by 2015. The States of Guernsey External Relations Team supports this proposal.

2.3.2 Maritime Capability of Other States Departments

To ensure best and widest value is obtained for the States' investment in the patrol vessel, the Section makes the Leopardess available on a cost recovery basis for other States of Guernsey Departments needing a maritime capability.

The Leopardess is used by the Guernsey Police, Guernsey Border Agency, Guernsey Renewable Energy, and Guernsey Electricity Ltd, as well as carrying out fisheries patrols in the English Channel and the South Coast of the UK with the HM Government's Marine Management Organisation (MMO).

The Leopardess (and her crew) also form part of the States of Guernsey search and rescue assets (SAR) and are called on from time to time as needed by the Harbour Master to assist with the search and rescue operations.

2.3.3 States Strategic Plan

The maritime patrol work of the Sea Fisheries FPV Leopardess contributes towards protecting and improving each of the three main "Statement of Aims" and a replacement vessel will continue to do this until 2035 or beyond.

The government of Guernsey aims to protect and improve;

- The quality of life of Islanders. - ***The vessel is vital in creating a credible protection for an economic sector in the Bailiwick and in so doing ensures the availability of locally produced food and export trade***
- The Island's economic future. - ***The vessel's activities contribute to the safeguarding of the Bailiwick's marine resources and the sustainability of commercial fishing***
- The Island's environment, unique cultural identity and rich heritage. - ***The vessel's work is part of the protection afforded to the Bailiwick's essentially inshore fishing industry which has high public visibility and a long heritage for an Island community.***

2.3.4 Sark Sea Fisheries Committee and States of Alderney General Services Committee

The Sark Chief Pleas Sea Fisheries Committee and the States of Alderney General Services Committee are signatories to a Bailiwick Fisheries Management Agreement (BFMA) which sets out the terms of the development of legislative competence of fishing in the 0 to 12 miles area around the Islands.

To achieve this BFMA, a pan-island commission (The Bailiwick Fisheries Management Commission – “BFMC”) was formed to negotiate with the UK Governments on behalf of the Bailiwick’s fishing interests in an effective and coherent manner.

Therefore, the management and responsibility of Bailiwick waters is very much shared between the three Bailiwick Islands.

The Section patrols and enforces fisheries legislation within Sark and Alderney territorial waters and the Chairman of the Sark Sea Fisheries Committees and the Alderney Harbour Master (who has full responsibility for fisheries activities within Alderney territorial waters) fully supports the Section’s project proposals.

Part B: The Case for Change

2.4 Investment objectives

The investment objectives for this project are as follows:

1. The Bailiwick fishing industry continues to be protected by an “operationally ready” FPV that is capable of year round enforcement patrols, acting as a deterrent to illegal fishing.
2. Vessel and equipment failure risks and associated unplanned repair, replacement and service cover costs are reduced
3. Vessel annual maintenance costs are reduced and are more predictable.
4. The Section can continue to offer a charged-for marine capability to States and non-government organisations
5. Vessel engines operating emissions are reduced in accordance with Environmental Protection Agency (EPA) Tier 2.

The above objectives have been established following discussion with representatives of the Bailiwick fishing industry and senior staff of stakeholder States Departments, as part of a continuing process of dialogue between Sea Fisheries and all interested parties.

In terms of the technical achievability of these objectives, the Sea fisheries staff have sought advice from the independent marine surveyors Van Woerkom, Nobels & Ten Veen (WNV), other vessel manufacturers, engine manufacturers, service providers, as well as other European Government patrol boat operators such as the UK Border Agency, Dutch Police and Dutch Customs.

2.5 Existing arrangements

The States of Guernsey purchased the current FPV “Leopardess” in 1997 following the introduction of the European fisheries licensing and management. The then ‘Sea Fisheries Committee’ submitted a Policy Letter to the States of Deliberation which stated;

“With the benefit of hindsight it is clear that the States of Guernsey should have had a fishery protection vessel many decades ago. Certainly some of the problems we now face with French fishermen would not have arisen had the Islands been able to challenge illegal activities before they became established. Nevertheless circumstances prevailing at the time meant that enforcement of fishery legislation from Guernsey was not possible.”

Since 1997, the Leopardess has patrolled Bailiwick waters ensuring that the Bailiwick’s maritime interests are protected and that fisheries offences are challenged. The “Leopardess” has been integral to ensuring that Bailiwick waters are not overfished by other European (French & British) fishing vessels.

The vessel is a deterrent to those fishermen who might have taken the opportunity to illegally fish in Bailiwick waters believing the Islands do not have a maritime asset to prevent or hinder these activities. Furthermore, the vessel ensures that vessels from France comply with the regulatory controls and that there is not expansion on existing historical access.

2.6 Business needs

2.6.1 Fisheries Protection in Bailiwick Waters - Historical

In 1970 the European Union created the first rules governing fishing with the intention to create a free trade area in fish and fish products with common rules. It was agreed at this time that fishermen from any state should have access to all Member State waters. An exception was made for the inshore coastal strip (12nm area), which was reserved for local fishermen who had traditionally fished these areas.

By 1976, the EU extended its fishing waters from 12nm to 200miles from the coast, in line with other international changes. This required additional controls and the Common Fisheries Policy (CFP) was created in 1983. The CFP had four governing areas; Conservation of Stocks, Vessels and Installations, Market Controls, and external agreements with other nations.

However, with the expansion and over-investment in fishing vessels, it became evident that fishing effort was increasing but the numbers of fish landed were decreasing. Therefore in 1992 the CFP was reformed, which led to the tightening of regulations and better monitoring of individual vessels.

In 1995, the CFP had to control the fleet size, but because available fish vary from year to year this policy became ineffective so a permit system (fishing vessel licensing) was introduced stating where and when boats are allowed to fish. Scientific studies were commissioned to better determine available stocks and guide the allocation of quota to Member States.

As pressures from the European fishing industry have continued to grow, in recent years vessels from Member states (France and the UK) have taken advantage of Bailiwick waters as an area to fish not least because they were largely unregulated and initially not adequately patrolled.

There are various reasons why fisheries enforcement in Bailiwick waters did not begin in earnest until the late 1990's despite the establishment of the 12nm limit as defined in 1964 and ratified throughout Europe in 1970. It wasn't until the 1970's that the importance of fisheries conservation became a recognised concern. Furthermore, the number of foreign vessels in Bailiwick waters were far less and the resources of the British Fishery Protection Squadron far greater than today.

The establishment of the Common Fisheries Policy (CFP - the management regime for European fisheries) required the drafting of legislation before it could be enforced in Bailiwick waters by the States of Guernsey.

It was in 1989 when an Order in Council and a number of Statutory Instruments extended to Guernsey and its courts, that the powers to enforce areas of fisheries legislation at sea and the authority to try any offences committed, existed for the first time. Therefore it was not until 1989 that the full framework of conservation measures along with the powers to enforce and punish infractions could be implemented.

Due to the complexities involved with defining the median lines (sea boundaries) between the United Kingdom and the Republic of France further delays followed, the lines contested were;

- To the east and south of the Bailiwick where the 12 mile limits overlapped (there was already a median line established between the Bailiwick of Jersey and the Bailiwick of Guernsey and;
- To establish a definition of the rights enjoyed by French fishermen in Bailiwick waters and by Guernsey fishermen in French waters.

Such fishing rights as Guernsey fishermen had enjoyed in French waters had never been formally recognised by France and illegal fishing activities in particular on and near the Schole Banc had become what the French considered "common practice" in the period they had gone unchallenged.

In the period 1989 until September 1992 when an Exchange of Notes was signed between France and the United Kingdom, HM Government advised the Bailiwick that enforcement of fishery legislation in local waters would be inappropriate due to the nature of the negotiations that were continuing.

The lessons learned back in 1989 to 1992 led HM Government to repeatedly stress that if the Bailiwick is to prevent illegal fishing activity from developing into habits which are then claimed as "Historical fishing rights" the Bailiwick must take direct steps to patrol its waters with increased vigilance. This was set out in Appendix 4 of the States Policy Letter of February 1997 which proposed the purchase of the current FPV.

It was only in September 1993 that the Sea Fisheries Committee began its first formal patrols, which were completed using both the Royal Navy and charter vessels until 1997 when the States of Deliberation agreed to the purchase of the Bailiwick's own Fisheries Protection Vessel.

2.6.2 Fisheries protection and Enforcement

Fishing vessel licensing was introduced in October 2003 but was subsequently ruled by the Privy Council as ultra-vires. It was then only effective in the 0-3nm territorial limits of each of the Bailiwick Islands, until 2013 when the new Law was approved and came into force within the area of sea extending from 3-12 nautical miles adjacent to the Bailiwick of Guernsey.

Without licensing controls, there would be no control of fishing effort in the 3-12 mile zone. This meant that the Bailiwick 3-12 mile zone was the only area of sea (approximately 1200sq nm) within British Fisheries Limits (BFLs) which remained unprotected from commercial fishing licensing controls.

This lack of effective licensing control led to the following;

- A significant increase of the number of fish being caught within Bailiwick waters, (particularly Horse Mackerel, Black Bream and Scallops exacerbated by non-Bailiwick vessels and Bailiwick vessels, fishing in Bailiwick waters).
- Nomadic visiting vessels being able to develop a track record and thus attempt to claim "Historical Rights" to fish commercially in Bailiwick waters.
- No control on the permitted methods or locations where vessels could fish.
- Regular and unsustainable damage to fishermen's fishing gear and grounds.
- Failure to properly protect the Bailiwick's fishing industries, fish stocks and the marine environment.

Following the approval of a Fisheries Management Agreement (the "FMA") between the States of Guernsey, the Sark Chief Pleas, the States of Alderney, the Department of Environment Food and Rural Affairs ("DEFRA"), the Welsh Government, Marine Scotland and the Department for Agriculture and Rural Development Northern Ireland, the States of Guernsey were able to obtain Privy Council approval from Her Majesty the Queen to enact the *Projet de Loi* entitled *The Sea Fish Licensing (Bailiwick of Guernsey) Law, 2012*.

This finally brought into force the legislative requirement for all British fishing vessels to be issued with a Bailiwick of Guernsey fishing vessel licence to fish throughout the 0-12nm limit of Bailiwick waters.

This legislation ensures that;

- Only vessels which are entitled to gain access to Bailiwick waters are granted a licence
- Vessels granted a licence by the States of Guernsey Commerce and Employment Department comply with conditions under which access is granted (i.e. "Technical Controls")
- Any fish stock management regimes are adhered to, and EU, UK and Bailiwick conservation measures (i.e. Net Size, Beam Trawl Length, and Numbers of Scallop Dredges etc.) are complied with.

Enforcement of fisheries legislation within Bailiwick waters can only be achieved through effective sea based fisheries protection patrols.

2.6.3 Direct Impacts on the Bailiwick and the Bailiwicks Fishing Communities.

Without an effective, reliable, seagoing vessel capable of patrolling all 1200sqnm of Bailiwick waters the Section's Officers would be unable to investigate and take appropriate enforcement action (including boarding and catch inspection and prosecution) when breaches of fisheries and conservation regulations are suspected and detected.

The FPV also acts as a deterrent, ensuring that vessels from France and the UK (which have a much greater fishing capacity than vessels based in the Bailiwick) are unable to fish for sea fish within Bailiwick waters.

If these vessels did fish in an un-regulated manner then it is possible that vessel operators could claim historical access rights to Bailiwick waters which causes conflict and over exploitation of fishing effort, an example of which was seen during the Schole Bank disputes in July 1992. In this instance an Anglo-Franco agreement had to be implemented to control fishing effort whereby only certain (named) French vessels were allowed to continue to fish the Schole Bank until 1st January 2010. The presence of the Leopardess (and qualified sea-going officers) has ensured that the terms of this exchange of notes was adhered to and no further French access to the Schole Bank was claimed.

In recent years, 2009 and 2010, there has been significant fishing effort from vessels from England and Scotland who commercially fished for Scallops (*Pecten Maximus*) for the lucrative markets in both the UK and France. The Leopardess has been an effective deterrent and active force with ensuring these vessels (whilst permitted to fish in Bailiwick waters) fish in accordance with the limited conservation controls applied to them and fish outside of the areas where static gear is laid by Bailiwick fishermen.

Static gear (Crab/Lobster pots) are extremely costly (approx £100 per pot rigged) and Bailiwick fishermen lay in the region of 300 to 400 pots at a time. If a Scallop dredger dragged this gear away, a fisherman's livelihood could disappear within hours and the impacts of this have had a devastating effect on the economic viability of fishing businesses which operate throughout the Bailiwick.

Dougal Lane President of the Guernsey Fisherman's Association recently reported on the BBC Channel Islands News 13th February 2013

"The Fisheries Protection Vessel was an invaluable asset, without her patrolling it would be like not having Police vehicles on the land". He went on to add that "The presence of the Leopardess had ensured that French (and British) vessel owners could no longer establish a track record of fishing which they were not entitled to and that without the FPV there would be a total lack of control and protection for the Bailiwick's fishing industry and it would be anarchy out at sea".

2.6.4 The current situation in respect of the FPV Leopardess

The Commerce and Employment Department Sea Fisheries Section (The Section) operates and maintains the Fisheries Protection Vessel (FPV) Leopardess to Maritime and Coastguard Agency (MCA) standards.

The Leopardess continues to give excellent and flexible service to the Bailiwick, but the cost of maintaining the vessel to MCA standards has increased dramatically in recent years.

As the Leopardess has aged, the maintenance costs and the operational and financial risks associated with maintaining and running a vessel approaching the end of her working life of 20 years have increased. As such, a vessel-specific programme of preventative maintenance was developed in 2010 so that costs could be forecast and managed.

Since 2010 the Section has adhered to the schedule of half yearly and yearly maintenance. This work is overseen by the Section's Officers and is completed using Marine and General's (M&G) lift-hoist facilities. This lift-out forms part of the vessel maintenance schedule and ensures that the Leopardess is lifted out of the water and inspected every six months. Any defects identified during the lift out are quickly identified and rectified. This work is financed from the Section's annual Leopardess maintenance budget.

Before any work is carried out locally, the Section's Officers consult with Damen engineers to ensure that all work being carried out is completed in accordance with the manufacturer's requirements. All technical support and advice comes as part of the working relationship with Damen who will, whenever needed send drawings, parts or even engineers across to Guernsey at short notice to assess and repair any aspect of the vessel as required.

Since 2007, total expenditure used to keep the Leopardess maintained to operational standards has been circa £500k (in 5 Years).

The work detailed in the 2 yearly and 4 yearly maintenance cycles can only be completed when the Leopardess returns to Damen in Holland.

Damen Shipyards are based in Hardinxveld Holland near Rotterdam (a passage which can be completed in 48hrs in fine weather). Whilst undergoing maintenance at Damen the vessel is always surveyed and all completed work is assessed by MCA accredited surveyors Van Woerkom, Nobels & Ten Veen (WNV). WNV are highly reputable and well respected independent marine surveying and marine engineering consultant company which are not associated with Damen. www.wnvn.com

Any maintenance cost forecasts do not include the risk of breakdown associated with operating an ageing hull and engines. Should either engine fail the costs for repair or replacement will far exceed the £100k projected refit costs for the year.

In February 2012 the Sea Fisheries Section requested the Commerce and Employment Department's approval for capital funding of £53,000 for a refit for the Leopardess at the Damen Shipyards in Holland. During the last refit at Damen in April/May 2012, the Section requested WNV surveyors to carry out an overall assessment of the Leopardess to establish her current condition and estimated lifespan. WNV's conclusions were that;

- Following extensive work in 2007, 2010 and 2012, the Leopardess is maintained in accordance with the MCA Code of Practice (COP) and she is in good, to very good condition for her age.
- The Leopardess Engines and hull life could last for a further 10 years (5 years beyond the original design life) that is if the Section continues to maintain the vessel to the highest standards.
- Although the vessel is maintained to the highest standards there is an increasing risk of age related failure, this applies to all plant and equipment on board the vessel.

2.6.5 Significant Leopardess Maintenance Issues in the last 5 years

2007 - Leopardess delivered to Damen Shipyards Hardinxveld – Sections of the hull plating were removed and replaced. **Cost Approx £95k**

2010 - Piston Ring in Port engine failed – The Leopardess returned to Damen Holland where both engines (which are the original 1997 engines) were removed, rebuilt and refitted.

Fuel tank Corrosion – Main Fuel tank removed, corrosion removed and fuel tank replaced.

Whilst both engines and fuel tank were removed the hull was sealed with the epoxy Paint. This is a paint which is designed to help protect the inside of the hull from corrosion. Due to the costs this was only applied to the wet areas of the bilge.

(Appendix 2 (A) International Paints Report) **Total Cost £190k**

2011 - Engine Sump bolt failure – Following rebuild the sump bolts were continually failing after a period of about 40 / 50 engine hours. Damen Engineers visited the vessel in St Peter Port but following diagnostics root cause was not found. It was thought both engines would need to be removed and workshop testing carried out.

Following research, the Section's Engineer Sea Fisheries Officer Michael Phillips diagnosed the problem to being an incorrect sealer applied during rebuild by Volvo Penta. Both sumps were lowered in situ, the faulty sealer removed, new sump gasket and sump bolts fitted. In 2012, (when the Leopardess returned to Holland) vibration testing was completed by Lemmen Diesel Engines (Volvo engineers) to confirm that the problem was resolved and that both engines were performing correctly.

2012 - Following a Survey by Damen Shipyards – the Port Exhaust was found to be leaking. Corrosion and was removed and repaired whilst under refit at Damen. The steering gear hydraulic pipes were found to have corroded and were replaced at Damen Shipyards.

Corrosion was found on the main deck below the wheelhouse (Photo 1 on following page). The wheel house was removed whilst the boat was in the Shipyard, the deck coatings removed to expose the corrosion. All corrosion was dealt with and repaired. The Deck was then primed and coated with International Paints (epoxy) and the wheelhouse replaced. **Total Cost £53k**



Photo 1. Corrosion hole on the Main Deck



Photo 2. Leopardess at Damen Shipyards

2.6.6 Vessel Exhaust Emissions

The Leopardess currently operates two Volvo Penta Marine Diesel engines which do not meet current EU emissions standards. The proposed new vessel is expected to be fitted with Volvo Penta D13 diesel engines.

These engines meet new emission regulations. The high pressure unit injector system, in combination with electronics and an advanced combustion system, are setting new standards in minimizing noxious emissions and particulates. These engines are certified to the International Maritime Organisation (IMO) NOx, EU IWW and EPA standards.

2.6.7 Other Stakeholders

The Section routinely provides maritime services to the following end-users;

- Guernsey Police / Guernsey Border Agency – Maritime Enforcement
- Guernsey Fire & Rescue – Outer Island / Ship Fire Crew Transport and Support
- Guernsey Renewable Energy – Side Scan Sonar and Renewable Energy Assessments
- Guernsey Electricity Ltd – Subsea Cable Protection
- HM Government (Marine Management Organisation) – Fisheries Protection
- The States of Alderney – Fisheries Protection
- The Sark Chief Pleas – Fisheries Protections
- The States of Guernsey – Search and Rescue

All of these services are either covered by operational Memorandum of Understandings (MOU) or contracts and the Section works with each of these organisations.

Comment from Patrick Rice – Head of the Bailiwick Law Enforcement Commission

The Head of Police Uniformed Operations, Chief Inspector Nigel Taylor and the Senior Sea Fisheries Officer have for some two years been working jointly within an agreed Memorandum of Understanding. Chief Inspector Taylor is fully supportive of and committed to this joint working initiative and during the recent consultation phase has commented;

“The Police Force has an ever present requirement to provide protective services to all Islands within the Bailiwick. Our ongoing commitment to joint training with our Sea Fisheries colleagues is indicative of our operational requirement to be able to swiftly deploy both armed and unarmed officers to other Islands at short notice. Whilst the Force is able to make use of commercial travel on occasions where time permits, there is no doubt that access to the Sea Fisheries marine capability together with the ‘can do’ partnership approach which has been adopted between Sea Fisheries and the Force has mitigated a large number of the risks associated with violent criminality going unchallenged for significant periods of time as tragically seen in other countries where a speedy response was not so readily available.”

St John’s Ambulance & Rescue Guernsey

The Section has also held preliminary discussions with St Johns Ambulance and Rescue regarding using the replacement vessel for “backup medical repatriations” in the event that the Flying Christine III is out of service.

St Johns Ambulance currently relies on other services such as Brecqhou Developments or the RNLI. However, the reliance on both of these organisations has been difficult for the organisation with the RNLI informing St Johns that their primary role is to save lives at sea and not to offer medical repatriations.

In recent months, St Johns Ambulance has trained all Sea Fisheries Officers to the BTEC Level 2, First Person on Scene (Intermediate) standard. This training has enabled Sea Fisheries Section to sign an MoU between the Commerce and Employment Department and St Johns Ambulance to join the Co-Responders Scheme.

Co-Responders are Sea Fisheries Officers or other first response professionals trained in basic life support, who respond to life threatening situations on behalf of St Johns Ambulance and are suitably equipped, including an Automated External Diffibrilator (AED), prior to the arrival of an ambulance. Sea Fisheries Officer co-responders are first and foremost Sea Fisheries Officers, and this remains their first priority. However, if available whilst on patrol, they can respond immediately to a life threatening situation, as instructed by Ambulance Control.

This initiative has been very much welcomed by the Chief Ambulance Officer Jon Beausire and it has been agreed that the replacement vessel will have a medical repatriation capability. St Johns Ambulance has been very clear that they do not have any funds to support a replacement vessel, but would be willing to support the cost of all the vessels medical equipment (offering some savings).

The future of the Flying Christine III is unknown, however the replacement vessel could, subject to the development of a further agreement, be capable of carrying out medical repatriations within Bailiwick waters.

This option is not currently available with the Leopardess because of the vessel's access and design, as she cannot accommodate a stretcher of any size. The Section and St Johns have not discussed any operational agreements at this stage. (www.ambulance.org.gg)

Guernsey Electricity Ltd

The Section has an operational agreement with Guernsey Electricity Limited (GEL). The Section carries out a surface surveys of all fishing vessels which are operating in the vicinity of the seabed cable linking Guernsey to France via Jersey. This cable is laid from Havelet Bay towards St Martin's Point and then tracks south eastwards towards the coast of Jersey. This agreement will continue into the future as it forms part of Guernsey Electricity's insurance requirements. (www.electricity.gg)

The Section also works very closely with GEL on other subsea projects and repairs and continues to offer adhoc marine services as required by the Company to support the provision of energy supplies to the Bailiwick of Guernsey.

2.7 Potential business scope and key service requirements

A basic issue with this proposal is that the decision regarding a FPV is binary. That is, an FPV capable of safe and reliable operation to deliver the objectives and business needs either exists and is available, or it is not (or, more broadly, you have the required capability or you don't – this is explored in more detail in the Economic Case).

Thus in relation to the scope, the specified FPV is in essence the minimum option.

A maximum scope would be to over-specify the vessel. An oversized or over powered vessel would be more costly to purchase, operate, crew and maintain for little needed gain in necessary or needed operational capacity. It would be a waste of money.

While a range of project scopes is explored in the Economic case, many patently fail to supply the minimum requirement.

2.8 Main benefits Criteria

Investment objectives and benefits criteria

Table 1

Investment objectives	Main benefits criteria by stakeholder group
The Bailiwick fishing industry is protected by an “operationally capable and ready” FPV capable of year round enforcement patrols, acting as a deterrent to illegal fishing.	Improved business confidence of Bailiwick commercial fishing arising from a credibly regulated fishery Reduced fishing and gear conflicts saving costs and lowering safety risk level
The Section can continue to offer a marine capability to States and non-government organisations	Cost and convenience savings and the Department will reduce nett operating costs from charges. Lower overall costs for a suitable maritime capability for the States of Guernsey Improved ability to provide the required level of service
Vessel annual maintenance costs are reduced and are more predictable.	Revenue cost control and financial predictability/budgeting enhanced
FPV equipment failure risks and associated unplanned repair, replacement and service cover costs are reduced	Greater assurance of availability of FPV for patrol work Less time “off station” Reduced calls for routine capital funding
Vessel engines operating emissions are reduced in accordance with Environmental Protection Agency (EPA) Tier 2	Lowered environmental impact without compromise on maintenance, service and performance. The Volvo Penta Engines are constantly monitored using electronic computer units (ECU) to ensure emissions compliance.

No operational disadvantages of the favoured approach have been identified

2.9 Main risks

The main business and service risks associated with the potential scope for this project are shown below, together with their counter measures.

Risks and counter measures

Table 2

Main Risk	Counter Measures
Design	Use of a tried and tested design and a yard of known and evidenced competency in this type of commercial vessel
Development <ul style="list-style-type: none"> • Supplier • Specification • Timescale • Change management and project management 	Supplier to be selected on the basis of experience Specification updated in the light of experience Earliest approval required Additional resources to support the Sea Fisheries team to enable routine operations to continue
Implementation risks <ul style="list-style-type: none"> • Supplier • Timescale • Specification and data transfer • Cost risks • Change management and project management 	Supplier to be selected on the basis of experience and ability to fulfil the contract. Project to be design and build This element of the case to be expanded on in the next stage Currency fluctuation risk to be monitored and advice sought from T&R on appropriate actions.
Operational risks <ul style="list-style-type: none"> • supplier • availability • performance • operating cost • project management 	Supplier to be selected on the basis of experience and ability to fulfil the contract High quality and accessible service and refit facilities to be integral to any decision to purchase. Engine fuel efficiency to be a key design specification
Termination risks	Existing FPV to be maintained as per schedule and operated with caution to reduce stress on equipment.

2.10 Constraints

The project is subject to the following constraints:

- The replacement FPV should have no greater crewing requirement than current arrangements.
- The replacement FPV should be no more expensive to operate.
- The replacement FPV needs to be limited to approximately 20m L.O.A. because of the availability of a suitable mooring.
- For ease of training and bringing into service the FPV should not use novel solutions of hull design or construction. Ideally it would be based on the tested solution – improved as necessary, for example to give better hull corrosion protection and fuel efficiency – that has been successfully in place since 1997.
- The Replacement FPV should be on station before the end of 2016 or as soon after as possible in the light of the increasing age and vulnerability to breakdown of the existing vessel and to ensure some residual value for trade in is retained in the existing vessel.
- The vessel should be capable of being routinely maintained in the Bailiwick.
- The facility for more major vessel refits should be within an achievable travel distance. (typically UK, France, Holland)

2.11 Dependencies

The project is subject to the following dependencies that will be carefully monitored and managed throughout the lifespan of the scheme to acquire a replacement vessel.

- (a) Timing – The Leopardess is currently maintained in accordance with the manufacturer's maintenance plan and the vessel was due to be dry docked and undergo remedial work in 2014. The proposed maintenance dockings are being rescheduled and scaled in the light of the potential progress with the project.

Should the project be delayed this could have an effect on the scheduled maintenance cost, the final build cost and the final trade-in value of the Leopardess. Additionally, and should Damen Shipyards be selected (although this dependency will apply to all larger builders) they are a large company and the replacement vessel needs to be scheduled into the Shipyards busy manufacturing programme. Delay with initiating the project could mean that the project is not allocated a preferential build slot and this could lead to additional costs.

- (b) Funding – The funding for this project will be from the States of Guernsey Capital Allocation and is dependent on the funding being approved.

- (c) Operational Risks – Should the Leopardess suffer from a major malfunction to her machinery (Engine or Gearboxes) this may incur additional costs and requests to Treasury and Resources for emergency funding to deal with the breakdown.

3. The Economic Case

3.1 Introduction

This section of the business case documents a range of options that have been considered in response to the potential scope identified within the strategic case.

3.2 Critical Success Factors (CSF)

The key CSFs for the replacement FPV project were developed by a series of discussions held by the Sea Fisheries Section with stakeholders and interested parties over a 2 year period commencing 2011. These CSF's remain unchanged from the SOC.

- Continuation of existing all Fisheries Protection services i.e. satisfies the business needs.
- Capable of all existing deployments, in particular boarding at sea.
- The FPV is a credible deterrent
- No increase in Resources and Operating costs
- More reliable FPV with Reduced Financial Risks and greater cost predictability
- Equipped and ready for end-users (principally other States department)
- Lower engine emissions
- Operationally ready by 2016 (to replace the Leopardess with a more reliable vessel)

3.3 Long listed options

The “Long list” of options for the provision of maritime based fisheries enforcement for the Bailiwick of Guernsey that have been identified for consideration are:

Option 1: Outsource provision of enforcement and monitoring of fishing activity in Bailiwick waters to a 3rd Party provider.

Option 2: Charter a (patrol capable) vessel for a fixed number of days per year.

Option 3: Lease or Hire a (patrol capable) vessel on an ad-hoc basis.

Option 4: Jointly own and operate an FPV with Jersey.

Option 5: Purchase a second hand vessel.

Although this option is not taken forward at this time, the section would reconsider this as a viable alternative should a suitable second hand vessel become available.

Option 6: Maintain the Leopardess to the end of her working life (estimated 2018) with no refit and then replace (= “minimum”).

Option 7: Purchase a new replacement vessel now (= “replace”).

Option 8: Major refit of the Leopardess now (replacing both engines) and plan to purchase a new vessel in 7 years’ time (= “delayed replacement”) that is 5 years beyond the working life of the vessel.

Further detail of the implications and challenges of each option are given on the following pages and then they are compared in terms of their success or otherwise in delivering the projects Critical Success Factors.

Option 1 – Outsource the Service (I.E Royal Navy Fisheries Protection)

The 1200 square nautical miles of water within the 12nm limit of Bailiwick waters are British fishery limits. The Royal Navy performs valuable fishery protection as and when fishery protection vessels are available.

Fishery protection is not part of the Royal Navy's defence role and the Royal Navy is in fact contracted by the Marine Management Organisation (MMO) to patrol on its behalf and it is the MMO that pays for that service.

Fishery Protection by the United Kingdom cannot be seen therefore as a return for the Bailiwick's defence contribution.

In any case the MMO and the Royal Navy have responsibility for policing of British Fishery Limits (BFL's) out to 200 nm all around the English Coastline. The Scottish Parliament has responsibility for patrolling Scotland's 200 nm limit. The resources to cover this huge area are severely limited as a whole. Having said that, the support from the MMO and Royal Navy has been extremely valuable and the Commerce and Employment Department is grateful for their continued support.

In recent years the contract with the Royal Navy and the MMO has reduced considerably from 1500 hours down to 500 hrs. (Less than 10 hours a week for all UK waters!) This rationalisation has meant that the Royal Navy has reduced the number of ships currently available to carry out this role to three and some of the responsibility for inshore fisheries policing around the English coast (0-6nm limit) has been transferred to the Inshore Fisheries and Conservation Authorities (IFCA's).

Every IFCA in England and Wales has its own dedicated patrol boat operating under the control and finance of the County Council in cohesion with the MMO and Environment Agency (EA). Similar systems operate in Northern Ireland, Scotland and the Republic of Ireland. The size of the vessel utilised by the IFCA's are about the same size as the Leopardess, although some operate vessels 3 to 4 times the size and cost of the Leopardess and or an equivalent replacement.

Therefore, although we could request the Royal Navy to patrol from time to time to Patrol Bailiwick waters in instances such as when the Leopardess is out of service this option is not available to the Bailiwick. The Bailiwick cannot rely solely on the Royal Navy to enforce conservation and other measures within Bailiwick waters.

Advantages

Potentially cost, but no advantages detected

Disadvantages

The main disadvantages are that the comparatively small area of waters around the Bailiwick will not be the priority for the United Kingdom that they are for the Bailiwick.

Patrols will be rare and intermittent. As deployment could literally take weeks it would not enable enforcement action and would not be a credible deterrent.

Conclusion

NOT POSSIBLE TO PROVIDE EVEN A BASIC SERVICE - OPTION NOT PURSUED

Option 2 – Charter a vessel for a fixed number of days per year

If the Section chartered a vessel the marine capability provided to other stakeholders would have to be dealt with elsewhere, adding additional costs to other States of Guernsey organisations as well as limiting the marine capability the Island has and needs currently.

There are two main elements to fishery protection. The first is the ability to detect and fix the position of vessels with the minimum amount of time. This is done by the use of Radar on the patrol boat in conjunction with its navigation system, alternatively this is done manually. When fishing offences occur, this information is extremely important and is required to substantiate fishing offences in the Bailiwicks Courts.

Prior to 1997, the Sea Fisheries Committee used a local charter vessel (Approximately 36ft) to provide a base for operations at sea. This type of vessel is not best suited for this operation due to its lack of stability at slow speed and its poor sea keeping in moderate or bad weather.

Once a vessel is detected the next requirement is to put a team of Fisheries Inspectors (usually 2 or 3) on to the fishing vessel to check fisheries compliance. Even in quite slight seas, fishing vessels roll heavily, this combined with their often large size, (up to 52 metres) and outlying fishing gear (cables, wire hawsers, beams and scallop dredges), means that they are hazardous to approach and it is not advisable to try and board direct from a hard vessel because damage is likely to occur to both vessels as they come alongside.

Therefore, any vessel chartered would need to be larger than the existing charter vessels and have the ability to transfer Sea Fisheries Officers to and from fishing vessels. There are no charter vessels available locally to be able to do this and alternatives that might be available are owned by the IFCA's and are already operational along the UK coast.

Advantages

The main advantages are that capital investment is not required.

Disadvantages

The main disadvantages are that no vessel or service supplier has yet been identified that would have a deployable RIB capability which would limit patrols to monitoring activity only

While pro-active patrols may be possible, reactive deployment is likely to be more problematical. Both forms of patrolling are required

There would be no available maritime asset for other users

Annual costs of a vessel alone for an estimated 500 hours of operation @£150 per hour would be £75,000

Conclusion

THIS OPTION IS BOTH IMPRACTICAL AND INEFFECTIVE - OPTION NOT PURSUED

Option 3 – Lease or hire a vessel on an ad-hoc basis

The same situation would occur as option 2 in that if the Section leased or hired a vessel on an ad-hoc basis, the marine capability provided to other stakeholders would have to be dealt with elsewhere adding additional costs to other States of Guernsey organisations as well as limiting the marine capability the Island has and needs currently.

The other issue is the availability of a suitable vessel to carry out the fisheries protection tasking. The nearest Fisheries Protection vessel is either in Jersey or the South Coast of the UK, Brixham, Southampton, Brighton and Penzance.

In the past Bailiwick waters have on occasions been patrolled by the “Norman Le Brocq” which is the States of Jersey fisheries protection vessel. This vessel, whilst capable of patrolling Bailiwick waters on a “one off” basis, is not suited to Bailiwick waters as this vessel is smaller than the Leopardess and more suited to the shallower waters around Jersey for which it was specified.

Other vessels which might be available are the Inshore Fisheries and Conservation Authorities (IFCA’s) fisheries protection vessels. These vessels are based in the UK and they could be steamed to Guernsey.

The closest vessel to Guernsey would be the “Drumbeat of Devon” based in Brixham. She could, subject to approvals be requested to assist the Bailiwick.

However, Brixham is a 6 hour passage and any passage across the Channel would have to be weather dependent and is used for patrolling the Devon coastline and is not available at short notice. These vessels are expensive to charter, would need Bailiwick Officers on board and cannot be relied upon to offer the fisheries protection patrolling and deterrent needed within the Bailiwick and are therefore not a viable option.

Advantages

None identified other than capital cost avoidance

Disadvantages

As for option 2, with the addition of great uncertainty over vessel availability.

Conclusion

THIS OPTION IS IMPRACTICAL AND INEFFECTIVE- OPTION NOT PURSUED

Option 4 – Jointly own and operate a Fisheries Protection Vessel (with Jersey)

The States of Jersey and Guernsey have, in recent years patrolled each other's waters and this capability offers both Islands the resilience to continue with some patrol work when either Island's vessel is out of service. However, this is by no means a practical long term solution and there are significant issues involved with patrolling each other's waters with different vessels.

The States of Guernsey cannot make the decision to share a patrol vessel on its own. It would require such an arrangement to be made in consultation with Jersey, who have already purchased and operate their own vessel, which is suited to their needs and waters. There are significant differences between the approach of the Islands to fisheries management and there has, and there will be, conflicting requirements for the use of the vessel over a much greater area.

The patrol area would increase dramatically and would extend from south of the Minquiers Reef to 12 miles North of Alderney, which is approximately 70nm and would take some 5 hours to cross end to end.

This issue was researched in 1997 before the Bailiwick purchased its own vessel and the issues raised then (and experienced recently whilst carrying out joint patrols) are still relevant. They are:

- The complication of relocating crews. (Bailiwick of Guernsey Officers are British Sea Fisheries Officers and are warranted for Bailiwick, British and European waters, but are not warranted to carry out inspections in Jersey waters).
- The allocation of costs according to use.
- Ship's management and apportionment of responsibility for vessel maintenance and operations.
- The knowledge that would pass swiftly around the fleets that the patrol vessel working in Jersey, south of the Minquiers cannot possibly be working to the North of Alderney where any fishermen so disposed would have free reign to do as they pleased. Infringements can occur from any vessel, in any location at any time.

Finally, the extent of the waters which would need to be covered, (approximately 3600 square nautical miles) around the Bailiwick's is much larger than any equivalent area patrolled by an inshore fisheries protection authority along the English Coast and which would be served by at least two patrol vessels.

Advantages

The main advantage is that capital costs are reduced

Disadvantages

The main disadvantages are that response times would be significantly increased and at sea time will be longer to be on station. As a consequence the costs of operation would rise. Finally a willing partner has not been identified:

Conclusion

THIS OPTION IS IMPRACTICAL AND INEFFECTIVE - OPTION NOT PURSUED

Option 5 – Purchase a Second-hand Vessel

The Section has considered very seriously the option of purchasing a second-hand vessel and has examined the market to see what vessels are available. There is a good market demand for second-hand vessels with many vessels being purchased, the main demand being for pilots and anti-piracy. Therefore with the demand being strong there are very few boats available on the market to consider.

Second-hand vessels are initially cheaper because the purchaser has far less security in purchasing an older craft which may or may not be prone to more failures and will certainly require greater maintenance throughout its life than a new vessel. In the long term this will show less of a saving or no saving when maintenance costs are taken into consideration.

Consideration also has to be given to how a Rigid Inflatable Boat (RIB) will be deployed from any second-hand vessel. Currently, the Leopardess is fitted with an “Aft Deck Slipway” whereby the RIB is slipped, safely up and down the aft section of the vessel and can be deployed safely in inclement sea states. The installation of an “Aft Deck Slipway” is completed at the design phase of the vessel and has to be carefully considered due to weight and balance of the vessel.

The Leopardess for example has her fuel tanks located under the slipway to ensure that the vessel maintains her stability. Any second-hand vessel purchased will need to have an “Aft Deck Slipway” fitted and this will require a considerable amount of work, if at all possible and will require a specialist shipyard and naval architect to ensure that the work is completed and the vessel's stability is not compromised.

Consideration has been given to other methods of deploying a RIB. The Dutch Police for example use a Deck Crane. This is safe to use on rivers and estuaries and the RIB used is a small, light RIB weighing very little and can be deployed safely. In comparison the RIB the Sea Fisheries Section uses weighs over 1 tonne and is heavy duty due to the very nature of the work it carries out and the types of vessels it has to approach and lay alongside. Whilst a Deck Crane is a suitable installation for some vessels it cannot be considered as a suitable, safe option for fisheries work within Bailiwick waters.

Advantages

The main advantage is that the Initial cost is reduced

Disadvantages

The main disadvantages are that availability and choice is limited

Additional cost would be required to modify the vessel to provide the required capabilities (eg Aft Rib Ramp)

The new vessel low maintenance cost period would be lost and the vessel reliability gain is not achieved.

Vessel lifespan reduced

Conclusion

THIS OPTION IS UNECONOMIC & HIGH RISK AND DIFFICULT TO ACHIEVE - OPTION NOT PURSUED

Option 6 – Maintain the Leopardess until the end of her working life (estimated as 2018) but with no refit and then replace (= Minimum option)

Consideration has been given to maintaining the Leopardess to a serviceable standard until the end of her working life (2018).

The planned working life of the vessel is 20 years - thus 2018 -although there is always a chance that she could be kept in service for longer.

It is anticipated that the engines will fail at some time in the foreseeable future and need replacing at a current cost of some £ 0.7 million.

With an aging craft, the length of time it could be kept safe and serviceable is a matter of conjecture.

The cost of doing so is also a matter of conjecture.

This could be considered as a “minimum option “ for the sake of argument, but the key point is that this would inevitably fail at some point and to some degree, and would then not be able to provide even the minimum service without a replacement vessel.

Advantages

A known vessel is retained on station for a period of time
Capital cost of replacement is not planned for.

Disadvantages

This option introduces a particularly large measure of unpredictability and uncertainty over financial and operational risks. Because of this predictions of costs are very unreliable, although an age consistent maintenance plan should be put in place. Estimates beyond the working life must be treated with extreme caution.

The estimates of cost of an appropriate maintenance programme for the period 2015 to 2018 are £496,000, which is double the maintenance cost estimate of a new boat.

This schedule would require additional journeys to Holland for refit and safety checks which apart from the costs would take the FPV off station for significant periods in the spring and summer period (as these are the safest and most reliable times to make the passage to Holland). They are also, not surprisingly, important months for fisheries patrolling.

The risks of failure and loss of capability, as well as repair costs, are self-evident.

Conclusion

DESPITE ITS EVIDENT SHORTCOMINGS WHICH NEED NO FURTHER COMMENT, THIS OPTION IS TAKEN FORWARD TO THE SHORT LIST TO PROVIDE A COMPARISON

Option 7 – Purchase a new vessel now

The Section has considered the purchase of a direct replacement for the Leopardess. Replacing the Leopardess in 2014/2015 will increase the likelihood that the States of Guernsey will be able to benefit from a trade in value for the Leopardess against a replacement vessel.

If taken forward, the Section could invest in a new replacement vessel in 2014/2015 to support the Bailiwick's fisheries protection, maritime security operations and existing stakeholder commitments in a reliable manner.

This option would reduce current maintenance costs whilst taking advantage of the good residual value in the Leopardess due to her current condition.

The Department's (and the States of Guernsey's) risks are minimised as any vessel supplied will be new and therefore the Section would not be running equipment which become prone to failure as they approach the end of their working service life.

Advantages

Operational reliability enhanced, (major risk factors eliminated)

Reduced maintenance costs

Vessel purchase costs potentially reduced by the use of trade in value

Full capability requirement provided

Lowest overall project cost projected for 2015 to 2029 and whole life.

Disadvantages

Initial capital outlay required in 2015/16

Conclusion

PREFERRED OPTION TAKEN FORWARD TO SHORT LIST

Option 8 – Refit the Leopardess and Purchase a new vessel in 7 years. (2022) which is 5 years beyond its working life

The Section could refit the existing hull and replace both (TAMD 122P 550HP) Engines, Gear Boxes, Shafts and Propellers to provide greater operational reliability to cover the coming few years.

The Section has researched this option and were given privileged access to the information relating to the 'Leopardess' sister ship the 'Grote Stern' which is owned by the Dutch Customs. This vessel underwent a refit and engine rebuild (not replacement) in 2010 which cost in the region of £700,000. This extended the vessel's working life by 5 years.

At the end of the 5 year period the vessel's trade in value will be negligible.

This is the most expensive option as a large proportion of the cost relates to converting the hull to take the new engines (the existing engines are now obsolete and no longer available) which does not add value to the vessel.

The hull corrosion problem will still be present and will remain a significant risk (and high repair cost) factor in the life span of the vessel.

After the five year period the Section would then have to move forward with the option of procuring a vessel which would be at a greater cost than currently estimated.

A review of vessel costs against inflation shows that comparing like for like, vessel purchase prices have increased by twice the rate of inflation over the past 17 years (i.e. since the purchase of the Leopardess)

Advantages

Delayed capital investment

Disadvantages

Short term refit costs (approaching £1 million) (But, it is presumed that this will buy increased reliability and lower engine emissions)

Loss of any trade in value on the existing FPV

Increased purchase price of replacement FPV in due course

Still some operational risks as a result of aspects of the vessel not being new

Conclusion

POSSIBLE OPTION TAKEN FORWARD TO SHORT LIST

3.3 Overall conclusion: scoping options

Table 3

Critical Success Factors	Option 1. Outsource	Option 2. Charter – fixed period	Option 3. Hire – ad hoc	Option 4. Jointly Own (Jersey)	Option 5. Purchase Second-hand	Option 6. Maintain & replace in 2018 (Minimum)	Option 7. Purchase a replacement	Option 8. Refit and Replace in 7 Years
Continuation of existing Fisheries Protection services (i.e. satisfies business needs)	✗	?	?	✗	✓	?	✓	✓
Capable of all existing deployments – boarding at sea	✗	✗	✗	?	✓	✓	✓	✓
FPV is a credible deterrent	✗	✗	✗	?	✓	?	✓	✓
No increase in resources and operating costs	✗	✗	✗	?	?	✗	✓	✗
More reliable FPV and hence Reduced Financial Risks	✗	?	?	?	?	✗	✓	✗
Equipped and ready for end users	✗	✗	✗	✗	?	✓	✓	✓
Lower emissions and greater fuel efficiency	✗	✗	✗	?	✗	✗	✓	✓
Operationally ready by 2016 costs	?	✓	?	✗	✗	✓	✓	✓
Match to Success Factors (Score 0 - 8)	0.5 / 8	2/8	1.5/8	2.5/8	4.5/8	4/8	8/8	6/8
Achievability	Not Achievable	Very Low	Very Low	Not Achievable	Not Achievable	High	High	High
Solution Risk	n/a	High	High	n/a	Median/High	High	Low	Median / Low
Conclusion	Discounted	Discounted	Discounted	Discounted	Discounted at present	Short List Least/un Satisfactory	Short List Preferred Option	Short List Possible Option

3.4 Short listed options

Option 6 – Maintain the Leopardess until the end of her working life (estimated as 2018) but with no refit and then replace (= “do minimum”)

Consideration has been given to maintaining the Leopardess to a serviceable standard until the end of her working life (2018).

The planned working life of the vessel is 20 years - thus 2018 -although there is always a chance that she could be kept in service for longer.

It is anticipated that the engines will fail at some time in the foreseeable future and need replacing at a current cost of some £ 0.7 million.

With an aging craft, the length of time it could be kept safe and serviceable becomes more unpredictable.

The cost of doing so is also a matter of conjecture.

This could be considered as a “minimum option” for the sake of argument, but the key point is that this could inevitably fail and would then not be able to provide even the minimum service without a major refit or replacing the vessel.

Advantages

A known vessel is retained on station for a period of time

Disadvantages

This option introduces a particularly large measure of unpredictability and uncertainty over financial and operational risks. Because of this, predictions of costs are very unreliable although an age consistent maintenance plan would be put in place. Estimates beyond the working life must be treated with extreme caution.

The estimates of cost of an appropriate maintenance programme for the period 2015 to 2018 are £496,000, which is double the maintenance cost estimate of a new boat.

This schedule would require additional journeys to Holland for refit and safety checks which apart from the costs would take the FPV off station for significant periods in the spring and summer period (as these are the safest and most reliable times to make the passage to Holland). They are also, not surprisingly, important months for fisheries patrolling.

The risks of failure and loss of capability to the section and its stakeholders and the issues related to providing alternative solutions for an unknown period, as well as repair costs.

Conclusion

THIS OPTION CONTAINS A HIGH LEVEL OF UNPREDICABILITY AND UNCERTAINTY IN TERMS OF COST AND SERVICEABILITY IT IS TAKEN FORWARD TO THE SHORT LIST TO PROVIDE A COMPARISON AS A REFERENCE PROJECT

Option 7 – Purchase a new vessel now

The Section has considered the purchase of a direct replacement for the Leopardess. Replacing the Leopardess in 2015/2016 will increase the likelihood that the States of Guernsey will be able to benefit from a trade in value for the Leopardess against a replacement vessel.

If taken forward, the Section could invest in a new replacement vessel in 2014/2015 to support the Bailiwick's fisheries protection, maritime security operations and existing stakeholder commitments in a reliable manner.

This option would reduce current maintenance costs whilst taking advantage of the good residual value in the Leopardess due to her current condition.

The Department's (and the States of Guernsey's) risks are minimised as any vessel supplied will be new and therefore the Section would not be running equipment which become prone to failure as they approach the end of their working service life.

Advantages

Operational reliability enhanced (major risk factors eliminated)

Reduced maintenance costs

Vessel purchase costs potentially reduced by the use of trade in value

Full capability requirement provided

Lowest overall project cost projected for 2015 to 2029 and whole life.

Disadvantages

Initial capital outlay required in 2015/16

Conclusion

PREFERRED OPTION TAKEN FORWARD

Option 8 – Refit the Leopardess (2015) and Purchase a new vessel in 7 years. (2022) which is 4 years beyond its working life

The Section could refit the existing hull and replace both (TAMD 122P 550HP) Engines, Gear Boxes, Shafts and Propellers to provide greater operational reliability to cover the coming few years.

The Section has researched this option and were given privileged access to the information relating to the 'Leopardess' sister ship the 'Grote Stern' which is owned by the Dutch Customs. This vessel underwent a refit and engine rebuild (not replacement) in 2010 which cost in the region of £700,000. This extended the vessel's working life by 5 years.

At the end of the 5 year period the vessel's trade in value will be negligible.

This is the most expensive option as a large proportion of the cost relates to converting the hull to take the new engines (the existing engines are now obsolete and no longer available) which does not add value to the vessel.

The hull corrosion problem will still be present and will remain a significant risk (and high repair cost) factor in the life span of the vessel.

After the seven year period the Section would then have to move forward with the option of procuring a vessel which would be at a greater cost than currently estimated.

A review of vessel costs against inflation shows that comparing like for like, vessel purchase prices have increased by twice the rate of inflation over the past 17 years (i.e. since the purchase of the Leopardess)

Advantages

Delayed capital investment

Disadvantages

Short term refit costs (approaching £1 million) (But, it is presumed that this will buy increased reliability and lower engine emissions)

Loss of any trade in value on the existing FPV

Increased purchase price of replacement FPV in due course

Still some operational risks as a result of aspects of the vessel not being new

Conclusion

POSSIBLE OPTION

3.5 Economic Appraisal

3.5.1 Introduction

The 'preferred' and 'possible' options identified in the table above have been carried forward into the short list for further appraisal and evaluation. Other options have been excluded at this stage.

Option 6 - "Do Nothing" - Continue with existing maintenance programme.

High Risk and considered an unsatisfactory option that is unlikely to provide for the strategic and operational business needs

The Section would continue maintaining the Leopardess in accordance with Damen's maintenance schedules for another 8 years (extending the service life to 25+ years instead of 20). This will carry significant risk as the vessel has suffered from corrosion and engine failure in the past and although the current maintenance program has addressed (but not prevented) these issues, there is an ever present risk of failure.

The current Leopardess engines are now obsolete and have been superseded twice with new models. Parts are extremely expensive to replace. In the event of a complete engine or gearbox failure the Section would need to charter a vessel to maintain a continued maritime enforcement capability and seek funding for major work to replace the failed part.

Option 7 - "Replace the Vessel Now"

Preferred Option at lowest cost and lowest risk

Purchasing a new replacement vessel to support the Bailiwick's fisheries protection and maritime security operations would reduce maintenance costs and take advantage of the good residual value of the Leopardess.

In addition the Department's (and the States') risks are minimised as any vessel supplied will be new and under manufacturer warranty and therefore the Section would not run the risk of running old, outdated engines and gearboxes which may fail without notice.

Option 8 - "Major Refit and Replace after 5 years"

Possible but potentially costly and puts the service at risk

The Section could refit the hull and replace both (TAMD 122P 550HP) Engines, Gear Boxes, Shafts and Propellers. An equivalent refit of the 'Leopardess' sister ship the 'Grote Stern' for Dutch Customs in 2010 cost in the region of £700,000 and extended the vessel's working life by 5 years. At the end of the 5 year period the vessel trade in value was nil.

This is the most costly option as a large proportion of the cost relates to converting the hull to take the new engines which does not add value to the vessel. The hull corrosion problem will still be present and will remain a significant risk (and high repair cost) factor in the life span of the vessel.

Table 4

	2015 – 2029 Undiscounted (£)	2015 – 2029 Net Present Cost (£)
Option 6: Maintain Only until the end of working life (estimated as 2018) without a refit and then replace – Reference Project.		
Capital	£3,247,000	£2,763,356
Revenue & routine capital maintenance	£1,324,000	£1,015,938
Total costs	£4,571,000	£3,779,294
Less cash releasing benefits	£0	£0
Costs net cash savings	£4,571,000	£3,779,294
Non- cash releasing benefits	£0	£0
Total	£4,571,000	£3,779,294
Option 7: Replacement FPV now PREFERRED OPTION		
Capital	£2,742,000	£2,677,296
Revenue & routine capital maintenance	£1,255,000	£957,722
Total costs	£3,997,000	£3,635,018
Less cash releasing benefits	£0	£0
Costs net cash savings	£3,997,000	£3,635,018
Non-cash releasing benefits	£0	£0
Total	£3,997,000	£3,635,018
Option 8: Refit now and Delay Replacement for 5 years beyond working life		
Capital	£3,620,000	£2,778,041
Revenue & routine capital maintenance	£1,850,000	£1,645,043
Total costs	£5,470,000	£4,423,084
Less cash releasing benefits	£0	£0
Costs net cash savings	£5,470,000	£4,423,084
Non-cash releasing benefits	£0	£0
Total	£5,470,000	£4,423,084

Notes on the table above

- £235,000 Procurement, Legal and Support costs are to be added to the total project cost of each of the above options.
- The Time period 2015 – 2029 is chosen to give a long term comparison of costs, whereas whole life comparisons will be based on different time periods due to the different replacement dates.
- “Whole life” is defined as the time span to the next vessel replacement under each option which is calculated to be 20 years after the replacement date of the Leopardess.

3.5.2 Estimated Benefits

The benefits associated with each option were identified during various workshops throughout 2012 – 2014. Please refer to Section 2.6.7 for the list of stakeholders.

3.5.3 Estimated Costs

The assumption in the case of Options 7 and 8 are that a vessel is being purchased with a 20 year operational life. However, there is a considerable degree of unpredictability about maintenance and running costs in the last quarter of the life of a vessel of this nature.

In the case of Option 6, which is to simply maintain the current vessel until the end of her working life (2018) then replace with another vessel, the level of uncertainty reaches a very high level from now (2014) onwards. The numbers have been pushed out to 2029, but it seems prudent to presume that the numbers show the absolute minimum level of cost that would be incurred.

Predicted Costs (undiscounted)

Table 5

<u>Costs for the period 2015 to 2029</u>	<i>OPTION 6</i>	<i>OPTION 7</i>	<i>OPTION 8</i>
-	Maintain only	Replace now	Delay Replacement
CAPITAL COST	£3,247,000	£2,742,000	£3,620,000
MAINTENANCE	£1,324,000	£1,255,000	£1,850,000
TOTAL COSTS	£4,571,000	£3,997,000	£5,470,000

- Procurement, Legal and Support costs of £235,000 are to be added to each of the above options
- VAT The vessel procurement is not subject to taxation from the Dutch Government and is therefore Tax Exempt

3.5.4 Net Present Cost (NPC) Findings

Table 6

<u>Costs for the period 2015 to 2029</u>	<i>OPTION 6</i>	<i>OPTION 7</i>	<i>OPTION 8</i>
-	Maintain only	Replace now	Delay Replacement
DISCOUNTED TOTAL COSTS	£3,779,294	£3,635,018	£4,423,084
DISCOUNTED CAPITAL	£2,763,356	£2,677,296	£2,778,041
DISCOUNTED MAINTENANCE	£1,015,938	£957,722	£1,645,043
OPTION RANKING	2	1	3

See Appendix 4

3.5.5 Option appraisal conclusions

The key findings are as follows:

Option 6 – do nothing/do minimum/status quo

This option ranks 2

High Risk and Considered an Unsatisfactory Option that is unlikely to provide for the strategic and operational business needs

Option 7 – Preferred Option

This option ranks 1

Preferred Option at lowest cost and lowest risk

Option 8 – Possible Option (more ambitious)

This option ranks 3

Possible, but potentially costly and puts the service at risk

3.6 Qualitative benefits appraisal

A workshop was held at C&E on 15/9/2014 to evaluate the qualitative benefits associated with each option.

3.6.1 Methodology

An appraisal of the qualitative benefits associated with each option was undertaken:

- identifying the benefits criteria relating to each of the investment objectives;
- weighting the relative importance (in %) of each benefit criterion in relation to each investment objective;
- scoring each of the short-listed options against the benefit criteria on a scale of 0 to 9;
- deriving a weighted benefits score for each option.
- the benefits score is divided by the option cost to provide a value for money rating.

3.6.2 Qualitative benefits criteria

The benefits criteria were weighted as follows for each investment objective:

Table 8

Investment Objectives	Qualitative Benefits	Weighting
Continuation of existing Fisheries Protection services i.e. satisfies the business needs	Fulfilling the States of Guernsey obligations and objectives	25
Capable of all existing deployments, in particular boarding at sea	The replacement FPV should have no greater crewing requirement than current arrangements	25
Maintaining a credible deterrent	The FPV is a credible and highly visible deterrent	25
No increase in Resources and Operating costs	The vessel should be capable of being routinely maintained in the Bailiwick and the replacement FPV should be no more expensive to operate.	10
Equipped and ready for end-users (principally other States departments)	Greater capability to provide service requirements of stakeholders	10
Lower engine emissions	Cleaner engine emissions	5

3.6.3 Qualitative benefits scoring

Benefits scores were allocated on a range of 0-9 for each option and agreed by discussion by the workshop participants to confirm that the scores were fair and reasonable.

3.6.4 Analysis of key results

The results of the benefits appraisal are shown in the following table:

Table 9

Benefit Criteria and Weight	Option 6		Option 7		Option 8	
Raw (R) and weighted (W)scores	R	W	R	W	R	W
Continuation of existing Fisheries Protection services i.e. satisfies the business needs	7	175	9	225	7	175
Capable of all existing deployments, in particular boarding at sea	9	225	9	225	9	225
Maintaining a credible deterrent	9	225	9	225	9	225
No increase in Resources and Operating costs	3	30	9	90	7	70
Equipped and ready for end-users (principally other States departments) and new services	1	10	7	70	5	50
Lower engine emissions	0	0	7	35	4	20
Total	29	665	50	870	41	765
Benefits Aprasal Rating	67.2%		87.9%		77.3%	
Rank	3		1		2	

The key considerations that influenced the scores achieved by the various options were as follows:

- Option 6 –do minimum/status quo:
This option ranks 3 It provides the operational needs of the Department but with increased uncertainty in service and maintenance costs.

Key Consideration has been given to maintaining the Leopardess to a serviceable standard until the end of her working life (2018) and the requirements of stakeholders.

- Option 7 – Preferred Option
This option ranks 1 It provides the preferred option at lowest cost and lowest risk.

Key considerations influencing its score are:

Operational reliability enhanced (major risk factors eliminated)

Reduced maintenance costs

Vessel purchase costs potentially reduced by the use of trade in value

Full capability requirement provided

Lowest overall project cost projected for 2015 to 2029 and whole life.

- Option 8 – Possible Option (more ambitious)
This option ranks 2 It provides a possible but potentially costly option and puts the service at risk.

Key considerations influencing its score are:

Operational reliability

Maintenance costs

Vessel purchase costs

Full capability requirement provided

Overall project cost.

3.7 Risk appraisal – Unquantifiables

A workshop was held at C&E on 15/9/2014 to evaluate the risks associated with each option.

3.7.1 Methodology

Risk appraisal has been undertaken and involved the following distinct elements:

- identifying all the possible business and service risks associated with each option
- assessing the impact and probability for each option
- calculating a risk score.

3.7.2 Risk scores

The range of scales used to quantify risk was as follows:

- low equals 2
- medium equals 3
- high equals 5

Summary of the risk appraisal results:

Table 10

Summary of Risk Appraisal Results: OBC (Pr = probability)	Impact	Option 6 - do minimum		Option 7 – Preferred Option		Option 8 – more ambitious	
		Pr.	Tot.		Tot.	Pr.	Tot.
Unservicability	5	3	15		10	3	15
Equipment Failure	5	5	25		10	3	15
Capability	3	3	9		6	3	15
Total			49		26		45
Rank			3		1		2

- option 6 – do nothing/ do minimum/ status quo
This option ranks 3.
- option 7 – reference project
This option ranks 1.
- option 8 – reference project (more ambitious)
This option ranks 2.

Key considerations influencing the score are

- Operational reliability
- Maintenance costs
- Vessel purchase costs
- Full capability requirement provided

3.8 The preferred option

The results of the investment appraisal are as follows:

Table 11

Evaluation Results	Option 6	Option 7	Option 8
Economic appraisals	2	1	3
Benefits appraisal	3	1	2
Risk appraisal	3	1	2
Overall Ranking	3	1	2

Conclusion: the preferred option is Option 7 because it provides the best value, meets stakeholder requirements and reduces operational risks.

3.9 Sensitivity analysis

The methods used were:

- a) 'switching values'
- b) scenario planning / analysis ('what if?') by altering the values of the 'uncertain' costs and benefits to observe the effect on the overall ranking of options.

3.9.1 Results of switching values

Table 12 shows the values (in %) at which the preferred option would change in the overall ranking of options.

Changes (%) required to equate with the preferred option:

Table 12

Change in Costs (%)	Option 6	Option 7 Preferred Option	Option 8
Capital costs	-15.5%	0	-24%
Current costs	-9.5%	0	-30.4%
Total costs	-12.5%	0	-26.8%
Cash releasing benefits	0	0	0
Non releasing cash benefits	0	0	0
NPV/C	-19%	0	-30.5%

Based on 2015 – 2029 costings

3.9.2 Key observations

These are:

No provision has been made for any unscheduled maintenance or repair that may be necessary to maintain the serviceability of the Leopardess in Option 6.

3.9.3 Results of scenario planning

The table below summarises the results associated with increasing uncertain costs and reducing uncertain benefits.

Summary of results from scenario planning:

Table 13

	Option 6 – benchmark	Option 7 – the preferred option
Sensitivity analysis on benefits	No Change	No Change
Sensitivity analysis on costs	Increase	No Change
New order in ranking	3	1

3.9.4 Key observations

The risks associated with option 6 (do minimum) in continuing to operate the Leopardess until the end of her working life before replacement presents the greatest risk in respect of uncertain costs, which would occur should the ageing equipment fail. The uncertain benefits of both options can be considered the same.

3.10 Preferred option

The preferred option remains Option 7 - “Replace the Vessel Now”, because the main benefits to stakeholders, customers/ users would be

- The continuation of existing Fisheries Protection services (i.e. satisfies the business needs.)
- The FPV is capable of all existing deployments, in particular boarding at sea.
- The FPV is a credible deterrent to illegal fishing.
- There is no increase in Resources and Operating costs
- The FPV presents fewer financial risks and greater cost predictability
- It is equipped and ready for other end-users (principally other States departments) to use.

4. The Commercial Case

4.0 Introduction

This is for the provision of a Replacement Fisheries Protection Vessel under a design and build contract.

4.1 Required services

The proposed solution to replace the Leopardess is to procure a new vessel on a design and build basis.

This means that the selected shipyard will design and build the vessel as opposed to contracting an independent naval architect to design a replacement vessel. This process focusses risk and responsibility away from the States and onto the contracting shipyard.

Following early consideration of possible suppliers and in order to ascertain what might be available from a yard that was experienced and capable of providing a replacement investigatory discussions were held with various vessel manufacturers over a possible design for a new vessel.

The States of Guernsey have, for many years been extremely satisfied with the design of the Leopardess and she has been fit for purpose, and therefore the Department wishes to move forward with a similar design as the Leopardess incorporating new technology and stakeholder needs.

The following Specification has been drawn up and used in market testing and cost estimation work in this business case. (see also Appendix 1)

The Vessel Specification

- The vessel will need to meet current Maritime and Coastguard Agency (MCA) Commercial Workboat Standards (CAT2) and built to an industry classification Standard such as Lloyds or Bureau Veritas.
- The vessel is to be of a mono-hull of semi-displacement design and of a proven type, powered by twin marine diesel engines, on shafts, of a make that has a main agent engineering facility within the Bailiwick (i.e. Volvo, Caterpillar, Cummins).
- The hull must be constructed in aluminium.
- The vessel must be crewed by the existing crewing arrangements (5 Crew).
- The vessel must be capable of carrying up to 12 passengers and have seating for all passengers.
- The vessel must be able to be moored in the existing allocated mooring in St Peter Port Harbour and must not exceed more than 20metres in Length Overall (LOA), Depth 2.5m, Draft 1.5m and Beam 5m.
- The vessel should have crew berthing capability, with associated living facilities for the vessel's crew. The vessel must be fitted with an enclosed WC and hot water shower.

- The vessel must have an operational range of 500nm and be able to cruise at 16 knots (maximum 25 knots).
- The vessel design must incorporate a RIB with launch capability via a stern ramp which can be operated whilst the vessel is making way.
- The deployable RIB must be fitted with a diesel engine (fuelled via the main vessel's main tanks) and be of a length of no less than 6m.
- The vessel will be fitted with navigation equipment to include Radar, VHF, GPS, Auto Pilot and an Electronic Chart Display and Information System (ECDIS).
- The vessel will be fitted with surface (Flush) mounted side scan sonar transducers.
- The vessel must be fitted with a diesel generator which enables her to make her own power when stationed away from a shore-power facility.
- The vessel design must incorporate the requirements of all stakeholders and will include medical and body repatriation facilities.

Estimated/Indicative costs of a New Fisheries Protection Vessel

Table 14

Indicative Replacement Fisheries Protection Vessel		
New Build Cost	£2,212,000	(€2,602,000)
Extras and Contingencies		
Vessel Electronics	£150,000	
Rigid Inflatable Boat	£100,000	
Contingencies	£280,000	
Total Cost	£2,742,000 GBP	
Calculations based on 1 EUR = 0.857381 GBP (As at Feb 2013)		

NB:

These figures show the cost of a replacement vessel and not the overall project cost as shown in section 5.2

The Leopardess has a potential residual value of approximately £150,000 which could be used as part of a "Trade-in" deal with individual manufacturers.

NB

The team will continue to monitor the secondhand market in the coming months in the event that a suitable vessel comes available.

4.2 Market Testing – Expressions of Interest Procedure

Investigations have suggested that options for procuring a suitable replacement FPV are quite limited. In recent months many UK ship builders specialising in small work boats have gone into receivership. Therefore, it was agreed that the Department would proceed with a market testing exercise sending *an Expressions of Interest letter to a range of ship building companies which offer a design and build solution.*

Table 15

Ship Builders Approached with Expression of Interest Letter	Responded to Letter? i.e. interest displayed	Relevant Experience?	Response within Spec.?
Alnmaritec Ltd	✓	?	✓
Aquastar Ltd	✓	x	x
Baltic Workboats	x		
Damen Shipyards	✓	✓	✓
Fassmer	x		
Goodchild Marine Services	✓	x	x
Holyhead Marine	x		
Rodman	x		
Safehaven	x		
Tyovene	x		

The expression of interest process has been extremely valuable to the Section and has showed that limited options for the procurement for this vessel. . (See Appendix 2 – Expressions of Interest for further information).

The table above shows only two yards interested in the project and capable in principle of producing a replacement FPV. Significant concerns exist over Alnmarintec's long term viability, a situation that increases risk for the States on such a long term procurement.

This analysis suggests that the lowest risk and most reliable procurement route is to work with Damen Shipyard.

In the light of this finding, and following discussions with the Head of Procurement, an Exception to Tender application was submitted and approved.

4.3 Potential Risk Transfer Post Contract

Key showing percentage of funding based on potential impact

Impact of Occurrence	Score	Probability of Occurrence	Score	Rating	Impact	Allocation of contingency funding
Minor	1	Very Unlikely	1	0-5	Low	10%
Low	2	Unlikely	2	6-11	Medium	40%
Medium	3	Might Occur	3	12-20	High	60%
High	4	More Likely	4	21-25	Very High	100%
Serious	5	Most Likely	5			

Table 16

Risk belonging to the States of Guernsey

Description of Risk	Risk Cost	Risk Owner	Impact on time, quality and cost	Probability	Rating	Contingency Funding	Management Actions
Design Risk							
Delay in Shipyard Build Allocation	£100,000	SOG	3	3	9	£40,000	Liaise with Shipyard when funding is approved to schedule build slot. Delays will also lead to reduction of trade-in value.
Legal & Regulatory							
Delay due to contractual Drafting if the vessel is built by a European Shipyard	£50,000	SOG	2	2	4	£5,000	As soon as the Shipyard has been selected, liaise with St James Chambers Commercial Lawyers regards contract
Insurance	£20,000	SOG	2	1	2	£2,000	Liaise with Insurance Corporation as the vessel needs to be insured when built.
Need for EU/UK Lawyer	£50,000	SOG	2	3	6	£20,000	Liaise with St James Chambers
Financial							
Shipyard Liquidation	£500,000	SOG	5	1	5	£50,000	Finance and Due Diligence Check
Euro Rate Fluctuation +/-	£200,000	SOG	2	5	10	£80,000	Arrange funding ASAP through T&R and peg rate if needed
Final Budget exceeds allocated funds	£100,000	SOG	2	2	4	£4,000	Actively monitor the project and financial management.
Organisational							
Political Support wanes		SOG	2	5	10		Communication with All Stakeholders
Adverse Public Opinion		SOG	2	5	10		Respond to Media Interest as required

Table 16

Risk belonging to the States of Guernsey

Continued.....

Technical / Operational									
Build Spec Change	£100,000	SOG	2				10	£10,000	Ensure adequate Change Control
Technical problems post delivery	£50,000	SOG/Shipyard	2				10	£10,000 (Shared)	Ensure stringent testing whilst at shipyard location and stipulate warranty requirements at contract stage.
Lack of Resources	£20,000	SOG	4				8	£8,000	Use internal support or external marine surveying consultant.
Need for Specialist Advice	£50,000	SOG	2				6	£20,000	Need for Specialist Naval Architect Advise pre-arranged.
Late Delivery of 3 rd Party components	£30,000	SOG/Shipyard	2				6	£6,000 (Shared)	Actively monitor the project and financial management.
Environmental									
Weather delays during delivery phase to and from EU/UK Shipyard	£20,000	SOG	5				25	£20,000	Exceptional weather delays do occur and will be an SOG Risk.
Dry-dock needed post delivery	£50,000	SOG/Shipyard	2				4	£5,000	Arrangements made with M&G to slip the vessel should it need warranty work.
Total contingency funding based on Impact percentage	£ 280,000								

4.4 Proposed charging mechanisms

Existing service charging policies will apply to the replacement vessel. All charges are based on a cost recovery basis to outside organisation in accordance with the Commerce and Employment Board approved charging Policy.

Department makes the vessel available with complete crew, maintenance and insurance cover to other States Departments, Enforcement Agencies or Non-Government Organisations (NGO's) to complete the marine tasking.

4.5 Proposed contract lengths

Discussions with Damen shipyards suggest a 12 month period will be required between placement of order and delivery of a finished vessel.

4.6 Proposed key contractual clauses

To be completed in due course

4.7 Personnel implications

There are no personnel implications.

4.8 Procurement strategy and implementation timescales

The Department proposal is to procure vessel direct from Damen Shipyards Hardinxveld Holland.

To date the project team has undertaken the following;

- **September 24th 2014**, Damen Shipyards (the Supplier) Damen Heads of UK & European Sales met with the Project Team. A meeting was held at the Commerce and Employment Department to discuss the current progress with procurement of a replacement for the Leopardess. It was agreed that the Project Team need to spend time in Gorinchem (Holland) to work up the final designs for a replacement vessel – it was clearly recognised that this can only be achieved in Holland with the ship designers in Holland.
- **21st -22nd October 2014** – the Project Team submitted the OBC for PAR2 approval. The feedback for the project has been received and the Project Team will ensure that the points made by the PAR review team are addressed.

Since **2011** the Project Team have been working closely with both the Head of the Treasury & Resources Department Procurement and the Law Officers of the Crown Commercial Lawyers from St James Chambers regarding the contractual and procurement plan.

- **5th November 2014**, the Project Team, Treasury and Resources Department Head of Procurement Ian Beverly (T&R) and Commercial Lawyer Anthony Ellis (St James Chambers) met at the Commerce and Employment Department to discuss the procurement process.

Estimated Future Timetable (All dates based on knowledge at January 2015)

- States of Deliberation Approval (May 2015)
- Commerce & Employment Minister Sign Contracts with Shipyard (July / August 2015)
- Vessel Build Commences – Hull Fabricated and Fitted out – Launch Estimate (July 2016)
- Vessel Sea trailed and accepted (August 2016)
- Vessel Delivered to Guernsey and enters service (September 2016)
- The Project Team will be responsible for procurement and will be supported by St James Chambers Commercial Lawyers and Treasury and Resources Department Head of Procurement.
- The Project Team will verify that value for money is being achieved through the supplier, this can be achieved through various ways. Evidence could include;
 - Comparable vessel procurements from other organisations such as UK Border Agency or other purchasers
 - Other vessels procured using the OJU
 - Private references from third party organisations
 - Developing a baseline list of needs vs wants
- The project cannot be completed until the final specifications of a vessel design have been finalised with the supplier. However it was agreed to move forward to this stage throughout January and February 2015.
- The Project Team will liaise with St James Chambers when they have a draft contract for initial review to insure the project offers the best deal for the Island regarding the final contractual and post-delivery arrangements.

5. The Financial Case

5.0.1 Introduction

The purpose of this section is to set out the indicative financial implications of the preferred option (as set out in the economic case section) and the proposed deal (as described in the commercial case section).

5.1 Funding Options

The Project Team reviewed the funding options for this project in a workshop and identified the funding options considered as potentially relevant in principle for this project as follows:

- (a) **A cash purchase**
- (b) **Loan – From Treasury**
- (c) **Loan – Commercial**
- (d) **Marine Mortgage**
- (e) **Leasing**

The Treasury and Resources Department has confirmed that option (a) is the only funding option available for this project as this complies with States of Guernsey Policy.

5.2 Impact on the organisation's expenditure account

Table 17

	2015	2016	2017	2018	2019	2020	2021	2022	Total
	£	£	£	£	£	£	£	£	£
Cost of Preferred way forward: Option 7 Purchase Replacement Vessel Now									
Capital	1,043,600 #	1,933,400	0	0	0	0	0	0	2,977,000
Revenue	0	0	0	0	0	0	0	0	0
Total	1,043,600	1,933,400	0	0	0	0	0	0	2,977,000
Funded by: Capital Allocation and trade in of existing FPV									
Additional	1,043,600	1,933,400	0	0	0	0	0	0	2,977,000
Trade in of Leopardess	0	*(150,000)	0	0	0	0	0	0	(150,000)
Total	1,043,600	1,783,400	0	0	0	0	0		2,827,000

#£235,000 Procurement, Project, Legal and Support costs included

*£150,000 is a current trade-in estimate of the existing vessel.

5.3 Overall affordability

The estimated cost of the project is £2,977,000 less trade in (sale) value for the Leopardess, over the 1 year of the contract.

Table 18

Estimated Project	Estimated Project Costs £	Notes
Damen Stan Patrol 2005MK New Build Vessel	£2,212,000 (Damen Shipyards Holland) NB No taxes anticipated)	New build vessel, including design, build and fit out at Damen Shipyards Holland
Vessel Electronics	£150,000 Systems include Furuno Radar £25,000 ECDIS or Navnet £25,000 Vessel Sensor & Instruments, Wind, Depth and relay stations £50,000 Sonar £25,000 Installation £25,000	The Vessel needs to be fitted with electronics and this cannot be defined until the vessel build is underway due to the changes in technology. The Section will work with Radio and Electronics Guernsey Ltd.
Rigid Inflatable Boat (Rib)	£100,000 Ribcraft, Humber, Delta or equivalent.	The replacement Rib will be built subject to final approvals with the main vessel because it is not known what dimensions and weight of Rib to purchase at the moment.
Contingencies	£280,000 Variations in build, sea trialling, training and delivery to and from Guernsey	The section has made provision for contingency costs including the costings in the Risk assessment weighted by the Impact probability.
Project Monitoring	£43,000	Costing to oversee project during construction and trials.
Project Technical and Legal Support	£100,000	Dutch Naval Surveyors Van Woerkom, Nobels & Ten Veen (WNV) Dutch Lawyers (If the vessel is built under Dutch Law) Independent surveyor to support project team
Project assurance review costs	£80,000	Charges applied by T&R for PAR and post implementation reviews.
Project/Design Development Expenses	£12,000	Travel and other costs to visit the yard building the FPV
PROJECT TOTAL COST ESTIMATE	£2,977,000	
Trade-in (sale) of the Leopardess	(£150,000)	Damen Shipyards have agreed to accept the Leopardess in part exchange. The Leopardess will be delivered to Holland at a time when the new build vessel is ready for sea-trials to ensure continued service within the Bailiwick.
POTENTIAL FINAL NETT COST	£2,827,000	

The project has incurred development costs which have been absorbed by the Commerce and Employment Sea Fisheries Section from its revenue budget so far.

6. The Management Case

6.1 Introduction

This section of the OBC addresses the ‘achievability’ of the scheme. Its purpose, therefore, is to build on the SOC by setting out in more detail the actions that will be required to ensure the successful delivery of the scheme in accordance with best practice.

6.2 Programme management arrangements

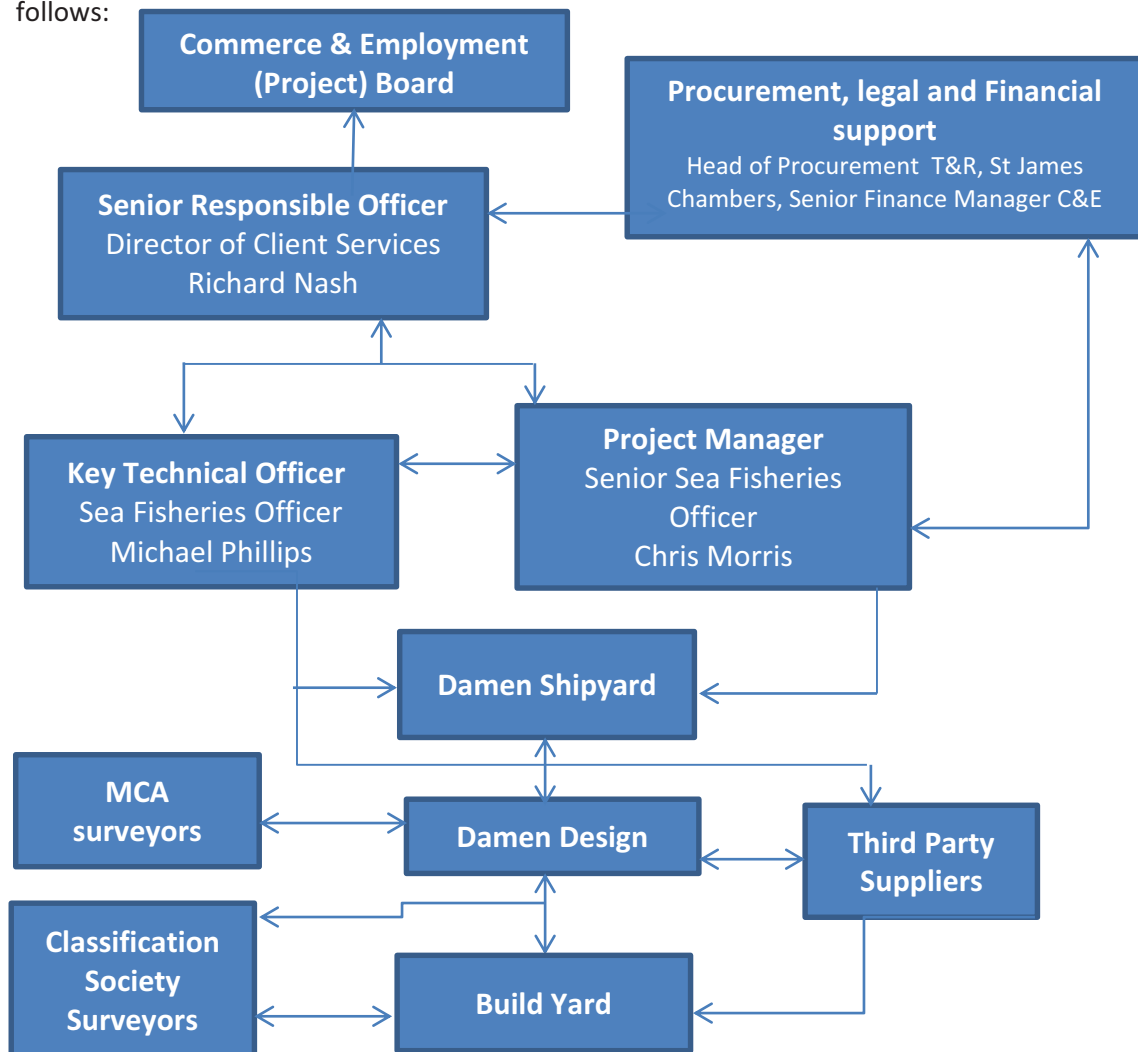
The scheme is an integral part of the States Capital Investment Portfolio (SCIP) which comprises a portfolio of projects for the delivery of investment projects for the States of Guernsey.

These are set out in the Strategic Outline Programme for the Project, which was agreed by the States of Deliberation on the 29th July 2014.

The programme management arrangements are as follows:

6.3 Project management arrangements

A project Team has been formed with approval from the Commerce and Employment Department. The reporting organisation and the reporting structure for the project are as follows:



6.3.2 Project roles and responsibilities

These are as follows:

- **The Commerce and Employment (Project) Board** are responsible for ensuring that the project continues to be viable overall and the proposals continue to meet the Departments and the States of Guernsey objectives.
- **Senior Responsible Officer (SRO)** is ultimately accountable for the project success and has the veto on any decision making. The SRO is responsible for the Business Case.
- **Procurement, legal and Financial Support** to support the project and help ensure that procurement, financial and contractual management is in place to protect the States of Guernsey from contractual and financial risk
- **Project Manager** is responsible for the day-to-day management of the project within the constraints laid down within the Project contract.
- **Key Technical Officer** is responsible for the technical design, development and ensuring the project is completed to meet the required standards including classification and operational requirements.
- **Damen Shipyard** main contractor.
- **MCA surveyors** to provide vessel coding in accordance with operational requirements.
- **Classification surveyors** to insure build quality and specification.

6.3.3 Project plan

Table 19

Assurance/A pproval	Project Review Details	Date	Deadline	Week Number
C&E	Outline Business Case and States Report	May 15	May 15	Week 21 (2015)
States of Deliberation	OBC & States Report	30 Sept 15	13 Jul 15	Week 40 (2015)
C&E	Full Business Case	1 Oct 15	Oct 15	Week 40 (2015)
T&R	PAR 3	Oct 15	Oct 15	Week 41 (2015)
T&R	Amends to FBC following on from PAR 3.	Oct 15		Week 42 (2015)
T&R	Full Business Case Approval (SCIP Board)	Oct 15		Week 43 (2015)

C&E Commerce and Employment Department (Project Board / Team)

T&R Treasury and Resources Department

OBC Outline Business Case

PAR Project Assurance Review

6.4 Use of special advisers

The Project Team will continue to call on the expertise of the States Head of Procurement (Mr Ian Beverley) and Advocate Ellis from St James Chambers.

Design and surveying costs are included in the overall vessel build cost. However £235,000 has been included for Procurement, Legal Support and project monitoring (table 18) as and when needed throughout the project.

Prior to acceptance, the procured vessel will be inspected and certified by the classification society and the Maritime and Coastguard Agency surveyors.

6.5 Outline arrangements for change and contract management

The strategy, framework and plan for dealing with change and associated contract management is as follows:

The build of the vessel is subject to a contract between the supplier and the States of Guernsey and will be subject to Bailiwick of Guernsey law.

The shipyard supplier assumes responsibility for the project once the contract has been signed.

Any contract signed will be drafted and approved by St James Chambers.

All specifications of the vessel are pre-agreed and defined within the build contract.

Any change from the build specification or deviation from the contract will be recorded and will be subject to explicit written approval from the Project Team, SRO and Law Officers to ensure contract compliance.

6.6 Outline arrangements for benefits realisation

The strategy, framework and plan for dealing with the management and delivery of benefits are as follows;

Project: Replacement Fisheries Protection Vessel

Table 20

Benefit		Owner	Metrics		
Date Reviewed	Key Benefit Description		Measure	Baseline	Target / Comments
15/09/2014	Reduced Maintenance Risk/Cost	Project Manager	Current Exposure to failing machinery which are no longer supported	Replacement vessel fitted with up to date and supported machinery maintained within existing annual allocation	New vessel must be maintained in accordance with annual allocated budget.
15/09/2014	High Fuel Emissions	Project Manager	Current Exposure to high fuel emissions from both engines	Replacement vessel fitted with up to date engines meeting EU fuel emissions standards.	New vessel must operate to current EU Fuel emission standards.
15/09/2014	Fisheries Protection Capability	Project Manager	Current vessel able to support and function as a Fisheries Protection Vessel	Replacement vessel able to operate as an FPV with deployable Rib and able to support fisheries protection function.	New vessel must be able to operate Fisheries Protection function deploying a Rib from the stern ramp in a safe manner. All systems on board the vessel need to be functioning for Fisheries Officers to carry out detection and inspection functions. All functions must comply with the Section's SMS.
15/09/2014	Medical Evacuation Capability	Project Manager	Not currently available with current vessel	Replacement vessel able to accommodate and support a medical evacuation.	New vessel must meet stakeholder criteria in accordance with Stakeholder specifications. All functions must comply with the stakeholders' health and safety requirements and the Section's SMS.
15/09/2014	Police Deployment Capability	Project Manager	Current vessel able to support medium response to all Police deployment functions	Replacement vessel able to support a wider range of Police support functions including deployment at sea and to outlying Islands.	New vessel must meet stakeholder criteria in accordance with Stakeholder specifications. All functions must comply with the stakeholders' health and safety requirements and the Section's SMS.

Project: Replacement Fisheries Protection Vessel

Table 20

Continued.....

15/09/2014	Environmental Monitoring	Project Manager	Not currently available with current vessel	Replacement vessel able to support environmental monitoring (I.E Sonar Seabed Surveying)	New vessel must meet stakeholder criteria in accordance with Stakeholder specifications. All functions must comply with the stakeholders' health and safety requirements and the Section's SMS.
------------	--------------------------	-----------------	---------------------------------------------	------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

This sets out who is responsible for the delivery of specific benefits, how and when they will be delivered and the required counter measures, as required.

6.7 Outline arrangements for risk management

The strategy, framework and plan for dealing with the management.

This details who is responsible for the management of risks and the required counter measures, as required.

6.7.1 - Project Risk Register

PROJECT MANAGER: Chris Morris

PROJECT OBJECTIVE: Replacement Fisheries Protection Vessel

Table 21 KEY

Rating for Likelihood and Seriousness for each risk			
L	Rated as Low	E	Rated as Extreme (Used for Seriousness only)
M	Rated as Medium	NA	Not Assessed
H	Rated as High		

Grade: Combined effect of Likelihood/Seriousness					
		Seriousness			
Likelihood		low	medium	high	EXTREME
	low	N	D	C	A
	medium	D	C	B	A
	high	C	B	A	A

Recommended actions for grades of risk	
Grade	Risk mitigation actions
A	Mitigation actions, to reduce the likelihood and seriousness, to be identified and implemented as soon as the project commences as a priority.
B	Mitigation actions, to reduce the likelihood and seriousness, to be identified and appropriate actions implemented during project execution.
C	Mitigation actions, to reduce the likelihood and seriousness, to be identified and costed for possible action if funds permit.
D	To be noted - no action is needed unless grading increases over time.
N	To be noted - no action is needed unless grading increases over time.

Change to Grade since last assessment			
NEW	New risk	↓	Grading decreased
—	No change to Grade	↑	Grading increased

Table 21

Id	Description of Risk (including any identified 'triggers')	Impact on Project (Identify consequences)	Assessment of Likelihood	Assessment of Seriousness	Grade (combined Likelihood and Seriousness)	Change	Date of Review	Mitigation Actions (Preventative or Contingency)	Responsibility for mitigation action(s)	Cost	Timeline for mitigation action(s)
1	Delay with project commencement due to political, resource or unforeseen operational reason	Delayed decisions will defer output the final build schedule and extend project timelines and staff resources will be required for longer than anticipated.	M	H	A	-	15/09/14	Preventative: Ensure that project runs in accordance with IAAP. Delays can be identified.	Project Manager	A	25 th March 2015
2	Delay due to external impact (Public/Media) prior to approval due contentious nature.	Delayed decisions will defer output the final build schedule and extend project timelines and staff resources will be required for longer than anticipated.	M	H	A	-	15/09/14	Preventative; Ensure that project runs in accordance with IAAP. Delays can be identified.	Project Manager /SRO	A	25 th March 2015

Id	Description of Risk (including any identified 'triggers')	Impact on Project (Identify consequences)	Assessment of Likelihood	Assessment of Seriousness	Grade (combined Likelihood and Seriousness)	Change	Date of Review	Mitigation Actions (Preventative or Contingency)	Responsibility for mitigation action(s)	Cost	Timeline for mitigation action(s)
3	Financial Risk associated with Procurement; Shipyard Vulnerability Raw Material/Labour Rate Fluctuation Exchange Rate Fluctuation Fraud/Theft/Damage in Shipyard. Final build exceeds budget allocation	Financial loss to the States of Guernsey	L H M L L	H H H L L	A A A A A			Preventative: Ensure due diligence checks are completed on the shipyard ahead of contract completion. Aluminium and Labour rates continually rise and can only be fixed on completion of contracts Liaise with Treasury regarding Euro Exchange. Actively Monitor the project and financial management. Actively Monitor the project and financial management.	Project Manager/Key Technical Officer	A	25 th March 2015

Id	Description of Risk (including any identified 'triggers')	Impact on Project (Identify consequences)	Assessment of Likelihood	Assessment of Seriousness	Grade (combined Likelihood and Seriousness)	Change	Date of Review	Mitigation Actions (Preventative or Contingency)	Responsibility for mitigation action(s)	Cost	Timeline for mitigation action(s)
4	Shipyard Failure to deliver product as specified	Financial loss to the States of Guernsey and failure to complete the project	L	H	A			Preventative; Liaise with St James Chambers with Contract drafting to minimise financial risk and exposure. Liaise regularly with the shipyard throughout the build to identify risks to identify risks immediately	Project Manager	A	25 th March 2015
5	Changes in classification Standards after build	Risk that the final product may need to be adapted or changed to meet standards	L	N	A		15/09/14	Preventative; Design and build the new vessel to ensure that it is compliant with EU/UK standards allowing for possible post build changes.	Project Manager / Key Technical Officer	D	25 th March 2015

6.8 Outline arrangements for post project evaluation

6.8.1 Post implementation review (PIR)

These reviews ascertain whether the anticipated benefits have been delivered and are timed to take place once the vessel has been delivered and entered service – Estimated Summer 2016.

The Post implementation review will be completed by the Project Team in conjunction with stakeholders to ensure that the project has been completed in accordance with the project budget and specification.

6.8.2 Project evaluation reviews (PERs)

PERs appraise how well the project was managed and delivered compared with expectations and are timed to take place once the vessel has been delivered and entered service - Estimated start Summer 2016.

The PER will evaluation the following key points;

1. Assessment of the overall Project
2. Assessment of the Project Management
3. Assessment of the quality and completion of the replacement Fisheries Protection Vessel
4. Key Accomplishments throughout the project
5. Lessons learnt throughout the project
6. Future considerations

6.9 Project Assurance Review arrangements

The impacts/risks associated with the project have been scored against the risk potential assessment (RPA) for projects. The RPA score is Medium Risk. The report is attached at Appendix 7

6.10 Contingency plans

The Project will be run and managed in accordance with the business plan and risks will be monitored accordingly.

Project Delay/Failure

If the project to replace the Leopardess is delayed, the Sea Fisheries Section will continue to maintain and operate the Leopardess. However, emergency funding will need to be requested from Treasury and Resources as part of a separate business plan to carryout extensive maintenance on the Leopardess to ensure that she remains operationally sea-worthy.

Signed: R Nash

Date:

**Senior Responsible Officer
Project team**

APPENDIX 1 – FPV Outline Specification

The Sea Fisheries Section of the States of Guernsey is currently looking to replace its existing Damen Stan1850 Fisheries Protection Vessel which is nearing the end of its working life.

The primary role of the vessel is sea fisheries protection duties within Bailiwick Fishery Limits out to 12nm from the Islands of Guernsey, Alderney and Sark. In addition the vessel will also provide maritime support for other States of Guernsey departments including Police, Fire, Border Agency and Ambulance.

Outline Specification:

Vessel is to be a mono-hull of semi displacement design and of a proven type, powered by twin marine diesels engines, on shafts, of a make that has main agent serviceability within the Bailiwick.

The vessel will incorporate a RIB with launch capability via a stern ramp which can be operated while the vessel is making way.

The vessel will be operated by a crew of **five** which will reduce to two when the RIB is in operation.

The vessel will also have the ability to carry up to twelve passengers.

- Max LOA 20m
- Beam 5m
- Depth 2.5m
- Draught 1.5m
- Classification Lloyds or BV and MCA SVC Cat 2
- Cruising speed 16 knots
- Maximum speed 25 knots
- Range 500nm
- Accommodation for all crew
- Able to carry a diesel powered RIB up to 6-7m LOA which can be launched and recovered fully manned whilst making way
- Hull construction to be of aluminium
- Navigation equipment to include Radar VHF GPS Auto Pilot ECDIS

Appendix 2 -Expressions of interest

An expression of interest letter containing the outline specification in Appendix 1 was sent to the following boat building companies.

- Alnmaritec
- Aquastar
- Baltic Workboats
- Damen
- Fassmer
- Goodchild Marine services
- Holyhead Marine
- Rodmen
- Safehaven
- Tyovene

The Department has received 4 responses from the following yards,

Aquastar

Aquastar have supplied hulls in GRP to Cara Marine who have built Pilot boats powered by waterjets. They are yet to build a shaft drive version and have not built any boats with a RIB ramp. They have not produced any specification, build or costing information.

Goodchild Marine Services

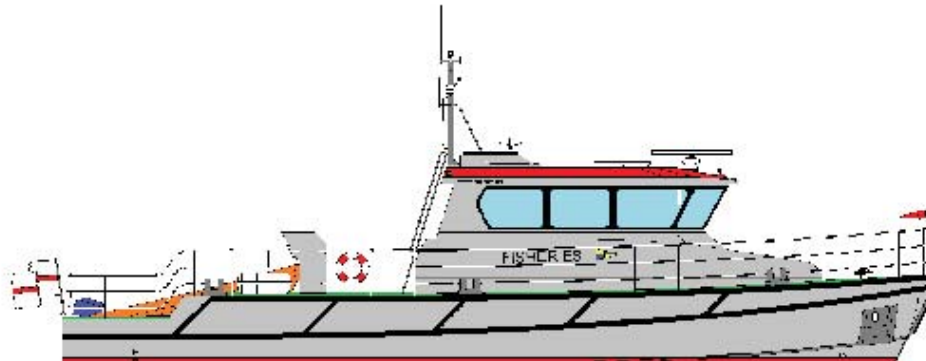
Goodchild Marine Services could not offer a design within our outline specification but forwarded a catamaran design for our information.

Alnmaritec

Alnmaritec has offered a modified Carmarc design. This vessel has not been fitted with a RIB ramp previously.

Damen

Damen has offered a Stan Patrol 2005MKII which was the replacement model for the Stan Patrol 1850 (Leopardess). This Vessel has been extensively used by the Dutch Police and German Coastguard. A specification has been supplied to our requirements (appendix 3) including costings and build times. Damen have also provided sea trials with the Dutch Police.

APPENDIX 3- DAMEN STAN PATROL 2005 MARK II

DAMEN STAN PATROL® 2005

"NAME"

GENERAL

YARD NUMBER	A12098 (Damen Shipyards Hardinveeld)
DELIVERY DATE	To be determined
BASIC FUNCTIONS	Sea Fisheries Patrol Vessel
CLASSIFICATION	Bureau Veritas I * Hull * Mach Light Ship / fast fishery inspection vessel
REGULATIONS	MCA Cat. 2
FLAG	Guernsey
OWNER	Sea Fisheries, Guernsey Government

DIMENSIONS

LENGTH O.A.	19.95 m
BEAM O.A.	4.96 m
DEPTH AT SIDES	2.50 m
DRAUGHT AFT (APPROX.)	1.30 m

TANK CAPACITIES (APPROX.)

FUEL OIL	3.5 m ³
FRESH WATER	250 L

PERFORMANCES (TRIALS)

SPEED APPROX.	23 Knots
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PROPULSION SYSTEM

MAIN ENGINES	2x Volvo Penta D13-700
TOTAL POWER	1030 bkW (1400 bhp) @ 2300 rpm
GEARBOXES	2x ZF 360A / 2.192:1 incl. trolling valve
PROPELLERS	2x Promarin fixed pitch propellers
DIAMETER	800 mm
BOW THRUSTER	Hydrosta Slider 35, 35 kW (26 bhp), hydraulically driven

AUXILIARY EQUIPMENT

MAIN GENERATOR SETS	ONAN MDKBR
CAPACITY	17.5kW / 21.8 kVA, 230/400V, 50 Hz

DECK LAY-OUT

ANCHOR	1x 60 kg Pool N (HHP)
ANCHOR WINCH	Muir electrically driven
BS WINCH	Dromec Distance controlled
	750 kg @ 15 m/min
	Wire capacity approx. 50 m, diameter 10 mm
BS	Humber 5.5 Destroyer (Owner's delivery)

LIFE SAVING EQUIPMENT

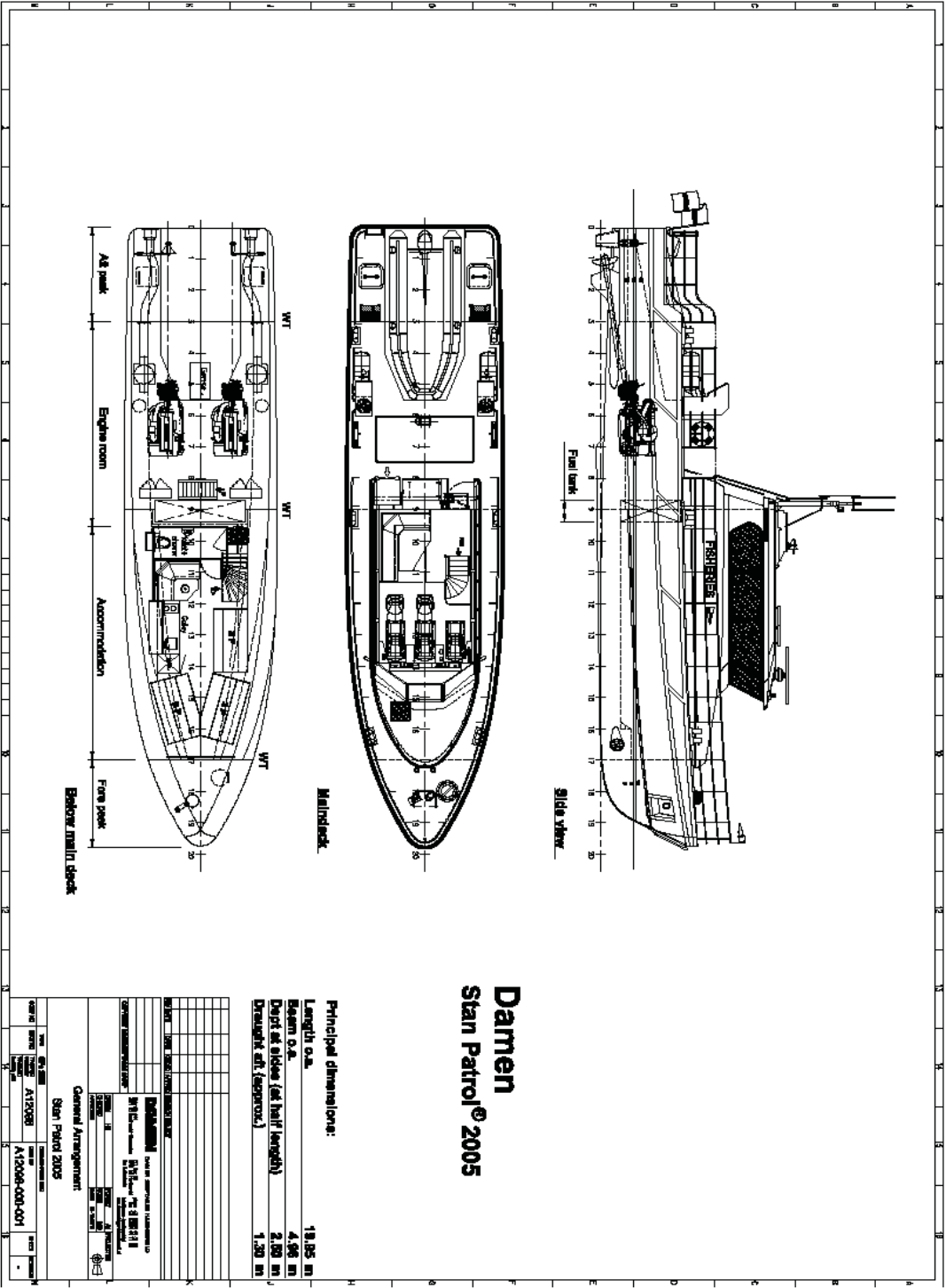
EPFB	1x McMurdo ES
LIFERAFTS	2 x 8 Person RFD
LIFEJACKETS	8/8 persons

ACCOMMODATION

WHEELHOUSE	front windows electrically heated
HEATING	By engine heat recovery
BERTHS	3 x 2 bunks

NAUTICAL AND COMMUNICATION EQUIPMENT

SEARCHLIGHT	1x Frands L230RC
MAGNETIC COMPASS	Cassens & Plath, 180A
GPS COMPASS	JLR-21
ELECTRONIC HORNS/LOUDHAILER	Kahlenberg KB-30
RADAR	JMA 3316-4
CHART PLOTTER	Selwa Explorer III
AG	JHS-183
AUTOPILOT	ALPHASEAPILOT MFC
ECHOSOUNDER	JRC - JFC-600 (FF60)
VHF RADIO TELEPHONE	1 x Sailor, RT6222,
MF/HF RADIO TELEPHONE	Thrane & Thrane Sailor System 6300, 150W
HANDHELD VHF	2x Sailor SP3520
NAVTEX	JRC NCR-33
INTERCOM	ALPHACALL MF
CCTV	ALPHASCREEN with 4 cameras
WIND/WEATHER STATION	ALPHAMETEO MF



APPENDIX 4 -Indicative Costs of Options

OPTION 6: MAINTAIN ONLY	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
CAPITAL COST															
MAINTENANCE	-£51,000	-£181,000	-£21,000	-£136,000	-£31,000	-£21,000	-£76,000	-£21,000	-£121,000	-£36,000	-£86,000	-£21,000	-£171,000	-£51,000	-£300,000
TOTAL COSTS	-£51,000	-£181,000	-£21,000	-£136,000	-£1,031,000	-£2,268,000	-£76,000	-£21,000	-£121,000	-£36,000	-£86,000	-£21,000	-£171,000	-£51,000	-£300,000
Asset Value	£275,000	£150,000	£50,000	£50,000	£50,000	£3,247,000	£2,597,600	£2,337,840	£2,104,056	£1,893,650	£1,704,285	£1,533,857	£1,380,471	£1,242,424	£1,118,182
DISCOUNTED															
CAPITAL															
DISCOUNTED															
MAINTENANCE	-£51,000	-£174,879	-£19,604	-£122,664	-£27,015	-£17,681	-£61,826	-£16,506	-£91,889	-£26,414	-£60,967	-£14,384	-£113,165	-£32,610	-£185,335
DISCOUNTED															
TOTAL COSTS	-£51,000	-£174,879	-£19,604	-£122,664	-£898,457	-£1,909,595	-£61,826	-£16,506	-£91,889	-£26,414	-£60,967	-£14,384	-£113,165	-£32,610	-£185,335
Discounted															
Asset Value	£275,000	£144,928	£46,676	£45,097	£43,572	£2,733,887	£2,113,149	£1,837,521	£1,597,844	£1,389,430	£1,208,200	£1,050,609	£913,573	£794,411	£690,792
OPTION 7: REPLACE NOW															
CAPITAL COST	-£828,600	-£1,913,400													
MAINTENANCE	-£51,000	-£21,000	-£76,000	-£21,000	-£121,000	-£36,000	-£86,000	-£21,000	-£171,000	-£51,000	-£300,000	-£25,000	-£145,000	-£45,000	-£85,000
TOTAL COSTS	-£879,600	-£1,934,400	-£76,000	-£21,000	-£121,000	-£36,000	-£86,000	-£21,000	-£171,000	-£51,000	-£300,000	-£25,000	-£145,000	-£45,000	-£85,000
Asset Value	£275,000	£2,742,000	£2,193,600	£1,974,240	£1,776,816	£1,599,134	£1,439,221	£1,295,299	£1,165,769	£1,049,192	£944,273	£849,846	£764,861	£688,375	£619,537
DISCOUNTED															
CAPITAL	-£828,600	-£1,848,696													
DISCOUNTED															
MAINTENANCE	-£51,000	-£20,290	-£70,947	-£18,941	-£105,445	-£30,311	-£69,961	-£16,506	-£129,859	-£37,420	-£212,676	-£17,124	-£95,959	-£28,773	-£52,511
DISCOUNTED															
TOTAL COSTS	-£879,600	-£1,868,986	-£70,947	-£18,941	-£105,445	-£30,311	-£69,961	-£16,506	-£129,859	-£37,420	-£212,676	-£17,124	-£95,959	-£28,773	-£52,511
Discounted															
Asset Value	£275,000	£2,649,275	£2,047,749	£1,780,651	£1,548,392	£1,346,428	£1,170,807	£1,018,093	£885,298	£769,825	£669,413	£582,098	£506,172	£440,150	£382,739

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<u>OPTION 8: REFIT, DELAY REPLACEMENT</u>															
CAPITAL COST								£1,090,000	£2,530,000						
MAINTENANCE	-£841,000	-£21,000	-£121,000	-£31,000	-£211,000	-£21,000	-£201,000	-£21,000	-£21,000	-£76,000	-£21,000	-£121,000	-£36,000	-£86,000	-£21,000
TOTAL COSTS	-£841,000	-£21,000	-£121,000	-£31,000	-£211,000	-£21,000	-£201,000	£1,111,000	£2,551,000	-£76,000	-£21,000	-£121,000	-£36,000	-£86,000	-£21,000
Asset Value	£275,000	£150,000	£500,000	£400,000	£200,000	£100,000	£50,000	£50,000	£3,620,000	£2,896,000	£2,606,400	£2,345,760	£2,111,184	£1,900,066	£1,710,059
DISCOUNTED CAPITAL	£0	£0	£0	£0	£0	£0	£0	-£856,730	£1,921,311	£0	£0	£0	£0	£0	£0
DISCOUNTED MAINTENANCE	-£841,000	-£20,290	-£112,955	-£27,960	-£183,874	-£17,681	-£163,514	-£16,506	-£15,948	-£55,764	-£14,887	-£82,878	-£23,824	-£54,989	-£12,973
DISCOUNTED TOTAL COSTS	-£841,000	-£20,290	-£112,955	-£27,960	-£183,874	-£17,681	-£163,514	-£873,236	£1,937,259	-£55,764	-£14,887	-£82,878	-£23,824	-£54,989	-£12,973
Discounted Asset Value	£275,000	£144,928	£466,755	£360,777	£174,288	£84,197	£40,675	£39,300	£2,749,070	£2,124,885	£1,847,726	£1,606,718	£1,397,146	£1,214,910	£1,056,443

Costs Summary

<u>Costs for the period 2015 to 2029</u>	OPTION 6	OPTION 7	OPTION 8
-	Maintain only	Replace now	Delay Replacement
CAPITAL COST	-£3,247,000	-£2,742,000	-£3,620,000
MAINTENANCE	-£1,324,000	-£1,255,000	-£1,850,000
TOTAL COSTS	-£4,571,000	-£3,997,000	-£5,470,000
DISCOUNTED CAPITAL	-£2,763,356	-£2,677,296	-£2,778,041
DISCOUNTED MAINTENANCE	-£1,015,938	-£957,722	-£1,645,043
DISCOUNTED TOTAL COSTS	-£3,779,294	-£3,060,696	-£4,423,085
Discounted Asset Value(2029)	£690,792	£382,739	£1,056,443
Net Discounted Asset Cost (2029)	-£3,088,502	-£2,677,957	-£3,366,642

<u>Whole life costs</u>	OPTION 6	OPTION 7	OPTION 8
-	Maintain only	Replace now	Delay Replacement
CAPITAL COST	-£3,247,000	-£2,742,000	-£3,620,000
MAINTENANCE	-£2,174,000	-£2,027,000	-£3,222,000
TOTAL COSTS	-£5,421,000	-£4,769,000	-£6,842,000
DISCOUNTED TOTAL COSTS	-£4,196,157	-£4,025,912	-£5,087,614
DISCOUNTED CAPITAL	-£2,763,356	-£2,677,296	-£2,778,041
DISCOUNTED MAINTENANCE	-£1,460,193	-£1,348,616	-£2,309,572

(N.B. In September 2013 (Billet d'État XIX, 2013), the States agreed that the replacement of the Fisheries Protection Vessel be assigned as a category A project and classified as a pipeline project for funding from the Capital Reserve. The proposal submitted by the Commerce and Employment Department at that time included an indicative cost (at 2013 values) of £2.7million.

In May 2015, the Treasury and Resources Department considered and endorsed the Outline Business Case submitted by the Commerce and Employment Department for the purchase of a replacement Fisheries Protection Vessel. The Outline Business Case is a very comprehensive document which clearly sets out the conclusions and recommendations of the detailed investigative work undertaken by the Commerce and Employment Department in determining the most appropriate way forward for the purchase of a replacement Fisheries Patrol Vessel.

As a consequence of favourable movements in exchange rates, it is anticipated that the cost of this project will be no more than £2.625million which is below the cost indicated in 2013 and, therefore, the predicted shortfall in funding within the Capital Reserve to meet the estimated cost of all of the portfolio, will reduce slightly.

The Treasury and Resources Department will continue to work closely with the Commerce and Employment Department as this project progresses, specifically focusing on the realisation of benefits.)

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

The States are asked to decide:-

XVIII.- Whether, after consideration of the Policy Letter dated 2nd July, 2015, of the Commerce and Employment Department, they are of the opinion:-

1. To approve the purchase of a replacement Sea Fisheries Patrol Vessel by the Commerce and Employment Department at a cost not exceeding £2.625 million (to be adjusted for exchange rate fluctuation and variation in proceeds from the sale of the Leopardess).
2. To authorise the Commerce and Employment Department to continue exclusive negotiations with Damen Shipbuilders BV to finalise the vessel construction contract.
3. To delegate authority to the Treasury and Resources Department to approve the Full Business Case, award the contract to Damen Shipbuilders BV and open a Capital Vote not exceeding £2.625 million (to be adjusted for exchange

fluctuations and variation in proceeds from the sale of the Leopardess) charged to the Capital Reserve.