



V
2021

BILLET D'ÉTAT

WEDNESDAY, 24th FEBRUARY 2021

ELECTIONS AND APPOINTMENTS

Appointments Laid Before the States

Committee for Economic Development - Appointment of an Ordinary Member of the Office of the Financial Services Ombudsman
Committee for Economic Development - Appointment of an Ordinary Member of the Guernsey Competition Regulatory Authority

LEGISLATIVE BUSINESS

Legislation laid before the States

The Income Tax (Residence) (Amendment) (Guernsey) Ordinance, 2020
The European Communities (Coronavirus Vaccine) (Immunity from Civil Liability) (Guernsey) Ordinance, 2020
The Income Tax (Surcharges) (Amendment) (Guernsey) Ordinance, 2020
The International Trade Agreements (General Implementation) (Bailiwick of Guernsey) Ordinance, 2020
The World Trade Organization (Privileges and Immunities) (Bailiwick of Guernsey) Ordinance, 2020
The Competition (Vertical Arrangements Block Exemption) (Guernsey) Regulations, 2020
The Financial Services Commission (Fees) Regulations, 2020
The Boarding Permit Fees (No. 2) Order, 2020

CONTINUED OVERLEAF

The Haiti (Sanctions) (Prohibition of Claims) (Bailiwick of Guernsey) Regulations, 2020
 The Libya (Sanctions) (Prohibition of Claims) (Bailiwick of Guernsey) Regulations, 2020
 The Former Yugoslavia (Sanctions) (Prohibition of Claims) (Bailiwick of Guernsey) Regulations, 2020
 The Customs and Excise (Import) (Customs Declarations) Regulations, 2020
 The Customs and Excise (Special Customs Procedures) (Bailiwick of Guernsey) Regulations, 2020
 The Export Control (Miscellaneous Goods) (Bailiwick of Guernsey) (Amendment) Order, 2020
 The Fire Services (Fees and Charges) (Guernsey) Regulations, 2020
 The Customs (Temporary Admission Procedures) (Bailiwick of Guernsey) Regulations, 2020
 The Health Service (Payment of Authorised Appliance Suppliers) (Amendment) Regulations, 2020
 The Health Service (Payment of Authorised Suppliers) (Amendment) Regulations, 2020
 The Customs and Excise (Approved Ports and Customs Declarations) (Revocation) Regulations, 2020
 The Customs and Excise (Import) (Customs Declarations) (Amendment) Regulations, 2020
 The Data Protection (General Provisions) (Bailiwick of Guernsey) (Amendment No. 3) Regulations, 2020
 The Customs and Excise (Customs Export Declarations) Regulations, 2020
 The Income Tax (Standard Charge) (Amendment) Regulations, 2020

Legislation for Approval

1. Policy & Resources Committee - The Health Service Benefit (Amendment and Miscellaneous Provisions) (Guernsey) Law, 2021, P.2020/210
2. Committee *for* Home Affairs - The Police Force (Bailiwick of Guernsey) (Amendment) Ordinance, 2021, P.2021/1
3. Policy & Resources Committee - The Disclosure (Bailiwick of Guernsey) (Amendment) Ordinance, 2021, P.2021/2
4. Committee *for* Employment & Social Security - The Social Insurance (States Pension) (Amendment) (Guernsey) Ordinance, 2021, P.2021/3

OTHER BUSINESS

5. Development & Planning Authority - Temporary Exemption from Requirement for Planning Permission for Certain Changes of Use of Visitor Accommodation, P.2021/4
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APPENDICES

Committee *for* Employment & Social Security - Guernsey Insurance Fund –
Actuarial Review as at 31 December 2019

Committee *for* Employment & Social Security - Guernsey Long Term Care
Insurance Fund - Actuarial Review as at 31 December 2019

Committee *for* Employment & Social Security - Election of Non-Voting
Members of the Committee

Committee *for* Education, Sport & Culture - Election of a Non-Voting Member
of the Committee

Committee *for* Economic Development - Election of Non-Voting Members of
the Committee

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 via **MICROSOFT TEAMS LIVE**, on **WEDNESDAY**, the **24th February, 2021** at **9.30 a.m.**, to consider the items listed in this Billet d'État which have been submitted for debate.

R. J. McMAHON
Bailiff and Presiding Officer

The Royal Court House
Guernsey

5th February, 2021

APPOINTMENT LAID BEFORE THE STATES OF DELIBERATION

APPOINTMENT OF AN ORDINARY MEMBER OF THE GUERNSEY COMPETITION AND REGULATORY AUTHORITY

In accordance with section 1(4A) of Schedule 1 to the Guernsey Competition and Regulatory Authority Ordinance, 2012, as amended, the following appointment by the Committee *for* Economic Development, to the Guernsey Competition and Regulatory Authority, is laid before the States of Deliberation:

- Ms. Caroline Chan, as an ordinary member, with effect from 13th March 2021.

Ms. Chan has been appointed, as an ordinary member, until 12th March 2023.

The States of Deliberation have the power to annul the appointment.

The Committee *for* Economic Development has concluded that Ms. Chan is suitable to be an ordinary member of Guernsey Competition and Regulatory Authority.

A summarised version of the curricula vitae of Ms. Chan is provided below.

Ms. Caroline Chan

	Position:	Dates:
Career:	Advocate and Partner, Mourant Ozannes.	2015-2020
	Advocate and Partner, Ogier.	2008-2015
	Managing associate, Ogier.	2007-2008
	Associate, Ozannes.	1998-2007
	Solicitor, Allen & Overy (London and Hong Kong).	1991-1998
	Trainee solicitor, Allen & Overy (London and Hong Kong).	1989-1991
Professional qualifications:	Called to Guernsey Bar.	2003
	Admitted as a Hong Kong solicitor (non-practising).	1994
	Admitted as an English solicitor (non-practising).	1991
Current Non-Executive Directorships	Director of Round Hill Music Royalty Fund Limited.	2020 to date
	Chair of the Board of Governors, The Ladies' College.	2019 to date
	Governor and Associate Governor, The Ladies' College.	2016 to 2019

APPOINTMENT LAID BEFORE THE STATES OF DELIBERATION

BY THE COMMITTEE FOR ECONOMIC DEVELOPMENT

**APPOINTMENT OF AN ORDINARY MEMBER OF THE OFFICE OF THE
FINANCIAL SERVICES OMBUDSMAN**

In accordance with paragraph 1(2) of schedule 1 to the Financial Services Ombudsman (Bailiwick of Guernsey) Law, 2014, the following appointment, by the Committee *for* Economic Development, to the Office of the Financial Services Ombudsman, is laid before the States of Deliberation:

- Mr. John Curran as ordinary member with effect from 31st January 2021.

Mr. Curran has been appointed as an ordinary member until 30th January 2022.

The States of Deliberation have the power to annul the appointment.

The Committee *for* Economic Development has concluded that Mr. Curran is suitable to be an ordinary member of the Office of the Financial Services Ombudsman.

A summarised version of the curricula vitae of Mr. Curran is provided below.

Mr. John Curran

	Position/company:	Dates:
Career:	Independent consultant.	2012-current.
	Chief Executive, Channel Islands Competition and Regulatory Authority.	2010-2012.
	Director General, Office of Utility Regulation (Guernsey).	2005-2010.
	Deputy Director and Director of Regulation, Office of Utility Regulation (Guernsey).	2003-2005.
	Regulatory Advisor, Tesltra Corporation (Sydney).	2002-2003.
	Manager of Operations Division, Commission for Communications Regulation (Comreg) (Dublin).	1997-2001.
	Irish Civil Service.	1990-1997.
Professional qualifications:	Diploma in Company Direction, Institute of Directors.	2010.
	Certificate in Electronic Engineering, Galway Institute of Technology.	1990.
Current Non-Executive Directorships	Non-Executive Director, Channel Islands Financial Services Ombudsman.	2014-current.
	Board Member, Guernsey Data Protection Authority.	2018-current.
	Non-voting member, Guernsey Transport Licensing Authority.	2016-current.
	Ordinary member, Guernsey Competition and	2018-current.

Regulatory Authority.	
Ordinary member, Jersey Competition and Regulatory Authority.	2018-current.
Chairman, Guernsey Employment Trust.	2021-current

ORDINANCE LAID BEFORE THE STATES

THE INCOME TAX (RESIDENCE) (AMENDMENT) (GUERNSEY) ORDINANCE, 2020

In pursuance of the provisions of the proviso to Article 66A(1) of The Reform (Guernsey) Law, 1948, as amended, "The Income Tax (Residence) (Amendment) (Guernsey) Ordinance, 2020", made by the Policy & Resources Committee on the 1st December, 2020, is laid before the States.

EXPLANATORY MEMORANDUM

This Ordinance amends the Income Tax (Guernsey) Law, 1975 so as to permit the Director of the Revenue Service to issue guidance as to derogations which may be applied in respect of an individual for the purpose of calculating the number of days which the individual is to be treated as having spent in Guernsey and determining whether that individual is resident, solely resident or principally resident in Guernsey in any year of charge.

The Ordinance was approved by the Legislation Review Panel on the 23rd November, 2020 and made by the Policy & Resources Committee in exercise of its powers under Article 66A(1) of the Reform (Guernsey) Law, 1948. Under the proviso to the said Article 66A(1), the States of Deliberation have the power to annul the Ordinance.

THE EUROPEAN COMMUNITIES (CORONAVIRUS VACCINE) (IMMUNITY FROM CIVIL LIABILITY) (GUERNSEY) ORDINANCE, 2020

In pursuance of the provisions of the proviso to Article 66A(1) of The Reform (Guernsey) Law, 1948, as amended, "The European Communities (Coronavirus Vaccine) (Immunity from Civil Liability) (Guernsey) Ordinance, 2020", made by the Policy & Resources Committee on the 14th December, 2020, is laid before the States.

EXPLANATORY MEMORANDUM

This Ordinance protects from civil liability the supply chain involved in the sale, supply or administration of temporarily authorised COVID-19 vaccine(s) in Guernsey. It deals with any issues arising from receipt of such vaccines administered in accordance with a Patient Group Direction or protocol approved or consented to by the Committee for Health & Social Care.

The Ordinance applies where a vaccine against the coronavirus has been temporarily authorised by the UK licensing authority under the Human Medicines Regulations, 2012 and designated under regulations made under the Prescription Only Medicines (Human) (Bailiwick of Guernsey) Ordinance, 2009, and the vaccine is sold, supplied or administered in accordance with a Patient Group Direction or protocol approved or consented to by the Committee for Health & Social Care. It will only apply to a vaccine sold, supplied or administered after the Ordinance comes into force and before the vaccine receives either a UK marketing authorisation or a European Medicines Agency

marketing authorisation. At the time this Ordinance is laid before the States, only the Pfizer-BioNTech COVID-19 Vaccine has been temporarily authorised by the UK licensing authority and designated by regulations for use in the Bailiwick.

The Ordinance implements, in modified form, Article 5(3) of the Medicines Directive (Directive 2001/83/EC of the European Parliament and of the Council of 6th November 2001 on the Community code relating to medicinal products for human use).

The Ordinance was approved by the Legislation Review Panel on the 11th December, 2020 and made by the Policy & Resources Committee in exercise of its powers under Article 66A(1) of the Reform (Guernsey) Law, 1948. Under the proviso to the said Article 66A(1), the States of Deliberation have the power to annul the Ordinance.

THE INCOME TAX (SURCHARGES) (AMENDMENT) (GUERNSEY) ORDINANCE, 2020

In pursuance of the provisions of the proviso to Article 66A(1) of The Reform (Guernsey) Law, 1948, as amended, "The Income Tax (Surcharges) (Amendment) (Guernsey) Ordinance, 2020", made by the Policy & Resources Committee on the 22nd December, 2020, is laid before the States.

EXPLANATORY MEMORANDUM

This Ordinance amends section 199 of the Income Tax (Guernsey) Law, 1975 which provides that backdated surcharges will apply if income tax returns are submitted after the filing deadline for income tax returns. The deadline for returns is the 15th January in the following year or, pursuant to the amending Ordinance, such later date as the Director of the Revenue Service may specify.

The Ordinance was approved by the Legislation Review Panel on the 17th December, 2020 and made by the Policy & Resources Committee in exercise of its powers under Article 66A(1) of the Reform (Guernsey) Law, 1948. Under the proviso to the said Article 66A(1), the States of Deliberation have the power to annul the Ordinance.

THE INTERNATIONAL TRADE AGREEMENTS (GENERAL IMPLEMENTATION) (BAILIWICK OF GUERNSEY) ORDINANCE, 2020

In pursuance of the provisions of the proviso to Article 66A(1) of The Reform (Guernsey) Law, 1948, as amended, "The International Trade Agreements (General Implementation) (Bailiwick of Guernsey) Ordinance, 2020", made by the Policy & Resources Committee on the 22nd December, 2020, is laid before the States.

EXPLANATORY MEMORANDUM

This Ordinance contains a Schedule listing the international trade agreements which bind the Bailiwick (or any part thereof) on "exit day" (which is defined in the European Union (Exit Day and Designated Day) (Brexit) (Bailiwick of Guernsey) Regulations, 2020

as 11p.m. on the 31st December, 2020). Section 2 of the Ordinance provides that international trade agreements do not form part of the domestic law of the Bailiwick, section 3 makes general provision about the senior committees of Guernsey, Alderney and Sark working together to appoint trade representatives, and sections 4 to 6 enable the collection of trade-related information, the exchange of such information within the governments of the Bailiwick and onwards to the UK and beyond, and the protection of such information from unlawful disclosure.

The Ordinance was approved by the Legislation Review Panel on the 17th December, 2020 and made by the Policy & Resources Committee in exercise of its powers under Article 66A(1) of the Reform (Guernsey) Law, 1948. Under the proviso to the said Article 66A(1), the States of Deliberation have the power to annul the Ordinance.

THE WORLD TRADE ORGANIZATION (PRIVILEGES AND IMMUNITIES) (BAILIWICK OF GUERNSEY) ORDINANCE, 2020

In pursuance of the provisions of the proviso to Article 66A(1) of The Reform (Guernsey) Law, 1948, as amended, “The World Trade Organization (Privileges And Immunities) (Bailiwick Of Guernsey) Ordinance, 2020”, made by the Policy & Resources Committee on the 22nd December, 2020, is laid before the States.

EXPLANATORY MEMORANDUM

This Ordinance affords to the World Trade Organization (WTO), its representatives and officials the various privileges and immunities that are required under Article VIII of the Agreement establishing the WTO. It includes a regulation-making power for the Policy & Resources Committee to further particularise the privileges and immunities conferred.

The Ordinance was approved by the Legislation Review Panel on the 17th December, 2020 and made by the Policy & Resources Committee in exercise of its powers under Article 66A(1) of the Reform (Guernsey) Law, 1948. Under the proviso to the said Article 66A(1), 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.

No. 110 of 2020

THE COMPETITION (VERTICAL ARRANGEMENTS BLOCK EXEMPTION) (GUERNSEY) REGULATIONS, 2020

In pursuance of section 63(3) of the Competition (Guernsey) Ordinance, 2012, the Competition (Vertical Arrangements Block Exemption) (Guernsey) Regulations, 2020, made by the Committee *for* Economic Development on 12th November, 2020 are laid before the States.

EXPLANATORY NOTE

These Regulations are made under section 7(1) and 63 of the Competition (Guernsey) Ordinance, 2012.

They exempt certain arrangements between entities operating at different levels of the production or distribution chain from the provisions of section 5(1) of the Competition (Guernsey) Ordinance, 2012, notwithstanding that such arrangements may otherwise amount to an agreement between undertakings which have the object or effect of preventing competition. The Regulations are largely in line with the European Commission's Vertical Agreements Block Exemption Regulation, with specific regulations also introduced in respect of fuel forecourt arrangements.

These Regulations came into force on 12th November, 2020.

No. 121 of 2020

THE FINANCIAL SERVICES COMMISSION (FEES) REGULATIONS, 2020

In pursuance of section 2 of the Sanctions (Bailiwick of Guernsey) Law, 2018, "The Financial Services Commission (Fees) Regulations, 2020", made by the Policy & Resources Committee on 1st December, 2020, are laid before the States.

EXPLANATORY NOTE

These Regulations prescribe for the purposes of the Protection of Investors (Bailiwick of Guernsey) Law, 1987, the Banking Supervision (Bailiwick of Guernsey) Law, 1994, the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2000, the Insurance Business (Bailiwick of Guernsey) Law, 2002 and the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002 the fees payable in respect of the licensing of controlled investment business and the authorisation and registration of collective investment schemes, a designated territory investment business notification, a non-Guernsey open-ended collective investment scheme notification, the licensing of a bank, the licensing of fiduciaries, the licensing of an insurer, the service of notice of an application to the Royal Court for an order sanctioning a transfer of long term

insurance business, the licensing of an insurance manager, the licensing of an insurance intermediary, and the fees payable annually thereafter.

These Regulations came into force on the 1st January, 2021.

No. 127 of 2020

BOARDING PERMIT FEES (NO. 2) ORDER, 2020

In pursuance of section 17 of the Tourist Law, 1948, “The Boarding Permit Fees (No. 2) Order, 2020”, made by the Committee for Economic Development on 10th December, 2020, is laid before the States.

EXPLANATORY NOTE

This Order sets boarding permit fees for the next season for the Visitor Accommodation Sector.

This Order comes into force on 1st April, 2021.

No. 132 of 2020

THE HAITI (SANCTIONS) (PROHIBITION OF CLAIMS) (BAILIWICK OF GUERNSEY) REGULATIONS, 2020

In pursuance of section 2 of the Sanctions (Bailiwick of Guernsey) Law, 2018, “The Haiti (Sanctions) (Prohibition of Claims) (Bailiwick of Guernsey) Regulations, 2020”, made by the Policy & Resources Committee on 14th December, 2020, are laid before the States.

EXPLANATORY NOTE

These Regulations give effect within the Bailiwick to measures enacted by the European Union concerning the effect of United Nations Security Council Resolutions relating to Haiti. The measures prohibit claims in respect of the performance of contracts or transactions that were affected by the implementation of the relevant United Nations Security Council Resolutions. This prohibition was previously implemented in the Bailiwick by an Order in Council made under the United Nations Act, 1946.

These Regulations came into force on the day they were made.

No. 133 of 2020

THE LIBYA (SANCTIONS) (PROHIBITION OF CLAIMS) (BAILIWICK OF GUERNSEY) REGULATIONS, 2020

In pursuance of section 2 of the Sanctions (Bailiwick of Guernsey) Law, 2018, “The Libya (Sanctions) (Prohibition of Claims) (Bailiwick of Guernsey) Regulations, 2020”, made by the Policy & Resources Committee on 14th December, 2020, are laid before the States.

EXPLANATORY NOTE

These Regulations give effect within the Bailiwick to measures enacted by the European Union concerning the effect of United Nations Security Council Resolutions relating to Libya. The measures prohibit claims in respect of the performance of contracts or transactions that were affected by the implementation of the relevant United Nations Security Council Resolutions. This prohibition was previously implemented in the Bailiwick by an Order in Council made under the United Nations Act, 1946.

These Regulations came into force on the day they were made.

No. 134 of 2020

THE FORMER YUGOSLAVIA (SANCTIONS) (PROHIBITION OF CLAIMS) (BAILIWICK OF GUERNSEY) REGULATIONS, 2020

In pursuance of section 2 of the Sanctions (Bailiwick of Guernsey) Law, 2018, “The Former Yugoslavia (Sanctions) (Prohibition of Claims) (Bailiwick of Guernsey) Regulations, 2020”, made by the Policy & Resources Committee on 14th December, 2020, are laid before the States.

EXPLANATORY NOTE

These Regulations give effect within the Bailiwick to measures enacted by the European Union concerning the effect of United Nations Security Council Resolutions relating to the former Yugoslavia. The measures prohibit claims in respect of the performance of contracts or transactions that were affected by the implementation of the relevant United Nations Security Council Resolutions. This prohibition was previously implemented in the Bailiwick by an Order in Council made under the United Nations Act, 1946.

These Regulations came into force on the day they were made.

No. 137 of 2020

THE CUSTOMS AND EXCISE (IMPORT) (CUSTOMS DECLARATIONS) REGULATIONS, 2020

In pursuance of section 15 and 20(1A) of the Customs and Excise (General Provisions) (Bailiwick of Guernsey) Law, 1972, The Customs and Excise (Import) (Customs Declarations) Regulations, 2020, made by the Committee *for* Home Affairs on 14th December 2020, is laid before the States.

EXPLANATORY NOTE

These Regulations are made under section 79 as read with sections 15 and 20(1A) of the Customs and Excise (General Provisions) (Island of Guernsey) Law, 1972.

Section 15 of the Customs Law provides for entry of goods on importation. Subsection (1) provides for the Committee to make regulations and subsection (3) specifies

particular matters for which regulations may be made in relation to customs declarations. Section 15(4) and (5) provide for regulations to specify further details relating to the process of making customs declarations.

Section 20(1A) provides for persons who are liable to pay import duty on chargeable goods. Paragraph (b) provides for regulations to be made to specify classes of persons liable to pay such duty.

These Regulations will come into force on exit day within the meaning of the European Union (Brexit) (Island of Guernsey) Law, 2018.

No. 138 of 2020

THE CUSTOMS AND EXCISE (SPECIAL CUSTOMS PROCEDURES) (BAILIWICK OF GUERNSEY) REGULATIONS, 2020

In pursuance of sections 15, 73A and 79 of the Customs and Excise (General Provisions) (Bailiwick of Guernsey) Law, 1972, The Customs and Excise (Special Customs Procedures) (Bailiwick of Guernsey) Regulations, 2020, made by the Committee *for* Home Affairs on 14th December 2020, is laid before the States.

EXPLANATORY NOTE

These Regulations are made by the Committee *for* Home Affairs under the Customs and Excise (General Provisions) (Bailiwick of Guernsey) Law, 1972, and make provision in respect of special customs procedures, defined in the Regulations as an inward processing procedure, an authorised use procedure, or a storage procedure.

These Regulations come into force on “exit day” within the meaning of the European Union (Brexit) (Bailiwick of Guernsey) Law, 2018.

No. 139 of 2020

THE EXPORT CONTROL (MISCELLANEOUS GOODS) (BAILIWICK OF GUERNSEY) (AMENDMENT) ORDER, 2020

In pursuance of section 1 and 7 of the Export Control (Bailiwick of Guernsey) Law, 2006, The Export Control (Miscellaneous Goods) (Bailiwick of Guernsey) (Amendment) Order, 2020, made by the Committee *for* Home Affairs on 14th December 2020, is laid before the States.

EXPLANATORY NOTE

This Order amends the Export Control (Miscellaneous Goods) (Bailiwick of Guernsey) Order, 2010 ("the principal Order") to provide for the UK leaving the European Union.

Article 2 of this Order substitutes the definition of "customs territory" in article 19(1) of the principal Order with a definition that would treat the UK and the Crown Dependencies as part of the customs territory for the purposes of the principal Order.

Article 3 of this Order amends Schedule 5 to the principal Order to clarify the meaning of "customs territory".

Article 4 of this Order consequentially amends the Export Control (Brexit) (Bailiwick of Guernsey) Regulations, 2019 to include this Order in the list of Orders that would be continued in effect as if duly made under the Export Control (Bailiwick of Guernsey) Law, 2006, as amended by those Regulations.

Articles 5 and 6 of this Order are the citation and commencement provisions respectively.

This Order comes into force on the day declared to be "exit day" by Order made under the European Union (Brexit) (Bailiwick of Guernsey) Law, 2018.

No. 142 of 2020

THE FIRE SERVICES (FEES AND CHARGES) (GUERNSEY) REGULATIONS, 2020

In pursuance of sections 1A(1), 12(4AB), 24(2A) and 26A of the Fire Services (Guernsey) Law, 1989, The Fire Services (Fees and Charges) (Guernsey) Regulations, 2020, made by the Committee *for* Home Affairs on 14th December 2020, is laid before the States.

EXPLANATORY NOTE

These Regulations prescribe fees and charges for equipment and services provided by agreement with the Committee *for* Home Affairs (acting through the Guernsey Fire & Rescue Service) ("the Committee"), fees for notification of controlled premises, and charges in respect of mandatory consultation with the Committee.

These Regulations will come into force on the 1 January, 2021.

No. 143 of 2020

THE CUSTOMS (TEMPORARY ADMISSION PROCEDURES) (BAILIWICK OF GUERNSEY) REGULATIONS, 2020

In pursuance of section 15, 20(IA)(b), 21, 54D, 73A and 79 of the Customs and Excise (General Provisions) (Bailiwick of Guernsey) Law, 1972, The Customs (Temporary Admission Procedures) (Bailiwick of Guernsey) Regulations, 2020, made by the Committee *for* Home Affairs on 14th December 2020, is laid before the States.

EXPLANATORY NOTE

These Regulations are made under the Customs and Excise (General Provisions) (Bailiwick of Guernsey) Law, 1972 and make provision for temporary admission of goods.

Part 1 makes provision as to who may declare goods for the temporary admission procedure and the basis of such a declaration.

Part 2 sets out the procedure under which an authorisation to declare goods for the temporary admission procedure may be granted (including retrospective authorisations) and sets out when applications for authorisation cannot be made. A right to review and appeal a failure to consider an application is also provided. Provision is also made for customs declarations to be treated as applications for authorisation and permits the amendment, suspension and revocation of authorisations.

Part 3 makes provision relating to the use of Customs agents to make declarations and the effect of a notification of liability to pay import duty and excise duty.

Part 4 sets out the general rules relating to the temporary admission procedure, including the effect of an authorisation, the ability to add conditions to an authorisation and the transfer of rights and obligations in relation to goods declared to the procedure. This Part also provides for the discharge of the procedure, requires the keeping of records in relation to the goods declared and permits the use of equivalent goods.

Part 5 makes provision for full and partial relief from a liability to import duty for goods declared for temporary admission,

Part 6 gives effect to the ATA Convention and Istanbul Convention, and sets out the temporary admission procedure as it applies where the declaration is made by means of a carnet issued under one of the Conventions.

Part 7 provides for the giving of guarantees on a single and a comprehensive basis, and the effect of such a guarantee in relation to goods.

These Regulations come into force on exit day, as defined by the European Union (Brexit) (Bailiwick of Guernsey) Law, 2018.

No. 145 of 2020

**THE HEALTH SERVICE (PAYMENT OF AUTHORISED APPLIANCE SUPPLIERS)
(AMENDMENT) REGULATIONS, 2020**

In pursuance of sections 19 and 35 of the Health Service (Benefit) (Guernsey) Law, 1990 “The Health Service (Payment of Authorised Appliance Suppliers) (Amendment) Regulations, 2020” made by the Committee *for* Health & Social Care on 15th December 2020, are laid before the States.

EXPLANATORY MEMORANDUM

These Regulations set out the payments which may be made out of the Guernsey Health Service Fund for the supply of medical appliances.

These Regulations came into force on the 1st January, 2021.

No. 146 of 2020

**THE HEALTH SERVICE (PAYMENT OF AUTHORISED SUPPLIERS) (AMENDMENT)
REGULATIONS, 2020**

In pursuance of sections 14 and 35 of the Health Service (Benefit) (Guernsey) Law, 1990 “The Health Service (Payment of Authorised Suppliers) (Amendment) Regulations, 2020” made by the Committee *for* Health & Social Care on 15th December 2020, are laid before the States.

EXPLANATORY MEMORANDUM

These Regulations set out the payments which may be made to pharmacists out of the Guernsey Health Service Fund, for the supply of pharmaceutical items.

These Regulations came into force on 1st January, 2021.

No. 148 of 2020

**THE CUSTOMS AND EXCISE (APPROVED PORTS AND CUSTOMS DECLARATIONS)
(REVOCATION) REGULATIONS, 2020**

In pursuance of section 7, 15 and 79 of the Customs and Excise (General Provisions) (Bailiwick of Guernsey) Law, 1972, The Customs and Excise (Approved Ports and Customs Declarations) (Revocation) Regulations, 2020, made by the Committee *for* Home Affairs on 18th December 2020, is laid before the States.

EXPLANATORY NOTE

These Regulations revoke the Customs and Excise (Approved Ports and Customs Declarations) (Bailiwick of Guernsey) Regulations, 2019.

These Regulations come into force immediately on the coming into force of the Customs and Excise (Import) (Customs Declarations) Regulations, 2020, which contain (*inter alia*) replacement provision.

No. 149 of 2020

**THE CUSTOMS AND EXCISE (IMPORT) (CUSTOMS DECLARATIONS) (AMENDMENT)
REGULATIONS, 2020**

In pursuance of 79 as read with section 15 and 20(1A) of the Customs and Excise (General Provisions) (Bailiwick of Guernsey) Law, 1972, The Customs and Excise (Import) (Customs Declarations) (Amendment) Regulations, 2020, made by the Committee *for* Home Affairs on 18th December 2020, is laid before the States.

EXPLANATORY NOTE

These Regulations make a minor amendment to Customs and Excise (Import) (Customs Declarations) Regulations, 2020, to clarify that goods may be released to the free

circulation procedure when payment of excise duty is suspended under the provisions of the Approved Warehouses (Bailiwick of Guernsey) Order, 2012.

These Regulations will come into force on exit day within the meaning of the European Union (Brexit) (Island of Guernsey) Law, 2018.

No. 150 of 2020

**THE DATA PROTECTION (GENERAL PROVISIONS) (BAILIWICK OF GUERNSEY)
(AMENDMENT NO. 3) REGULATIONS, 2020**

In pursuance of sections 37, 39, 40 and 109 of, and paragraph 1(2) of Schedule 4 to, the Data Protection (Bailiwick of Guernsey) Law, 2017, and all other powers enabling it in that behalf, The Data Protection (General Provisions) (Bailiwick of Guernsey) (Amendment No. 3) Regulations, 2020, made by the Committee *for* Home Affairs on 18th December 2020, is laid before the States.

EXPLANATORY NOTE

These Regulations amend the Data Protection (General Provisions) (Bailiwick of Guernsey) Regulations, 2018 ("the principal Regulations").

The Data Protection (General Provisions) (Bailiwick of Guernsey) (Amendment No. 2) Regulations, 2020 had previously amended the principal Regulations, inserting regulations C1, D1 and 5B in, and substituting Schedule 1 to, the principal Regulations.

Regulation 2 of these Regulations amends regulation C1 (meaning of "exempt person") of the principal Regulations to qualify the exemption from registration for newly incorporated or registered incorporated companies, foundations, limited liability partnerships and limited partnerships. In order to be exempt from registration on any particular date these entities would need to have been incorporated or registered in the calendar year (January to December) in which that date falls, as well as have a levy collection agent at that time.

Regulation 3 of these Regulations corrects a typo in regulation D1 of the principal Regulations.

Regulation 4 of these Regulations amends regulation 5B of the principal Regulations to make it clear that any "exempt person" within the meaning of regulation C1 who, although exempt from registration, continues to be registered as a controller or processor in 2021 would not be required to make a return under regulation 5B.

Regulation 5 of these Regulations amends the table in Schedule 1 to the principal regulations to make it clear that any exempt person who, although exempt from registration, continues to be registered, is not required to pay the registration fee or annual levy specified in the last row of that table. However, as an exempt person is required to have arrangements in place with a levy collection agent, the exempt person may be required to pay an agreed sum to the levy collection agent under those arrangements.

These Regulations will come into force on the 1st January, 2021.

No.154 of 2020

THE CUSTOMS AND EXCISE (CUSTOMS EXPORT DECLARATIONS) REGULATIONS, 2020

In pursuance of section 24 and 79 of the Customs and Excise (General Provisions) (Bailiwick of Guernsey) Law, 1972, The Customs and Excise (Customs Export Declarations) Regulations, 2020, made by the Committee *for* Home Affairs on 29th December 2020, is laid before the States.

EXPLANATORY NOTE

These Regulations are made under sections 24 and 79 of the Customs and Excise (General Provisions) (Island of Guernsey) Law, 1972 to provide for export declarations.

Part 1 makes provision for goods which may be exported in accordance with applicable export provision and specifies what those goods are and what the applicable export provisions are.

Part 2 specifies the requirements to be met in making export declarations including when export declarations are required to be made.

Part 3 makes provision for the common export procedure, goods which may be made for this procedure including when goods can be released and discharged from a common export procedure.

Part 4 provides for customs export declarations. It specifies who is eligible to make a customs declaration, the form in which a declaration may be made and the content of the export declaration. It further specifies the different methods by which an export declaration may be made and the requirements for each method.

Part 5 makes provision for the examination and control of goods. It specifies the requirement for goods to be made available for examination by the Chief Revenue Officer. It further specifies when the goods for which an export declaration are under the control of the Chief Revenue Officer.

Part 6 makes provision for the acceptance and verification of export declarations by the Chief Revenue Officer.

Part 7 provides for the use of Customs agents in making export declarations.

Part 8 provides for general matters, the making of public notices, the interpretation provision as well as the citation and commencement of these Regulations. These Regulations come into force on exit day, as defined by the European Union (Brexit) (Bailiwick of Guernsey) Law, 2018.

No.2 of 2021

THE INCOME TAX (STANDARD CHARGE)(AMENDMENT) REGULATIONS, 2020

In pursuance of section 203A of the Income Tax (Guernsey) Law, 1975, as amended, “The Income Tax (Standard Charge) (Amendment) Regulations, 2020” made by the Policy & Resources Committee on 17th December 2020, are laid before the States.

EXPLANATORY MEMORANDUM

These Regulations increase the standard charge payable under section 5B of the Income Tax (Guernsey) Law, 1975 by individuals resident in Guernsey but not solely or principally resident therein from £30,000 to £40,000 in respect of their income in years of charge following 2020.

The full text of the legislation can be found at: <http://www.guernseylegalresources.gg>

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

PROJET DE LOI

Entitled

**THE HEALTH SERVICE BENEFIT (AMENDMENT AND MISCELLANEOUS PROVISIONS)
(GUERNSEY) LAW, 2021**

The States are asked to decide:-

Whether they are of the opinion to approve the draft Projet de Loi entitled "The Health Service Benefit (Amendment and Miscellaneous Provisions) (Guernsey) Law, 2021", and to authorise the Bailiff to present a most humble petition to Her Majesty praying for Her Royal Sanction thereto.

This proposition has been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

EXPLANATORY MEMORANDUM

The Law provides (at section 1) for the transfer of monies forming part of the Guernsey Health Service Fund ("the Fund") to the general revenue, on a date to be appointed by regulations, and for the consequent closure of the Fund. At sections 2 to 5 the Law amends the Health Service Benefit (Guernsey) Law, 1990, the Social Insurance (Guernsey) Law, 1978 and the Health Service (Benefit) Ordinance, 1990, to –

- i) make changes consequent on the closure of the Fund,
- ii) repeal provisions relating to Medical Benefit, Specialist Medical Benefit, Physiotherapy Benefit and Alderney Hospital Benefit, and to make changes consequential to those repeals,
- iii) provide for the Committee for Health & Social Care to have power to make provision in relation to Pharmaceutical Benefit and medical appliances by regulation and Committee resolution,
- iv) provide for the appointment of a Health Administrator in respect of the administration of the remaining statutory benefits under the Health Service Benefit (Guernsey) Law, 1990 and subordinate legislation, and

- v) repeal provision relating to travelling allowance grant.

Section 6 of the Law creates a power for the States to make any further consequential, incidental or supplementary provision by Ordinance. Power to make similar provision specifically in relation to the closure of the Fund is comprised within the regulation-making power at section 1.

The Law also makes several repeals at section 7 and Schedule 1, and at section 8 and Schedule 2 creates power for the Committee for Health & Social Care to make regulations for the purpose of ensuring that specified categories of person – for example, those who have a prospective right to or expectation of a statutory health service benefit immediately before commencement of the Law - do not suffer a detriment as a consequence of the repeal of those benefits by the Law. Sections 9-11 are concerned with the interpretation, citation and coming into force of the Law.

PROJET DE LOI

ENTITLED

The Health Service Benefit (Amendment and Miscellaneous Provisions) (Guernsey) Law, 2021

THE STATES, in pursuance of their Resolution of the 13th June, 2019^a, have approved the following provisions which, subject to the Sanction of Her Most Excellent Majesty in Council, shall have force of law in the Islands of Guernsey, Herm and Jethou.

Closure of Guernsey Health Service Fund.

1. (1) On the day appointed for the purpose by regulations made by the States Committee for Health & Social Care ("**the appointed day**"), all monies forming part of the Guernsey Health Service Fund established for the purposes of the Health Service (Pharmaceutical) (Guernsey) Law, 1972^b ("**the Fund**") at that date shall be paid into the general revenue account of the States.

(2) Immediately after the payment described in subsection (1) is made, the Fund shall be closed.

(3) The monies paid into the general revenue account of the States under subsection (1) shall be referred to within that account as the Guernsey Health

^a Article VII of Billet d'État No. X of 2019.

^b Ordres en Conseil Vol. XXIII, p. 428; Vol. XXVI, p. 472; No. XXI of 1984.

Reserve.

(4) Regulations under subsection (1) may make such consequential, incidental, supplementary, transitional or saving provision in relation to the closure of the Fund as the States Committee for Health & Social Care thinks fit, including, without limitation –

- (a) provision for the recovery as a civil debt of monies due to the Fund and remaining unpaid immediately before the appointed day,
- (b) provision relating to the preparation of final accounts of the Fund, and
- (c) provision making consequential amendments to the Health Service Benefit (Guernsey) Law, 1990^c and any other enactment.

(5) For the avoidance of doubt, and subject to any steps taken under any provision of the type described in subsection (4), no sums shall be paid into or out of the Fund after its closure.

^c Ordres en Conseil Vol. XXXII, p. 192; amended by Order in Council No. IX of 2003; No. II of 2011; No. IV of 2018; Recueil d'Ordonnances Tome XXVI, pp. 177 and 483; Ordinance Nos. XXII and XXVII of 2002; No. XXI and XXXIII of 2003; No. XLII of 2006; No. XLIII of 2007; No. XXII of 2015; Nos. IX and XLIV of 2016; and No. XVI of 2020; the Law is applied with modifications to Alderney by Recueil d'Ordonnances Tome XXV, p. 204.

Amendment to Health Service Benefit Law.

2. (1) The Health Service Benefit (Guernsey) Law, 1990 is further amended as follows.

(2) Part I (Source of Funds) is repealed.

(3) In section 4, delete paragraph (a).

(4) Section 5 (Health Benefit Card) is repealed.

(5) Part IV (Medical Benefit) is repealed.

(6) After section 10(1), insert -

"(1A) In this Part, any reference to the Committee for Health & Social Care making provision by regulations (however expressed) includes a reference to that Committee making such provision by resolution of the Committee, and references to regulations in this Part shall be construed accordingly.

(1B) The Committee for Health & Social Care must ensure the publication on the States of Guernsey website of resolutions of the type mentioned in subsection (1A).".

(7) In section 10(5) and section 15(5), for "The States may by Ordinance" substitute "The Committee for Health & Social Care may by regulation".

(8) In section 10(5)(a) and section 15(5)(a) –

- (a) for "persons specified in the Ordinance" substitute "persons specified in the regulations ",
- (b) for "an Ordinance under this paragraph" substitute "regulations under this paragraph", and
- (c) for "modifications specified in the Ordinance" substitute "modifications specified in the regulations".

(9) In section 10(5)(b) and section 15(5)(b), for "empower the Committee for Health & Social Care to restrict, by regulation," substitute "restrict", and for "in the Ordinance" substitute "in the regulations".

(10) In section 13(2), for "Ordinance of the States" substitute "regulations of the Committee for Health & Social Care", and in sections 13(3)(b) and 18(3)(b), delete "at the cost, in whole or in part, of the Fund".

(11) In section 13(4), for "The States may by Ordinance" substitute "The Committee for Health & Social Care may by regulation", and in section 13(5) for "An Ordinance" substitute "Regulations".

(12) After section 15(1), insert -

"(1A) In this Part, any reference to the Committee for Health & Social Care making provision by regulations (however expressed) includes a reference to that Committee making such provision by resolution of the Committee, and references to regulations in this Part shall be construed accordingly.

(1B) The Committee for Health & Social Care must ensure the publication on the States of Guernsey website of resolutions of the type mentioned in subsection (1A).".

(13) In section 18(4), for "The States may by Ordinance" substitute "The Committee for Health & Social Care may by regulation".

(14) Section 20 (reports of actuary), section 22(6) and section 23 (civil proceedings to recover sums due to the Fund) are repealed.

(15) Wherever it appears, for "Administrator" substitute "Health Administrator".

(16) In section 34 –

(a) in subsection (1)(a), delete "medical benefit",

(b) in subsection (1)(b), delete "6(4)",

(c) in subsection (2)(e)(i), for "into the Fund" substitute "into the general revenue", and

(d) in subsection (2)(e)(iii), delete "6(4)," and "to medical benefit in respect of consultations with or treatment by them or".

(17) In Part X, immediately before section 35 (Ordinances and regulations), insert –

"The Health Administrator.

34A. There shall be appointed by the Committee a person to be the Health Administrator, who shall carry out such functions as are assigned to him or her under this Law and any other enactment, and by the Committee."

(18) In section 39(1) -

(a) delete the definitions of "Administrator", "the auditors", "the Fund", "health benefit card" and "medical benefit",

(b) for the definition of "**the Committee for Health & Social Care**" substitute –

""**the Committee for Health & Social Care**" means the States Committee for Health & Social Care,"

(c) at the appropriate places, insert –

""**the general revenue**" means the general revenue account of the States,"

""**Health Administrator**" means the person appointed by the Committee to the office of Health Administrator under section 34A," and

(d) at the end of the definition of "regulations" delete "," and insert "; and in respect of Part V and Part VI, see sections 10(1A) and 15(1A),".

Social Insurance Law: amendments relating to the Guernsey Insurance Fund and the Guernsey Health Service Allocation.

3. (1) The Social Insurance (Guernsey) Law, 1978^d is further amended as follows.

(2) Wherever it appears (including, without limitation and for the avoidance of doubt, in the arrangement of sections, section headings and the Sixth Schedule), for "Guernsey Health Service Fund Allocation" substitute "Guernsey Health Service Allocation".

(3) Section 17 (the States' grant) is repealed.

(4) In section 100(2), delete ", the States' grant".

(5) In section 101, for "the Guernsey Health Service Fund maintained under the control and management of the Committee under section one of the Health Service (Pharmaceutical) (Amendment) (Guernsey) Law, 1978," substitute "the general revenue account of the States,".

^d Ordres en Conseil Vol. XXVI, p. 292; amended by Ordres en Conseil Vol. XXVII, pp. 238, 307 and 392; Vol. XXIX, pp. 24, 148 and 422; Vol XXXI, p. 278; Vol. XXXII, p. 59; Vol. XXXIV, p. 510; Vol. XXXV(1), p. 161; Vol. XXXVI, pp. 123 and 343; Vol. XXXVIII, p. 59; Vol. XXXIX, p. 107; Order in Council No. X of 2000; No. IX of 2001; No. XXIII of 2002; No. XXIV of 2003; No. XI of 2004; No. XVIII of 2007; No. V of 2012; No. IV of 2014; No. III of 2016; No. IV of 2018; and No. XIII of 2019; Recueil d'Ordonnances Tome XXV, p. 148; Tome XXVI, p. 177; Ordinance No. XXXIII of 2003; No. XLIV of 2007; Nos. VII and XLII of 2009; No. XVII of 2011; No. XXXVIII of 2012; No. XXX of 2013; Nos. IX and XXX of 2016; Nos. XIII and XXIII of 2017; Nos. XXVII; XXXVI of 2019; and Alderney Ordinance No. VIII of 2018.

(6) In the Sixth Schedule, delete the definition of "The States' grant".

Social Insurance Law: amendments relating to travelling allowance grant.

4. (1) The Social Insurance (Guernsey) Law, 1978 is further amended as follows.

(2) Section 18(i) is repealed.

(3) In section 19(1), delete "travelling allowance grant,".

(4) Section 36 (travelling allowance grant) is repealed.

(5) In section 47(2)(c), delete "who is not entitled to a travelling allowance grant".

(6) In section 64(4)(da), delete ", travelling allowance grant".

Amendments to Health Service (Benefit) Ordinance.

5. (1) The Health Service (Benefit) Ordinance, 1990^e is further amended as follows.

^e Recueil d'Ordonnances Tome XXV, p. 191; amended by Order in Council No. IV of 2014; No. III of 2016; and No. IV of 2018; Recueil d'Ordonnances Tome XXV, p. 310; Tome XXVII, pp. 114, 247 and 378; Tome XXVIII, p. 262; Ordinance Nos. XXXIII of 2003; No. II of 2004; No. VII of 2005; Nos. VI and XXXIX of 2012; No. XXXIV and XXXVI of 2013; No. XLVI of 2014; No. XLVI of 2015; Nos. IX and XXXVIII of 2016; Nos. XXV and XXXIII of 2017; No. XXXVII of 2018; No. XXX of 2019; and No. XVI of 2020.

(2) Section 1 (exclusions from the expression "consultation for a medical purpose") is repealed.

(3) Except in section 3(4)(a), wherever it appears, for "Administrator" substitute "Health Administrator".

(4) For section 3(4)(a), substitute –

"(a) whenever so directed by the Health Administrator, furnish any information and evidence which the Administrator to the Committee for Employment & Social Security appointed or deemed to have been appointed under section 94 of the Social Insurance (Guernsey) Law, 1978 is empowered to demand under any Ordinance made under the Income Support Law, and".

(5) In section 5(2)(a), delete "to the Fund".

(6) In –

(a) section 5(2)(d)(iv),

(b) section 5(2)(e)(ii),

(c) section 5(5) (wherever it appears), and

(d) section 6(9),

for "the Fund" substitute "the general revenue".

Power to make consequential provisions by Ordinance.

6. (1) The States may by Ordinance make such consequential, incidental and supplemental provision as they think fit in connection with the commencement of any provision of this Law.

(2) Without limiting subsection (1), an Ordinance under that subsection may make any amendment to an enactment consequential upon the coming into force of any provision of this Law that the States think fit.

Repeals.

7. (1) The enactments listed in Schedule 1 (repeals) are repealed.

(2) The States may amend the list at Schedule 1 by Ordinance.

Transitional and saving provisions.

8. (1) Schedule 2 (transitional provisions and savings) has effect.

(2) The States may amend Schedule 2 by Ordinance.

Interpretation.

9. In this Law, "**enactment**" excludes an Act of Parliament that applies in or extends to the Bailiwick.

Citation.

10. This Law may be cited as the Health Service Benefit (Amendment and Miscellaneous Provisions) (Guernsey) Law, 2021.

Commencement.

11. This Law shall come into force on the day appointed by Ordinance of the States; and different dates may be appointed for different provisions and for different purposes.

SCHEDULE 1

Section 7

REPEALS

- Health Service (Medical Benefit) Regulations, 1990^f
- Health Service (Specialist Medical Benefit) Ordinance, 1995^g
- Health Service (Medical Benefit) (Amendment) Regulations, 1995^h
- Health Service (Alderney Hospital Benefit) Regulations, 1997ⁱ
- Health Service (Alderney Hospital Benefit) Ordinance, 1997^j
- Health Service (Physiotherapy Benefit) Ordinance, 1997^k
- Health Service (Benefit) (Annual Grant) Ordinance, 2002^l
- Health Service (Alderney Hospital Benefit) (Amendment) Ordinance, 2002^m
- Health Service (Specialist Medical Benefit) (Amendment) Ordinance, 2002ⁿ
- Health Service (Physiotherapy Benefit) (Amendment) Ordinance, 2002^o
- Health Service (Benefit) (Rates of Medical Benefit) Ordinance, 2004^p

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- ^f G.S.I. No. 42 of 1990.
- ^g Recueil d'Ordonnances Tome XXVI, p. 484.
- ^h G.S.I. No. 8 of 1995.
- ⁱ G.S.I. No. 10 of 1997.
- ^j Recueil d'Ordonnances Tome XXVII, p. 200.
- ^k Recueil d'Ordonnances Tome XXVIII, p. 1.
- ^l Ordinance No. XXVII of 2002.
- ^m Ordinance No. XXVIII of 2002.
- ⁿ Ordinance No. XXIX of 2002.
- ^o Ordinance No. XXXIII of 2002.

Health Service (Alderney Hospital Benefit) (Amendment) Ordinance, 2008^q

Health Service (Alderney Hospital Benefit) (Amendment) Regulations, 2008^r

Health Service (Specialist Medical Benefit) (Amendment) Ordinance, 2013^s

Health Service (Specialist Medical Benefit) (Amendment) Ordinance, 2014^t

Health Service (Benefit) (Annual Grant) (Amendment) Ordinance, 2016^u

^p Ordinance No. XLI of 2004.

^q Ordinance No. VIII of 2008.

^r G.S.I. No. 12 of 2008.

^s Ordinance No. XLII of 2013.

^t Ordinance No. LVII of 2014.

^u Ordinance No. XLIV of 2016.

SCHEDULE 2

Section 8

TRANSITIONAL PROVISIONS AND SAVINGS

1. In this Schedule –
 - (a) the Health Service Benefit (Guernsey) Law, 1990 and legislation made thereunder, including that Law and such legislation as extended to Alderney (subject to such amendments, modifications, exceptions and adaptations as are enacted from time to time), are together referred to as the "**Health Service Benefit laws**", and
 - (b) medical benefit, specialist medical benefit, Alderney hospital benefit and physiotherapy benefit within the meaning of the Health Service Benefit laws are each referred to as a "**Repealed Healthcare Benefit**".
2. Regulations of the Committee for Health & Social Care (in this Schedule, "**the Committee**") may provide that, in relation to -
 - (a) persons who cease, by virtue of the amendments and repeals made by this Law, to be entitled to one or more Repealed Healthcare Benefits,
 - (b) persons to or in respect of whom a Repealed Healthcare Benefit was, or but for a disqualification or forfeiture would have been, due immediately before the commencement of this Schedule,

- (c) persons who had a prospective right to or expectation of a Repealed Healthcare Benefit immediately before such commencement, and
- (d) any other category of persons who would suffer a detriment as a consequence of the coming into force of this Law or any part thereof,

the provisions of the Health Service Benefit laws as amended by this Law shall have effect subject to such modifications as may be prescribed for the purpose only of ensuring that such persons do not suffer a detriment on the coming into force of this Law or any part thereof.

3. Notwithstanding any repeal or amendment effected by this Law, regulations of the Committee may provide for provisions of the Health Service Benefit laws repealed by this Law temporarily to remain in force for the purpose of facilitating the introduction or operation of health care benefits and services on a non-statutory basis and the transition to such benefits and services from the corresponding benefits under the Health Service Benefit laws.

4. A question of whether a person became or ceased to be entitled to a Repealed Healthcare Benefit at a time before the commencement of this Schedule, and any other question as to a Repealed Healthcare Benefit in respect of a time before such commencement, is to be determined in accordance with the provisions of law in force at that time in respect of those matters.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

PROJET DE LOI

Entitled

THE POLICE FORCE (BAILIWICK OF GUERNSEY) (AMENDMENT) LAW, 2021

The States are asked to decide:-

Whether they are of the opinion to approve the draft Projet de Loi entitled "The Police Force (Bailiwick of Guernsey) (Amendment) Law, 2021", and to authorise the Bailiff to present a most humble petition to Her Majesty praying for Her Royal Sanction thereto.

This proposition has been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

EXPLANATORY MEMORANDUM

The Law amends the Police Force (Guernsey) Law, 1986 to extend the powers contained therein to the rest of the Bailiwick. The Committee may make an agreement with a police force in the United Kingdom, or with the States of Jersey Police Force, to place members of that force in the Bailiwick of Guernsey under the conditions set out in sections 1 and 2.

PROJET DE LOI

ENTITLED

The Police Force (Bailiwick of Guernsey) (Amendment) Law, 2021

THE STATES, in pursuance of their Resolution of the 16th January, 2020^a, have approved the following provisions which, subject to the Sanction of Her Most Excellent Majesty in Council, shall have force of law in the Bailiwick of Guernsey.

Amendment of Law of 1986.

1. (1) The Police Force (Bailiwick of Guernsey) Law, 1986 is amended as follows.

(2) In section 1(1) -

- (a) immediately after "agreement" insert ", whether directly or through any coordinating body," and
- (b) immediately after "demand on its resources" insert ", whether in the Island of Guernsey or elsewhere in the Bailiwick".

^a Article VII of Billet d'État No. I of 2020.

- (3) In section 2(1), substitute the following -
- (a) for "during their period of duty in the Island", the words "during their period of duty in the Bailiwick",
 - (b) for "force present in the Island", the words "force present in the Bailiwick", and
 - (c) for "the Courts of Guernsey in respect of their conduct within the Island", the words "the appropriate Court in respect of their conduct within the Bailiwick".
- (4) After section 2(1), insert the following subsection -

"(1A) The "**appropriate Court**" in subsection (1) means -

- (a) the Court of Alderney, where a member of a force is within the jurisdiction of that Court,
- (b) the Court of the Seneschal, where a member of a force is within the jurisdiction of that Court, and
- (c) in any other case, the Magistrate's Court or, as the case may require, the Royal Court."

(5) In section 2(2), for "in the Island", substitute the words "in the Bailiwick".

(6) In section 2(3) -

- (a) for "in the Island", substitute the words "in the Bailiwick", and
- (b) immediately after "as amended", insert the words ", or to take any oath of office before the Court of the Seneschal pursuant to any of sections 52 to 54 of the Reform (Sark) Law, 2008^b or any oath or affirmation pursuant to section 47 of the Government of Alderney Law, 2004^c or any Ordinance thereunder."

(7) In section 4, immediately before "Guernsey" insert "Bailiwick of".

Application of Law of 1986 to the Bailiwick.

2. The Police Force (Bailiwick of Guernsey) Law, 1986^d and any regulations under it shall apply to the Bailiwick of Guernsey, including the territorial sea adjacent to it, and any reference to in or within the Bailiwick shall be construed accordingly.

Extent.

3. This Law shall have effect in the Bailiwick of Guernsey (including, for

^b Order in Council No. V of 2008; amended by Nos. VI and XXVII of 2008; No. XIV of 2010; No. XII of 2011; No. XI of 2014; No. IX of 2016; No. II of 2017; Sark Ordinance Nos. II and VI of 2015; No. XI of 2017; No. XIII of 2018.

^c Order in Council No. III of 2005, Ordres en Conseil Vol. XLV, p. 26; there are amendments not relevant to these Regulations.

^d Order in Council No. XII of 1986 as amended by Ordinance No. XXXIII of 2003; No. IX of 2016.

the avoidance of doubt, the territorial sea adjacent to it).

Citation.

4. This Law may be cited as the Police Force (Bailiwick of Guernsey) (Amendment) Law, 2021.

Commencement.

5. This Law shall come into force on the day appointed by Ordinance of the States; and different dates may be appointed for different provisions and for different purposes.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

THE DISCLOSURE (BAILIWICK OF GUERNSEY) (AMENDMENT) ORDINANCE, 2021

The States are asked to decide:-

Whether they are of the opinion to approve the draft Ordinance entitled "The Disclosure (Bailiwick of Guernsey) (Amendment) Ordinance, 2021", and to direct that the same shall have effect as an Ordinance of the States.

This proposition has been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

EXPLANATORY MEMORANDUM

This Ordinance amends the Disclosure (Bailiwick of Guernsey) Law, 2007 by modifying the powers of the Director of the Revenue Service and other specified persons to disclose information to police and customs officers for the purposes of civil forfeiture and to take account of recent amendments to the Forfeiture of Money, etc in Civil Proceedings (Bailiwick of Guernsey) Law, 2007.

The Disclosure (Bailiwick of Guernsey) (Amendment) Ordinance, 2021

THE STATES, in pursuance of their Resolution of the 18th April, 2018^a, and in exercise of the powers conferred on them by sections 14 and 16 of the Disclosure (Bailiwick of Guernsey) Law, 2007^b, and all other powers enabling them in that behalf, hereby order:-

Amendment of Disclosure Law.

1. The Disclosure (Bailiwick of Guernsey) Law, 2007 is further amended as follows.

2. For section 6(1)(f)^c substitute the following paragraphs -

“(f) any proceedings under that Law or under legislation in force in a country designated under section 53 of that Law relating to the forfeiture of money or other property by a court in non-conviction based proceedings (expressions used in this paragraph being construed in accordance with section 56(1) of that Law),

^a Article 3 of Billet d'État No. XI of 2018.

^b Order in Council No. XVI of 2007; there are amendments not material to this enactment.

^c Paragraph (f) of section 6(1) was inserted by the Disclosure (Bailiwick of Guernsey) (Amendment) Ordinance, 2014.

- (g) the initiation or bringing to an end of any such investigation or proceedings, or
- (h) facilitating a determination of whether any such investigation or proceedings should be initiated or brought to an end.”.

3. For section 8(2)(da)(ii)^d substitute the following subparagraph -

“(ii) any proceedings under that Law or under legislation in force in a country designated under section 53 of that Law relating to the forfeiture of money or other property by a court in non-conviction based proceedings (expressions used in this subparagraph being construed in accordance with section 56(1) of that Law),”.

4. After section 8(2)(da) insert the following paragraphs -

- “(db) the initiation or bringing to an end of any such investigation or proceedings,
- (dc) facilitating a determination of whether any such investigation or proceedings should be initiated or brought to an end, or”.

^d Paragraph (da) of section 8(2) was inserted by the Disclosure (Bailiwick of Guernsey) (Amendment) Ordinance, 2014.

Citation.

5. This Ordinance may be cited as the Disclosure (Bailiwick of Guernsey) (Amendment) Ordinance, 2021.

Commencement.

6. This Ordinance shall come into force on the 1st March, 2021.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

**THE SOCIAL INSURANCE (STATES PENSION) (AMENDMENT) (GUERNSEY) ORDINANCE,
2021**

The States are asked to decide:-

Whether they are of the opinion to approve the draft Ordinance entitled "The Social Insurance (States Pension) (Amendment) (Guernsey) Ordinance, 2021", and to direct that the same shall have effect as an Ordinance of the States.

This proposition has been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

EXPLANATORY MEMORANDUM

This Ordinance amends the Social Insurance (Guernsey) Law, 1978 to give effect to the policy decision to change the name of "old age pension" to "States pension". Consequential amendments are also made to other legislation referring to the benefit. The Ordinance comes into force on 1st March, 2021.

The Social Insurance (States Pension) (Amendment)

(Guernsey) Ordinance, 2021

THE STATES, in pursuance of their Resolution of the 16th October, 2019^a, and in exercise of the powers conferred on them by sections 115A and 116 of the Social Insurance (Guernsey) Law, 1978^b, and all other powers enabling them in that behalf, hereby order:-

Amendment of the Social Insurance Law in relation to change of name from old age pension to States pension.

1. In the Social Insurance Law, for each reference to –

- (a) "old age pension" substitute "States pension", and
- (b) "an old age pension" substitute "a States pension".

^a Article VI of Billet d'État No. XX of 2019.

^b Ordres en Conseil Vol. XXVI, p. 292; amended by Vol. XXVII, pp. 238, 307 and 392; Vol. XXIX, pp. 24, 148 and 422; Vol. XXXI, p. 278; Vol. XXXII, p. 59; Vol. XXXIV, p. 510.; Vol. XXXV(1), p. 161; Vol. XXXVI, pp. 123 and 343; Vol. XXXVIII, p. 59; Vol. XXXIX, p. 107; Vol. XL, p. 351; Order in Council No. X of 2000; No. IX of 2001; No. XXIII of 2002; No. XXIV of 2003; No. XI of 2004; No. XVIII of 2007; No. V of 2012; No. IV of 2014; No. III of 2016; No. IV of 2018 and No. XIII of 2019; Recueil d'Ordonnances Tome XXV, p. 148; Ordinance No. XXXIII of 2003; No. XLIV of 2007; Nos. VII and XLII of 2009; No. XVII of 2011; No. XXXVIII of 2012; No. XXX of 2013; Nos. IX and XXX of 2016; Nos. XIII and XXIII of 2017; No. XXVII of 2018; No. XXXVI of 2019; No. XVI of 2020; Alderney Ordinance No. VIII of 2018.

Consequential amendments to other enactments.

2. In consequence of the amendments made by section 1, for each reference in any enactment, other than the Social Insurance Law, to –

- (a) "old age pension" (other than in the expression "an old age pension" or "Guernsey old age pension") substitute "States pension",
- (b) "an old age pension" substitute "a States pension", and
- (c) "Guernsey old age pension" substitute "States pension".

Interpretation.

3. In this Ordinance, "**the Social Insurance Law**" means the Social Insurance (Guernsey) Law, 1978.

Citation.

4. This Ordinance may be cited as the Social Insurance (States Pension) (Amendment) (Guernsey) Ordinance, 2021.

Commencement.

5. This Ordinance shall come into force on the 1st March, 2021.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

DEVELOPMENT & PLANNING AUTHORITY

**TEMPORARY EXEMPTION FROM REQUIREMENT FOR PLANNING PERMISSION FOR
CERTAIN CHANGES OF USE OF VISITOR ACCOMMODATION**

The States are asked to decide:-

Whether, after consideration of the "Temporary Exemption from Requirement for Planning Permission for Certain Changes of Use of Visitor Accommodation" policy letter dated 11th January 2021 they are of the opinion:-

1. To agree that –
 - (a) a change of use of visitor accommodation from a use within use class 7 or 8 of the Land Planning and Development (Use Classes) Ordinance, 2017 to a use within residential use classes 1, 2 or 5 in that Ordinance, which took place or will take place between the 25th March, 2020 and the 31st December, 2021 inclusive, is temporarily exempted from the requirement for planning permission subject to specified conditions being met including that the use reverts back to its previous lawful visitor accommodation use prior to 25th March, 2020 by the 31st January, 2022, and
 - (b) a change of use back to the lawful visitor accommodation use prior to the 25th March, 2020, in compliance with the proposed exemption in paragraph (a), is also exempted from the requirement for planning permission,

as set out in paragraphs 6.1 to 6.6 of the policy letter.
2. To agree that the planning legislation is modified so that the period during which the temporary exemption runs, for certain changes of use of visitor accommodation, is disregarded for the purpose of calculating the period within which a planning compliance notice may be issued, where there is a breach of planning control, as set out in paragraph 6.7 and 6.8 of the policy letter.
3. To agree that an owner or occupier of non-serviced visitor accommodation which is being used legally as a winter let between

November and March in a twelve month period must notify the Development & Planning Authority in writing of the commencement of such use within 21 days of the use first occurring in each winter let period as set out in paragraphs 6.9 and 6.10 of the policy letter.

4. To direct the preparation of such legislation as may be necessary to give effect to the above decisions.

The above Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

DEVELOPMENT & PLANNING AUTHORITY

TEMPORARY EXEMPTION FROM REQUIREMENT FOR PLANNING PERMISSION FOR CERTAIN CHANGES OF USE OF VISITOR ACCOMMODATION

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port
Guernsey

11th January 2021

Dear Sir

1. Executive Summary

1.1 The main purposes of this policy letter are to approve proposals to –

- i. temporarily exempt certain changes of use of visitor accommodation which took place or will take place between 25th March, 2020 and the 31st December, 2021 inclusive subject to certain conditions being met including that the visitor accommodation reverts back to its previous lawful use prior to 25th March, 2020 by the 31st January, 2022 in view of the recent and ongoing issues faced by the visitor economy as a result of the coronavirus pandemic;
- ii. in consequence of the previous proposal, to modify planning legislation so that the period during which the proposed temporary exemption runs is disregarded for the purpose of calculating the period during which a planning compliance notice can be issued, where there is a breach of planning control;
- iii. require an owner or occupier of non-serviced visitor accommodation which, under legislation already in force, is legally being used as a winter let between November and March to notify the Development & Planning Authority of such use within 21 days of the use first occurring in each winter let period.

- 1.2 In March 2020, the Development & Planning Authority (“the Authority”) and the Committee *for* Economic Development (“the Committee”) agreed to suspend on a temporary and interim basis, certain restrictions relating to the use of serviced and non-serviced visitor accommodation during the coronavirus pandemic in light of the decision of the Civil Contingencies Authority to require travellers into the Bailiwick to self-isolate for fourteen days on arrival and the consequential impact on the Island’s hospitality sector.
- 1.3 More recently, in December 2020, representatives of the Guernsey Hospitality Association (“the Association”) have asked whether these temporary measures could be extended into the 2021 tourist season given the uncertainties around when the coronavirus-linked travel restrictions may be lifted and so enable visitors to travel in the normal way to Guernsey for holidays and business purposes.
- 1.4 The policy letter seeks to explain how the Authority intends to respond to the Association’s request whilst ensuring that the Island’s current visitor accommodation provision is not negatively impacted through an unintended exit by some owners from the sector.

2. Background

- 2.1 On 18th March 2020, the Civil Contingencies Authority made the Emergency Powers (Coronavirus) (Bailiwick of Guernsey) Regulations, 2020, to prevent, control or mitigate the spread of the Coronavirus in the Bailiwick. The Regulations provided for any person arriving in the Bailiwick from an infected area to be required to self-isolate for a period of fourteen days following their arrival. Further, the Bailiwick entered “lockdown” on 25th March 2020 and as a result all but essential travel to and from the Bailiwick was restricted.
- 2.2 The requirement for self-isolation and the restrictions on travel had a major impact on Guernsey’s visitor accommodation sector as it severely restricted the number of business or leisure visitors travelling to Guernsey.
- 2.3 At its meeting on 17th March 2020, the Committee *for* Economic Development, having considered the implications of allowing self-catering accommodation to extend winter lets and take on long term lets over the summer, without planning permission, as a means of countering the impact of lost visitor bookings due to the impact of coronavirus, agreed to:
- (i) suspend Conditions 3 and 4 of permits granted to serviced and non-serviced visitor accommodation providers immediately and for the duration of any travel restrictions relating to the corona virus outbreak;
 - (ii) invoke Condition 5 of such permits to require all serviced and non-serviced visitor accommodation permit holders to provide details of all

persons being accommodated for reward, periods in excess of three weeks, until further notice; and

- (iii) formally request the Development & Planning Authority to waive or suspend any potential enforcement action against holders of permits for serviced or non-serviced visitor accommodation resulting from the provision of long term accommodation for persons, as from 1st April 2020 until such time as the Committee *for* Economic Development decided reasonable.

2.4 The Committee issued a notification to visitor accommodation providers explaining its decisions (see Appendix 1).

2.5 On 1st April 2020, the Development & Planning Authority (“the Authority”) agreed, in light of the circumstances brought about by the Coronavirus outbreak, that enforcement action would not be pursued against the use of serviced or non-serviced visitor accommodation for longer-term accommodation for non-visitors until 30th September 2020. This decision was later extended to the 31st March, 2021. The decision was subject to review should the prevailing circumstances change.

3. Classification of visitor accommodation under the Land Planning and Development (Use Classes) Ordinance, 2017

3.1 Visitor accommodation is classified and defined under the Land Planning and Development (Use Classes) Ordinance, 2017 (“the Use Classes Ordinance”) in the following terms:

- (a) Visitor economy use class 7: serviced accommodation is defined as – premises providing temporary accommodation for visitors for reward, with a standard or high level of guest services, and includes for the avoidance of doubt, premises providing such accommodation and services which would be categorised as a hotel, guest house, bed and breakfast accommodation or a serviced apartment under the Tourist Law, 1948 were a permit to be granted in respect of those premises under that Law i.e. hotels and guest houses; and
- (b) Visitor economy use class 8: non-serviced accommodation is defined as – premises providing temporary accommodation for visitors for reward, with no, or only a basic level, of guest services, and includes,
 - (i) premises of such a description which would be categorised as a self-catering unit under the Tourist Law, 1948 were a permit to be granted in respect of those premises under that Law, and
 - (i) premises of such a description which also provide sleeping accommodation or lodging but not board to persons other than visitors at any time between 1st November and 31st March

inclusive (known as a winter let) in any 12 month period; i.e. self-catering visitor accommodation.

4. Extension of “winter lets”

- 4.1 In December 2020, representatives of the Guernsey Hospitality Association (“the Association”) approached the Committee, the Authority and the Civil Contingencies Authority for an indication of whether the requirement for those arriving in the Bailiwick to self-isolate for a period, which will continue to severely limit the numbers travelling to Guernsey for business or leisure, is likely to continue into 2021 and the start of the traditional visitor season around Easter 2021.
- 4.2 Use of non-serviced visitor accommodation as winter lets is included in the use class for such accommodation but only from 1st November to 31st March (known as “a winter let”). The current winter let period will come to an end on 31st March 2021. The Association has advised that, given the uncertainty about when the current self-isolation requirements for those travelling into the Bailiwick may be eased, its members are reluctant to take bookings for 2021 or to start advertising to their various target markets. The Association has asked that consideration be given to extending the “winter let” period for self-catering accommodation for the 2021 tourist season, i.e. between 1st April and 31st October 2021 and to also allow hotels and guest houses, usually serviced visitor accommodation, to offer accommodation to persons other than visitors.
- 4.3 The Authority is keen to support the owners of visitor accommodation through the 2021 tourist season to assist them in managing the use of their premises more flexibly in relation to offering it to those seeking temporary accommodation in a hotel, guest house or self-catering unit. It recognises that such a flexible approach would enable the owners to continue to operate and so retain a level of viability within the visitor accommodation sector and be able to return to full trading once travel restrictions are eased or lifted.
- 4.4 The Committee has also indicated that it is supportive of the Association’s request. It has advised that it is essential to ensure that the Island’s visitor accommodation sector is able to continue to operate, albeit in a modified form, into the 2021 tourist season and so be in a position to resume normal trading as soon as travel restrictions are eased and both leisure and business travellers start to return to Guernsey. The Committee recognises that it is important to ensure that any relaxation on the use of visitor accommodation should be a temporary measure linked to the impact of the Coronavirus on the Island’s tourism sector and must not result in any permanent loss of accommodation from the sector.

5. Likely duration of an extension of “winter lets”

- 5.1 The Civil Contingencies Authority has indicated that the availability of a vaccine is likely to be an important consideration when reviewing the necessity to maintain some form of border controls, including mandatory periods of self-isolation for those travelling into the Bailiwick from other jurisdictions, into 2021. However, it is mindful that the vaccine has been shown to be effective in preventing serious disease and death from Coronavirus but there is currently no clear evidence to indicate whether the vaccine will also be effective in preventing or limiting the transmission of the virus from one person to another. It has indicated that, although the availability of a vaccine is an important milestone in the endeavours to prevent, control or mitigate the impact of the virus on the community, it is too early to determine whether, as more people are vaccinated, this will lead to an easing of the current border restrictions.
- 5.2 The Civil Contingencies Authority has advised that any decision on the easing of border restrictions will be based on a range of factors, including the prevalence rates in the regions or countries from where people are travelling. It is likely that the current level of travel restrictions will remain in place for at least the first quarter of 2021 and so may impact on the 2021 tourist season as advance bookings are likely to be delayed.

6. Temporary exemption for certain changes of use of visitor accommodation

- 6.1 In light of the above indications, the Authority has concluded that, given the length of the requested relaxation of planning restrictions, provision should be made in the planning legislation to give clarity to visitor accommodation providers and the Authority.
- 6.2 The Authority proposes that the amendment should allow for a temporary exemption from the requirement for planning permission for a change of use of premises in visitor economy use to certain residential uses, i.e. premises falling within the existing use classes 7 (used as serviced visitor accommodation) and 8 (used as non-serviced visitor accommodation) to a use within use class 1 (dwelling house), use class 2 (flat) or use class 5 (use of part of dwelling for business purposes - this is where the principal use is a dwelling but a limited part is used for business).
- 6.3 The Authority recommends that this temporary change should be subject to certain conditions to ensure proper control and oversight of the visitor accommodation sector. The proposed conditions are:
- (a) the change of use is one which first occurs in the period starting on 25th March, 2020 and ending on the 31st December, 2021; and

- (b) the premises reverts to its previous lawful use, immediately before the 25th March, 2020, on or before the 31st January, 2022; and
- (c) the owner or occupier notifies the Authority in writing of the date the change of use first occurred within a specified time.

The Authority believes that these conditions are proportionate and will protect the visitor accommodation for the future when the Island's tourist economy is able to return to pre-Coronavirus levels.

- 6.4 The Authority intends to make the notification process simple and so easy for both its staff and the owners of visitor accommodation to administer. It anticipates that notification should be possible by an email setting out certain key information, including the name and address of the premises, the use class the premises will fall into during the temporary exemption and the expected duration of the temporary use.
- 6.5 The exemption will also include a condition that the premises revert to their authorised use prior to 25th March 2020 on or before 31st January 2022. There will also be a related exemption from the need for planning permission for this change of use back to visitor accommodation use.
- 6.6 The Authority is proposing that the exemption be limited to the 2021 tourist season. However, it is mindful that there are many unknowns around the prevalence of the Coronavirus and its impact on Guernsey. In the, hopefully, unlikely event that the 2022 tourist season may be similarly impacted, it will consider presenting a further short policy letter to extend these provisions as may be necessary to protect Guernsey's visitor accommodation sector.

7. Related modification to calculation of period within which a compliance notice may be issued

- 7.1 In addition, it is proposed that provisions relating to the calculation of the period within which a compliance notice may be issued, if there is a breach of planning control, are modified where a temporary change of use has been made in reliance on the exemption. Under planning legislation a compliance notice can only be issued within a certain period of a breach of planning control occurring or of the Authority's knowledge of the breach. In the circumstances, it is considered that this period should be modified so that the effective period of the exemption, from the date of the coming into force of the legislation until the end of January, 2022, is disregarded in calculating that period.
- 7.2 This is just in case the use of visitor accommodation is changed consistent with the exemption but any of the conditions of the exemption are not met so that a breach of planning control occurs.

8. Notification of use of non-serviced visitor accommodation as a winter let

- 8.1 The policy letter also proposes that an amendment is made at the same time to require the owners or occupiers of non-serviced accommodation, which is legally being used as a winter let between 1st November and 31st March, to notify the Authority of the commencement of such use, within 21 days of such use first occurring, in each winter let period.
- 8.2 This provision will ensure consistency of approach and thereby assist the Authority in its oversight of compliance with the requirements for non-serviced accommodation under the Use Classes Ordinance. In this way it should ensure that premises designated under Visitor Economy Use Class 8 do not seek to move to a different use class, e.g. to one of those covering residential use, without the benefit of the relevant planning permission.

9. Consultation

- 9.1 The Development & Planning Authority has consulted with the Law Officers of the Crown in the preparation of this policy letter.
- 9.2 The Development & Planning Authority has also consulted with the Committee *for* Economic Development which supports the proposals set out in this Policy Letter. A copy of the letter of response from the Committee *for* Economic Development is attached at Appendix 2.
- 9.3 The Development & Planning Authority has also consulted with the Guernsey Hospitality Association which has confirmed that it is supportive of the proposed extension to the current exemption from the requirement of planning permission for certain changes of use of visitor accommodation.

10. Conclusions

- 10.1 In preparing this policy letter, the Development & Planning Authority has sought to balance the request of the Guernsey Hospitality Association for greater flexibility in how its members may use their premises to maintain an income stream during a time when most business and leisure visitors are not travelling to Guernsey with the need to ensure that those premises are not lost for visitor economy uses. The Authority recognises that the visitor economy may play an important role in the Island's recovery from the impact of the coronavirus and beyond.

11. Compliance with Rule 4

- 11.1 Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, motions laid before the States.
- 11.2 In accordance with Rule 4(1), the Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.
- 11.3 In accordance with Rule 4(2) of the Rules of Procedure of the States of Deliberation and their Committees, the Committee has written to the Policy & Resources Committee to request that this policy letter be scheduled for debate at the February 2021 States meeting.
- 11.4 In accordance with Rule 4(4) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the propositions above have the unanimous support of the Committee.
- 11.5 In accordance with Rule 4(5), the Propositions relate to the duties of the Development & Planning Authority in respect of land use and planning, and its duties under the Land Planning and Development (Guernsey) Law, 2005, as amended.

Yours faithfully

V S Oliver, President

A Taylor, Vice President

J F Dyke

A Kazantseva-Miller

C J Le Tissier

APPENDIX 1



States of Guernsey Marketing and Tourism

Corona Virus update for the visitor accommodation sector

Dear Visitor Accommodation provider

Planning use restrictions on alternative uses of visitor accommodation will now be suspended to March 31st 2021. This means that you can continue to accommodate persons for reward other than visitors to the island, and for periods longer that would normally be the case.

Please note that the specific details of what can be undertaken may differ for different accommodation types, and more information is given below.

The important points for accommodation providers to consider as a result of this provision include:

- Non-visitors can be accommodated temporarily in visitor accommodation premises;
- Visitor accommodation premises where the use is switched to other purposes must be returned to their approved use at when this extraordinary provision ceases;
- If you intend to accommodate **any person** for reward, irrespective of their status, you are required by Law to obtain a valid permit to do so, and a permit may be necessary to maintain your status e.g. Open Market Register, Liquor Licence, etc.
- Standard Permit Conditions 3 & 4, relating to who may be accommodated in your premises, will be suspended for the period of this provision. Notwithstanding all persons must be accommodated legally;
- Accommodation providers must maintain a register of all guests, in accordance with Condition 7 of their permit;
- Accommodation providers should ensure that at all times they operate in line with the advice and provisions published by the States at www.gov.gg/coronavirus

For the time being the annual grading programme is on hold, so all current accommodation ratings and awards will be carried forward, until such time as that programme can be re-instated.

Other useful links for accommodation **businesses** at this time:

<https://www.gov.gg/covid19guidance> and <https://guernseytrademedia.com/https://sogmt.microsoftcrmportals.com> (for permit applicants)

Individuals seeking personal advice should refer to www.gov.gg/coronavirus

Temporary Provisions for alternative uses of visitor accommodation premises until further notice:

- Use for short term lettings for “staycations” is not an issue
- In view of the particular exceptional circumstances of the current coronavirus outbreak, government is considering exceptional measures to ensure business continuity in the visitor accommodation sector, the Development & Planning Authority is pleased to be able to help by agreeing to suspend, for a temporary period, any potential enforcement action against holders of Boarding Permits where a change of use occurs, without prior planning permission, resulting from the provision of accommodation of people for a longer period, provided that they revert to their authorised use at the end of the suspension period.
- The DPA has agreed that the period of suspension which came into effect from 1st April 2020 and will now last until 31st March 2021 unless the Authority decides it is necessary to review the dates given prevailing circumstances. This decision has been taken in the knowledge that all permit holders are required under the terms of their permits to keep, and if required provide to the Committee for Economic Development, details of all persons being accommodated under that permit, including the length of stay.
- Potential use of visitor accommodation premises to support virus control measures by Public Health.
- Accommodation providers taking advantage of this provision by accommodating non-visitors must register their intention to do so with Marketing & Tourism before commencing any such activity.

If this advice is reviewed or liable to change we will strive to inform you at the earliest possible opportunity.

Please be advised that the Guernsey Information Centre will be closed until further notice – incoming calls will be re-directed.

If you have any questions about this particular communication, please call the Marketing & Tourism Quality Development Team at 234567.

APPENDIX 2



Deputy Victoria Oliver
President
Development & Planning Authority
Sir Charles Frossard House
La Charroterie
St Peter Port
Guernsey
GY1 1FH

PO Box 451
Level 4
Market Building
Fountain Street
St Peter Port
Guernsey
GY1 3GX

+44 (0) 1481 743835
New number WEF 1 Feb 2021
+ 44 (0) 1481 222801

www.gov.gg

By E-mail: developmentandplanning@gov.gg

7th January 2020

Dear Deputy Oliver,

Temporary Exemption from Requirement for Planning Permission for Certain Changes of Use of Visitor Accommodation

Thank you for sharing the Development & Planning Authority's draft Policy letter on the temporary exemption from requirement for planning permission for certain changes of use of visitor accommodation with Members of the Committee *for* Economic Development.

Deputy Inder has recused himself from this matter and has not seen or commented on the draft policy letter, as he operates self-catering units and therefore has a direct interest in this matter. Deputy Kazantseva-Miller sits on the DPA and has therefore also recused herself from commenting on behalf of the Committee *for* Economic Development, as a matter of good governance.

In order to meet the submission deadlines the draft policy letter was circulated by e-mail to Deputy Falla, Deputy Moakes and to myself as the Committee's Tourism Lead. The three Members consulted are all supportive of the proposed approach set out in the policy letter, to provide a temporary exemption from the requirement for planning permission for certain changes of use of visitor accommodation during 2021, in the light of the impact of Covid-19 on local accommodation providers.

As you will no doubt be aware, the previous Committee *for* Economic Development had supported the recent 6 month temporary suspensions that had been agreed on a rolling 6 month basis and will expire on 31st March 2021. The Members of the Committee *for* Economic Development consulted on this matter agree with the CCA and the DPA that providing local accommodation providers with clarity in relation to a temporary exemption for the whole of 2021, is entirely appropriate in the light of the impact of Covid-19 on the local accommodation sector and will provide welcome clarity to local accommodation providers. The exemption, if approved by the States Assembly, will provide a significant

proportion of accommodation providers with greater certainty of bed night revenue and cash flow during what will be a very uncertain Tourism season. Members noted that the members of the Guernsey Hospitality Association have called for the proposed approach.

The Members of the Committee for Economic Development who have been consulted on this matter therefore have no hesitation in supporting the DPA's proposed policy letter.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Simon Vermuelen', with a long horizontal flourish extending from the end of the signature.

Deputy Simon Vermuelen

Committee Member and Tourism Lead

Copy: Deputy Ferbrache, Chairman of the Civil Contingencies Authority



Government
Actuary's
Department

Guernsey Insurance Fund

Actuarial Review as at 31 December 2019

15 December 2020

Martin Clarke



THE SOCIAL INSURANCE (GUERNSEY) LAW 1978

REPORT BY THE GOVERNMENT ACTUARY ON THE OPERATION OF THE SOCIAL INSURANCE (GUERNSEY) LAW IN THE PERIOD 1 JANUARY 2015 TO 31 DECEMBER 2019

To the President and Members of the Committee *for* Employment & Social Security:

Section 102 of the Social Insurance (Guernsey) Law 1978 (as amended) provides for a review of the operation of that Law at least every five years. The purpose of the review is to consider the financial condition of the Guernsey Insurance Fund and the adequacy of the contributions payable. The Government Actuary's previous review covered the period of five years up to 31 December 2014.

At the request of the Committee, I have carried out a review covering the five-year period from 1 January 2015 to 31 December 2019. My report on this review is set out in the following pages.



Martin Clarke FIA
Government Actuary

15 December 2020

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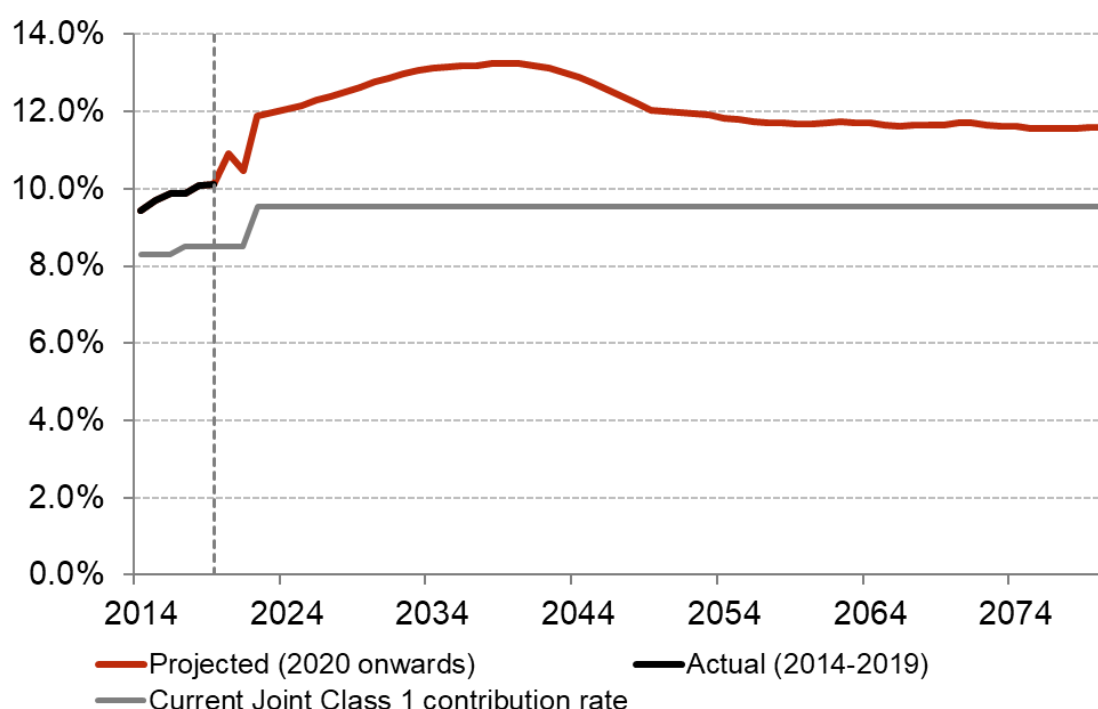
1. Executive Summary

- 1.1 The purpose of this report is to review the financial condition of the Guernsey Insurance Fund (“the Fund”) and the adequacy of the contributions payable to the Fund.
- 1.2 This section sets out the key findings from my review. The later sections of this report give more details of the results, and the appendices provide further background on the Fund and how I have carried out the review.

Key findings

- 1.3 **The Fund had a balance equivalent to 4.7 times annual expenditure in 2019. However, based on my principal assumptions, the Fund balance is projected to decline if the currently anticipated rates of contribution are maintained¹. The projected balance falls below twice annual expenditure, the Committee’s current target, in 2032, and falls to zero in 2039.**
- 1.4 The principal assumptions include:
- > Net inward migration of 100 people a year
 - > Benefit rates and contribution limits increase in line with the RPIX index plus one third of the real increase in median earnings above RPIX inflation
 - > Earnings growth in excess of RPIX inflation of 1% a year
 - > Investment return in excess of RPIX inflation of 2% a year
- 1.5 **The currently anticipated rate of contributions payable to the Fund is not adequate, based on the principal assumptions, to cover expenditure over the period to 2080. This is the reason why the Fund balance declines.**
- 1.6 Chart 1.1 shows the projection of the break-even contribution rate. This is the rate of contributions that needs to be paid in each year so that contribution income exactly balances expenditure in that year. The current rate of Class 1 contributions is 8.5%, and this is due to rise to 9.55% following reforms to health service funding. As agreed, I have assumed that the contribution increase will apply from January 2022, at the same time that the States grant to the Fund is withdrawn.

¹ For this purpose, allowance is made for the increase in contributions allocated to the Fund and the withdrawal of the States grant as part of the reforms to health service funding. These changes are assumed to apply from 2022.

Chart 1.1: Break-even Class 1 contribution rate (employer plus employee) based on the principal assumptions

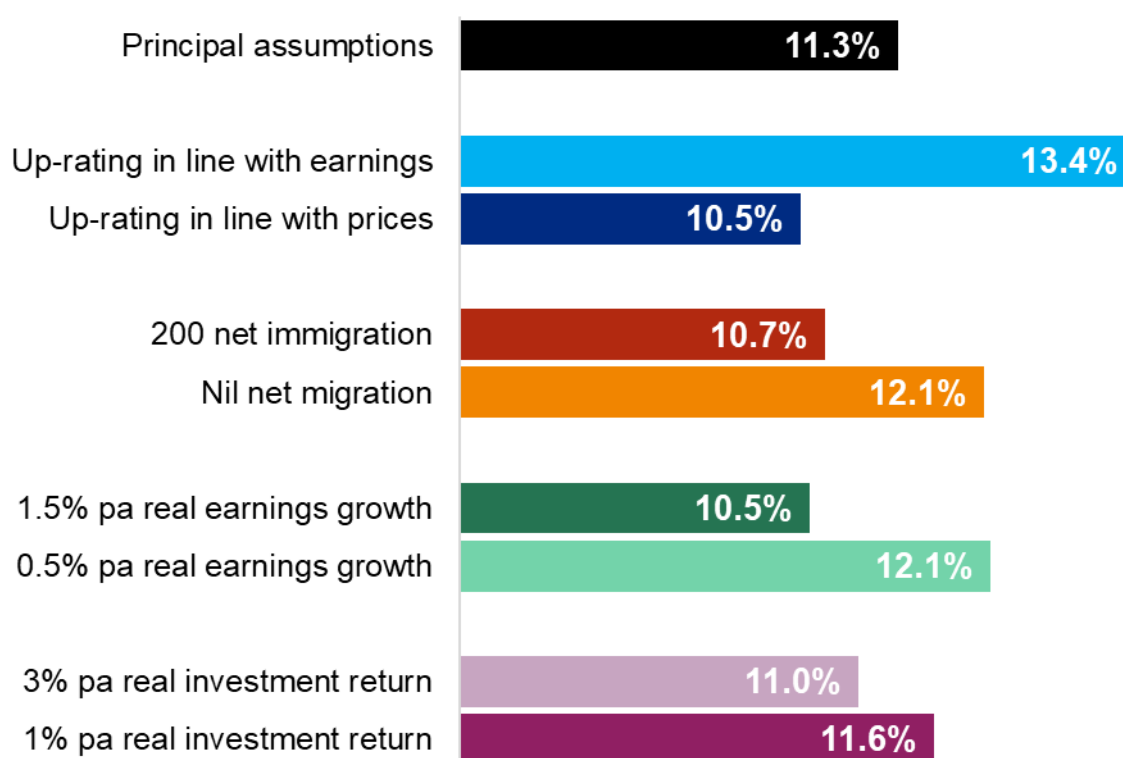
- 1.7 The break-even contribution rate is projected to remain above the currently anticipated rate of contributions throughout the projection period. This means that contribution income is not sufficient to cover expenditure from the Fund. The existing balance held by the Fund can be used to help finance this shortfall. However, once the balance is exhausted, the rate of contributions would need to rise to at least the break-even rate in order to cover expenditure.
- 1.8 **Based on the principal assumptions the rate of contributions payable would need to be increased in order to target a Fund balance of twice annual expenditure in 2080.**
- 1.9 Currently, the Committee's target is to hold a balance of at least twice annual expenditure. Using the principal assumptions, I have calculated that a constant Class 1 contribution rate of 11.3% would need to be paid from January 2022 to target a balance of twice annual expenditure in 2080. This compares with the anticipated rate from 2022 of 9.55%.
- 1.10 In addition, as requested, I have calculated the constant contribution rates needed to target balances of 4- and 6-times expenditure in 2080. The constant Class 1 contribution rates are set out in the table below. For self-employed and non-employed contributors, the break-even contribution rate would follow the same pattern, relative to the currently anticipated contribution rate, as for Class 1 contributions.

Table 1.1: Constant contribution rates needed from January 2022 to target specified Fund balance in 2080; the currently anticipated rate from 2022 is 9.55%

Target Fund balance as multiple of expenditure	Required constant Class 1 contribution rate (employer plus employee)
2x	11.3%
4x	11.6%
6x	11.8%

- 1.11 The constant contribution rates are set to target the balance at the end of the projection period. The balance will not be maintained at this level at all times during the period.
- 1.12 **The results discussed above have been based on the principal assumptions for the review. However, there is a great deal of uncertainty over the future experience of the Fund and therefore the choice of the assumptions. It is important to understand this uncertainty when considering the results of this review.**
- 1.13 I have therefore also prepared results using variant assumptions. The chart below summarises the constant Class 1 contribution rate required to target a balance of twice expenditure in 2080 for different assumptions. In each case, the results use the principal assumptions except for the one change noted.

Chart 1.2: Constant contribution rates needed from January 2022 to target balance of twice expenditure in 2080 based on the different assumptions



- 1.14 The currently anticipated contribution rate (9.55% from 2022) would not be adequate to target a balance of twice expenditure in 2080 under any of these variant scenarios.
- 1.15 The results on variant assumptions are not intended to indicate the full range of possible future experience.

Professional standards and limitations

- 1.16 This work has been carried out in accordance with the relevant actuarial professional standards: TAS 100 issued by the Financial Reporting Council (FRC) and APS X4 issued by the Institute and Faculty of Actuaries.
- 1.17 This report has been prepared for the use of the Guernsey Committee for Employment & Social Security, and must not be reproduced, distributed or communicated in whole or in part to any other person without GAD's prior written permission. However, we understand that the report will be shared with the Policy & Resources Committee, and presented to the States.

- 1.18 Other than the Committee, no person or third party is entitled to place any reliance on the contents of this report, except to any extent explicitly stated herein. GAD has no liability to any person or third party for any action taken or for any failure to act, either in whole or in part, on the basis of this report.
- 1.19 All the references to Guernsey in this report are to be taken to include also the islands of Alderney, Herm and Jethou, whose residents are covered by the Social Insurance Law.

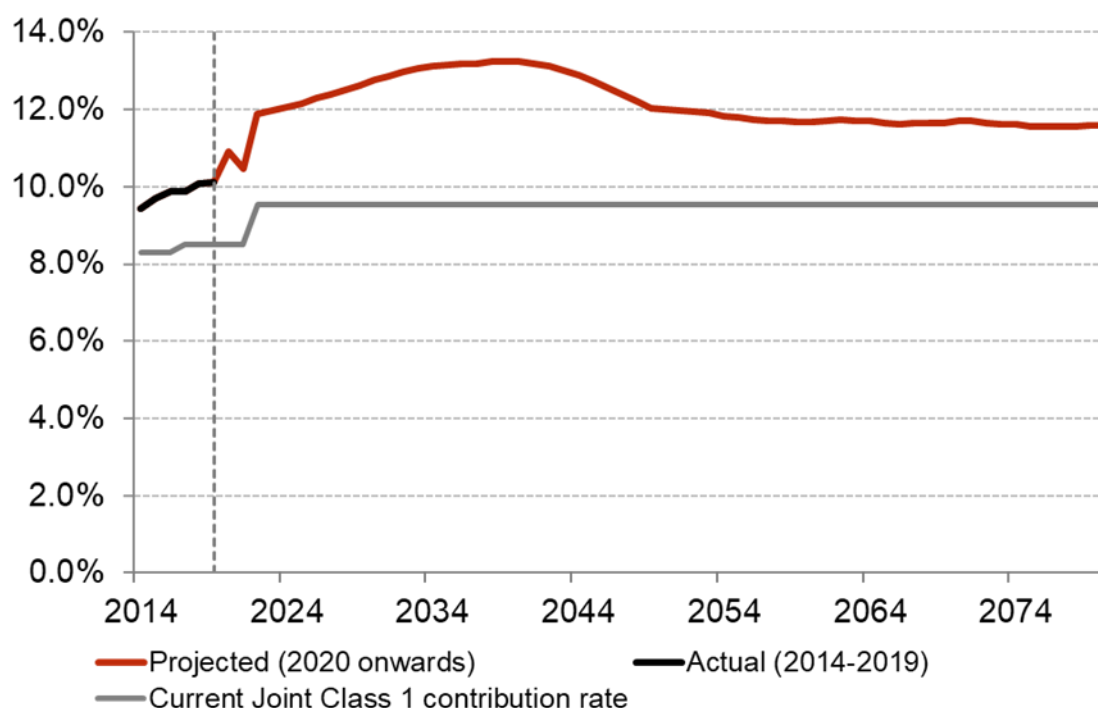
2. Results on principal assumptions

- 2.1 An overview of the Fund is given in Appendix A and a summary of the benefits paid from, and the contributions payable to, the Fund is set out in Appendix B. Appendix C summarises the Fund accounts for the five years to 31 December 2019.
- 2.2 For my review, I have projected the income and expenditure cash-flows to and from the Fund. As agreed with the Committee, these projections cover the period up to 2080. The data used in my calculations is summarised in Appendix D, and the methodology and assumptions adopted are described in Appendices E and F. The key assumptions include:
- > Net inward migration of 100 people a year
 - > Benefit rates and contribution limits increase in line with the RPIX index plus one third of the real increase in median earnings above RPIX inflation
 - > Earnings growth in excess of RPIX inflation of 1% a year
 - > Investment return in excess of RPIX inflation of 2% a year
- 2.3 The effect of varying these assumptions is shown in Section 3.
- 2.4 Detailed results for sample years are shown in Appendix G. This report concentrates on three main sets of results:
- > The projected “break-even” contribution rates
 - > The projected balance in the Fund, as a multiple of expenditure, assuming that the current rates of contribution remain unchanged
 - > Estimates of the constant contribution rate required to be paid over the projection period such that the projected average balance of the Fund is equal to twice projected expenditure at the end of the projection period

Break-even contribution rate

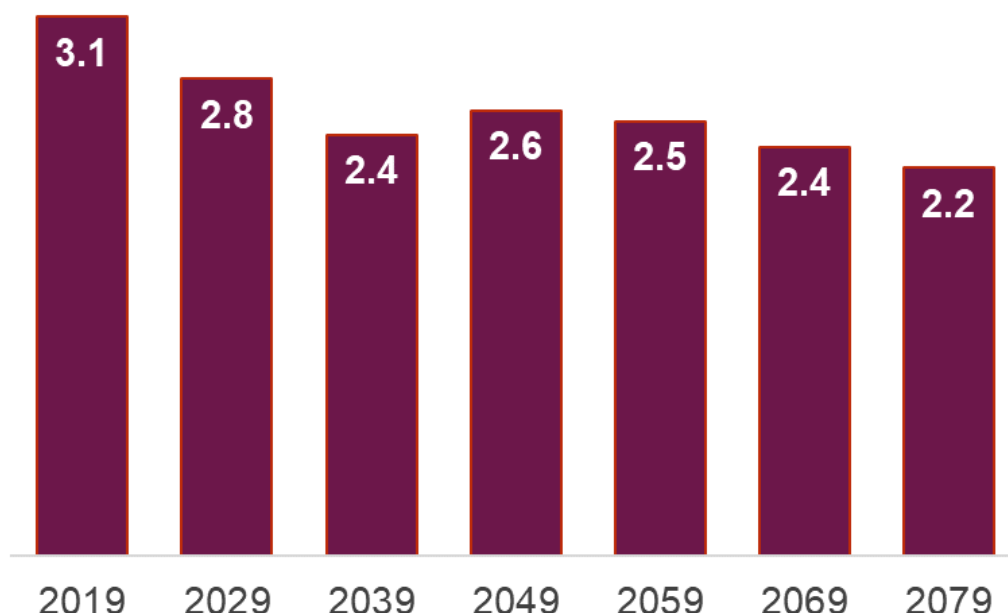
- 2.5 The break-even contribution rate in any year is the contribution rate needed to exactly balance contribution income with expenditure in that year. These contribution rates do not make any allowance for assets held, or the investment returns they earn. If the Fund held no assets, contributions would need to be payable at at least the break-even rate in order to cover expenditure.
- 2.6 The projected break-even contribution rate for Class 1 contributors (jointly for employees and employers) is illustrated in the following chart, together with the equivalent out-turn figures for the five years 2015 to 2019. The chart also shows the anticipated rate of contributions payable, which is currently 8.5%, and which is assumed to rise to 9.55% from 2022 as part of the reforms to healthcare financing (see Appendix B).

Chart 2.1: Break-even contribution rate (paid on earnings up to the upper earnings limit) based on principal assumptions



- 2.7 For self-employed and non-employed contributors, the break-even contribution rate would follow the same pattern, relative to the actual contribution rate, as for Class 1 contributions.
- 2.8 The spike in the break-even rate in 2020 reflects the alignment of contribution income in that year with forecasts made by the States Treasury. This is done to make some allowance for pandemic effects. The jump in the break-even rate in 2022 reflects the assumption that the States grant ceases to be paid from that year. It is anticipated that the contribution rate payable will also increase from that time.
- 2.9 The break-even rate has been above the current rate of contributions in recent years and is projected to remain above this throughout the projection period, even after allowing for the anticipated increase in 2022.
- 2.10 Continuing the trend seen since 2015, the break-even rate increases over the first part of the projection period. This reflects the steep fall in the number of people of working age relative to the numbers over pension age, which is illustrated by the old age support ratio shown in the chart overleaf. The ratio only takes into account the population on the island. It does not therefore represent the complete picture as a significant part of old age pension expenditure is made to those living off the island.
- 2.11 Ignoring other factors, the smaller the value of the old age support ratio, the higher will be the break-even contribution rate required. Between about 2040 and 2050, the ratio increases, which is reflected in a fall in the break-even contribution rate. From 2050, the ratio declines again but gradually. Other things equal, this would lead to a slow increase in the break-even rate. In practice, the break-even rate is broadly flat. This is because contribution income largely increases in line with earnings whereas benefit rates are assumed to increase by less than earnings.

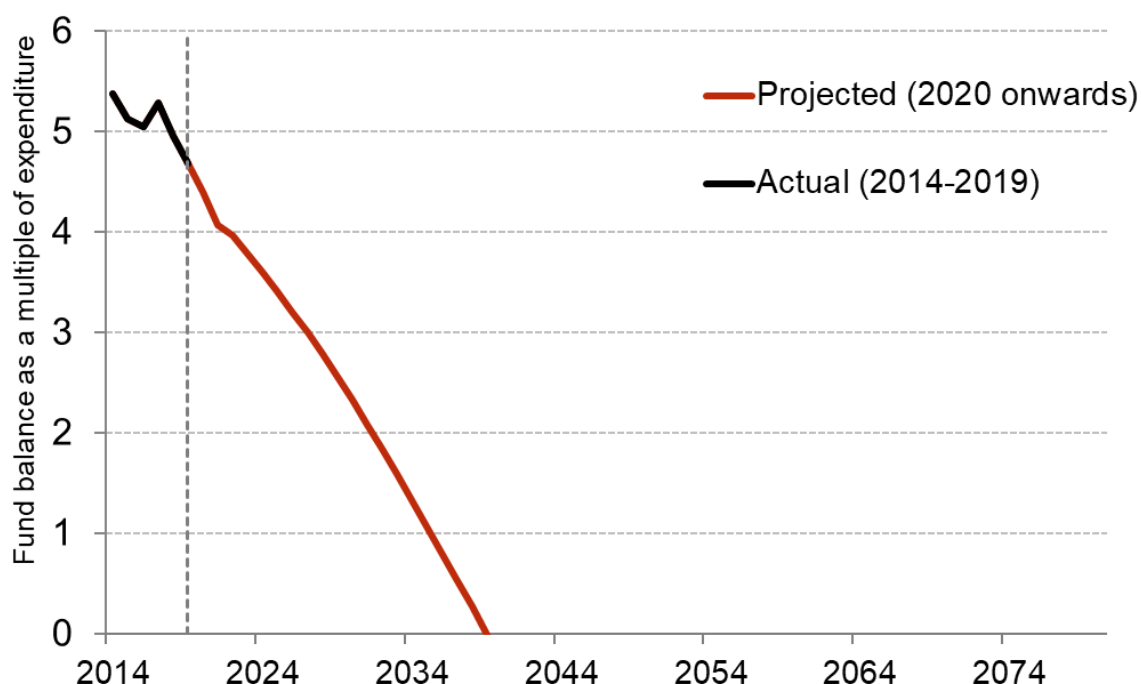
Chart 2.2: Old age support ratio (number of people of working age, age 16 to state pension age, for each person over state pension age) based on assumed inward migration of 100 people a year



- 2.12 The break-even rates shown above start off similar to the rates calculated in the actuarial review as at 31 December 2014. However, in the long-term the rates at this review are higher than those projected in the previous review. This is largely because this review allows for the withdrawal of the States grant and includes a higher assumed rate of benefits increases. This review assumes benefits increase in line with RPIX plus one third of the real increase in earnings, but the 2014 review assumed this level of increase would only apply up to 2024 with increases in line with RPIX only thereafter.
- 2.13 Section 4 provides a comparison of the break-even contribution rates calculated at the 2014 and 2019 actuarial reviews.

Projected Fund balance

- 2.14 In 2019, the Fund held a balance that corresponded to 4.7 times benefit and administration expenditure over the year. Chart 2.3 shows how the balance is projected to change over the next 60 years, assuming the contribution rates remain unchanged following the anticipated increase from 2022. This projection allows for the investment returns earned by the Fund, which are assumed to average 2% a year above RPIX.

Chart 2.3: Projected progress of the Fund balance based on the principal assumptions

- 2.15 The balance is projected to steadily decline as a multiple of expenditure and is projected to be exhausted in 2039. The Committee's current target is to hold a balance of twice expenditure: the balance is projected to fall below this by 2032.
- 2.16 The decline in the Fund balance reflects the shortfall between contribution income (based on the currently anticipated rates) and expenditure. Investment returns on the existing balance will partially offset this shortfall, but they are not enough to prevent the decline of the balance.
- 2.17 Once the balance is exhausted, contributions would need to rise to at least the break-even rate in order to cover expenditure. In practice, to the extent that part of the balance is not readily convertible into cash (for example, some property investments) and to maintain a working cash balance, it would be necessary to increase the contribution rate or take alternative action before the balance is exhausted.
- 2.18 At the 2014 review, the balance was projected to be exhausted in 2046. The projection at this review therefore indicates an earlier date. This is largely a consequence of the higher break-even contribution rates shown at this review, which imply a bigger shortfall between income and expenditure, and the assumption of lower investment returns (2.0% over RPIX compared with 2.5% over RPIX).

Constant contribution rate to target a specified Fund balance in 2080

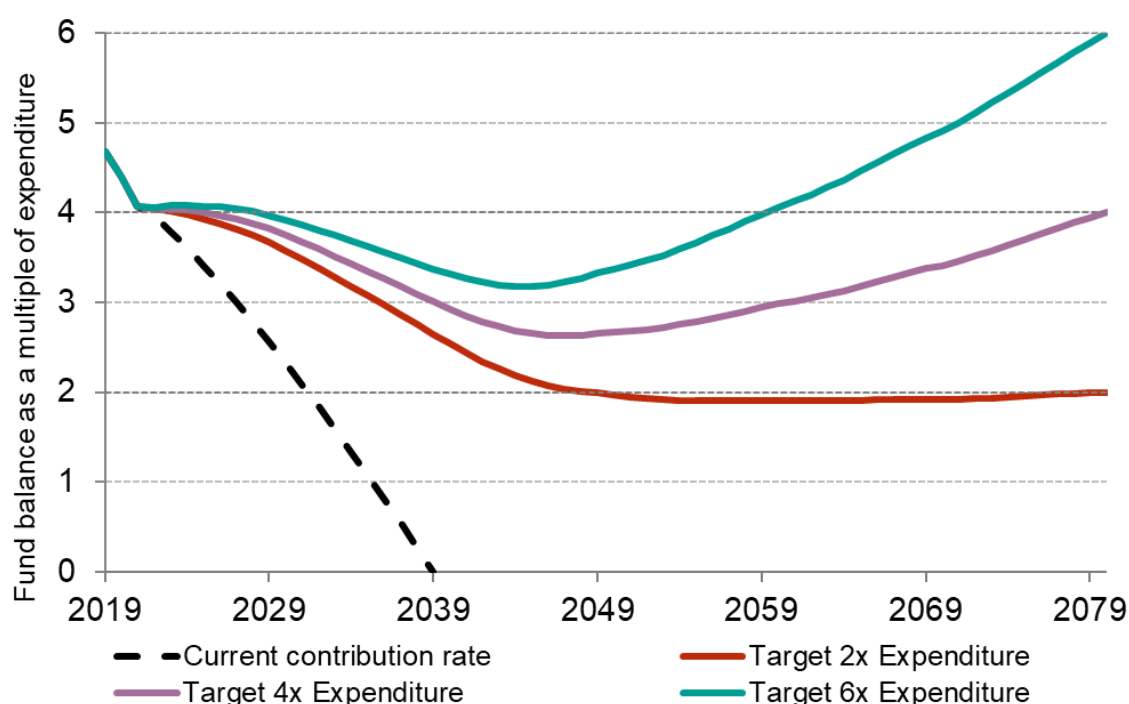
- 2.19 The Committee currently has a target to hold a balance that represents twice annual expenditure. I have therefore calculated the constant level of contributions required from January 2022 to target this balance at the end of the projection period in 2080.
- 2.20 In addition, as requested, I have calculated the constant contribution rates needed to target balances of 4- and 6-times expenditure in 2080.

2.21 These constant Class 1 contribution rates are set out in the table below. For self-employed and non-employed contributors, the break-even contribution rate would follow the same pattern, relative to the currently anticipated contribution rate, as for Class 1 contributions. The chart that follows shows how the balance is projected to develop if these contribution rates were implemented, compared with the currently anticipated rates.

Table 2.1: Constant contribution rates needed from January 2022 to target specified Fund balance in 2080; the currently anticipated rate from 2022 is 9.55%

Target Fund balance as multiple of expenditure	Required constant Class 1 contribution rate (employer and employee combined)
2 x	11.3%
4 x	11.6%
6 x	11.8%

Chart 2.4: Projected progress of the Fund balance if the contribution rates in Table 2.1 were implemented



2.22 The constant contribution rates are set to target the balance at the end of the projection period. As seen from the chart, this does not mean that the balance is at this level throughout the period.

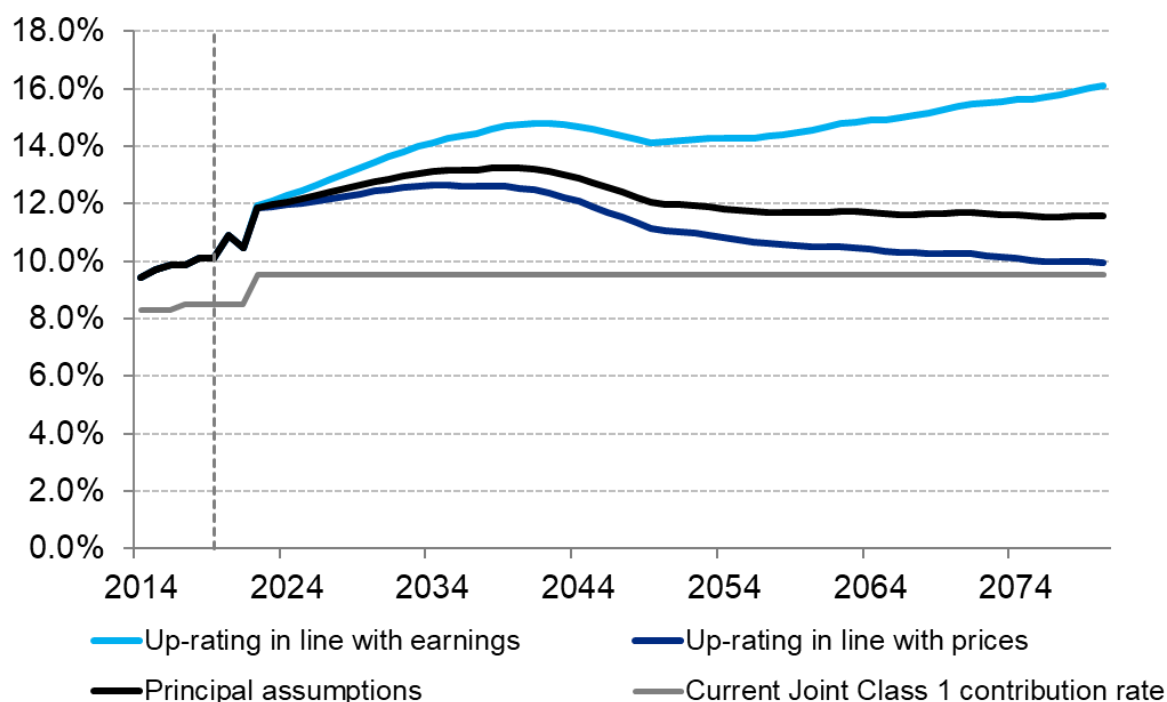
2.23 The balance under the “2x” scenario (the red line) is broadly stable at the end of the projection period. This means that, at that point, income less expenditure is sufficient to allow the balance to grow in line with expenditure. In contrast, for the other two scenarios, the balance is rising at the end of the projection period. This reflects that income less expenditure is sufficient to allow the balance to grow relative to expenditure.

3. Variant projections

- 3.1 The estimates provided in this report depend on assumptions made about the future.
- 3.2 The demographic, economic and benefit-specific assumptions underlying the projections are inevitably subject to a considerable degree of uncertainty, particularly given the long period considered by the review. For example, climate change could have a significant impact on the Fund, affecting the prospects for earnings growth, the population profile, life expectancy and investment returns.
- 3.3 It is therefore important to consider how the results of the review would change if different assumptions were adopted. This section provides alternative projection results based on variant assumptions for:
- > up-rating of benefits and contribution limits
 - > migration
 - > real earnings growth
 - > investment returns
- 3.4 Each variant is considered individually.
- 3.5 The results shown in this section are illustrative only and are not intended to indicate the full range of possible future experience. There is also a variety of other factors that could affect the future progress of the Fund, such as changes in the number of benefit recipients and life expectancy.

Variant up-rating scenarios

- 3.6 I have made projections assuming benefits and contribution limits are increased:
- > in line with RPIX
 - > in line with earnings
- 3.7 Chart 3.1 shows the Class 1 break-even contribution rate for these two variants, together with the principal results which assume uprating in line with the RPIX index plus one third of the real increase in earnings. The choice of up-rating approach has a significant impact on the break-even contribution rates.

Chart 3.1: Break-even contribution rate based on variant up-rating scenarios

3.8 Under the principal up-rating assumption, the balance is projected to be exhausted in 2039. This is brought forward to 2036 assuming earnings up-rating or pushed back to 2041 under price up-rating.

3.9 Table 3.1 details the constant contribution rate estimated to be required from January 2022 such that the projected average balance of the fund is equal to twice projected expenditure at the end of the projection period for each up-rating scenario.

Table 3.1: Constant contribution rates needed from January 2022 to target a Fund balance of twice annual expenditure in 2080; the currently anticipated rate from 2022 is 9.55%

Up-rating scenario	Required constant Class 1 contribution rate
Price up-rating	10.5%
Principal assumption	11.3%
Earnings uprating	13.4%

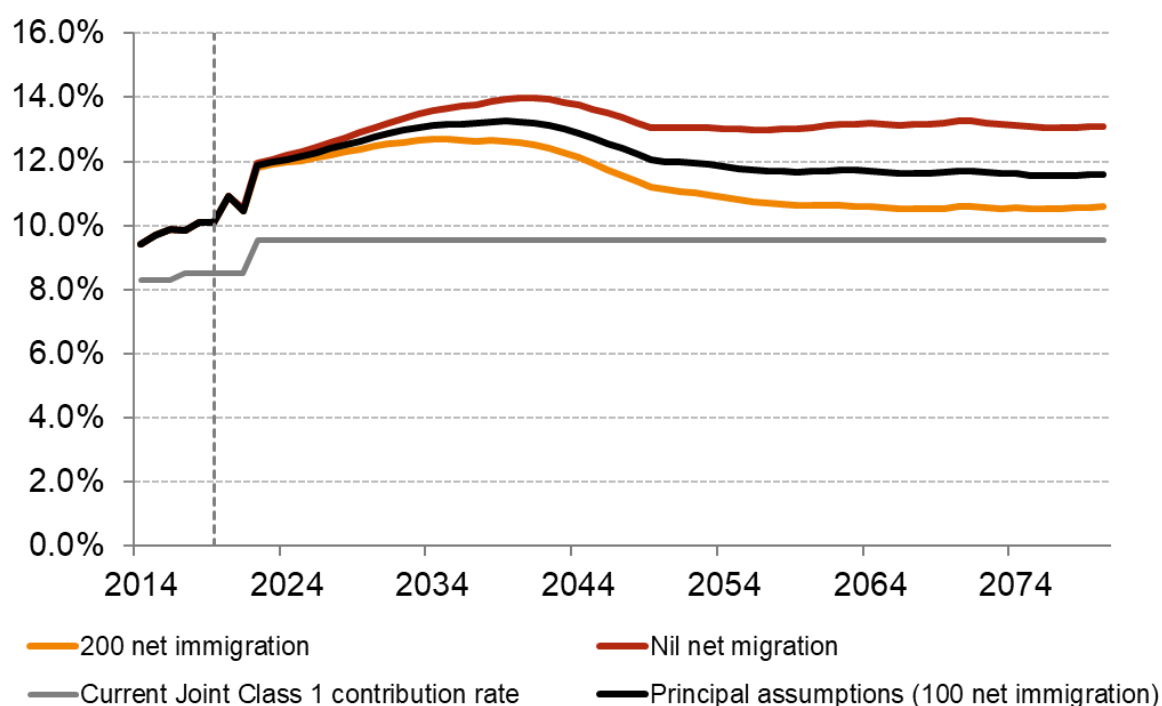
Variant migration scenarios

3.10 I have made projections using variant migration scenarios as follows:

- Net nil migration
- Net inward migration of 200 people a year

3.11 These variants were specified by the Committee and the population projections for these variants were supplied by the States Treasury.

3.12 Chart 3.2 shows the Class 1 break-even contribution rate for these two variants, together with the principal results which assume net inward migration of 100 people a year.

Chart 3.2: Break-even contribution rate based on variant migration scenarios

- 3.13 The path of the break-even contribution rate is broadly similar under each variant. Higher inward migration reduces the rate. This is because higher migration initially increases the number of contributors while having little immediate impact on expenditure. However, the migrants will in due course generate higher expenditure, particularly once they start to reach pension age.
- 3.14 Under the principal up-rating assumption, the balance is projected to be exhausted in 2039. This is brought forward to 2038 assuming net nil migration or pushed back to 2040 under the assumption of net inward migration of 200 people a year.
- 3.15 Table 3.2 details the constant contribution rate estimated to be required from January 2022 such that the projected average balance of the fund is equal to twice projected expenditure at the end of the projection period for each migration scenario.

Table 3.2: Constant contribution rates needed from January 2022 to target a Fund balance of twice annual expenditure in 2080; the currently anticipated rate from 2022 is 9.55%

Migration scenario	Required constant Class 1 contribution rate
Net nil migration	12.1%
Principal assumption (net inward migration of 100 a year)	11.3%
Net inward migration of 200 a year	10.7%

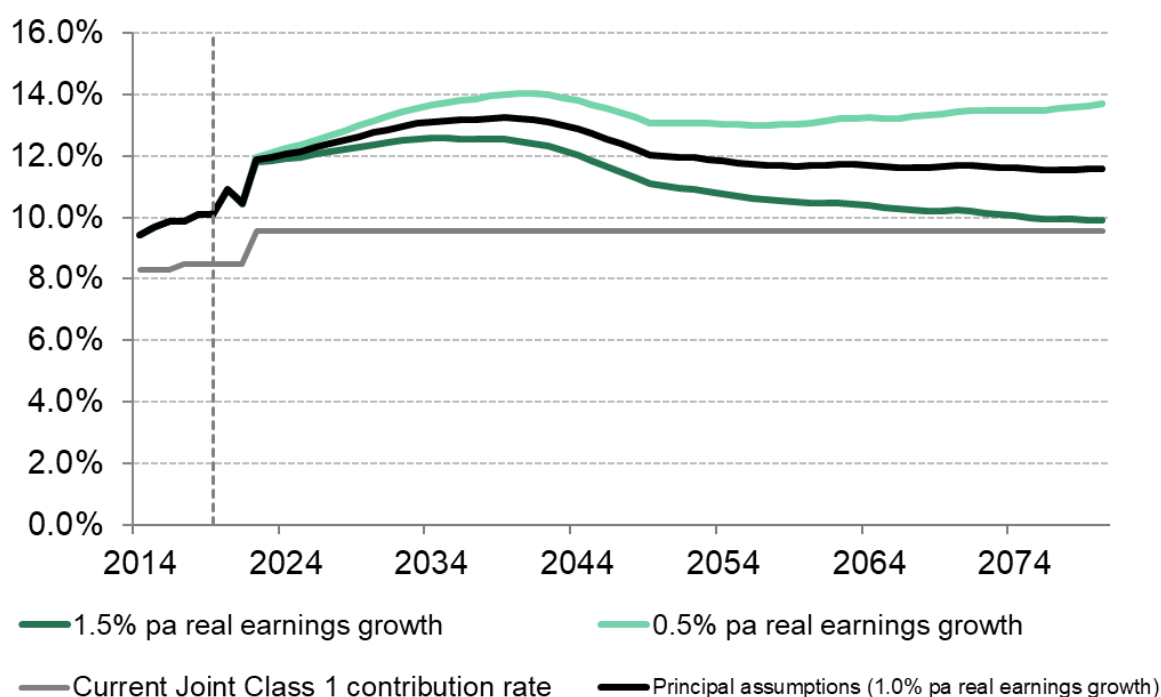
Variant real earnings growth scenarios

3.16 I have made projections assuming real earnings growth, from 2021, of:

- > 0.5% a year
- > 1.5% a year

3.17 Chart 3.3 shows the Class 1 break-even contribution rate for these two variants, together with the principal results which assume real earnings growth of 1.0% a year.

Chart 3.3: Break-even contribution rate based on variant real earnings growth



- 3.18 Lower assumed real earnings growth increases the projected break-even contribution rate. This is because this lower growth feeds through fully (apart from the effect of the contribution limits) into contribution income. However, lower earnings growth has a more limited impact on benefit expenditure, because it is assumed that up-rating is not fully in line with earnings growth.
- 3.19 Under the principal up-rating assumption, the balance is projected to be exhausted in 2039. This is brought forward to 2038 assuming lower real earnings growth or pushed back to 2040 under the assumption of higher real earnings growth.
- 3.20 Table 3.3 details the constant contribution rate estimated to be required from January 2022 such that the projected average balance of the fund is equal to twice projected expenditure at the end of the projection period for each earnings growth scenario.

Table 3.3: Constant contribution rates needed from January 2022 to target a Fund balance of twice annual expenditure in 2080; the currently anticipated rate from 2022 is 9.55%

Real earnings growth scenario	Required constant Class 1 contribution rate
0.5% a year	12.1%
Principal assumption (1.0% a year)	11.3%
1.5% a year	10.5%

Variant investment return scenarios

- 3.21 I have made projections assuming investment return, from 2021, of:
- > 1% a year above RPIX
 - > 3% a year above RPIX
- 3.22 The investment return assumption only affects the projection of the Fund balance. As the calculation of the break-even contribution rate ignores the impact of the Fund balance, the investment return assumption has no effect on the break-even contribution rates.
- 3.23 Under the principal up-rating assumption, the balance is projected to be exhausted in 2039. This is brought forward to 2038 assuming lower investment returns or pushed back to 2041 under the assumption of higher returns.
- 3.24 Table 3.4 details the constant contribution rate estimated to be required from January 2022 such that the projected average balance of the fund is equal to twice projected expenditure at the end of the projection period for each investment return scenario.

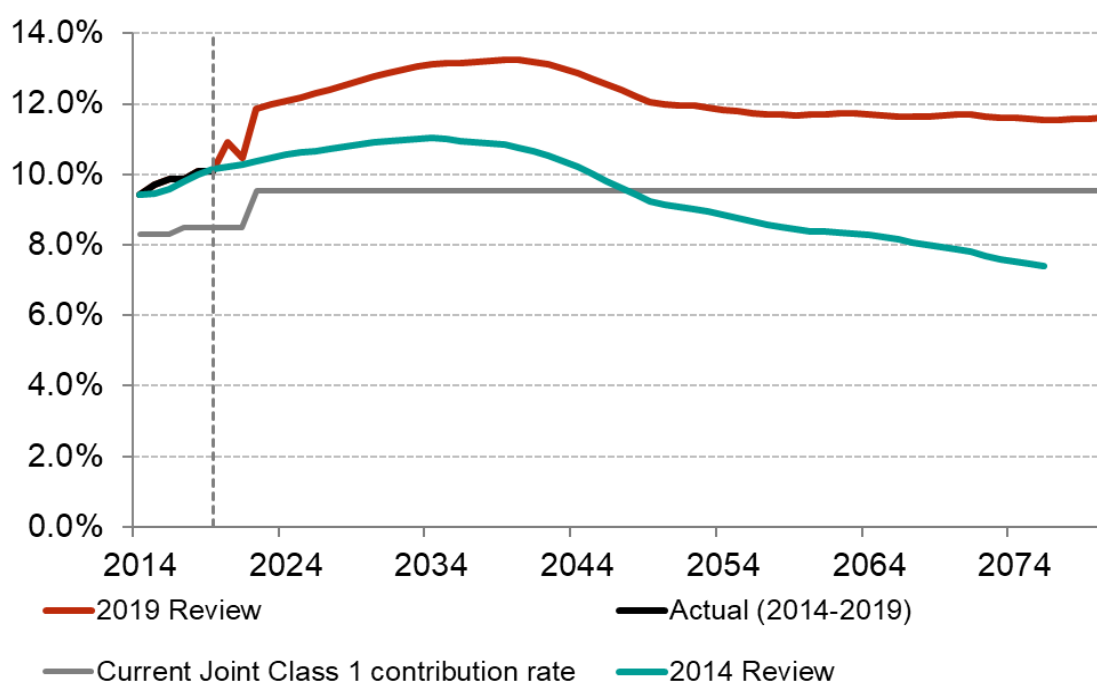
Table 3.4: Constant contribution rates needed from January 2022 to target a Fund balance of twice annual expenditure in 2080; the currently anticipated rate from 2022 is 9.55%

Investment return scenario	Required constant Class 1 contribution rate
1% a year	11.6%
Principal assumption (2% a year)	11.3%
3% a year	11.0%

4. Changes in projections from the 2014 review

4.1 Chart 4.1 shows the break-even contribution rates calculated at this review and at the previous review as at 31 December 2014.

Chart 4.1: Break-even contribution rate based on principal assumptions at the 2019 and 2014 actuarial reviews



4.2 Overall, the 2019 review shows higher break-even contribution rates than those calculated at the 2014 review. Table 4.1 provides an approximate breakdown of the main reasons for the changes between the two reviews.

Table 4.1: Comparison of 2019 Review projected break-even contribution rate and 2014 Review projected break-even contribution rate

	2025	2035	2045	2055	2065	2075
2014 Review	10.6%	11.0%	10.0%	8.8%	8.2%	7.5%
Change in up-rating assumption	0.0%	0.5%	0.9%	1.1%	1.4%	1.5%
Cessation of the States grant	1.6%	1.7%	1.6%	1.5%	1.4%	1.3%
Change in population projections	-0.5%	-0.7%	-0.7%	-0.7%	-0.8%	-0.4%
Reduction in real earnings growth	0.4%	0.8%	1.1%	1.4%	1.6%	1.9%
Change in contribution assumptions	-0.4%	-0.4%	-0.4%	-0.3%	-0.3%	-0.3%
Change in OAP assumptions	0.3%	0.3%	0.0%	0.0%	0.0%	0.0%
Other changes	0.1%	0.0%	0.1%	0.1%	0.1%	0.1%
2019 Review¹	12.2%	13.2%	12.7%	11.8%	11.7%	11.6%

Figures may not sum to totals due to rounding.

4.3 I comment on each element of the change in the break-even contribution rate as follows:

- > Up-rating assumption: At the 2019 review, it is assumed that benefits and contribution limits would increase in line with the RPIX index plus one third of the real increase in median earnings above RPIX inflation. At the 2014 review, it was assumed that this level of up-rating only applied up to 2024, and thereafter increased in line with RPIX only. The higher up-rating assumption at the 2019 review leads to higher break-even contribution rates.
- > States grant: the 2019 review allows for the States grant to be withdrawn from 2022. This means contributions need to finance all Fund expenditure and so increases the break-even contribution rate. I understand that the contribution rate to the Fund will be increased at the time the States grant is withdrawn.
- > Population projection: compared with the 2014 review, the population projections used for the 2019 review imply a slightly greater number of people at working ages relative to those over pension age and this acts to reduce the break-even rate.
- > Real earnings growth: assumed real earnings growth has reduced from 1.5% a year at the 2014 review to 1.0% a year at the 2019 review. As commented in paragraph 3.18, assuming lower earnings growth increases the break-even contribution rate.
- > Contribution assumptions: the 2019 review includes updated assumptions on the proportion of the population that contributes to the Fund and allowed for new data on earnings distributions. These changes reduce the break-even contribution rate.
- > OAP assumptions: the updated assumptions on the proportions of the population drawing an OAP lead to an increase in the break-even contribution rate.
- > Other changes: these include the adjustments to the projection of contribution income in 2020 to make allowance for the coronavirus pandemic and changes to the assumptions for sickness and other benefits.

Appendix A: Overview of the Guernsey Insurance Fund

- A.1 The Guernsey Insurance Fund is a contributory social security scheme providing a range of benefits including old age, sickness, and unemployment benefits.
- A.2 The Fund is financed broadly on the pay-as-you-go principle. Under this approach, contribution income in a year is intended to cover expenditure in the year, and no significant fund of assets would be built up out of which to finance future expenditure. This means contribution rates may change significantly over time owing to changes in the benefits provided, the profile of the population or the economic environment.
- A.3 However, a fund is maintained to act as a reserve to meet unforeseen contingencies and to help smooth required increases in the contribution rate. As at 31 December 2019, the balance of the Fund was £741 million, which is equivalent to about 4.7 times annual expenditure.
- A.4 Appendix B provides a summary of the contributions payable and the benefits provided. For some benefits, it is not a requirement to be a Guernsey resident to receive the benefit and, in practice, the old age pension is paid to many individuals who do not remain on the Island in retirement.
- A.5 Contributions are paid by employers, employees, the self-employed and the non-employed. Contributions are not payable beyond pension age, except by the employer. The States also make a grant to the Fund, which is currently set at 14.7% of total contributions, but as part of healthcare reforms the grant is being withdrawn (see below).

Changes since the 2014 actuarial review

- A.6 With effect from January 2017, the Fund provides a wider range of parental benefits on the birth or adoption of a child. At the same time, the employer and employee contribution rates were each increased by 0.1%.
- A.7 As part of reforms to the funding of healthcare provision, the States has agreed at the meeting on 13 June 2019 the following changes that affect the Insurance Fund²:
- > The Fund should no longer receive a States grant
 - > To offset the withdrawal of the States grant, the overall rate of contributions paid to the Fund should be increased (with a corresponding reduction in health service contributions, so that the total contribution rate paid by individuals and employers is unchanged)
 - > The Fund should no longer pay the travelling allowance grant
- A.8 I have agreed with the social security department to assume that these changes take effect from January 2022.

² See the resolutions made on 13 June 2019 following consideration of the policy letter on “Reform of Health Care funding” dated 2 May 2019.

- A.9 Guernsey signed a reciprocal social security agreement with Latvia in September 2020. This will make it easier for individuals who have worked in Guernsey and Latvia to qualify for a Guernsey pension. The agreement is expected to come into force in 2021. I have made a broad allowance for this in the review, based on cost estimates provided by the Social Security department.

Appendix B: Summary of contributions and benefits

- B.1 This appendix provides a brief overview of the contributions, benefits and qualifying conditions as at 31 December 2019. Guernsey has reciprocal social security agreements with a number of countries, whereby individuals who have contributed to a social security scheme in another country may receive small, part benefits from that country. This review does not allow for any impact from possible new future agreements. Further information on contributions and benefits is available from the States of Guernsey Social Security (www.gov.gg).

Contributions

- B.2 Contributions are paid by employers, employees, the self-employed and the non-employed. Contributions are paid by, and on behalf of, employees earning above the lower earnings limit, with contributions payable on total earnings up to the upper earnings limit. Contributions are payable by the self-employed, subject to the same limits.
- B.3 Contributions are paid by non-employed individuals with income above the lower income limit. These contributions are based on total income up to the upper earnings limit but subject to the non-employed income allowance.
- B.4 As part of reforms to healthcare funding, the rates of contributions paid to the Fund are being amended³. These changes are assumed to apply from 2022.
- B.5 The table below shows the contribution rates applicable since 2015, including the assumed changes in 2022.

Table B.1: Contribution rates payable

	2015	2016	2017	2018	2019	2020	2021	2022 onwards
Employer	4.90%	4.90%	5.00%	5.00%	5.00%	5.00%	5.00%	6.60%
Employee	3.40%	3.40%	3.50%	3.50%	3.50%	3.50%	3.50%	2.95%
Total Employed	8.30%	8.30%	8.50%	8.50%	8.50%	8.50%	8.50%	9.55%
Self Employed	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	7.35%
Non-employed (Under state pension age)	5.70%	5.70%	5.70%	5.70%	5.70%	5.70%	5.70%	6.60%

- B.6 Employee, self-employed and non-employed contributions are payable until pension age. Employer contributions remain payable in respect of employees over pension age.

³ The revised rates have been taken from Table 6.1 in the policy letter on the reform of healthcare funding dated 2 May 2019 (P2019/37).

- B.7 Central funding is currently provided to the Fund by way of the States grant. The grant reduced from 15.0% to 14.7% of total contributions from January 2017. As part of the reforms to healthcare funding, the grant is being withdrawn, and this is assumed to apply from 2022.
- B.8 The above contribution rates are in respect of the Guernsey Insurance Fund only. Additional contributions are payable to the Long-term Care Insurance Fund and for health services. This review assumes that contribution income to the Insurance Fund is in line with contribution rates above and no allowance is made for any potential re-allocation of overall contributions.

Benefits

- B.9 Benefits are payable to “insured” persons, that is, those who are paying or have paid contributions to the Guernsey Insurance Fund.
- B.10 Old age pension is the most significant benefit, accounting for around 85% of total expenditure in 2019. Incapacity Benefit is the second largest element of expenditure and accounted for less than 6% of total expenditure in 2019. All other benefits each accounted for less than 3% of total benefit expenditure in 2019.
- B.11 The table below shows the weekly rates of benefit for the most significant benefits.

Table B.2: Benefit rates payable

Weekly rate	2015	2016	2017	2018	2019	2020
Old age pension						
Main rate	£201.03	£204.45	£206.09	£212.27	£217.36	£222.58
Addition for dependents ⁴	£100.70	£102.41	£103.23	£106.33	£108.88	£111.49
Incapacity benefit						
Full rate	£177.80	£180.81	£182.28	£187.74	£192.22	£196.84
Sickness benefit						
Full rate	£147.91	£150.43	£151.62	£156.17	£159.95	£163.80

Old age pension

- B.12 Old age pension is a weekly benefit payable to men and women on reaching pension age, currently age 65. Eligibility and the level of benefit payable are both dependent on the beneficiary's contribution record.
- B.13 To receive a pension at the full benefit rate, an average of at least 50 contributions must be paid each year over a 45-year period. A proportionately reduced benefit is paid where this condition is not met. However, no pension is payable if the yearly average is less than 10, unless assisted by a Reciprocal Agreement.

⁴ Addition for dependants is payable only to certain existing recipients.

- B.14 Different rules applied for women married before 1 January 2004. There remain some transitional arrangements whereby a woman married before 1 January 2004 may be able to use part of her husband's record to improve her rate of pension.
- B.15 Pension age is due to increase to age 70 between 2020 and 2049.

Incapacity benefits

- B.16 There are a number of different benefits that may be payable on illness or injury:
- Sickness Benefit is a weekly benefit payable for up to six months if an individual is incapable of work due to illness or injury.
 - Industrial Injury Benefit is a weekly benefit payable for the first six months of an illness which is connected with an injury at work.
 - Incapacity Benefit (previously called Invalidity benefit) is a weekly benefit payable after Sickness Benefit or Industrial Injury Benefit has been paid for six months.
 - Industrial Disablement Benefit is a weekly benefit payable if an individual has a long-term disability which is a direct result of an accident at work or certain diseases or conditions contracted at work.
 - Industrial Medical Benefit is a one-off payment or series of payments to meet the cost of treatment connected with an accident at work or certain diseases or conditions contracted at work.
- B.17 Payment of sickness benefit and invalidity benefit is subject to at least 26 contributions having been paid at any time and at least 26 contributions having been paid or credited in the relevant contribution year. No benefit is paid in respect of illness of fewer than 4 days and partial weeks are paid proportionately. The amount received depends on the contribution record.

Bereavement benefits

- B.18 There are three bereavement benefits that may be payable on the death of a spouse:
- Bereavement Payment is a lump sum payment payable to all widows and widowers.
 - Widowed Parent's Allowance is a weekly benefit payable to widows and widowers with dependent children.
 - Bereavement Allowance is a weekly benefit, payable for up to one year, to widows and widowers below pension age who do not have dependent children.
- B.19 Payment of bereavement benefits is subject to the same contribution conditions as for old age pension, based on the late spouse's record at date of death, rather than at pension age.
- B.20 Bereavement benefits changed with effect from 1 January 2004. Different rules continue to apply to those widowed before 1 January 2004 but only a small number of legacy cases remain.

Travelling allowance grant

- B.21 A Travelling Allowance Grant (TAG) provides funding and reimbursement of travel expenses for patients visiting Jersey or the UK when medical treatment is not available in Guernsey or Alderney, and also for Alderney patients requiring treatment in Guernsey.
- B.22 Following reforms to healthcare funding, the States has decided that the TAG should no longer be provided from the Insurance Fund. As agreed with the social security department, we have assumed that the Fund ceases to finance the TAG from 2022.

Unemployment benefit

- B.23 Unemployment benefit is a weekly benefit payable for up to 210 days if an individual is registered as unemployed and seeking work with an employer. Payment of unemployment benefit is subject to at least 26 contributions having been paid at any time as an employed person and at least 26 contributions having been paid or credited as an employed person in the relevant contribution year. Generally, contributions paid as a self-employed person or non-employed person do not count for Unemployment Benefit.
- B.24 To receive the full benefit rate, at least 50 contributions must be paid in the relevant contribution year. A proportionately reduced benefit is paid where this condition is not met.

Parental benefits

- B.25 From January 2017, Maternity Benefits were replaced with new Parental Benefits. The benefits provided from January 2017 are:
- Maternity Grant – a lump sum payable to all mothers of newborn children regardless of whether or not they are eligible for any other maternity/parental benefits
 - Maternal Health Allowance – a weekly benefit payable to women in the pre-birth or initial post-birth period for a minimum two week period.
 - Newborn Care Allowance – a weekly benefit payable following the end of the compulsory two week maternal health allowance period, payable to either parent at the same rate as Maternal Health Allowance. Maternal Health Allowance and Newborn Care Allowance are payable for maximum combined period of 26 weeks
- B.26 In addition, the 2017 reform introduced benefits payable upon the adoption of a child:
- Adoption Grant – a lump sum payable to either adoptive parent on the adoption of a child, payable at the same rate as the Maternity Grant
 - Parental Allowance – a weekly benefit payable to either parent following the adoption of a child, payable at the same rate as Maternal Health Allowance and Newborn Care Allowance. Parental Allowance is payable for a maximum period of 26 weeks.
- B.27 Payment of Maternal Health Allowance, Newborn Care Allowance and Parental Allowance is subject to at least 26 contributions having been paid at any time as an employed or self-employed person and at least 26 contributions having been paid or credited as an employed or self-employed person in the relevant contribution year.

B.28 To receive the allowance benefits at the full rate, at least 50 contributions must be paid in the relevant contribution year. A proportionately reduced benefit is paid where this condition is not met.

B.29 Prior to 2017, the two maternity benefits were:

- Maternity Allowance – a weekly benefit payable to expectant mothers for a maximum of 18 weeks, subject to same contribution conditions as for sickness benefit and invalidity benefit
- Maternity Grant – a lump sum payment made to insured expectant mothers who are not entitled to Maternity Allowance or who opt for Maternity Grant instead.

Death grant

B.30 Death Grant is a one-off payment paid as a lump sum to help with funeral expenses. It is payable on the death of an insured person, their spouse or child, with payment subject to contribution conditions similar to those for old age pension, based on the deceased's record, or the parent's record in the case of a child.

Appendix C: Fund accounts from 2015 to 2019

C.1 The table below provides details of income, expenditure and the balance of the Fund for the period 2015 to 2019.

Table C.1: Income, expenditure and Fund balance from 2015 to 2019 (£000s)

	2015	2016	2017	2018	2019
Balance at 1 January	702,100	676,837	731,249	769,278	712,516
Income					
Contributions	100,117	102,035	106,582	109,764	113,860
States Grant	15,018	15,305	15,668	16,135	16,737
Total Income	115,135	117,340	122,250	125,899	130,597
Outgo					
Benefits	129,809	134,649	137,246	144,918	150,745
Administration Costs	4,656	4,860	4,579	4,611	4,409
Total Outgo	134,465	139,509	141,825	149,529	155,154
Operating Surplus / Deficit	-19,330	-22,169	-19,575	-23,630	-24,557
Return on Investments	-5,933	76,581	57,604	-33,132	52,840
Balance at 31 December	676,837	731,249	769,278	712,516	740,799

C.2 Although expenditure has exceeded income from contributions and the States grant, the Fund balance has increased over the period 2015 to 2019. This is largely due to high investment returns achieved in 2016, 2017 and 2019.

C.3 Since 2014, benefit expenditure has increased on average by about 4% a year. Increases in benefit expenditure are largely driven by increases in old age pension benefits. Expenditure on parental benefits also increased significantly in 2017 due to the new, more generous benefits.

C.4 Overall, the growth in the balance has not kept pace with the increase in expenditure. Therefore, the Fund balance as a proportion of expenditure has decreased from 5.4 in 2014 to 4.7 in 2019.

C.5 The table below provides details of expenditure on each benefit for the period 2015 to 2019.

Table C.2: Benefit expenditure from 2015 to 2019

£000s	2015	2016	2017	2018	2019
Old Age Pension	110,708	115,436	117,477	123,455	128,742
Sickness Benefit	3,597	3,778	3,862	4,134	4,519
Industrial Injuries Benefit	213	185	181	267	254
Incapacity Benefit	8,118	8,095	7,990	8,577	8,843
Industrial Disablement Benefit	533	512	496	528	526
Industrial Medical Benefit	130	101	128	139	169
Bereavement Benefits	1,517	1,550	1,551	1,498	1,405
Travel Allowance Grant	2,095	2,070	2,043	2,785	2,524
Unemployment Benefit	1,356	1,373	998	898	940
Parental Benefits	1,194	1,208	2,130	2,268	2,481
Death Grant	310	346	373	350	350
Other	38	-5	17	19	-9
Total	129,809	134,649	137,246	144,918	150,745

Appendix D: Summary of data

D.1 A summary of the membership data supplied for this actuarial review is set out below.

Table D.1: Summary of contributor data⁵ - average numbers over the calendar year

	2015	2016	2017	2018	2019
Class 1 - men	14,789	14,823	14,787	14,858	14,928
Class 1 - women	14,047	14,031	14,193	14,263	14,349
Class 2 – men	2,145	2,052	1,997	1,911	1,833
Class 2 - women	657	652	649	648	659
Class 3 – men (under pension age)	429	415	397	363	352
Class 3 – women (under pension age)	653	648	644	606	592

Table D.2: Summary of beneficiaries' data (average number of awards in payment)

	2015	2016	2017	2018	2019
Old Age Pension	17,230	17,524	17,828	18,121	18,389
Incapacity Benefit	871	862	853	870	878
Industrial Disability Benefit	189	178	168	164	163
Bereavement Allowance and Widowed Parent's Allowance	168	157	157	142	123

⁵ These figures exclude "deficiency notices" and "accounts".

Table D.3: Summary of beneficiaries' data (number of new awards)

	2015	2016	2017	2018	2019
Sickness Benefit	9,319	9,613	9,109	10,293	9,984
Unemployment Benefit	1,020	940	762	635	579
Parental Benefits ⁶ (inc. adoption)	418	409	448	446	450
Maternity/Adoption Grant	68	72	410	502	520
Industrial Illness Benefit	469	427	365	443	520
Industrial Medical Benefit	900	762	795	909	979
Bereavement Payment	232	282	285	284	303
Death Grant	568	653	681	614	625
Travel Allowance Grant	1,014	875	923	953	945

- D.2 Our calculations rely on the accuracy of the data. Our checks on the data were limited to overall reasonableness and consistency. We have discussed with the social security department some specific issues we noted in the data. However, overall, the data appeared to be of good quality and sufficient for the purposes of the review.
- D.3 If any of the data used for the calculations is materially incorrect or incomplete, this could have a significant effect on the results.

⁶ Figures for 2015 and 2016 are for the previous maternity allowance/maternity grant. See Appendix B for details on the changes to parental benefits in 2017.

Appendix E: Methodology and assumptions

Methodology

- E.1 This review has been carried out using a projected cashflow approach, given the partially funded nature of the Fund. As such, the financial condition of the Fund has been assessed in terms of the average Fund balance relative to annual expenditure, reflecting that, although a reserve is held, assets are not expected to be sufficient to cover the full accrued liabilities.
- E.2 The calculations involve projecting contribution income, benefit expenditure and administration expenses over the 60 years from 2020 to 2080. The projections have been prepared on an open group basis. This means that the review allows for future contributors to the Fund and not only those currently contributing to, or receiving benefits from, the Fund.
- E.3 Three main sets of results are presented in this report:
- > The projected “break-even” contribution rates
 - > The projected balances in the Fund, as a multiple of expenditure, assuming that the current rates of contribution remain unchanged
 - > Estimates of the constant contribution rate required to be paid over the projection period such that the projected average balance of the Fund is equal to twice projected expenditure at the end of the projection period
- E.4 The break-even contribution rates are the rates that would be required in order for contribution income in each year to equal expenditure on benefits and administration costs in that year.
- E.5 The projection of the Fund balance gives an indication of the extent to which the build-up of assets in the Fund can be used to delay increases to contribution rates that might otherwise be required. If no fund of assets had been built up, the contribution rate would need to follow the break-even rates.
- E.6 We believe that this methodology is appropriate for the review and consistent with actuarial principles.

Population projections

- E.7 A key driver of the results of the actuarial review is the assumed size and profile of the Guernsey population over the projection period.
- E.8 The population projections adopted for the main results of this review (as set out in Section 2) were provided by the States’ Treasury and were prepared by the States’ Data and Analysis division. Separate projections were provided for Guernsey and Alderney: these projections were added together for the purpose of the actuarial review as the Fund covers the population in both islands.

- E.9 Appendix F contains further details on this, and on the assumptions used in the population projections.

Assumptions

- E.10 In addition to the population projections, it is necessary to make a large number of other assumptions about likely future experience. The assumptions determine the future numbers of beneficiaries and contributors, the average level of benefits payable and the average earnings of contributors.
- E.11 The assumptions adopted are based on data and information provided by the Committee for Employment & Social Security. We have relied on the accuracy of these data and GAD does not accept responsibility for advice based on wrong or incomplete data or information provided.
- E.12 Since the effective date of the review, the world has been struck by the COVID-19 pandemic. The pandemic has already had an impact on many economies, although its ultimate impact will not be known for some time. Given the long-term nature of the actuarial review, the short-term impact of the pandemic may have only a limited effect on the results of the review. Nevertheless, we have incorporated an indicative allowance for the pandemic in developing some of the economic assumptions.
- E.13 It should be recognised that great uncertainty remains around the ultimate effect of COVID-19 and therefore our assumptions about this represent just one possible scenario. There is a range of other, plausible scenarios that could have a more or less favourable impact on the Fund.
- E.14 The results of the review are sensitive to the assumptions adopted. Although the assumptions as a whole are considered to form a reasonable basis for the review, in practice, it is not possible to predict the future with certainty and therefore the Fund's future experience may differ from that assumed. It is therefore important to consider how the results of the review would change if experience followed a different set of assumptions and this is illustrated in Section 3 of this report.
- E.15 A summary of the assumptions adopted for this review, together with a brief explanation of how they were determined, is given below. We have set the assumptions (apart from the population projections) in order to represent best estimates of the future experience of the Fund, and therefore they do not incorporate any margins for optimism or pessimism, except where stated otherwise. The population projections were specified by the States.

Policy assumptions

- E.16 As agreed with the Committee, it is generally assumed that the Fund will continue to operate as it does currently. However, it is necessary to make specific assumptions about how benefits and contribution limits will be increased in future.
- E.17 As instructed by the Committee, it is assumed that benefits and contribution limits increase in line with the RPIX index plus one third of the real increase in median earnings above RPIX inflation. In contrast, at the 2014 review, benefits and contribution limits were assumed to increase in line with the RPIX index plus one third of the real increase in earnings above RPIX inflation until 2024 and thereafter in line with RPIX index only.
- E.18 We understand that the RPIX index is constructed in a similar way to the corresponding index for the UK. However, the RPI indices are regarded as having some technical

drawbacks⁷ and are largely being phased out in the UK in favour of the Consumer Prices Indices. If the RPIX index in Guernsey were also to be replaced, an alternative measure for increasing benefits and contribution limits would need to be found.

Economic assumptions

Price inflation

- E.19 The level of assumed price inflation is not a financially significant assumption because all cash-flow items are linked to price inflation either directly or indirectly. It therefore has little impact on the calculated contribution rates or the Fund balance as a multiple of expenditure.
- E.20 RPIX has been chosen as the States' preferred measure of price inflation: this is designed to measure "core" price inflation excluding mortgage interest payments.
- E.21 Over the ten years to 31 December 2019, RPIX price inflation has averaged 2.1% a year, although in recent years it has been slightly higher, averaging 2.4% a year over the three years to 31 December 2019. The Guernsey inflation bulletin for the quarter ended 30 June 2020 has indicated that RPIX inflation was 2.4% a year (compared with 2.5% for the quarter ended 31 March 2020).
- E.22 Overall, it is assumed that price inflation will be 2.5% a year in all future years, which we understand is consistent with other financial projections made by the States. The long-term assumption at the 2014 review was that price inflation would average 3% a year.

Real earnings growth

- E.23 The level of assumed real earnings growth (in excess of RPIX price inflation) is a significant assumption.
- E.24 Data provided on earnings growth shows that over the ten years to 31 December 2019, real earnings (relative to RPIX) grew on average by 0.2% a year. Over the three years to 31 December 2019, real earnings growth also averaged 0.2% a year, but higher growth of over 0.5% a year was seen in 2018 and 2019.
- E.25 In principle, real earnings growth would be expected to reflect real GDP growth, which has averaged at around 1.1% pa over the nine years to 2018 (the latest year for which we have data). However, the precise relationship between earnings and GDP is complex, reflecting factors like changes in the total number of hours worked and the average hours worked per employee, the proportion of GDP attributable to employment earnings and changes in the structure of remuneration.
- E.26 It is also useful to look at expectations of earnings growth in the UK. In their 2020 Fiscal Sustainability Report (FSR) published in July 2020⁸, the OBR assumed that long-term growth in average earnings would be about 1% a year in excess of RPIX inflation. Although the construction of inflation indices can vary, we understand that the Guernsey RPIX index is broadly consistent with the UK RPIX index.

⁷ In particular, the use of arithmetic means. More background on the UK RPI can be found in the consultation document issued by the UK Government and the UK Statistics Authority: <https://consultations.ons.gov.uk/rpi/2020/>

⁸ See <https://obr.uk/fsr/fiscal-sustainability-report-july-2020/>

- E.27 The COVID-19 pandemic is likely to have some impact on real earnings growth. The OBR's analysis in the 2020 FSR assumes, under the central scenario, that UK GDP will fall by around 10% in 2020, before recovering but by 2024 it would remain about 3% below the level that was projected before the pandemic. They also assume that average earnings would be broadly static in 2020 (after allowing for the UK Government's interventions in the labour market).
- E.28 We have seen no analysis of how earnings are likely to be affected in Guernsey. However, from discussions with officers in the States' Treasury, we understand that in the long-term GDP is assumed to be about 1½% lower than it would have been without the pandemic. This is smaller impact than for the UK which might reflect the shorter lockdown experienced by Guernsey and greater weighting towards financial services.
- E.29 Overall, it is assumed that in real terms (relative to RPIX), average earnings would be unchanged in 2020 and then grow by 1% in each subsequent year. This therefore implies that earnings will be permanently 1% lower than if we had made no allowance for the economic slowdown in 2020.
- E.30 At the 2014 review, it was assumed that real earnings would grow by 1.5% a year. The lower assumption adopted for this review reflects a less favourable outlook for future earnings growth.

Real investment return

- E.31 The Guernsey Committee for Employment & Social Security has asked us to adopt a long-term assumption for real investment returns of 2% a year over RPIX, to be applied throughout the projection period. This is lower than the assumption made for the 2014 review of 2.5% a year over RPIX and is net of investment expenses levied within the Common Investment Fund.
- E.32 Investment returns on the fund have been variable in recent years, with negative returns emerging in 2015 and 2018. We have estimated that, over the five years to 31 December 2019, the combined funds earned an investment return of about 2.1% a year over RPIX price inflation.
- E.33 The Governance Framework Document for the Common Investment Fund dated May 2018 sets out the strategic asset allocation for the Common Investment Fund (see section 4.8). This includes a 15% allocation to equities and 32% to fixed income with the balance in a range of alternative investment funds.
- E.34 The Governance document indicates that the overall target return is the 6-month LIBOR rate plus 3.5%. This is stated to be broadly equivalent to the expected return on equities (see section 4.7 of the Governance document⁹).
- E.35 Overall, we consider that the assumption of 2% a year above RPIX is consistent with the target return and lies within the range of reasonable investment return assumptions. However, to illustrate the uncertainty around this assumption, we have also prepared results on alternative investment return assumptions.
- E.36 The COVID-19 pandemic has had a significant impact on the financial markets. Northern Trust's report on the performance of the Common Investment Fund up to 31 July 2020 indicates that in the first seven months of 2020 the fund actually achieved a return of minus

⁹ This refers to the target being based on 3-month LIBOR, but we understand that this should 6-month LIBOR.

5%. Our calculations allow for this actual return before switching to the assumption of 2% a year over RPIX.

Table A.1: Economic assumptions

	2019 (actual)	2020	2021	2022 onwards
RPIX price inflation	2.4%	2.5%	2.5%	2.5%
Real earnings growth (net of RPIX price inflation)	0.6%	0.0%	1.0%	1.0%
Real investment returns (net of RPIX price inflation)	2.0%	(5.6%)	2.0%	2.0%

Administration expenses

- E.37 The administration expenses relate to the collection of contribution income, the payment of benefit claims and general management costs. Investment expenses are taken into account through a reduction from the investment return earned by the Common Investment Fund (CIF) and this is reflected in the investment return assumption.
- E.38 Over the period from 2014 to 2019, administrative expenses for the three combined funds (the Insurance Fund, the Health Service Fund and the LTC Fund) have increased by about 1.5% a year, or 1.3% a year if depreciation is included.
- E.39 Up to 2019, administrative costs have been split between the three funds. However, under reforms to healthcare funding that are currently being implemented, the Health Service Fund will cease to operate and therefore all administrative costs will need to be borne by the Insurance Fund and the LTC Fund. This may lead to higher administrative costs for the two remaining funds, for example because fixed overheads are now spread between two rather than three funds. We have discussed this with the Social Security Department and, taking into account their comments, we have assumed that administrative costs for both funds will increase by 4% in 2022 (in addition to any inflationary increase).
- E.40 At previous reviews, it has been the practice to treat part of the administrative cost as salary-related, and therefore projected in line with earnings, and the balance as increasing in line with prices.
- E.41 The accounts for recent years show the total administrative costs across the three combined funds, together with a breakdown for each fund. They also show how the total cost is split between different cost types. For some items, e.g. staff costs, it is obvious that they are salary-related, but in other cases it is less clear e.g. charges paid to other Committees may contain a mix of salary-related and price-related costs. It is also likely that the mix of salary- and price-related costs will vary over time.
- E.42 We have calculated that, for the combined funds over the period 2015 to 2019, the salary-related costs represented just under 80% of the administration costs including depreciation but excluding the charges paid to the Committees.
- E.43 In theory, different assumptions might be made for the different funds, but given the uncertainties, a single assumption has been adopted for both the Insurance Fund and Long-term Care Fund. This assumption is that 80%¹⁰ of administration costs are salary-

¹⁰ The equivalent assumption was 75% at the 2014 review.

related and therefore are projected to increase from the 2019 level in line with earnings, with an additional 4% increase in 2022. All other administration costs are projected to increase from the 2019 level in line with prices, again with an additional 4% increase in 2022.

Contribution assumptions

E.44 The key assumptions underlying the projections of contribution income are:

- proportions of the population assumed to be paying contributions in future years
- future contribution rates and earnings limits
- the distribution of future earnings

E.45 Table A.2 below illustrates the assumptions adopted for the proportions of the population assumed to be making Class 1 contributions, together with the corresponding assumptions from the 2014 review. The 2019 assumptions were derived from the data supplied on the number of contributors combined with the population data. They represent the average proportions contributing (by age and sex) for the years 2015 to 2019.

Table A.2: Proportions of the population assumed to be making Class 1 contributions

Age	Men		Women	
	2014 review	2019 review	2014 review	2019 review
20	0.70	0.70	0.63	0.66
30	0.82	0.82	0.72	0.77
40	0.75	0.76	0.71	0.73
50	0.69	0.70	0.70	0.72
60	0.46	0.49	0.42	0.47

E.46 These proportions are assumed to apply in all years. No adjustment is made to allow for the impact of the pandemic on employment. However, as noted in paragraph E.92 below, we have aligned the contribution income for 2020 with the latest forecasts for this received from the States' Treasury.

E.47 These proportions are generally slightly higher than those used for the 2014 review, particularly for women and at older ages.

E.48 Corresponding data were provided in respect of self-employed and non-employed contributors, which again allowed us to calculate the proportions paying Class 2 (self-employed) and Class 3 (non-employed) contributions over the period 2015 to 2019. These proportions are similar to those adopted for the 2014 review except that for this review it is assumed that a slightly lower proportion of men pay Class 2 contributions. Class 2 and 3 contributions are much less significant elements of overall contribution income.

E.49 The proportions contributing are assumed to persist throughout the projection period, adjusted appropriately for the planned increase in pensionable age from age 65 in 2020 to age 70 in 2049.

E.50 In projecting the development of the Fund balance, it is assumed that the current rates of contribution are maintained, unless stated otherwise. As stated above, contribution earnings limits are assumed to increase in line with the RPIX index plus one third of the real increase in median earnings above RPIX inflation.

- E.51 The contributor data supplied to GAD allowed us to derive a distribution of earnings of contributors. These provide information on earnings up to the upper earnings limit.
- E.52 The earnings distributions are considered separately by contribution class, sex, and age band and are assumed to remain constant at the 2019 distribution in future allowing for earnings inflation.
- E.53 Contribution income is projected by combining the future numbers of contributors, based on the relevant population projections, with the assumed earnings distribution allowing for the assumed up-rating of contribution limits and the relevant contribution rate.

Benefit assumptions

Old age pension

- E.54 Old age pension currently accounts for around 85% of the expenditure on benefits from the Fund. The key assumptions underlying the projections of old age benefit expenditure are:
- > the proportions of the population assumed to receive a pension in future years
 - > the proportion of the full benefit rate expected to be paid on average
- E.55 The data provided on the numbers of old age pensions in payment, together with the population data, allowed us to calculate the proportion of the Guernsey population that is in receipt of an old age pension for each year from 2015 to 2019. The proportions exceed 100% as in practice pensions are paid to many individuals who do not remain on the Island in retirement.
- E.56 It is assumed that the proportions of the Guernsey population in receipt of an old age pension in 2020 is equal to the average proportion shown in the data for the years 2015 to 2019. These are shown in the following table, together with the corresponding proportion assumed at the 2014 review.

Table A.3: Assumed proportion of the population receiving old age pension in 2020

Age group	2014 Review Proportion in 2020	2019 Review
65-69	140%	130%
70-74	140%	145%
75-79	155%	155%
80-84	140%	140%
85-89	130%	130%
90+	120%	115%

- E.57 Our analysis indicates that the proportion of the population in receipt of an old age pension at ages 65-69 and 90 and over in recent years has been lower than the assumptions made at the previous review, with the proportion at ages 70-74 being higher. The assumptions are the same for the other ages shown.

- E.58 The above age-specific proportions for 2020 are applied on a cohort basis¹¹ over the projection period. A proportion of 130% is assumed to apply to all future cohorts reaching state pension age.
- E.59 The proportion of the full pension rate paid depends on individuals' contribution records. Data on amounts of old age pension paid has been provided. The data reflect all payments made within a calendar year, including payments in respect of new awards and cessations in the year. Using these data directly, including pensions that were in payment for only part of the year, would provide for a deflated average proportion of the standard benefit rate in payment. We have made some adjustments to the data to remove new awards and cessations in the year.
- E.60 We have analysed the adjusted data by age, comparing amounts paid by age against the corresponding number of benefits in payment for each year to calculate the proportion of the standard benefit rate paid. This shows that the proportions have varied by age. We have not been able to analyse the proportions by sex as data by sex were not readily available.
- E.61 Our analysis indicates that the proportion of the standard benefit rate paid in recent years is higher for those aged 65 to 74 than the assumptions made at the previous review and lower for older ages.
- E.62 It is assumed that the proportion of the standard benefit rate payable in 2020 is equal to the average proportion shown in the data for the years 2015 to 2019. These are shown in the following table, for selected ages together with the corresponding proportion assumed at the 2014 review.

Table A.4: Assumed proportion of the old age pension standard benefit rate paid in 2020

Age group	2014 Review Proportion in 2020	2019 Review
65-69	62%	67%
70-74	62%	60%
75-79	57%	56%
80-84	57%	59%
85-89	60%	62%
90+	65%	67%

- E.63 As with the proportions of the population receiving a pension, the above age-specific proportions for 2020 are applied on a cohort basis over the projection period. A proportion of 67% is assumed to apply to all future cohorts reaching state pension age.
- E.64 The assumed proportions are higher than the assumptions made for the previous review for most age groups except 70-79, where they are lower.
- E.65 Expenditure on old age pension is projected by multiplying together (by age group) the assumed proportions receiving a pension, the projected population, the assumed average

¹¹ For example, the proportion at age 70 in 2020 applies to age 71 in 2021 and 72 in 2022 etc.

proportion of the full benefit rate payable and the 2020 pension rate allowing for the assumed rate of pension increases.

Incapacity benefits

E.66 The key assumptions underlying the projections of expenditure on incapacity benefits are:

- > the expected number of awards each year per head of the insured population
- > the expected duration of each claim
- > the average proportion of the standard benefit rate expected to be paid

E.67 The table below details the assumptions adopted for each of the incapacity benefits. These assumptions are based on data provided detailing the number of beneficiaries, the current benefit rates and the expenditure shown in the accounts on these benefits in recent years. The figures in brackets show the corresponding assumptions adopted in the 2014 review.

	Expected number of awards each year per head of the insured population	Expected duration of claim (including allowance for average proportion of the standard benefit rate expected to be paid)
Sickness benefit	New awards: Males – 23% (25%) Females – 33% (35%)	19.0 days (16.5 days)
Industrial injury benefit	New awards: Males – 2% (2%) Females – 1% (1%)	22.5 days (21.5 days)
Invalidity benefit	Average number in payment: Males - 1% (1%) at age 20, increasing to 7% (9%) by age 65. Females - 1% (1%) at age 20, increasing to 7% (6%) by age 65.	Paid throughout the year at 100% (95%) of the standard benefit rate.
Industrial disablement benefit	Average number in payment: 0.5% (0.6%)	Paid throughout the year at 35% (35%) of the standard benefit rate.
Industrial medical benefits	New awards: 2.4% (2.8%)	One-off payment. Average payment in 2019 assumed to increase in line with the principal up-rating assumption.

E.68 These assumptions are assumed to persist throughout the projection period.

E.69 Expenditure on incapacity benefits is projected by combining the future numbers of beneficiaries, based on the projected insured population, with the assumed average proportion of the full benefit rate payable and the expected duration of payment and the 2020 benefit rate allowing for the assumed rate of benefit increases.

Bereavement benefits

- E.70 The key assumptions underlying the projections of expenditure on bereavement benefits are:
- > the proportion of the population assumed to be widowed in future years
 - > the proportion of those widowed receiving each bereavement benefit
 - > the average proportion of the full benefit rate expected to be paid
- E.71 The proportion of the population assumed to be widowed in the future is based on the Great Britain 2008 marital status projections for the proportions of widows and widowers in the population. These proportions are age-specific and are projected to change over time. These proportions are applied to the assumed Guernsey population projections.
- E.72 We have adopted age- and sex-specific assumptions for the proportions of those widowed receiving each benefit.
- E.73 The number of Bereavement Payment awards is assumed to range from 15% of the male widowed population aged 30, decreasing to 3% by age 95 and from 15% of the female widowed population aged 25, decreasing to 1% by age 95. The assumptions are generally similar to or slightly higher than those adopted for the 2014 review, except for younger females.
- E.74 The average number of Widowed Parent's Allowance awards assumed to be in payment is assumed to range from 15% for widowed males aged 30, increasing to 30% for ages 45-49 and decreasing to 5% by age 64. The corresponding assumptions for females is 20% for widowed females aged 25, increasing to 75% for ages 40-44 and decreasing to zero by age 60. The assumptions are generally slightly higher than or similar to those adopted for the 2014 review for males. For females the assumptions are generally higher, except for younger ages 25-34 where they are lower.
- E.75 The average number of Bereavement Allowance awards is assumed to be 5% of the male widowed population aged 40 to 44, 10% for ages 45-49, then 5% for ages up to 64 and 5% of the female widowed population aged 30 to 49, increasing to 30% by age 60. The assumptions are generally the same as those adopted for the 2014 review for males. For females the assumptions are slightly higher at younger ages 30-44 and lower for older ages.
- E.76 All awards are assumed to be paid at 72% of the standard benefit rate with the average number of Widowed Parent's Allowance and Bereavement Allowance awards assumed to be paid throughout the year. This is the same percentage as assumed for the 2014 review.
- E.77 Expenditure on bereavement benefits is projected by combining the future numbers of beneficiaries, based on the projected numbers widowed and proportions receiving each benefit, with the assumed average proportion of the full benefit rate payable and the 2020 benefit rates allowing for the assumed rate of benefit increases.

Travelling allowance grant

- E.78 The key assumptions underlying the projections of expenditure on the travelling allowance grant are:
- > the proportions of the population assumed to receive a Travelling Allowance Grant
 - > the average benefit expected to be paid

It is assumed that, on average, 1.5% of the population will receive this benefit in each year (compared to 1.6% assumed for the 2014 review).

- E.79 Expenditure on the travelling allowance grant is projected by combining the future numbers of grants, based on the projected population, with the average cost per grant in 2019 increased in line with the principal up-rating assumption. Travelling allowance grants will no longer be paid from the Fund from 1st January 2022 onwards.

Unemployment benefit

- E.80 The key assumptions underlying the projections of expenditure on unemployment benefits are:
- > the proportions of the insured population assumed to receive unemployment benefit
 - > the expected duration of each claim (including allowance for the average proportion of the standard benefit rate expected to be paid)
- E.81 It is assumed that the average number of awards in payment per head of the insured population will be 2.2% and that each award will be paid for 9.3 weeks at the full standard benefit rate (compared with 3.2% and 8.5 weeks payment assumed for the 2014 review). The changes partly reflect removal from the data of ineligible claims, which it was not possible to do with the data for the 2014 review. These assumptions are assumed to persist throughout the projection period.
- E.82 Expenditure on unemployment benefit is projected by combining the future number of beneficiaries, based on the projected insured population, with the assumed average proportion of the full benefit rate payable and the expected duration of payment and the 2020 benefit rate allowing for the assumed rate of benefit increases.

Maternity benefits

- E.83 The key assumptions underlying the projections of expenditure on maternity and parental benefits are:
- > the proportion of births giving rise to a maternity grant
 - > the proportion of births giving rise to parental benefits (introduced in 2017)
 - > the average expected duration of each parental benefit award (assuming the standard benefit rate is paid in full for each claim).
- E.84 It is assumed that 100% of births will give rise to a maternity grant, reflecting the introduction in 2017 of new parental benefits, with all awards assumed to be paid at the full benefit rate.
- E.85 84% of births are assumed to give rise to a maternity allowance or corresponding parental benefits. The average expected duration of each award, assuming the standard benefit rate is paid in full for each claim, is 22.5 weeks. The corresponding assumptions made for the 2014 review were 82% of births and 23 weeks payment.
- E.86 Expenditure on maternity benefits is projected by combining the number of births, based on the population projections, the proportion giving rise to each of the benefits and the assumed duration of maternity allowance and the 2020 benefit rate allowing for the assumed rate of benefit increases.

Adoption benefit

E.87 Payments of grants and parental allowances on adoption were introduced in 2017. There is very little data on which to base assumptions for future expenditure on these. Based on the number of cases in 2018 and 2019 it is assumed that there will be 6 payments of adoption grant and 4 payments of parental allowance on adoption per annum in future. The average expected duration of each award of allowance, assuming the standard benefit rate is paid in full for each claim, is assumed to be the same as for maternity allowance, i.e. 22.5 weeks.

Death grant

E.88 The key assumptions underlying the projections of expenditure on death grant benefits are:

- > the proportion of deaths giving rise to a grant
- > the average proportion of the full benefit rate expected to be paid

E.89 It is assumed that 108% of deaths will give rise to the award of death grant (meaning that some grants are awarded in respect of deaths occurring outside Guernsey) and that, on average, 92% of the full benefit rate will be paid. The corresponding assumptions made for the 2014 review were 90% of deaths and 96.5% of the full payment.

E.90 Death grant expenditure is projected by combining the number of awards, based on the projected population and the proportion giving rise to a grant, and the average proportion of the full benefit rate expected to be paid, and the 2020 benefit rate allowing for the assumed rate of benefit increases.

Alignment with accounts

E.91 We have compared modelled contribution income and benefit expenditure in recent years with actual income and expenditure as recorded in the accounts. Based on this, we have, calculated alignment factors to bring the modelled amounts into line with the out-turn figures. These alignment factors are then applied, where material, to projected contributions and expenditure in all future years.

E.92 In addition, in order to make an allowance for the impact of the pandemic, the modelled contribution income in 2020 has been aligned with the forecast contributions for that year estimated by the States Treasury. This adjustment has only been applied to 2020 and modelled contribution income in future years is unchanged.

Appendix F: Population projections

- F.1 The States Treasury provided the population projections adopted for this review. There were separate projections for Guernsey and Alderney, and these were added together to obtain the population covered by the Fund. The projections use an initial baseline population as at March 2019.
- F.2 There are consequently three main assumptions that are needed for projecting the future population:
- > rates of mortality
 - > fertility rates
 - > migration
- F.3 These assumptions were determined by the States and are summarised in the following table.

Table F.1: Summary of assumptions for the population projections

Mortality rates	Based on the England and Wales rates adopted by the Office for National Statistics (ONS) for their 2018-based population projections.
Fertility rates	<p>Total fertility rate (i.e. the number of children born to each woman) of 1.5. This is based on recent experience in Guernsey.</p> <p>A total fertility rate of about 2.1 is needed for a population to reproduce itself over the long-term, ignoring migration. This is greater than 2 because of the need to offset the effect of women who die before completing their reproductive life cycle.</p> <p>For comparison, the ONS central projections for the UK assumed that the total fertility rate in the long-term will average 1.78 for the 2018-based projections.</p>
Migration	<p>Net inward migration of 100 people a year</p> <p>Variant projections assuming net nil migration and net inward migration of 200 people a year</p> <p>Migration has been variable in recent years. Over the five years to 2019, inward migration averaged about 160 a year, whereas for the five years to 2014 there was <i>outward</i> migration that averaged 40 a year.</p>

- F.4 We have not made any analysis to review the appropriateness of these assumptions. However, overall, there is no indication that they are unreasonable for the purpose of the actuarial review. Migration is particularly difficult to predict, and is influenced by a range of factors, including economic conditions, in both Guernsey and the migrants' home or destination countries, and the migration policy adopted. Future migration levels are therefore subject to significant uncertainty.
- F.5 The charts below show how the population of Guernsey and Alderney is projected to develop over the next 60 years based on the assumptions discussed above, including the variant migration scenarios.
- F.6 The charts also show the old age support ratio (OASR). This is defined as the number of people of working age (age 16 and above) as a multiple of the number of people over pension age (in each case only considering the population in Guernsey and Alderney). The charts allow for the planned increase in the pension age from 65 to 70 between 2020 and 2049.
- F.7 The OASR is particularly relevant to social security systems that are financed on a pay-as-you-go basis. This is because, under this financing system, income from current contributors covers the current benefit and administration expenditure. Therefore, the smaller the number of people of working age for each person who has reached pension age, the higher the required contribution rate (other things being equal). However, this relationship is less strong for Guernsey as a large proportion of pensions are payable outside the island.

Chart F.1: Projection of Guernsey population assuming net inward migration of 100 a year

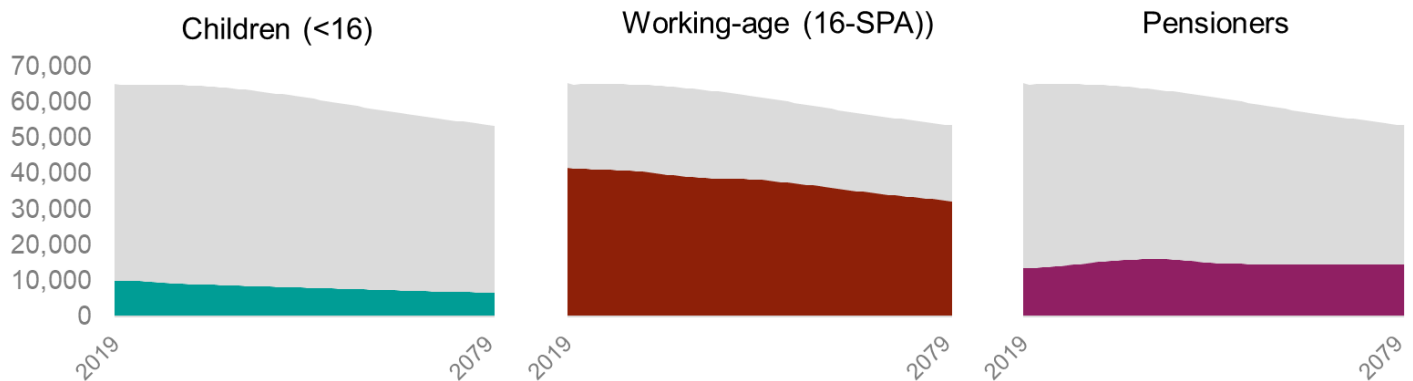


Chart F.2: Projection of Guernsey population assuming net inward migration of 200 a year

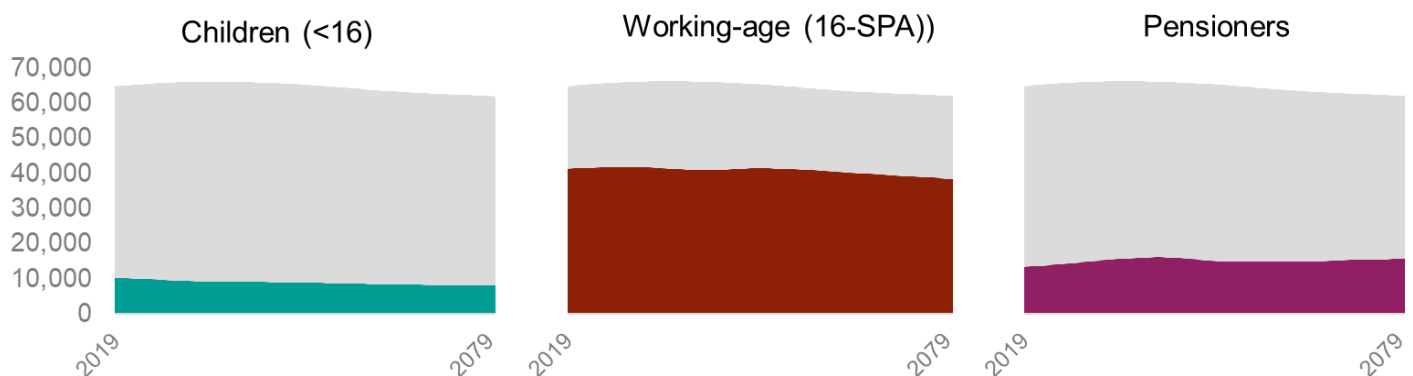


Chart F.3: Projection of Guernsey population assuming net nil migration

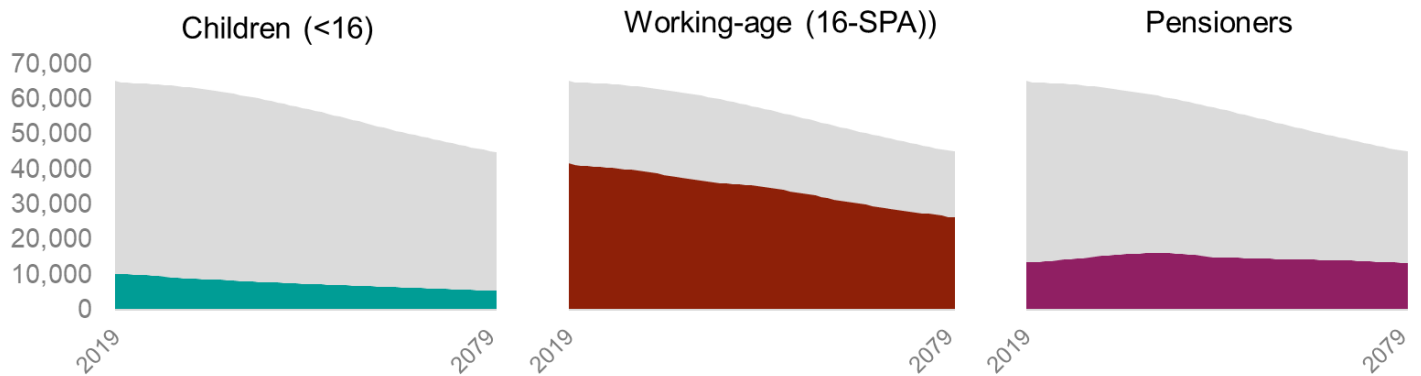
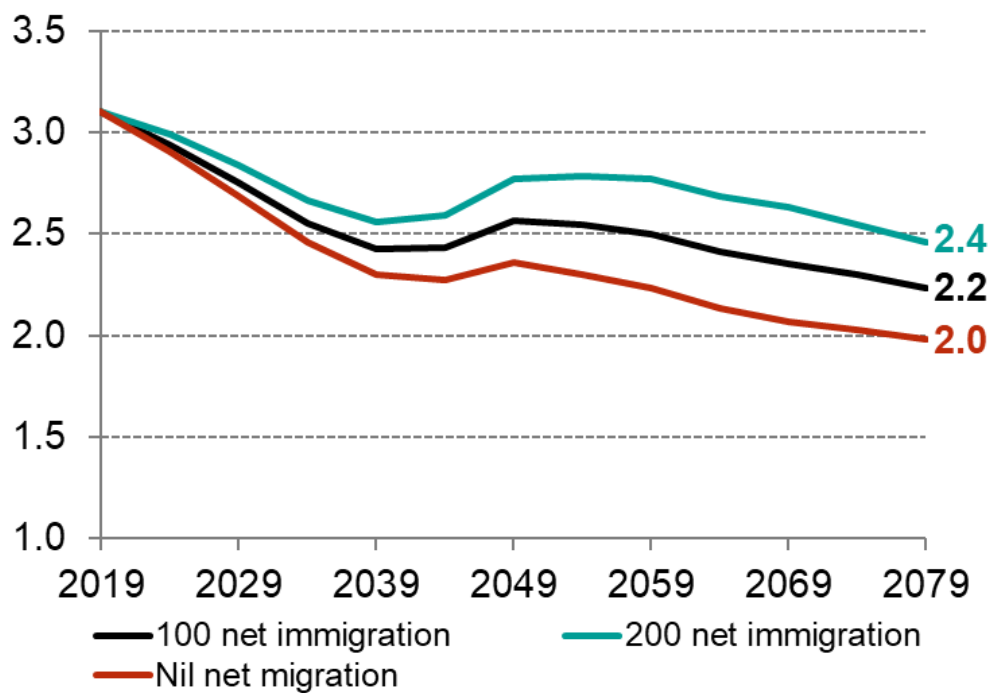


Chart F.4: Projected Old Age Support Ratio



Appendix G: Summary of the projections

Table G.1: Summary of income and expenditure and the projected balance based on the principal assumptions (in cash terms)

£ millions	2020	2025	2030	2040	2050	2060	2070	2080
Opening fund balance	740.8	662.3	560.8	-	-	-	-	-
Contribution income:	109.1	151.1	174.8	235.9	323.0	428.3	564.0	748.2
Class 1	99.1	136.6	157.9	213.0	289.4	383.8	506.1	672.2
Class 2	8.9	12.7	14.7	19.9	28.6	37.7	49.0	64.0
Class 3	1.1	1.8	2.2	3.0	4.9	6.8	8.9	12.0
States grant	16.9	-	-	-	-	-	-	-
Total income	126.0	151.1	174.8	235.9	323.0	428.3	564.0	748.2
Benefit expenditure:	157.1	186.8	227.1	317.9	393.0	506.5	666.8	875.0
Old age pension	133.5	162.6	199.6	283.5	347.9	449.7	596.3	786.2
Sickness, incapacity and injury benefits	14.4	17.0	19.5	24.4	32.3	40.9	50.8	64.0
Other benefits	9.1	7.2	8.1	10.0	12.8	16.0	19.7	24.8
Administration	4.6	5.6	6.6	9.1	12.6	17.5	24.3	33.6
Total expenditure	161.7	192.4	233.6	327.0	405.6	524.0	691.0	908.6
Excess (shortfall) of income over expenditure	(35.7)	(41.3)	(58.8)	(91.1)	(82.7)	(95.8)	(127.0)	(160.4)
Investment return	(23.4)	29.2	24.2
Closing fund balance	681.7	650.3	526.2	-	-	-	-	-
Average balance as multiple of expenditure	4.4	3.4	2.3	-	-	-	-	-
Break-even contribution rate	10.9%	12.2%	12.8%	13.2%	12.0%	11.7%	11.7%	11.6%



Government
Actuary's
Department

Ellen Pragnell
Committee Secretary
Office of the Committee for Employment & Social Security
States of Guernsey

Finlaison House
15-17 Furnival Street
London
EC4A 1AB

020 7211 2723
james.thompson@gad.gov.uk
www.gov.uk/gad

16 December 2020

Dear Ellen

Actuarial review of the Guernsey Insurance Fund as at 31 December 2019: additional Fund balance projections

In Malcom Nutley's e-mail of 26 November 2020, he requested on behalf of the Committee that we rework the results of the actuarial review of the Insurance Fund as at 31 December 2019 to show the impact of a higher contribution rate. He further clarified the scope in his e-mail of 4 December 2020.

The results of the actuarial review were set out in our report dated 15 December 2020 ("the actuarial report"). The contribution rates assumed for that review were described in Appendix B of the report. In particular, employer contributions were assumed to be 5% in 2020 and 2021, before rising to 6.6% in 2022 and beyond, and employee contributions were assumed to be 3.5% in 2020 and 2021, before falling to 2.95% in 2022 and beyond.

Contribution scenarios

As agreed, there are four contribution rate scenarios considered in this letter:

1. Employer and employee contributions each increase by 0.2% a year over five years; self-employed and non-employed contributions each increase by 0.4% a year over five years
2. Employer and employee contributions each increase by 0.1% a year over ten years; self-employed and non-employed contributions each increase by 0.2% a year over ten years
3. Employer and employee contributions each increase by 0.2% a year over five years; self-employed and non-employed contributions each increase by 0.2% a year over five years
4. Employer and employee contributions each increase by 0.1% a year over ten years; self-employed and non-employed contributions increase by 0.1% a year over ten years

It is assumed that the contribution rate rises start in January 2022.

Under Scenarios 1 and 2, by the end of the phasing-in period, the employer and employee contribution rates would each be 1% higher, and the self-employed and non-employed contribution



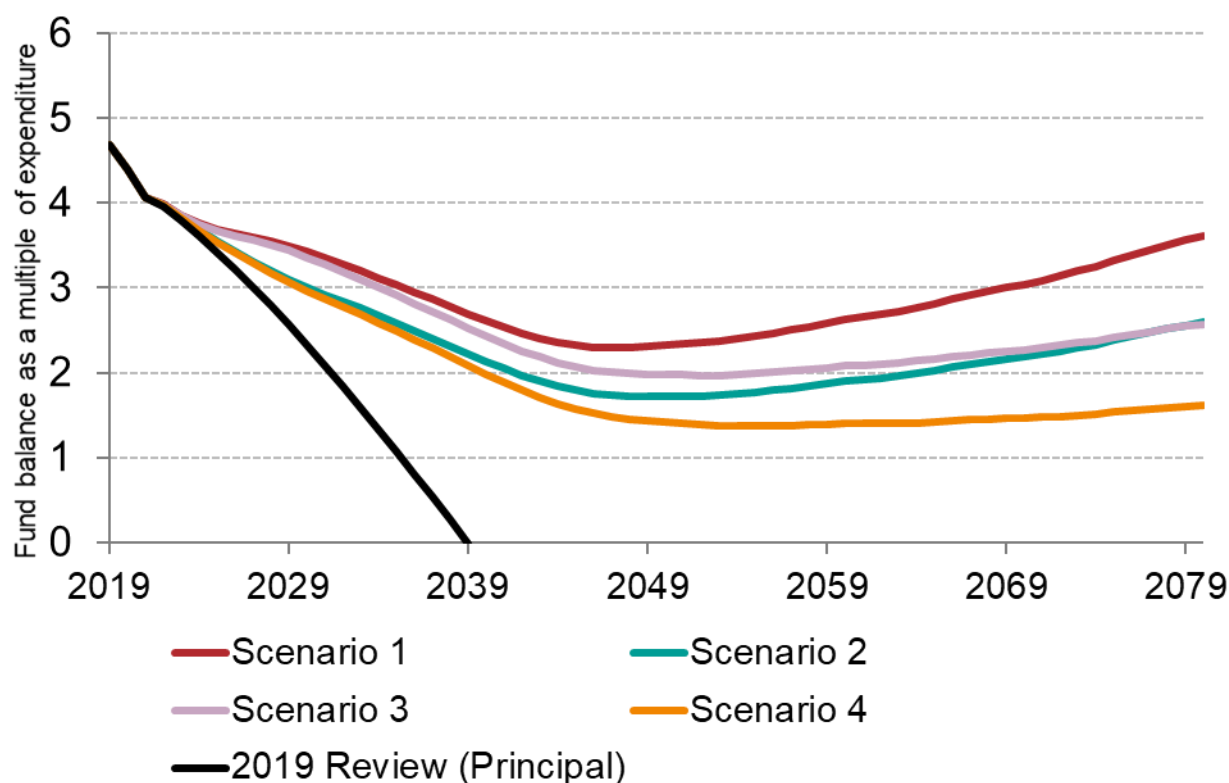
rates would be 2% higher than assumed in the actuarial report. Under Scenarios 3 and 4, by the end of the phasing-in period, the employer, employee, self-employed and non-employed contribution rates would each be 1% higher.

Results

We have updated the principal results from the actuarial review (as set out Section 2 of the actuarial report) to reflect the four new contribution scenarios. Apart from the assumed contribution rates, the calculations are the same as those for the principal results of the review. This letter should therefore be read in conjunction with the actuarial report which gives further information on the approach adopted and the financial condition of the Fund.

The different contribution scenarios do not change the break-even contribution rates or the constant contribution rates required to target a specified Fund balance in 2080 that are set out in Section 2 of the actuarial report. However, the projected Fund balance is affected. The following chart shows how the Fund balance is projected to develop under each contribution scenario. For comparison, the chart also shows the principal projection from the actuarial report (see Chart 2.3 of that report).

Chart 1: Projected progress of the Fund balance based on the principal assumptions for the 2019 actuarial review and each contribution scenario



The principal results of the actuarial review indicated that the Fund balance would decline steadily from 4.7 times annual expenditure in 2019 until it was exhausted in 2039.

Under the four contribution scenarios, the balance also declines over the first part of the projection period, but more slowly than under the principal results of the actuarial review. However, before it is exhausted, the balance levels off and then starts to grow in the later part of the projection

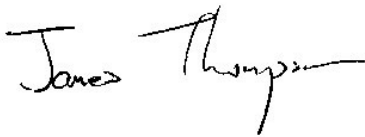
period. In 2080, the average balance is projected to be 3.6 times expenditure in that year under Scenario 1, 2.6 times under Scenarios 2 and 3, and 1.6 times under Scenario 4.

The chart shows that at the end of the projection period the balance is rising as a multiple of expenditure. This reflects that, at that point, income less expenditure is sufficient to allow the balance to grow relative to expenditure.

This work has been carried out in accordance with the relevant actuarial professional standards: TAS 100 issued by the Financial Reporting Council (FRC) and APS X4 issued by the Institute and Faculty of Actuaries.

Please let me know if you have any questions.

Yours sincerely

A handwritten signature in black ink, reading "James Thompson". The signature is written in a cursive style with a long horizontal flourish extending to the right.

James Thompson
Actuary



Government
Actuary's
Department

Guernsey Long-term Care Insurance Fund

Actuarial Review as at 31 December 2019

5 January 2021

Martin Clarke



LONG-TERM CARE INSURANCE (GUERNSEY) LAW 2002

REPORT BY THE GOVERNMENT ACTUARY ON THE OPERATION OF THE LONG-TERM CARE INSURANCE (GUERNSEY) LAW 2002 IN THE PERIOD 1 JANUARY 2015 TO 31 DECEMBER 2019

To the President and Members of the Committee *for* Employment & Social Security:

Section 26 of the Long-term Care Insurance (Guernsey) Law 2002 (as amended) (“the Law”) provides for a review of the operation of the Law at least every five years. The purpose of the review is to consider the financial condition of the Guernsey Long-term Care Insurance Fund and the adequacy of the allocation payable under section 101A of the Social Insurance Law and the States Long-term Care Insurance Annual Grant payable into the Fund. The Government Actuary’s previous review covered the period of five years up to 31 December 2014.

At the request of the Committee, I have carried out a review covering the five-year period from 1 January 2015 to 31 December 2019. My report on this review is set out in the following pages.



Martin Clarke FIA
Government Actuary

5 January 2021

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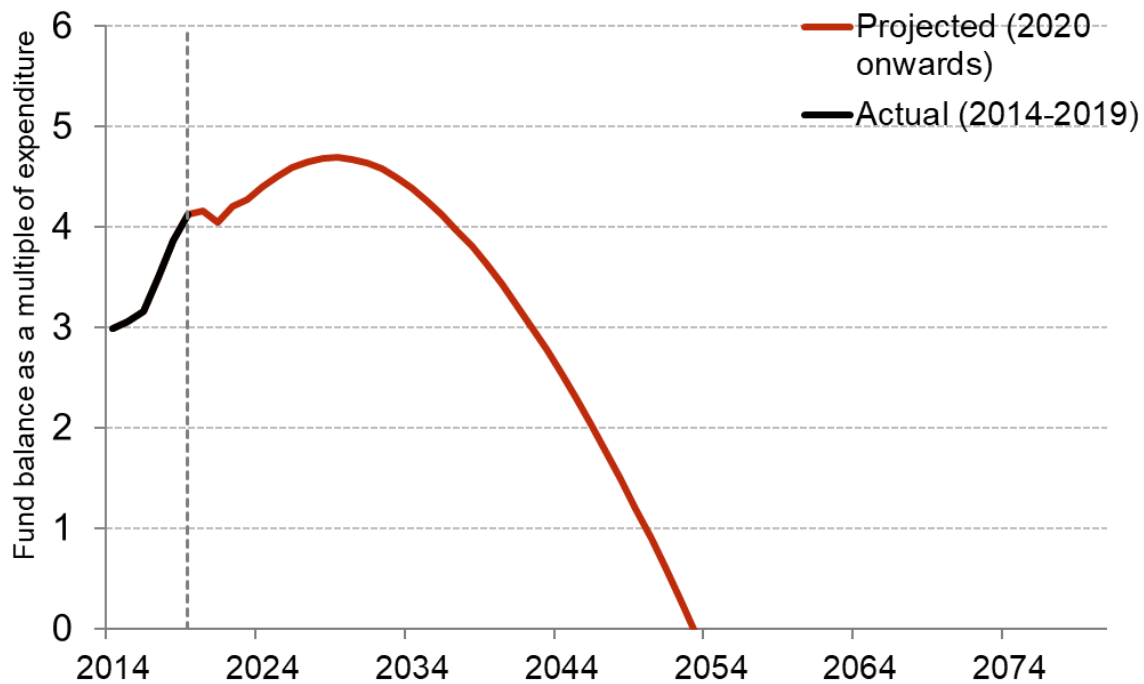
1. Executive Summary

- 1.1 The purpose of this report is to review the financial condition of the Guernsey Long-term Care Insurance Fund ("the Fund") and the adequacy of the contributions payable to the Fund.
- 1.2 This section sets out the key findings from my review. The later sections of this report give more details of the results, and the appendices provide further background on the Fund and how I have carried out the review.
- 1.3 As part of the Supported Living and Ageing Well Strategy: Extending the Life of the Long-term Care Insurance Scheme, the States passed a number of resolutions on long-term care benefits at their meeting on 19 August 2020. Following discussion with the social security department, I have included allowance for a number of these resolutions, as set out in Appendix A.
- 1.4 In addition, Resolution 11 agreed in principle that the Fund should be extended to cover care provided at home. This resolution is not included in the main projections, but I have considered its impact in Section 3.

Key findings

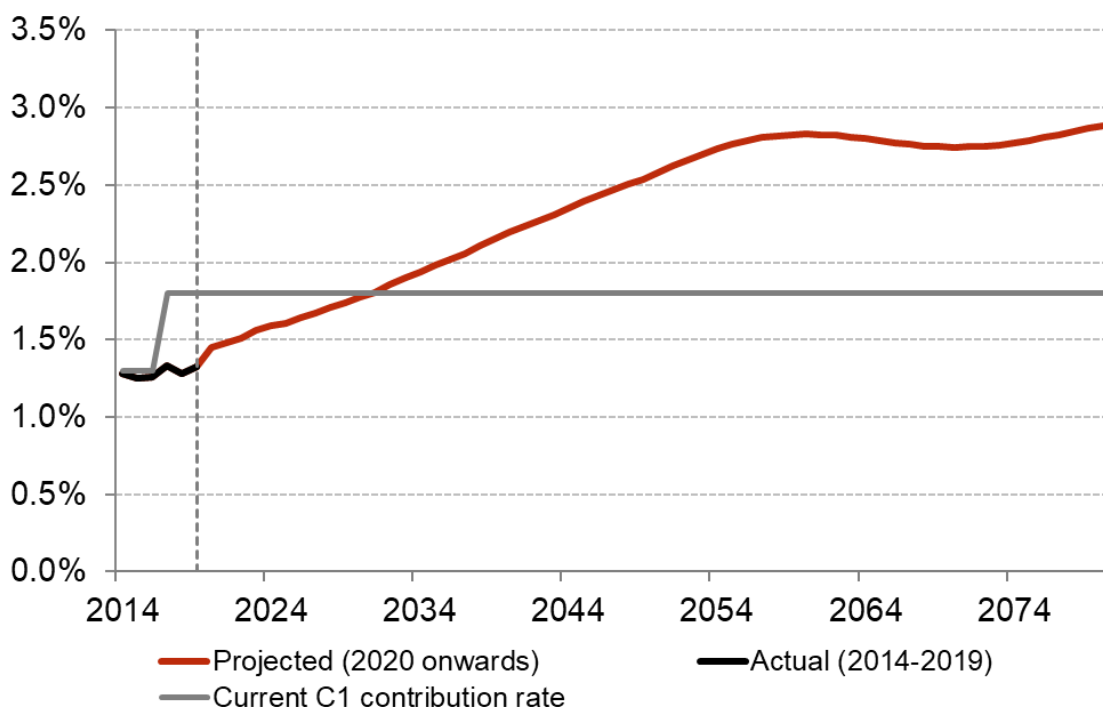
- 1.5 **The Fund had a balance equivalent to 4.1 times annual expenditure in 2019. Based on my principal assumptions, the Fund balance will increase to a maximum of 4.7 times in 2029. The Fund balance is then projected to decline gradually if the current rates of contribution are maintained. The projected balance falls below twice annual expenditure, the Committee's current target, in 2047 and falls to zero in 2053.**
- 1.6 The principal assumptions include:
 - > Net inward migration of 100 people a year
 - > Benefit rates and contribution limits increase in line with the RPIX index plus one third of the real increase in median earnings above RPIX inflation
 - > Earnings growth in excess of RPIX inflation of 1% a year
 - > Investment return in excess of RPIX inflation of 2% a year
- 1.7 The following chart shows how the Fund balance is projected to change over the projections period.

Chart 1.1: Projected progress of the Fund balance based the principal assumptions



- 1.8 **The current rates of contribution payable to the Fund are not adequate, based on the principal assumptions, to cover expenditure over the period to 2080. This is the reason why the Fund balance declines over the longer term.**
- 1.9 Chart 1.2 shows the projection of the break-even contribution rate. This is the rate of contributions that needs to be paid in each year so that contribution income exactly balances expenditure in that year. The current rate of Class 1 contributions is 1.8%.

Chart 1.2: Break-even Class 1 contribution rate based on the principal assumptions

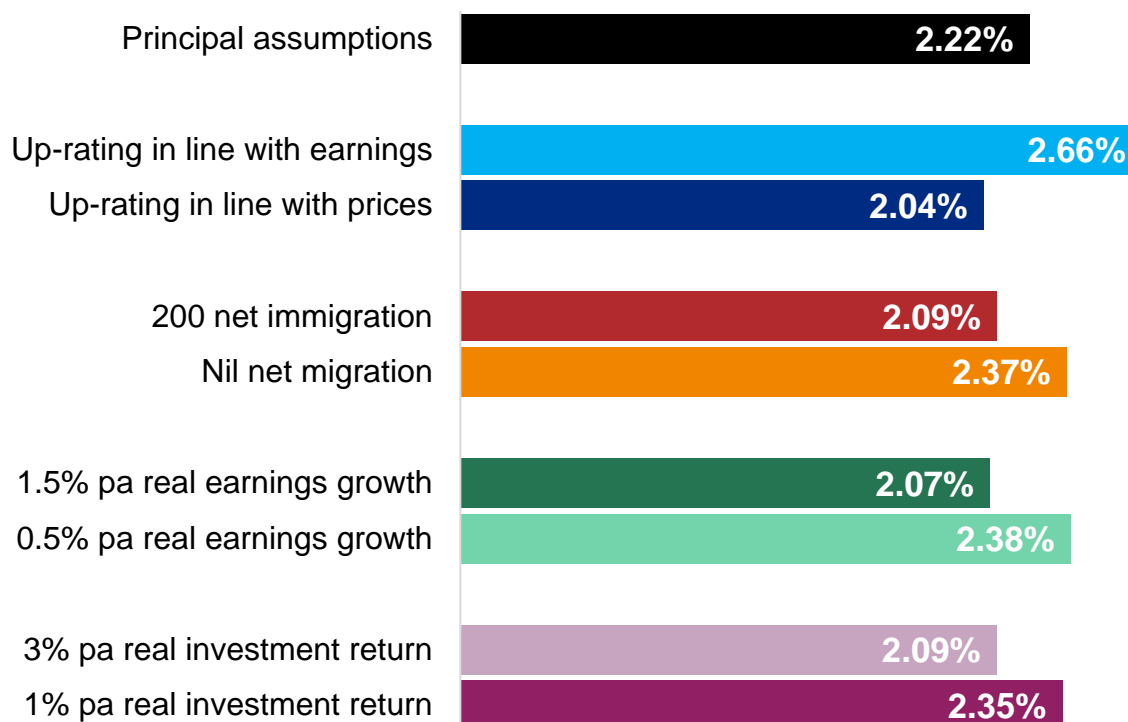


- 1.10 The break-even contribution rate is projected to remain below the current contribution rate until 2031. After this, the break-even rate remains above the current contribution rate for the rest of the projection period. This means that contribution income is not sufficient to cover expenditure from the Fund over the longer term. The existing balance held by the Fund can be used to help finance this shortfall. However, once the balance is exhausted, the rate of contributions would need to rise to at least the break-even rate in order to cover expenditure.
- 1.11 **Based on the principal assumptions the rate of contributions payable would need to be increased in order to target a Fund balance of twice annual expenditure in 2080.**
- 1.12 Currently, the Committee's target is to hold a balance of at least twice annual expenditure. Using the principal assumptions, I have calculated that a constant Class 1 contribution rate of 2.22% would need to be paid from January 2022 to target a balance of twice annual expenditure in 2080. This compares with the current rate of 1.8%.
- 1.13 In addition, as requested, I have calculated the constant contribution rates needed to target balances of 4- and 6-times expenditure in 2080. The constant Class 1 contribution rates are set out the table below. For self-employed and non-employed contributors, the break-even contribution rate would follow the same pattern, relative to the current contribution rate, as for Class 1 contributions.

Table 1.1: Constant contribution rates needed from January 2022 to target specified Fund balance in 2080; the current contribution rate is 1.8%

Target Fund balance as multiple of expenditure	Required constant Class 1 contribution rate
2x	2.22%
4x	2.28%
6x	2.35%

- 1.14 The constant contribution rates are set to target the balance at the end of the projection period. In each case the balance is projected to be above the target level at all times during the period to 2080, except for the first few years in the case of the 6-times target balance.
- 1.15 **The results discussed above have been based on the principal assumptions for the review. However, there is a great deal of uncertainty over the future experience of the Fund and therefore the choice of the assumptions. It is important to understand this uncertainty when considering the results of this review.**
- 1.16 I have therefore also prepared results using variant assumptions. The chart below summarises the constant Class 1 contribution rate required to target a balance of twice expenditure in 2080 for different assumptions. In each case, the results use the principal assumptions except for the one change noted.

Chart 1.3: Constant contribution rates needed from January 2022 to target a balance of twice expenditure in 2080 based on the different assumptions

- 1.17 The current contribution rate (1.8% since 2017) would not be adequate to target a balance of twice expenditure in 2080 under any of these variant scenarios.
- 1.18 The results on variant assumptions are not intended to indicate the full range of possible future experience.
- 1.19 Under the Resolution 11 scenario the constant Class 1 contribution rate required to target a balance of twice expenditure in 2080 is 2.80%.

Professional standards and limitations

- 1.20 This work has been carried out in accordance with the relevant actuarial professional standards: TAS 100 issued by the Financial Reporting Council (FRC) and APS X4 issued by the Institute and Faculty of Actuaries.
- 1.21 This report has been prepared for the use of the Guernsey Committee for Employment & Social Security, and must not be reproduced, distributed or communicated in whole or in part to any other person without GAD's prior written permission. However, we understand that the report will be shared with the Policy & Resources Committee, and presented to the States.
- 1.22 Other than the Committee, no person or third party is entitled to place any reliance on the contents of this report, except to any extent explicitly stated herein. GAD has no liability to any person or third party for any action taken or for any failure to act, either in whole or in part, on the basis of this report.

- 1.23 All the references to Guernsey in this report are to be taken to include also the islands of Alderney, Herm and Jethou, whose residents are covered by the Social Insurance Law.

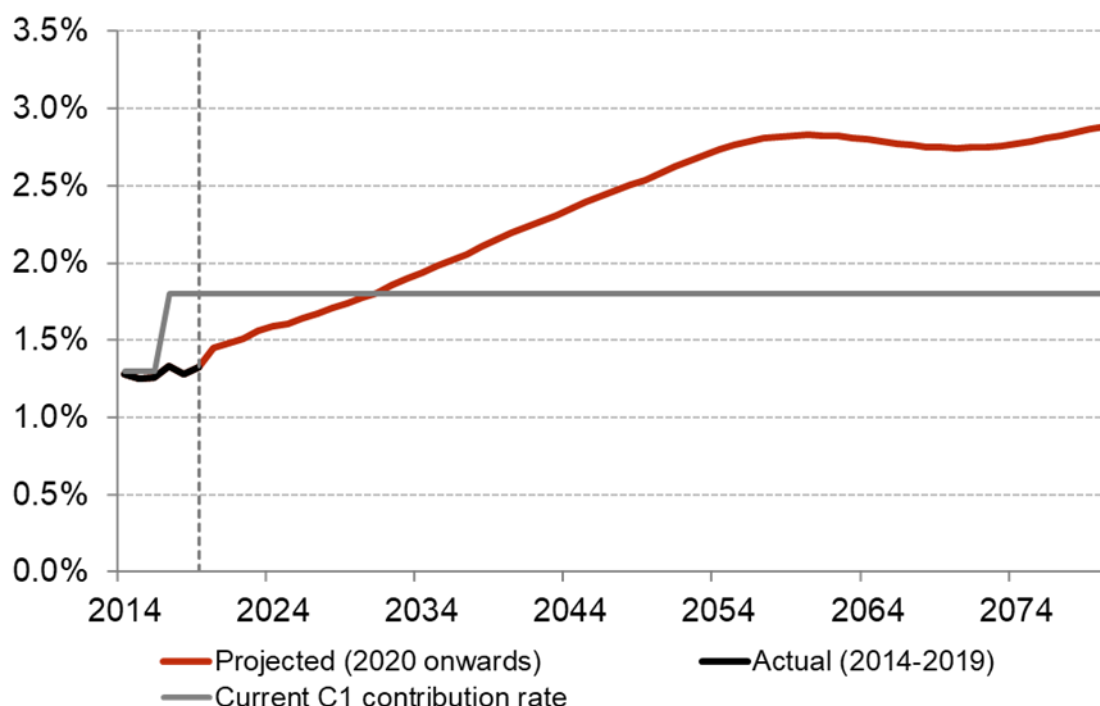
2. Results on principal assumptions

- 2.1 An overview of the Fund is given in Appendix A. At their meeting on 19 August 2020, the States passed a number of resolutions on long-term care benefits. I have included allowance for some of these changes, as described in Appendix A. A summary of the benefits paid from, and the contributions payable to, the Fund is set out in Appendix B. Appendix C summarises the Fund accounts for the five years to 31 December 2019.
- 2.2 For my review, I have projected the income and expenditure cash-flows to and from the Fund. As agreed with the Committee, these projections cover the period up to 2080. The data used in my calculations is summarised in Appendix D, and the methodology and assumptions adopted are described in Appendices E and F. The key assumptions include:
- > Net inward migration of 100 people a year
 - > Benefit rates and contribution limits increase in line with the RPIX index plus one third of the real increase in median earnings above RPIX inflation
 - > Earnings growth in excess of RPIX inflation of 1% a year
 - > Investment return in excess of RPIX inflation of 2% a year
- 2.3 The effect of varying these assumptions is shown in Section 3.
- 2.4 Detailed results for sample years are shown in Appendix G. This report concentrates on three main sets of results:
- > The projected “break-even” contribution rates
 - > The projected balances in the Fund, as a multiple of expenditure, assuming that the current rates of contribution remain unchanged
 - > Estimates of the constant contribution rate required to be paid over the projection period such that the projected average balance of the Fund is equal to twice projected expenditure at the end of the projection period

Break-even contribution rate

- 2.5 The break-even contribution rate in any year is the contribution rate needed to exactly balance contribution income with expenditure in that year. These contribution rates do not make any allowance for assets held, or the investment returns they earn. If the Fund held no assets, contributions would need to be payable at at least the break-even rate in order to cover expenditure.
- 2.6 The projected break-even contribution rate for Class 1 contributors (jointly for employees and employers) is illustrated in the following chart, together with the equivalent out-turn figures for the five years 2015 to 2019. The chart also shows the current rate of contributions payable of 1.8%.

Chart 2.1: Break-even contribution rate (paid on earnings up to the upper earnings limit) based on principal assumptions



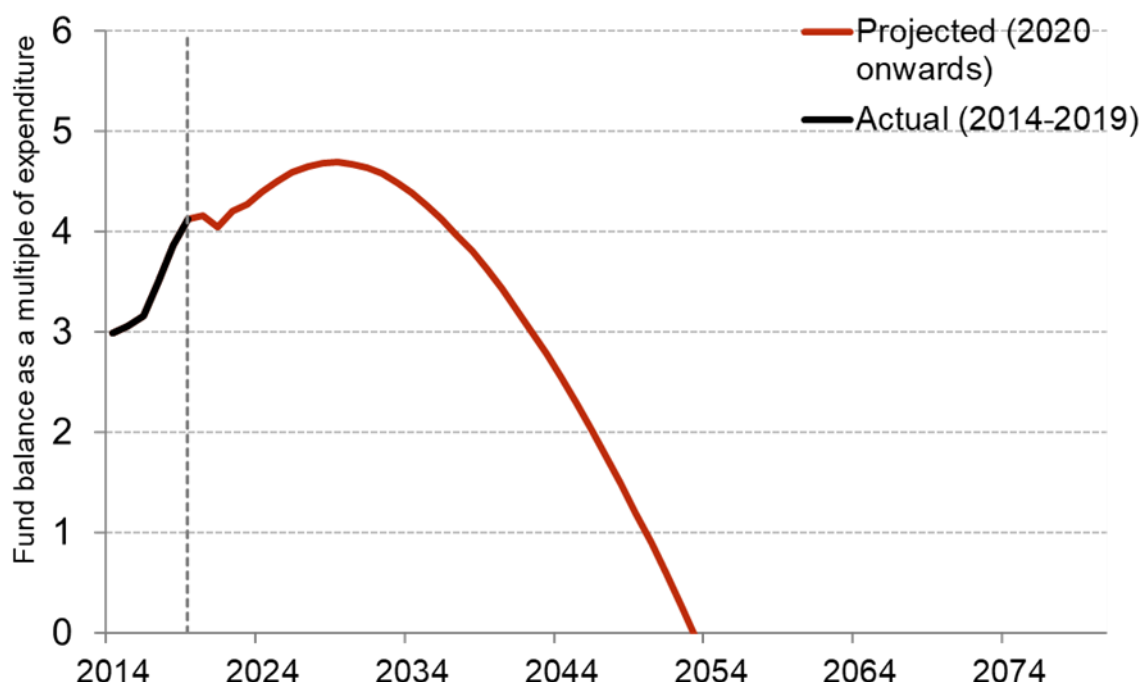
- 2.7 For self-employed and non-employed contributors, the break-even contribution rate would follow the same pattern, relative to the actual contribution rate, as for Class 1 contributions.
- 2.8 Following an increase of 0.5% in the contribution rate, effective from 2017, the break-even rate has been below the current rate of contributions in recent years but is projected to exceed the current rate in 2031 and remain higher throughout the rest of the projection period.
- 2.9 The break-even rate increases strongly over the first part of the projection period as benefit expenditure increases faster than contribution income. Contribution income rises broadly in line with earnings but is offset by the fall in the numbers of contributors at working ages. In contrast, benefit expenditure rises in response to increases in benefit rates and increases in the projected number of beneficiaries and the combination of these generally exceeds the increase in contribution income. In later years, smaller increases in the number of beneficiaries are projected, slowing the rate of increase in benefit expenditure. The reduction in the break-even contribution between 2060 and 2070 reflects falls in the projected numbers of beneficiaries.
- 2.10 The break-even rates shown above start off similar to the rates calculated at the actuarial review as at 31 December 2014. However, in the long-term the rates at this review are lower than at the previous review. Section 4 provides a comparison of the break-even contribution rates calculated at the 2014 and 2019 actuarial reviews.

Projected Fund balance

- 2.11 In 2019, the Fund held a balance that corresponded to 4.1 times benefit and administration expenditure over the year. Chart 2.2 shows how the balance is projected to change over the next 60 years, assuming the contribution rates remain unchanged from current levels.

This projection allows for the investment returns earned by the Fund, which are assumed to average 2% a year above RPIX.

Chart 2.2: Projected progress of the Fund balance based on the principal assumptions



- 2.12 Over the first ten years of the projection, the balance generally increases as a multiple of expenditure. The fall in 2023 reflects the targeting of specific benefit rates in that year. Thereafter, the balance is projected to steadily decline as a multiple of expenditure, and is projected to be exhausted in 2053. The Committee's current target is to hold a balance of twice expenditure: the balance is projected to fall below this by 2047.
- 2.13 The short-term increase in the Fund reflects the current rate of contributions being higher than the break-even rate. However, over the longer-term the Fund balance declines, reflecting the shortfall between contribution income (based on current rates) and expenditure from 2031 onwards. Investment returns on the existing balance will partially offset this shortfall, but they are not sufficient to prevent the decline of the balance.
- 2.14 Once the balance is exhausted, contributions would need to rise to at least the break-even rate in order to cover expenditure. In practice, to the extent that part of the balance is not readily convertible into cash (for example, some property investments) and to maintain a working cash balance, it would be necessary to increase the contribution rate or take alternative action before the balance is exhausted.
- 2.15 At the 2014 review, the balance was projected to be exhausted in 2031. A variant projection allowing for contribution increases in 2017, which have since been implemented, projected the Fund to be exhausted in 2047. This review therefore indicates a later date before the Fund is exhausted. This is largely a consequence of the lower break-even contribution rates shown at this review, which imply a smaller shortfall between income and expenditure, and the higher value of the Fund at the end of 2019. This is offset by the assumption of lower investment returns (2.0% over RPIX compared with 2.5% over RPIX).

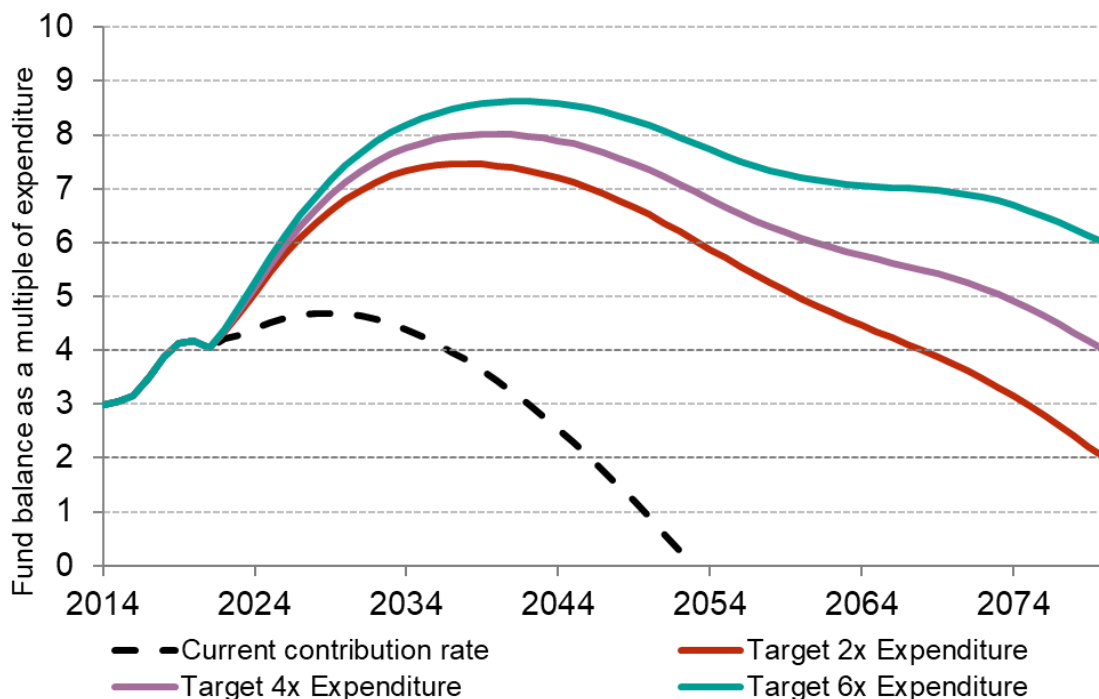
Constant contribution rate to target a specified Fund balance in 2080

- 2.16 The Committee currently has a target to hold a balance that represents twice annual expenditure. I have therefore calculated the constant level of contributions required from January 2022 to target this balance at the end of the projection period in 2080.
- 2.17 In addition, as requested, I have calculated the constant contribution rates needed to target balances of 4- and 6-times expenditure in 2080.
- 2.18 These constant Class 1 contribution rates are set out the table below. For self-employed and non-employed contributors, the break-even contribution rate would follow the same pattern, relative to the current contribution rate, as for Class 1 contributions. The chart that follows shows how the balance is projected to develop if these contribution rates were implemented.

Table 2.1: Constant contribution rates needed from January 2022 to target specified Fund balance in 2080; the current rate is 1.8%

Target Fund balance as multiple of expenditure	Required constant Class 1 contribution rate
2 x	2.22%
4 x	2.28%
6 x	2.35%

Chart 2.3: Projected progress of the Fund balance if the contribution rates in Table 2.1 were implemented



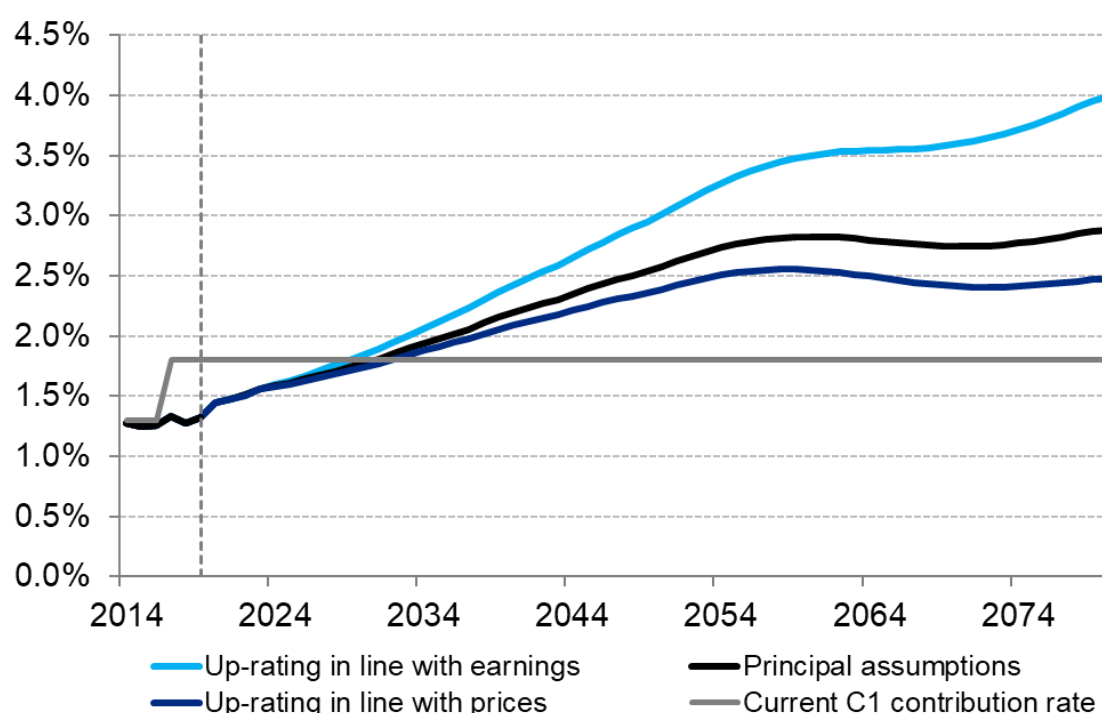
- 2.19 The constant contribution rates are set to target the balance at the end of the projection period. As seen from the chart, this does not mean that the balance is at this level throughout the period. In each case the balance will be above the target level at all times during the period to 2080, except for the first few years in the case of the 6-times target balance.
- 2.20 In all three scenarios the balance is decreasing at the end of the projection period, reflecting that expenditure is higher than contributions and investment returns in the long term.

3. Variant projections

- 3.1 The estimates provided in this report depend on assumptions made about the future.
- 3.2 The demographic, economic and benefit-specific assumptions underlying the projections are inevitably subject to a considerable degree of uncertainty, particularly given the long period considered by the review. For example, climate change could have a significant impact on the Fund, affecting the prospects for earnings growth, the population profile, life expectancy and investment returns.
- 3.3 It is therefore important to consider how the results of the review would change if different assumptions were adopted. This section provides alternative projection results based on variant assumptions for:
- > up-rating of benefits and contribution limits
 - > migration
 - > real earnings growth
 - > investment returns
- 3.4 Each variant is considered individually.
- 3.5 The results shown in this section are illustrative only and are not intended to indicate the full range of possible future experience. There is also a variety of other factors that could affect the future progress of the Fund, such as changes in the number of benefit recipients and life expectancy.
- 3.6 At the end of this section, we have considered the impact of allowing for Resolution 11 that was agreed by the States at their meeting on 19 August 2020.

Variant up-rating scenarios

- 3.7 I have made projections assuming benefits and contribution limits are increased:
- > in line with RPIX
 - > in line with earnings
- 3.8 Chart 3.1 shows the Class 1 break-even contribution rate for these two variants, together with the principal results which assume uprating in line with the RPIX index plus one third of the real increase in earnings. The choice of up-rating approach has a significant impact on the break-even contribution rates.

Chart 3.1: Break-even contribution rate based on variant up-rating scenarios

- 3.9 Under the principal up-rating assumption, the balance is projected to be exhausted in 2053. This is brought forward to 2047 assuming earnings up-rating or pushed back to 2058 under price up-rating.
- 3.10 Table 3.1 details the constant contribution rate estimated to be required from January 2022 such that the projected average balance of the fund is equal to twice projected expenditure at the end of the projection period for each up-rating scenario.

Table 3.1: Constant contribution rates needed from January 2022 to target a Fund balance of twice annual expenditure in 2080; the current contribution rate is 1.8%

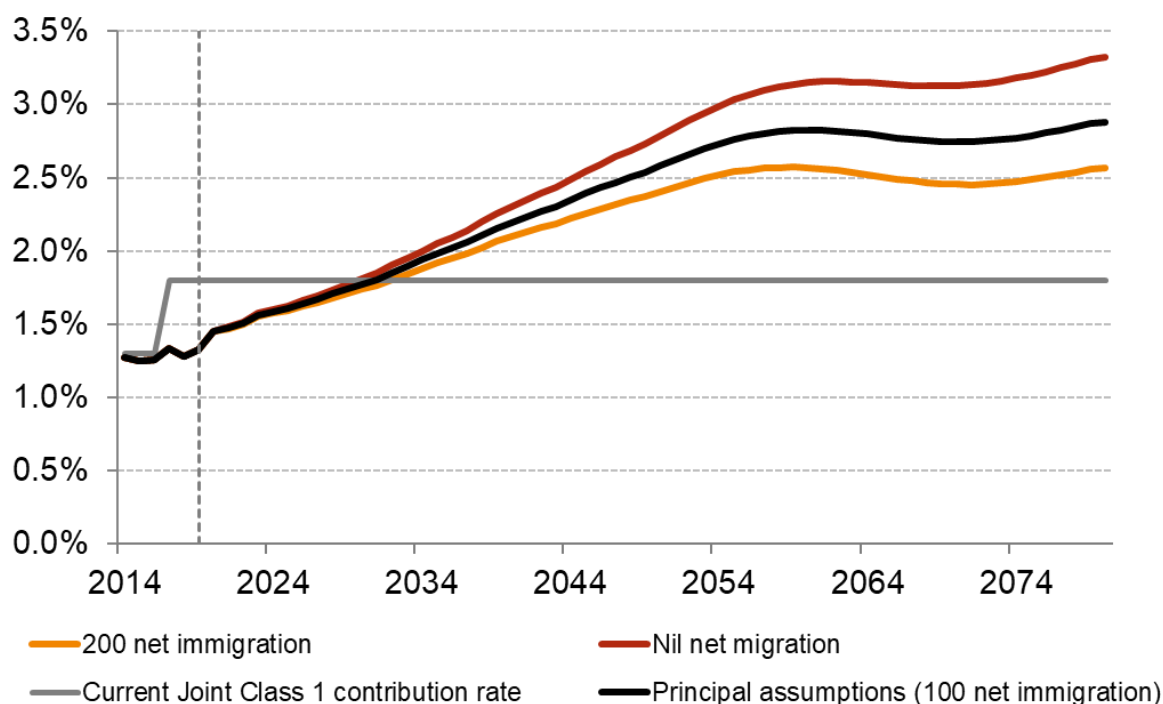
Up-rating scenario	Required constant Class 1 contribution rate
Price up-rating	2.04%
Principal assumption	2.22%
Earnings uprating	2.66%

Variant migration scenarios

- 3.11 I have made projections using variant migration scenarios as follows:
- Net nil migration
 - Net inward migration of 200 people a year
- 3.12 These variants were specified by the Committee and the population projections for these variants were supplied by the States Treasury.

3.13 Chart 3.2 shows the Class 1 break-even contribution rate for these two variants, together with the principal results which assume net inward migration of 100 people a year.

Chart 3.2: Break-even contribution rate based on variant migration scenarios



- 3.14 The path of the break-even contribution rate is broadly similar under each variant. Higher inward migration reduces the rate. This is because higher migration initially increases the number of contributors while having little immediate impact on expenditure. However, the migrants will in due course generate higher expenditure, particularly once they start to reach older ages.
- 3.15 Under the principal up-rating assumption, the balance is projected to be exhausted in 2053. This is brought forward to 2050 assuming net nil migration or pushed back to 2056 under the assumption of net inward migration of 200 people a year.
- 3.16 Table 3.2 details the constant contribution rate estimated to be required from January 2022 such that the projected average balance of the fund is equal to twice projected expenditure at the end of the projection period for each migration scenario.

Table 3.2: Constant contribution rates needed from January 2022 to target a Fund balance of twice annual expenditure in 2080; the current contribution rate is 1.8%

Migration scenario	Required constant Class 1 contribution rate
Net nil migration	2.37%
Principal assumption (net inward migration of 100 a year)	2.22%
Net inward migration of 200 a year	2.09%

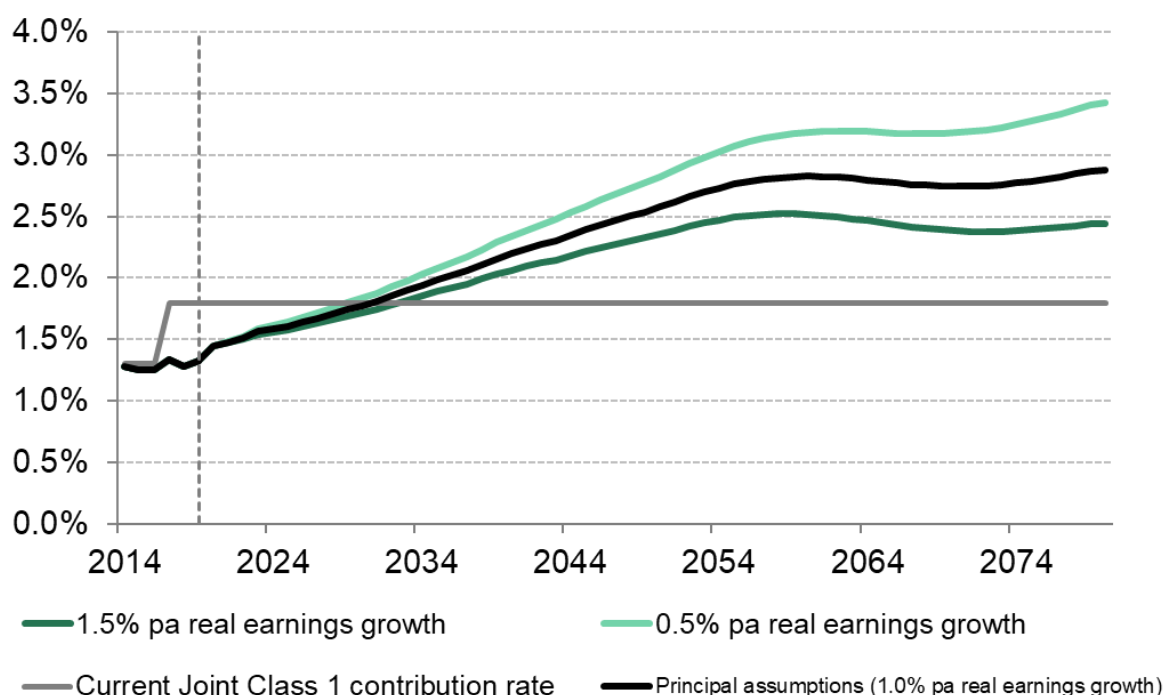
Variant real earnings growth scenarios

3.17 I have made projections assuming real earnings growth, from 2021, of:

- > 0.5% a year
- > 1.5% a year

3.18 Chart 3.3 shows the Class 1 break-even contribution rate for these two variants, together with the principal results which assume real earnings growth of 1.0% a year.

Chart 3.3: Break-even contribution rate based on variant real earnings growth



- 3.19 Higher assumed real earnings growth reduces the projected break-even contribution rate. This is because these higher increases feed through fully (apart from the effect of the contribution limits) into contribution income. However, higher earnings growth has a more limited impact on benefit expenditure, because it is assumed that up-rating is not fully in line with earnings growth.
- 3.20 Under the principal up-rating assumption, the balance is projected to be exhausted in 2053. This is brought forward to 2050 assuming lower real earnings growth or pushed back to 2057 under the assumption of higher real earnings growth.
- 3.21 Table 3.3 details the constant contribution rate estimated to be required from January 2022 such that the projected average balance of the fund is equal to twice projected expenditure at the end of the projection period for each earnings growth scenario.

Table 3.3: Constant contribution rates needed from January 2022 to target a Fund balance of twice annual expenditure in 2080; the current contribution rate is 1.8%

Real earnings growth scenario	Required constant Class 1 contribution rate
0.5% a year	2.38%
Principal assumption (1.0% a year)	2.22%
1.5% a year	2.07%

Variant investment return scenarios

3.22 I have made projections assuming investment return, from 2021, of:

- > 1% a year above RPIX
- > 3% a year above RPIX

3.23 The investment return assumption only affects the projection of the Fund balance. As the calculation of the break-even contribution rate ignores the impact of the Fund balance, the investment return assumption has no effect on the break-even contribution rates.

3.24 Under the principal up-rating assumption, the balance is projected to be exhausted in 2053. This is brought forward to 2050 assuming lower investment returns or pushed back to 2056 under the assumption of higher returns.

3.25 Table 3.4 details the constant contribution rate estimated to be required from January 2022 such that the projected average balance of the fund is equal to twice projected expenditure at the end of the projection period for each investment return scenario.

Table 3.4: Constant contribution rates needed from January 2022 to target a Fund balance of twice annual expenditure in 2080; the current contribution rate is 1.8%

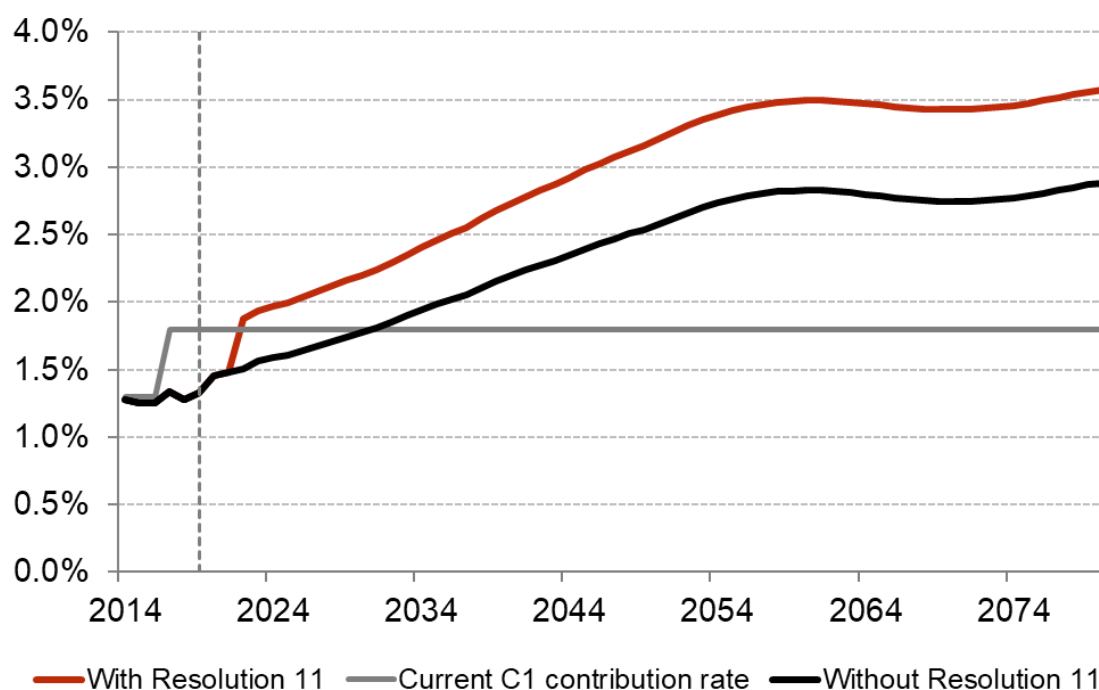
Investment return scenario	Required constant Class 1 contribution rate
1% a year	2.35%
Principal assumption (2% a year)	2.22%
3% a year	2.09%

Resolution 11 scenario

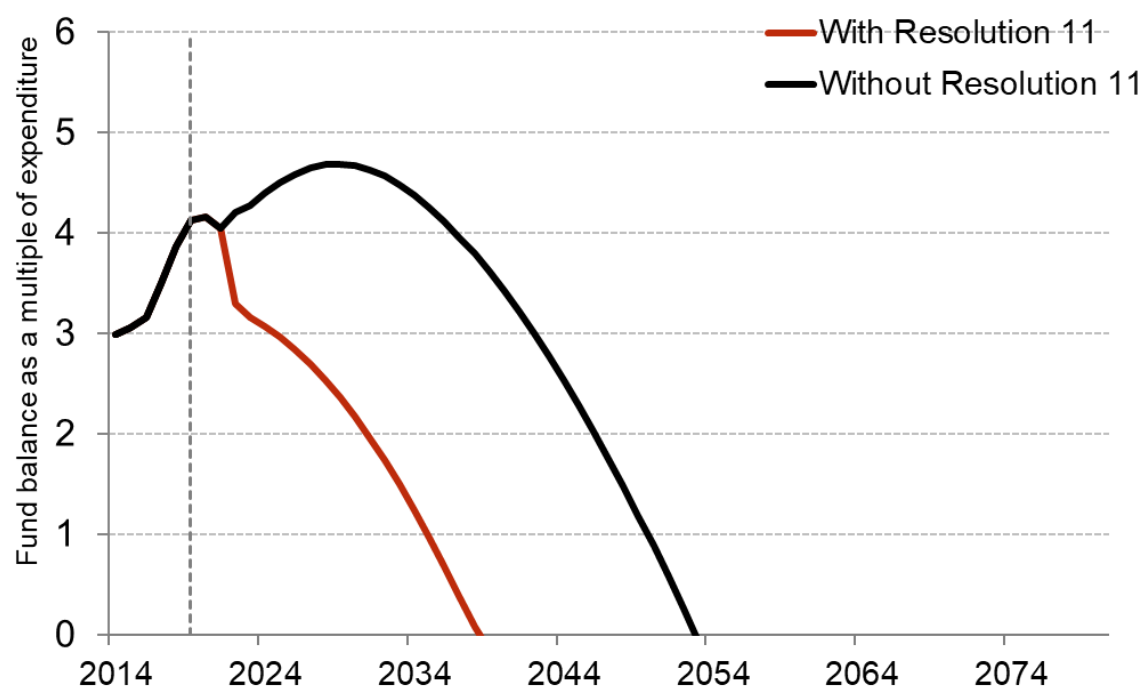
3.26 As described in paragraph A.8, the States have agreed in principle that the Fund benefits should be extended to cover care provided at home, with detailed implementation plans to be developed by June 2022. As agreed with the social security department, this proposal is not included in the main results in Section 2.

- 3.27 I have been supplied with estimated costs for these benefits for selected years, as calculated by the States Treasury, to use for this scenario. I understand these costs allow for the effect of population ageing. It has been indicated by the States Treasury that there is a large degree of uncertainty around these costs and I have not reviewed them. I have adjusted these costs to reflect our price inflation assumption of 2.5% a year and uprating to be in line with RPIX plus one third of the real increase in median earnings above RPIX. Costs for intermediate years have been obtained by interpolation. I have assumed that the benefits will be introduced from 1 January 2022.
- 3.28 These adjusted annual costs have then been added to the projected annual expenditure using the principal assumptions to project the effect on the Fund balance and break-even contribution rates if home care benefits were introduced. It is assumed that the costs supplied are net costs to the scheme and that there is no effect on the level of demand for the other benefits provided through the Fund or the supply of residential and nursing home care.
- 3.29 Chart 3.4 shows the Class 1 break-even contribution rate under this scenario, together with the principal results. For self-employed and non-employed contributors, the break-even contribution rate would follow the same pattern, relative to the actual contribution rate, as for Class 1 contributions.

Chart 3.4: Break-even contribution rate based on Resolution 11 scenario



- 3.30 The break-even rate is projected to be nearly 0.4% percentage points higher than the principal projection in 2022, rising to nearly 0.7% higher by 2080.
- 3.31 Chart 3.5 shows the projected Fund balance as a multiple of annual expenditure under this scenario, assuming the contribution rates remain unchanged from current levels, together with a comparison with the main results in Section 2.

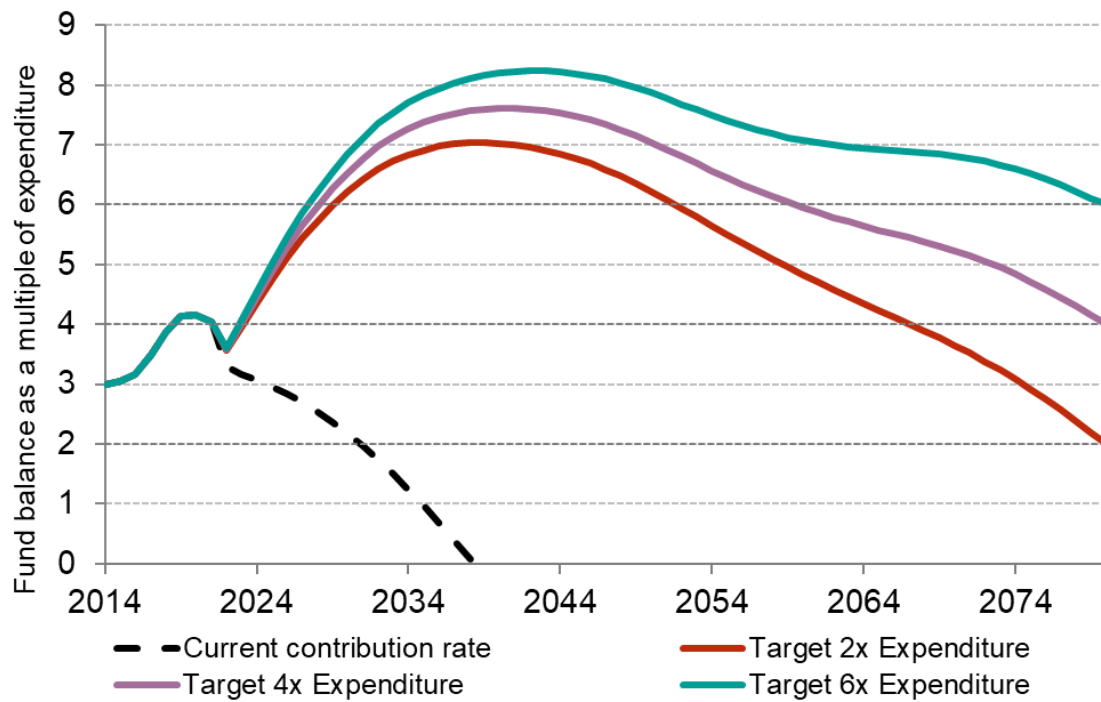
Chart 3.5: Projected progress of the Fund balance based on the principal assumptions

- 3.32 Under the principal up-rating assumption, the balance is projected to be exhausted in 2053. This is brought forward to 2038 under the Resolution 11 scenario.
- 3.33 Table 3.5 details the constant contribution rate estimated to be required from January 2022 such that the projected average balance of the fund is equal to twice, 4-times and 6-times projected expenditure at the end of the projection period. For self-employed and non-employed contributors, the break-even contribution rate would follow the same pattern, relative to the current contribution rate, as for Class 1 contributions. The chart that follows shows how the balance is projected to develop if these contribution rates were implemented.

Table 3.5: Constant contribution rates needed from January 2022 to target specified Fund balance in 2080 under the Resolution 11 scenario; the current rate is 1.8%

Target Fund balance as multiple of expenditure	Required constant Class 1 contribution rate
2 x	2.80%
4 x	2.87%
6 x	2.95%

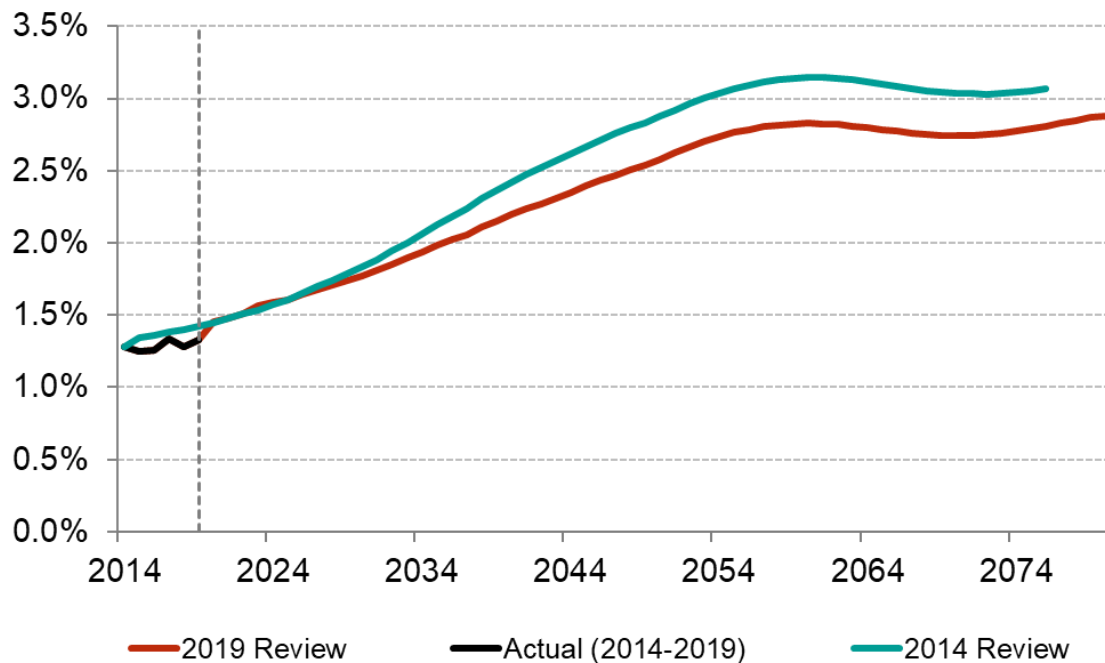
Chart 3.6: Projected progress of the Fund balance if the contribution rates in Table 3.5 were implemented



4. Changes in projections from the 2014 review

4.1 Chart 4.1 shows the break-even contribution rates calculated at this review and at the previous review as at 31 December 2014.

Chart 4.1: Break-even contribution rate based on principal assumptions at the 2019 and 2014 actuarial reviews



4.2 Overall, the 2019 review shows lower break-even contribution rates than those calculated at the 2014 review. Table 4.1 provides an approximate breakdown of the main reasons for the changes between the two reviews.

Table 4.1: Comparison of 2019 Review projected break-even contribution rate and 2014 Review projected break-even contribution rate

	2025	2035	2045	2055	2065	2075
2014 Review	1.6%	2.1%	2.7%	3.1%	3.1%	3.1%
Change in up-rating assumption	0.0%	0.0%	0.0%	-0.1%	-0.1%	-0.2%
Change in population projections	-0.1%	-0.1%	-0.2%	-0.2%	-0.3%	-0.1%
Reduction in real earnings growth	0.0%	0.1%	0.2%	0.3%	0.4%	0.5%
Change in contribution assumptions	0.0%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
Change in benefit assumptions	-0.1%	-0.1%	-0.2%	-0.2%	-0.2%	-0.2%
Other changes	0.2%	0.1%	0.0%	0.0%	0.0%	-0.1%
2019 Review¹	1.6%	2.0%	2.4%	2.8%	2.8%	2.8%

Figures may not sum to totals due to rounding.

4.3 I comment on each element of the change in the break-even contribution rate as follows:

- > Up-rating assumption: for the 2019 review, it is assumed that benefits and contribution limits would increase in line with the RPIX index plus one third of the real increase in median earnings above RPIX inflation. This is the same benefit uprating as assumed for the 2014 review. However, at the 2014 review, it was assumed that this level of up-rating only applied up to 2024 for contribution limits, and thereafter they increased in line with RPIX only. The higher up-rating assumption at the 2019 review for contribution limits leads to lower break-even contribution rates.
- > Population projection: most recipients of long-term care benefits are aged over state pension age. Compared with the 2014 review, the population projections used for the 2019 review imply a slightly greater number of people at working ages relative to those over state pension age and this acts to reduce the break-even rate, even after allowing for those over state pension age to be paying contributions.
- > Real earnings growth: assumed real earnings growth has reduced from 1.5% a year at the 2014 review to 1.0% a year at the 2019 review. As commented in paragraph 3.18, assuming higher earnings growth reduces the break-even contribution rate.
- > Contribution assumptions: the 2019 review includes updated assumptions on the proportion of the population that contributes to the Fund and allowed for new data on earnings distributions. These changes reduce the break-even contribution rate.
- > Benefit assumptions: The introduction of a higher benefit rate for complex cases and assumed higher proportions of beneficiaries receiving EMI benefits increase the break-even contribution rate. However, this has been more than offset by the reduction in the proportions assumed to receive long-term care benefits resulting in a reduction in the break-even contribution rate.
- > Other changes: these reflect the difference between the previous projections up to 2019 and the actual outturn, the adjustment of contribution income in 2020 to make allowance for the coronavirus pandemic and the targeting of specific benefit rates in 2023.

Appendix A: Overview of the Guernsey Long-term Care Insurance Fund

- A.1 The Long-term Care Insurance Fund provides weekly benefits towards the cost of private nursing or residential care on either a permanent or respite basis.
- A.2 The Fund is financed broadly on the pay-as-you-go principle. Under this approach, contribution income in a year is intended to cover expenditure in the year, and no significant fund of assets would be built up out of which to finance future expenditure. This means contribution rates may change significantly over time owing to changes in the benefits provided, the profile of the population or the economic environment.
- A.3 However, a fund is maintained to act as a reserve to meet unforeseen contingencies and to help smooth required increases in the contribution rate. As at 31 December 2019, the balance of the Fund was £92.7 million, which is equivalent to about 4.1 times annual expenditure.
- A.4 Appendix B provides a summary of the contributions payable and the benefits provided.
- A.5 Contributions are paid by employees, the self-employed and the non-employed. Contributions are not payable by employers. No central funding is provided to the Fund by way of a States grant.

Changes since the 2014 actuarial review

- A.6 With effect from January 2017, all rates of contribution to the Fund were increased by 0.5% each.
- A.7 As part of the Supported Living and Ageing Well Strategy: Extending the Life of the Long-term Care Insurance Scheme, the States passed a number of resolutions on long-term care benefits at their meeting on 19 August 2020. Following discussion with the social security department, I have included allowance for the following in the calculations for this review¹:
- > Increases to the benefit rates to be applied from 5 October 2020 (Resolution 3)
 - > targeting specific benefit rates in 2023 (Resolution 7)
 - > Introduction of a new higher benefit rate for complex and exceptional cases, assumed to be implemented from January 2022 (Resolution 9)
- A.8 Details of these changes are given in Appendix B.

¹ See the resolutions made on 19 August 2020 following consideration of the policy letter on “Supported Living and Ageing Well Strategy: Extending the Life of the Long-term Care Insurance Scheme” dated 29 June 2020.

- A.9 Resolution 11 agreed in principle that the Fund should be extended to cover care provided at home with detailed implementation plans to be developed by June 2022. This resolution is not included in the main projections, but I have considered its impact in Section 3. For those results, the projected costs of the additional benefits payable have been based on figures supplied by the States Treasury.

Appendix B: Summary of contributions and benefits

B.1 This appendix provides a brief overview of the contributions, benefits and qualifying conditions as at 31 December 2019, noting any future changes that have also been allowed for in this review. Further information on contributions and benefits is available from the States of Guernsey Social Security (www.gov.gg).

Contributions

B.2 Contributions are paid by employees, the self-employed and the non-employed. There are no employer contributions payable. Contributions are paid by employees and self-employed individuals earning above the lower earnings limit, with contributions payable on total earnings up to an upper earnings limit. Employee and self-employed contributions are payable until pension age.

B.3 Contributions are paid by non-employed individuals with income above the lower income limit. These contributions are based on total income up to the upper income limit but subject to the non-employed income allowance. Contributions continue to be payable by non-employed individuals after pension age, based on personal income.

B.4 The table below shows the contribution rates applicable since 2015.

Table B.1: Contribution rates payable

	2015	2016	2017	2018	2019	2020 onwards
Employee	1.3%	1.3%	1.8%	1.8%	1.8%	1.8%
Self-employed	1.3%	1.3%	1.8%	1.8%	1.8%	1.8%
Non-employed (under state pension age)	1.4%	1.4%	1.9%	1.9%	1.9%	1.9%
Non-employed (over state pension age)	1.6%	1.6%	2.1%	2.1%	2.1%	2.1%

B.5 There is no central funding is provided to the Fund by way of a States grant.

B.6 These contribution rates are in respect of the Long-term Care Insurance Fund only. Additional contributions are payable to the Guernsey Insurance Fund and for health services. This review assumes that contribution income to the Long-term Care Insurance Fund is in line with published contribution rates and no allowance is made for any potential re-allocations between the funds.

Benefits

- B.7 Weekly benefits are payable on behalf of those assessed as being in need of care and who are currently being provided care in a private residential or nursing home. Benefits can be provided on either a permanent or respite basis. Respite benefits can normally be provided for up to four weeks a year.
- B.8 Payments are made directly to the care home and all benefits are paid at the standard rate; no proportionate amounts are payable.
- B.9 To receive a benefit, the individual must have lived in Guernsey for a continuous period of 5 years and have lived in Guernsey for at least 12 months immediately prior to claiming Long-term Care Benefit.
- B.10 Individuals receiving permanent care are required to pay an additional 'co-payment' towards the cost of care from their own funds. The co-payment is financed from the Long-term Care Insurance Fund in respect of respite care. Where an individual cannot afford the co-payment, Income Support may be provided. Income Support is funded centrally and not from the Long-term Care Insurance Fund and is not considered as part of this review.
- B.11 Benefits are not payable on behalf of those being cared for in a home run by the States.

Table B.2: Weekly benefit rates payable

	2015	2016	2017	2018	2019	2020 (Jan-Oct)	2020 (Oct-Dec)
Private residential home	£422.66	£429.87	£432.46	£444.57	£455.21	£463.89	£521.00
Private residential home with EMI care	£556.92	£566.37	£569.80	£585.76	£599.83	£611.24	£681.00
Private nursing home	£789.11	£802.55	£807.38	£829.99	£849.94	£866.11	£940.00
Co-payment	£190.75	£193.97	£195.16	£200.62	£205.45	£209.37	£229.37

Future changes

- B.12 Resolutions 3, 6 and 7 agreed at the States meeting on 19 August 2020 (see paragraph A.7) related to the benefit rates over the next few years. Resolution 9 provided for a higher rate of benefit payable for complex and exceptional cases of £1,112.00 a week in 2020 terms. It is assumed this benefit is introduced from January 2022 and that any recipients of this benefit would otherwise have been in receipt of permanent nursing care.
- B.13 Table B.3 shows the benefit rates and co-payments assumed for 2021, 2022 and 2023. The rates from 2021 are those set out in resolution 3 and are assumed to be payable from 5 October 2020.

- B.14 The benefit rates for 2022 are assumed to be those payable in 2021, increased in line with the long-term uprating assumption of RPIX plus one-third of the real increase in median earnings. The higher rate benefit is assumed to be equivalent to £1,112.00 increased by the assumed uprating for 2021 and for 2022.
- B.15 The assumed benefit rates in 2023 are those specified in resolutions 6 and 7 (£801.00 for permanent residential care, £961 for residential dementia care, £1,220 for Nursing care and £280 co-payment) increased in line with RPIX for the 3 years to 2023. The higher complex care benefit is also assumed to rise in line with the other benefits in 2023. The assumed weekly higher rate payable in 2023 has been derived by applying the percentage increase in the private nursing home rate between 2020 and 2023 to £1,112.00.
- B.16 The benefit rates and co-payments for later years are those shown for 2023 increased on each 1 January by RPIX plus one-third of the real increase in earnings.

Table B.3: Assumed weekly benefit rates payable from 2021

	2021	2022	2023
Private residential home	£521.00	£535.81	£561.06
Private residential home with EMI care	£681.00	£700.35	£733.36
Private nursing home	£940.00	£966.71	£1,012.28
Higher rate	N/A	£1,172.19	£1,299.67
Co-payment	£229.37	£235.89	£301.53

Appendix C: Fund accounts from 2015 to 2019

C.1 The table below provides details of income, expenditure and the balance of the Fund for the period 2015 to 2019.

Table C.1: Income, expenditure and Fund balance from 2015 to 2019 (£000s)

	2015	2016	2017	2018	2019
Balance at 1 January	55,564	55,832	62,930	75,013	79,211
Income					
Contributions	18,940	19,433	26,590	28,038	28,277
States Grant	0	0	0	0	0
Total Income	18,940	19,433	26,590	28,038	28,277
Outgo					
Benefits	17,913	18,450	19,416	19,632	20,402
Administration Costs	299	325	311	308	425
Total Outgo	18,212	18,775	19,727	19,940	20,827
Operating Surplus / Deficit	728	658	6,893	8,098	7,450
Return on Investments	-460	6,440	5,220	-3,900	6,080
Balance at 31 December	55,832	62,930	75,013	79,211	92,741

C.2 The balance of the Fund has increased in cash terms over the period since the last review. The Fund has run an operating surplus in each of the years since 2015, in particular since the increase to contribution rates in 2017. This was bolstered by good investment returns in 2016, 2017 and 2019, but partially offset by investment losses in 2015 and 2018.

C.3 As a result of these operating surpluses, the Fund balance as a multiple of expenditure has increased over the 5 year period from 3.0 in 2014 to 4.1 in 2019.

C.4 Increases in benefit expenditure are largely driven by increases in permanent residential and permanent nursing benefits. Benefit expenditure has increased on average by about 2.7% each year.

C.5 The table below provides details of expenditure on each benefit for the period 2015 to 2019.

Table C.2: Benefit expenditure from 2015 to 2019

£000s	2015	2016	2017	2018	2019
Permanent Residential Care	5,579	5,543	6,119	6,460	6,222
Permanent Residential Care with EMI Supplement	2,897	2,907	3,570	4,043	4,319
Respite Residential Care	159	144	103	65	103
Respite Residential Care with EMI Supplement	11	21	47	36	45
Permanent Nursing Care	9,146	9,708	9,471	8,985	9,644
Respite Nursing Care	121	127	106	43	69
Total	17,913	18,450	19,416	19,632	20,402

Appendix D: Summary of data

D.1 A summary of the membership data supplied for this actuarial review is set out below.

Table D.1: Summary of contributor data² - average numbers over the calendar year

	2015	2016	2017	2018	2019
Class 1 - men	14,789	14,823	14,787	14,858	14,928
Class 1 - women	14,047	14,031	14,193	14,263	14,349
Class 2 – men	2,145	2,052	1,997	1,911	1,833
Class 2 - women	657	652	649	648	659
Class 3 – men (under pension age)	429	415	397	363	352
Class 3 – women (under pension age)	653	648	644	606	592
Class 3 – men (over pension age)	2,994	2,987	3,009	3,050	3,057
Class 3 – women (over pension age)	1,491	1,514	1,603	1,622	1,679

Table D.2: Summary of beneficiaries' data (Average number of awards in payment)

	2015	2016	2017	2018	2019
Permanent Residential Care	256	256	270	272	259
Permanent Residential Care with EMI Supplement	99	99	111	128	133
Permanent Nursing Care	223	230	217	204	208

² These figures exclude “deficiency notices” and “accounts”.

Table D.3: Summary of beneficiaries' data (Number of new awards in payment)

	2015	2016	2017	2018	2019
Respite Residential Care	120	114	88	62	77
Respite Residential Care with EMI Supplement	7	17	40	25	43
Respite Nursing Care	67	56	48	24	34

- D.2 Our calculations rely on the accuracy of the data. Our checks on the data were limited to overall reasonableness and consistency. We have discussed with the social security department some specific issues we noted in the data. However, overall, the data appeared to be of good quality and sufficient for the purposes of the review.
- D.3 If any of the data used for the calculations is materially incorrect or incomplete, this could have a significant effect on the results.

Appendix E: Methodology and assumptions

Methodology

- E.1 This review has been carried out using a projected cashflow approach, given the partially funded nature of the Fund. As such, the financial condition of the Fund has been assessed in terms of the average Fund balance relative to annual expenditure, reflecting that, although a reserve is held, assets are not expected to be sufficient to cover the full accrued liabilities.
- E.2 The calculations involve projecting contribution income, benefit expenditure and administration expenses over the 60 years from 2020 to 2080. The projections have been prepared on an open group basis. This means that the review allows for future contributors to the Fund and not only those currently contributing to, or receiving benefits from, the Fund.
- E.3 Three main sets of results are presented in this report:
- > The projected “break-even” contribution rates
 - > The projected balances in the Fund, as a multiple of expenditure, assuming that the current rates of contribution remain unchanged
 - > Estimates of the constant contribution rate required to be paid over the projection period such that the projected average balance of the Fund is equal to twice projected expenditure at the end of the projection period
- E.4 The break-even contribution rates are the rates that would be required in order for contribution income in each year to equal expenditure on benefits and administration costs in that year.
- E.5 The projection of the Fund balance gives an indication of the extent to which the build-up of assets in the Fund can be used to delay increases to contribution rates that might otherwise be required. If no fund of assets had been built up, the contribution rate would need to follow the break-even rates.
- E.6 We believe that this methodology is appropriate for the review and consistent with actuarial principles.

Population projections

- E.7 A key driver of the results of the actuarial review is the assumed size and profile of the Guernsey population over the projection period.
- E.8 The population projections adopted for the main results of this review (as set out in Section 2) were provided by the States’ Treasury and were prepared by the States’ Data and Analysis division. Separate projections were provided for Guernsey and Alderney: these

projections were added together for the purpose of the actuarial review as the Fund covers the population in both islands.

- E.9 Appendix F contains further details on this, and on the assumptions used in the population projections.

Assumptions

- E.10 In addition to the population projections, it is necessary to make a large number of other assumptions about likely future experience. The assumptions determine the future numbers of beneficiaries and contributors, the average level of benefits payable and the average earnings of contributors.
- E.11 The assumptions adopted are based on data and information provided by the Committee for Employment & Social Security. We have relied on the accuracy of these data and GAD does not accept responsibility for advice based on wrong or incomplete data or information provided.
- E.12 Since the effective date of the review, the world has been struck by the COVID-19 pandemic. The pandemic has already had an impact on many economies, although its ultimate impact will not be known for some time. Given the long-term nature of the actuarial review, the short-term impact of the pandemic may have only a limited effect on the results of the review. Nevertheless, we have incorporated an indicative allowance for the pandemic in developing some of the economic assumptions.
- E.13 It should be recognised that great uncertainty remains around the ultimate effect of COVID-19 and therefore our assumptions about this represent just one possible scenario. There is a range of other, plausible scenarios that could have a more or less favourable impact on the Fund.
- E.14 The results of the review are sensitive to the assumptions adopted. Although the assumptions as a whole are considered to form a reasonable basis for the review, in practice, it is not possible to predict the future with certainty and therefore the Fund's future experience may differ from that assumed. It is therefore important to consider how the results of the review would change if experience followed a different set of assumptions and this is illustrated in Section 3 of this report.
- E.15 A summary of the assumptions adopted for this review, together with a brief explanation of how they were determined, is given below. We have set the assumptions (apart from the population projections) in order to represent best estimates of the future experience of the Fund, and therefore they do not incorporate any margins for optimism or pessimism, except where stated otherwise. The population projections were specified by the States.

Policy assumptions

- E.16 As agreed with the Committee, it is generally assumed that the Fund will continue to operate as it does currently. However, it is necessary to make specific assumptions about how benefits and contribution limits will be increased in future.
- E.17 As instructed by the Committee, it is assumed that benefits and contribution limits increase in line with the RPIX index plus one third of the real increase in median earnings above RPIX inflation. In contrast, at the 2014 review, whilst long-term care benefits were also

assumed to increase in line with the RPIX index plus one third of the real increase in median earnings above RPIX inflation, contribution limits were assumed to increase in line with the RPIX index plus one third of the real increase in earnings above RPIX inflation until 2024 and thereafter in line with RPIX index only.

- E.18 We understand that the RPIX index is constructed in a similar way to the corresponding index for the UK. However, the RPI indices are regarded as having some technical drawbacks³ and are largely being phased out in the UK in favour of the Consumer Prices Indices. If the RPIX index in Guernsey were also to be replaced, an alternative measure for increasing benefits and contribution limits would need to be found.

Economic assumptions

Price inflation

- E.19 The level of assumed price inflation is not a financially significant assumption because all cash-flow items are linked to price inflation either directly or indirectly. It therefore has little impact on the calculated contribution rates or the Fund balance as a multiple of expenditure.
- E.20 RPIX has been chosen as the States' preferred measure of price inflation: this is designed to measure "core" price inflation excluding mortgage interest payments.
- E.21 Over the ten years to 31 December 2019, RPIX price inflation has averaged 2.1% a year, although in recent years it has been slightly higher, averaging 2.4% a year over the three years to 31 December 2019. The Guernsey inflation bulletin for the quarter ended 30 June 2020 has indicated that RPIX inflation was 2.4% a year (compared with 2.5% for the quarter ended 31 March 2020).
- E.22 Overall, it is assumed that price inflation will be 2.5% a year in all future years, which we understand is consistent with other financial projections made by the States. The long-term assumption at the 2014 review was that price inflation would average 3% a year.

Real earnings growth

- E.23 The level of assumed real earnings growth (in excess of RPIX price inflation) is a significant assumption.
- E.24 Data provided on earnings growth shows that over the ten years to 31 December 2019, real earnings (relative to RPIX) grew on average by 0.2% a year. Over the three years to 31 December 2019, real earnings growth also averaged 0.2% a year, but higher growth of over 0.5% a year was seen in 2018 and 2019.
- E.25 In principle, real earnings growth would be expected to reflect real GDP growth, which has averaged at around 1.1% pa over the nine years to 2018 (the latest year for which we have data). However, the precise relationship between earnings and GDP is complex, reflecting factors like changes in the total number of hours worked and the average hours worked per employee, the proportion of GDP attributable to employment earnings and changes in the structure of remuneration.

³ In particular, the use of arithmetic means. More background on the UK RPI can be found in the consultation document issued by the UK Government and the UK Statistics Authority: <https://consultations.ons.gov.uk/rpi/2020/>

- E.26 It is also useful to look at expectations of earnings growth in the UK. In their 2020 Fiscal Sustainability Report (FSR) published in July 2020⁴, the OBR assumed that long-term growth in average earnings would be about 1% a year in excess of RPIX inflation. Although the construction of inflation indices can vary, we understand that the Guernsey RPIX index is broadly consistent with the UK RPIX index.
- E.27 The COVID-19 pandemic is likely to have some impact on real earnings growth. The OBR's analysis in the 2020 FSR assumes, under the central scenario, that UK GDP will fall by around 10% in 2020, before recovering but by 2024 it would remain about 3% below the level that was projected before the pandemic. They also assume that average earnings would be broadly static in 2020 (after allowing for the UK Government's interventions in the labour market).
- E.28 We have seen no analysis of how earnings are likely to be affected in Guernsey. However, from discussions with officers in the States' Treasury, we understand that in the long-term GDP is assumed to be about 1½% lower than it would have been without the pandemic. This is smaller impact than for the UK which might reflect the shorter lockdown experienced by Guernsey and greater weighting towards financial services.
- E.29 Overall, it is assumed that in real terms (relative to RPIX), average earnings would be unchanged in 2020 and then grow by 1% in each subsequent year. This therefore implies that earnings will be permanently 1% lower than if we had made no allowance for the economic slowdown in 2020.
- E.30 At the 2014 review, it was assumed that real earnings would grow by 1.5% a year. The lower assumption adopted for this review reflects a less favourable outlook for future earnings growth.

Real investment return

- E.31 The Guernsey Committee for Employment & Social Security has asked us to adopt a long-term assumption for real investment returns of 2% a year over RPIX, to be applied throughout the projection period. This is lower than the assumption made for the 2014 review of 2.5% a year over RPIX and is net of investment expenses levied within the Common Investment Fund.
- E.32 Investment returns on the fund have been variable in recent years, with negative returns emerging in 2015 and 2018. We have estimated that, over the five years to 31 December 2019, the combined funds earned an investment return of about 2.1% a year over RPIX price inflation.
- E.33 The Governance Framework Document for the Common Investment Fund dated May 2018 sets out the strategic asset allocation for the Common Investment Fund (see section 4.8). This includes a 15% allocation to equities and 32% to fixed income with the balance in a range of alternative investment funds.
- E.34 The Governance document indicates that the overall target return is the 6-month LIBOR rate plus 3.5%. This is stated to be broadly equivalent to the expected return on equities (see section 4.7 of the Governance document⁵).

⁴ See <https://obr.uk/fsr/fiscal-sustainability-report-july-2020/>

⁵ This refers to the target being based on 3-month LIBOR, but we understand that this should 6-month LIBOR.

- E.35 Overall, we consider that the assumption of 2% a year above RPIX is consistent with the target return and lies within the range of reasonable investment return assumptions. However, to illustrate the uncertainty around this assumption, we have also prepared results on alternative investment return assumptions.
- E.36 The COVID-19 pandemic has had a significant impact on the financial markets. Northern Trust's report on the performance of the Common Investment Fund up to 31 July 2020 indicates that in the first seven months of 2020 the fund actually achieved a return of minus 5%. Our calculations allow for this actual return before switching to the assumption of 2% a year over RPIX.

Table A.1: Economic assumptions

	2019 (actual)	2020	2021	2022 onwards
RPIX price inflation	2.4%	2.5%	2.5%	2.5%
Real earnings growth (net of RPIX price inflation)	0.6%	0.0%	1.0%	1.0%
Real investment returns (net of RPIX price inflation)	2.0%	(5.6%)	2.0%	2.0%

Administration expenses

- E.37 The administration expenses relate to the collection of contribution income, the payment of benefit claims and general management costs. Investment expenses are taken into account through a reduction from the investment return earned by the Common Investment Fund (CIF) and this is reflected in the investment return assumption.
- E.38 Over the period from 2014 to 2019, administrative expenses for the three combined funds (the Insurance Fund, the Health Service Fund and the LTC Fund) have increased by about 1.5% a year, or 1.3% a year if depreciation is included.
- E.39 Up to 2019, administrative costs have been split between the three funds. However, under reforms to healthcare funding that are currently being implemented, the Health Service Fund will cease to operate and therefore all administrative costs will need to be borne by the Insurance Fund and the LTC Fund. This may lead to higher administrative costs for the two remaining funds, for example because fixed overheads are now spread between two rather than three funds. We have discussed this with the Social Security Department and, taking into account their comments, we have assumed that administrative costs for both funds will increase by 4% in 2022 (in addition to any inflationary increase).
- E.40 At previous reviews, it has been the practice to treat part of the administrative cost as salary-related, and therefore projected in line with earnings, and the balance as increasing in line with prices.
- E.41 The accounts for recent years show the total administrative costs across the three combined funds, together with a breakdown for each fund. They also show how the total cost is split between different cost types. For some items, e.g. staff costs, it is obvious that they are salary-related, but in other cases it is less clear e.g. charges paid to other Committees may contain a mix of salary-related and price-related costs. It is also likely that the mix of salary- and price-related costs will vary over time.

- E.42 We have calculated that, for the combined funds over the period 2015 to 2019, the salary-related costs represented just under 80% of the administration costs including depreciation but excluding the charges paid to the Committees.
- E.43 In theory, different assumptions might be made for the different funds, but given the uncertainties, a single assumption has been adopted for both the Insurance Fund and Long-term Care Fund. This assumption is that 80%⁶ of administration costs are salary-related and therefore are projected to increase from the 2019 level in line with earnings, with an additional 4% increase in 2022. All other administration costs are projected to increase from the 2019 level in line with prices, again with an additional 4% increase in 2022.

Contribution assumptions

- E.44 The key assumptions underlying the projections of contribution income are:
- proportions of the population assumed to be paying contributions in future years
 - future contribution rates and earnings limits
 - the distribution of future earnings
- E.45 Table A.2 below illustrates the assumptions adopted for the proportions of the population assumed to be making Class 1 contributions, together with the corresponding assumptions from the 2014 review. The 2019 assumptions were derived from the data supplied on the number of contributors combined with the population data. They represent the average proportions contributing (by age and sex) for the years 2015 to 2019.

Table A.2: Proportions of the population assumed to be making Class 1 contributions

Age	Men		Women	
	2014 review	2019 review	2014 review	2019 review
20	0.70	0.70	0.63	0.66
30	0.82	0.82	0.72	0.77
40	0.75	0.76	0.71	0.73
50	0.69	0.70	0.70	0.72
60	0.46	0.49	0.42	0.47

- E.46 These proportions are assumed to apply in all years. No adjustment is made to allow for the impact of the pandemic on employment. However, as noted in paragraph E.74 below, we have aligned the contribution income for 2020 with the latest forecasts for this received from the States' Treasury.
- E.47 These proportions are generally slightly higher than those used for the 2014 review, particularly for women and at older ages.
- E.48 Corresponding data were provided in respect of self-employed and non-employed contributors, which again allowed us to calculate the proportions paying Class 2 (self-employed) and Class 3 (non-employed) contributions over the period 2015 to 2019. These proportions are similar to those adopted for the 2014 review except that for this review it is

⁶ The equivalent assumption was 75% at the 2014 review.

assumed that a slightly lower proportion of men pay Class 2 contributions. Class 2 and 3 contributions are much less significant elements of overall contribution income.

- E.49 The proportions contributing are assumed to persist throughout the projection period, adjusted appropriately for the planned increase in pensionable age from age 65 in 2020 to age 70 in 2049.
- E.50 In projecting the development of the Fund balance, it is assumed that the current rates of contribution are maintained, unless stated otherwise. As stated above, contribution earnings limits are assumed to increase in line with the RPIX index plus one third of the real increase in median earnings above RPIX inflation.
- E.51 The contributor data supplied to GAD allowed us to derive a distribution of earnings of contributors. These provide information on earnings up to the upper earnings limit.
- E.52 The earnings distributions are considered separately by contribution class, sex, and age band and are assumed to remain constant at the 2019 distribution in future allowing for earnings inflation.
- E.53 Contribution income is projected by combining the future numbers of contributors, based on the relevant population projections, with the assumed earnings distribution allowing for the assumed up-rating of contribution limits and the relevant contribution rate.

Benefit assumptions

- E.54 The numbers in receipt of benefits are relatively small and the numbers and age profile can vary from year to year. This experience could change further over time, perhaps suggesting the use of alternative assumptions for future reviews. Experience may also change in light of developments arising from the Supported Living and Ageing Well Strategy. In order to reflect recent experience we have adopted age- and sex-specific assumptions for the proportions of the population in receipt of permanent and respite care based on the data provided for the years 2015 to 2019.

Permanent care

- E.55 Permanent care benefits account for nearly all of the benefit expenditure from the Fund. The key assumptions underlying the projections of permanent care benefit expenditure are:
 - > the proportions of the population assumed to receive permanent care in future years
 - > the rate of benefit payable
- E.56 Table B.1 below outlines the assumptions for the proportion of the population assumed to be in receipt of permanent nursing care used for the 2014 and 2019 reviews for selected ages. The assumptions for the 2019 review are similar to those adopted for the 2014 review at younger ages and generally lower at ages 80 and over, for both males and females. These proportions are before offsetting those cases that are assumed to qualify for the higher rate of benefit for complex and exceptional cases (see below).

Table B.1: Proportion of the population receiving permanent nursing care

Age	Previous Review (2014)		Current Review (2019)	
	Males	Females	Males	Females
70	0.0030	0.0026	0.0041	0.0020
75	0.0050	0.0080	0.0064	0.0080
80	0.0130	0.0180	0.0110	0.0170
85	0.0270	0.0450	0.0260	0.0370
90	0.0700	0.0900	0.0520	0.0800
95	0.1000	0.1500	0.0800	0.1450
100	0.1250	0.2250	0.1200	0.1950

- E.57 Table B.2 below outlines the assumptions for the proportion of the population in receipt of permanent residential care (including those also receiving the EMI supplement) used for the 2014 and 2019 reviews for selected ages. The 2019 assumptions for males are similar to those adopted for the 2014 review up to age 80, then higher up to age 89 and lower from age 91 upwards. The 2019 assumptions for females are generally similar to or lower than those adopted for the 2014 except at the oldest ages 97 and above where they are higher.

Table B.2: Proportion of the population receiving permanent residential care (including EMI supplement)

Age	Previous Review (2014)		Current Review (2019)	
	Males	Females	Males	Females
70	0.0040	0.0060	0.0040	0.0030
75	0.0075	0.0150	0.0090	0.0130
80	0.0200	0.0420	0.0200	0.0320
85	0.0330	0.0900	0.0600	0.0800
90	0.0900	0.1900	0.0900	0.1700
95	0.1850	0.2900	0.1550	0.2700
100	0.3600	0.3000	0.3200	0.3200

- E.58 Based on the data received, the proportion of permanent residential care beneficiaries receiving the EMI supplement is assumed to be 30% for both males and females (compared to 18% and 30% respectively assumed for the 2014 review).
- E.59 These age and sex-specific assumptions are assumed to persist throughout the projection period and will be applied to the projected population to produce projected numbers of beneficiaries. It will be important to review this assumption at future reviews as age-specific assumptions may be observed to vary over time.
- E.60 All benefits are paid at the standard rate; no proportionate amounts are payable.

- E.61 Expenditure on permanent benefits is projected by combining the future numbers of beneficiaries, determined as proportions of the projected population, with the benefit rate payable allowing for the assumed rate of benefit increases, including allowance for targeting specific benefit rates up to 2023, as described in paragraphs B.12 to B.16.

Respite care

- E.62 The key assumptions underlying the projections of respite care benefit expenditure are:
- > the proportions of the population assumed to receive permanent care in future years
 - > the rate of benefit payable
- E.63 We have set the assumptions for the proportions of the population receiving benefits using the data provided for the years 2015 to 2019. Table B.3 below outlines the assumptions for the proportion of the population assumed to be in receipt of respite nursing care used for the 2014 review and for the 2019 review for selected ages. The 2019 assumptions are the same as those adopted for the 2014 review for up to age 70 and slightly lower at most higher ages, for both males and females.

Table B3: Proportion of the population receiving respite nursing care

Age	Previous Review (2014)		Current Review (2019)	
	Males	Females	Males	Females
70	0.0013	0.0012	0.0013	0.0012
75	0.0035	0.0025	0.0025	0.0022
80	0.0095	0.0050	0.0050	0.0032
85	0.0110	0.0075	0.0075	0.0042
90	0.0140	0.0100	0.0100	0.0053
95	0.0140	0.0125	0.0125	0.0085
100	0.0140	0.0150	0.0140	0.0150

- E.64 Table B.4 below outlines the assumptions for the proportion of the population in receipt of respite residential care (including those also receiving the EMI supplement) used for the 2014 and 2019 reviews for selected ages. The 2019 assumptions for males are the same as those adopted for the 2014 review up to age 80, then higher up to age 92 and lower from age 94 upwards. The assumptions for females are the same as those adopted for the 2014 review except for ages 71 to 96, where they are lower.

Table B.4: Proportion of the population receiving respite residential care (including EMI supplement)

Age	Previous Review (2014)		Current Review (2019)	
	Males	Females	Males	Females
70	0.0030	0.0020	0.0030	0.0020
75	0.0060	0.0065	0.0060	0.0050
80	0.0120	0.0170	0.0120	0.0120
85	0.0195	0.0300	0.0240	0.0230
90	0.0280	0.0500	0.0360	0.0370
95	0.0500	0.0500	0.0410	0.0470
100	0.0620	0.0500	0.0460	0.0500

- E.65 Respite benefits can normally be provided for up to four weeks a year. Based on recent experience, the average duration for respite care is assumed to be 2 weeks, for both nursing and residential care (compared to 2.5 weeks assumed for the 2014 review).
- E.66 The proportion of respite residential care beneficiaries receiving the EMI supplement assumed to be 30% for males and 17% for females (compared to 14% and 8% respectively assumed for the 2014 review).
- E.67 These age and sex-specific assumptions are assumed to persist throughout the projection period and will be applied to the projected population to produce projected numbers of beneficiaries.
- E.68 All benefits are paid at the standard rate; no proportionate amounts are payable.
- E.69 Expenditure on respite benefits is projected by combining the future numbers of beneficiaries, determined as proportions of the projected population, with the benefit rate payable and the expected duration of respite benefits, allowing for the assumed rate of benefit increases, including allowance for targeting specific benefit rates up to 2023, as described in paragraphs B.12 to B.16.

Complex and exceptional cases

- E.70 We have been asked to include in the main projection the introduction of a higher rate of benefit payable for complex and exceptional cases of £1,112.00 a week in current terms. We have assumed this benefit is introduced from January 2022 and that any recipients of this benefit would otherwise have been in receipt of permanent nursing care.
- E.71 There is no information available on the number of recipients of this benefit, but the social security section has indicated that they expect around 10 cases a year. In comparison, there were 208 people receiving permanent nursing care benefit in 2019, which implies around 5% (10 divided by 208) of nursing care cases will receive the higher benefit.
- E.72 It has therefore been assumed that this higher benefit will be paid to 5% of the number of people projected to be receiving permanent nursing care benefit.

Alignment with accounts

- E.73 We have compared modelled contribution income and benefit expenditure in recent years with actual income and expenditure as recorded in the accounts. Based on this, we have, calculated alignment factors to bring the modelled amounts into line with the out-turn figures. These alignment factors are then applied, where material, to projected contributions and expenditure in all future years.
- E.74 In addition, in order to make an allowance for the impact of the pandemic, the modelled contribution income in 2020 has been aligned with the forecast contributions for that year estimated by the States Treasury. This adjustment has only been applied to 2020 and modelled contribution income in future years is unchanged.

Appendix F: Population projections

- F.1 The States Treasury provided the population projections adopted for this review. There were separate projections for Guernsey and Alderney, and these were added together to obtain the population covered by the Fund. The projections use an initial baseline population as at March 2019.
- F.2 There are consequently three main assumptions that are needed for projecting the future population:
- > rates of mortality
 - > fertility rates
 - > migration
- F.3 These assumptions were determined by the States and are summarised in the following table.

Table F.1: Summary of assumptions for the population projections

Mortality rates	Based on the England and Wales rates adopted by the Office for National Statistics (ONS) for their 2018-based population projections.
Fertility rates	<p>Total fertility rate (i.e. the number of children born to each woman) of 1.5. This is based on recent experience in Guernsey.</p> <p>A total fertility rate of about 2.1 is needed for a population to reproduce itself over the long-term, ignoring migration. This is greater than 2 because of the need to offset the effect of women who die before completing their reproductive life cycle.</p> <p>For comparison, the ONS central projections for the UK assumed that the total fertility rate in the long-term will average 1.78 for the 2018-based projections.</p>
Migration	<p>Net inward migration of 100 people a year</p> <p>Variant projections assuming net nil migration and net inward migration of 200 people a year</p> <p>Migration has been variable in recent years. Over the five years to 2019, inward migration averaged about 160 a year, whereas for the five years to 2014 there was <i>outward</i> migration that averaged 40 a year.</p>

F.4 We have not made any analysis to review the appropriateness of these assumptions. However, overall, there is no indication that they are unreasonable for the purpose of the actuarial review. Migration is particularly difficult to predict, and is influenced by a range of factors, including economic conditions, in both Guernsey and the migrants' home or destination countries, and the migration policy adopted. Future migration levels are therefore subject to significant uncertainty.

F.5 The charts below show how the population of Guernsey and Alderney is projected to develop over the next 60 years based on the assumptions discussed above, including the variant migration scenarios. The charts allow for the planned increase in the pension age from 65 to 70 between 2020 and 2049.

Chart F.1: Projection of Guernsey population assuming net inward migration of 100 a year

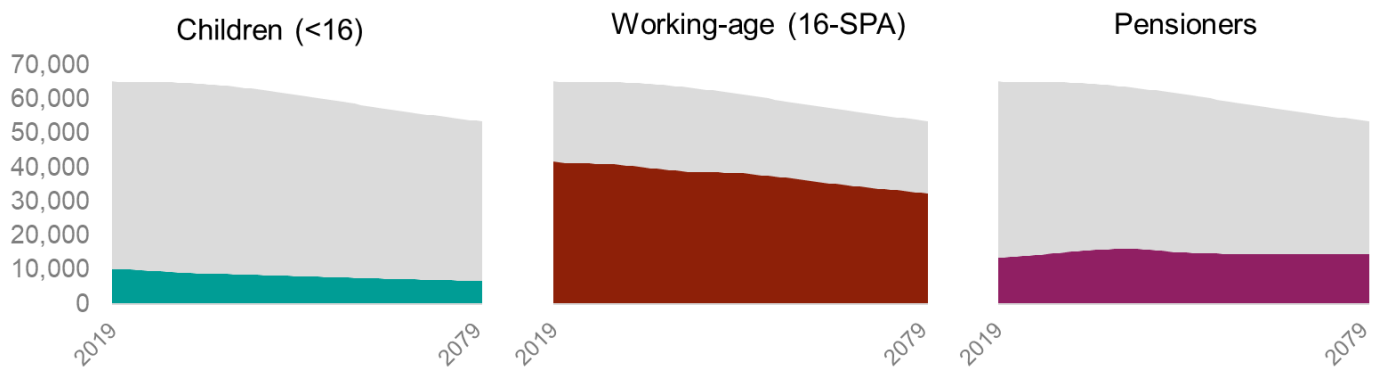


Chart F.2: Projection of Guernsey population assuming net inward migration of 200 a year

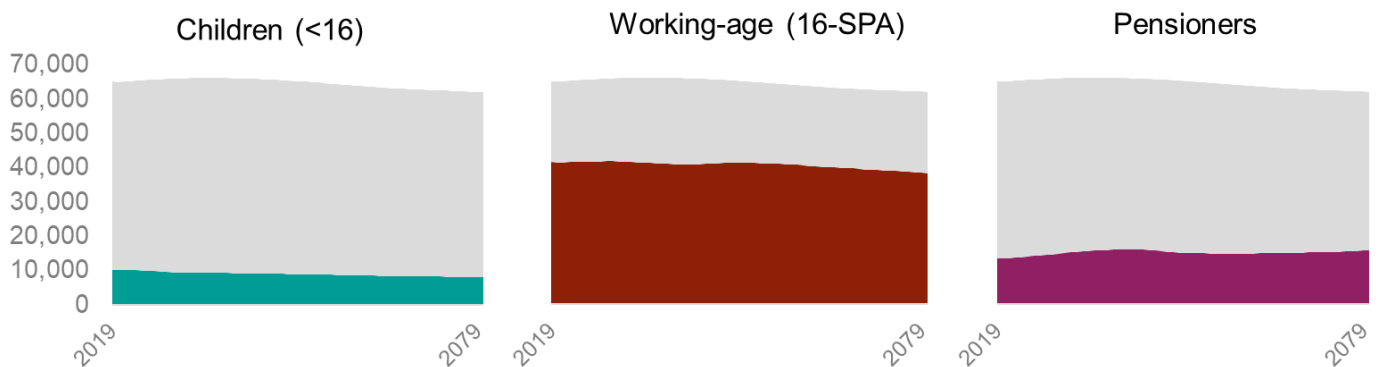
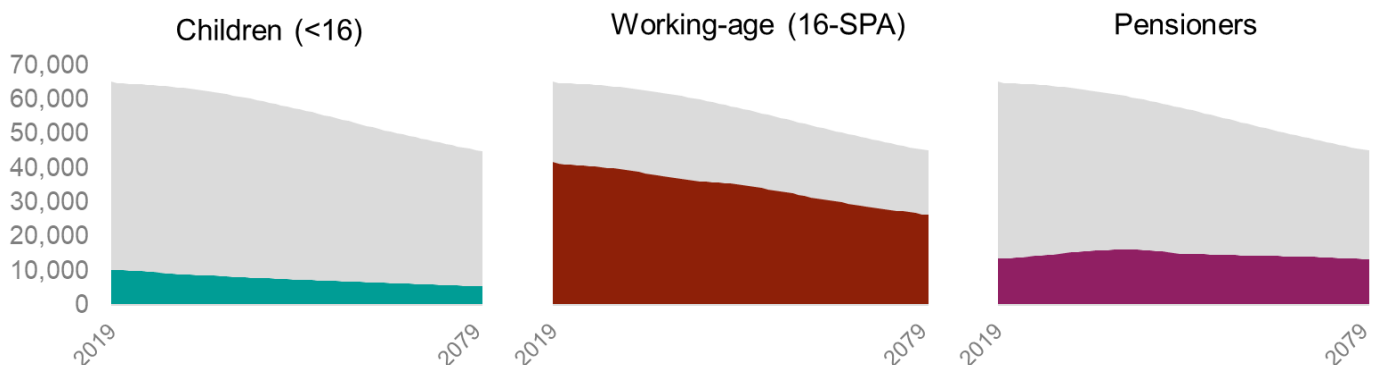


Chart F.3: Projection of Guernsey population assuming net nil migration



Appendix G: Summary of the projections

Table G.1: Summary of income and expenditure and the projected balance based on the principal assumptions (in cash terms)

£ millions	2020	2025	2030	2040	2050	2060	2070	2080
Opening fund balance	92.7	134.1	181.8	233.1	111.4	0.0	0.0	0.0
Contribution income:	28.0	34.5	40.4	55.6	76.3	101.9	136.0	182.4
Total income	28.0	34.5	40.4	55.6	76.3	101.9	136.0	182.4
Benefit expenditure:								
Residential home care	7.0	9.6	12.6	21.8	35.4	52.0	67.3	95.0
Residential home care with EMI	4.1	5.7	7.4	12.8	20.8	30.6	39.6	55.9
Nursing care	10.7	14.4	18.5	31.2	49.8	73.0	94.6	132.7
Exceptional care	0.0	0.2	0.3	0.4	0.7	1.0	1.3	1.9
Respite care	0.3	0.4	0.5	0.9	1.3	1.8	2.4	3.3
Administration	0.4	0.5	0.6	0.9	1.2	1.7	2.3	3.2
Total expenditure	22.6	30.9	39.9	67.9	109.3	160.1	207.4	292.0
Excess (shortfall) of income over expenditure	5.4	3.7	0.6	(12.3)	(33.1)	(58.2)	(71.5)	(109.6)
Investment return	(3.1)	6.2	8.3	10.3	4.3	0.0	0.0	0.0
Closing fund balance	95.1	143.9	190.6	231.1	82.6	0.0	0.0	0.0
Average balance as multiple of expenditure	4.2	4.5	4.7	3.4	0.9	0.0	0.0	0.0
Break-even contribution rate	1.5%	1.6%	1.8%	2.2%	2.6%	2.8%	2.7%	2.9%



**Committee *for*
Employment & Social Security**

Edward T. Wheadon House
Le Truchot, St. Peter Port
Guernsey, GY1 3WH
+44 (0) 1481 732500
ess@gov.gg
www.gov.gg

The Presiding Officer
States of Guernsey
Bailiff's Chambers
Royal Court House
St Peter Port
Guernsey
GY1 2NZ

Date: 18 December 2020

By email

Dear Sir

Election of Non-voting Members of the Committee *for* Employment & Social Security

In accordance with Rule 46(5) of the Rules of Procedure, I am pleased to inform you that Ross John Le Brun and Mark Robert Thompson were elected as Non-Voting Members of the Committee *for* Employment & Social Security on 18 December 2020.

The Committee saw a completed Declaration of Interest and Declaration of Unspent Criminal Convictions in respect of Mr Le Brun and Mr Thompson before the election, and was satisfied that the appointment of Mr Le Brun and Mr Thompson would not lead to a conflict of interest.

Yours faithfully

Deputy Peter Roffey
President



Committee *for*
Education, Sport & Culture

Presiding Officer
The Bailiff's Chambers
Royal Court House
St Peter Port
Guernsey
GY1 2NZ

Sir Charles Frossard House
La Charroterie
St. Peter Port
Guernsey
GY1 1FH
+44 (0) 1481 733000
educationsportandculture@gov.gg
www.gov.gg

Our Ref: Optional
Your Ref: Optional

18 January 2021

Dear Sir

Election of Non-Voting Member of the Committee *for* Education, Sport & Culture

In accordance with Rule 46(5) I am pleased to inform you that Advocate Jason Brian Green has been elected as a non-voting member of the Committee *for* Education, Sport & Culture, with effect from 4th January 2021.

In accordance with Rule 46(2) I can confirm that Advocate Green provided a completed Declaration of Unspent Convictions and a completed Declaration of Interest prior to his election and the Committee is satisfied that there is no conflict of interest that cannot be managed. Both of these documents will now be lodged with HM Greffier for publication.

The Committee would be grateful if you could arrange for this letter to be published as an appendix to a future Billet d'Etat.

Yours faithfully

Deputy Andrea Dudley-Owen
President
The Committee *for*
Education, Sport & Culture

The Presiding Officer
States of Guernsey
Bailiff's Chambers
Royal Court House
St Peter Port
Guernsey
GY1 2NZ

+44 (0) 1481 743835
New number WEF 1 Feb 2021
+ 44 (0) 1481 222801

www.gov.gg

Date: 19th January 2021

By email: States.Greffier@gov.gg

Dear Sir,

Election of Non-voting Members of the Committee *for* Economic Development

In accordance with Rule 46(5) of the Rules of Procedure, I am pleased to inform you that Mr Antony Mancini and Mr Andrew Niles were elected as Non-Voting Members of the Committee *for* Economic Development on 14th January 2021.

In accordance with Rule 46(2) the Committee saw a completed Declaration of Interest and Declaration of Unspent Criminal Convictions in respect of Mr Antony Mancini and Mr Andrew Niles before the election, and was satisfied that the appointments would not lead to a conflict of interest, or if there was potentially a conflict, it could be managed. The Committee will be lodging the Declarations with the States Greffier.

The Committee would be grateful if you could arrange this letter to be published as an appendix to a future Billet d'État in accordance with Rule 46(2).

Yours sincerely,



Deputy Neil Inder
President