BILLET D'ÉTAT

XIX
2021

WEDNESDAY, 29th SEPTEMBER, 2021

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BILLET D'ÉTAT

TO
THE MEMBERS OF THE STATES
OF THE ISLAND OF GUERNSEY

I hereby give notice that a Meeting of the States of Deliberation will be held at **THE ROYAL COURT HOUSE,** on **WEDNESDAY** the **29th September, 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

14th September, 2021

P.2021/94

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR THE* ENVIRONMENT & INFRASTRUCTURE

PLANNING PANEL – THE ELECTION OF THREE NEW ORDINARY MEMBERS

The States are asked to decide:

Whether, after consideration of the Policy Letter entitled "Planning Panel – the election of three new ordinary members" dated 18th August, 2021 they are of the opinion:

1. To elect
   (a) Mr Roy David Burke as an ordinary member of the Planning Panel for a further term of six years from 1st October, 2021;
   (b) Mr. Keith Charles Bell as an ordinary of the Planning Panel for a further term of six years from 1st October 2021; and
   (c) Mr Raymond Thomas Le Poidevin as an ordinary of the Planning Panel for a further term of six years from 1st October 2021.

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.

COMMITTEE *for the* ENVIRONMENT & INFRASTRUCTURE

PLANNING PANEL – THE ELECTION OF THREE NEW ORDINARY MEMBERS

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

18th August, 2021

Dear Sir

1. Executive Summary

1.1 The purpose of this Policy Letter is to ask the States to elect:

a) Roy David Burke
b) Keith Charles Bell
c) Raymond Thomas Le Poidevin

each as an ordinary member of the Planning Panel ("the Panel").

2. Background

2.1 The Land Planning and Development (Guernsey) Law, 2005 ("the 2005 Law") came into force on 6th April 2009. Section 86 of the 2005 Law explains the requirements for establishing the Planning Panel:

> **Establishment of Planning Panel.**
> **86.** (1) The States shall, on the recommendation of the Committee *for the* Environment & Infrastructure, draw up and maintain a panel to be called the Planning Panel which shall consist of nine independent persons and from which the members of the Planning Tribunal shall, from time to time, be appointed.
> (2) A recommendation of the Committee *for the* Environment & Infrastructure under subsection (1) may be amended by resolution of the States to the intent that persons other than those recommended by the Committee *for the* Environment & Infrastructure may be elected to the Planning Panel.
> (3) Of the members of the Planning Panel –

(a) not less than four shall be permanently resident within the Channel Islands,
(b) not less than two, who shall be designated by States' resolution as the "professional members", shall be persons with such qualifications and experience in planning matters as in the opinion of the States is necessary for the hearing and determination of appeals to the Planning Tribunal,
(c) one shall be designated by States' resolution as the Chairman of the Planning Panel, and
(d) one shall be designated by States' resolution as the Deputy Chairman thereof.

(4) The members of the Planning Panel shall, subject to the provisions of subsection (5), hold office for a term of six years, and a person may be elected for more than one term of office.

Such appointments must be made by the States upon the recommendation of the Committee *for the* Environment & Infrastructure.

2.2 Under the provisions of Section 4 of the Land Planning and Development (Appeals) Ordinance, 2007, the following individuals are precluded from serving as a member of the Panel:

(a) a Member of the States of Deliberation within the meaning of the Reform (Guernsey) Law, 1948;
(b) an employee of the States who is employed by the States within the Development & Planning Authority, a member of the Authority or a person who carries out work for, or provides services to the Authority in relation to any functions of the Authority under the 2005 Law or the repealed enactments[1],
(c) a member of the Strategic Land Planning Group;
(d) a person who holds appointment to any judicial office in Guernsey; or
(e) any person who has been such a person at any time within the period of two years ending on the date of the proposed election.

2.3 Mr John Weir, who was first elected to the Planning Panel in April 2009, advised the Committee of his intention to retire as an ordinary member on 31st July 2021. The Committee wishes to record its thanks to Mr Weir for his service on the Panel and notes that his professional experience as a Chartered Surveyor was invaluable to the other members, especially as he was always quick to identify any errors or inaccuracies in the plans prepared in support of planning applications.

[1] This refers to the previous planning legislation. The reference was relevant when the current legislation first came into force as work was being carried out under the former legislation as part of transitional arrangements.

2.4 The Committee *for the* Environment & Infrastructure advertised for new Panel members in April 2021. The advertisement was placed in partnership with the Policy & Resources Committee which was seeking to appoint new members to the Tax on Real Property Appeal Tribunal and the States of Alderney which was seeking to appoint members to the newly established Alderney Property Tax Appeals Tribunal.

2.5 The advertisement attracted a several candidates and as each demonstrated the key criteria and understanding for this role, the three candidates who expressed an interest in appointment to the Panel were interviewed. Appendix 1 sets out the key criteria the candidates were scored against.

3. Election of Planning Panel Members

3.1 Following the interviews, the Committee agreed to recommend the States of Deliberation agree to elect:

- Mr Roy Burke;
- Mr Keith Bell; and
- Mr Raymond Le Poidevin

as ordinary members of the Panel with effect from 1st October 2021 for a six-year period.

3.2 Mr Roy Burke is an Alderney resident. He returned to Alderney after retiring in 2018 as the Chief Secretary for the St Helena Government. He is a member of the independent Complaints Panel under the Administrative Decisions (Review) (Guernsey) Law, 1986 and an independent member of the Review Board. He originally moved to Alderney in 2010 to take up the appointment as Chief Executive to the States of Alderney. He held this post until May 2014 when he moved to St Helena. Prior to moving to Alderney, Mr Burke had held a number of senior appointments within the UK Civil Service including Chief Executive at the Department for Transport and Chief Executive for the Criminal Injuries Compensation Appeal Panel.

3.3 Mr Keith Bell is Guernsey resident and is a retired English solicitor and company secretary. He retired from Babbé LLP as a Senior Associate Solicitor in November 2019 and had specialised in company, corporate and commercial law. Mr Bell is also a member of the Housing Appeals Tribunal and the Senior Lawyers' Panel of La Chambre de Discipline. Prior to moving to Guernsey in 2006, Mr Bell held a number of senior posts in private companies in the UK.

3.4 Mr Le Poidevin is a Guernsey resident and in March 2021 retired as Secretary to the Castel Constables having held this post from November 2012. He had previously been the Secretary to the St Peter Port Constables for 10 years. Prior

to 2001, Mr Le Poidevin had served as a police officer in the Guernsey Police Force: he held various uniformed and plain clothes roles and was the Force's training sergeant when he retired in 2001.

3.5 The key criteria for Panel members are set out in Appendix 1 to this policy letter and summary CVs for the three proposed new members are set out in Appendix 2.

4 Compliance with Rule 4

4.1 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.

4.2 The Propositions are in accordance with Rule 4(1).

(a) The Propositions contribute to the States' objectives and policy plans in that the appointment of new members to the Planning Panel will ensure that it has sufficient members to properly discharge its duties in determining planning appeals impartially, fairly and in a timely manner;
(b) The statutory duty for appointing members to the Planning Panel rests with the Committee. However, it has consulted with the Panel's Chairman and Vice Chairman during the recruitment process;
(c) The Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications; and
(d) There are no financial implications to the States associated with the proposed appointments as the Committee's budget already includes provision for the payments to members of the Planning Panel.

4.3 In accordance with Rule 4(2), the Propositions relate to the duties of the Committee *for the* Environment & Infrastructure in respect of land use and planning, and its duties under the Land Planning and Development (Guernsey) Law, 2005, as amended and have the unanimous support of the Committee.

4.4 In accordance with Rule 4(3), the Committee's preferred date when this item should be considered by the States is at the meeting commencing on 28th September 2021,the reason being to ensure that the Planning Panel has sufficient members to discharge is statutory duties in determining planning appeals.

Yours faithfully

H L de Sausmarez
President

S P Haskins
Vice-President

A Cameron

S Fairclough

A Gabriel

APPENDIX 1

The Planning Tribunal is an independent judicial body and therefore approaches all its deliberations in accordance with the six principles known as the Bangalore Principles of Judicial Conduct endorsed at the 59th session of the UN Human Rights Commission in April 2003. These principles are:

(i) Judicial independence is a prerequisite to the rule of law and a fundamental guarantee of a fair trial. A Tribunal member shall therefore uphold and exemplify judicial independence in both its individual and institutional aspects.
(ii) Impartiality is essential to the proper discharge of the judicial office.
(iii) Integrity is essential to the proper discharge of the judicial office.
(iv) Propriety, and the appearance of propriety, are essential to the performance of all of the activities of a Tribunal member.
(v) Ensuring equality of treatment to all before the courts is essential to the due performance of the judicial office.
(vi) Competence and diligence are prerequisites to the due performance of judicial office.

The applicants for the vacancy on the Planning Panel were assessed against the following key criteria and these reflect the principles set out above:

1. To be able to act with integrity and have independence of mind.
2. Work independently and as part of a team.
3. Excellent communication and interpersonal skills when dealing with people from a wide range of backgrounds.
4. Absorb, interpret and question complex information, including written material and verbal submissions, and identify the salient points.
5. Readily read situations and respond appropriately.
6. Play an effective role by listening, persuading and showing respect for the views of others, whilst also presenting one's own point of view.
7. Challenge the views of others constructively and without becoming confrontational.
8. Weigh all the facts relating to a matter without being unduly swayed by any particular point of view or set of circumstances and then reach a balanced decision.
9. Take balanced, open-minded and unbiased decisions whilst also taken into account the provisions of the relevant legislation and previous Tribunal decisions.

APPENDIX 2

Summary Curriculum Vitae for Mr Roy David Burke

Mr Roy Burke is an Alderney resident and prior to retiring in 2018 he was Chief Secretary for the St Helena Government.

Mr Burke moved to Alderney in 2010 to take up the appointment as Chief Executive to the States of Alderney. He held this post until May 2014 when he moved to St Helena.

Prior to moving to Alderney, Mr Burke had held a number of senior appointments within the UK Civil Service including Chief Executive at the Department for Transport and Chief Executive for the Criminal Injuries Compensation Appeal Panel.

Summary Curriculum Vita for Mr Keith Bell

Mr Bell is an experienced company/commercial/corporate and employment lawyer. He has over 30 years' experience in senior company secretarial/legal roles and prior to moving to Guernsey in May 2006 was in-house legal counsel for a leading private equity company in the City of London. He was until recently a senior associate in the corporate department in Babbé LLP and is currently working with them on a part-time consultancy basis.

Mr Bell is a Solicitor of the Supreme Court of England and Wales, a Chartered Secretary/Corporate Governance Professional, a Trust and Estate Practitioner and an accredited mediator with the Chartered Institute of Arbitrators.

Mr Bell is a member of the Housing Appeals Tribunal and the Senior Lawyers' Panel of La Chambre de Discipline

Summary Curriculum Vita for Mr Raymond Le Poidevin

Recently retired, Mr Le Poidevin has over 45 years of public sector experience. Locally educated, he initially served for 26 years in various roles within the Guernsey Police Service, latterly as Training Sergeant, until his retirement in September 2001.

He continued his career working in Public Administration at management level with the Douzaines of both the St Peter Port and Castel parishes, during which time he was primarily responsible for the administration of Parochial Taxation and the development and maintenance of parish property. He is also a member of the Castel Parochial Church Property Management Board.

P.2021/95

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

TAX ON REAL PROPERTY APPEALS PANEL - APPOINTMENT OF FOUR ADDITIONAL MEMBERS AND TO DESIGNATE A NEW CHAIRMAN

The States are asked to decide:-

Whether, after consideration of the policy letter entitled "Tax on Real Property Appeals Panel - Appointment of four additional members and to designate a new Chairman", dated 19th August, 2021, they are of the opinion:-

1. To appoint Mr Roy David Burke as a member of the Tax on Real Property Appeals Panel for a period of five years commencing on 1st October 2021.

2. To appoint Mr Keith Charles Bell as a member of the Tax on Real Property Appeals Panel for a period of five years commencing on 1st October 2021.

3. To appoint Mr Raymond Thomas Le Poidevin as a member of the Tax on Real Property Appeals Panel for a period of five years commencing on 1st October 2021.

4. To appoint Advocate Robin Gist as a member of the Tax on Real Property Appeals Panel for a period of five years commencing on 1st October 2021.

5. To designate Mrs Audrey Branch as the Chairman of the Tax on Real Property Appeals Panel for a period of five years commencing on 1st October 2021.

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)(c) of the Rules of Procedure of the States of Deliberation and their Committees.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMIITTEE

TAX ON REAL PROPERTY APPEALS PANEL - APPOINTMENT OF FOUR ADDITIONAL MEMBERS AND TO DESIGNATE A NEW CHAIRMAN

The Presiding Officer
States of Guernsey
Royal Court
St Peter Port

19th August, 2021

Dear Sir

1. Executive Summary

1.1 The purpose of this policy letter is two-fold, namely to ask the States to:

(a) Appoint the following persons as new members of the Tax on Real Property Appeals Panel for a period of five years commencing on 1st October 2021:

- Roy David Burke
- Keith Charles Bell
- Raymond Thomas Le Poidevin
- Advocate Robin Gist;

and

(b) To designate Mrs Audrey Mary Branch as the Chairman of the Tax on Real Property Appeals Panel for a period of five years commencing on 1st October 2021.

2. Background

2.1 The Tax on Real Property Appeals Panel ("the Panel") was first established in June 2008 as an independent body to hear and determine appeals in relation to Tax on Real Property ("TRP") made in accordance with the Taxation of Real Property (Guernsey and Alderney) Ordinance, 2007 ("the Ordinance"). Subject to the conditions set out in the Ordinance, property owners in Guernsey and Alderney who are aggrieved by a decision of the Cadastre Department may formally appeal against that decision to the Panel. A Tribunal is then established, consisting of three members of the Panel, to hear and determine the appeal.

2.2 Section 22 of the Ordinance established the Panel, which is drawn up and maintained by the States, upon the recommendation of the Policy & Resources Committee.

2.3 In early 2021, Mr John Weir, who was first appointed to the Panel in June 2008, advised the Committee of his intention to retire from the Panel, including as its Chairman on 31st July 2021. Mr Weir was designated as the Panel's Chairman in September 2017.

2.4 The Committee wishes to record its thanks to Mr Weir for his service on the Panel and notes that his professional experience as a Chartered Surveyor was invaluable to the other members especially in understanding layout plans of buildings which are central to determining whether the TRP due for a particular property has been correctly assessed.

2.5 In April 2021, the Policy & Resources Committee advertised for new Panel members. The advertisement was placed in partnership with the Committee *for the* Environment & Infrastructure which was seeking to appoint new members to the Planning Panel and the States of Alderney which was seeking to appoint members to the newly established Alderney Property Tax Appeals Tribunal.

2.6 The advertisement attracted a several candidates and as each demonstrated the key criteria and understanding for this role, the four candidates who expressed an interest in appointment to the Panel were interviewed.

2.7 At this point the Policy & Resources Committee would like to put on record again its thanks to all the former members of the Panel for their hard work and commitment. It is due to the ethos of public service displayed by the former, and current, members that so much good work is done for the benefit of Guernsey.

3. Appointment of new Members

3.1 The Policy & Resources Committee advertised for new Panel members earlier this year. The advertisement was placed in partnership with the Committee *for the* Environment & Infrastructure, which was seeking a new Planning Panel member.

3.2 Following the interviews, the Committee agreed to recommend the States of Deliberation agree to appoint:

- Mr Roy Burke;
- Mr Keith Bell;
- Mr Raymond Le Poidevin; and
- Advocate Robin Gist

as members of the Panel with effect from 1st October 2021 for a five-year period.

3.3 Mr Roy Burke is an Alderney resident. He returned to Alderney after retiring in 2018 as the Chief Secretary for the St Helena Government. He is a member of the

independent Complaints Panel under the Administrative Decisions (Review) (Guernsey) Law, 1986 and an independent member of the Review Board. He originally moved to Alderney in 2010 to take up the appointment as Chief Executive to the States of Alderney. He held this post until May 2014 when he moved to St Helena. Prior to moving to Alderney, Mr Burke had held a number of senior appointments within the UK Civil Service including Chief Executive at the Department for Transport and Chief Executive for the Criminal Injuries Compensation Appeal Panel.

3.4 Mr Keith Bell is a retired English solicitor and company secretary. He retired from Babbés LLP as a Senior Associate Solicitor in November 2019 and had specialised in company, corporate and commercial law. Mr Bell is also a member of the Housing Appeals Tribunal and the Senior Lawyers' Panel of La Chambre de Discipline. Prior to moving to Guernsey in 2006, Mr Bell held several senior posts in private companies.

3.5 Mr Le Poidevin retired as Secretary to the Castel Constables in March 2021 having held this post from November 2012. He had previously been the Secretary to the St Peter Port Constables for 10 years. Prior to 2991, Mr Le Poidevin had served as a police officer in the Guernsey Police Force and held several posts and was the Force's training sergeant when he retired in 2001.

3.6 Advocate Robin Gist is currently employed as an Advocate at Carey Olsen. Prior to moving into private practice in 2020, Advocate Gist was a civil litigation lawyer at St James Chambers. He was appointed as a member of the Guernsey Tax Tribunal in 2020. Prior to moving to Guernsey, he was a barrister at New Square Chambers and Lamb Chambers in London.

4. Designation of new Chairman

4.1 Mrs Branch was first appointed to the Panel on September 2017 and has attended various training sessions since her appointment. Mrs Branch is also a member of the Social Insurance Appeal Tribunals and has sat as a member on several occasions. She is also a member of the Complaints Panel under the Administrative Decisions (Review) (Guernsey) Law, 1986 and an independent Review Board member. She has sat as a member of several Complaints Panels. Mrs Branch has also undertaken the generic training provided for all new Tribunal/Panel members.

4.2 Mrs Branch has significant experience in the finance sector – particularly in regulation. Between 1994 and 2015, she was employed by the Guernsey Financial Services Commission in various roles, including Deputy Director of Banking and Deputy Director of Fiduciary Policy and Supervision. She also has finance industry experience having worked for Barclays, HSBC, Coutts Guernsey Ltd, and CIBC (CI) Ltd.

4.3 Mrs Branch is a Chartered Governance Professional and a Chartered Fellow of the Chartered Institute for Securities and Investment. She holds an MSc in Corporate Governance, Postgraduate Diploma in Law and is a Barrister (non-practising).

4.4 When interviewed for this appointment, Mrs Branch demonstrated strong leadership and collaborative working skills and she showed that she would draw on her considerable professional experience to bring fresh ideas to the Panel. This enthusiasm and considerable professional experience will contribute to the Panel's work.

5. Compliance with Rule 4

5.1 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.

5.2 The Propositions are in accordance with Rule 4(1).

(a) The Propositions contribute to the States' objectives and policy plans in that the appointment of Chairman and new members to the Tax on Real Property Appeals Panel will ensure that it has sufficient members to properly discharge its duties in determining TRP appeals impartially, fairly and in a timely manner;
(b) The statutory duty for appointing members to the Tax on Real Property Appeals Panel rests with the Committee. However, it has consulted with the Panel's Chairman during the recruitment process for the new members;
(c) The Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications; and
(d) There are no financial implications to the States associated with the proposed appointments as the Committee's budget already includes provision for the payments to members of the Tax on Real Property Appeals Panel.

5.3 In accordance with Rule 4(2), the Propositions relate to the duties of the Policy & Resources Committee in respect its duties under the Taxation of Real Property (Guernsey and Alderney) Ordinance, 2007 and have the unanimous support of the Committee.

5.4 In accordance with Rule 4(3), the Policy & Resources Committee's preferred date when this item should be considered by the States is at the meeting commencing on 28th September 2021, the reason being to ensure that the Tax on Real Property Appeals Panel has sufficient members to discharge is statutory duties in determining such appeals.

Yours faithfully

P T R Ferbrache
President

H L Soulsby
Vice-President

J Le Tocq
M Helyar
D Mahoney

APPENDIX 1

CANDIDATE PROFILES APPOINTMENT AS MEMBERS OF THE TAX ON REAL PROPERTY APPEALS PANEL

Summary Curriculum Vitae for Mr Roy David Burke

Mr Roy Burke is an Alderney resident and prior to retiring in 2018 he was Chief Secretary for the St Helena Government.

Mr Burke moved to Alderney in 2010 to take up the appointment as Chief Executive to the States of Alderney. He held this post until May 2014 when he moved to St Helena.

Prior to moving to Alderney, Mr Burke had held a number of senior appointments within the UK Civil Service including Chief Executive at the Department for Transport and Chief Executive for the Criminal Injuries Compensation Appeal Panel.

Summary Curriculum Vita for Mr Keith Bell

Mr Bell is an experienced company/commercial/corporate and employment lawyer. He has over 30 years' experience in senior company secretarial/legal roles and prior to moving to Guernsey in May 2006 was in-house legal counsel for a leading private equity company in the City of London. He was until recently a senior associate in the corporate department in Babbé LLP and is currently working with them on a part-time consultancy basis.

Mr Bell is a Solicitor of the Supreme Court of England and Wales, a Chartered Secretary/Corporate Governance Professional, a Trust and Estate Practitioner and an accredited mediator with the Chartered Institute of Arbitrators.

Mr Bell is a member of the Housing Appeals Tribunal and the Senior Lawyers' Panel of La Chambre de Discipline

Summary Curriculum Vita for Advocate Robin Gist

Advocate Robin Gist was called to the Guernsey Bar in May 2014. He is currently employed as an Advocate at Carey Olsen. Prior to moving into private practice in 2020, Advocate Gist has been a civil litigation lawyer at St James Chambers. He was appointed as a member of the Guernsey Tax Tribunal in 2020.

Prior to moving to Guernsey, Advocate Gist was a barrister at New Square Chambers and Lamb Chambers in London, having been called to the English Bar in July 2004. Advocate Gist has written several articles for the Jersey and Guernsey Law Review.

Summary Curriculum Vita for Mr Raymond Le Poidevin

Recently retired, Mr Le Poidevin has over 45 years of public sector experience. Locally educated, he initially served for 26 years in various roles within the Guernsey Police Service,

latterly as Training Sergeant, until his retirement in September 2001. He continued his career working in Public Administration at management level with the Douzaines of both the St Peter Port and Castel parishes, during which time he was primarily responsible for the administration of Parochial Taxation and the development and maintenance of parish property. He is also a member of the Castel Parochial Church Property Management Board.

APPENDIX 2

CANDIDATE PROFILE FOR APPOINTMENT AS THE NEW CHAIRMAN OF THE TAX ON REAL PROPERTY APPEALS PANEL

Summary Curriculum Vitae for Mrs Audrey Mary Branch

Mrs Audrey Mary Branch is a regulatory risk consultant. She is also a member of the Social Insurance Appeal Tribunals and the Tax on Real Property Appeal Panel and a member of the independent Complaints Panel under the Administrative Decisions (Review) (Guernsey) Law, 1986 and an independent Review Board member.

Mrs Branch has significant experience in the finance sector – particularly in regulation. From 1994-2015 she was employed by the Guernsey Financial Services Commission in various roles, including Deputy Director of Banking and Deputy Director of Fiduciary Policy and Supervision. She also has finance industry experience having worked for Barclays, HSBC, Coutts Guernsey Ltd, and CIBC (CI) Ltd.

Her professional memberships include Chartered Fellow of the Chartered Institute for Securities and Investment, Associate Membership of the Institute of Chartered Secretaries and Administrators. She is an English Barrister (non-practising) and is a member of the Honourable Society of the Inner Temple.

P.2021/96

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

ELECTION OF AN ORDINARY MEMBER OF THE GUERNSEY FINANCIAL SERVICES COMMISSION

The States are asked to decide:-

Whether, after consideration of the Policy Letter dated 20th August 2021, of the Policy & Resources Committee, they are of the opinion:-

1. To elect Wendy Dorey as an ordinary member of the Guernsey Financial Services Commission for a three-year term with effect from 1st November 2021.

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

POLICY & RESOURCES COMMITTEE

ELECTION OF AN ORDINARY MEMBER OF THE GUERNSEY FINANCIAL SERVICES COMMISSION

Presiding Officer
Royal Court
St Peter Port
Guernsey

20th August, 2021

Dear Sir

1. Executive Summary

1.1 Mrs Wendy Dorey's term as an ordinary member of the Guernsey Financial Services Commission (GFSC) comes to an end on 31st October 2021.

1.2 In order to seek to ensure continuity of experience, this report proposes the election of Mrs Dorey as an ordinary member of the GFSC for a further three-year term, with effect from 1st November 2021.

2. Report

Mrs Wendy Dorey

2.1 Mrs Dorey has over twenty years' experience in the financial services industry, working in senior roles in the UK, France and Guernsey. She has been a GFSC Commissioner since November 2015 and was reappointed for a three-year term on 1st November 2018. She has held senior posts in financial marketing, distribution and business planning with Robert Fleming, Friends Ivory & Sime and M&G Asset Management in London. In Guernsey, she was appointed as a director of Dorey Financial Modelling, an entrepreneurial risk modelling business. In November 2017, Mrs Dorey was appointed as a Non-Executive Director of Schroders (C.I.) Limited. In 2019, Mrs Dorey was admitted as a Chartered Director and Fellow of the Institute of Directors and was appointed Chair of the Guernsey branch in early 2021.

3. Conclusion

3.1 The Financial Services Commission (Bailiwick of Guernsey) Law, 1987, specifies that ordinary members of the Commission should "be persons having knowledge, qualifications or experience appropriate to the development and supervision of finance business in the Bailiwick".

3.2 Based on her professional experience and experience as an ordinary member of the Commission, the Policy & Resources Committee nominates Mrs Wendy Dorey for re-appointment as an ordinary member of the GFSC.

4. Recommendation

4.1 The States are asked to decide whether they are of the opinion:-

1. To elect Mrs Wendy Dorey as an ordinary member of the Guernsey Financial Services Commission for a three-year term with effect from 1st November 2021.

5. Compliance with Rule 4

5.1 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.

5.2 Rule 4(1)(a) concerns whether, and how, Propositions laid before the States contribute to the States' objectives and policy plans. The States, in their Government Work Plan for 2021-2025, made managing the effects of Brexit and meeting international standards one of their four main priorities for government. The Proposition to which this Policy Letter relates provides for the effective governance of financial services regulation in the Bailiwick, which is integral to maintaining compliance with international standards on financial crime and regulation (an action under above-referenced Government Work Plan priority).

5.3 Rule 4(1)(b) concerns joint working or consultation. The Policy & Resources Committee consulted the GFSC in the preparation of this Policy Letter.

5.4 In accordance with Rule 4(1)(c), the Proposition has been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.

5.5 In accordance with Rule 4(1)(d), there should be no financial implications to the States of Guernsey of carrying the proposal into effect.

5.6 Under Rule 4(2)(a), it is confirmed that the Policy & Resources Committee is submitting this proposal in accordance with its responsibility for advising the States on, and for implementing policies and programmes relating to, the policy framework for the regulation of financial services. In addition, under Schedule 1 of the Law referred to in paragraph 3.1, above, it is the responsibility of the Policy & Resources Committee to nominate, for election by the States, persons to be ordinary members of the GFSC.

5.7 In accordance with Rule 4(2)(b), it is confirmed that the Policy & Resources Committee supports unanimously the Proposition accompanying this Policy Letter.

Yours faithfully

P T R Ferbrache
President

H J Soulsby
Vice-President

M A J Helyar
J P Le Tocq
D J Mahoney

P.2021/46

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

STATES' ASSEMBLY & CONSTITUTION COMMITTEE

GENERAL ELECTION 2020:
REPORTS FROM THE CPA BIMR ELECTION EXPERT MISSION AND
THE REGISTRAR-GENERAL OF ELECTORS

The States are asked to decide:-

Whether, after consideration of the policy letter entitled 'General Election 2020: Reports from the CPA BIMR Election Expert Mission and the Registrar-General of Electors' dated 10th May 2021 submitted under Rule 17.(9) of the Rules of Procedures of the States of Deliberation and their Committees, they are of the opinion:-

1. To agree the following workstreams should be undertaken by the States' Assembly & Constitution Committee:

   a) investigate the creation of a dedicated, independent elections body for future elections;

   b) review the Reform Laws and other relevant legislation underpinning General Elections, including:

      i. increasing the number of signatories on the nomination form.
      ii. introducing provisions requiring the publication of candidates and parties' election expenditure.
      iii. reviewing the deadline for postal vote applications.
      iv. introducing Deputy Polling Station Officers and Deputy Central Returning Officers to support election administration.
      v. reviewing provisions relating to the vote count and recount to ensure they meet the requirements of an electronic vote count and recount.
      vi. reviewing the margin required to trigger a recount;

   c) introduce proposals for a system of complaints and appeals for future elections;

   d) investigate the merits of introducing disclosures by candidates/and or Deputies and consider the disqualification provision at Article 8(e) of the Reform Law;

   e) review the regulation of election finance, considering the findings of the

Committee on Standards in Public Life review of electoral regulation in England.

f) review communication initiatives including the feasibility of the States of Guernsey co-ordinating 'hustings-type' meetings.

g) research the feasibility of introducing i-voting for a future election.

h) undertake consultation with relevant stakeholders in order to identify, and consider how the States of Guernsey can work towards the implementation of, suitable measures for Guernsey as outlined in Articles 4 and 7 of the Convention on the Elimination of All Forms of Discrimination against Women to Guernsey and Articles 21 and 29 of the Convention on the Rights of Persons with Disabilities

i) increasing the information provided regarding the role of a States' Member, the States of Guernsey and the election process by the end of 2023.

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.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

STATES' ASSEMBLY & CONSTITUTION COMMITTEE

GENERAL ELECTION 2020:
REPORTS FROM THE CPA BIMR ELECTION EXPERT MISSION AND
THE REGISTRAR-GENERAL OF ELECTORS

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

10th May 2021

Dear Sir

1 Executive Summary

1.1 The States' Assembly & Constitution Committee ('the Committee') is under resolution to submit the Report of the Registrar-General of Electors, together with the Report of the Independent Election Observers, as an appendix to a Billet d'État as soon as possible, and no later than one year after the General Election.

1.2 The two reports are appended to this policy letter which has been submitted under Rule 17.(9) of 'The Rules of Procedure of the States of Deliberation and their Committees'[1]:

- **Appendix A** **CPA BIMR Election Expert Mission Final Report**
  Guernsey General Election - October 2020
- **Appendix B** **Report of the Registrar-General of Electors**
  Review of the 2020 General Election

1.3 It is strongly recommended that Members read the appended reports prior to considering this policy letter.

1.4 The Committee agreed to submit these reports with a covering policy letter setting out how it will address their findings and recommendations and to provide States' Members with the opportunity to endorse and provide feedback on the workstreams the Committee intends to undertake, and any other areas

[1] 'The Rules of Procedure of the States of Deliberation and their Committees'

they believe the Committee should consider, as it prepares for the 2025 General Election.

2 Introduction

2.1 The 2020 General Election took place on 7th October 2020, having been postponed from 17th June as a result of the COVID-19 pandemic. The next General Election is due to take place in June 2025. The Committee is responsible for advising the States and developing and implementing policies in relation to elections to the office of People's Deputy.

2.2 On 12th December 2019, further to consideration of the amended propositions to the Committee's policy letter entitled 'General Election 2020 – Second Policy Letter'[2], the States resolved as follows[3]:

"*To agree that, in his post-implementation review of the 2020 General Election and Island-wide voting, the Registrar-General of Electors shall seek the views of:*

- *Candidates in the General Election (elected and unelected);*
- *Members of the General Election programme board;*
- *Officers, parish representatives, and volunteers involved in the delivery of the General Election;*
- *Election service providers (e.g. communications, e-count solutions);*
- *The voting public; and*
- *Any other consultees which he considers appropriate;*

and to direct the States' Assembly & Constitution Committee to submit the Report of the Registrar-General of Electors, together with the Report of the Independent Election Observers, as an appendix to a Billet d'État as soon as possible, and no later than one year after the General Election."

Report of the Independent Election Observers

2.3 The Commonwealth Parliamentary Association British Islands and Mediterranean Region (CPA BIMR) conducted a virtual Election Expert Mission to the Guernsey General Election. The CPA BIMR Election Expert Mission Final Report entitled 'Guernsey General Election October 2020'[4] was published on 7th December 2020 and is attached as Appendix A. This will be referred to as the 'CPA Report' in this policy letter.

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[2] States' Meeting 11th December, 2019: Billet d'Etat XXIV: General Election 2020 – Second Policy Letter

[3] Resolution 11 was the result of an amendment (P.2019/132 Amdt 5) lodged on behalf of the Committee.

[4] The report and accompanying press release are available to download from the Commonwealth Parliamentary Association UK website: www.uk-cpa.org

2.4 The CPA BIMR Election Expert Mission "*offers 12 recommendations in this report to enhance the conduct of elections in Guernsey and to bring it fully into line with international obligations and standards for democratic elections*."

Report of the Registrar-General of Electors

2.5 The Committee received the report from the Registrar-General of Electors on 6th April 2021. This is attached as Appendix B and will be referred to in this policy letter as the 'Registrar-General's Report'. This report offers 10 recommendations.

Structure of the policy letter

2.6 This policy letter will consider both reports' findings and recommendations by grouping subjects under relevant headings as set out in the following table. The recommendations of the CPA BIMR Election Expert Mission or the Registrar-General of Electors will be shown in the relevant section (as below).

	Section	CPA	RG of E
3	**Independent oversight and administration of elections**	R2	R1
4	**The legal framework for elections**	R1	R2
5	**Complaints and appeals**	R12	n/a
6	**Voter registration**	R3	n/a
7	**Standing as a candidate**	R4	n/a
8	**Communication initiatives by the States of Guernsey**	n/a	R3
9	**Political parties**	R5	n/a
10	**Election expenditure**	R5 & 6	R10
11	**Voting: Postal voting, polling stations and i-voting**	R7	R4,5 & 6
12	**Vote Count and Recount**	R8 & 9	R7,8 & 9
13	**Participation in elections**	R10 & 11	n/a

Submission of the proposition under Rule 17.(9)

2.7 Rule 17.(9) of 'The Rules of Procedure of the States of Deliberation and their Committees' reads as follows:

"Where a Committee originating a matter for debate before the States is of the opinion that the proposals it is submitting to the States are of general policy, and where it is desirable that the principles of that policy should be considered, the Committee may have its propositions considered by the States without amendment on the understanding that if the propositions are accepted the Committee would return with detailed proposals which could be accepted or rejected with or without amendments. Where a Committee invokes the provisions of this paragraph it shall make express reference to it in its propositions".

2.8 The Committee is submitting the policy letter under this Rule as it believes it is premature to submit firm proposals in respect of the 2025 General Election until the reviews detailed in this report are undertaken. Submitting the policy letter and the reports in this manner provides Members with the opportunity to confirm it agrees with the Committee's next steps and to provide feedback on any other areas they believe the Committee should consider.

2.9 It must be noted that whilst the Committee will undertake the reviews and workstreams set out in this policy letter, given the pressures on public finances and resources that the States will face this political term, any proposals to be considered by the Committee, and the States, will take into account the priorities of the States at that time and set out the financial implications of such proposals.

3 Independent oversight and administration of elections

CPA R2	A permanent dedicated elections body should be constituted so that institutional knowledge and expertise can be embedded in the Guernsey electoral system. This body could provide continuous electoral oversight, including oversight of candidate and voter registration, political parties and campaign finance.
RG R1	It is recommended that SACC should investigate the creation of an independent body to advise on and oversee future elections.

3.1 In the 'General Election 2020' policy letter[5], the then Committee identified that 'the development of a permanent, independent election administration body should be investigated after the 2020 General Election with a view to such a body being established for the 2024 General Election'[6].

3.2 In reaching this conclusion, the then Committee had noted the Commonwealth Parliamentary Association report 'Recommended Benchmarks for Democratic Legislatures'[7] stated at point 1.1.5*:*

[5] States' Meeting 24th April, 2019: Billet d'Etat VII: General Election 2020 (P.2019/22)
[6] Appendix 1, Section 3(a): Independent oversight of Elections (pages 49 – 50).
[7] CPA Recommended Benchmarks for Democratic Legislatures

"An independent Electoral Commission or similar authority shall be established for the management of the conduct of elections and its tasks shall include monitoring the election expenses of parliamentary candidates and political parties".

and the Venice Commission's 'Code of Good Practice in Electoral Matters – Guidelines and Explanatory Report'[8] which stated that an impartial body must be in charge of applying electoral law.

3.3 The CPA report states that the International Covenant on Civil and Political Rights, which applies to Guernsey, has been interpreted as requiring that an independent electoral authority should be established to supervise the electoral process.

3.4 The UK Electoral Commission was established in 2001 and its establishment and general functions are set out in the Political Parties, Elections and Referendums Act 2000.

3.5 The Committee agrees independent oversight of elections to the office of People's Deputy is a key workstream to progress and will investigate the options for the creation of a permanent, independent election administration body.

3.6 The Committee will consider the type of body that might be appropriate for Guernsey, undertake consultation with existing stakeholders and consider whether there might be options for a pan-Island solution and consult with Jersey, Alderney and Sark accordingly. It will also research the practicalities, costs and timeframes for creating such a body.

4 The legal framework for elections

CPA R1	Greater codification of electoral rules and procedures, either via amending existing election law or via enacting a new omnibus election law, could be considered, in order to ensure that there is certainty and consistency in the law and that it applies equally to all concerned.
RG R2	It is recommended that SACC should review the Reform Law and other legislation relating to the holding of elections and, if it thinks fit, make suitable proposals for consideration by the States, for electoral reform by way of a standalone election Law that reflects modern election practices and is easily accessible.

4.1 The Reform (Guernsey) Law, 1948, as amended and The Reform (Amendment) (Guernsey) Law, 1972 ('the Reform Laws') are the key items of legislation which

[8] Venice Commission's 'Code of Good Practice in Electoral Matters – Guidelines and Explanatory Report'

underpin elections in Guernsey. Both items of primary legislation can be found on the Guernsey Legal Resources website[9].

4.2 In advance of each General Election, a number of items of secondary legislation – in the form of Ordinances for approval and Statutory Instruments – are agreed covering matters such as the date of the General Election, electoral expenditure, hours and location of polling etc.

4.3 The CPA report confirms that Guernsey's legal framework for the conduct of elections complies with local, regional and international standards for democratic elections. It states the rights of political participation are well protected, with both the right to vote and the right to stand for election particularly well established.

4.4 The CPA report notes that it is not considered good practice to amend electoral law so close to an election, quoting the Venice Commission's recommendation that: "The fundamental elements of electoral law, in particular the electoral system proper […] should not be open to amendment less than one year before an election".

4.5 The referendum on Guernsey's voting system took place in October 2018 and the General Election was scheduled to place in June 2020. Given the need to amend primary legislation as a result of the referendum to implement a new electoral system, and a number of items of secondary legislation, the above principle could not be met in the intervening period. The Committee will endeavour to ensure that any changes to electoral law will be submitted to the States to be in place at least one year ahead of the General Election i.e. before May 2024.

4.6 In the 'General Election 2020' policy letter[10], the then Committee stated:

"… after the 2020 Election, it would be timely for the Reform Law to be subject to a comprehensive review from the States' Assembly & Constitution Committee, to incorporate lessons learnt from the 2020 Election and to review existing provisions against international best practice".

4.7 The Committee agrees a review of the Reform Laws, and other electoral legislation, is a key workstream to be progressed and that part of this review should consider whether existing legislation should be amended or whether standalone election legislation should be drafted.

[9] www.guernseylegalresources.gg
[10] Appendix 1, Section 3(b): Future Review of the Reform Law (pages 50-51).

5 Complaints and appeals

CPA R12	Consideration should be given to the introduction of a system of complaints and appeals for all stages of the electoral process. Detailed procedures should be set out regarding the authority responsible to receive and adjudicate upon disputes arising in relation to voter registration, candidate nomination, voting and counting and all other aspects of the electoral cycle. Fair procedures must apply to any such regulations, with clear deadlines providing for the submission of complaints, making appeals and delivery of decisions, as well as rules of standing to lodge complaints.

5.1 The CPA report states there was little detail of any procedures, in electoral law in Guernsey, to facilitate the making of complaints and appeals during the electoral process. The Registrar-General's report does not contain a specific recommendation but highlights the issues caused by the absence of an independent person or body to whom various types of complaints around election matters can be addressed.

5.2 Whilst the Reform (Guernsey) Law, 1948 enables the States to make by Ordinance such provisions as they may see fit in respect of the making and determining of complaints in respect of elections, no such Ordinance has ever been made by the States.

5.3 The Committee agrees that a system of complaints and appeals is required. This will be considered when considering the options for an independent elections body and during the review of electoral legislation.

6 Voter registration

CPA R3	Formal processes of voter registration could be introduced as part of an ongoing rolling process of registration. Voter registration could be done as part of any annual engagement that residents have with the state, such as filing tax returns.

6.1 For the last three General Elections, a new Electoral Roll has been established each time. This means voters have had to register to vote prior to each General Election and has required the States of Guernsey to extensively publicise the need to register.

6.2 Both reports note the gap between those who are registered to vote and those that could be entitled to vote, with only 62.8% of those estimated to be eligible to vote registered on the Electoral Roll.

6.3 In April 2019, the States agreed that measures should be taken as may be necessary to enable elections to take place on the basis of an Electoral Roll compiled from an automatically generated list of persons eligible to vote, further to the delivery of Phase 2 of the Rolling Electronic Census Project.

6.4 The workstream rests with the Committee *for* Home Affairs to progress. The Committee consulted with the Committee *for* Home Affairs to receive an update on the status of this workstream and its letter of response is attached at Appendix C. The recommendation in the CPA Report should therefore be addressed via an existing workstream, if the States prioritise and resource the workstream.

7 Standing as a candidate

CPA R4	Consider removing the provision in Article 8 of the Reform (Guernsey) Law, 1948, which disqualifies candidates who have been sentenced to imprisonment for a period of six months or more, from eligibility to become a People's Deputy.

7.1 Article 8 of the Reform (Guernsey) Law, 1948 sets out the eligibility criteria to stand as candidate in the General Election. The CPA report notes the disqualification in Article 8 which prevents anyone from standing who, during the five years preceding the election, was sentenced for an offence in the UK, Channel Islands or Isle of Man for a period of six months or more. It advised that the exclusion of all those sentenced to imprisonment, without regard to the nature of the offence, is unreasonable.

7.2 In considering the above recommendation, the Committee noted that, prior to and after the General Election, a number of people – including members of the public and Deputies – suggested that candidates and/or elected Deputies should be required to undergo checks by the Disclosure and Barring Service (DBS). It is commonplace for a number of posts of employment to require a form of Disclosure as a condition of a person taking up a post and it has been questioned why such checks are not required of candidates and Deputies.

7.3 The Committee has committed to look at this matter as part of its review of election procedures in advance of the 2025 General Election. It will consult with the Law Officers, the Committee *for* Home Affairs and the Office of the Data Protection Authority, as well as looking at practice in other jurisdictions, and the potential benefits and disadvantages of such disclosures being a requirement for candidates and/or elected Deputies. As part of this workstream, it will also look at Recommendation 4 of the CPA Report.

7.4 In the Registrar-General's report, under 'voter feedback', the substantial number

of candidates who stood in the General Election was raised by several different groups. Suggestions were put forward on processes that could be put in place to ensure candidates were committed to standing e.g. through the introduction of candidate deposits or requiring additional people to nominate a candidate.

7.5 These two suggestions were considered in the 'General Election 2020' policy letter[11]. The then Committee had unanimously agreed that it would not recommend candidate deposits for the same reasons set out in the Registrar-General's report.

7.6 At that time, the Committee did not propose increasing the number of signatories to nominate a candidate. However, the Committee has considered the arguments put forward in 2.6 to 2.12 of Appendix 1 to that report and believes the matter should be revisited in light of experience of the 2020 General Election.

8 Communication initiatives by the States of Guernsey

RG R3	It is recommended that consideration be given by SACC to how more hustings-type events can be organised by the States and/or the parishes, also having regard to how the requirements of "special interest" groups can be factored into such hustings.

8.1 The 'General Election 2020 – Second Policy Letter' contained a section entitled 'Communication initiatives'. At section 9(c) it considered face to face engagement and commented as follows regarding hustings:

> *"9.10 Hustings have always been organised by the Parishes historically, not the States of Guernsey. In previous General Elections, district-based hustings have provided a useful means of providing two-way communication between the voter and the candidate, in seeing how candidates answer questions under pressure and to hear their views on various issues.*
>
> *9.11 The Committee does not believe it is appropriate for the States of Guernsey to set-up a series of hustings, as it does not believe they would be equitable or useful for either the candidates or the voters. It may not be possible for hustings to be held in the same manner as previous Elections. It may be possible that candidates may organise their own hustings e.g. candidates grouping together to set out their views on certain policy areas in a hustings style setting".*

8.2 The CPA report noted that there was a strong tradition of public meetings in

[11] Appendix 1, Section 2(b) Nominations: number of signatories; 2(c) Candidate deposits (pages 47 – 49)

Guernsey that had somewhat changed with the arrival of Island-wide voting due to the logistical challenges of hosting 119 candidates. It noted that some public events were organised by several civil society groups.

8.3 The Registrar-General's report noted that whilst the 'meet the candidates' event was considered useful, a number of candidates would have liked to have seen more hustings-type events. Some candidates also commented that the hustings events organised by civil society groups, whilst useful, took up considerable time in preparation and attendance. The report suggests there could be more engagement with such groups ahead of the Election to have a more co-ordinated approach.

8.4 The Committee notes that a number of hustings-type events were organised by not only civil society groups but candidates themselves. In the question time that followed the General Update Statement[12] delivered by the Committee at the 24th February, 2021 States' Meeting, it was suggested that the Committee look to help co-ordinate 'lobby groups' and their engagement with candidates. It was also suggested that the Committee consider arranging hustings to ensure that every candidate had the opportunity to participate in such sessions.

8.5 Notwithstanding the comments of the former Committee regarding the practical difficulties in holding hustings under an Island-wide voting system, given the experience in 2020, the Committee will consider how hustings-type events can be organised, and will liaise with the parishes, civil society groups, members and the public as to how this could be facilitated for 2025.

9 Political parties

CPA R5	Political parties should be subject to oversight, and their finances should be evaluated on an annual basis…

9.1 Three political parties were formally created in 2020 which nominated a number of candidates:

Register of Political Parties	Registered	Candidates	Elected
Alliance Party Guernsey	12.02.2020	11	0
The Guernsey Party	05.08.2020	9	6
The Guernsey Partnership of Independents	18.08.2020	21	10

9.2 The CPA report noted that beyond the legislation relating to registration, filing annual accounts and election expenditure, there is no further regulation of

[12] States Meeting on 24 February 2021: Hansard Report – Wednesday 24th February 2021 (page 136)

political parties. It stated that whilst this had not hindered the conduct of the election, further legislative intervention may become necessary to govern the operation of parties in political life.

9.3 The Committee notes that the existence of political parties in Guernsey's political life is still very much in its infancy, with only two parties remaining after the 2020 General Election, and current Members of the two political parties make up 18% and 23% of the Assembly respectively[13]. The previous Committee had taken a 'light touch' approach to regulating political parties and it is suggested this is continued, with the Committee maintaining a watching brief of the operation of parties. The Committee will give consideration as to how political parties' finances can be evaluated in line with the CPA report recommendation.

10 Election expenditure

CPA R5	Political parties should be subject to oversight, and their finances should be evaluated on an annual basis. Individual candidates' pre-election fundraising and expenditure should also be assessed and recorded. Reporting should not be onerous but simply conducted by the production of evidence.
CPA R6	Boundaries of pre-election and annual expenditure should be clearly defined. The limitations of expenditure outside the formal period of nominated candidature could be within similar boundaries to those defined for the election period, except with no additional public subsidy.
RG R10	It is recommended that the Reform Law (or any successor) should make explicit the fact that parties' and candidates' individual expenditure returns may be published.

10.1 The Registrar-General's report summarises the electoral expenditure rules for candidates and political parties. As noted, it was the first election where campaign finance regulations for political parties had to be introduced.

10.2 As part of the review of electoral legislation, the wording of the legislation around election expenditure will be carefully considered. The Committee notes that there is a particular need to clarify the boundaries of pre-election and annual expenditure and will consider this as part of its review. Whilst guidance was produced on electoral expenditure for candidates and parties, it is clear the guidance needs further finesse on how the rules work in practice, based on experience.

10.3 In June 2020, the Committee on Standards in Public Life announced a review of

[13] There are currently seven members of The Guernsey Party and nine Members of the Guernsey Partnership of Independents in the States of Deliberation.

electoral regulation in England. The independent Committee on Standards in Public Life advises the Prime Minister on arrangements for upholding ethical standards of conduct across public life in England.

10.4 The review[14] intends to identify the principles and values that should underpin the regulation of donations and campaign expenditure by candidates, political parties and non-party campaigners in election and referendum campaigns. It will also examine the Electoral Commission's remit as a regulator of election finance and associated electoral law and examine the enforcement regime for election finance offences committed by candidates, parties and non-party campaigners.

10.5 The review commenced with a public consultation inviting views on the way donations and campaign expenditure by candidates, political parties and non-party campaigners in election and referendum campaigns are regulated and enforced by the Electoral Commission, the Crown Prosecution Service (CPS) and the Police.

10.6 The Committee on Standards in Public Life intends to report with any recommendations by June 2021. The Committee believes the findings and recommendations of this review may prove an invaluable resource in reviewing the regulation of finances relating to elections in Guernsey.

10.7 The Committee agrees that electoral legislation should explicitly state that parties' and candidates' expenditure may be published and this will need to be communicated to all potential candidates prior to the nominated period in future. This recommendation will form part of the changes suggested further to its review of the electoral legislation.

11 Voting: Postal voting and polling stations

(a) Postal voting

RG R4	It is recommended that SACC should consider moving the deadline for postal vote applications further from polling day.

11.1 69% of those on the Electoral Roll opted to register for a postal vote, with approximately 75% of all votes cast being via postal vote. In light of this uptake, it is likely that postal voting will continue to be a popular option in future elections.

11.2 Whilst the issue and return of postal votes was generally successful, as acknowledged by the Registrar-General's report, some problems were

[14] Committee on Standards in Public Life: Review of electoral regulation - Terms of Reference

encountered, most significantly the challenges in the issuing and return of voting packs to and from overseas voters. The Committee will therefore consider whether the deadline for applications should be brought forward as part of its review of electoral legislation.

(b) Polling stations

CPA R7	The recruitment process for polling station staff should be open and publicly advertised, and increased training for polling station staff should be considered.
RG R5	It is recommended that the Reform Law (or any successor) should in future include provision for Deputy Polling Station Officers to be formally sworn in and given the authority to act across the full range of duties in the absence of a Polling Station Officer.
RG R6	It is recommended that SACC should consider consolidating the polling stations, with a view to reducing the number and/or opening hours of the Parish polling stations and increasing the number of super polling stations.

11.3 The Committee would like to place on record its thanks to all the Polling Station Officers and volunteers who manned the advance and parish polling stations. The support of the parishes and volunteers was invaluable in assisting the smooth running of the General Election.

11.4 The Registrar-General's report addressed the recommendation in the CPA Report, confirming that the recruitment process was open and publicly advertised. The Committee noted that some felt the training for polling station staff was unnecessary, however it supports training being provided to all polling station staff to ensure consistency in electoral administration.

11.5 Whilst postal voting proved a popular option with voters, 42% of all voters visited a polling station, with 25% of voters completing their ballot at a polling station and 17% of postal voters putting their postal votes directly into the ballot box. Voting at polling stations therefore remains a vital part of the election process.

11.6 The Committee agrees that there should be provision in the Law for Deputy Polling Station Officers to be sworn in to provide support to the Polling Station Officer and to provide resilience in the process. This recommendation will form part of the changes suggested further to its review of the electoral legislation.

11.7 When preparing for the 2020 General Election, the then Committee had acknowledged at the time that the polling station arrangements put in place (advance polling stations on the Saturday and Sunday immediately before the

Election, and two days of parish polling and 'super' polling stations) were likely 'overcompensating' for the logistical challenges Island-wide voting presented.

11.8 With the benefit of experience, and feedback from the parishes, it is clear that the number of polling stations could be reduced, and the number of 'super' polling stations could be increased. Further consultation will be undertaken with the parishes and the Registrar-General of Electors to identify an appropriate number of polling stations for future elections.

(c) i-voting

11.9 The ability to introduce i-voting was explored by the former Committee as stated in its 'General Election 2020' policy letter. I-voting can encompass voting from a personal computer to voting via an app on a mobile device. It could take place anywhere in the world and could largely replace the need for postal voting. Given the limited time available before the 2020 General Election, the Committee concluded that introducing i-voting for 2020 was not possible.

11.10 During the 2020 General Election, there was a desire expressed by some that i-voting should be introduced in Guernsey. The Committee will consider the feasibility of introducing i-voting for a future Election looking at the opportunities and challenges of such an option.

12 Vote count and Recount

(a) Vote count

CPA R8	The number of ballot papers cast should be verified at the start of the vote count. Adding an additional verification step should also be explored, namely the verification of the total number of votes cast.
CPA R9	A rigorous countback audit process should be put in place, so that an original ballot paper that is 'transposed' can be checked against the newly transposed ballot paper that is used to replace it.
RG R7	It is recommended that SACC should give consideration to amending the Reform Law (or any successor Law) to ensure that it is possible for Deputy Central Returning Officers to be sworn in and given the authority to act across the full range of the Central Returning Officer's duties in his/her absence.

12.1 The votes at the 2020 General Election were counted using electronic counting equipment, a first for Guernsey. Whilst the technology worked well, as detailed in the Registrar-General's report, administrative issues arose which caused delays in the votes being counted. The Election Project Board have noted these

issues, along with the findings and recommendations in the CPA Report, and will look to ensure comprehensive processes are put in place to avoid a reoccurrence of these issues.

12.2 The Committee would like to place on record its thanks to the Central Returning Officer who excelled in their performance of their role. The Committee agrees that the role would benefit from additional support from Deputy Central Returning Officers to assist in running the vote count and dealing with returns of expenditure. This recommendation will form part of the changes suggested further to its review of the electoral legislation.

(b) Recount

RG R8	It is recommended that SACC should consider the margin of votes required to trigger a recount after a General Election and, if appropriate, make recommendations for amendments to the Reform Law (or any successor) to reduce the that margin.
RG R9	It is recommended that the Reform Law (or any successor) should, in future, provide for the possibility of an electronic recount and, accordingly, afford the Bailiff more discretion over the exact requirements for a recount.

12.3 Whilst the CPA Report did not make a specific recommendation in relation to the margin of votes required to trigger a recount, it highlighted it was 'a generous margin' which election authorities may wish to re-evaluate. Noting that in the 2020 General Election, a candidate with nearly 500 votes below the last successful candidate could request a recount, the Committee agrees that the margin should be reviewed, and will consider the CPA report's suggestion that:

"It might be more practical if the margin of difference between the candidate placed 38th and those below him/her would relate to a percentage of the difference between these contestants in the number of votes cast, rather than a percentage of the total number of ballots issued".

12.4 Electronic counting equipment will be used again in future General Elections and the relevant provisions of electoral legislation will be reviewed to ensure that it accommodates such a count, in particular offering flexibility in how a recount can be undertaken, in line with the recommendation of the Registrar-General.

13 Participation in elections

CPA R10	Extension of Articles 4 and 7 of the Convention on the Elimination of All Forms of Discrimination against Women to Guernsey should be pursued without delay. This will entail enactment of legislation to enable fulfilment of convention obligations in advance of the extension.
CPA R11	Extension of Articles 21 and 29 of the Convention on the Rights of Persons with Disabilities should be pursued without delay. This will entail enactment of equality legislation to enable fulfilment of convention obligations in advance of the extension.

13.1 The Extension of Articles of the Convention on the Elimination of All Forms of Discrimination against Women to Guernsey and the Convention on the Rights of Persons with Disabilities fall within the mandate of the Committee *for* Employment & Social Security. The Committee consulted with the Committee *for* Employment & Social Security on the comments and recommendations in the CPA Report and its letter of response is attached at Appendix D.

13.2 The Committee notes that whilst the Committee *for* Employment & Social Security supports the extension of these Conventions to Guernsey at the earliest opportunity, it would not be possible to select only specific Articles for extension. It further notes that its comments that:

"…even if Guernsey meets the requirements of the priority Articles identified by the CPA BIMR Election Expert Mission, it would not be possible to seek to extend these Articles to Guernsey until we meet the pre-requisites set out above, which may or may not be relevant to those specific Articles.

Of course, the fact that the UK's ratification of these Conventions has not yet been extended to Guernsey is no barrier to the States of Guernsey working towards the implementation of the measures outlined in Articles 4 and 7 of CEDAW and Articles 21 and 29 of CRPD".

13.3 The Committee will undertake consultation with relevant stakeholders in order to identify, and consider how the States of Guernsey can work towards the implementation of, suitable measures for Guernsey as outlined in the aforementioned articles as part of its preparations for the 2025 General Election.

13.4 The Registrar-General's report details the considerable effort that was made to ensure that candidates and potential candidates had access to information that would help them to understand the election process as well as gain insight into the role of a Deputy.

13.5 In a bid to reduce the barriers to people standing, the States funded and

organised the following which was available to all candidates:

- Comprehensive guidance published in advance of the Election and presentations for prospective candidates.
- A grant of £500 for each candidate.
- The ability to include a manifesto (two sides of A4 sized paper) in a candidate manifesto booklet, produced by the States of Guernsey and delivered to all homes on the Electoral Roll and published online on the election's website.
- A free dedicated web page on each candidate.
- The production of a short video promoting their candidacy published on the website.
- An event organised to facilitate voters meeting candidates at Beau Sejour.

13.6 Whilst acknowledging the improvements made to the support for candidates in advance of the 2020 General Election, the Committee is keen that work is undertaken providing information to the public about the work of Deputies and the work of the States, to demystify what being a Deputy entails in reality, for both the public and potential candidates. This will be aimed at all sectors of society but will look at some of the perceived barriers that may exist for those currently underrepresented in the States e.g. women, persons with disabilities etc.

13.7 The Committee will be working with Members, organisations and the public to ascertain what information should be produced and will be working with the Parliamentary Team to ensure this is provided as part of its outreach work. It will also seek to provide information on the General Election well in advance of it taking place (rather than just in the months immediately prior to the Election) to assist individuals who might consider standing.

14 Conclusion

14.1 As confirmed by the CPA BIMR Election Expert Mission, the 2020 General Election was a successful democratic exercise and Guernsey's legal framework for elections complies with international standards for democratic elections. The report from the Registrar-General of Electors shows that the criteria to measure the success of the 2020 General Election, set by the former Committee and the Committee *for* Home Affairs were largely met.

14.2 The only criteria that was not fully met was "A high percentage of those eligible to vote are registered on the Electoral Roll". Whilst acknowledging that those registered on the Electoral Roll exceeded 2016 figures, with only 62% of those eligible to vote registering on the Electoral Roll, it is noted that this cannot be claimed to be a high percentage. However, the workstream under the Committee *for* Home Affairs should resolve this, if the States prioritise and

resource the workstream.

14.3 The introduction of a new electoral system and its practical implementation was always expected to raise matters that would need to be reviewed. Both reports put forward constructive recommendations to assist the Committee in preparing for the next General Election and have helped to assist in identifying key areas for review by the Committee.

14.4 As set out in the policy letter, the key areas for further work, arising from consideration of the appended reports, can be summarised as follows:

a) investigate the creation of a dedicated, independent elections body for future elections;

b) review the Reform Laws and other relevant legislation underpinning General Elections, including:

i. increasing the number of signatories on the nomination form.
ii. introducing provisions requiring the publication of candidates and parties' election expenditure.
iii. reviewing the deadline for postal vote applications.
iv. introducing Deputy Polling Station Officers and Deputy Central Returning Officers to support election administration.
v. reviewing provisions relating to the vote count and recount to ensure they meet the requirements of an electronic vote count and recount.
vi. reviewing the margin required to trigger a re-count;

c) introduce proposals for a system of complaints and appeals for future elections;

d) investigate the merits of introducing disclosures by candidates/and or Deputies and consider the disqualification provision at Article 8(e) of the Reform Law;

e) review the regulation of election finance, considering the findings of the Committee on Standards in Public Life review of electoral regulation in England;

f) review communication initiatives including the feasibility of the States of Guernsey co-ordinating 'hustings-type' meetings;

g) research the feasibility of introducing i-voting for a future election;

h) undertake consultation with relevant stakeholders in order to identify, and consider how the States of Guernsey can work towards the implementation

of, suitable measures for Guernsey as outlined in Articles 4 and 7 of the Convention on the Elimination of All Forms of Discrimination against Women to Guernsey and Articles 21 and 29 of the Convention on the Rights of Persons with Disabilities; and

i) increasing the information provided regarding the role of a States' Member, the States of Guernsey and the election process by the end of 2023.

14.5 There will be other areas that the Committee will consider when undertaking its review of the General Election before reporting back to the States with proposals. The Election Project Board will also consider how improvements can be made to the administration of the electoral procedures.

15 Compliance with Rule 4

15.1 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.

15.2 In accordance with Rule 4(1), the Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.

15.3 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.

15.4 In accordance with Rule 4(5), the Propositions relate to the duties of the Committee in relation to elections to the office of People's Deputy.

15.5 Also, in accordance with Rule 4(5), the Committee consulted with the Committee *for* Home Affairs and the Committee *for* Social Security.

Yours faithfully

Deputy C.P. Meerveld
President

Deputy L.C. Queripel
Vice-President

Deputy S.P. Fairclough
Deputy J.A.B. Gollop
Deputy L.J. McKenna

CPA COMMONWEALTH PARLIAMENTARY ASSOCIATION
BRITISH ISLANDS & MEDITERRANEAN REGION

Appendix A

GUERNSEY GENERAL ELECTION

OCTOBER 2020

CPA BIMR ELECTION EXPERT MISSION FINAL REPORT



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EXECUTIVE SUMMARY

"This was an election of firsts. The first time election observers were invited by Guernsey; the first use of a new electoral system; the first inclusion of advance polling days; and, on top of all this, the first election to be conducted during a global pandemic.

The Guernsey Election was a successful democratic exercise. Guernsey's legal framework for elections complies with international standards for democratic elections. The introduction of new island-wide voting has led to some challenges. Many of these were effectively dealt with while others still remain as outlined in our report."

Jim Wells MLA, Head of Mission

The Commonwealth Parliamentary Association British Islands and Mediterranean Region (CPA BIMR) conducted a virtual Election Expert Mission to the Guernsey General Election in October 2020. This was the first time that international election observers had been invited by the States of Guernsey. Due to the Covid-19 pandemic, research was carried out online, and interviews with a wide range of stakeholders were conducted using digital meeting platforms.

Guernsey's legal framework that provides for the conduct of elections complies with local, regional and international standards for democratic elections. The right to vote is well protected, including the voting rights of prisoners. The right to stand for election is also well protected, except for anyone who, during the five years preceding the election, was sentenced to imprisonment for a period of six months or more by a court in the UK, the Channel Islands or the Isle of Man.

Election administration in Guernsey is not a permanent aspect of the governmental infrastructure, which caused pressure on the elections team in the lead up to the election. Voter registration in Guernsey is voluntary, and an extensive media campaign took place in the lead up to the election to encourage eligible voters to register, which was temporarily interrupted due to the outbreak of COVID-19.

A record total of 119 candidates were nominated for this election. This offered voters an unprecedented level of choice, while it also required them to read a broad range of manifestos. In the lead up to the election, three new political parties were registered and presented candidates, a total of 41 between the three of them.

This election saw a variety of new measures being introduced, including new campaign finance regulations for political parties, advance polling days, and new vote count technology. Voting took a significantly different form compared to previous elections, as some two-thirds of the registered electorate registered for a postal vote.

There is an absence of equality law and of any special measures to promote the increased participation of women in political life in Guernsey. The political participation right of persons with disabilities is protected by the legal regime, and commendable efforts were made by the elections team to ensure access to polling stations for persons with physical disabilities.

The CPA BIMR Election Expert Mission offers 12 recommendations in this report to enhance the conduct of elections in Guernsey and to bring it fully into line with international obligations and standards for democratic elections.

INTRODUCTION TO THE MISSION

At the invitation of the Guernsey States' Assembly & Constitution Committee (SACC), the Commonwealth Parliamentary Association British Islands and Mediterranean Region (CPA BIMR) conducted a virtual Election Expert Mission (EEM) to the Guernsey General Election in October 2020. The SACC's invitation followed consultation with the Policy & Resources Committee and agreement by the States of Deliberation. This was the first time that CPA BIMR had been invited to observe elections in Guernsey.

The Mission was composed of:

- Jim Wells MLA – Head of Mission (Northern Ireland)
- Anne Marlborough – Legal/Political Analyst (Ireland)
- John Ault – Electoral/Campaign Analyst (UK)
- Fleur ten Hacken – CPA BIMR Election Coordinator (The Netherlands)
- Jessica Onion – CPA BIMR Election Administrator (UK)

The Mission held virtual meetings between 28 September and 9 October. The Mission was guided by the Declaration of Principles for International Election Observation and Code of Conduct for International Election Observers.

The Mission conducted an independent assessment of the Guernsey election against international legal standards, commitments and obligations as well as domestic laws. Its assessment considered the legal framework, election administration, political campaign, media, and opportunities for complaints and appeals. In addition, the Mission considered a number of wider issues such as gender equality and participation of persons with a disability. The Mission met key stakeholders, including the Bailiff, the Chief Minister, HM Procureur and HM Comptroller, the Chief Officer of the Guernsey Police, the Registrar-General of Electors, election officials, candidates, political parties, civil society groups, media outlets and voters.



The CPA BIMR Team of international observers

Election observers were introduced into the law of Guernsey for the first time in anticipation of this election. Article 72B was added to the Reform (Guernsey) Law, 1948, which enables the States' Assembly & Constitution Committee, after consultation with the Policy & Resources Committee, to appoint observers. Such observers will have the right to receive a copy of the Electoral Roll, to be present at any polling station, and to be present during the counting of votes.

An invitation was accepted by CPA BIMR to observe this election. Due to the COVID-19 pandemic, the Mission was originally planned to be delivered as a hybrid mission. The observers would conduct virtual meetings with stakeholders and visit Guernsey for a limited period of time to conduct in person observations of Advance Voting, Election Day and the Vote Count in Guernsey. In consultation with Public Health Guernsey, the observers were granted Critical Worker Travel Permits and had agreed to adhere to strict regulations, including daily COVID-19 testing, while in Guernsey.

Shortly before departure to Guernsey, the Mission was informed that there was increased concern in Guernsey around interacting with observers visiting from abroad due to the risk of COVID-19. Consequently, restrictions were proposed on the observers' access to polling stations, which led to the abandonment of plans to observe the election in person. In close consultation with the Registrar-General of Electors, the decision was taken to continue the Mission virtually. CPA BIMR had prior experience with this innovative adaptation of election observation methodology, as it had carried out a successful virtual Election Expert Mission to the Anguilla General Election in June 2020.

The Mission acknowledges its limitations, in particular the inability of members to visit the island in person and to observe the proceedings on Advance Polling Day, Election Day and the Vote Count. Despite this, the Mission has striven to look at the wider electoral process to the best of its abilities.

This report will offer a number of recommendations which it is hoped will be given due consideration by all the election stakeholders, particularly the States of Guernsey, for the improvement of future elections in Guernsey.

BACKGROUND & ELECTORAL SYSTEM

The "Bailiwick of Guernsey" is one of three British Crown Dependencies and is located in the English Channel, off the coast of France. The Bailiwick of Guernsey consists of three separate sub-jurisdictions, namely Guernsey, Alderney and Sark.

Guernsey is an island of 24 square miles and has a population of around 63,000.[1] Guernsey is administered by the States of Guernsey. Its assembly is the States of Deliberation, which comprises of 38 elected People's Deputies and two representatives of the States of Alderney who are elected separately in Alderney. The Election Expert Mission's mandate covers the election of the 38 deputies in the October 2020 General Election. This was the first time that deputies were elected via a First-Past-The-Post system on an island-wide basis.

The States of Deliberation acts as the overarching executive and legislative assembly with the power to raise taxation and determine expenditure. The States of Deliberation meets every month, except in school holidays, to discuss and debate reports, draft legislation and other matters.

The States of Deliberation has three unelected ex-officio members. The Bailiff of Guernsey is a member and presides over the States. The Bailiff is unelected and non-political, and also serves as the Chief Justice of Guernsey. Both Her Majesty's Procureur (Attorney-General) and Her Majesty's Comptroller (Solicitor General) also sit ex-officio.

[1] States of Guernsey website, available on: www.gov.gg/population

COVID-19 PANDEMIC

The COVID-19 pandemic, inevitably, had an impact upon the electoral process in Guernsey. The election was initially due to take place on 17 June 2020, but in April 2020 it was postponed by a year until June 2021. However, Guernsey's policies to stop the outbreak of COVID-19 worked well, and life in Guernsey returned to normal earlier than expected. Therefore, after several weeks, some Members of the States started lobbying for the election to take place later in 2020. This would mean the delay of the election by an entire year, which had been criticised by some sitting deputies and members of the public, would be shortened to a few months. Eventually, a decision was taken by the States of Deliberation on 1 July 2020 that the election would take place on 7 October 2020.

LEGAL FRAMEWORK

The fundamental law of Guernsey governing elections is found in the Reform (Guernsey) Law, 1948. This law establishes the overarching system of government and the electoral system, including provisions on the right to vote and the right to stand for election. Amended frequently since 1948, the most recent amendments have their origins in a referendum conducted in 2018[2] which mandated revision of the electoral system. The Reform (Guernsey) (Amendment) (No.2) Law, 2019 gave effect to the changes arising from the decision taken in the referendum. The Reform (Guernsey) (Amendment) (No.2) Law, 2019 (Commencement) (Ordinance), 2020 brought this law into force on 22 April 2020.

This was just short of six months in advance of the election date, offering minimal time for the legal changes to be put into effect. It is usually not considered good practice to amend electoral law so close to an election. The Venice Commission[3] recommends that "the fundamental elements of electoral law, in particular the electoral system proper [....] should not be open to amendment less than one year before an election".

Subsidiary legislation, in the form of ordinances and regulations, provides detail on some aspects of the electoral process, including on the registration of political parties, electoral expenditure by candidates, postal voting and the location and timing of polling. Rules on other aspects of the electoral process are dispersed across other pieces of legislation including, for example, the Land Planning and Development (Exemptions) Ordinance, 2007, which provides for an exemption from planning restrictions on the erection of election signs. Some matters are largely unregulated, such as procedures for complaints and appeals relating to voter registration and candidate nomination. Other aspects of the electoral process are governed by customary law and practice, resulting in a lack of certainty in the absence of clear written rules.

International human rights law creates obligations in relation to the conduct of elections in Guernsey. While Guernsey is a British Crown Dependency, international instruments applicable to the UK are not directly applicable in Guernsey[4] but must rather be extended on an individual basis. Several of the main international instruments pertinent to democratic elections have been

[2] Conducted on 10/10/2018, five options were given to voters who chose Option A, to have a single island-wide election for 38 deputies to the States of Determination, with a four-year term in office.
[3] European Commission for Democracy through Law (Venice Commission) Opinion No. 190/2002 CDL-AD(2002)023rev2-cor (2002) Paragraph II.2 Regulatory levels and stability of electoral law.
[4] UN ICCPR Committee (2015) CCPR/C/GBR/CO/7, in reviewing UK record, noted with concern that the human rights instrument applicable to the UK was not directly applicable to Crown Dependencies

extended to Guernsey.[5] These include the International Covenant on Civil and Political Rights and the International Convention on the Elimination of Racial Discrimination. The Convention on the Elimination of All Forms of Discrimination against Women and the Convention on the Rights of Persons with Disabilities have not yet been extended to Guernsey. The relatively recent 2017 UK national report[6] under the Universal Periodic Review of the UN Human Rights Council stated that work is underway on a broad equality and human rights programme in Guernsey, including on disability and inclusion.

The European Convention on Human Rights applies to Guernsey and has been given domestic effect in the Human Rights (Bailiwick of Guernsey) Law, 2000, which came into force in 2006. This legislation is binding upon public authorities and enforceable in the local courts. A broad swathe of political rights is protected in the Human Rights Law.

Guernsey's legal framework that provides for the conduct of elections complies with local, regional and international standards for democratic elections. Rights of political participation are well protected, with both the right to vote and the right to stand for election particularly well established. The Human Rights (Bailiwick of Guernsey) Law, 2000, and the access to the local courts to vindicate the rights comprised therein, is significant.

Recommendation 1: Greater codification of electoral rules and procedures, either via amending existing election law or via enacting a new omnibus election law, could be considered, in order to ensure that there is certainty and consistency in the law and that it applies equally to all concerned.

BOUNDARY DELIMITATION

Previously, the States deputies were elected in seven multi-member constituencies, called districts (Castel, St Peter Port North, St Peter Port South, St Sampson, South East, Vale and West). These districts elected between five and six deputies, depending on the population of each district. In previous elections, all candidates were independent. However, there was frustration on the island that voters could only vote for a limited number of candidates in their district. There was a call for change by supporters of island-wide votes.

Following considerable discussion in Guernsey, a multi-option referendum was conducted on 10th October 2018 which offered voters the opportunity to vote on the future structure of the electoral system. The States had agreed to adopt the outcome of the referendum if 40% of people on the electoral roll cast their ballot. The referendum was decided on via preferential and transferable voting, with voters ranking up to five options in order of preference. The details of the referendum were set out in The Electoral System Referendum (Guernsey) Law, 2018.[7] These options were either:

- Option A, one 38-member constituency covering the whole island. Deputies would serve four-year terms;

[5] UN HRI/CORE/GBR/2014 Common core document forming part of the reports of States parties: UK, has an extensive commentary on & catalogue of human rights instruments relevant to Guernsey
[6] UPR National Report of the UK, British Overseas Territories and Crown Dependencies (2017)
[7] Available on: http://www.guernseylegalresources.gg/article/165225/Electoral-System-Referendum-Guernsey-Law-2018

- Option B, seven districts with five or six seats. Deputies would serve four-year terms. This option was essentially the status quo;
- Option C, seven district constituencies with three, four or five seats, and one 10-member constituency covering the whole island. Voters would vote in one district constituency and the whole-island constituency. Deputies would serve four-year terms;
- Option D, four constituencies with 9, 10 or 11 seats. Deputies would serve four-year terms;
- or Option E, a single island-wide 38-member constituency with one-third of the members (12 or 13) elected every two years for a six-year term.[8]

Option A, which proposed island-wide voting, secured the greatest number of votes in the final round of counting, having received 52.48% of the votes ahead of Option C which received 47.52%. Option B came third in the referendum. The turnout was 45.1%, which meant that the referendum result was adopted.

Thus, the 2020 election saw the institution of a novel format for all stakeholders to deal with the election of States deputies. Deputies were elected in a single island-wide district for the first time. Voters had 38 votes and were able to choose from the full list of candidates. Deputies were elected to serve for a term of 4 years.[9] The formation of political parties was provided for by law, and three parties were registered to participate in the election.

The institution of island-wide voting had the effect of creating several outcomes that perhaps had not been entirely predicted before the election, such as a complex ballot paper and a significantly elongated counting process requiring the use of ballot scanning and electronic tabulation.[10]

ELECTION ADMINISTRATION

Election administration in Guernsey is not a permanent aspect of the governmental infrastructure. The staff are drawn from other parts of the civil service, including the Registrar-General of Electors who maintains electoral registration. The elections team seems to have general respect among stakeholders for carrying out its activities in an independent and impartial manner and for its readiness to provide information to voters and candidates. Nonetheless, the International Covenant on Civil and Political Rights, which applies to Guernsey, has been interpreted as requiring that an independent electoral authority should be established to supervise the electoral process.[11]

The elections team is responsible for the planning and implementation of all aspects of the election process from publicity to polling day and from staff recruitment to engaging technology to conduct the counting process. The work is extremely demanding, with fixed deadlines and limited resourcing. The staff are to be commended for their work in achieving an effective election operation and polling day.

[8] States of Guernsey website, available on: www.gov.gg/referendum
[9] Due to the change in election dates due to COVID-19, the States agreed that the next election should be held in June 2025. Effectively, the deputies will therefore serve a term of 4 years, 8 months and 14 days.
[10] Island-wide voting had previously been used to elect a smaller number of Conseillers for the island.
[11] UN Committee on Human Rights (27 Aug 1996) General Comment 25 "The Right to Participate in Public Affairs, Voting Rights and the Right to Equal Access to Public Service," 1510th meeting (fiftyseventh session)

The Mission was told that nearly all arrangements for the June 2020 General Election were in place in early March, and that postponing the election to October meant a number of changes were needed, including adapting the recruitment of volunteers, amending the www.election2020.gg website, reorganising services being offered by third parties (in particular the production of ballot papers and the provision of electronic ballot scanners), reorganising training sessions, rewriting guidance and introducing contingency plans to cover all eventualities should the island move backwards in relation to COVID-19.

The restrictions imposed by the States of Guernsey to combat the spread of COVID-19 interrupted the election preparations for several months. Public outreach activities resumed once restrictions were lifted. The election administration should be commended for producing engaging public service announcements and making these available to the public on online platforms. This election took place in a context of extraordinarily challenging barriers, but the elections team still managed to deliver an effective election.

Recommendation 2: A permanent dedicated elections body should be constituted so that institutional knowledge and expertise can be embedded in the Guernsey electoral system. This body could provide continuous electoral oversight, including oversight of candidate and voter registration, political parties and campaign finance.

THE RIGHT TO VOTE

The right to vote is well protected in the law of Guernsey. Article 27 of the Reform (Guernsey) Law, 1948, sets out the qualifications to vote. Any resident on the island may apply to be included in the Electoral Roll, without any criteria as to nationality or citizenship. The only requirement is that a voter be "ordinarily resident", which is defined as meaning that someone is living lawfully, and has a home, in Guernsey. One may be ordinarily resident without a fixed or permanent address.

In addition to being ordinarily resident when applying for inscription in the Electoral Roll, the intending voter must have been ordinarily resident for a period of at least two years immediately prior to the date of registration, or else for a period or periods of five years in total at any time prior to this. Persons aged 16 and above may vote, but they may be included in the Electoral Roll from the age of 15. Article 30 of the Reform (Guernsey) Law, 1948, provides that voting is by secret ballot.

The voting rights of prisoners are protected in the Reform (Guernsey) Law, 1948, in Article 27A. Two possibilities are available, in that prisoners may register for a postal vote or may vote in person, at the discretion of the Prison Governor. Postal voting has been available to all absent voters since 1972. Advance voting was provided for the first time in this election.





Polling stations

VOTER REGISTRATION

Voter registration in Guernsey is voluntary. There is no requirement for residents to be on the register. The Electoral Roll opened in December 2019 and was subject to an extensive media campaign. As a result of the outbreak of COVID-19 in March 2020, outreach initiatives had to be scaled back and reconsidered in light of the uncertain situation the island found itself in.

It was originally decided to delay the election from June 2020 to the same time in 2021. However, following the decision of the States of Guernsey to proceed with the election in October 2020, the election team campaigned extensively from 1st July onwards to encourage voters to register, with an extensive multi-channel approach, from radio, television, door drops, bus advertising and social media to more traditional methods.

The voting age in Guernsey is 16. In order to vote residents should have been registered by 21st August. The Election Expert Mission was informed that when the Electoral Roll closed at midnight on Friday 21st August, 31,301 voters had registered to vote. The population of Guernsey was 63,021 at the end of December 2019.[12] This number includes residents of Alderney and Sark (approximately 2,500), as well as people under the age of 16, neither of whom are eligible to vote in this election. An estimated 79% of people were eligible to vote (49,807).[13] Of these estimated eligible voters, only 62.8% were registered on the electoral roll. So, although the number of registered voters was higher than in the past two General Elections in 2012 and 2016, there is still a significant gap between those who are registered to vote and those that could be entitled to vote. And even though this election saw a record voter turnout of registered voters (79%), only an estimated 49.6% of eligible voters voted in this election.

Voter registration is conducted an on ad hoc basis in the lead up to a General Election, and there is no rolling register of electors throughout the years in which no election is being held. This means the election team conducts voter registration campaigns, while having to organise all other aspects of the election simultaneously. The electoral roll is available for public inspection on an annual basis in March. However, access to the roll ahead of the election, as amended since March, was unclear.

Recommendation 3: Formal processes of voter registration could be introduced as part of an ongoing rolling process of registration. Voter registration could be done as part of any annual engagement that residents have with the state, such as filing tax returns.

THE RIGHT TO STAND FOR ELECTION

The right to stand for election is set out in Article 8 of the Reform (Guernsey) Law, 1948. This requires only that a candidate be of full age, which is 18 years of age, and be ordinarily resident on the island on the date of nomination. A candidate must have been ordinarily resident in the island for either a period of two years immediately before the date of nomination, or for a period or periods of at least five years in total at any time prior to nomination. The candidate must also be a registered voter, a qualification which was introduced in advance of this election.

[12] States of Guernsey (29 Oct 2020) 'Guernsey Quarterly Population, Employment and Earnings Bulletin', p.9, available on: https://www.gov.gg/CHttpHandler.ashx?id=132534&p=0
[13] Ibid

Nomination requires the support in writing of two voters who are on the Electoral Roll. No deposit or fee is payable. The nominee must submit a declaration of eligibility to hold the office of People's Deputy. The person must also declare any unspent convictions which resulted in imprisonment anywhere in the world, or else the absence of such convictions.

There is a disqualification in Article 8 which excludes anyone who, during the five years preceding the election, was sentenced to imprisonment for a period of six months or more by a court in the UK, the Channel Islands or the Isle of Man. The International Covenant on Civil and Political Rights, applicable to Guernsey, provides, in Article 25, that citizens shall have the right and opportunity to take part in the conduct of public affairs. This has been interpreted to mean that the right to stand for election may be suspended or excluded only on grounds which are "objective and reasonable".[14] It is arguable that the exclusion of all those sentenced to imprisonment, without regard to the nature of the offence, is unreasonable.

Recommendation 4: Consider removing the provision in Article 8 of the Reform (Guernsey) Law, 1948, which disqualifies voters who have been sentenced to imprisonment for a period of six months or more, from eligibility to become a People's Deputy.

CANDIDATE REGISTRATION

A record total of 119 candidates were nominated for this election. This offered voters an unprecedented level of choice, while it also required them to read a broad range of manifestos. Although the vast majority of candidates stood as independents, three political parties were registered and nominated candidates, a total of 41 between the three of them. These were:

- the Alliance Party, registered in February 2020, which nominated eleven candidates, two of whom were women;
- the Guernsey Party, registered in August 2020, which nominated nine candidates, including one woman;
- and the Guernsey Partnership of Independents, also registered in August 2020, which nominated 21 candidates, nine of whom were women.

Political parties are narrowly defined in the Reform (Guernsey) Law, 1948, which provides that a political party is "a free association of persons, one of the aims of which is to participate in the management of public affairs, including through the presentation of candidates to free and democratic elections." Applications for registration are made to the States' Greffier, who maintains a register of political parties. Registration depends upon a party having certain office holders, a constitution, and submission of an application signed by two party members who are registered voters, and payment of a fee of £80.[15] Parties will be registered on satisfaction of these requirements, unless the name or emblem of the party is offensive or confusing.

In addition to rules on registration, political parties also have obligations to file annual accounts with the Greffier. They must also comply with the rules on election expenditure, set out in Article 45 of the Reform (Guernsey) Law, 1948, and the Electoral Expenditure Ordinance, 2020. Beyond

[14] UN Committee on Human Rights (27 August 1996) General Comment 25: The Right to Participate in Public Affairs, Voting Rights and the Right of Equal Access to Public Service (Art. 25), paragraph 4.
[15] The Registration of Political Parties (Fees) Regulation, 2020

these rules, there is no further regulation of political parties. While this has not hindered the conduct of the election, further legislative intervention may become necessary to govern the operation of parties in political life.

ELECTION CAMPAIGN

Not visiting the island has considerably restricted the Mission's ability to analyse the nature of the campaign in Guernsey, but aspects have been possible to assess through evidence gathered from online and social media, as well as through interlocutor meetings.

The election campaign appears to have been extremely competitive, with a large number of candidates, 119, seeking one of the 38 seats available. Independent candidates and political parties campaigned freely and peacefully, with no reports of impediments to campaign activities. The creation of party politics saw 41 candidates stand for one of the three political parties, while the remaining 78 candidates fought as independents.

There is a strong tradition of public meetings in Guernsey. This has somewhat changed with the arrival of island-wide voting due to the logistical challenges of hosting 119 candidates. Previously, these events were based in the local constituencies with a more manageable number of candidates in attendance. However, some public events were organised by several civil society groups. These include: the Guernsey Disability Alliance; Standing up for Guernsey's Environment; Life in Guernsey 2020 Work, Rights and Wellbeing Hustings; Guernsey Churches Convention for Candidates; Guernsey Institute Stakeholder event for candidates; Grammar School Meet the Candidates, and the Royal College of Nursing Hustings.

Campaigning has been different in this election, with some candidates campaigning on their own and others through one of the three parties. The introduction of parties was a focus point in the campaign of many candidates.

Candidates issued literature of their own, and posters were displayed. Whilst canvassing was once seen as the norm in smaller district constituencies, the practical limitations of candidates visiting every registered elector meant that in-person meetings and campaigning have been less frequent than in previous elections.

CAMPAIGN FINANCE

In a small jurisdiction like Guernsey, access to candidature is relatively open and the issues of campaign finance were not raised to any great extent with the Election Expert Mission. However, because of the significant change in boundary delimitation that took place for this election, moving from local smaller constituencies to an island-wide system, there are possible challenges to future potential candidates accessing the process.

Each nominated candidate received some support for their candidature from the States of Guernsey. Support took the form of:

- A candidate manifesto booklet containing a maximum of two sides of A4 sized paper per candidate, produced by the States of Guernsey and delivered to all homes on the Electoral Roll.
- A grant of £500 for each candidate.

- A free dedicated web page consistent with the manifesto booklet for each candidate.
- An event organised to facilitate voters meeting candidates. Each candidate was given an allocated table and chairs in a large sports hall. Arranged alphabetically they were either grouped by political party, or individually. Members of the public were encouraged to meet each candidate as desired. Whilst not a financial benefit there is an implicit 'in kind' financial element to this event.

There is no nomination fee or deposit required to stand for election, which facilitates ease of access to participate in the election. Campaign finance regulations for political parties were introduced for the first time this election. The regulations stated that the candidate expenditure limit would be £6,000 (including the generous £500 state support) and that the expenditure by a political party was only permissible by virtue of candidates affiliated to that party assigning a maximum of 50% of their permitted electoral expenditure to the party, and that such expenditure by a political party in any election may not exceed in total twice the permissible electoral expenditure for an individual candidate or £9,000, whichever is the lesser.'[16]

The appearance of three registered parties in this election was a matter of considerable discussion. The nature of the parties' appearance in the election meant that their capacity to campaign, share finance and collaborate in saving on costs of their campaigns made them potentially better resourced than their independent opponents.

Some consideration should be given to the so-called pre-election period. Whilst election expenses are defined and limited for the period when the election campaign is 'live' and candidates have been nominated, no such limitations or reporting requirements exist for the period before an election, when a candidate or party has indicated its intent to contest an election. This period could potentially see high levels of spending by election campaigners without any oversight or limitation. With the advent of parties in the Guernsey context this may become an area of concern where parties exist and function throughout the period of a session of the States of Deliberation but there is limited oversight of their funding, finances or campaign expenditure except to make an annual declaration of their accounts to the nominated officer – the Greffier. This could lead to a significant imbalance in campaign parity between parties, richer individuals and ordinary citizens who wish to seek election in the future, whether as a party-affiliated candidate or as an independent candidate.

Recommendation 5: Political parties should be subject to oversight, and their finances should be evaluated on an annual basis. Individual candidates' pre-election fundraising and expenditure should also be assessed and recorded. Reporting should not be onerous but simply conducted by the production of evidence.

Recommendation 6: Boundaries of pre-election and annual expenditure should be clearly defined. The limitations of expenditure outside the formal period of nominated candidature could be within similar boundaries to those defined for the election period, except with no additional public subsidy.

[16] Guernsey Election Website (August 2020): 'Information for Prospective Candidates: Guidance Notes', p.15, available on: https://election2020.gg/media/k0ghm3qj/guidance-for-candidates-final-26-08-2020.pdf

MEDIA

Although not extensive, Guernsey is served by an active, engaged, and local media. There is also active social media engagement, which appears to have been especially popular during the election campaign, spawning accessible processes for voters to assess who they might be most aligned with. There is a healthy media landscape which, although small, is free and open.

BBC Guernsey is a dedicated arm of the UK's BBC, which is funded by a license fee. It is based in Guernsey and reported on the campaign. During the election, BBC Guernsey broadcast a series of candidate hustings on the radio and it reported extensively on the various changes and novelties of the election reflecting the changing nature of the process, such as the number of candidates and the length of the ballot paper.

Guernsey is also served by ITV, in the form of Channel TV and a news website. It covers all of the Channel Islands, not simply Guernsey.

The Guernsey Press is the newspaper in Guernsey. Founded in the nineteenth century, the daily newspaper has significant coverage in Guernsey. As well as covering the election it also took paid advertising from candidates and parties. It has had no stated editorial line on support for parties or individual candidates. Guernsey is also served by The Bailiwick Express, an online media platform, which also covers Jersey.

Some media outlets faced challenges when covering the election because of quarantine restrictions in Guernsey due to COVID-19, as it impeded their ability to move equipment and personnel to Guernsey. Whilst not a limitation on press freedom, this does seem to have had some effect on the variety and depth of some of the media channels' capacity to offer its planned programming concerning the election.



Poster inside a polling station

Although some media respected an informal period of silence in their reporting on election-related matters during Advance Voting days and Election Day, this was not formalised. One aspect of the media coverage that was notable was the approach taken by the media towards incumbent politicians. The media's policy and practice of maintaining impartiality during the election period to afford equal and fair access to all candidates, whether incumbent or otherwise, was commendable.

Guernsey also has an active social media landscape, which was especially active during the island-wide election, where the 119 candidates may have been less individually known to the electorate. Interlocutors shared significant commentary that the electorate was active on social media and that it engaged with the issues of the campaign. Little or no evidence of intimidation or abuse was provided beyond the normal cut and thrust of political debate during an intensive election campaign. No comments or significant concerns were shared by the election authorities, law enforcement or candidates about intimidation, or worse, on social media.

TECHNOLOGICAL INNOVATION

Whilst much of the technology used in the election was focused on the process of encouraging residents to register to vote through social media there was also significant investment in technology to assist the vote count because of the significant change in the voting process.

As voters were offered up to thirty-eight votes on their ballot paper, scannable ballots were issued to voters that could either be cast in a polling station or by post.

As part of the counting process these ballot papers were then scanned, using commercially available scanning equipment. Optical Mark Recognition (OMR) technology was used to scan each vote on the ballot paper and record it. This was supplied by a UK-based company that was brought to Guernsey with all the necessary equipment to conduct the count. One of the challenges discussed with the interlocutors was the impact of the high number of returned postal ballots that were creased and ripped, which meant that ballots could not get scanned by the software.

This led to a high number of votes being rejected by the scanners and then being replaced (transposed) with a new non-creased ballot which the scanning equipment could accept. Whilst the equipment worked well, from the virtual observations that the Election Expert Mission could conduct, there was still a high number of human interactions with the ballots such as the 'transposition' process and the need for manual adjudication. Please see the section on Counting for further comment on this.

VOTING

Voting took a significantly different form compared to previous elections, as 69% of the registered electorate registered for a postal vote. In total, 21,271 postal votes were issued, including those sent to voters outside Guernsey.

Guernsey also saw significant extensions to the methods of voting for those who wished to vote in person at a polling station. As the information from the elections team indicates, 'it was agreed to introduce advance polling stations to increase the number of days that people on the Electoral Roll could cast their votes, and to enable voters to choose from voting in their parish polling station or at a 'super-polling' station.'[17]

Polls were open from 8am to 8pm as follows:

- Saturday 3 and Sunday 4 October: St Sampson's High School and The Princess Royal Performing Arts Centre;
- Tuesday 6 and Wednesday 7 October (formal polling day): all parish polling stations (14 in total) and The Princess Royal Performing Arts Centre.

Voters could attend the polls in person and vote for up to 38 deputies. Those who had been issued with a postal ballot were not eligible for a replacement ballot but could deliver their completed postal ballot to a polling station at any stage in the process.

[17] Guernsey Election 2020 website, available on: https://election2020.gg/voting/where-to-vote/

To be issued with a ballot paper, voters are only required to give their name and no identification is required. The process depends on trust that the voter will not impersonate another voter on the electoral register, and no concerns about this practice were shared with the Mission. Voters also have the capacity, at the discretion of the Registrar General of Electors, to register to vote in the polling station on polling day if they have been inadvertently left off the register due to administrative error. The Mission was informed that this facility was used on a handful of occasions.



Polling booths inside a polling station

The staffing of polling stations is done on an unpaid voluntary basis. In previous elections, staffing of polling stations was arranged by the Douzaines, the administrative bodies of the parishes. For the first island-wide General Election the polling stations were the responsibility of the Registrar-General of Electors. The Douzaines still ran the polling stations using parish officials and volunteers and the States also advertised for volunteers to carry out various tasks on polling days. If extra staff were required, they were co-opted by members of the Douzaine from the local area as required. There did not seem to be an open process of application for these roles. With polling station staff working in shifts throughout polling days, there can be a high turnover of staff on the same day. This could potentially lead to a variable service for voters visiting the polling stations at different times throughout the day and lead to an inconsistency of electoral administration. The elections team provided training to all staff working in polling stations, which most staff attended. However, some staff felt strongly that training was unnecessary and there is evidence that some staff volunteered without having received training.

Recommendation 7: The recruitment process for polling station staff should be open and publicly advertised, and increased training for polling station staff should be considered.

The ballot paper caused a number of concerns for third sector groups, especially those associated with voters with partial sight or motor problems. The nature of the ballot required voters to fill in small oval shapes on the ballot (which could be scanned and recorded using the electronic counting equipment). This posed challenges for some voters as these ovals were relatively indistinct on investigation.

COUNTING

Counting began on Thursday 8 October at the Beau Sejour Leisure Centre in St Peter Port. Ballot boxes started to arrive from secure storage at 6am, with staff and counting teams arriving from approximately 8am. The Chief Returning Officer briefed those candidates attending the count at 8.30am. The first ballot boxes were opened at 9am and counting began.

Counting staff are paid a fee of £15 per hour. Specialised ballot scanners and software were engaged from the UK to conduct the count. The staff associated with the scanning technology were afforded critical worker status to conduct their work in Guernsey.

Counting should have three separate stages in the following order, in line with international best practice:

1. a verification of the number of ballot papers cast;
2. a verification of the number of votes cast (this stage is only relevant if voters can vote for more than one candidate, such as in the Guernsey 2020 election);
3. a vote count verifying how many votes the candidates received.

These three steps ensure a rigorous counting process. However, in this election the first two steps did not appear to take place as separate parts of the counting process. The first step would involve the counting staff counting how many ballots were received before moving on to counting votes, which would be relatively easy to implement. The second step would be more complex. Bearing in mind each elector had anywhere between 1 and 38 votes to cast, the total number of votes cast could have been up to approximately 900,000 votes in this instance. This could potentially be labour intensive and time consuming.

Recommendation 8: The number of ballot papers cast should be verified at the start of the vote count. Adding an additional verification step should also be explored, namely the verification of the total number of votes cast.

Once the ballots had been opened, in the case of postal ballots, and emptied from ballot boxes, they were fed through the electronic scanning equipment to analyse whom the elector had chosen. Two scanning machines were used for this purpose. Ballots were checked for accuracy by staff on desktop screens and approved as required.

Numerous ballot papers were rejected because the scanning equipment was unable to assess them correctly, due to being creased when returned in the post or ripped when envelopes were opened by counting staff. In these cases, counting staff assessed the ballot paper and then 'transposed' the original information onto a fresh ballot paper that would be accepted by the ballot scanner. This was a labour-intensive process, and to third party observers it was an unusual and potentially concerning method, due to the large amount of human engagement which could facilitate possible human error. While no evidence of malpractice was observed virtually, this could have been a possibility, particularly as a significant number of ballots were transposed via this method (852 in total). Once the original ballot had been transposed, it was kept in a separate pile from the newly transposed ballots, with no apparent audit trail in place linking the two ballot papers. This could have prevented a rigorous countback audit process. If candidates or agents had wanted to check the audit trail to ensure no errors had been made in this transposition process, this would not have been possible.

Recommendation 9: A rigorous countback audit process should be put in place, so that an original ballot paper that is 'transposed' can be checked against the newly transposed ballot paper that is used to replace it.

The declaration of the results was issued in the early hours of Friday morning 9 October, broadcast live on BBC Radio Guernsey and other media outlets. All candidates were announced in alphabetical order, and those elected were listed separately in the order of their election.

Following the declaration, a recount was requested, which had been widely anticipated. As per the Reform (Guernsey) Law, 1948, a recount could be requested by unsuccessful candidates if the margin of difference between them and the successful candidate placed 38th was 2% of the total number of people voting. Under the new island-wide voting system, this translated to a margin of approximately 400-500 votes. This is a generous margin which means the chances of a recount are high. In this election, six candidates were eligible to request a recount, and four of them did. Election authorities may wish to re-evaluate the basis on which recounts can be requested in future elections under the current island-wide system. It might be more practical if the margin of difference between the candidate placed 38th and those below him/her would relate to a percentage of the difference between these contestants in the number of votes cast, rather than a percentage of the total number of ballots issued.

The recount was conducted on Saturday 10 and Sunday 11 October, with the final results being available on Sunday evening. There was no material difference between the original declaration and that made after the weekend recount.

PARTICIPATION OF WOMEN

Women have long been participants in the States of Deliberation, but in numbers which have been quite inconsistent. In 2016 twelve women were elected, amounting to 32% of the representation of Guernsey in the assembly. This was the cause of some celebration, as just five women had been elected in 2012, amounting to 11% of the then membership.

Of the 119 candidates in this election, only 28 were women. Just eight of them were elected, among the total of 38 deputies representing Guernsey, amounting to 21%. This figure falls short of the minimum advocacy goal of 30% of women in parliament espoused in the Beijing Platform for Action, and very far short of the goal of gender parity of 50% men and women.

This is a disappointing outcome from the perspective of gender equality. Guernsey's legal framework offers scant regulation promoting equality of access to political office for women. The absence of equality law, particularly in the sphere of employment rights and equal pay, offers some evidence of historical and cultural discrimination against women which has yet to be eradicated. There is also an absence of any special measures to promote the increased participation of women in political life.

The UN Convention on the Elimination of All Forms of Discrimination against Women has not yet been extended to Guernsey. Attention was drawn to this fact when the Committee on the Elimination of Discrimination against Women most recently examined the 2017 report of the UK on compliance with the treaty obligations. In its concluding observations the Committee stated[18] that it remained concerned that the provisions of the Convention have not been given effect in Guernsey.

[18] UN Committee on the Elimination of Discrimination against Women (14 March 2019) CEDAW/C/GBR/CO/8 Concluding Observations on the Eighth Periodic Report of the UK, page 4/16.

A new Discrimination Ordinance is under preparation in Guernsey, but this is narrow in focus. Article 4 of CEDAW would, if extended to Guernsey, make provision for the enactment of temporary special measures to accelerate de facto equality for women, such as to promote the candidacy of women. Among measures to support to women, political parties, in particular, could be encouraged "to adopt effective measures, including the provision of information, financial and other resources, to overcome obstacles to women's full participation and representation and ensure that women have an equal opportunity in practice to serve as party officials and to be nominated as candidates for election".[19] Article 7 of CEDAW obliges parties to the convention to "take all appropriate measures to eliminate discrimination against women in the political and public life of the country" which includes ensuring that women "hold public office and perform all public functions at all levels of government".

Recommendation 10: Extension of Articles 4 and 7 of the Convention on the Elimination of All Forms of Discrimination against Women to Guernsey should be pursued without delay. This will entail enactment of legislation to enable fulfilment of convention obligations in advance of the extension.

PARTICIPATION OF PERSONS WITH DISABILITIES

The Convention on the Rights of Persons with Disabilities makes provision in Article 29 for the participation in political and public life of persons with disabilities. Article 21 of the convention further requires that parties shall take all appropriate measures to ensure the freedom of expression and opinion and access to information of those concerned. The convention has yet to be extended to Guernsey. Legislative preparations are underway to allow such extension, as equality law in the form of a new discrimination ordinance has been drafted and appears likely to be enacted soon.

Recommendation 11: Extension of Articles 21 and 29 of the Convention on the Rights of Persons with Disabilities should be pursued without delay. This will entail enactment of equality legislation to enable fulfilment of convention obligations in advance of the extension.

In the meantime, the present legal regime protects the political participation rights of persons with disabilities. In 2016 a provision was added to the Reform Law which abolished "the mental incapacity" to vote. Article 27B now provides that any rule of law which provides that a person is subject to a legal incapacity to vote "by reason of his or her mental state" is abolished. This represents a liberal approach to voters with intellectual disability or mental illness.

Commendable efforts were made by the Registrar-General and her team to ensure access to polling stations for persons with physical disabilities. Polling stations were almost entirely accessible independently, with the exception of the polling station in St. Andrews. This deficiency was well communicated in advance and all voters wishing to do so could vote instead at the super polling station at the Performing Arts Centre, which was accessible.

[19] UN CEDAW (1997) General Recommendation 23: Political and Public Life, paragraph 32.

The ballot paper, which required the careful shading in of small ovals, to be recorded by optical scanner, gave rise to some concerns regarding difficulties posed for voters with visual or motor impairments. The ovals were relatively indistinct on investigation. Magnifiers were available for those who wished to use them. Voters may, by law, be assisted to vote, but secrecy is compromised for such voters. They do not have the facility to vote independently.

ELECTORAL JUSTICE

One of the fundamental elements of a legitimate electoral process is that provision is made for access to justice to resolve any disputes which may arise. International law provides for the right to an effective remedy, which includes both fairness and timeliness.[20] There is little detail of any procedures, in electoral law in Guernsey, to facilitate the making of complaints and appeals during the electoral process. There is no evidence, however, that there was any denial of access to justice or fair procedures during this election.

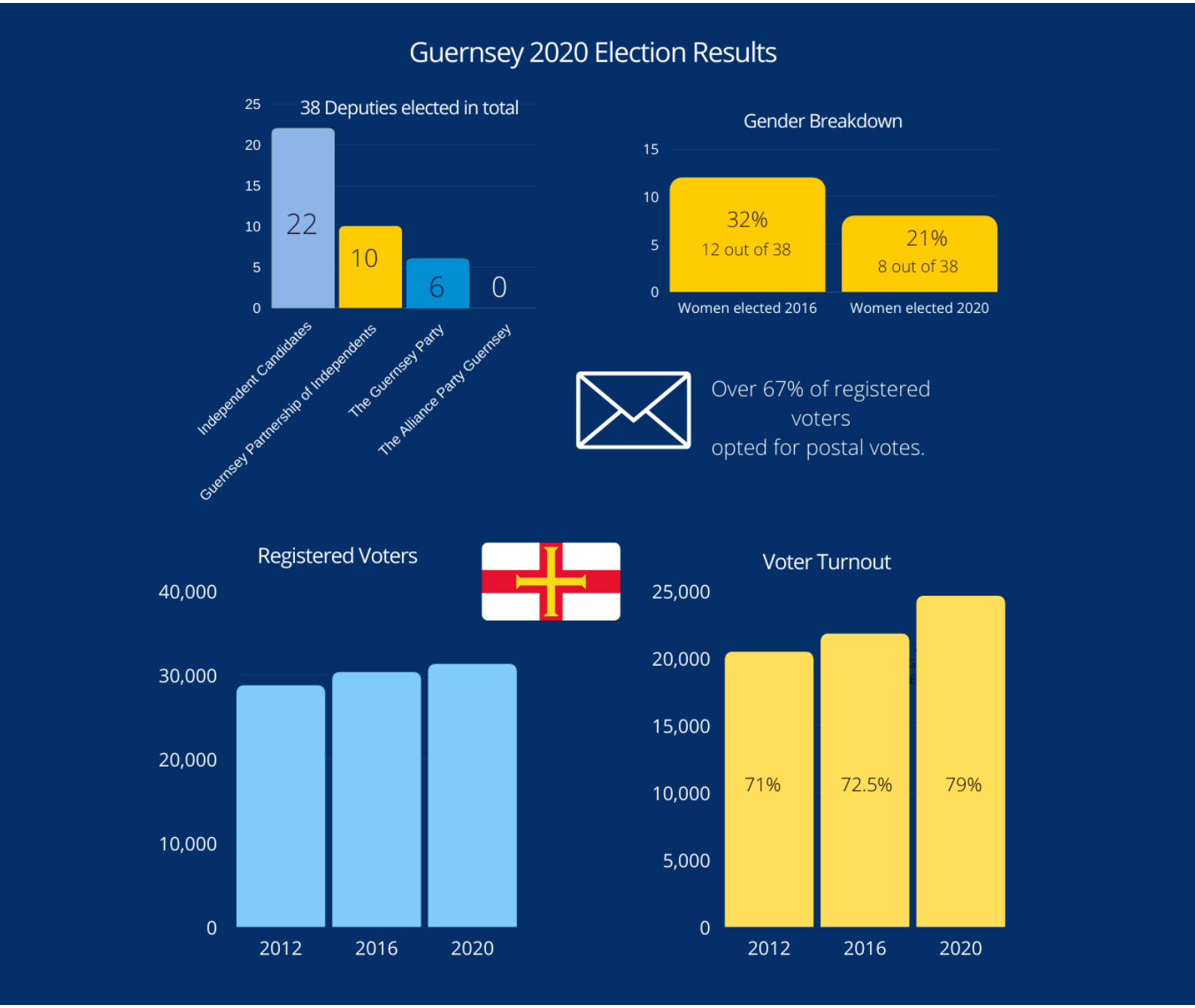
Electoral disputes are not segregated from other legal disputes in Guernsey. There is a presumption that fair procedures will be applied throughout the electoral process, including in relation to voter registration and candidate nomination. Recourse to judicial review before the courts is available. Uniquely in the Guernsey electoral sphere, the rules on the registration of political parties provide that decisions of the Greffier may be challenged in the Royal Court, with an appeal from that decision available to the Court of Appeal.

There were no complaints or appeals brought to the courts related to this election.

Recommendation 12: Consideration should be given to the introduction of a system of complaints and appeals for all stages of the electoral process. Detailed procedures should be set out regarding the authority responsible to receive and adjudicate upon disputes arising in relation to voter registration, candidate nomination, voting and counting and all other aspects of the electoral cycle. Fair procedures must apply to any such regulations, with clear deadlines providing for the submission of complaints, making appeals and delivery of decisions, as well as rules of standing to lodge complaints.

[20] The International Covenant on Civil and Political Rights establishes the right to an effective remedy in Article 2.3; the Universal Declaration of Human Rights also provides for an effective remedy in Article 8, and for a fair and public hearing by an independent and impartial tribunal in Article 10.

ELECTION RESULTS



RECOMMENDATIONS

1. **LEGAL CODIFICATION**
   Greater codification of electoral rules and procedures, either via amending existing election law or via enacting a new omnibus election law, could be considered, in order to ensure that there is certainty and consistency in the law and that it applies equally to all concerned.

2. **ELECTIONS BODY**
   A permanent dedicated elections body should be constituted so that institutional knowledge and expertise can be embedded in the Guernsey electoral system. This body could provide continuous electoral oversight, including oversight of candidate and voter registration, political parties and campaign finance.

3. **VOTER REGISTRATION**
   Formal processes of voter registration could be introduced as part of an ongoing rolling process of registration. Voter registration could be done as part of any annual engagement that residents have with the state, such as filing tax returns.

4. **RIGHT TO STAND**
   Consider removing the provision in Article 8 of the Reform (Guernsey) Law, 1948, which disqualifies voters who have been sentenced to imprisonment for a period of six months or more, from eligibility to become a People's Deputy.

5. **OVERSIGHT OF POLITICAL PARTIES**
   Political parties should be subject to oversight, and their finances should be evaluated on an annual basis. Individual candidates' pre-election fundraising and expenditure should also be assessed and recorded. Reporting should not be onerous but simply conducted by the production of evidence.

6. **CAMPAIGN EXPENDITURE**
   Boundaries of pre-election and annual expenditure should be clearly defined. The limitations of expenditure outside the formal period of nominated candidature could be within similar boundaries to those defined for the election period, except with no additional public subsidy.

7. **POLLING STATION STAFF**
   The recruitment process for polling station staff should be open and publicly advertised, and increased training for polling station staff should be considered.

8. **VOTE COUNT**
   The number of ballot papers cast should be verified at the start of the vote count. Adding an additional verification step should also be explored, namely the verification of the total number of votes cast.

9. **COUNTBACK AUDIT PROCESS**
   A rigorous countback audit process should be put in place, so that an original ballot paper that is 'transposed' can be checked against the newly transposed ballot paper that is used to replace it.

10. **PARTICIPATION OF WOMEN**
    Extension of Articles 4 and 7 of the Convention on the Elimination of All Forms of Discrimination against Women to Guernsey should be pursued without delay. This will entail enactment of legislation to enable fulfilment of convention obligations in advance of the extension.

11. **PARTICIPATION OF PERSONS WITH DISABILITIES**
    Extension of Articles 21 and 29 of the Convention on the Rights of Persons with Disabilities should be pursued without delay. This will entail enactment of equality legislation to enable fulfilment of convention obligations in advance of the extension.

12. **ELECTORAL JUSTICE**
    Consideration should be given to the introduction of a system of complaints and appeals for all stages of the electoral process. Detailed procedures should be set out regarding the authority responsible to receive and adjudicate upon disputes arising in relation to voter registration, candidate nomination, voting and counting and all other aspects of the electoral cycle. Fair procedures must apply to any such regulations, with clear deadlines providing for the submission of complaints, making appeals and delivery of decisions, as well as rules of standing to lodge complaints.

ACKNOWLEDGEMENTS

The CPA BIMR Election Expert Mission wishes to express its gratitude to the States of Guernsey, election officials, candidates and to the people of Guernsey for their cooperation and assistance during the course of the virtual Mission.

For further information about this Mission, please contact cpauk@parliament.uk.

CPA BIMR ELECTION OBSERVATION SERVICES

The first objective of the BIMR Strategy is to strengthen parliaments and the skills of their members. As part of this work, CPA BIMR facilitates election observations when invited to do so.

For more information about these services, please contact the CPA BIMR Secretariat at cpauk@parliament.uk.

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Appendix B

REVIEW OF THE 2020 GENERAL ELECTION

REPORT OF THE REGISTRAR-GENERAL OF ELECTORS

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Introduction

The 2020 General Election took place on 7th October 2020. It was the first island-wide General Election and took place during a global pandemic. Both of these factors meant that the complexity of delivering the election was greatly increased and it is therefore a credit to all involved that it has largely been deemed a success by the community and that this was confirmed in the report of the Commonwealth Parliamentary Association British Islands and Mediterranean Region (CPA BIMR), which had conducted a virtual Election Expert Mission to the election, and concluded that "[t]he Guernsey Election was a successful democratic exercise."[1]

The first island-wide General Election saw 24,647 voters turn out, which was an increase of almost 3,000 over the 2016 election. Turnout was 79.77%, again higher than in 2016 when 72.5% of those on the Electoral Roll cast their votes. There were 30,899 people on the Electoral Roll and eligible to vote, a slight increase on the 2016 figure. (There were also some under-16's registered who were not eligible to vote on this occasion.)

Prior to the General Election, the States' Assembly & Constitution Committee (SACC) and the Committee *for* Home Affairs agreed the following criteria to measure the success of the 2020 General Election:

i. A high percentage of those eligible to vote are registered on the Electoral Roll;
ii. A good number of candidates stand for election;
iii. The majority of those on the Electoral Roll cast their votes; and
iv. There is a fair, efficient and democratic election.

A review of the election has been carried out, which has considered the above criteria and other matters, and, in accordance with the Resolution of the States dated 12th December 2019[2] the following have been consulted in preparing this review:

- Candidates in the General Election (elected and unelected);
- Members of the General Election programme board;
- Officers, parish representatives, and volunteers involved in the delivery of the General Election;
- Election service providers (e.g. communications, e-count solutions); and
- The voting public

Broadly speaking, feedback was positive, particularly around some of the communications tools that were offered to assist voters, and a number of constructive suggestions have been put forward for consideration of how future elections might be improved. This report

[1] CPA BIMR Election Expert Mission Final Report, available on: https://www.uk-cpa.org/media/3806/final-report-cpa-bimr-eem-to-guernsey-2020.pdf
[2] Billet d'Etat XXIV, 2019

considers and expands on those suggestions and includes a number of recommendations for consideration by SACC, which are repeated at the end of the document.

The report does not focus on operational improvements, as these fall within the remit of the Election Project Board and are not matters for the SACC or States to determine but, where relevant, they are mentioned to provide reassurance that they have not been overlooked.

Timing of the Election

No report on the Election would be complete without reference to the timing of the Election, which was originally scheduled to take place on 17th June 2020. When the Covid-19 global pandemic emerged, as a result of which Guernsey entered lockdown on 25th March 2020, SACC swiftly considered the implications of this for the island's ability to hold a General Election and submitted a policy letter to the States[3] recommending that the Election be delayed, as it would not be possible to hold a free and fair Election if activities such as canvassing, hustings and, in particular, voting were likely to be prohibited or at least significantly impacted. On 15th April the States agreed that the Election should be postponed until 16th June 2021. Consequently, Election resources were scaled back, with temporary contracts being terminated and Election-related work streams deprioritised.

Before long it became apparent that Guernsey's lockdown measures had proved extremely successful, to the extent that, with the exception of travel restrictions, activities on island largely returned to pre-pandemic levels. Against this backdrop, SACC was asked to reconsider the feasibility of holding the election in 2020. After considering the resultant policy letter from SACC[4], which was submitted as an urgent proposition under Rule 18 of the States' Rules of Procedure, the States resolved, on 1st July 2020, that the General Election should take place on 7th October 2020.

This meant that activity had to be stepped up immediately in order to ensure the election could be delivered in October 2020. Contracts were reinstated and work streams were resumed as soon as practicable. Whilst this meant that the election was successfully delivered on 7th October, the effort required to pick up all the work again at short notice, combined with the need for considerable contingency planning, should not be underestimated and it is important to acknowledge the contribution of everyone who played a part in making the election happen. This includes not only officers of the States but also Parish officials and volunteers, who willingly gave up their time to help.

[3] Billet d'Etat VII, 2020

[4] Proposition P.2020/117 available here.

Legislative Framework

The Reform (Guernsey) Law, 1948 sets out the requirements for elections in Guernsey. The Law deals not only with General Elections but also with other separate, but related, matters such as the election of Parish officials and the constitution of the States of Deliberation. The Law has been amended many times in response to the changing requirements of democracy, and underwent extensive and significant amendment in 2019 by way of the Reform (Guernsey) (Amendment) (No. 2) Law, 2019, following the decision to move to island-wide voting.

Some of the details around elections are set out in Ordinances and Regulations made under the primary legislation. For example, the Advance and Super Polling Station Ordinance, 2020 sets out the dates, times and locations of advance polling and super polling stations, while the Elections (Presence of Candidates at Count) Rules, 2020 set out the rules around candidates attending the vote count.

The need to deal with certain matters by way of Ordinance or Regulation, rather than their being a permanent feature of the Law, can lead to "gaps" in the delivery of elections. For example, in respect of complaints regarding the conduct of elections, Article 38D of the Reform Law gives the States the power to make by Ordinance such provisions as they may see fit in respect of the making and determining complaints in relation to:

- The conduct of elections
- Breaches of procedures concerning elections
- The conduct, during elections, of candidates, returning officers and other persons or classes of persons prescribed by Rules under Article 38C of the Law and
- Breaches by such persons of their functions during elections

Any Ordinance made by the States under Article 38D may include, among other things, the person or body to whom complaints should be addressed; the persons or bodies who may make complaints; and the matters in respect of which complaints may be made.

Given the limitations on time in the lead up to the 2020 election to develop and implement a suitable solution regarding who/what would consider complaints, SACC agreed to maintain the status quo of previous elections rather than ask the States to approve an Ordinance to deal with it but that agreed that the matter would be revisited in the future.

In the absence of any legislation setting out rules around complaints, they tended to be received by the Registrar-General who, while able to give advice about many aspects of the election, had no power to arbitrate in complaints. In order to prevent this situation recurring, it is important that this is addressed. Ideally, such matters would be included in the Law rather than an Ordinance, as the latter approach means that it is possible for the matter to be left in abeyance. Inclusion of relevant provisions in the Law also provides greater certainty for all concerned.

In addition to the Reform Law, there are other relevant pieces of legislation and other guidance. For example, there is advice from the Law Officers of the Crown that dates back to 1973 regarding the display of posters and soliciting of votes inside polling stations but this is not reflected in any legislation, nor is there any consolidated guidance easily available to election officials, which is a particular concern because there has tended to be, in recent years, a lack of continuity of such officials.

Such lack of continuity is understandable because General Elections take place only once every four years and, during the period covered by a political term, officers often move on for a variety of reasons. There is also a reliance on temporary staff which will always be the case because of the intense period of activity preceding an election that cannot be absorbed by the existing workforce but more thought needs to be given to how greater continuity can be achieved between elections.

One possibility would be the creation of an Electoral Commission or similar, which would have the advantage of independence from government. Such a body could provide consistent, impartial advice as well as much-needed continuity. It also removes any potential issues around election officials having to give unwelcome advice to candidates with whom they may have a working relationship, if they are standing Deputies, or with whom they may need to work in the future if their election campaign is successful.

The CPA also commented on this in its Election Expert Mission Report, pointing out that *"the International Covenant on Civil and Political Rights, which applies to Guernsey, has been interpreted as requiring that an independent electoral authority should be established to supervise the electoral process."*

Recommendation 1:
It is recommended that SACC should investigate the creation of an independent body to advise on and oversee future elections.

It would also assist greatly if consideration could be given to the creation of a new Law that focuses on elections and facilitates the delivery of an election in modern times. For example, as explained later in this report, the Reform Law does not give discretion to the Bailiff to carry out anything other than a full recount of votes in the event that a recount is requested. This does not reflect the use of ecount machines, which are proven to be highly accurate, which may mean that the Bailiff would be content to review only those ballot papers that have been manually adjudicated. This is the custom and practice in other jurisdictions and would reduce the resource requirement for a recount if it were the Bailiff's preferred approach.

Recommendation 2:
It is recommended that SACC should review the Reform Law and other legislation relating to the holding of elections and, if it thinks fit, make suitable proposals for consideration by the States, for electoral reform by way of a standalone election Law that reflects modern election practices and is easily accessible.

The Electoral Roll

In April 2019, following consideration of a policy letter from the Committee *for* Home Affairs[5], the States approved the establishment of a new Electoral Roll for the 2020 General Election of People's Deputies. This followed the practice established for the 2012 and 2016 General Elections. The new Electoral Roll opened on 1st December 2019.

Mindful of the need to ensure that a high number of those eligible to vote were registered on the Electoral Roll, considerable effort was put into publicising the fact that the Electoral Roll was open and encouraging eligible islanders to sign up. Initiatives and events included:

- The creation of a dedicated website for the election, including the facility to sign up to the Electoral Roll online
- Over 26,000 household registration forms delivered to all properties, including freepost return envelopes
- The launch of the #countmein campaign which saw some local faces backing the message that islanders needed to ensure they were able to cast their votes if they wanted to have a say in decisions
- Registration roadshows at a range of venues, where islanders could sign up to the Electoral Roll and obtain information about the election
- Frequent media releases, often supplemented with interviews
- Press and radio advertisements

Despite the fact that life in Guernsey returned to near normality in the run-up to the election, it was recognised that some sections of the community remained anxious about the possibility of contracting Covid and, in order to respect their desire to limit contact with others, the Election Project Board decided not to carry out any door-to-door enumerating as had been done in 2016, and planned visits to residential and care homes were cancelled.

Notwithstanding the fact that certain activities had to be curtailed, the number of people registered on the Electoral Roll was slightly higher than the 2016 total. The Roll closed on 21st August 2020, with 31,301 voters registered, of whom 30,899 were eligible to vote in the General Election, the remainder still being aged 15 on 7th October and not able to vote until their 16th birthdays.

Whilst this was an improvement on the 2016 numbers, only about 62% of those eligible to do so actually registered to vote, meaning that there were still potentially about 10,000 eligible residents who did not sign up. Although it is not possible to give an exact figure, as not everyone in the requisite age bracket will necessarily meet the residence criteria for signing up to the Electoral Roll, it shows that there is a significant number of islanders who are not exercising their democratic rights, despite every effort being made to ensure that signing up is as straightforward as possible. Therefore the first success criterion agreed by SACC and the

[5] Billet d'Etat VII, 2019

Committee *for* Home Affairs, that a high percentage of those eligible to vote are registered on the Electoral Roll, was partially met, as the percentage is higher than in previous years but it is clear that there is room for improvement in this respect.

After the 2016 election it was noted that the process for compiling the Electoral Roll is difficult to administer and requires significant resource. Consequently a number of options were considered with the aim of making it easier for the community to sign up to the Electoral Roll as well as reducing the resources needed to administer the process. It was subsequently agreed by the States in April 2019[6]:

"5. To direct the Policy & Resources Committee when delivering Phase 2 of the Rolling Electronic Census Project (as approved by the States on 26th March 2013) to ensure that:

i) there is included in its functionality, the capacity for automated generation of a list of persons eligible to vote; and
ii) any relevant legislation is submitted to the States for approval,

in accordance with a time-scale which will enable use of the capacity for automated generation of such a list for the purposes of the 2024 general election and all elections thereafter.

6. To direct the Committee for *Home Affairs to take such measures as may be necessary to enable elections to take place on the basis of an Electoral Roll compiled from an automatically generated list of persons eligible to vote, as soon as possible following delivery of Phase 2 of the Rolling Electronic Census Project in accordance with Proposition 5."*

Such an approach is in keeping with comments made by the Electoral Reform Society (ERS) in 2019: *"You shouldn't have to opt in to your right to vote. …. we need to move towards automatic registration now, starting with being able to check you are registered online, and being able to register whenever you engage with government bodies or services. We know this works from other countries."*

This work referred to in Resolution five above has been completed and the matter is now being progressed by the Committee *for* Home Affairs, as per Resolution six above.

[6] Billet d'Etat VII, 2019

Candidates

There were 119 candidates in the first-ever island-wide General Election, which was a considerable increase on both 2012 (78) and 2016 (81). Therefore the second success criterion, namely that a good number of candidates stand for election, was fulfilled.

Candidate Support

In anticipation of a higher number of candidates, particularly new candidates, considerable efforts were made to ensure that candidates and potential candidates had access to information that would both help them to understand the election process as well as gain some insight into the role of a Deputy. Up to the point at which nominations closed, activities and material included:

- Officers and Deputies speaking at WEA talks for prospective candidates.
- Two presentations for prospective candidates, explaining key deadlines related to the election, both of which were well attended.
- A comprehensive pack from the Presiding Officer for candidates at the point of nomination.
- The preparation of Electoral Rolls for purchase.

Once the nomination period had closed, support for candidates continued, as follows:

- The creation of an Election website – election2020.gg – containing information for voters and candidates.
- The creation of a candidates' guide, which included comprehensive information about the Election, including links to relevant legislation, as well as a section setting out some of the demands of being a Deputy. This was made available prior to nominations opening, which meant that prospective candidates had access to a wealth of information in advance of putting themselves forward for election.
- A candidate page on election2020.gg.
- The opportunity of having two pages in the combined manifesto booklet, a printed copy of which was delivered to all households where residents had signed up for the Electoral Roll, with an electronic copy available on the website.
- The opportunity of creating a short video promoting their candidacy on the election website.
- A "meet the candidates" event at Beau Sejour, which gave the public an opportunity to speak to those candidates who participated, with the majority doing so.
- A £500 grant towards the production and distribution of campaign material.

Candidate Feedback

Of the 119 candidates, 48 provided feedback after the Election, either by responding to a short survey or direct to the Registrar-General of Electors. Just over half of those who responded were new Deputies who had not stood previously for election.

In terms of the support offered, the combined manifesto was rated as the most helpful element of the support provided, followed by the meet the candidates event.

Although respondents were generally satisfied with the support given, several constructive points were made about how it could be improved for the next General Election. Whilst, inevitably, candidates' opinions differed, there was broad agreement in a few areas.

Despite the fact that the "meet the candidates" event was considered useful, a number of candidates would have liked to have seen more hustings-type events. The difficulties inherent in organising such events for a field of 119 candidates were acknowledged but it was suggested that they could perhaps be organised by parish, open to the whole electorate but with only candidates resident in the parish in question attending.

The practicality of organising something by parish largely depends on the spread of candidates across the parishes. Based on the distribution of candidates in the 2020 election, this approach would be unlikely to work, as some parishes had very few candidates, whilst others had many, although possibly something based on the old electoral districts would be more feasible.

Some candidates found the number of hustings events organised by "special interest" groups, whilst useful, took up considerable time, both in terms of preparation and attendance. It would not be appropriate for the States to discourage such groups from holding events but more engagement with them ahead of the Election could result in a more co-ordinated approach and this is worthy of further investigation.

Recommendation 3:
It is recommended that consideration be given by SACC to how more hustings-type events can be organised by the States and/or the parishes, also having regard to how the requirements of "special interest" groups can be factored into such hustings.

It was suggested by a number of candidates and also members of the public that the "meet the candidates" event would have been of greater value if it had taken place after the distribution of the manifesto booklet, thereby giving time for the electorate to look at candidates' manifestos and formulate questions before attending. Manifestos were available online prior to the event, as well as candidate videos, but it appears that many people preferred to rely on the booklet as their prime means of finding out about candidates. This has already been acknowledged by the outgoing Election Project Board and will be passed on to the next Project Board as part of the "lessons learnt".

Voter Feedback

Feedback from voters was that they were in favour of island-wide voting but found the number of candidates, and therefore the amount of choice, overwhelming. The website and manifesto booklet were positively received but voters found it onerous to read the entire book, with some pointing out that only those with a keen interest in local politics would be likely to do so. The facility to select "yes", "no" and "maybe" via the election website was cited as being of great assistance and, as such, should be retained for future elections.

The number of candidates is something that was raised by several different groups providing feedback, which is unsurprising as it is relevant to so many different aspects of running an election, including the size of the ballot paper; organising hustings and other events; and the voter experience. Although the consensus is that election officials did a good job in addressing issues, particularly voter experience, there have been calls for limitations on the number of candidates.

Notwithstanding this, it would be contrary to the principles of democracy to seek to put barriers in the way of potential candidates. For example, it was suggested that candidates could be required to pay deposits, which would be returned only if they achieved a specified percentage of the vote. This is common in many jurisdictions around the world. In the UK, parliamentary candidates have to place a deposit of £500, which is returned if they poll over 5% of the total votes cast in the relevant constituency.

In the Republic of Ireland independent candidates for election to Dail Eireann must provide:

- A Certificate of Party Affiliation; or
- Statutory declarations signed by 30 constituents; or
- A deposit of €500

As in the UK, candidates who pay the deposit have the money refunded if they receive more than a specified percentage of votes cast in their constituency. At one time, all candidates had to pay a deposit until a High Court Ruling decreed that the obligatory payment of deposits by all candidates was "repugnant to the Constitution of Ireland".

The UK Electoral Commission is not in favour of deposits for any candidate and its 2015 report *Standing for Election in the United Kingdom: Report and Recommendations*[7] said the following about the use of deposits:

"… it does not seem reasonable to have a barrier to standing for election that depends on someone's financial means. We do not think that the ability to pay a specified fee is a relevant or appropriate criterion for determining access to the ballot paper. We therefore recommend that deposit requirements are abolished."

The purpose of requiring a deposit is to discourage any candidates who may not be serious about pursuing an election campaign but it has limited effect. In the 2017 UK General Election 1,568 candidates (47.5% of all candidates) lost their deposits and in the 2019 General Election the number who lost their deposits was 1,273.

In light of the comments above, plus the limited effectiveness of requiring deposits, it is not recommended that this approach be adopted in Guernsey, as it could make it more difficult for less affluent candidates to participate in an election and would therefore be likely to hinder achievement of the success criterion of ensuring a good number of people stand. It is also possible that some groups may be more disadvantaged than others by such an approach,

[7] Available at: Standing for election in the United Kingdom: Report and recommendations | Electoral Commission

which could lead to a less diverse group of candidates and, ultimately, a less diverse Assembly.

It may, however, be worth exploring the possibility of requiring additional people to nominate candidates, along the lines of the UK, where nomination forms have to include the names of 10 registered electors from the constituency in question. A similar approach could help to ensure that candidates are serious about standing and would be more rigorous than the current system which requires only a proposer and seconder.

Whilst this may merit more consideration, any moves to ensure that candidates are truly serious about standing for election would need to be finely balanced with the requirement to ensure that barriers are not placed in the way of anyone seeking to become a Deputy, particularly if there is any possibility that such barriers might inadvertently disadvantage some groups more than others.

It is not yet known whether the high number of candidates will feature in future elections. The 2020 election was bound to attract a high level of interest in terms of candidates and voters, as it was the first ever island-wide general election. Whether interest remains as high in years to come remains to be seen and it may be that the issue does not recur.

Consequently, no firm recommendation for action is made in this respect, although it would be wise for SACC to keep a watching brief on this issue.

Postal Voting

In its December 2019 policy letter[8] SACC recognised that island-wide voting would present new logistical challenges and acknowledged that it would have to address these:

> *"It is essential that there is sufficient capacity for all registered voters to vote either by post or in person. In light of this, the Committee has looked to offer an array of opportunities for members of the community to cast their vote."*

The Committee set targets for different elements of the suite of actions being undertaken, including a target of 30% of votes to be postal votes. In order to assist with the achievement of this target, the Election Team heavily promoted the option of postal voting.

Perhaps as a result of this promotion, the 2020 General Election saw a much bigger take-up of postal votes than in previous Elections, with 69% of those on the Electoral Roll opting to register for a postal vote. This meant that 21,271 postal votes were issued to addresses both within and outside of Guernsey. Completed ballot papers, accompanied by a Declaration of Identity, could be returned by post or placed into a ballot box at a polling station. The majority were returned by post. Approximately 75% of all votes cast were postal votes, meaning that the 30% target was exceeded by a considerable margin.

There were a number of reasons cited for the preference for postal voting. The fact that each voter was able to cast up to 38 votes was given by some as a reason for their choice, as they were able to consider their votes at their leisure in the comfort of their own homes. Covid-19 and uncertainty about the ability to attend a polling station was another relevant factor, as was the requirement for self-isolation for anyone returning to the island from elsewhere. This last factor was recognised by the States of Deliberation, which passed Regulations which meant that persons finding themselves having to self-isolate were able to register for a postal vote after the deadline for doing so had passed. The necessity of doing this was demonstrated by the fact that a handful of voters needed to rely on these Regulations.

In anticipation of a high number of voters opting for a postal vote, the preparation of postal vote packs was done by the provider of the ballot papers, UK company UK Engage (UKE), rather than, as had been the case in the past, manually by the Election Team. UKE also produced "spare" packs for use as replacement packs if necessary, or for issue after the print deadline had passed.

Postal voting has been embraced to such an extent by the electorate that it would be difficult to change the approach for the next election. It must be acknowledged, however, that potential risks have been identified in respect of postal voting, in so far as this method of voting could allow voters to be placed under undue pressure by others to vote in a certain way and also raises the possibility of "family voting".

[8] Billet d'Etat XXIV, 2019

The Venice Commission, in its Code of Good Practice in Electoral Matters[9], offers the following guidance on postal voting:

"…postal voting should be allowed only where the postal service is safe and reliable; the right to vote using postal votes may be confined to people who are in hospital or imprisoned or to persons with reduced mobility or to electors residing abroad; fraud and intimidation must not be possible".

Most of the postal votes issued went to Guernsey addresses and there are no concerns that the Guernsey postal service is anything other than safe and reliable. Whilst it would be extremely difficult to eliminate the possibility of fraud or intimidation in any voting system there is no reason to suspect it is sufficiently widespread in Guernsey to affect the result of an election. In the UK voters are given the opportunity to opt for a postal vote and it would be counterintuitive not to offer the same to voters locally, as the risks are almost certainly lower than in the UK, given the comparative scale of the two jurisdictions.

Whilst postal voting was embraced by the electorate and proved successful for most of those who opted for it, it must be acknowledged that some problems were encountered. The most significant was that logistical difficulties meant that, despite the best efforts of all involved, some overseas voters did not receive their voting packs in time to return their completed ballot papers.

There were a number of reasons for this, including the fact that contingency measures had to be developed alongside routine election preparation, thereby stretching the capacity of staff and suppliers. Whilst it is anticipated that the 2025 election will take place in less challenging circumstances, the Election Project Board has nevertheless made recommendations to its successor to ensure that postal votes are available and despatched, particularly to overseas voters, earlier.

Conversely, it is also important that postal vote packs are not sent to local addresses too early, as some candidates were frustrated to find that, during door-to-door canvassing, they were being told that postal votes had already been despatched.

Historically, the deadline for applying for postal votes has been five days prior to election day, which left only three working days to process applications received on the day of the deadline. SACC's December 2019 policy letter acknowledged that this had been problematic and, in light of the advance polling days, SACC took the opportunity to move the five day window to before the opening of polling, which therefore provided more time overall.

Consequently, the deadline for applications for postal voting was 25th September, which left seven working days before the General Election date. Notwithstanding the change, this

[9] https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2002)023rev2-cor-e

remained a fairly short window within which to process the applications and despatch voting packs. It meant that UKE could not produce voting packs for those who registered later in the process and the “spares” had to be used and processed manually. Whilst this was achievable, it did create pressure and the potential for errors. In the UK, the deadline for registering for a postal vote is 11 days prior to polling day and, with the benefit of experience, it is considered that it would be helpful to ensure that in future more time is allowed between the deadline for postal vote registration and polling day.

Recommendation 4:

It is recommended that SACC should consider moving the deadline for postal vote applications further from polling day.

Polling

Polling Days

A higher than usual voter turnout was anticipated as a result of moving to island-wide voting. With each voter able to cast up to 38 votes, meaning that completing a ballot paper would take longer than previously, it was necessary to take steps to ensure that voters did not have to stand in long queues awaiting their turn to enter a polling booth.

Consequently, pre-polling days were used for the first time and the concept of super polling stations was introduced. Super polling stations could be used by voters from any parish, as distinct from parish polling stations which were only available to residents of the parish in question.

Polling stations were open from 8am to 8pm on polling days as follows:

- Saturday 3 and Sunday 4 October: St Sampson's High School and The Princess Royal Performing Arts Centre (both super polling stations);
- Tuesday 6 and Wednesday 7 October (formal polling day): all parish polling stations (14 in total) and The Princess Royal Performing Arts Centre.

Staffing of Polling Stations

Prior to the 2020 General Election, the parishes voluntarily carried out a significant part of the running of general elections, including providing venues for voting (with associated costs being reimbursed by the States) and people to administer polling stations. Polling stations were established in each district by the Constables of the Parishes in question, in accordance with relevant Resolutions of the States.

In April 2019[10] the States agreed that given the move to Island-wide voting; the intention to introduce advance polling stations; and the need for flexibility as to where polling stations were established, the Law should be amended to require the Registrar-General to establish polling stations, further to consultation with the Constables of the Parishes concerned.

The Reform Law therefore now provides that: "*Polling stations shall be established by the Registrar-General in accordance with any Resolution of the States for the time being in force in that behalf and the Registrar-General may provide for the establishment of such additional polling stations as he may deem convenient to the electorate.*"

With the shift of responsibility to the Registrar-General, combined with the changes to the structure of the election – i.e. moving away from Parish- or district-based voting and with the addition of pre-polling days and the introduction of super polling stations – it was considered prudent to introduce training for all volunteers, from Polling Station Officers to those providing more general assistance to the electorate. Polling station volunteers were recruited

[10] Billet d'Etat VII, 2019

both through the Douzaines and directly by the Election Office. Whilst this generally worked well, it did allow for potential inconsistency. Whilst it is recognised that some Parish volunteers are very experienced in election administration, the CPA, in its Election Expert Mission Report, commented on the fact that it was possible for volunteers to attend without receiving training and the report includes the following recommendation:

"The recruitment process for polling station staff should be open and publicly advertised, and increased training for polling station staff should be considered."

Adverts did appear in local media, including social media, which means that the recruitment was "open and publicly advertised" but there was no requirement for training, although it was very much encouraged and most volunteers attended. While it is accepted that all concerned acted with good intentions, for the sake of good governance, plus consistency of voter experience, it is considered that the Election Mission's recommendation should be pursued so that all helpers undergo the same recruitment and training experience.

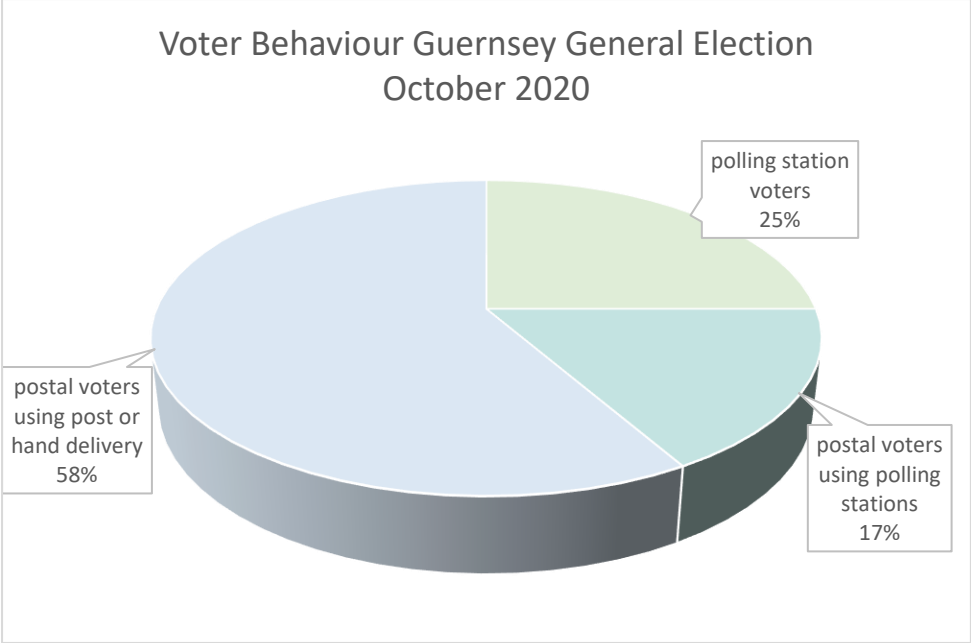
Every polling station had a designated Polling Station Officer (PSO) who was sworn in by the Royal Court. There was a great deal of responsibility placed on these officials and, while they had deputies, the responsibility was always carried by the PSO. These individuals worked long days with few breaks and should be commended for their dedication. However, for future elections, it is recommended that deputy PSOs should be formally sworn in and given sufficient authority to act in across the full range of duties in the absence of a PSO. This would mean that PSOs could take proper breaks and would also ensure greater resilience in the event that illness or unforeseen circumstances prevented a PSO from fulfilling his or her role.

Recommendation 5:

It is recommended that the Reform Law (or any successor) should in future include provision for Deputy Polling Station Officers to be formally sworn in and given the authority to act across the full range of duties in the absence of a Polling Station Officer.

Use of the Polling Stations

With 21,000 people opting for a postal vote it would be easy to overlook the importance of polling stations in the successful delivery of an Island-wide election. Approximately 18,000 postal ballots were returned, which represents 75% of all ballot papers received. However, as 4,000 of those postal voters chose to return their ballot papers via a polling station it meant that 40% of all voters visited a polling station as shown overleaf.



The number of users per polling is shown below:

Polling station	**Number of users**
St Andrew's Douzaine Room	293
St Sampson's Douzaine	596
Vale Douzaine Room	1232
St Martin's Parish Hall	887
Performing Arts Centre	2620
St Peter Port Constables' Office	956
Castel Douzaine Room	805
St Sampson's High School	451
St Saviour's Community Centre	414
St Sampson's Church Community Hall	320
St Pierre du Bois Community Hall	392
Castel KGV	302
Forest Douzaine Room	276
Torteval Church Hall	201

NB: The figures for the Performing Arts Centre are for four days' polling, whereas the others are for two days.

<u>Parish Feedback</u>

Notwithstanding the high proportion of voters who used the polling stations, it is evident from the above that some were considerably less busy than others. Feedback from the Parishes suggested that some Parish polling stations need not be open for two days and that one would suffice. The Castel Parish also felt that one polling station in the Castel Parish

would be adequate. If implemented, these measures would reduce the need for volunteers as well as bringing the cost down.

It was felt that the super polling stations had proved a great success, and it has been suggested that it would be helpful to locate one in the west/centre of the island as well as St Peter Port and St Sampson's. This idea certainly merits further consideration.

Recommendation 6:

It is recommended that SACC should consider consolidating the polling stations, with a view to reducing the number and/or opening hours of the Parish polling stations and increasing the number of super polling stations.

Vote Count

The vote count was overseen by the Central Returning Officer and, as such, sits outside the remit of the Registrar-General. However, issues that arose during the vote count will need to be addressed by SACC and/or the States and therefore need to be mentioned in this report.

In anticipation of a large number of votes being cast, SACC recommended[11], and the States agreed, that electronic counting equipment should be used for the 2020 election. Following a competitive tender process, a UK-based company, UKEngage (UKE), was selected to provide the necessary technology to count votes electronically. This included production of the ballot papers in order to ensure that they were of a suitable specification to be used with the technology.

In addition, as touched on previously, UKE oversaw the production of the postal ballot packs, as this would have been beyond the capacity of the small team if totally reliant on manual processing.

From the perspective of the Election Project Board, UKE provided a good service in difficult circumstances, particularly during the time leading up to the election, when representatives of the company were present on the island for the first time. This meant that they had to have daily Covid tests, isolate when not working, observe strict social distancing and hand hygiene practices and wear masks when with others. Despite these challenges, their communication with the team was of a high standard.

The vote counting machines were essentially high-powered scanners that captured images of the ballot papers and recorded a vote every time one of the ovals to the right of a candidate's name was shaded. If the mark was unclear or the voter intent was otherwise ambiguous then the ballot paper was automatically sent for adjudication; that is to say, it was examined by a small team of scrutineers, working in pairs, who made a decision as to how the ballot paper should be interpreted.

As each ballot paper listed 119 candidates they were very long, which meant that it was difficult to fit them into the envelope provided for the return of postal votes. This meant that frequently they were damaged when they were removed from the envelopes, which in turn caused problems with the scanners because the ballot papers could not pass through without difficulty and were being rejected.

Consequently, it was necessary to transcribe manually the information on such ballot papers onto fresh ballot papers. This task was undertaken by teams of civil servants working in pairs: one to read out what was on the ballot paper; one to mark the votes on a clean ballot paper. Once a ballot paper had been transcribed, the pair swapped papers and double-checked, with

[11] Billet d'Etat VII, 2019

the other reading out whilst his/her colleague checked that the ballot paper was marked correctly.

Whilst this activity was carefully monitored and there is no cause to suspect any fraudulent activity, it did, understandably, raise questions. It will be important to reduce the number of papers transcribed in future, whilst still maintaining the integrity of the election.

The count took place in the Sarnia Hall at Beau Sejour Leisure Centre. It commenced at 10am on the day after the election, 8th October 2020, and concluded at around 1am, with the results being announced by the Central Returning Officer at about 1.45 am. This was longer than original estimates, largely because of unforeseen difficulties with scanning the ballot papers, which are explained above. A further delaying factor was that postal ballots were not separated from other ballot papers at polling stations; they were all placed in the same ballot boxes. This meant that the outer envelopes and the Declarations of Identity could not be opened and checked until the count commenced, whereas this initial step could have been completed earlier had the postal ballots been kept separate. This point has also been picked up by the Parishes in their feedback, and should be addressed by the Election Team for the next election.

The length of time taken to complete the count featured in various stakeholder feedback, including candidate feedback. Some candidates felt that there was a sense of anti-climax when the results were issued, as few people were inclined to attend Beau Sejour at such a late hour. Others felt that the wait was too long and it would have been preferable to call a halt at some point during the evening and recommence the following morning. It has also been suggested that the count could have commenced earlier in order to bring forward the announcement of the results.

With the benefit of experience, there is every expectation that the count could be shortened in future, and it would also be worth the Central Returning Officer considering whether to commence much earlier – e.g. 8am or possibly earlier on the day after the polls close.

<u>Central Returning Officer</u>

Under the previous Parish-based election system, there was a Returning Officer for each district, making seven in total, each of whom had responsibility for ensuring an accurate vote count in his/her electoral district. With the move to island-wide voting, the task of overseeing the vote count fell to a Central Returning Officer who was sworn in by the Royal Court.

Whilst the appointee did an excellent job, the appointment of only one official not only placed a considerable burden on that one person but also created a single point of failure. Should he have become unavailable – for example through illness – on or close to the day of the count, it would have been extremely difficult, if not impossible, to find a suitable replacement able to take over at short notice.

There are certain parallels with the situation regarding Polling Station Officers and, as such, the recommendation is similar in so far as it is considered important that there should be provision in the Law to allow Deputy Central Returning Officers to be sworn in and given the authority to act across the full range of duties in the absence of the Central Returning Officer. Any Deputies appointed could not only step up in the absence of the Central Returning Officer but could also act in support of the individual concerned, which would help to ease the appointee's heavy workload.

Recommendation 7:

It is recommended that SACC should give consideration to amending the Reform Law (or any successor Law) to ensure that it is possible for Deputy Central Returning Officers to be sworn in and given the authority to act across the full range of the Central Returning Officer's duties in his/her absence.

Recount

Unsuccessful candidates had the right to ask for a recount in the event that the difference between the number of votes they received and the number of votes received by the candidate in 38th place was less than 2% of the total number of votes cast.

In the 2020 election, this was the case for six unsuccessful candidates, four of whom requested a recount. The candidate in 39th place received 126 fewer votes than the candidate who came 38th, and the candidate in 44th place, who polled 493 votes fewer than the 38th-placed candidate, was also able to seek a recount.

As pointed out by the CPA in its Election Expert Mission report:

"This is a generous margin which means the chances of a recount are high. … Election authorities may wish to re-evaluate the basis on which recounts can be requested in future elections under the current island-wide system. It might be more practical if the margin of difference between the candidate placed 38th and those below him/her would relate to a percentage of the difference between these contestants in the number of votes cast, rather than a percentage of the total number of ballots issued."

In light of the experience of the 2020 General Election, and given the above comments, it is recommended that SACC should consider the margin of votes required to trigger a recount.

Recommendation 8:
It is recommended that SACC should consider the margin of votes required to trigger a recount after a General Election and, if appropriate, make recommendations for amendments to the Reform Law (or any successor) to reduce the that margin.

Under the Reform Law, recounts are the responsibility of the Bailiff, who appointed a number of Jurats to oversee the administrative aspects of the recount.

UKE advised that it is usual in other jurisdictions where recounts are required, to examine only those ballot papers that had been manually adjudicated, as the ecount machines would not give a different answer, whereas different adjudicators might interpret voter intention differently.

This would be a logical approach but the Reform Law does not give such flexibility, as it was drafted with a manual count in mind and has not been updated to reflect the current reality of electronic vote counting. Consequently, there was no option but to run the entire count again, which is of course more costly and time-consuming than simply re-examining the adjudicated ballot papers.

Given that this was Guernsey's first experience of using an e-count system, it nevertheless provided assurance when the recount did not result in any changes to those elected. It was

therefore a worthwhile exercise in the context of a new system but it is recommended that the Reform Law should be amended in order to allow the Bailiff to exercise more discretion over the exact parameters of any recount, given that electronic counting is set to become the norm.

Recommendation 9:

It is recommended that the Reform Law (or any successor) should, in future, provide for the possibility of an electronic recount and, accordingly, afford the Bailiff more discretion over the exact requirements for a recount.

Election Expenditure – Candidates and Parties

The Rules

Rules regarding the amount of expenditure permissible by candidates and political parties are governed by Article 44 of the Reform Law and the Electoral Expenditure Ordinance 2020, made under the Reform Law.

In summary, the Law and the Ordinance between them set out the permitted maximum levels of expenditure for candidates and political parties, and the transfer of permitted expenditure from candidates to parties; the value of assistance given in kind ("in money's worth"); the need to maintain financial records; and the way in which spending before the Election period is counted towards a candidate's or party's permitted expenditure.

To understand the rules around expenditure it is necessary first to understand what is meant by the regulated period. This runs from the first day on which a nomination of a candidate may be delivered to the Presiding Officer (for the 2020 election 1st September, 2020) and ends on the date of the General Election.

Any money spent, and any materials used, during this period to promote a candidate's election (or to promote a party and its policies) – regardless of when those materials were originally bought or created – must be recorded and counted towards a candidate's (or party's) permitted expenditure.

For the 2020 election candidates were permitted to spend up to £6,000 in money or money's worth.

For the first time, political parties were able to form and endorse candidates for the General Election. Three political parties were registered during 2020: The Alliance Party Guernsey (registered 12th February 2020); The Guernsey Party (registered 5th August 2020); and The Guernsey Partnership of Independents (registered 18th August 2020).

Candidates who were supported or endorsed by political parties had the option of transferring up to £3,000 of their expenditure allowance to the relevant political party, to be used by the party to spend on the promotion of the party and its policies. The expenditure limit for political parties was £9,000.

The issue of campaign expenditure became contentious during the period preceding the election, with concerns being raised that political parties were being treated differently to individual candidates, and complaints that some candidates and parties might have been circumventing the rules by spending money on campaigning outside the regulated period.

With regard to candidates, the interpretation of the term "candidate" is that no-one can become a candidate until his or her nomination has been accepted. Consequently, expenditure prior to the regulated period on "one-off" items – e.g. newspaper or radio advertisements – would not contravene the rules because, although related expenditure

would have occurred outside the regulated period it would not constitute expenditure by a "candidate" and, as such, would not have to be declared in candidates' returns.

Expenditure on items that were less discrete or short-term – for example posters displayed prior to and during the regulated period – would have to be declared because they would be being used during the regulated period, even if the expenditure had occurred in advance.

Notwithstanding the fact that it seems that candidates adhered to the letter of the Law, feedback from the community both before and after the election was that perhaps not everyone had abided by the spirit of the Law. Whether or not such claims are justified, there is little that can be done about them, providing the Law is observed.

A significant issue appears to be the point at which someone becomes an election candidate, as the expenditure rules apply only to candidates. This distinction is not well understood in the community, and it may be that it needs to be emphasised in communications.

In theory, a would-be candidate could incur considerable expenses on promoting his/her candidacy during the nomination period but not submit a nomination form until close to the deadline, meaning that one-off expenses incurred prior to the nomination date do not have to be declared. The only advantage in such an approach would be to enable expenditure in excess of the £6,000 limit. Few candidates came near the expenditure threshold and so this is unlikely to prove a motivation for many.

In the UK, the situation regarding expenditure during the regulated period is the same as in Guernsey but the determination of when someone is deemed to be a candidate, and therefore subject to expenditure rules, differs slightly.

Prior to a UK General Election, the UK Parliament is dissolved. The earliest date that anyone can officially become a candidate is the day of Parliament's dissolution. Parliament is dissolved 25 working days before a General Election. In 2019, the General Election was held on 12th December and Parliament was therefore dissolved on 6 November.

The difference between the UK and Guernsey is that, in the former, if a person has already announced his/her intention to stand, formal nomination is not a pre-requisite for the expenditure rules to apply. A person will become a candidate on the date when Parliament is dissolved if they or others have already announced the intention to stand. If the intention to stand has not been announced by the day of the dissolution of Parliament, people will officially become candidates on the earlier of:

- the date the intention to stand is announced, which may be by the candidate or a third party; or
- the date when the candidate is nominated. This must be prior to the close of nominations.

In Guernsey there is no formal dissolution of Parliament, although the States of Deliberation do not meet during the period preceding an election. Because Guernsey's parliament and government are one and the same, the dissolution of the States would also mean the dissolution of government. Committee business can, and often does, continue throughout the election period and indeed beyond, until the elected Deputies are formally sworn in.

It is difficult to devise and enforce rules in this respect, particularly as prospective candidates can promote themselves via social media at no cost. In practical terms it would be impossible to prevent all pre-election expenditure if a prospective candidate decides to declare his/her intentions very early. However, given that this issue caused much comment from the community, it is suggested that consideration be given to ensuring that formal nomination is not a pre-requisite for the rules to apply, once nominations have opened. This would need to be reinforced with careful communications about the rules, as a lack of understanding contributed to some of the queries received.

It has to be recognised that the nature of political party spending is inherently different from that of an individual election candidate. Political parties endure beyond elections in a way that individual candidates do not. Political parties may incur ongoing expenses associated, for example, with premises from which they are operating, as well as one-off events, potentially linked to promoting the party and its policies but not necessarily directly linked to an election.

Guidance issued by the UK Electoral Commission for the 2019 General Election[12] explains that *"campaign spending is what your party spends on activities to promote the party or criticise other parties during a particular period in the run-up to the election"*, which is a helpful way to distinguish such expenditure from other party expenditure.

One of the issues in respect of party spending in 2020 was that there was little time (ranging between eight months and seven weeks) between the formal establishment of the parties and the election. In such circumstances it is perhaps understandable that there was a perception among some members of the community that parties were disregarding the rules in respect of spending, as it was difficult to separate the everyday expenditure of a political party, particularly one in its infancy, and therefore incurring costs associated with the start-up and promotion of any party, from campaign spending.

This situation is unlikely to recur, as legislation enabling the establishment and recognition of political parties is now in place, well before the next election, whereas there was a much smaller window of opportunity in respect of the 2020 election.

In the 2020 election, the Guernsey Partnership of Independents saw 11 candidates elected (although one has since opted to leave the party), and the Guernsey Party six. No Alliance Party candidates were elected and the party has been dissolved. It is not yet known how Guernsey's political system will mature in respect of political parties. Given that 2020 saw the

[12] UK Parliamentary General Election 2019: Political Parties (GB & NI)

first island-wide General Election which also happened to be the first election featuring political parties, it is perhaps not surprising that a degree of confusion existed around some of the rules pertaining to party expenditure.

Consequently, it is considered that more consideration needs to be given to how the rules are clarified and communicated to parties, candidates and the community but there is no overriding reason to revise the rules at this time.

Candidate Expenditure

As stated above, election candidates were permitted to spend up to £6,000 in money or money's worth. They were able to claim a grant of up to £500 in respect of receipted expenditure for the production and distribution of campaign material, as part of the overall expenditure limit.

There have been many calls for individuals' election expenses to be published but the Law does not expressly permit publication and candidates were not asked to consent to these details being made public, although they are at liberty to publish their own expenditure should they wish. The same is true of political parties' election expenditure, although they are required to file annual accounts.

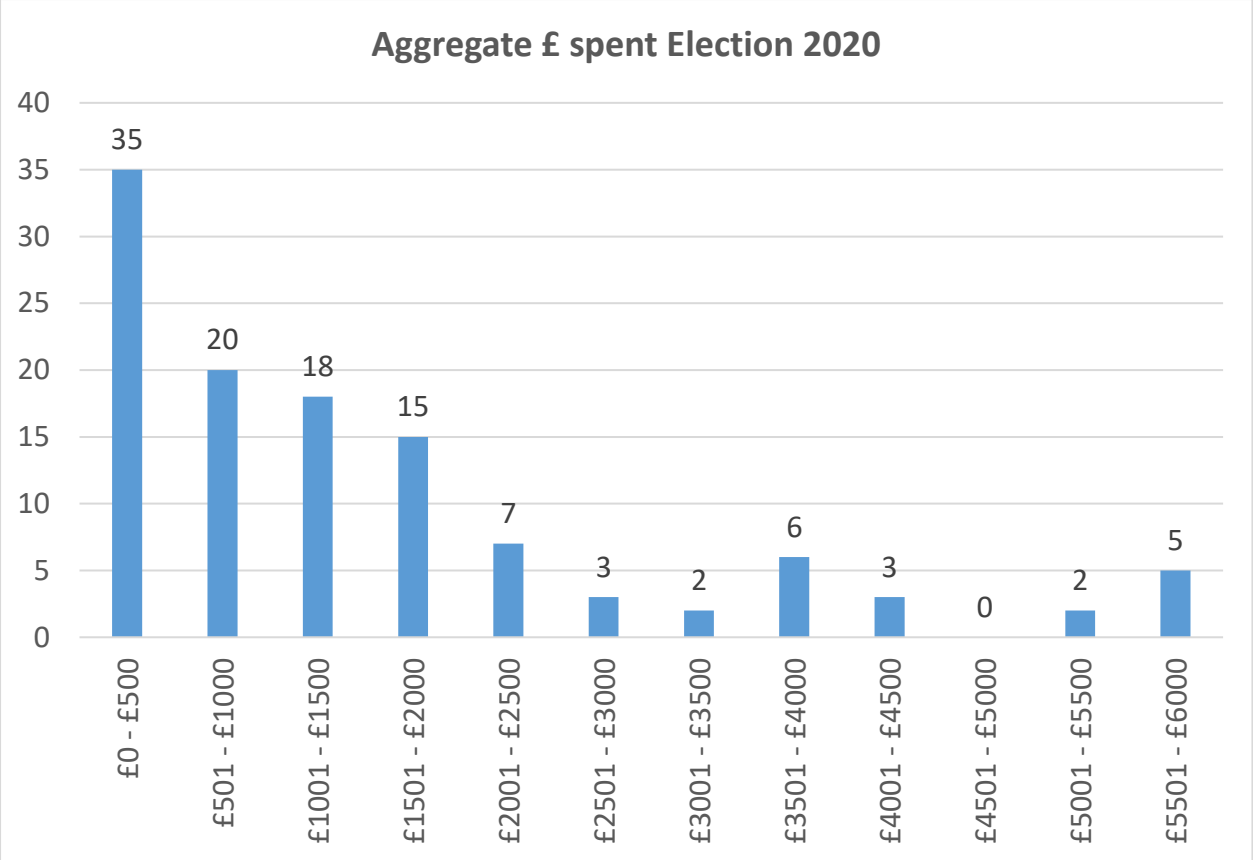
In light of the understandable desire for transparency, it is recommended that the Law be amended to ensure that the ability to publish individuals' expenditure is captured.

Recommendation 10:
It is recommended that the Reform Law (or any successor) should make explicit the fact that parties' and candidates' individual expenditure returns may be published.

Notwithstanding the fact that individual expenses cannot be published without consent, it has been possible to compile some aggregated data that gives an overview of expenditure.

Aggregated candidate expenditure is shown in the graph below[13]:

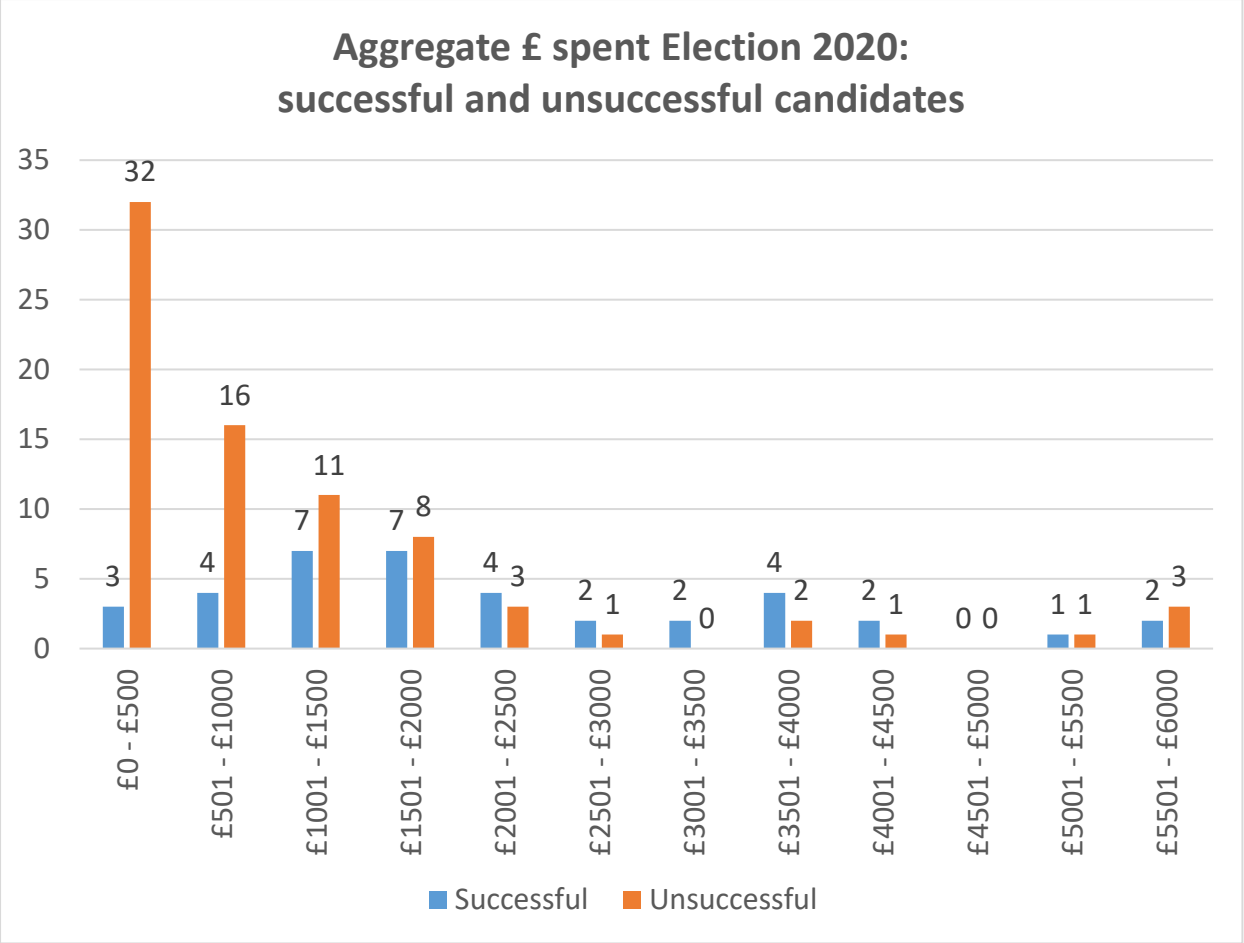
[13] The data relates to 116 candidates, as three (all of whom were unsuccessful) did not submit any returns.



As can be seen, the majority of candidates (98 in total) spent no more than 50% of the £6,000 limit, with most spending significantly less.

There has been speculation over whether it might have been possible to "buy" election success, particularly as the expenditure limit was higher than in past elections. The graph below, which breaks down aggregated expenditure between successful and unsuccessful candidates, shows that greater spending did not necessarily mean success in the election, with three out of five of the highest spenders failing to be voted into political office. Of the successful candidates, 27 spent less than 50% of the permitted expenditure limit. Spending for successful candidates ranged from £285 to £5,859, demonstrating that election success was possible with minimal expenditure.

Despite this, on average, successful candidates spent more than those who were unsuccessful. The average spend by those who were elected was £2,242, whilst for those who were not it was £1,178. Three candidates did not incur any expenditure, none of whom was elected.



The ten successful candidates with the lowest expenditure spent between £265 and £1,034. Of these, five had been Deputies in the 2016-2020 term, whilst five had not.

It is difficult to draw any conclusions based on expenditure alone because the data relates only to those activities and items that had to be declared on an expenses return. It does not take into account the fact that many candidates also went door knocking and/or used free social media or other free activities to promote themselves, nor can it account for existing public profiles. It does show, however, that it was not necessary to spend anything close to the £6,000 expenditure limit to secure election success.

The position regarding publication of party expenditure is the same as for individuals. Aggregate expenditure across all three parties was just under £19,000, with no party exceeding the £9,000 limit. Two parties, the Guernsey Partnership of Independents and the Guernsey Party, have confirmed publicly their election expenditure as £6,500 and £6,200 respectively.

Election Costs

It was difficult to plan the budget for the first island-wide election because, understandably, there were many unknown factors, particularly in the early stages, and it also became necessary to factor in contingency planning occasioned by Covid.

The table below shows expenditure against budget for both the election and the creation of a new Electoral Roll.

Area	Expenditure Category (Per [redacted]udget		Expenditure	Variance
Election	Staffing of Polling Stations and Vote Count	91,000	14,226	76,774
Election	Postal voting	35,000	59,951	(14,951)
Election	Postage (general)	10,000		
Election	Candidate manifesto booklet	82,000	134,505	(42,505)
Election	Printing	10,000		
Election	Contingency	25,000	3,543	21,457
Election	Advertising	24,000	189,894	7,107
Election	IT - hardware / website	38,000		
Election	E-Count Solution	110,000		
Election	Contingency	25,000		
Election	Election Observation Mission	50,000	16,611	33,389
Election	Grants for candidates	50,000	50,454	(454)
Election	Administration - meetings etc.	50,000	43,022	6,978
Election	**TOTAL**	600,000	512,205	87,795
Electoral Roll	Staffing	260,000	249,476	10,524
Electoral Roll	Staffing (uplift in respect of pay awards)	5,593	0	5,593
Electoral Roll	Printing	11,000	16,997	(5,997)
Electoral Roll	Postage (general)	33,500	22,258	11,242
Electoral Roll	IT - hardware / website	25,000	44,201	(19,201)
Electoral Roll	Administration / Stationery	8,500	(728)	9,228
Electoral Roll	Advertising	42,000	32,622	9,378
Electoral Roll	**TOTAL**	385,593	364,826	20,767
COMBINED	**TOTAL**	985,593	877,031	108,562

As can be seen from the table, the cost of running the election was just over £512k, whilst the cost of creating a new Electoral Roll was a little less than £365k, giving a combined total of £877k.

There were a number of factors that influenced the total expenditure. First, the high number of candidates (119) meant that the combined manifesto document was larger than anticipated, which meant that the printing and postage costs increased. The budget for candidate grants was based on 100 candidates claiming the full £500 but, as expected, not all candidates claimed the full amount and therefore the overspend in this area was marginal.

Owing to uncertainty regarding the possible re-emergence of Covid in the community, the decision was made to put a contingency in place should the island have to revert to a previous phase of lockdown over the election period. This contingency plan required a postal voting

ballot paper to be created for all persons on the electoral roll, regardless of whether they were signed up for a postal vote. The cost for this was c. £20k. Fortunately this contingency was not triggered, and thanks to careful budget management, the cost was covered from general contingency and underspends within other areas.

The uptake for postal votes was considerably higher than had originally been anticipated, which may have been influenced by both the number of candidates, meaning that voters preferred to vote in the comfort of their own homes, and also, potentially, concerns about Covid. This area exceeded the budget by c£15k. Feedback from voters has shown that postal voting was very popular and the high uptake is likely to endure, which should be noted for budget planning for future elections.

Owing to the restrictions on travel at the time of the election, it was decided that an in-person election observation mission would not be possible. A remote expert mission was undertaken instead. This meant a significant reduction in the actual cost because of savings on travel, accommodation, staffing costs, etc. The final cost of the election observation mission was £16.6k against a budget of £50k. There is no need to have an election observation mission at every General Election and this is therefore a cost that need not feature in the budget for the next election and, in all likelihood, the one after that too.

The experience gained during the 2020 General Election will help to inform budget decisions in respect of the 2025 election, meaning that a more accurate budget should be achieved.

Conclusion

The 2020 General Election was unique. It was the first General Election to be run on the basis of island-wide voting; it was the first to feature political parties; and it was organised in the middle of a global pandemic.

All of these circumstances threw up issues for those planning and running the election but, notwithstanding the challenges, it can be concluded that the success criteria agreed by SACC and the Committee *for* Home Affairs, were largely met. To recap, those criteria were:

i. A high percentage of those eligible to vote are registered on the Electoral Roll;
ii. A good number of candidates stand for election;
iii. The majority of those on the Electoral Roll cast their votes; and
iv. There is a fair, efficient and democratic election.

As set out in the report, more needs to be done in order to increase the percentage of the electorate who are registered on the Electoral Roll but that work is in train and it is hoped that it will have been concluded in time for the 2025 election.

The other criteria are considered to have been met; again the reasons for this conclusion are set out in the report.

Regardless of the success of any undertaking, lessons can always be learnt and improvements made, which is what the recommendations in the report (and attached as an appendix for ease of reference) are designed to achieve.

Finally, I should like to thank all those who contributed to the delivery of the election and also those who kindly gave up their time to provide feedback afterwards. It is much appreciated.

Colette Falla
Registrar-General of Electors

31st March 2021

Appendix: Recommendations

1. It is recommended that SACC should investigate the creation of an independent body to advise on and oversee future elections. (See p.6)

2. It is recommended that SACC should review the Reform Law and other legislation relating to the holding of elections and, if it thinks fit, make suitable proposals for consideration by the States, for electoral reform by way of a standalone election Law that reflects modern election practices and is easily accessible. (See p.6)

3. It is recommended that consideration be given by SACC to how more hustings-type events can be organised by the States and/or the parishes, also having regard to how the requirements of "special interest" groups can be factored into such hustings. (See p.11)

4. It is recommended that SACC should consider moving the deadline for postal vote applications further from polling day. (See p.16)

5. It is recommended that the Reform Law (or any successor) should in future include provision for Deputy Polling Station Officers to be formally sworn in and given the authority to act across the full range of duties in the absence of a Polling Station Officer. (See p.18)

6. It is recommended that SACC should consider consolidating the polling stations, with a view to reducing the number and/or opening hours of the Parish polling stations and increasing the number of super polling stations. (See p.20)

7. It is recommended that SACC should give consideration to amending the Reform Law (or any successor Law) to ensure that it is possible for Deputy Central Returning Officers to be sworn in and given the authority to act across the full range of the Central Returning Officer's duties in his/her absence. (See p.23)

8. It is recommended that SACC should consider the margin of votes required to trigger a recount after a General Election and, if appropriate, make recommendations for amendments to the Reform Law (or any successor) to reduce the that margin. (See p.24)

9. It is recommended that the Reform Law (or any successor) should, in future, provide for the possibility of an electronic recount and, accordingly, afford the Bailiff more discretion over the exact requirements for a recount. (See p.25)

10. It is recommended that the Reform Law (or any successor) should make explicit the fact that parties' and candidates' individual expenditure returns may be published. (See p.29)

Appendix C

Committee *for* Home Affairs

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5th May 2021

Dear Deputy Meerveld

CPA BIMR Election Expert Mission Report – Guernsey General Election 2020

I refer to your letter of 22nd April 2021 requesting an update in respect of the development of an automated electoral roll. The Committee *for* Home Affairs (the Committee) is pleased to note that the relevant legislation necessary to support the delivery of an automated generation of a list of persons eligible to vote is now in place.

The Committee supports the progression of this Extant Resolution and recognises the efficiencies that an automated electoral roll are likely to deliver. However, it will be essential for this work to be prioritised and resourced in the Government Work Plan in July if a digital solution and the necessary amendments to the Reform Law are to be progressed and in place in advance for the 2025 General Election.

The Committee looks forward to working with the States' Assembly and Constitution Committee and the Policy & Resources Committee to progress arrangements for the 2025 General Election including establishing an automated electoral roll. As part of these further discussions the Committee considers that there would be merit in reviewing the 'blue book' in terms of which Committee might appropriately have mandated responsibility for the electoral roll moving forward.

Yours sincerely

Deputy Rob Prow
President
Committee *for* Home Affairs

Appendix D

Committee *for* Employment & Social Security

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Deputy C P Meerveld
President
States Assembly & Constitution
Committee
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Our Ref:
Your Ref:
Date: 5 May 2021

Dear Deputy Meerveld

CPA BIMR Election Expert Mission Final Report - Guernsey General Election - October 2020

Thank you for your letter, dated 22 April 2021, inviting the Committee *for* Employment & Social Security ('the Committee') to submit a letter responding to recommendations 10 and 11 in the report from the CPA BIMR Election Expert Mission:

- Recommendation 10 – Extension of Articles 4 and 7 of the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) to Guernsey should be pursued without delay.
- Recommendation 11 – Extension of Articles 21 and 29 of the Convention on the Rights of Persons with Disabilities (CRPD) should be pursued without delay.

Firstly, it is important to stress that international human rights treaties, such as CEDAW and CRPD, are extremely wide-ranging covering all areas of life, therefore, a whole government approach is required to progressively realise the requirements of these Conventions over time. That said, the Committee recognises that it has a lead role to play in advising the States of Deliberation on matters relating to equality and inclusion and in working towards the introduction of the key legislative provisions that need to be in force before H.M. Government will consider extending its signatory of either convention to Guernsey.

CRPD
I am advised that comprehensive legislation prohibiting discrimination on multiple grounds, including disability, must be in force before H.M Government will consider extending its ratification of CRPD to Guernsey.

In July 2020, following consideration of a Policy Letter entitled 'Proposals for a New Discrimination Ordinance' ('the July 2020 Policy Letter'), the States agreed unanimously to the preparation of an Ordinance to outlaw discrimination on the grounds of disability, carer status and race. The States also approved an Amendment to the Committee's proposals, laid by Deputy Parkinson and seconded by former Deputy Tooley, which added religious belief and sexual orientation into the first phase of the development of the Ordinance. The States directed the Committee to develop policy proposals for phase 2 of

the development of this Ordinance, for consideration in 2023 and implementation in 2024. Phase 2 will include proposals to introduce protection from discrimination on the grounds of age and the transfer into the new Ordinance of the grounds of protection covered under the existing Sex Discrimination (Employment) (Guernsey) Ordinance, 2005 (i.e. sex (including pregnancy and maternity), gender reassignment and marriage), with any necessary adaptations.

The Committee is currently working on the implementation of phase 1 of the new Discrimination Ordinance, for entry into force in late 2022.

CEDAW

H.M. Government has previously advised the States of Guernsey that the following requirements must be met before consideration will be given to extending the UK's ratification of CEDAW to Guernsey:

1. **Introduction of statutory maternity leave with pay or equivalent benefits**

Statutory maternity leave was introduced with effect from 1 April 2016 and maternity benefit was replaced with a suite of parental benefits, paid at higher rates, with effect from 1 January 2017. I believe this requirement is now met.

2. **Introduction of comprehensive legislation prohibiting discrimination on the grounds of sex**

Sex discrimination in employment is unlawful under the Sex Discrimination (Employment) (Guernsey) Ordinance, 2005. However, sex discrimination in the provision of goods and services, education, accommodation and membership of clubs of associations is not unlawful in Guernsey at the present time.

As noted above, the Committee has been directed to develop policy proposals for phase 2 of the new multi-ground discrimination Ordinance, for consideration in 2023 and implementation in 2024. Phase 2 will include proposals to introduce protection from discrimination on the grounds of age and modernisation of the Sex Discrimination Ordinance, which will include plugging existing gaps where sex discrimination is currently lawful.

3. **Introduction of a legal right for women to equal pay for work of equal value**

In relation to this matter, the July 2020 Policy Letter said:

> "The Committee envisages that phase 3* will include a proposal to introduce the right to equal pay for work of equal value in respect of sex in accordance with Guernsey's obligations under the International Covenant on Economic, Social and Cultural Rights and in order to support the extension of the Convention on the Elimination of All Forms of Discrimination Against Women."

[Please note that the three-phase approach proposed by the Committee was condensed into two phases through a successful Amendment proposed by Deputy Parkinson and seconded by former Deputy Tooley, therefore, this will feature in the phase 2 Policy Letter referred to above.]*

The CPA BIMR Election Expert Mission has recommended that extension of the UK's ratification of Articles 4 and 7 of CEDAW and Articles 21 and 29 of CRPD (the text of these Articles is provided in Appendix 1) should be pursued without delay. While the Committee supports the extension of these Conventions to Guernsey at the earliest opportunity, I understand that it is not possible to select only specific Articles for extension. I am advised that Guernsey would need to seek extension of the UK's ratification of any Convention as a whole, with the possibility of declarations or reservations being applied in line with those that apply to the United Kingdom, and perhaps some that are specific to Guernsey, subject to negotiation with the UK and where the Conventions allow. Therefore, even if Guernsey meets the requirements of the priority Articles identified by the CPA BIMR Election Expert Mission, it would not be possible to seek to extend these Articles to Guernsey until we meet the pre-requisites set out above, which may or may not be relevant to those specific Articles.

Of course, the fact that the UK's ratification of these Conventions has not yet been extended to Guernsey is no barrier to the States of Guernsey working towards the implementation of the measures outlined in Articles 4 and 7 of CEDAW and Articles 21 and 29 of CRPD. Any actions taken in this regard will, in future, assist the States of Guernsey to demonstrate to H.M Government an adequate level of compliance with the requirements of the Convention when an official approach is made.

Given the critical importance of the new Discrimination Ordinance in moving towards extension of CEDAW and CRPD to Guernsey, the Committee looks forward to receiving your wholehearted support, and that of your Committee members, in the implementation of phase 1 of that Ordinance and the development and approval of policy proposals for phase 2.

Yours sincerely



Deputy Peter Roffey
President

APPENDIX 1

CONVENTION ON THE ELIMINATION OF ALL FORMS OF DISCRIMINATION AGAINST WOMEN

Article 4 – Special Measures

"1. Adoption by States Parties of temporary special measures aimed at accelerating de facto equality between men and women shall not be considered discrimination as defined in the present Convention, but shall in no way entail as a consequence the maintenance of unequal or separate standards; these measures shall be discontinued when the objectives of equality of opportunity and treatment have been achieved.

2. Adoption by States Parties of special measures, including those measures contained in the present Convention, aimed at protecting maternity shall not be considered discriminatory."

Article 7 – Political and Public Life

"States Parties shall take all appropriate measures to eliminate discrimination against women in the political and public life of the country and, in particular, shall ensure to women, on equal terms with men, the right:

(a) To vote in all elections and public referenda and to be eligible for election to all publicly elected bodies;

(b) To participate in the formulation of government policy and the implementation thereof and to hold public office and perform all public functions at all levels of government;

(c) To participate in non-governmental organizations and associations concerned with the public and political life of the country."

CONVENTION ON THE RIGHTS OF PERSONS WITH DISABILITIES

"Article 21 – Freedom of expression and opinion, and access to information

States Parties shall take all appropriate measures to ensure that persons with disabilities can exercise the right to freedom of expression and opinion, including the freedom to seek, receive and impart information and ideas on an equal basis with others and through all forms of communication of their choice, as defined in article 2 of the present Convention, including by:

(a) Providing information intended for the general public to persons with disabilities in accessible formats and technologies appropriate to different kinds of disabilities in a timely manner and without additional cost;

(b) Accepting and facilitating the use of sign languages, Braille, augmentative and alternative communication, and all other accessible means, modes and formats of communication of their choice by persons with disabilities in official interactions;

(c) Urging private entities that provide services to the general public, including through the Internet, to provide information and services in accessible and usable formats for persons with disabilities;

(d) Encouraging the mass media, including providers of information through the Internet, to make their services accessible to persons with disabilities;

(e) Recognizing and promoting the use of sign languages."

"Article 29 – Participation in political and public life

States Parties shall guarantee to persons with disabilities political rights and the opportunity to enjoy them on an equal basis with others, and shall undertake to:

(a) Ensure that persons with disabilities can effectively and fully participate in political and public life on an equal basis with others, directly or through freely chosen representatives, including the right and opportunity for persons with disabilities to vote and be elected, inter alia, by:

(i) Ensuring that voting procedures, facilities and materials are appropriate, accessible and easy to understand and use;
(ii) Protecting the right of persons with disabilities to vote by secret ballot in elections and public referendums without intimidation, and to stand for elections, to effectively hold office and perform all public functions at all levels of government, facilitating the use of assistive and new technologies where appropriate;
(iii) Guaranteeing the free expression of the will of persons with disabilities as electors and to this end, where necessary, at their request, allowing assistance in voting by a person of their own choice;

(b) Promote actively an environment in which persons with disabilities can effectively and fully participate in the conduct of public affairs, without discrimination and on an equal basis with others, and encourage their participation in public affairs, including:

(i) Participation in non-governmental organizations and associations concerned with the public and political life of the country, and in the activities and administration of political parties;
(ii) Forming and joining organizations of persons with disabilities to represent persons with disabilities at international, national, regional and local levels."

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

AMENDMENTS TO THE COURT OF APPEAL (GUERNSEY) LAW, 1961

The States are asked to decide:-

Whether, after consideration of the Amendments to the Court of Appeal (Guernsey) Law, 1961, Policy Letter (dated 28th May, 2021) they are of the opinion:-

1. To approve, in addition to those amendments approved by the States at their meeting held on 30th November, 2011, the further amendments to the Court of Appeal (Guernsey) Law, 1961 described in paragraphs 3.2 to 3.9 of the Policy Letter, and

2. To approve the Projet de Loi entitled "The Court of Appeal (Guernsey) (Amendment) Law, 2021" and to authorise the Bailiff to present a most humble petition to Her Majesty in Council praying for Her Royal Sanction thereto.

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.

EXPLANATORY MEMORANDUM

This Law amends the Court of Appeal (Guernsey) Law, 1961 to incorporate those changes approved by the States of Deliberation at its meeting of 30th November, 2011, as well as address certain other matters that had arisen during the subsequent drafting of the Law. The overall effect of the amended provisions will be to modernise the Law, bringing it into alignment with the Court of Appeal (Jersey) Law, 1961, and its subsequent amendments.

Specifically, those amendments made since 2011 will:

- enable Judges to be sworn in using an English language oath;
- require the remuneration rate of Judges to have the approval of the Bailiff;
- enable hearings of the Court of Appeal to take place remotely or outside the Bailiwick;

- allow an application for leave to appeal against an interlocutory order or judgment to be made to a single Judge;
- confer a right of appeal in certain circumstances where there has not been a conviction by the Royal Court;
- confer a right of appeal against forfeiture orders;
- allow the Bailiff to suspend, pending appeal or application for leave to appeal, an order of the Royal Court suspending or revoking a licence;
- require any goods which have been confiscated or forfeited as part of the order of the Royal Court to be kept by the Registrar of the Court of Appeal pending disposal of the appeal or application and;
- make various other minor and consequential amendments.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

AMENDMENTS TO THE COURT OF APPEAL (GUERNSEY) LAW, 1961

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

28th May, 2021

Dear Sir

1. Executive Summary

1.1 In November 2011, the States of Deliberation ("States") resolved[1] that the Court of Appeal (Guernsey) Law, 1961[2], ("the Law") should be amended in order to modernise it and to bring it into alignment with the Court of Appeal (Jersey) Law, 1961[3], which has itself been amended on numerous occasions, and directed the preparation of such legislation as may be necessary to give effect to these proposals. The Resolutions arose as a result of proposals from Her Majesty's Procureur.

1.2 During the drafting process and following consultation with the Bailiff and other Judges of the Court of Appeal, it became apparent that additional amendments to the Law would be necessary or expedient in order to ensure the proper administration of justice. These amendments are detailed in paragraphs 3.2-3.9.

1.3 This Policy Letter seeks the States' approval of the attached Projet de Loi ("Projet") (Appendix 1) in line with the extant Resolutions of 2011, and sets out the additional amendments, and the reasons for them, referred to in paragraph 1.2.

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[1] Billet d'État XIX of 2011, Article XII
[2] The Court of Appeal (Guernsey) Law, 1961
[3] The Court of Appeal (Jersey) Law, 1961

2. Background

2.1 The Guernsey Court of Appeal[4] ("the Court") deals with appeals, mainly from decisions of the Royal Court, where jurisdiction is vested in it by statute. It has two divisions, Criminal and Civil, dependent on the nature of the appeal. The Bailiff of Guernsey is ex-officio the President of the Court, and the other Judges are appointed by warrant of the Sovereign.

2.2 The Court was constituted by the Court of Appeal (Guernsey) Law, 1961 ("the Law"). The Law provides for the creation and functioning of the Court, as well as the appeal process that takes place within each of the two divisions.

2.3 The regime was first proposed in the form of the Court of Appeal (Channel Islands) Order, 1949 to interpose a local Appeal Court between the Royal Courts of Guernsey and Jersey and the Judicial Committee of the Privy Council. However, a single Court for the Channel Islands was found to be impractical, resulting in the enactment of the Law of 1961 and the Court of Appeal (Jersey) Law, 1961 ("the Jersey Law").

2.4 Both the Law and the Jersey Law were based upon the Court of Appeal (Channel Islands) Order, 1949, and so are similar to each other. However, the Jersey Law has been amended on numerous occasions since, whilst the Guernsey Law has not been substantively amended.

2.5 Although many of the amendments made to the Jersey Law since 1961 are of minor or clarificatory nature, some have a more significant bearing on the constitution and function of the Court. It was for this reason that Her Majesty's Procureur recommended in 2011 that the States amend the Law so that the legislation governing the Courts in both Bailiwicks was once again broadly similar.

2.6 At its meeting of 30th November, 2011, the States approved the proposals for amending the Law as set out in a letter from Her Majesty's Procureur, and directed the preparation of legislation to give effect to the decisions. The substantial changes agreed were:

- that the Deputy Bailiff, as well as the Bailiff, should be an ex officio Judge of the Court; the qualification of 10 years' practice in the Channel Islands or United Kingdom should be broadened to include the Isle of Man; and the restriction on a Judge of the Court practising at the Guernsey Bar should be extended to being concerned with any professional matter arising within the Bailiwick;
- to clarify the jurisdiction of the Court by conferring on it a general jurisdiction

[4] The Guernsey Court of Appeal

to hear and determine the appeals from any judgment or order of the Royal Court when exercising jurisdiction in any civil cause or matter, other than a decision of the Full Court involving only the exercise of original or appellate discretion where no point of law is at issue (subject to the other limitations set out in the Law);

- to repeal the existing restrictions on civil appeals based only on the monetary value of disputes;
- to provide the right for appellants to be present at any oral hearing of their appeal (via video link if the Court so directs), whatever the grounds of appeal;
- to allow for retrials following appeals in criminal cases;
- to enable Her Majesty's Procureur to refer a point of law to the Court following an acquittal;
- to enable Her Majesty's Procureur to refer a case to the Court for review of the sentence if it is considered that the sentence is unduly lenient;
- to provide explicit provision for the right of appeal from confiscation orders;
- to provide that all the time which a prisoner spends in custody pending an appeal is to be taken into account, unless the Court otherwise directs, when calculating time to be served under any sentence of imprisonment;
- to transfer the responsibility for making references to the Court relating to the prerogative of mercy[5] from the Secretary of State to the Lieutenant Governor;
- to extend the time for appealing against conviction or sentence from 10 days to 28 days;
- to make additional minor amendments to clarify and extend the powers of a single Judge and in relation to procedural matters and terminology.

3. Subsequent amendments since 2011

3.1 In fulfilling the States direction to prepare the necessary legislation, and through further consultation with the Bailiff and the other Judges of the Court, it became clear that further amendments to the Law would be required. These changes and the reasons for them are set out below.

Oath

3.2 It is proposed that section 5 of the Law is amended to include an English version of the oath in addition to the current French version set out in the First Schedule. This is considered appropriate because the majority of the Judges of the Court are senior lawyers from the United Kingdom. It is also proposed that section 5 and the First Schedule be amended to make explicit reference to the option to

[5] The prerogative of mercy is a royal prerogative which allows the British monarch to grant pardons to convicted persons. This prerogative is now delegated, usually to government ministers responsible for justice (for example, the Lord Chancellor in England and Wales).

affirm as an alternative for a person who does not wish to swear an oath.

Remuneration of Judges

3.3 In section 6 of the Law, in addition to updating the terminology from "emoluments" to "remuneration," it is proposed that remuneration paid to the ordinary Judges of the Court shall be such "as may be determined by or on behalf of the States with the approval of the Bailiff." The Law originally provided for it to be prescribed by Resolution of the States, however it is no longer considered acceptable for a legislature to have the sole power to determine the remuneration of the judiciary. Such a provision is potentially incompatible with Article 6 of the European Convention on Human Rights[6], because the ability of the legislature to arbitrarily reduce the remuneration of the judiciary might affect their independence and impartiality. The proposed wording is consistent with that in section 4(5) of the Royal Court (Reform) (Guernsey) Law, 2008, and section 3(5) of the Magistrate's Court (Guernsey) Law, 2008[7], in relation to the remuneration of the judiciary in those courts.

Venue of hearings of the Court of Appeal

3.4 It is proposed that section 7 of the Law incorporates on a permanent basis the ability of the Court to meet remotely, by telephone or electronic means, in appropriate cases, similar to the provisions made in the Emergency Regulations of 2020 and 2021 in response to the COVID-19 pandemic[8]. In addition, this section should also be amended to allow the Court to sit outside, as well as inside, the Bailiwick. The overall effect will facilitate the proper and timely administration of justice by adding flexibility and efficiency to the Court's hearings.

Powers of a single Judge

3.5 It is proposed that, in section 15, an application to the Court for leave to appeal against an interlocutory order or judgment, where such leave is required, should be made to a single Judge (who may refer the matter to the full Court), and such Judge's decision shall be final. This further addition to the powers of a single Judge is considered expedient in the interests of flexibility and efficiency and will ensure consistency with the Jersey Law in relation to the powers of a single Judge.

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[6] European Convention on Human Rights – Article 6, Right to a Fair Trial

[7] The Royal Court (Reform) (Guernsey Law), 2008 and The Magistrate's Court (Guernsey) Law, 2008

[8] Section 21 in, for example, The Emergency Powers (Coronavirus) (General Provision) (Bailiwick of Guernsey) Regulations, 2021

Rights of appeal

3.6 It is proposed that the Law includes a right of appeal against an order of the Royal Court which does not arise from a conviction by that Court but relates to a community service order or a probation order imposed by the Magistrate's Court. Further, it is proposed to insert explicit provision of a right of appeal against the making of a forfeiture order[9] by the Royal Court under section 18 of the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002[10], in addition to the right of appeal against a confiscation order which was included in the 2011 resolutions.

Effect of appeal on suspension of licences and confiscation of goods

3.7 It is proposed that the Law empowers the Bailiff, where notice of appeal or an application for leave to appeal has been given, to suspend any order of the Royal Court which suspends or revokes a licence or other permit pending such disposal of the appeal or application. Similarly, where goods have been confiscated or forfeited as part of the order of the Royal Court, these goods will be kept by the Registrar of the Court of Appeal on the same basis. This provision is in similar terms to Article 38 of the Jersey Law and will achieve further consistency with the powers of the Jersey Court of Appeal.

Other miscellaneous and consequential changes

3.8 For consistency and accuracy, it is proposed that all current references in the Law to "Her Majesty's Attorney General" be replaced with "Her Majesty's Procureur" which is the correct title of that office in the Bailiwick. It is particularly inappropriate to use the term "Her Majesty's Attorney General" in relation to the new powers to refer points of law in criminal cases to the Court, or to appeal against unduly lenient sentences, when Her Majesty's Procureur is the prosecuting authority.

3.9 It is also proposed that two minor references in the Law are corrected. First, to update the reference to the Clerk of the Court of Alderney in section 11 to the Greffier of Alderney to reflect the duties of that office. Second, reference to the Chief Executive of the States in section 36(6) is replaced by reference to the States Treasurer, the officer who has always de facto carried out the function in that subsection.

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[9] Forfeiture orders are made to deprive an individual of their money where it is thought to be connected to unlawful conduct. The inclusion of a right to appeal against forfeiture orders is in the interest of fairness and to ensure that everyone subject to a Court Order has the right to appeal.

[10] Terrorism and Crime (Bailiwick of Guernsey) Law, 2002

3.10 The above supplementary amendment proposals have been incorporated into the Court of Appeal (Guernsey) (Amendment) Law, 2021 (Appendix 1), in addition to those approved in 2011.

4. Resource implications

4.1 There are no additional resource implications to progress implementing these subsequent amendments. It is likely that these amendments will reduce Court costs in some instances, for example by not incurring the costs of having to bring Judges to Guernsey by allowing remote hearings or hearings outside of the Bailiwick.

5. Legislative implications

5.1 There are no additional legislative implications to progress these additional amendments, other than potentially some minor consequential changes to the Rules of the Court.

6. Operational implications

6.1 There are no notable operational implications if these additional amendments to the Law are approved.

7. Timeframe

7.1 The amended legislation could be enacted in the latter half of 2021, subject to Her Majesty's Royal Sanction.

8. Conclusions and recommendations

8.1 The Committee considers that the proposals should proceed to enactment without further delay and recommends that the States support the Propositions to which this Policy Letter is attached.

9. Compliance with Rule 4

9.1 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.

9.2 In accordance with Rule 4(1), the Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications. She has advised that there is no reason in law why the Propositions should not to be put into effect.

9.3 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.

9.4 In accordance with Rule 4(5), the Propositions relate to the duties of the Committee as set out in section (a) of its mandate.

Yours faithfully

PTR Ferbrache
President

HJR Soulsby MBE
Vice-President

J P Le Tocq
MAJ Helyar
DJ Mahoney

APPENDIX 1

PROJET DE LOI

ENTITLED

The Court of Appeal (Guernsey) (Amendment) Law, 2021

THE STATES, in pursuance of their Resolution of the 30th November, 2011[a] and the * 2021[b], 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.

Amendments to 1961 Law.

1. The Court of Appeal (Guernsey) Law, 1961[c] ("**the Law**") is hereby amended as follows.

2. In section 2(1) of the Law, for "The Bailiff shall be an ex-officio judge" substitute "The Bailiff and the Deputy Bailiff shall be ex officio judges".

3. In section 3 of the Law –

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a Article XII of Billet d'État No. XIX of 2011.

b

c Ordres en Conseil Vol. XVIII, p. 315; amended by Vol. XXIII, p. 188; Order in Council No. III of 2012; Ordinance No. XXXIII of 2003; No. XIII of 2017; Alderney Ordinance No. VIII of 2018; Sark Ordinance No. II of 2020.

(a) in paragraph (a), delete "British",

(b) in paragraph (b), for "the Island of Guernsey or in the Island of Jersey" substitute "the Bailiwick of Guernsey", and

(c) for "England, Scotland or Northern Ireland" substitute "England and Wales, Scotland, Northern Ireland, Jersey or the Isle of Man".

4. For section 4(2) of the Law substitute –

"(2) A judge of the Court of Appeal shall not during the judge's continuance in office practise at the Bar in the Bailiwick of Guernsey or be concerned directly or indirectly, whether within or without the Bailiwick, as counsel, solicitor, arbitrator or referee in any matter arising within the Bailiwick.".

5. In section 5 of the Law, for "subscribe in the Royal Court to the oath" substitute "take the oath, or make the affirmation,".

6. In section 6 of the Law –

(a) in the heading, for "**Emoluments**" substitute "**Remuneration**",

(b) in subsection (1), for "such emoluments as may be prescribed from time to time by Resolution of the States" substitute "such remuneration as may be determined by or on behalf of the States with the approval of the Bailiff",

(c) in subsection (3), for "emoluments" substitute "remuneration".

7. For section 7 of the Law substitute –

"**Venue.**

7. (1) The Court of Appeal may sit for the hearing of appeals in or outside the Bailiwick of Guernsey.

(2) For the avoidance of doubt, the Bailiff or presiding judge may give directions as to how the proceedings of the Court of Appeal shall be conducted, including (but not limited to) a direction that the proceedings, or part thereof, shall be conducted by way of telephone, live video link or any other means of telecommunications or electronic communications.".

8. In section 8 of the Law –

(a) after "Bailiff" insert " or, in the absence of the Bailiff, by the Deputy Bailiff," and

(b) for the proviso substitute –

"PROVIDED that a judge of the Court of Appeal shall not sit as a judge on –

(a) the hearing of an appeal or reference from or relating to a judgment, order, conviction or sentence pronounced, made or passed by any court of which the judge was a member, or

(b) the hearing of any proceedings preliminary or incidental to any such appeal or reference.".

9. For section 10 substitute –

"**Presidency.**

10. (1) Subject to subsection (2) and to section 8, the Bailiff shall be the President of the Court of Appeal.

(2) At any sitting of the Court of Appeal –

(a) if the Bailiff is unable to act, the Deputy Bailiff shall preside, and

(b) if the Bailiff and the Deputy Bailiff are unable to act, the ordinary member of the Court who has the longest service as such a member shall preside, unless the members of the Court at the sitting decide otherwise.

(3) The Bailiff or the Deputy Bailiff may decline to preside in any case in which, in the opinion of the Bailiff or Deputy Bailiff (as the case may be), it is undesirable or inconvenient to do so, and in any such case the provisions of this section shall have effect as if the Bailiff or Deputy Bailiff were unable to act.".

10. In section 11 of the Law –

(a) at the end of subsection (1), insert "("**the Registrar**")",

(b) in subsection (3), for "Clerk of the Court" substitute "Greffier", and

(c) after subsection (3) insert –

"(4) For the avoidance of doubt, the Court of Appeal may sit, and is properly constituted, whether or not the Registrar, Her Majesty's Sheriff or Her Majesty's Sergeant, or any of their respective deputies, is present.".

11. In section 12 of the Law –

(a) in subsection (2), for "in connexion with any appeal" substitute "in connection with any appeal or reference", and

(b) after subsection (2) insert –

"(3) Subject as provided by rules of court, it shall be lawful for a party to an appeal under Part II or for an appellant under Part III, notwithstanding the foregoing provisions of this section, to address the Court of Appeal or any single judge thereof both on the hearing of the appeal and in any proceedings preliminary or incidental to the appeal and to do in any such office or to transact with any such officer as is mentioned in subsection (2) any act or thing required or necessary to be done in connection with any such appeal or proceedings.".

12. For section 14 of the Law substitute –

"**Jurisdiction.**

14. (1) Subject as otherwise provided in this Law or in any other enactment, the Court of Appeal shall have jurisdiction to hear and determine appeals from any judgment or order of the Royal Court when exercising its jurisdiction in any civil cause or matter including its appellate jurisdiction in any such cause or matter originating in the Court of Alderney or the Court of the Seneschal of Sark.

(2) For all the purposes of and incidental to the hearing and determination of any appeal and the amendment, execution and enforcement of any judgment or order made thereon, the Court of Appeal shall have all the power, authority and jurisdiction of the Royal Court, and shall have power, if it appears to the Court of Appeal that a new trial or hearing ought to be had,

to order that the verdict and judgment be set aside and that a new trial or hearing be had.

(3) The Court of Appeal shall exercise such additional jurisdiction as may be conferred on the Court by any enactment.".

13. In section 15 of the Law –

(a) the text is re-numbered as subsection "(1)",

(b) for the words in paragraph (d) substitute "from any judgment or order of the Royal Court sitting as a Full Court, whether exercising its original or its appellate jurisdiction, where no point of law is involved,",

(c) in sub-paragraph (e)(i), for "infants" substitute "a child", and

(d) insert the following additional subsection –

"(2) An application to the Court of Appeal for leave under subsection (1)(e) shall be made to a single judge of that Court and upon such application –

(a) the single judge's decision on the application shall be final, but

(b) the single judge may at any stage refer the application to the full Court of Appeal for decision.".

14. In section 16 of the Law, delete "except where the value of the matter in dispute is equal to, or exceeds, the sum of five hundred pounds sterling".

15. In section 17 of the Law, for the words from "as nearly as may be" to the end substitute "(without prejudice to the discretion of the presiding judge to make such ruling in any particular case as is necessary to do justice) in such manner as may be directed, whether by Practice Direction or otherwise, by the Bailiff as President of the Court of Appeal or, in the absence of the Bailiff, by the Deputy Bailiff.".

16. For section 21 of the Law substitute –

"**Powers of a single judge.**

21. (1) The powers of the Court of Appeal under this Part –

(a) to give leave to appeal,

(b) to extend the time within which notice of an appeal or of an application for leave to appeal may be given,

(c) in any appeal pending before the Court of Appeal, to decide any matter incidental thereto not involving the decision of the appeal,

(d) to make any order as to costs,

may be exercised by a single judge of the Court in the same manner as they may be exercised by the Court and subject to the same provisions, and a single judge may at any time make any interim order to prevent prejudice to the claims of any parties pending an appeal as the judge may think fit.

(2) Every order made by a single judge of the Court of Appeal under this section may be discharged or varied by any judges of the Court having power to hear and determine the appeal.

(3) For the purposes of subsection (1), an appeal is pending if –

(a) an application has been made to the Court of Appeal for leave to appeal, but has not been determined,

(b) an application has been made to the Court for an order authorising (by whatever means) service of a notice of appeal, but has not been determined, or

(c) an appeal has been brought, but has not yet been determined.".

17. For section 23 of the Law substitute –

"**Record and transcript of proceedings in court of first instance.**

23. (1) In any proceedings in which an appeal lies to the Court of Appeal under this Part, a record of the proceedings, by electronic means or otherwise, shall be made, and on any appeal or application to the Court of Appeal a transcript of the record or of so much thereof as the presiding judge of the court whose decision is appealed from or sought to be appealed from or the Court of Appeal shall direct shall be made for the use of the Court of Appeal.

(2) A transcript of the record made under this section must be furnished to any party to the proceedings upon payment of the cost thereof for the time being prescribed by rules made under section 18(2).".

18. In section 24(1)(c)(i) of the Law, for "his conviction" substitute "the person for the offence (whether passed on the person's conviction or in subsequent proceedings)".

19. After section 24 of the Law, insert –

"**Right of appeal in cases where there has not been a conviction.**

24A. (1) Where, under –

(a) section 7 or 10 of the Criminal Justice (Community Service Orders) (Bailiwick of Guernsey) Law, 2006, or

(b) section 10 or 13 of the Probation (Bailiwick of Guernsey) Law, 2018,

a person has been dealt with by the Royal Court, the person may appeal under this Part to the Court of Appeal notwithstanding that the person is not a person convicted by the Royal Court.

(2) Where, under any of the provisions mentioned in subsection (1), a person has been sentenced by the Royal Court, the person may appeal against the sentence under this Part to the Court of Appeal notwithstanding that the person is not a person convicted.".

20. In –

(a) subsections (3) and (4) of section 25 of the Law, and

(b) subsections (1), (2) and (3) of section 26 of the Law, for "at the trial" substitute "as a result of the trial".

21. After section 26 of the Law, insert -

"**Power to order retrial.**

26A. (1) Where the Court of Appeal allows an appeal against conviction and it appears to the Court that the interests of justice so require, it may order the appellant to be retried on a fresh indictment or summons to be brought in the Royal Court within the period of two months after the making of the order or such further period for which it may give leave for the indictment or summons to be brought.

(2) A person shall not under this section be ordered to be retried for any offence other than –

(a) the offence of which the person was convicted at the original trial and in respect of which the person's appeal is allowed as mentioned in subsection (1),

(b) an offence of which the person could have been convicted at the original trial on an indictment or summons for the first-mentioned offence, or

(c) an offence charged in an alternative count of the indictment or summons in respect of which the Jurats were discharged from giving a verdict in consequence of convicting the person of the first-mentioned offence.

(3) The Court of Appeal may, on ordering a retrial, make such orders as appear to it to be necessary or expedient –

(a) for the custody or release on bail of the person ordered to be retried pending the person's retrial, or

(b) for the retention, pending the trial, of any property or money forfeited, restored or paid by virtue of the original conviction or any order made on that conviction.

(4) If the person ordered to be retried was, immediately before the determination of the person's appeal, liable to be detained in pursuance of an order or direction under the Mental Health (Bailiwick of Guernsey) Law, 2010, that order or direction shall continue in force pending the retrial as if the appeal had not been allowed and any order made by the Court of Appeal under this section for the person's custody or release on bail shall have effect subject to the said order or direction.

(5) Schedule 1A shall have effect with respect to the procedure in the case of a person ordered to be retried, the sentence which may be passed if the retrial results in the person's conviction and the order for costs which may be made if the person is acquitted.".

22. After section 28 of the Law, insert –

"**Effect of order.**

28A. Subject to the other provisions of this Part, an order made by the Court of Appeal on any appeal under this Part shall have the like effect and be enforced in the like manner as if it had been made by the Royal Court.".

23. In section 29(1) of the Law –

(a) in paragraph (a), for "ten" substitute "28", and

(b) for paragraph (b) substitute –

"(b) in cases where notice of appeal or notice of application for leave to appeal is given within 28 days after the date of the conviction, until the determination of the appeal or, in any case where an application for leave to appeal is finally refused, of the application,".

24. In section 30 of the Law –

(a) for subsection (1) substitute –

"(1) Where a convicted person wishes to appeal under this Part to the Court of Appeal, or to obtain the leave of the Court of Appeal to appeal under this Part, the person must –

(a) in the case of an appeal against conviction, within 28 days of the date of conviction, and

(b) in the case of an appeal against sentence, within 28 days of the date on which the sentence is passed,

give notice of appeal or notice of application for leave to appeal in such manner as may be prescribed by rules of court.",

(b) in subsection (3), for "Except in the case of a conviction involving sentence of death, the" substitute "The", and

(c) subsection (4) is repealed.

25. For section 31 of the Law substitute –

"**Judge's report on appeal.**

31. (1) This section applies in the case of –

(a) an appeal by a person against conviction,

(b) an appeal by a person against sentence,

(c) an application by a person for leave to appeal against conviction or sentence.

(2) The presiding judge of the court before which the person is convicted or sentenced, as the case may be, may furnish to the Court of Appeal a report giving the presiding judge's opinion upon the case or upon any point arising in the case.

(3) The presiding judge of the court before which the person is convicted or sentenced, as the case may be, shall furnish such a report to the Court of Appeal if required by the Court of Appeal so to do.

(4) Rules of court may prescribe –

(a) the parties to whom copies of a report furnished under this section shall be given, and

(b) the manner in which the copies shall be so given.".

26. In section 32(1) of the Law, for "are or would, if Part II of this Law were in force, be exercisable" substitute "may for the time being be exercised".

27. For section 34 of the Law substitute –

"**Presence of appellant at hearing.**

34. (1) Subject to subsections (2) and (3), an appellant, notwithstanding that the appellant is in custody, shall be entitled to be present (if the appellant desires it) at the hearing of any oral argument –

(a) on the hearing of the appeal, and

(b) on the hearing of any application for leave to appeal under this Part,

but shall not be entitled to be present where the arguments are presented in writing only.

(2) An appellant shall not be entitled to be present at proceedings preliminary or incidental to the appeal except where –

(a) rules of court provide that the appellant shall have the right to be present,

(b) the Court of Appeal gives the appellant leave to be present, or

(c) the appellant is not legally represented.

(3) The Court of Appeal may direct, having first given the parties the opportunity to make representations to the Court, that the appellant's entitlement to be present at any hearing or proceedings is satisfied by the presence of the appellant at a remote location connected to the courtroom by video or other live-link, enabling the appellant to see, and be seen by, the Court, the Registrar and counsel.

(4) The power of the Court of Appeal to pass any sentence under this Part may be exercised notwithstanding that the appellant is for any reason not present.".

28. In section 35 of the Law –

(a) for "Attorney General" in each place where it appears substitute "Procureur", and

(b) subsection (3) is repealed.

29. In section 36 of the Law –

(a) in subsection (1), for "shorthand notes" and "shorthand note" substitute "record", and

(b) in subsection (6), for "Chief Executive of the States of Guernsey" substitute "States Treasurer".

30. In section 37 of the Law –

(a) after subsection (1) insert –

"(1A) The Court of Appeal may, if it thinks fit, revoke bail granted to the appellant by any court.

(1B) Subsections (1) and (1A) are without prejudice to section 26A(3).", and

(b) subsections (3) and (5) are repealed.

31. After section 37 of the Law, insert –

"**Time spent in custody pending appeal.**

37A. (1) The time during which an appellant is in custody pending the determination of the appeal shall, subject to any direction which the Court of Appeal may give to the contrary, be reckoned as part of the term of any sentence to which the appellant is for the time being subject.

(2) Where the Court of Appeal gives a contrary direction under subsection (1), it shall state its reasons for so doing.

(3) The Court of Appeal shall not give such a direction where –

(a) leave to appeal is granted under this Part, or

(b) any such certificate as is mentioned in section 24(1)(b) has been given for the purposes of the appeal.

Suspension of licences and custody of goods pending appeal.

37B. Where notice of appeal or of an application for leave to appeal has been given in respect of a decision which includes –

(a) an order for the suspension or withdrawal of a licence or other permit, the Bailiff may, unless it be otherwise provided by the enactment under which the licence or permit was granted, direct that the order be suspended pending the disposal of the appeal or application,

(b) an order for the confiscation or forfeiture of goods, the goods shall be delivered into the

custody of the Registrar pending the disposal of the appeal or application.".

32. For the heading to section 38 of the Law substitute "**Duties of Registrar under Part III.**".

33. For the heading to section 39 of the Law substitute "**Rules of court under Part III.**".

34. In section 40 of the Law –

(a) for the heading substitute "**Powers under Part III which may be exercised by a single judge.**",

(b) for "to admit an appellant to bail, and the power of the Court to give directions under the proviso to subsection (3) of section thirty-seven of this Law (which relates to admission to bail and computation of sentence)" substitute "to grant, refuse and revoke bail, and the power of the Court to give directions under section 37A of this Law (which relates to time in custody pending appeal)".

35. In section 41 of the Law –

(a) for the heading and subsection (1) substitute –

"**Record and transcript of proceedings at trial.**

41. (1) A record of the proceedings, by electronic means or otherwise, shall be made at the trial of any person who, if convicted, is entitled or may be authorised to appeal under this Part and, on any appeal or application for leave to appeal, a transcript of the record or any part thereof

shall be made if the Registrar so directs and such transcript shall be furnished to the Registrar for the use of the Court of Appeal or any judge thereof, of Her Majesty's Procureur and of the appellant:

PROVIDED that a transcript shall be furnished to any party interested, upon the payment of such amount as may be prescribed by rules of court made under subsection (2).",

(b) in subsection (2), for "note" substitute "record".

36. In section 42 of the Law –

(a) for "(other than sentence of death) passed on a person so convicted, the Secretary of State" substitute ", passed on a person so convicted, being a conviction or sentence against which an appeal lies under this Part to the Court of Appeal, His Excellency the Lieutenant-Governor and Commander-in-Chief of Guernsey", and

(b) in paragraph (b), for "the Secretary of State" substitute "His Excellency".

37. In section 43, in the definition of "**sentence**", for "made on conviction" substitute "(including a confiscation order or forfeiture order as defined in section 43M(1))".

38. After section 43, insert –

"PART IIIA

References and Appeals by Her Majesty's Procureur

Reference to Court of Appeal of point of law following acquittal.

43A. (1) Where a person tried in the Royal Court on indictment or summarily has been acquitted (whether in respect of the whole or part of the indictment or summons) Her Majesty's Procureur may, if Her Majesty's Procureur desires the opinion of the Court of Appeal on a point of law which has arisen in the case, refer that point to that Court, and that Court shall, in accordance with this section, consider the point and give its opinion on it.

(2) For the purpose of its consideration of a point referred to it under this section the Court of Appeal shall hear argument –

(a) by Her Majesty's Procureur, and

(b) if the acquitted person desires to present any argument to the Court, by counsel on the person's behalf or, with the leave of the Court, by the acquitted person in person.

(3) Where, on a point being referred to the Court of Appeal under this section, the acquitted person appears by counsel for the purpose of presenting any argument to the Court, the person shall be entitled to costs, that is to say to the payment out of moneys provided by the States of such sums as are reasonably sufficient to compensate the person for expenses properly incurred by the person for the purpose of being represented on the reference.

(4) A reference under this section shall not affect the trial in relation to which the reference is made or any acquittal in that trial.

Reference to Court of Appeal for review of sentence.

43B. (1) This section applies to any case in which a sentence is passed on a person for –

(a) an offence for which the maximum penalty is imprisonment for a term of five years or longer (whether or not it is one for which any other penalty may be imposed), or

(b) an offence to which this section applies by virtue of an Ordinance made under subsection (4),

but shall not apply in respect of a confiscation order or forfeiture order.

(2) If it appears to Her Majesty's Procureur –

(a) that the sentencing of a person in any proceedings in the Royal Court has been unduly lenient, and

(b) that the case is one to which this section applies,

Her Majesty's Procureur may, with the leave of the Court of Appeal, refer the case to the Court of Appeal for it to review the sentencing of that person.

(3) Without prejudice to the generality of subsection (2), the condition specified in paragraph (a) of that subsection may be satisfied if it appears to Her Majesty's Procureur that the Royal Court –

(a) erred in law as to its powers of sentencing, or

(b) failed to impose a sentence which it was required by law to impose.

(4) The States may by Ordinance provide that this section shall apply to any offence.

Court's powers on reference under section 43B.

43C. (1) On a reference under section 43B, the Court of Appeal may –

(a) quash any sentence passed on the person for an offence (whether passed on the person's conviction or in subsequent proceedings), and

(b) in place of it pass such sentence as the Court thinks appropriate for the case and as the Royal Court had the power to pass when dealing with the person.

(2) In deciding under subsection (1) the appropriate sentence to pass on a person for an offence, the Court of Appeal shall not make any allowance for the fact that the person is being sentenced for a second time in relation to the offence.

Calculation of sentence passed on review.

43D. (1) The term of any sentence passed by the Court of Appeal under section 43C shall, unless the Court otherwise directs, begin to run from the time when it would have begun to run if passed in the proceedings in respect of which the reference was made.

(2) Subsection (1) shall not apply to a custodial sentence which is passed in place of a non-custodial sentence.

(3) The time during which a person whose case has been referred for review under section 43B is in custody pending its review shall be reckoned as part of the term of any sentence to which the person is for the time being subject.

Appeal by Her Majesty's Procureur in respect of confiscation order or forfeiture order.

43E. (1) This section applies to any case in which –

(a) sentence is passed by the Royal Court on a person for an offence,

(b) in passing the sentence, the Royal Court has jurisdiction to make a confiscation order or forfeiture order.

(2) If, in a case to which this section applies, the Royal Court makes a confiscation order or forfeiture order, Her Majesty's Procureur may appeal to the Court of Appeal in respect of the order.

(3) If, in a case to which this section applies, the Royal Court decides not to make a confiscation order or forfeiture order, as the case may be, Her Majesty's Procureur may appeal to the Court of Appeal against the decision.

(4) Subsections (2) and (3) shall not apply to an order or decision made by virtue of any of sections 13, 14 and 19 of the 1999 Law or of any of sections 13, 14 and 19 of the 2000 Law.

(5) An appeal to the Court of Appeal under this section lies only with the leave of the Court of Appeal.

Court's powers on appeal by Her Majesty's Procureur.

43F. (1) On an appeal under section 43E(2), the Court of Appeal may confirm, quash or vary the confiscation order or forfeiture order, as the case may be.

(2) On an appeal under section 43E(3), the Court of Appeal may confirm the decision or, if it believes that the decision is wrong –

(a) may itself proceed under subsections (2) to (10) of section 2 of the 1999 Law, subsections (2) to (8) of section 2 of the 2000 Law, or section 18 of the 2002 Law, as the case may be, or

(b) may direct the Royal Court to proceed afresh under section 2 of the 1999 Law, section 2 of the 2000 Law, or section 18 of the 2002 Law, as the case may be.

(3) In directing the Royal Court under subsection (2)(b) to proceed afresh, the Court of Appeal may also give other directions, and if it does so the Royal Court shall comply with those directions in proceeding afresh in pursuance of this section.

Matters to be taken into account on appeal in respect of confiscation order or forfeiture order.

43G. (1) This section applies if –

(a) the Court of Appeal makes or varies a confiscation order or forfeiture order pursuant to section 43F, or

(b) the Royal Court makes or varies a confiscation order or forfeiture order in pursuance of a direction under subsection (2)(b) of that section.

(2) The court, in so doing, shall have regard –

(a) to any fine imposed on the respondent in respect of the offence (or any of the offences) concerned,

(b) in the case of an order under the 1999 Law, to any order which is specified in either of paragraphs (ii) and (iii) of section 20(1)(a) of that Law and has been made against the respondent in respect of the offence concerned (or any of the offences concerned), and

(c) in the case of an order under the 2000 Law, to any order which is specified in either of paragraphs (ii) and (iii) of section 20(1)(a) of that Law and has been made against the respondent in respect of the offence concerned (or any of the offences concerned).

(3) The court is not required to have regard to an order to which subsection (2) refers where the order has already been taken into account by the Royal Court in deciding for the purposes of –

(a) section 5 of the 1999 Law, or

(b) section 5 of the 2000 Law,

as the case may be, the amount which might be realised.

(4) If, in a case in which the court is proceeding under the 1999 Law, an order has been made against the respondent in respect of the offence concerned (or any of the offences concerned) under section 1 of the Criminal Justice (Compensation) (Bailiwick of Guernsey) Law, 1990 –

(a) the court shall have regard to the order, and

(b) section 2(9) of the 1999 Law shall not apply.

(5) In a case in which the court is proceeding under the 1999 Law, in section 4(3) of that Law –

(a) the assumptions in paragraph (a) of that subsection do not apply with regard to property first held by the respondent on or after the relevant date,

(b) the assumption in paragraph (b) of that subsection does not apply with regard to expenditure incurred by the respondent on or after that date, and

(c) the assumption in paragraph (c) of that subsection does not apply with regard to property received (or assumed to have been received) by the respondent on or after that date.

(6) In a case in which the court is proceeding under the 2000 Law, in section 4(3) of that Law –

(a) the assumption in paragraph (a) of that subsection does not apply with regard to property first held by the respondent on or after the relevant date,

(b) the assumption in paragraph (b) of that subsection does not apply with regard to expenditure incurred by the respondent on or after that date,

(c) the assumption in paragraph (c) of that subsection does not apply with regard to property received (or assumed to have been received) by the respondent on or after that date.

(7) In this section –

"**court**" means –

(a) the Court of Appeal, if that court is itself proceeding under subsections (2) to (10) of section 2 of the 1999 Law, subsections (2) to (8) of section 2 of the 2000 Law, or section 18 of the 2002 Law pursuant to section 43F(2)(a), or

(b) the Royal Court, if that court is proceeding afresh under any of those sections on the direction of the Court of Appeal pursuant to section 43F(2)(b), and

"**relevant date**" means the date on which the Royal Court decided not to make a confiscation order or a forfeiture order, as the case may be.

Right of person to be present.

43H. (1) Subject to subsection (3), a person –

(a) whose sentencing is the subject of a reference to the Court of Appeal under section 43B, or

(a) who is a respondent in an appeal under section 43E,

shall be entitled to be present, notwithstanding that the person is in custody, on the hearing of the matter, except where the arguments are presented in writing only.

(2) Subject to subsection (3), a person in custody shall not be entitled to be present on any proceedings preliminary or incidental to a reference under section 43B or to an appeal under section 43E, unless the Court of Appeal gives the person leave to be present.

(3) The Court of Appeal may direct, having first given the parties the opportunity to make representations to the Court, that a person's entitlement to be present at any hearing, reference or appeal is satisfied by the presence of the person at a remote location connected to the courtroom by video or other live-link, enabling the person to see, and be seen by, the Court, the Registrar and counsel.

(4) The power of the Court of Appeal to pass sentence on a person under section 43C or to make any order under section 43F may be exercised even though the person is not present.

Time for proceeding under Part IIIA.

43I. (1) Notice of –

(a) a reference to the Court of Appeal under section 43A,

(b) an application for leave to refer a case to the Court of Appeal under section 43B,

(c) an application for leave to appeal to the Court of Appeal under section 43E,

shall be given within 28 days from the day on which the sentence or the last of the sentences in the case was passed.

(2) The time during which notice of –

(a) a reference, or

(b) an application for leave to refer a case or for leave to appeal,

may be given may be extended at any time by the Court of Appeal.

Duties of Registrar under Part IIIA.

43J. If the Registrar is given notice of a reference under section 43A, an application or reference under section 43B or an application or appeal under section 43E, the Registrar shall –

(a) take all necessary steps for obtaining a hearing of the matter, and

(b) obtain and lay before the Court of Appeal in proper form all documents, exhibits and other

things which appear necessary for the proper determination of the matter.

Powers under Part IIIA which may be exercised by a single judge.

43K. (1) In respect of any application, reference or appeal under this Part -

(a) the power of the Court of Appeal to give leave to refer a case to it or to appeal to it,

(b) the power of the Court under section 43H to give leave to a person to be present at any proceedings in any case where the person is not entitled to be present without leave, or to give a direction under section 43H(3),

(c) the power of the Court under section 43I(2) to extend the time for giving notice,

(d) the powers of the Court to make any orders as to costs, and

(e) such other powers to determine matters preliminary or incidental to the reference as may be prescribed,

may be exercised by any single judge of the Court in the same manner as they may be exercised by the Court, and subject to the same provisions.

(2) If the single judge refuses an application to exercise any power to which subsection (1) refers, the applicant shall be entitled to have the application determined by the Court of Appeal as duly constituted for the

hearing and determining of references under either of sections 43A and 43B or appeals under section 43E.

Supplementary provisions as to Part IIIA.

43L. In respect of any application, reference or appeal under this Part –

(a) section 27 shall apply to any judgment of the Court of Appeal as that section applies to a judgment of the Court under Part III,

(b) the Court of Appeal shall, for the purposes of and subject to the provisions of this Part, have the same powers as are conferred on it by section 28 for the purposes of Part III,

(c) subject to the provisions of this Part, section 28A shall apply to any order made by the Court of Appeal as it applies under Part III to an order made by it on any appeal,

(d) section 31 shall apply as it applies under Part III to an appeal and an application for leave to appeal,

(e) the Court of Appeal shall for the purposes of this Part have the same powers as are conferred on it by section 32 for the purposes of Part III,

(f) section 33 shall apply to an acquitted person to whom section 43A refers and to a person to

whom section 43B(1) refers as it applies to an appellant under Part III, and

(g) section 39 shall apply as it applies in relation to appeals under Part III.

Interpretation of Part IIIA.

43M. (1) In this Part –

"**1999 Law**" means the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999,

"**2000 Law**" means the Drug Trafficking (Bailiwick of Guernsey) Law, 2000,

"**2002 Law**" means the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002,

"**confiscation order**" means a confiscation order as defined in section 2(10) of the 1999 Law or in section 2(8) of the 2000 Law,

"**forfeiture order**" means an order made in accordance with section 18 of the 2002 Law,

"**respondent**" means a person in whose case the making, or not making, of a confiscation order or forfeiture order is the subject of an appeal under section 43E.

(2) Expressions which are used in this Part and which are also used in Part III shall have the same respective meanings as they have in Part III.".

39. In section 46 of the Law, after the definition of "**prescribed**" insert –

""**Registrar**": see section 11(1),

"**remote location**" means a location other than the courtroom, which may, however, be within the same building as the courtroom, elsewhere within the Bailiwick of Guernsey, or anywhere else in the world,".

40. In the First Schedule to the Law –

(a) after "que vous devez à Dieu" insert "*[Vous affirmez et promettez solennellement et sincèrement]*",

(b) for "l'avancement de la gloire de Dieu et" substitute "[l'avancement de la gloire de Dieu et]",

(c) for "Ainsi Dieu vous aide." substitute "[Ainsi Dieu vous aide.]",

(d) for "DIEU SAUVE LA REINE" substitute –

"[DIEU SAUVE LA REINE]

OR

You swear and promise on the faith and oath which you owe to God *[solemnly, sincerely and truly declare and affirm]* that well and faithfully you will exercise the office and charge of Judge in the Court of Appeal of the Bailiwick of Guernsey; that you will uphold [the Glory of God and] the honour of Our Sovereign Lady Elizabeth II, by the Grace of God Queen of the United Kingdom of Great Britain and Northern Ireland and of her other realms and territories, Head of the Commonwealth, Defender of the Faith; and that you will be a true and loyal subject of Her Majesty; that well and loyally you will preserve and maintain with all your power all the laws, liberties, usages and

ancient customs of the said Bailiwick, opposing any person who might seek to violate them; and that you will administer good and concise justice to all without respect of persons.

You promise accordingly.

[So help you God]

GOD SAVE THE QUEEN".

41. After the First Schedule to the Law, insert –

"SCHEDULE 1A

Section 26A

POWERS, PROCEDURE ETC. UPON RETRIAL

1. On a retrial, a transcript of the record of the evidence given by any witness at the original trial may, with the leave of the Royal Court, be read as evidence –

(a) by agreement between the parties, or

(b) if the Royal Court is satisfied that the witness is dead or unfit to give evidence or to attend for that purpose, or that all reasonable efforts to find the witness or to secure the witness's attendance have been made without success,

and in either case may be so read without further proof if the Royal Court is satisfied that the transcript is a true and accurate record of the witness's evidence at the trial.

2. Where a person ordered to be retried is again convicted on retrial, the Royal Court may pass in respect of the offence any sentence authorised by law, not being a sentence of greater severity than that passed on the original conviction.

3. Without prejudice to its power to impose any other sentence, the Royal Court may pass in respect of the offence any sentence passed in respect of that offence on the original conviction notwithstanding that, on the date of the conviction on retrial, the offender has ceased to be of an age at which such a sentence could otherwise be passed.

4. Where the person convicted on retrial is sentenced to imprisonment or other detention, the sentence shall begin to run from the time when a like sentence passed at the original trial would have begun to run; but in computing the term of the person's sentence or the period for which he may be detained thereunder, as the case may be, there shall be disregarded –

(a) any time before the person's conviction on retrial which would have been disregarded in computing that term or period if the sentence had been passed at the original trial and the original conviction had not been quashed, and

(b) any time during which the person was released on bail under section 26A(3).

5. Where a person is acquitted on retrial the Royal Court may, in addition to any costs which it could have ordered to be paid at the original trial or prosecution if the person had been acquitted, make an order under section 36(2) in respect of that person's expenses on appeal if the Court of Appeal has not already done so.".

Interpretation.

42. In this Law, unless the context otherwise requires, "**the Law**" means the Court of Appeal (Guernsey) Law, 1961.

Extent.

43. This Law shall extend to the Bailiwick of Guernsey.

Citation.

44. This Law may be cited as the Court of Appeal (Guernsey) (Amendment) Law, 2021.

Commencement.

45. This Law shall come into force on the day of its registration on the records of the island of Guernsey.

P.2021/83

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR THE* ENVIRONMENT & INFRASTRUCTURE

THE ISLAND'S FUTURE AGGREGATE SUPPLY

The States are asked to decide: -

Whether, after consideration of the Policy Letter entitled 'The Island's Future Aggregate Supply' dated 28th June, 2021 they are of the opinion: -

1a. To agree the principle of on-island quarrying in order to provide the future supply of aggregate for Guernsey (Option A in the policy letter).

Or, only if Proposition 1a shall have been defeated,

1b. To agree the principle that the future supply of aggregate for Guernsey shall be through importation (Option B in the policy letter) on exhaustion of existing aggregate reserves at Les Vardes Quarry.

2. If Proposition 1a is approved:

a) to agree that Phase 3 of the development of Chouet Headland for quarrying will be subject to a decision of the States as to whether on-island quarrying remains the most appropriate method of supply of aggregate for Guernsey at that time, and to direct the Committee *for the* Environment & Infrastructure to provide the States with updated evidence to inform their decision no later than five years before the completion of Phase 2.

b) to direct the Policy & Resources Committee, in consultation with the Committee *for the* Environment & Infrastructure, to continue negotiations with land owners in relation to Les Vardes Quarry and Chouet Headland, including, where appropriate, in relation to the acquisition of land or the right to use land, in order to best achieve the States of Guernsey's strategic aims in relation to on-island quarrying and other potential future strategic uses and to bring forward its recommendations to the States of Deliberation.

c) to direct the Development & Planning Authority to complete the Development Framework for Chouet Headland in order to give planning guidance for the area safeguarded for mineral extraction; and

d) to note Ronez Limited's agreement to offset local negative environmental impacts in the short and long term, to achieve overall biodiversity net gain (see section 10.68).

3. If proposition 1b is approved, to direct the States' Trading and Supervisory Board and the Committee *for the* Environment & Infrastructure to submit propositions and a policy letter to the States which establishes the infrastructure requirements associated with the importation of aggregate and includes updated estimates of any financial implications to the States of any improvements needed in relation to infrastructure, storage space and other matters to allow for future supply of aggregates through import and any proposals needed for approval of funding of the same.

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.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR THE* ENVIRONMENT & INFRASTRUCTURE

THE ISLAND'S FUTURE AGGREGATE SUPPLY

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

28th June, 2021

Dear Sir

1 Executive Summary

1.1 Security of supply of aggregate is essential for construction in the Island. Ronez Limited ("Ronez") (the operator of the existing quarry) has advised that current workable unconstrained[1] reserves of granite at Les Vardes Quarry, which are used for aggregate, are expected to be exhausted by the end of 2023. This may be sooner if demand increases, with a corresponding increase in the extraction rate, which could potentially be triggered by large infrastructure projects and/or increased house building which might be required as part of the Island's economic recovery actions. The Committee recognises that the future strategic requirements for waste, water and stone would be most appropriately considered together to provide a co-ordinated response to the short, medium and long-term requirements. However, the previous estimate in 2016 had suggested that unconstrained reserves would not be exhausted until 2028, but this date has since been brought forward to 2023 by Ronez. This means that the matter of future aggregate supply now needs to be resolved with greater urgency than previously understood and the Committee has therefore needed to consider this matter within a short time period ahead of other strategic requirements.

[1] 'Unconstrained' reserves relate to the area of granite which can be extracted through continuing existing quarry operations; 'constrained' reserves relate to the area of granite located beneath the operator's plant and equipment at the quarry, which cannot be extracted until that plant is re-located to give access to the reserves.

1.2 In order to make a recommendation to the States Assembly, the Committee *for the* Environment & Infrastructure ("the Committee") has assessed two options:

> OPTION A – To continue the principle of on-island quarrying by quarrying a new site in order to meet the majority of aggregate demand, with the balance of additional aggregate requirement met through importation when required (as existing); and
>
> OPTION B – On exhaustion of existing aggregate reserves at Les Vardes Quarry, to meet the demand for aggregate through importation from suppliers overseas.

1.3 The Committee has evaluated as much evidence as possible to assess the relative merits and disadvantages of each option, taking into careful account economic, social and environmental factors. As these span such issues as security of aggregate supply, effects on construction costs and employment, infrastructure demand and requirements, pollution impacts, carbon emissions, biodiversity and nature loss, a strategic assessment is neither simple nor straightforward. In summary, there is a clear economic case for the continuation of on-island quarrying (Option A), but the environmental and social amenity cases are much more complex.

1.4 Option A has more positive and fewer negative economic impacts than Option B, as importation would increase the cost of aggregate and necessitate the loss of jobs. Both options have some social amenity impacts. In terms of environmental impacts, Option A has lower energy and climate change impacts than Option B, but higher localised environmental impacts. Having assessed all the impacts at a strategic level, the Committee recommends, by a majority, Option A – the continuation of on-island quarrying of aggregate. However, in doing so, the Committee stresses that the negative localised environmental impacts need to be minimised, mitigated and more than offset. There are in fact opportunities to realise net positive environmental improvements, both at Chouet Headland and (by virtue of restoration and offsetting projects) in other parts of the Island as well. Ronez's agreement to Biodiversity Net Gain ("BNG"), which would deliver this overall environmental improvement locally, is a key factor in the Committee's majority recommendation of Option A.

1.5 There are three phases of development of Chouet Headland as a quarry that could potentially progress over approximately 35 years (see Image 1 on p.12), but the effects of this large-scale infrastructure development will be wide ranging over a significant time period. Baseline evidence and the nature of impacts and effects have the potential to change significantly over that timeframe. These include potential changes to carbon impacts due to

developments in shipping and vehicle technology, and the transition away from hydrocarbon fuels.

1.6 Given that impacts on social amenity are particularly focussed in Phase 3 of Chouet Headland and that there may be changes to demand and the amount of aggregate required due to innovations in building and construction techniques over time, the Committee considers it is appropriate to recommend that the States has the opportunity to review up-to-date evidence before agreeing to the commencement of Phase 3 extraction at Chouet Headland so that it can be determined if evidence continues to support on-island quarrying as the most appropriate aggregate supply option. The quarry operator has confirmed that quarrying the headland would remain a viable proposition in the event that Phase 3 is not commenced.

2 Introduction

2.1 The intention of this policy letter is to provide security of supply of aggregate for Guernsey. Aggregate is particulate material, which is supplied to the local construction market, either as 'dry stone' or for use in the manufacture of concrete, concrete products and asphalt. It is an essential commodity, the supply of which has significant impacts on the construction industry and on the supply and cost of asphalt and concrete. Notwithstanding options for alternative building techniques, such as modular buildings, aggregate continues to be essential for elements of building construction as well as roadbuilding and repair. It is not anticipated that alternative building methods will have a noticeable impact on aggregate demand locally in the short to medium term as some methods reduce aggregate requirements e.g. structural insulated panels (SIPS) replacing concrete blocks but others require more aggregate (e.g. Sustainable Urban Drainage Systems).

2.2 Aggregate is used in the production of a range of concrete blocks and road kerbs, lintels etc. Local companies rely on concrete supplied by Ronez in order to manufacture other products used in construction such as the beams for beam and block flooring and rings for drainage systems. The States of Guernsey is the primary consumer of asphalt for road building and repair, the costs of which would increase should the cost of aggregate increase.

2.3 Guernsey's base aggregate demand (110,000 tonnes per annum) is currently met by mineral extraction at Les Vardes Quarry ("Les Vardes") in the north of the Island which is the only currently workable local commercial quarry. Sand, cement and the balance of aggregate required to meet demand is met by importation from the UK or mainland Europe. Sand and cement are not available

locally so will always need to be imported, although the amount imported has reduced consistently in recent years.

2.4 In addition to the extracted reserves, Ronez currently imports 500 tonnes of coarse aggregate to supplement local production, 10,500 tonnes of sand and 8,000 tonnes of bulk cement per annum. As well as Les Vardes, Ronez also operates a site, Les Monmains, Vale, which is used to produce concrete and concrete products as well as for storage and recycling.

2.5 In the last five years, the average annual production rate at Les Vardes was 103,000 tonnes, and in the last 10 years it was 125,000 tonnes. The predicted average production rate going forward is 110,000 tonnes. In 2020, production was reduced to 92,000 tonnes as a result of the pandemic, but this is expected to return to at least the average predicted extraction rate in the near future. Ronez has advised that current workable unconstrained reserves of granite (211,000 tonnes as of June 2021) at Les Vardes, which are used for aggregate, are expected to be exhausted by the end of 2023 at the average extraction rate. The remaining constrained reserves (488,000 tonnes) can only be extracted if the existing plant and equipment is then removed. This would allow extraction to continue to 2029 if all the existing plant and equipment is removed and replaced elsewhere. However, if replacement plant and equipment is not provided at Chouet Headland mobile plant would be required to process extracted constrained reserves at Les Vardes. This could extend extraction until 2032 but due to limitations of space and maximum production when mobile plant is required, it would not be possible to meet the full base demand volume from extraction at Les Vardes if Chouet Headland is not developed. As a result, volumes would need to be supplemented by increased importation potentially from 2024. However, this date would be influenced by the balance between the rate of extraction and amount of aggregate imported, which in turn would influence the cost of aggregate. Timelines may be brought forward if demand were to increase, with a corresponding increase in the extraction rate which could potentially be triggered by large infrastructure projects and/or increased house building which might be required as part of the Island's economic recovery actions.

2.6 Estimates prior to 2016 suggested that unconstrained reserves would not be exhausted until 2028, but this has now been brought forward to the end of 2023. There would be implications for ports infrastructure which would have considerable lead in times to resolve should importation be agreed as the future route of aggregate supply. Although the Committee recognises that ideally the future strategic requirements for waste, water and stone should be considered together to provide a co-ordinated response, considering this information, there is now some urgency in determining if the principle of continuing on-island

quarrying on a new site is acceptable or whether full importation would be the most appropriate route for future aggregate supply.

2.7 Since the Island Development Plan ("IDP") was approved in 2016 there has been a requirement for some developments to provide site waste management plans, which has led to greater reuse of inert material on site and increased recycling, including aggregate. However, the grading of recycled aggregate restricts what it can be used for. It can also be difficult to assess the quality of used aggregate without knowing the specific particulates that it comprises. Therefore, there are limitations to what recycled aggregates can be used for. Ronez and other local companies have confirmed that they are already recycling and reusing as much aggregate as they feasibly can, so it is unlikely that future recycling rates will impact significantly on the level of local demand for aggregate.

2.8 Market forces may change the level of demand over time and any large-scale infrastructure project may significantly increase demand. Capital projects agreed and implemented by the States of Guernsey contribute significantly to the demand for aggregate, as does house building and the road resurfacing programme. The decision on the most appropriate route for future aggregate supply will directly influence the cost of development and will therefore have implications for our economic recovery.

2.9 Two options have been investigated to provide an appropriate future supply of aggregate for Guernsey once existing reserves are exhausted. These are:

> OPTION A – To continue the principle of on-island quarrying by quarrying a new site in order to meet the majority of aggregate demand, with the balance of additional aggregate requirement met through importation when required (as existing); and
>
> OPTION B – On exhaustion of existing aggregate reserves at Les Vardes, to meet the demand for aggregate through importation from suppliers overseas.

2.10 A draft Development Framework for the use of Chouet Headland for quarrying was prepared by the Development and Planning Authority ("DPA") and was published for public consultation in April 2019. The DPA received over 100 responses. Although it was decided at that stage that the States of Deliberation should decide whether the principle of on-island quarrying was acceptable before progressing further with the Development Framework, the Committee has taken the responses received into consideration at the appropriate strategic level in drafting this policy letter and related propositions. These matters will be considered in greater detail at the planning application stage, which will require the submission of a full Environmental Impact Assessment ("EIA").

2.11 A summary of the main topics covered within the representations is as follows:

- The need for a quarry and investigation of alternatives;
- Process and procedures;
- Cost vs benefit;
- A need for further investigation and evidence;
- Concerns regarding the effects on health implications;
- Visual impacts;
- Traffic and road safety – welcome the inclusion of a Traffic Impact Assessment;
- Impacts on neighbouring businesses;
- Maintaining access to the coastal path;
- Historic environment;
- Environmental impact;
- Concerns regarding the discharge of water from the site;
- The continuation of quarrying in respect of maintaining employment levels and keeping down the costs of construction; and
- Location and demand of the Chouet Range and pistol shooting facilities.

3 Background

3.1 Quarrying in Guernsey started in the late 18th century and peaked during the 19th century, with more than 250 quarries being actively mined for stone. The quarry at Les Vardes is understood to have originated in the early 19th century and remained in operation until it was abandoned shortly after the Second World War. Ronez re-opened the quarry in 1961 and has operated there continuously ever since. Permission for a north-western extension to the quarry containing about 750,000 tonnes of reserve was granted in 2010. There are no further feasible extensions to Les Vardes.

3.2 The quarry extracts granite deposits from the Bordeaux Northern Diorite formation to produce a range of aggregate products which are supplied to the local construction market, either as 'dry stone' or for use in the manufacture of concrete, concrete products and asphalt.

3.3 In 2012, the former Policy Council decided to investigate and consult on options for how the Island's future requirements for aggregate could be most appropriately met. In October 2014, a sub-group (later subsumed into the Environmental Policy Group, or EPG) considered a paper that evaluated potential options for dealing with the future supply of aggregate in Guernsey. The group specifically considered whether Guernsey should continue to quarry aggregate locally once Les Vardes was exhausted, or whether there was a viable alternative that would better balance the environmental, economic and social objectives of the States of Guernsey.

3.4 In 2015, the Policy Council subsequently agreed to ratify the recommendations of the EPG and agreed to support the principle of quarrying the Chouet Headland (comprising land owned by the States and by Ronez) following the exhaustion of stone at Les Vardes, negotiate terms for an exchange of land with Les Vardes, and prepare a policy letter to be presented to the States Assembly seeking support to enable quarrying of Chouet Headland (and by implication on-island quarrying).

3.5 In July 2016, having considered the handover document and the conclusions of the EPG in relation to the principle of mineral extraction on-island, the newly-formed Committee *for the* Environment & Infrastructure (the former Committee) endorsed the previous decision of the Policy Council to generally support the continuation of quarrying in Guernsey and to continue to negotiate with Ronez regarding the Chouet Headland and Les Vardes. This decision also endorsed the Policy Council's previous intention that the strategic decision about whether to continue on-island quarrying once Les Vardes was exhausted should be a decision of the States Assembly. It is important to note that the then Committee agreed to advise Ronez that the decisions were made without prejudice to any final decision on the carrying out of quarrying operations at the Chouet Headland.

3.6 At that time, the anticipated exhaustion date for unconstrained reserves at Les Vardes was 2028. Therefore, although it endorsed the continuation of negotiations with Ronez, the work was not prioritised. However, in 2019 the former Committee became aware that the anticipated exhaustion date for unconstrained reserves at Les Vardes had been significantly revised to mid-2021 at predicted average extraction rate. This has since been revised to the end of 2023 because of the impacts on demand of the COVID-19 pandemic and a resurvey of the quarry.

3.7 The former Committee noted, however, that its position was based on evidence which was well over five years old at the time and did not consider in depth some relevant issues that had since become more prominent, such as the carbon impacts of the various options for aggregate supply and other environmental considerations. It also did not have up-to-date information on the economic impacts and costs associated with the various options. It therefore determined that further evidence was required which reflected the current and future situation, to enable a robust consideration of the economic, environmental, social and infrastructural impacts of the options. That evidence is central to this policy letter.

3.8 After being approached by the quarry operator, the former DPA began to draft a Development Framework for the use of Chouet Headland for quarrying, which is now substantially progressed. The public consultation on the draft Development Framework attracted a significant number of representations which notably

questioned the principle of quarrying on-island instead of importation of aggregate. Although no consent is conferred by a Development Framework, the former DPA considered that it would not be appropriate for it to continue to develop this policy delivery mechanism ahead of the Assembly's decision about the future supply route for aggregate. It paused the completion of the Development Framework until the matter had been debated.

3.9 The Committee recognises that this policy letter and States debate is the most effective mechanism by which the public can engage with policy makers about the most appropriate route for the future supply of aggregate, the principle of on-island quarrying, and the potential use of Chouet Headland for mineral extraction.

4 Mineral Reserves at Les Vardes Quarry and Chouet Headland

4.1 The Committee was informed in 2016 that the unconstrained reserves at Les Vardes would be exhausted by the middle of 2021. However, this estimate has now been revised further: unconstrained reserves are now expected to last until the end of 2023 at the predicted average extraction rate. This is a consequence of various circumstances. Pandemic-related lockdowns in both 2020 and 2021 have resulted in a lower demand and a corresponding reduced average aggregate production rate. In addition, Les Vardes' design was updated towards the end of 2020 following a resurvey, allowing for optimal reserve extraction.

4.2 Therefore, as of 23 June 2021, the remaining unconstrained reserves were 211,000 tonnes. Using a predicted average annual demand of 110,000 tonnes, this is anticipated to last just under two years. However, this will be influenced by factors such as increased house building or infrastructure projects coming forward.

4.3 The constrained reserves (situated under existing plant) are now estimated to be 488,000 tonnes, giving a total reserve at Les Vardes of 699,000 tonnes. However, the time period in which reserves will be extracted will depend to some extent on the Assembly's decision regarding the future supply of aggregate, as each option necessitates different logistical arrangements.

4.4 If the Assembly decides not to continue to quarry on-island at Chouet Headland, Ronez would consider locating a new asphalt plant at its Les Monmains site, if it is viable to do so. It would then remove the existing asphalt plant and quarry process plant at Les Vardes so that constrained reserves could be extracted and processed using mobile plant. This would maximise extraction at Les Vardes. However, restrictions due to the size of the quarry and capacity limitations associated with the use of mobile processing plant would negatively affect supply. It is anticipated that 60,000 tonnes per annum could be achieved through extraction in these circumstances, so the balance of demand (on average 50,000

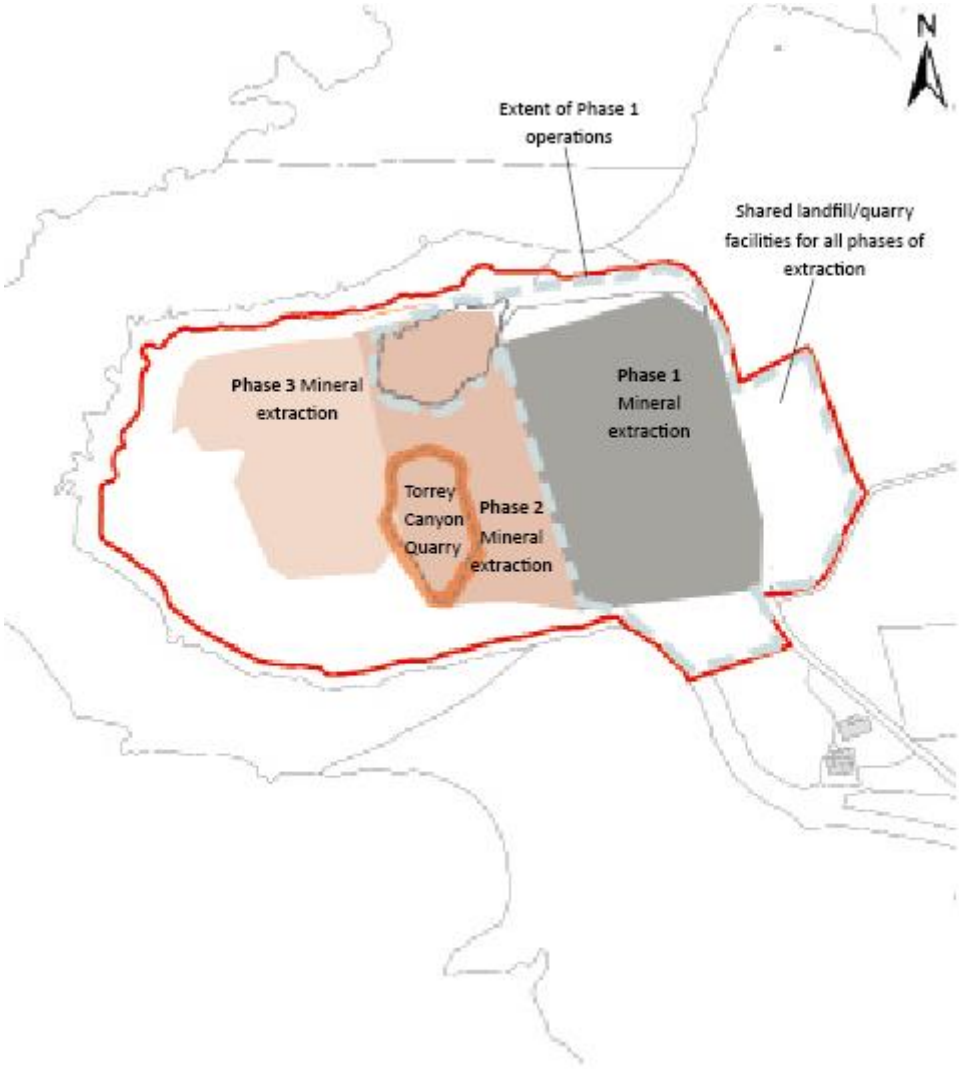
tonnes) would be required to be imported. Production will reduce as the quarry reaches the lowest 'bench' (or layer of rock) with a corresponding increase in importation to meet demand. Following this, the Island would be reliant upon imported aggregates to meet all construction industry needs.

4.5 Chouet Headland, located in the north of the Island, has an area of winnable aggregate which is 70% owned by the States of Guernsey and 30% owned by Ronez[2]. There are no other viably recoverable reserves of stone within the Island other than at Chouet Headland according to all available information.

4.6 Preliminary quarry design work for Chouet Headland indicates that there is potential for 3.5-4.1 million tonnes of granite to be worked from the headland in three distinct phases. Image 1 below shows the potential phasing plan for the headland.

[2] The National Trust and the heirs of the Estate of Mr Marlow also own very small pieces of land within the area.

Image 1 – Potential Phasing of Chouet Headland



4.7 Phase 1 encompasses land owned by Ronez, with Phases 2 and 3 falling within States-owned land. Based on the average extraction rate, development of the full headland would represent between 32 and 37 years of supply, although again this could increase or decrease depending on the level of future demand.

5 Policy Context

5.1 Chouet Headland has been identified as an important strategic reserve of stone for a considerable time. It was identified in the Rural Area Plan as a Mineral Resource Safeguarding Area in 2005. At that time, the Planning Inquiry Inspector noted that the policy was consistent with the 2003 Strategic and Corporate Plan. Strategic Policy SP27(S) stated that provision may be made in the Detailed Development Plans to protect those areas where there are known reserves of stone from development that would compromise future extraction. The

Inspector further noted that the safeguarding is different from a firm commitment to extraction, as that can only arise once the States have resolved on their future extraction policy. The headland was also identified as a strategic reserve for mineral extraction by the Strategic Land Use Plan (2011) ("SLUP"). This is reflected in the IDP designation of the site as a Safeguarded Area for possible mineral extraction (Policy IP5: Safeguarded Areas). The IDP policy relating to Safeguarded Areas underwent full Environmental Impact Assessment and the corresponding Environmental Statement was considered by the States, as required by the Planning Law, when it adopted the IDP in 2016. The IDP designation does not signify a commitment to extraction but rather protects the designated area from any development that may prejudice its potential for future mineral extraction should it be required for that use.

5.2 The relevant policies of the SLUP and IDP seek to balance protection of the physical and natural environment with the need to offer flexibility for those businesses that have a legitimate need to operate from and carry out development in particular locations. It is accepted that mineral extraction can only occur where reserves are located. The remaining mineral reserves have been recognised by the States as strategically important to the Island through the designation in the IDP.

5.3 Proposed development within the Safeguarded Area for possible mineral extraction will require a Development Framework to be approved by the Development & Planning Authority which, once approved, will be taken into account when considering planning applications for the site. A detailed Environmental Impact Assessment will be required as part of the planning application process and an Environmental Statement must be submitted with a planning application. The Development Framework is therefore part of the policy delivery mechanism for bringing forward quarrying at Chouet Headland if the States determines that this option is most appropriate for future aggregate supply. Whilst it confers no consent or commitment to extraction, it would set out the best way of achieving it in terms of impacts should planning applications be submitted.

5.4 In May 2020, the States of Guernsey Energy Policy 2020-2050[3] was approved and the following objectives were agreed:

- Decarbonisation;
- Security and resilience of supply;
- Consumer value and choice;
- Equity and fairness;
- Supportive of a vibrant economy; and
- Greater energy independence.

[3] "States of Guernsey Energy Policy 2020-2050", Billet d'État XI, May 2020

5.5 In addition, the vision for Guernsey's energy future included:

> "By 2050 at the latest, the vast majority of Guernsey's energy supplies will come from clean, low carbon sources and residual emissions will be offset… Conscientious use of on-island natural resources will safeguard our healthy environment and clean air, whilst protecting Guernsey's unique surroundings, biodiversity, and natural beauty. Generation of on-island (where 'on-island' includes within our territorial waters) renewable, clean, affordable energy is supported by implementation of the Energy Policy and will provide value and choice for everybody and will play its part in helping Guernsey to mitigate climate change. Guernsey's energy supply will be resilient and secure, as well as sustainable, to meet reasonable demands for energy. Guernsey will be aligned with global efforts to reduce emissions and development of renewable technologies."

5.6 Guernsey is already experiencing the impacts of climate change through localised sea level rise around the Channel Islands and more extreme weather (more intense rainfall, greater frequency of storm damage, and flooding to name a few examples) and the majority of the last decade has been warmer than average. The Climate Change Policy & Action Plan[4] was agreed by the States of Deliberation in August 2020, legislating the target of net zero emissions (or carbon neutrality) by 2050 in relation to greenhouse gas emissions and an interim target of reducing emissions by 57% on 1990 levels by 2030. These targets include all emissions for Scope 1, Scope 2, and Scope 3, the latter initially limited to waste management and off-island travel. Achieving these targets requires significant co-ordination from government, businesses and individuals, and therefore, climate change should be carefully considered in the development of all future policies.

5.7 One of the outcomes of the Government Work Plan ("GWP") is to provide "resilient and sustainable infrastructure and connectivity". The GWP also aims to enable opportunities for regeneration, secure transport connectivity and infrastructure, invest in the visitor economy and to meet Guernsey's housing need all of which, together with infrastructure previously agreed by the States, such as significant developments for educational purposes, will play a large role in determining the future aggregate demand but the delivery of which will be impacted by the decision about the future aggregate supply route for reasons of cost and supply. The decision on the most appropriate route for future aggregate supply will therefore have implications for our medium and long-term economic recovery and may impact on many of the priority recovery actions in the GWP.

[4] "Mitigate Climate Change – States of Guernsey Climate Change Policy & Action Plan", Billet d'État XVI, August 2020

5.8 The Committee, under its mandated responsibility for policy for infrastructure and waste, water and stone, has been exploring future strategic requirements and the potential opportunities for presenting a co-ordinated response to the short, medium and long term requirements for inert waste disposal and aggregate supply and the longer term requirements for fresh water storage. It would not be appropriate to seek to combine a decision about the future strategic use of Les Vardes, once mineral reserves are depleted, with the decision about the future supply of aggregate because of the different timescales and the pressing need for a decision on the future supply route for aggregate; however, the Committee recognises the interdependencies.

5.9 The Assembly's decision about the principle of future aggregate supply, and therefore on-island quarrying, is an important first step and could, depending on the decision, act as a catalyst for further negotiation with the quarry operator regarding the potential future strategic use of Les Vardes.

5.10 If the principle of on-island quarrying is agreed, this policy letter is asking the Assembly to delegate authority to the Policy & Resources Committee, in consultation with the Committee, to continue with negotiations with land owners in relation to Les Vardes and Chouet Headland in order to best achieve the States of Guernsey's strategic aims in relation to on-island quarrying and other potential future strategic uses, and to return to the States with its recommendations.

6 Potential Options for Future Supply of Aggregate

6.1 The two potential options which have been considered for the future supply of aggregate on Guernsey are:

> OPTION A – To continue the principle of on-island quarrying by quarrying a new site in order to meet the majority of aggregate demand, with the balance of additional aggregate requirement met through importation when required (as existing); and
>
> OPTION B – On exhaustion of existing aggregate reserves at Les Vardes, to meet the demand for aggregate through importation from suppliers overseas.

6.2 Option A has the greatest negative localised environmental impacts and the lowest overall carbon emissions impact. It also has the most beneficial economic impact, some social impacts and the least infrastructural impact with respect to the port/s, storage and logistics. These various impacts are explained in detail in the sections of this policy letter that follow.

6.3 Option B has no localised negative impacts on the environment of Chouet Headland and its immediate surroundings, but no positive environmental improvement opportunities arising as a requirement of, and funded by, the developer. It has wider environmental and economic impacts associated with the importation and transportation of aggregate which are also considered in detail in the sections that follow.

6.4 Both options have been assessed against their expected environmental, economic, infrastructural and social impacts in order to assess which best balances the environmental, economic and social objectives of the States of Guernsey whilst providing a consistent and affordable aggregate supply. Fig.1 below gives a summary of each of these options, with the following sections adding further detail.

Fig.1. Summary of Options against Impact Criteria

	Environmental	**Economic**	**Infrastructure**	**Social**
Option A positive impacts	+ Lowest total carbon emissions (Scopes 1 and 3), particularly if all three phases completed + Biodiversity Net Gain pilot will mitigate negative impacts plus increase biodiversity overall + Carbon intensity of Guernsey's on-island quarrying is comparatively low versus quarrying and processes in other jurisdictions + Contamination at the old Torrey Canyon quarry cleared without a potential capital spend of £1.5m	+ Aggregate prices will be more predictable, reducing potential for knock-on inflationary impacts (e.g. house prices) + Predictability/reliability of continuity of supply as now will benefit construction industry + Security of supply + Strategic capital projects (e.g. hospital, schools) will not be impacted by loss of supply or inflationary impacts + Government Work Plan and economic recovery actions and workstreams supported and facilitated + Retains jobs directly associated with quarrying and associated services	+ Seamless transition of aggregate supply from one on-island source to another + Plant, workforce and processes all available from Les Vardes operation + Fully extracted Les Vardes quarry would maximise its future strategic value	+ Opportunity for social amenities such as enhancements to nature/coastal path/heritage interpretation boards to be incorporated into quarry surroundings during operation (e.g. similar to Les Vardes walk) + Long-term improvement of biodiversity through Biodiversity Net Gain with associated benefits for health and wellbeing

	Environmental	Economic	Infrastructure	Social
Option A negative impacts	- Direct Scope 1 carbon emissions are highest - Localised short- and medium-term impact on ecology and heritage of Chouet Headland -Localised air quality, noise and vibration effects (although can be mitigated) - Visual impact, especially in initial stages - Increase in traffic volumes, including HGVs	- Supply route determined for up to approximately 35 years only - Cost of aggregate could rise proportionately with economic inefficiencies of reducing local supply		- Loss of some wider use of Chouet Headland area for 30+ years - Potential loss of pistol & model aircraft club areas and requirement to relocate (incurring potential costs) if Phase 3 is progressed -Physical alteration of the headland, affecting landscape and vista -Loss of heritage features, including historic tunnel complex -Adverse effects on local businesses and residents through noise, air quality, loss of views

	Environmental	Economic	Infrastructural	Social
Option B positive impacts	+ Lowest direct (Scope 1) carbon emissions + Chouet Headland remains unaffected in terms of localised ecology, heritage, traffic impacts etc.	+ Potential for additional jobs at the harbours + Support for some local businesses (e.g. Guernsey Stevedores) as needed in the process + No adverse effect on the businesses in the vicinity	+ Potential for new cranes at St Sampson harbour	+ Chouet Headland retains existing social amenity and landscape value and positive wellbeing potential

	Environmental	Economic	Infrastructural	Social
Option B negative impacts	- Highest overall carbon emissions (Scopes 1 and 3), mainly due to emissions from shipping - Potential traffic impact and associated emissions due to higher number of HGVs needed to transport large amounts of imported aggregate to destinations (either directly from ports or from storage areas) - The Torrey Canyon quarry will not be cleared, meaning contamination remains	- Increased cost of aggregate, with likely consequential cost increases for aggregate-related products and services and potential inflationary impact on house prices and other development costs, including road repairs/maintenance - Construction industry may experience downturn in projects due to rising cost - Reduced control over continuity of supply and security of supply: more points of potential failure increase risk to supply chain due to elements outside of control (e.g. weather conditions, tidal conditions, storage capacity, availability of vessels, dependency on other jurisdictions for supply, off-island pricing influenced by off-island demand, competition for goods off-island) - Likely reduction in range of concrete products produced on-island - States capital projects could be negatively impacted due to increased costs and availability of supply - Loss of jobs in quarrying sector and supporting services - Risk of reputational damage to the Bailiwick should an importation route with higher associated carbon emissions be adopted - Large rocks used for sea defence (rock armour) will need specialist ships to import, adding further cost - Identification and provision of storage areas for imported aggregate, increasing land use pressures and costs	- Significant costs for increased maintenance or purchase of new cranes and equipment - Storage for imported aggregate will require large and conveniently situated areas	

7 Transitional requirements

Transition of quarrying operations from Les Vardes to Chouet Headland as per Option A

7.1 The issues associated with the principle of future aggregate supply and quarrying at Chouet Headland have been conflated over time. However, reference to quarrying the specific location and establishing a principle of on-island quarrying are one and the same, as there is in practical terms only one site available. Therefore, agreeing to the principle of on-island quarrying is effectively agreeing to quarrying the specific location and vice versa, although this is an in principle policy decision and not the same as any later planning decision relating to a specific development which is made on the basis of the detailed proposed development and the full material planning considerations.

7.2 If Option A is approved, development of a new quarry site would be progressed through a phased development of Chouet Headland described below and shown in Image 1 above. If quarrying at Chouet Headland is approved, production capacity could increase to 150,000 tonnes per annum within 6 months of starting quarrying operations if required.

7.3 The development of Phase 1 only (land owned by Ronez) would place significant limitations on the capacity of production and would be likely to require importation of aggregate to supplement on-island production. As a result the development of Phase 1 only could be economically unviable and would attract the negative impacts of both importation and on-island quarrying.

7.4 As the operator, Ronez would like to extract the full extent of mineral reserves if quarrying is approved at Chouet Headland, therefore their ideal scenario would be to progress all three phases. However, Ronez has confirmed that it would still be economically viable for them to progress just the first two phases. The Committee recognises that if Option A is approved, the effects of this large-scale infrastructure development will vary over its operational life: baseline evidence and the nature of impacts and effects have the potential to change significantly over that timeframe. Proposition 2 therefore recommends that the States agree that Phase 3 of the development of Chouet Headland for quarrying will be subject to a decision of the States towards the end of Phase 2, so that up-to-date evidence can be assessed as to whether on-island quarrying remains the most appropriate method of supply of aggregate for Guernsey at that time.

7.5 If the Assembly agrees the option of continuing quarrying on-island (Option A – Proposition 1a), there will be a transition between quarrying at Les Vardes and Chouet Headland. The unconstrained reserves at Les Vardes would be extracted until the end of 2023. Quarrying at Chouet Headland would be in three phases with Phase 1 anticipated to begin towards the end of 2023 and the constrained reserves at Les Vardes being extracted between 2026 and 2031. Phase 2 of

Chouet Headland is then expected to begin in 2031. Extraction at Chouet Headland is expected to continue until 2065 based on current predicted extraction rates if all three phases are progressed.

7.6 The three phases of development at Chouet Headland would advance westwards and align with the completion of Les Vardes. Operations would commence within the eastern part of the site (which is owned by Ronez) and progressively deepen the mineral working through successive levels, each nominally 10m high, to create a suitable platform below surface level upon which a new processing plant could be erected. During Phase 1 the extracted granite from Chouet Headland would undergo crushing using a mobile primary crusher located within an old quarry on the northern edge of the headland (currently used for green waste recycling). This would make the material more suitable for road transportation to Les Vardes for further processing to produce aggregates using the established plant.

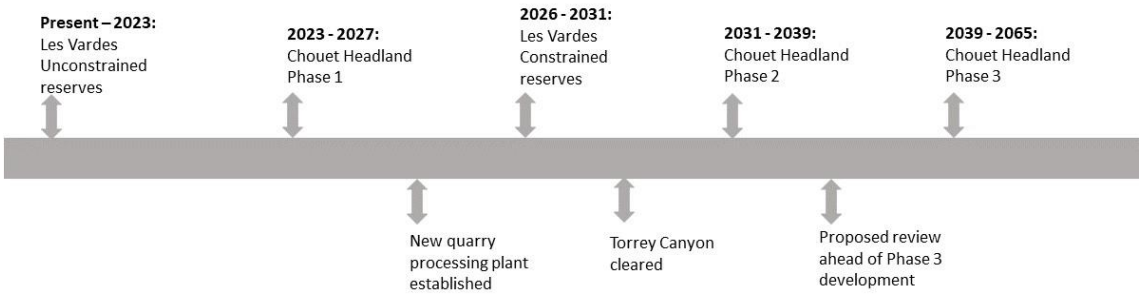
7.7 Once a suitable platform below ground level has been created in the Chouet quarry void, a new quarry processing plant would be established and the existing plant at Les Vardes dismantled. This would allow the remaining constrained reserves at Les Vardes to be worked, with the extracted rock transported by road to the new plant at Chouet for processing. Following exhaustion of the reserves at Les Vardes, the workings at the Chouet Headland would progress into Phase 2, extending westwards into land owned by the States of Guernsey and taking in the Torrey Canyon Quarry and current green waste site.

7.8 Phase 3 (the final phase) would extend the workings further to the west and include land currently used by the Guernsey Pistol Club and the Guernsey Model Aircraft Club. If this final phase is progressed, the quarry would develop to its maximum lateral extent which would allow the workings in Phase 2 to be deepened. If Phase 3 is not progressed, it should be noted that the maximum extraction of Phase 2 cannot be achieved.

7.9 At the end of Phase 2, the plant would be dismantled, and the remaining reserves worked, again being processed using a mobile plant. The design of the quarry would take into account the volume of soils and other deposits (known as overburden) stripped to expose the granite and how this can be beneficially used to help screen the workings to ameliorate both visual and acoustic impacts. It would also be necessary to consider what volume of material might need to be retained for final restoration works. Should there be a surplus of such materials then a scheme would need to show how this material can be beneficially used off site as part of the planning application. Any overburden not used for screening or other schemes agreed with the States would be placed in the worked-out sections of Les Vardes.

7.10 Image 2 below shows a visual representation of the transition of quarrying operations from Les Vardes to Chouet Headland.

Image 2 – Transition Timeline



7.11 If the principle of on-island quarrying continues (Option A), the impacts on local infrastructure are unlikely to substantially differ from the present situation.

Requirements to enable importation as per Option B

7.12 The States' Trading Supervisory Board ("STSB") has been formally consulted, particularly regarding the potential impacts on and implications for the ports if the decision is made to meet aggregate demand through importation (Option B – Proposition 1b), which will significantly increase the levels of importation. Their full response is in Appendix A, but the main observations are detailed below.

7.13 The largest vessels currently servicing the Island can carry up to 2,200 tonnes of aggregate per voyage and at least 1,700 tonnes could be unloaded daily using existing levels of equipment. These vessels also require a minimum tide height of 7.6 metres above chart datum. This occurred on 243 days of the year in 2020. The STSB considers that, generally, importing 120,000 tonnes of aggregate per year could be achievable through existing ports.

7.14 It has also highlighted that any future harbour construction/reorganisation options can provide space and facilities for importation of aggregate to a similar volume. However, suitable vessels are becoming harder to find and anecdotally available shipping for bulk materials are becoming scarcer.

7.15 Norman Piette Group commented on potential infrastructure concerns related to the full importation of aggregate:

> "As the Norman Piette Group is possibly the largest importer of sand into the Island, we do clearly understand some of the difficulties and costs involved in importation of bulk product. One of the recent challenges we have faced is the availability in a timely manner of bulk cargo ships small enough to enter St Sampson's Harbour and have the ability to deal with the

fact the harbour 'dries' at low tide requiring a ship of the right shape in order for it to settle on the seabed whilst being off-loaded. The ships we currently have available to us are nearing the maximum size for entry into the harbour. Our bulk cargo landings have had to increase in size by over 30% in the last ten years, this is to match the carrying capacity of the ships now available. The long-term availability of ships of an appropriate size & type is an ongoing concern."

7.16 The STSB considers that the issue of harbour pilots is also a concern. All ship movements in and out of St Sampson's Harbour require the attendance of a harbour pilot. Increased movements into and out of the existing harbour for increased importation of aggregate would present challenges in providing pilotage facilities. This is a future issue not specifically related to the potential importation of aggregate but would be exacerbated by increased port movements.

7.17 Increased importation would substantially increase the workload on the existing ports infrastructure, particularly the two cranes which are over 30 years old. The STSB advises it would have to consider two options:

1) Ahead of importation, commission a full conditional survey and corrective maintenance on the existing cranes, whilst increasing regular maintenance and recruiting additional personnel; or

2) Replace both cranes.

7.18 The cost associated with Option 1 is expected to be £300,000 initial cost with an additional £120,000 per annum for the additional members of staff required. Each new crane within Option 2 is expected to cost in the region of 2M Euro (at current exchange rates this is approximately £1.7M). Although this would result in a higher initial cost, it would demonstrate better value for money over time. More detail on the two options is included in the response from STSB (Appendix A).

7.19 The mechanical grabs and hoppers used to unload the aggregate are the property of Guernsey Stevedores, and are also ageing and in need of refurbishment or replacement. Guernsey Stevedores could undertake replacement at its own cost but would need assurance that the increased volumes would continue to be imported via St Sampson's Harbour. However, this may not be the case depending on any future work in relation to future ports provision.

7.20 The increased importation associated with Option B will necessitate sizable areas close to the port to provide storage capacity for imported aggregate once it is

unloaded from a vessel. To accommodate full importation (Option B), it is estimated that storage capacity for around 28,000 tonnes would be required.

7.21 The storage compound at Les Monmains in Vale owned by Ronez can currently store only 9,600 tonnes of sand and aggregate, but currently also accommodates the concrete production, concrete product production and recycling area. The current stockpile capacity at Les Vardes is 25,000 tonnes.

7.22 Although transporting aggregate from the port to Les Vardes would create negative environmental impacts, this arrangement would utilise the quarry benches. However, as the reserves are extracted over the next 18 months, regardless of the future supply route agreed, this capacity will reduce significantly.

7.23 There are few areas of land with sufficient capacity to store the volumes that would be imported on a regular basis for Option B. Griffiths Yard, St Sampson may provide a suitable site in terms of location and area. Griffiths Yard accommodates open yard storage uses which were relocated from Fontaine Vinery following a States Resolution in 2017 and provides 15,139m^2. The site is at maximum capacity with 30 tenants and has a waiting list of 15, with demand for sites from prospective new tenants. There are also some existing tenants wishing to expand their businesses requiring larger compounds.

7.24 During the development of the Policy Letter titled "Land For Industrial And Storage Uses"[5] by the Committee *for* Economic Development, the tenants of the Fontaine Vinery site said that there was lack of availability of suitable sites in the private market and as a result this makes those that do become available more expensive. The current maximum capacity and waiting lists for Griffiths Yard suggests that market forces are not servicing demand for these types of use and it is likely that tenants would need to be relocated to alternative sites if Griffiths Yard is used for aggregate storage. These types of uses, due to impacts associated with them, are generally difficult to accommodate and, as emerged when considering an alternative site to Fontaine Vinery in 2017, appropriate sites are scarce and likely to have their own environmental impacts. Excluding the potential costs of purchasing land, the costs associated to relocating tenants at Griffiths Yard are anticipated to be over £1M.

7.25 The current estimate for the completion of the void space at Longue Hougue reclamation site is between July 2023 and July 2024. This site is now required for stockpiling inert waste before a new inert waste disposal site is established, therefore making Longue Hougue unavailable for aggregate storage.

[5] "Land for Industrial and Storage Uses", Billet d'État V, February 2018

7.26 In order to maximise extraction of constrained reserves at Les Vardes, Option B would require the locating of a new asphalt plant. The design, procurement and construction process for a new asphalt plant is estimated to take at least 12 months, so there is risk that the supply of material for road building and repair could be interrupted. If Les Monmains is utilised for a new asphalt plant it will (without further investment) reduce the capacity of the site to produce concrete, concrete products and recycling.

7.27 Concerns regarding the number and availability of suitable vehicles on-island to transport materials from ship to storage area when required have also been raised. Unloading a ship requires a large number of tipper trucks for a short period of time, and with limited numbers available for hire on-island it can be difficult to source sufficient transport to discharge vessels.

7.28 Another consideration is the need for large granite boulders that are used for rock armour around Guernsey's coast for sea defences. These are typically extracted from Les Vardes, so if full importation is the favoured future supply route (Option B), arrangements would need to be made to import these if the Island's sea defences and infrastructure is to be maintained. Due to the size and weight of this rock, it is likely that it would need to be transported by a specialist vessel and would probably only be viable for one-off large-scale projects where specialist vessels could be justified.

7.29 If Option B is agreed as the preferred method of supply, Proposition 3 directs that the STSB and the Committee establish the infrastructure requirements associated with the importation of aggregate and return to the States with fully costed proposals for approval of funding to facilitate importation.

7.30 Should infrastructure limitations not allow full importation through St Sampson's Harbour, this could be supplemented with containerised importation through St Peter Port. The associated costs for this are likely to be higher than bulk importation through St Sampson's Harbour as shipping costs for general LOLO cargo passing through St Peter Port Harbour is around £55 per tonne, compared with £20 per tonne for bulk importation through St Sampson's. There are also expected to be additional haulage costs in the UK which could add a cost of £5 to £10 per tonne.

7.31 In the event that Option B is agreed as the future supply of aggregate, there will be a period prior to full importation when existing reserves at Les Vardes will be extracted. This will require supplementation with imported aggregate with the associated increased costs.

8 Economic Impacts

8.1 Ronez employ 66 staff in Guernsey and have a further 15 contractors: 13 in direct quarry operations; 17 in downstream processing (asphalt, concrete, concrete products); 15 in road surfacing; 1 in transport; 12 in maintenance (of which 6 relate to the existing quarry); 2 in technical, and 6 in administration and management. Most transport is outsourced to on-island contractors, and current operations require 6-8 tipper drivers, 8 concrete delivery drivers and 2 concrete products delivery drivers during a normal working day.

8.2 Continuation of the principle of on-island quarrying (Option A) is unlikely to have an impact on the current situation regarding the employment sector. Although the quarrying site would change, operations would continue in a similar way as now, with a similar amount of aggregate and related products produced on-island and services provided by the existing workforce. The level of imported sand and 'top-up' aggregate would also be similar, so any change in economic impact would be negligible. It is estimated that full importation (Option B) would result in at least 10 redundancies. However, it should be noted that if full importation is agreed, there is a possibility that new jobs at the ports would be required.

8.3 Should Les Vardes need to operate on a reduced output (Option B), this will have implications for operating costs. As the quarry production rate reduces, operating costs increase, because a significant proportion of costs are fixed. For example, the explosives cost is 100% variable with the production rate, but pumping costs for the quarry are 100% fixed whatever the production rate. It is estimated that a reduction in output of 25% would increase costs by £5 per tonne, and a 40% reduction in output would increase costs by £10 per tonne. This would be reflected in an increase in the price of aggregate and would be in addition to the increased cost of aggregate due to importation to supplement on-island production.

8.4 Full importation of aggregate will have an economic impact. With aggregate having to be quarried and processed in another jurisdiction, transported to a port and then transported from overseas to Guernsey, it is inevitable that the price of aggregate per tonne will increase.

8.5 Ronez estimates that partial importation would increase prices by £7.50 per tonne, or 25%; full importation would lead to an increase of £10 per tonne, or 33%. In addition, in the UK or Europe, cost of aggregate tends to be a lot more volatile than for material produced locally. Other products which rely on aggregate would also increase in price in relation to the increase in proportion of imported stone, so asphalt would increase by 4.5%, ready-mix concrete by 6% and concrete products by 9%. This will have greatest impact on the construction industry and a potentially inflationary impact on house building costs at a

challenging time of rising house prices and low housing supply. It should also be noted that the States of Guernsey is the primary consumer for the use of asphalt for road building and repair.

8.6 Ronez manufacture locally and sell between 20,000 and 28,000 tonnes of concrete products each year using local aggregates. This includes a range of sizes of concrete blocks and road kerbs, lintels etc. Other local companies rely on concrete supplied by Ronez in order to manufacture other products used in construction such as the beams for beam and block flooring and rings for drainage systems. Material is also produced for road building and repair. At this time, there is uncertainty whether it would be viable or practical for Ronez to continue making concrete products using more costly imported aggregate, or whether such products would also need to be imported in the future. If the latter, these products would also then be affected by off-island supply and demand and associated costs. If more costly imported aggregate is required for asphalt, the cost of road building and repair is likely to increase.

8.7 Quarrying on-island provides the construction industry with a consistent and reliable source of aggregate. Increased rates of importation could have ramifications for continuity and security of supply due to factors outside of the Island's control. The availability and increased cost of appropriate shipping in a competing market would have a considerable impact and increases Guernsey's vulnerability. Weather disruption, tidal restrictions or technical faults could also have an impact. Guernsey would also be competing for supply on an international level, currently in a demand driven market, where it may not be able to compete due to economies of scale. If aggregate is supplied from outside of the UK there may be additional costs associated with Brexit related tariffs.

8.8 If on-island quarrying were to cease (Option B) there could be negative implications for the local economy due to the loss of skills, jobs and tax revenue generated by the local quarrying industry. In 2018, the construction sector was worth c.£114m Gross Value Added to the Island's economy and as at March 2020 it was responsible for the employment of 2,787 people[6]. A rise in the cost of construction could lower the demand for construction projects, thereby damaging the prosperity of the construction industry. The Committee *for* Economic Development has endorsed the principle of on-island quarrying and development of Chouet Headland as an area of mineral extraction for these reasons.

8.9 Targeted consultation has been carried out with key local stakeholders in the construction industry on the impacts of the options for the future supply of aggregate. Feedback included that the projected increased cost of aggregates if importation was implemented would have an inflationary effect on quite a large

[6] Guernsey Facts & Figures 2020

part of the construction industry. With such large increases in costs being projected, there would be no alternative other than to pass these costs through the supply chain to the end user(s).

8.10 Whilst aggregate is the named product, the scope of product affected by reduced local production could be far greater. Stone hardcore, concrete blocks, lintels, concrete beams, paving slabs, pre-mix concrete, aggregates and stone dust could all be affected if local quarrying were to cease.

8.11 There is an economic value attached to the mineral assets located on States owned land at Chouet Headland which could be realised through Option A, but not Option B. If Option B is progressed, consideration may need to be given to the removal of the safeguarding of land at Chouet Headland for mineral reserves in the IDP which could affect land values for the States in relation to mineral reserves. However, the removal of the safeguard could not take place until after the SLUP and then the IDP had been amended in accordance with the public inquiry procedure in the land planning legislation. This would mean that development could not be carried out for any other significant purpose on the States' land, which could suffer from planning blight as a result until the IDP policy is amended.

9 Social Impacts

9.1 During the public consultation phase of the draft Development Framework for Chouet Headland, a number of representations were received which raised concerns about loss of public amenity should the headland be developed for quarrying.

9.2 As provisionally designed, Phase 3 of the development would affect an area of land that is currently used as a shooting range for the Guernsey Pistol Club, and this has raised concerns from the public and the former Committee *for* Education, Sport & Culture. The club currently operates from a specially designed range and has a lease in place until 2031. Any impact on this area of the headland would not be until much later in the development (anticipated to be around 2037), which provides a significant amount of time for alternative arrangements to be made should the States decide nearer the time that Phase 3 be progressed. However, this activity is subject to strict safety criteria for the containment of ammunition and this, together with the need to avoid noise nuisance, could make identification of an alternative site difficult. This could potentially, therefore, if Phase 3 were to be progressed, have a long-term negative impact on the sport.

9.3 The headland also accommodates within the area designated for Phase 3 the Guernsey Model Flying Club who operate remote controlled model aircraft with a take-off and landing area. This agreement is renewed annually. In the event

that Phase 3 is progressed, the IDP would place obligations on the developer to mitigate this social amenity impact, and there would be no costs incurred by the States.

9.4 Because of this and other potential impacts specific to Phase 3, it is recommended in Proposition 2 that, if the States agrees that on-island quarrying is appropriate, they also agree that Phase 3 of development of Chouet Headland for quarrying will be subject to the further agreement of the States so that they can decide whether on-island quarrying remains the most appropriate method of supply of aggregate for Guernsey in light of evidence available at that time.

9.5 Ronez estimates that the lead in time for the development of Phase 3 would be 42 months. This accounts for the planning process (including a further EIA), site preparation and quarrying weathered rock to expose 'blue' granite. Taking into account the time required to update evidence and the lead in time for Phase 3, the Committee recommends (if Option A is progressed) that the States reviews the principle of quarrying on-island no later than five years before the completion of Phase 2.

9.6 Other concerns raised through the public consultation centred on the loss of general public amenity for dog-walking, exercise and family activities. Through the Development Framework and planning application process, the quarry operator can be required to protect and enhance the public coastal path retaining public access and, especially given the biodiversity value of the land bordering the path, there is every realistic expectation that this protection and enhancement would form part of the planning conditions.

9.7 The loss of some of the Chouet Headland to quarrying does not mean that alternative options cannot be put in place to mitigate the loss of public amenity in the area. Les Vardes has a nature walk around the perimeter of the excavation area which allows the public to view the quarry and learn its history while providing seating and picnic areas in the vicinity. There are opportunities to enhance public access and interpretation along the coastal path at Chouet Headland that could be required of the developer through the planning process.

9.8 Quarrying on-island (Option A) would increase the number of vehicle movements, including HGVs, in the area but it is anticipated that traffic volumes would still be significantly less than when Mont Cuet was in operation as a landfill site a few years ago. More information is included within the environmental section of this policy letter.

9.9 Any inflationary impact on house prices caused by increased costs associated with importation (Option B) would obviously have negative social impacts as well.

10 Environmental Impacts

10.1 The Island's future supply of aggregate will have significant environmental impacts, whether the States opts to continue quarrying on-island (Option A) or to move to importation (Option B). Potential environmental impacts on-island need to be assessed in relation to potential environmental impacts in other jurisdictions. There is a tension between local impacts and wider regional or global impacts: local impacts can be minimised only at the expense of increased impacts elsewhere (a displacement known as 'offshoring'); alternatively, reducing overall environmental impact tends to come at a cost of higher localised impact. Localised environmental damage and negative impacts are inevitable if quarrying continues on-island (Option A) so the Committee considers it essential that any negative impact on ecology and habitats should be mitigated and offset through environmental improvement, both at Chouet and at other locations. Whilst Option B has less localised negative environmental impacts, it does have greater environmental impacts overall, and there are none of the near-term developer-funded opportunities for positive environmental enhancements and biodiversity net gain that Option A would bring about.

Carbon Emissions & Sequestration

10.2 In order to better understand the environmental impacts of the options in terms of carbon emissions, air quality and climate change impact, the Committee commissioned a study by subject matter experts to provide measurable evidence of these impacts. The report, titled 'Carbon impacts of different quarrying options for Guernsey'[7], considered among other things the following aspects:

- Energy used in on-island quarrying and transportation;
- Energy used for transportation of imported materials;
- Consideration of the global impacts;
- Energy intensity of quarrying practices in Guernsey, compared to international standards and neighbouring countries that could supply imported materials; and
- Possible impacts on carbon sequestration/release.

10.3 The report considered four different supply scenarios and two demand scenarios.

10.4 A significant factor in understanding the impact of predicted emissions is distinguishing between direct (on-island) emissions and indirect (off-Island) emissions.

> "Using internationally recognised metrics, emissions can be accounted for as follows: Scope 1 – emissions from all activities that occur within Guernsey;

[7] The full report is available as Appendix B and a summary document is available as Appendix C.

Scope 2 – indirect emissions from the generation of purchased or acquired electricity in Guernsey; and Scope 3 – all other indirect emissions. By quantifying emissions in this way, Guernsey can responsibly work towards a target for carbon neutrality in a meaningful way that has a local and global impact."[8]

10.5 If only Scope 1 (direct) emissions are considered, scenarios that involve significant importation will have considerably lower emissions than those with greater on-island supply. Emissions associated with the quarrying of rock will be accounted for in the jurisdiction that the activities occur, and emissions associated with shipping are accounted for in the jurisdiction where the fuel is sold. Therefore, should the Assembly agree to total importation as the appropriate aggregate supply route rather than quarrying on-island, Guernsey's ability to meet its agreed target of achieving net zero by 2050 as set out in the Climate Change Policy may not yet be affected, but only because of the current methods of accounting, which are expected to change in future.

10.6 As a mature and responsible jurisdiction, Guernsey is expected to be cognisant of global implications and take responsibility for our own emissions, rather than offshoring and passing those impacts to another jurisdiction. This is recognised in the States' approved Climate Change Policy. Although currently only Scope 3 emissions from exported waste and travel are calculated towards our targets, our Climate Change Policy recognises the need to consider the wider global context and intends that "further work with the aim of incorporating further Scope 3 emissions [be undertaken] once there is a suitable method for measuring these emissions for the Island." In view of the requirement of the Climate Change Policy, it is considered appropriate to consider the Scope 3 indirect emissions associated with importation of aggregate when assessing such a long-term strategic infrastructure proposal.

10.7 There are also community initiatives to be considered. In 2019, the 'Keep Guernsey Green Award' was incorporated into ESI Monitor's 'Environmental Operations Award'. ESI Monitor ("ESI") is a not-for-profit organisation which is passionate about the environment and wants to develop Guernsey as a centre for green finance and a recognised leader in sustainable business. An MOU between the Committee and ESI was signed to ensure that the award aligns with government priorities. Enrolled organisations can demonstrate to clients and the public that they are committed to sustainability as well as environmental, social and governance issues through the alignment with UN Sustainable Development Goals. There are currently 50 local organisations enrolled (correct at the time of writing).

[8] "Mitigate Climate Change – States of Guernsey Climate Change Policy & Action Plan", Billet d'État XVI, August 2020

10.8 The Guernsey Financial Services Commission's ("GFSC") Guernsey Green Fund provides a platform upon which investments into various green initiatives can be made. The scheme has strict eligibility criteria of green investing and has the objective of a net positive outcome on the planet's environment. Guernsey Green Finance is an initiative through which Guernsey Finance delivers on the strategic commitment to sustainable finance.

10.9 Consideration of the carbon emissions associated with our aggregate supply through the narrow lens of direct emissions only and failure to consider the wider implications and impacts of indirect emissions in the global context could negatively impact on these initiatives and potentially cause reputational damage.

10.10 One of the significant conclusions of the report is that the full development of Chouet Headland (all three phases) results in the lowest carbon impact for both high and low demand scenarios. Because there are additional carbon emissions associated with importation (mostly from shipping), the embodied carbon emissions for Option B (no development of Chouet/full importation) are around twice as high as embodied carbon emissions associated for Option A (on-island quarrying/full development of Chouet Headland).

10.11 The 'cradle-to-gate[9]' carbon intensity of Guernsey's on-island quarrying is comparatively low when benchmarked against similar operations in other jurisdictions: it tends to be close in value to the average carbon intensity of aggregate quarried from land (c.4.4kg CO_2e per tonne). The report considered 134 individual supplies of aggregate quarried from land to form an average, and the Guernsey embodied carbon factor sits somewhere between the 50th and 75th percentile in value, suggesting that it is fairly typical of an aggregate source of its type in terms of carbon intensity.

10.12 It is important to note that the carbon intensity of quarrying aggregate from land is lower than 'marine-won' and recycled aggregate. This sets a high bar for the carbon intensity of any imported supply of aggregate to be lower than Guernsey's own supply, when solely considering 'cradle-to-gate' emissions. In other words, the carbon intensity of Guernsey's own supply of aggregate is low, largely due to the type of extraction and processing that quarrying from land requires. The use of electricity in processing also contributes to its low value relative to aggregate from other sources. If aggregate is quarried in another jurisdiction and imported as would be the case for Option B, Guernsey would

[9] A boundary condition associated with embodied carbon, carbon footprint and LCA (Life Cycle Assessment) studies. It considers all activities starting with the extraction of materials from the earth (the cradle), their transportation, refining, processing and fabrication activities until the material or product is ready to leave the factory gate (https://www.designingbuildings.co.uk/wiki/Cradle-to-gate)

have no control over the methods of extraction and processing and the wider carbon impacts as a result.

10.13 In terms of carbon sequestration/release from the development of Chouet Headland, in 2018, only 4.3% of Guernsey's total greenhouse gas emissions originated in the AFOLU sector (Agriculture, Forestry and Other Land Use), which corresponds to 17.3kt CO_2e. With most emissions in this category originating from livestock and agricultural processes, only a small proportion of emissions are likely to be sensitive to changes in land use. Any removal of vegetation for quarrying purposes at Chouet Headland will result in a net removal of sequestered carbon, but given the size of the area affected and the low carbon sequestration value of this land currently, this impact will be fairly minimal and can be mitigated or offset. Accounting for these considerations, it seems likely that the impact on carbon sequestration/release from the development of a new quarrying site on-island would not be significant.

10.14 Most of the significant carbon impacts associated with Option B are related to emissions and transportation impacts as a result of importation and haul to site from port. There will also be other unknown carbon and wider environmental impacts around the quarrying activity in whatever jurisdiction supplies the off-island aggregate. Whichever option is agreed, there will be inevitable carbon impacts associated with Guernsey's aggregate supply, be that on-island or in other jurisdictions.

Other Environmental Impacts

10.15 As well as the carbon impacts described above, excavating stone from land has other potential environmental impacts including impacts on ecology and habitats and air quality and from noise and vibration. The most significant localised environmental impacts will therefore result from Option A (on-island quarrying).

10.16 This policy letter considers environmental impacts at a strategic level: specific impacts will be considered in closer detail through an Environmental Impact Assessment at the detailed planning application stage, along with specific mitigation requirements and will be subject to any necessary statutory permissions, licences or other consents. A planning application will also require a Traffic Impact Assessment and Construction Environmental Management Plan. Planning conditions can require mitigation and suitable monitoring regimes.

10.17 Larger jurisdictions, including the UK, Australia and Canada, require high level Strategic Environmental Assessments ("SEA") when a new policy or plan or major infrastructure is being developed. The UK's SEA requirements are based on the European Commission's Protocol on Strategic Environmental Assessment to the

Convention on Environmental Impact Assessment in Transboundary Context (SEA Protocol, Kyiv 2003).

10.18 Environmental aspects included are:

- Biodiversity;
- Population;
- Human health;
- Fauna;
- Flora;
- Soil;
- Water;
- Air;
- Climatic factors;
- Material assets;
- Cultural heritage, including architectural and archaeological;
- Landscape; and
- The inter-relationship between the issues mentioned above.

10.19 SEAs consider many of the same factors as more detailed Environmental Impact Assessments but, importantly, this is much wider and at a much higher level to inform large-scale strategic decisions and would not be expected to include specific detail that would be considered at the EIA stage.

10.20 Wider SEAs like those carried out in other jurisdictions are not required under Guernsey planning laws. However, the IDP policy relating to Safeguarded Areas, including the designation of Chouet Headland as a site for possible mineral extraction, underwent full Environmental Impact Assessment and the corresponding Environmental Statement was considered by the States, as required by the Planning Law, when they adopted the IDP in 2016, so the strategic decision was informed by relevant environmental information.

10.21 The Land Planning and Development (Environmental Impact Assessment) Ordinance, 2007 requires a full EIA at the planning application stage when detailed information and studies will be needed to determine impacts and the ways in which to mitigate those impacts. Full detailed analysis of the impacts and the mitigation required is therefore undertaken in Planning Law through the planning application process.

10.22 However, to make an informed decision, the Assembly will require certain information and evidence, at an appropriately high level, in the form of an environmental assessment. This helps to identify and understand potential impacts of this kind of strategic development on the localised environment around the site and the environment of Guernsey as a whole.

10.23 The purpose of an environmental assessment is to identify the primary potential effects of the development and to highlight potential mitigations. It does not pre-empt the EIA which attributes the significance of those effects and considers them at a more detailed level. The Land Planning and Development (Environmental Impact Assessment) Ordinance, 2007 sets out when an EIA is required and the process to be followed. If Option A is agreed, a draft scope of the EIA will be appended to the draft Development Framework.

10.24 The DPA's draft Development Framework attracted a number of representations during its public consultation process, and the majority of these centred on the potentially negative localised environmental impacts that quarrying an area of Chouet Headland might have. As owners of a third of the Chouet Headland, safeguarded by the IDP for possible mineral extraction, and operators of the current quarry at Les Vardes, Ronez commissioned subject matter experts to carry out an environmental assessment of developing a quarry at Chouet Headland[10]. While this environmental assessment will be developed further with more detail to form the EIA to be submitted with a planning application, it provides a summary of findings and covers many of the aspects considered in other jurisdictions under SEAs. The ecological section was peer reviewed locally (at the instigation of the Committee), which confirmed that the methodology is appropriate, taking account of EIA requirements and the nature and scale of the potential development, the nature of the receiving environment, best practice for EIAs and consultation commitment.

10.25 The conclusions of the assessment are based on a number of baseline studies which have been conducted through survey, fieldwork and desktop-based studies since 2017 into:

- Air quality;
- Archaeology and cultural heritage;
- Ecology (this section has subsequently been updated and is available as appendix E);
- Landscape and visual impact;
- Noise;
- Transportation;
- Vibration; and
- Water environment.

10.26 It should be noted that the environmental assessment only covers Phases 1 and 2 of quarrying at Chouet Headland. This policy letter recommends a review between Phases 2 and 3 to allow for up-to-date evidence to be considered in determining if quarrying on-island is still the appropriate supply route for aggregate in the future. A further EIA should be conducted at that time, as the

[10] The full environmental assessment is available as Appendix D

receiving environment may have changed significantly over the time period.

10.27 In some sections of the environmental assessment the data has been identified on a national or international basis, rather than local, specifically within the ecology section. It is important that the EIA takes a detailed approach based on the local importance and significance of habitats and species, especially regarding Sites of Special Significance ("SSS") and Areas of Biodiversity Importance ("ABI"). To ensure this, the information provided for the EIA could be reviewed by a local ecologist as part of the EIA process. Notwithstanding the above, it is considered that sufficient information is available in order to support the high-level assessment of the likely environmental impacts as required for this stage of the process.

10.28 The proportionality of available records locally and within the Guernsey Biological Records Centre should be acknowledged. The records may not be representative of the actual distribution and abundance of species within Guernsey due to the absence of available data. A summary of the key findings of the environmental assessment is below.

Air Quality, Noise and Vibration

10.29 Particulate matter ("PM") is a common proxy indicator for air pollution and affects more people than any other pollutant. The major components are sulphate, nitrates, ammonia, sodium chloride, black carbon, mineral dust and water. Nitric Oxide ("NO_x") is a chemical compound of oxygen and nitrogen that is formed by reacting with each other during combustion at high temperatures.

10.30 The environmental assessment concludes that, using available data relating to Les Vardes, there have been few occasions where air quality falls outside of the UK's national standards as a result of the quarrying operation. However, this data arises from monitoring NO_2 (nitrogen dioxide) and SO_2 (sulphur dioxide) through diffusion tubes, not PM^{10} and NO_x as alluded to. Diffusion tubes provide a monthly mean figure which is not directly comparable to the standard. Therefore, through the Environmental Impact Assessment, it is important to assess this in detail. The Committee recommends that the DPA works closely with the Office of Environmental Health & Pollution Regulation in order to ensure that accurate and localised information is obtained. In addition, quarry operations require a licence as it is a prescribed operation within the Environmental Pollution (Air Pollution) Ordinance, 2019.

10.31 The quarry operator has advised that additional monitoring along the route which would be used to haul rock between Chouet and Les Vardes as part of the transition and static dust monitoring would be undertaken, and the data updated accordingly for the EIA, which would be submitted at the planning application stage.

10.32 An assessment of predicted blast-induced vibration levels has been made to vibration-sensitive receptors near Les Vardes, which is considered representative for Chouet headland. This has shown that acceptable standards can be achieved. The specific effects of blasting-related vibration on the integrity of the Mont Cuet landfill site and engineered cells should also be addressed in detail within the full EIA.

10.33 However, it should be recognised that, although using Les Vardes as a proxy may be acceptable in the absence of data, there will be differences between the existing quarry and the proposed site at Chouet Headland because of the depth of the existing quarry compared to the surface level work that will be required initially at Chouet Headland. There are also differing factors such as wind, due to Chouet's exposed headland location, and that nearby receptors to the existing quarry operation may be acclimatised to a certain extent to quarrying and its effects. A full and detailed assessment would form part of the detailed EIA at the planning application stage.

Noise

10.34 Noise surveys have been undertaken to determine the existing environment at the nearby noise-sensitive receptors:

- Location 1 – Adjacent to Roc Salt restaurant on Mont Cuet Road, approximately 150m to the south-east of the quarry workings;
- Location 2 – Property off Mont Cuet Road, approximately 290m to the south-east of the quarry workings; and
- Location 3 – Adjacent to L'Ancresse Golf Club on La Jaonneuse Road, approximately 590m to the east of the quarry workings.

10.35 The soundscape has been considered as distant road traffic and natural sounds such as birdsong.

10.36 At a strategic level, the conclusion is that there is no indication that there are any air quality issues, noise or vibration effects which are of such significance that they cannot be acceptably mitigated and/or controlled through legislation and which would prevent quarrying at Chouet Headland, and there are no significant dust impacts on ecological receptors.

10.37 The current quarry operators are accustomed to implementing mitigations on air quality, noise and vibration as they operate quarries in Jersey as well as Les Vardes.

Archaeology and Cultural Heritage

10.38 There are 32 sites of archaeological and cultural heritage importance within the headland (although not all of these are within the site of the proposed quarry), including the Pre-Martello loophole Tower No. 10 and its associated battery buildings and a magazine and World War II structures and features. Of these 32, eight sites stand within the potential quarry development area.

10.39 There are also six protected monuments on L'Ancresse Common. No protected buildings or monuments will be demolished as a result of the quarry development.

10.40 The Pre-Martello loophole Tower No.10 and its associated battery buildings are marked on the Duke of Richmond survey map of 1787. These would be afforded a high degree of protection from both direct and indirect impacts of the site due to their location.

10.41 There would need to be a range of mitigation measures in place for sites both within the boundary and on the headland should quarrying on-island be the option that is progressed. As part of the EIA process, the Committee recommends that the archaeology and cultural heritage section of the EIA is peer reviewed by local experts.

Ecology

10.42 The Ecology section (the updated version of which is attached as Appendix E) includes a baseline study of habitats using the States' 1999 and 2010 habitat reports as well as a commissioned survey from 2018. A further habitat site survey was undertaken in 2020 to ensure the information was still valid. In summary, the habitats mapped in 2017 remain largely unchanged. There has been a negligible loss of semi-improved grassland and a lack of management has resulted in a downturn in overall conditions across the site.

10.43 The main habitats listed within the headland are:

- Scrub/tall ruderal, which includes a number of non-native shrubs/trees;
- Semi-improved grassland, found to be species-poor;
- Coniferous woodland (Monterey Pine);
- Standing water/inland cliffs; and
- Maritime grassland, where regular mowing has reduced the species complement.
-

10.44 The most naturalistic and species-rich examples were found near the public path around the headland, which is not in the area that would be quarried.

10.45 Flora and fauna found within the headland include:

- Terrestrial mammals;
- Invertebrates;
- Reptiles and amphibians;
- Birds; and
- Plant species.
-

10.46 A peer review of the ecological section has been undertaken which has confirmed that the methodology was appropriate and takes account of EIA requirements and the nature and scale of the potential development, the nature of the receiving environment, best practice for EIA and consultation commitment.

10.47 The site is adjacent to the Foreshore Area of Biodiversity Importance, which extends to almost all of Guernsey's inter-tidal area, and further afield there is the L'Ancresse Site of Special Significance. Chouet Headland would have to be developed in a way to ensure no unacceptable impacts on the special interests of these areas. However, although the site itself has some biodiversity and ecological value, and the loss of any habitat is regrettable, the biodiversity and ecological value of that at Chouet Headland has been found to be relatively low and does not warrant statutory or non-statutory protection, such as a Site of Special Significance and Area of Biodiversity Importance.

Landscape and Visual Impact

10.48 The headland is generally rural in appearance and located away from built up areas.

10.49 Visual receptors include:

- Inhabitants of properties at Rousse;
- Visitors to the Peninsular Hotel;
- Inhabitants of properties on the southern side of Ladies' Bay;
- A small number of properties at Mont Cuet;
- Users of the public highway and car parks; and
- Users of the cycle and walking route.

10.50 The EIA will require a full landscape and visual impact assessment, expanding on the detail provided below, but in summary the high-level environmental assessment concluded that no significant effects to the landscape are identified, other than on the headland itself. The main source of significant visual effect would be the disturbance generated by the stripping of soils and overburden at the quarrying preparation stage. Impacts from this stage can be minimised by the re-use of a significant amount of overburden material to provide screening bunds for the site and to finish the adjacent Mont Cuet landfill site which will

remove the need for transportation of excess overburden by road to Les Vardes for disposal and transportation of inert material from Longue Hougue to restore the Mont Cuet site.

10.51 Guernsey Waste anticipates that 75,000 tonnes of inert material will be needed to complete the final profile of Mont Cuet. This will extend the plateau to provide space for all green waste composting activities at Mont Cuet, instead of transferring it to Longue Hougue for maturation as currently takes place. Should the development of Chouet Headland for quarrying not go ahead (as per Option B), inert waste from Longue Hougue will need to be transferred to Mont Cuet in large tipper trucks which are expected to have a 10 tonne capacity. This would equate to approximately 7,500 lorry movements from Longue Hougue to Mont Cuet. The use of the overburden for restoration of Mont Cuet is being considered along with shared facilities for a weighbridge and welfare facilities at the entrance compound should the quarrying of Chouet Headland be approved. Therefore, these would be positive environmental impacts of Option A (on-island quarrying).

10.52 Phase 2 of the proposed development at Chouet headland would include the Torrey Canyon Quarry which has been used to store crude oil removed from Guernsey's beaches in 1967. Although there has been some remediation, contamination remains a risk. It is also likely that munitions have been disposed of in the quarry in the past, raising the possibility of unexploded ordnance, although confirmation of this is not possible. The clearing of Torrey Canyon quarry would be a significant positive environmental impact of Option A and, should it need to be funded by the States, could be funded by the royalties associated with the value of aggregate on States-owned land at Chouet Headland. This would not then require capital expenditure should the States pay for the work to be undertaken. The cost is anticipated to be around £1.5m but is dependent on what is found in the quarry on further investigation and the options for removal within environmental legislation. The positive environmental implications of clearing Torrey Canyon would obviously not be realised if the Assembly agreed to Option B (full importation).

<u>Transportation</u>

10.53 An initial environmental assessment of the impacts on the local transportation network as a result of developing a quarry on the headland has been undertaken. Traffic movements have been considered for the maximum export from the site within the operational period. The assessment has determined that the volume and composition of the resulting traffic would have no significant impact on the operation and safety of the local road network, and the amenity of local residents. The EIA will include a full Traffic Impact Assessment

10.54 Further information and clarification have since been provided by the quarry operator and is available below.

10.55 A 10-hour working day was used within the environmental appraisal to be consistent with the working hours stipulated in planning conditions applied to the permission for the quarry extension at Les Vardes. Should quarry production increase to 125,000 tonnes then it is likely that additional hours would need to be worked. However, production has not exceeded 110,000 tonnes in the last 6 years, and haulage contractors currently work an 8-hour day.

10.56 Ten tonne trucks are currently used by the contractor as they are more manoeuvrable and can be used for a variety of tasks, including island-wide deliveries. However, the quarry operator has said that hauling part-processed aggregate from Chouet to Les Vardes during the transition phase will require dedicated trucks with specialist rock bodies, so it is likely that it would specifically require 3 axle, 14 tonne payload trucks. Ten tonne trucks might be used to cover breakdowns.

10.57 The table below sets out how many truck movements (return journeys) would be anticipated per hour across all options for HGV capacity and working hours:

Table 1 – Anticipated HGV Movements

Annual Tonnes	Truck Capacity (t)	Working Hours	Vehicles per hour
125,000	14	10	3.5
125,000	14	8	4.4
125,000	10	10	4.9
125,000	10	8	6.1
110,000	14	10	3.1
110,000	14	8	3.8
110,000	10	10	4.3
110,000	10	8	5.4

10.58 It is relevant to note that there was previously a significant number of vehicle movements in the vicinity of Chouet Headland as both commercial and domestic vehicles visited the Mont Cuet landfill site before the site stopped accepting general waste. Other than green waste for composting, the site is now restricted to hazardous wastes and waste unsuitable for energy recovery.

10.59 In 2017, which was the last full year when waste was accepted at the landfill site at Mont Cuet, there were approximately 125 commercial movements over the weighbridge per day and roughly half of these were HGVs. This equates to

around 16 per hour. Waste inputs in 2017 had also fallen significantly compared to historical movements, due to the introduction of recycling initiatives and charging policies and were less than half of those received in the early years of the site, which opened in 1998. Traffic volumes would therefore rise under Option A, but not to anything like levels typical of the last two decades in the area.

10.60 Under Option B, containerised importation would significantly increase the number of HGV movements travelling through the St Peter Port Main Centre to St Sampson and beyond, with the associated negative localised environmental (and social) impacts.

Water

10.61 The Water Environment baseline section of the environmental assessment covers: geological setting; potential contamination; hydrogeological setting; and hydrological setting. No significant effects are expected on the regional groundwater flow regime given the following factors:

- The permeability of the bedrock is measured as being very low at depth;
- No groundwater inflows have been observed from the quarry faces;
- There are no visible surface water streams present;
- The proposed site is not located in a groundwater catchment area; and
- The area is not deemed to be at risk from flooding.

10.62 The potential effects on groundwater and surface water quality are included within section 9.2.2 of the environmental assessment and precautionary measures are recommended. There may be regulation of any discharges of water involved in the quarrying process if the proposed Water Pollution Ordinance is approved in the next year.

Biodiversity Net Gain Pilot

10.63 Notwithstanding the conclusions of the environmental assessment, particularly regarding ecology, it is recognised that the development of a new quarry at Chouet Headland would have unavoidable localised ecological and environmental impacts which the Committee is keen to emphasise will need to be appropriately mitigated.

10.64 Maintaining a healthy natural environment with adequate habitat connectivity and species resilience is vital in underpinning the economy and serves as an enabler to strategic actions within the Government Work Plan and other States policies and objectives.

10.65 The IDP policies provide protections for ecologically valuable sites through designation of Sites of Special Significance and Areas of Biodiversity Importance. However, there is little requirement to mitigate the impacts of development on 'lower value' habitats, the cumulative impact of which is significant. The 2018/19 Habitat survey of Guernsey identified a significant loss of biodiversity, including 'lower value' habitat, due to development and land management practices. These findings emphasise that cumulatively, even seemingly insignificant losses of habitat at a development scale can add up to significant rates of biodiversity loss overall.

10.66 Biodiversity Net Gain is a work stream in the GWP and needs to be developed for the Guernsey context. The UK legally mandated BNG in October 2019. As an interim measure, the DPA has adopted the 2020 'Strategy for Nature' as supplementary planning guidance, which includes provisions for the delivery of voluntary BNG.

10.67 The primary aim of BNG is to secure a measurable improvement in the value of our natural assets and to help maintain the Island's ecological network, while also streamlining development processes.

10.68 In addition to delivering a net gain in biodiversity, supporting good practice principles such as BNG can demonstrate the leadership by the States in sustainable management practices, for example by:

- Demonstrating that the States is committed to investing in integrated benefits for our local environment, community and the economy through BNG, especially in terms of strategic developments proposed in the Government Work Plan;
- Gaining trust and confidence from stakeholders through the transparent reporting of biodiversity losses and net gains;
- Demonstrating through BNG efforts that Guernsey is supporting the delivery of the UN Sustainable Development Goals[11], specifically 'Climate Action' and 'Life on Land'; and
- Giving opportunities to share lessons learned to support wider uptake of BNG in neighbouring jurisdictions.

10.69 Although BNG has yet to be developed for Guernsey, there is an opportunity, particularly given the long-term nature and scale of the potential strategic development at Chouet Headland and its impacts, to require overall biodiversity net gain on completion of the development in mitigation. If quarrying at Chouet Headland is considered the best route for the future supply of the Island's aggregate, the development would provide a good opportunity to pilot a BNG project for the site. Ronez has agreed to be the pilot scheme. In addition, Ronez has agreed to offset local negative environmental impacts in the short term,

[11] https://sdgs.un.org/goals

which will continue to be developed further at the planning application stage.

10.70 In May 2020, the Committee endorsed the redesigned biodiversity strategy for Guernsey, titled the 2020 Strategy for Nature, to drive the long-term management of nature in Guernsey.

10.71 The vision of the Strategy is "Guernsey's nature; great today, better tomorrow" and the three goals are:

- **Goal A:** Connect our Island community with nature;
- **Goal B:** Care for nature to ensure the diversity and resilience of our natural capital and assets; and
- **Goal C:** Foster and share knowledge about nature.

10.72 There are 9 objectives in total[12], but the three within Goal B are most relevant to the Island's future aggregate supply:

- **Objective 4:** Ensure an integrated, broad-scale approach to the conservation and management of our nature;
- **Objective 5:** Maximise the diversity of species and ecosystems; and
- **Objective 6:** Reduce pressures on nature and ensure the resilience of our natural capital assets.

10.73 By taking the opportunity to make Chouet Headland a pilot and case study for BNG, there would be a clear alignment with the States' Strategy for Nature.

[12] https://gov.gg/strategyfornature

11 Conclusions

11.1 In view of the limited workable reserves remaining at Les Vardes and the lead in times associated with ensuring adequate infrastructure at the ports there is now urgency in establishing the principle for future aggregate supply. The decision will have significant impacts on economic as well as environmental factors. Determining the most appropriate future supply route for aggregate for Guernsey entails a difficult balancing of issues between economic, environmental and social impacts, in both the local and wider global context.

11.2 Notwithstanding potential for environmental enhancements and improvements, localised environmental damage is inevitable if such large-scale infrastructure is provided on-island and this should be mitigated to have the least possible adverse impacts using BNG and offsetting. Whichever option is agreed, there will inevitably be environmental impacts associated with Guernsey's aggregate supply, on-island and/or in other jurisdictions, but there is also potential for positive local environmental improvements and benefits.

11.3 Option B would have no localised environmental impacts on Chouet Headland, but there would be wider environmental impacts both locally and globally, associated with importation, transportation and indirect carbon impacts. This option has the highest total carbon emissions. Taking into account the current uncertainty about whether or when a new harbour might be completed, which would provide the infrastructure for the bulk importation of aggregate at the scale required, the limitations of existing ports infrastructure, and the likely negative economic impacts of full importation, the Committee, by a majority, considers that Option B (full importation of aggregate) is not an appropriate future supply option at this time.

11.4 Option A (the continuation of on-island quarrying) is the most closely aligned of the two options to the States' Climate Change Policy and the Energy Policy as it delivers the lowest overall carbon emissions when including both direct (Scope 1) and indirect (Scope 3) emissions. The development of Biodiversity Net Gain through Option A, and the positive environmental improvements that would result, align this option with the objectives of the Strategy for Nature.

11.5 Although Option A has the greatest localised environmental impact, proportionate consideration of the impacts generally against the infrastructure requirements, continuity and security of supply issues and the significant potential negative economic impacts of importation has led the Committee, by majority, to the conclusion that Option A is the best option to balance the environmental, economic and social objectives of the States. With proactive environmental protection, restoration and offsetting, the Committee, by a majority, considers the most appropriate and least damaging approach for future

aggregate supply overall would be to allow on-island extraction at Chouet Headland.

11.6 The Committee recognises that if Option A is approved, the effects of this large-scale infrastructure development will vary over its operational life, and that baseline evidence and the nature of impacts and effects have the potential to change significantly over that timeframe. Not least of these are potential changes to carbon impacts because of developments in shipping and vehicle technology, and the transition away from hydrocarbon fuels. Given that impacts on social amenity would be particularly focussed in Phase 3, and that there may be changes to demand and the amount of aggregate required due to innovations in building and construction techniques over time, the Committee recommends that the States has the opportunity to review up-to-date evidence before agreeing to the commencement of Phase 3 extraction at Chouet Headland. This would enable the States nearer the time to determine whether the evidence continues to support on-island quarrying as the most appropriate aggregate supply option. This should be completed no later than five years before the completion of Phase 2. The quarry operator has confirmed that quarrying the headland would remain a viable proposition in the event that Phase 3 is not commenced.

12 Compliance with Rule 4

12.1 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.

12.2 In accordance with Rule 4(1), the Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications. She has advised that there is no reason in law why the Propositions should not to be put into effect.

12.3 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 within this policy letter have the majority support of the Committee. Deputy Haskins does not support Proposition 1a; Deputy Haskins supports Proposition 1b.

12.4 In accordance with Rule 4(5), the Propositions relate to the duties of the Committee *for the* Environment & Infrastructure: infrastructure, including but not limited to water, wastewater, the ports and the airports; waste, water and stone reserves.

12.5 The Propositions also relate in particular to the following Government Work Plan outcomes:

- Resilient and sustainable infrastructure and connectivity;

- Enable opportunities for regeneration;
- Secure transport connectivity and infrastructure;
- Invest in the visitor economy; and
- Meet Guernsey's housing need.

12.6 Also, in accordance with Rule 4(5), the Committee consulted:

- The States' Trading Supervisory Board;
- The Committee *for* Economic Development; and
- The Development & Planning Authority.

Yours faithfully

Committee *for the* Environment & Infrastructure

H L de Sausmarez
President
S P Haskins
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APPENDIX A

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22 April 2021

Dear Deputy de Sausmarez

Future Supply of Aggregate – Potential Importation Requirements

Thank you for your letter dated 24th March 2021, which provides useful insight into the potential volumes of aggregate which might be required to be imported, depending on the decisions reached regarding extraction within the Island.

There are a number of questions which the Committee has posed, and which will be answered in turn.

What will be the impact of such an increase in importation levels upon existing and potential future ports infrastructure and capacity, including operational limitations such as bulk storage areas and the availability of suitable ships and pilots?

The current infrastructure at St Sampson's harbour is capable of receiving 120,000 tonnes of aggregate per year. The largest vessels which currently service the island can carry up to 2,200 tons of aggregate per voyage and at least 1,700 tonnes of this could be unloaded daily, using the existing cranes and associated equipment. Given their loaded draft, the vessels require a minimum height of tide of 7.6 metres above chart datum. In 2021, for example, this occurred on 243 days of the year. If we allow 2 days per cargo, this means that the notional maximum quantity of aggregate which could be imported per year is over 200,000 tonnes. This takes no account of weather, which might impact deliveries, but it is assessed that the total of 120,000 tonnes discharge would easily be achievable.

In respect of future planning, and the Future Harbour Development Programme, this is a factor which has been considered. Any new harbour construction or reorganization will provide space and facilities for such volumes of aggregate import. Since this work will also inform the work of the Seafront Regeneration Sub-Committee it is reasonable to assume that it will be reviewed in the future planning for the eastern seaboard.

An area would need to be provided for bulk storage of such materials. While there is no space within the harbour confines at St Sampson, it is noted that Griffiths yard, which could provide a suitable venue, remains under States' ownership, and is conveniently adjacent to the harbour.

Regarding the availability of suitable vessels: discussions with local shipping agents confirms that vessels of a suitable size which can safely dry on their moorings are becoming harder to find. That said, it is likely that availability will remain adequate for the period until the Future Harbour Development Project is likely to begin deliver its outcomes, i.e. for approximately the next 10 years. It is possible to import aggregates via unitized or bulk methods into St Peter Port, but both options will present logistical challenges in terms of moving the goods to storage and/or managing the increased volume of ISO containers (up to 150 in circulation or storage at any one time).

The issue of general pilots is of wider concern. All ship movements in and out of St Sampson's harbour require the attendance of a harbour pilot. The pilots are self-employed and rely on a regular demand for their services to generate income. Two of the 4 current pilots are nearing retirement age, and the reduction in demand for pilotage duties due to the pandemic has cast doubt on the long-term viability of the pilotage service in its current form. Recruiting pilots locally is challenging, since they need a significant level of experience and ability in ship handling. At the same time, it is difficult to recruit from off-island, due to the lack of guaranteed income, relocation costs, and inability to provide a suitable relocation package. Guernsey Ports is exploring the viability of recruiting a harbour pilot as a States employee, working under the Harbourmaster and alongside the existing pilots. This may be a precursor to subsuming the pilotage service in-house. It is thought that this process would be close to cost neutral.

What new infrastructure or resources would be required to support this level of importation?

Sustained full importation of aggregates would substantially increase the workload on the existing two St Sampson's cranes. The current cranes are over 30 years old and, while mechanically sound, they are showing their age and there are 2 options to consider:

- At the very least, it would be prudent to commission a full conditional survey and corrective maintenance before importation of such an increased volume commenced. It would also be necessary to increase the amount of regular maintenance, which in turn would require the recruitment and training of 2 additional personnel. It is also likely that Guernsey Ports would need to recruit an additional crane driver to cope with the additional workload. This cost would be partially offset by craneage dues, but it takes 2 years to train a driver for these particular cranes, so there is significant lead time and associated cost. The process of recruiting these 3 staff would need to commence immediately. This option carries the significant risk that one or both cranes could fail, leading to additional cost, delays in supply, and potential claims from shipping companies and/or importers.

- The safer and preferred option would be to replace both cranes. This would negate the need for additional maintenance and associated staff uplift, and significantly reduce the training time for the additional crane driver.

The mechanical grabs and hoppers used to unload the aggregate are the property of Guernsey Stevedores. These too are ageing and in need of refurbishment or replacement. It is likely that Guernsey Stevedores would undertake this replacement at its own cost, given the assurance that these increased volumes would continue to be imported via St Sampson's harbour.

What additional associated costs are attached to the above?

Option	Description	Cost	Time required	Manpower Implications	Risks/Cons
1	Deep survey and remedial maintenance of existing cranes	£150k each	8 weeks estimate	Additional 2 FTE maintenance staff £40k each plus overtime and hazard pay as required per annum. Additional 1 FTE crane driver £35k estimate per annum plus up to 30% additional overtime.	Likely retirement of specialist maintenance staff. Difficulty in obtaining manufacturer support and/or spares.
2	Replace existing cranes with similar	1.9M Euro each	12 months lead time for Liebherr crane, 4 rope LHM120	Additional 2 FTE maintainers £40k each plus overtime and hazard pay as required Per annum Additional 1 FTE crane driver £35k estimate per annum plus up to 30% additional overtime.	May also need to procure a grab, but likely that Guernsey Stevedores will invest, given an 8-year commitment to import

What other operational constraints might occur with increased aggregate importation?

Conversations with the main importers of bulk aggregate reveal that they are concerned about the number and availability of heavy trucks to transport their materials, particularly given the lack of onsite storage at St Sampsons, which demands an immediate fleet to ensure efficient discharge of any vessel. This same constraint would apply for any potential

plans to import aggregate via St Peter Port. It is believed that the market will find its own solution to this issue, without direct cost to the States.

I trust this response assists your Committee's deliberations and ongoing discussions.

Yours sincerely



Deputy P Roffey
President
States' Trading Supervisory Board

CC: Managing Director, Guernsey Ports

APPENDIX B



Carbon impacts of different quarrying options for Guernsey

Report to the States of Guernsey

August 2020

Title	Carbon impacts of different quarrying options for Guernsey
Customer	States of Guernsey
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1 Introduction

The States of Guernsey is currently considering options relating to on-island quarrying for aggregates. Currently, there is one quarry in Guernsey, Les Vardes, which produces approximately 100,000 to 165,000 tonnes of aggregate per year and is the primary source of aggregates for the island. Other quarried materials including sand and aggregate, are imported from the UK and mainland Europe. However, Les Vardes is moving towards being expended. With the recognition that Guernsey will not move away from concrete products in the immediate future, the States of Guernsey have a need to gather evidence and knowledge on the options for quarrying and supply of aggregates. This report will consider the carbon impacts of different options. It sits within a wider programme of work to assess quarrying options including economic and other environmental impacts.

1.1 Background

Les Vardes quarry currently meets the on-island demand for base aggregate, producing a 10-year average of 125,000 tonnes per year. The quarry operator is Ronez Ltd. The quarry works granite to produce aggregate that is supplied to the local construction market as 'dry stones' or used in the manufacture of concrete or asphalt. Rock is extracted using drill and blast techniques with the extracted rock transported using dump trucks to a processing plant located within the quarry site.

Once Les Vardes has been expended, the only remaining accessible area of quality stone on the island is at Chouet Headland. The Chouet Headland site is within the Vale Parish, at the north-western top of Guernsey. The site is bordered by Mont Chouet landfill to the east and by the sea to the north, west and south. The site contains a mix of uses including residential, leisure and recreation, open land, public amenity land, car parking, heritage and refuse and recycling facilities.

Ronez Ltd intends to continue with the current extraction rate at Les Vardes until reserves are exhausted. It is estimated that current workable reserves at Les Vardes will be exhausted in approximately 6 to 7 years. After this, demand for aggregates will need to be met either by moving to the Chouet Headland or by increasing importation (historically more expensive). Preliminary analysis suggests that 3.5 to 4.1 million tonnes of granite could be extracted from Chouet Headland (based on a phased transition). Using historical demand for aggregate, this equates to approximately 33 years of supply.

The Chouet Headland area is safeguarded for mineral extraction. In April 2019, a draft Chouet Headland Development Framework Supplementary Planning Guidance was shared for public consultation. With a large proportion of the 100+ responses objecting to quarrying of the headland, the Development Framework was put on hold. The States of Guernsey are subsequently reviewing the principle of on-island quarrying and gathering robust evidence to support policy decisions. Any plans for future mineral extraction at Chouet Headland must be sustainable, respecting and protecting the local environment as well as the amenity of local communities and residents and the local infrastructure.

1.2 Project overview

In June 2020, the States of Guernsey commissioned Aether to undertake work to assess the potential carbon impacts of different quarrying options for Guernsey. The project will consider the following:

- The energy used in on-island mining and quarrying and on-island transportation.
- Energy used for transportation of imported materials.
- A consideration of the global impacts.
- Energy intensity of quarrying practices in Guernsey, compared to international standards and neighbouring countries that could supply imported materials.
- Potential for increased use of recycled aggregate materials in Guernsey.
- Possible impacts on carbon sequestration/release.
- Modelling of different scenarios that may arise out of the recovery plan and future policy directions.
- A consideration of the options for different stone types e.g. granite, mason stone.

The project will provide the following outputs:

1. **Scenario tool** - A tool will be developed that allows the user to explore the emissions associated with different quarrying scenarios. User will be able to build scenarios by adjusting demand and supply variables (**Section 3**).
2. **Project report** – The project report (this document), will provide detail on the results of scenarios covering the range of different options for on island production (**Section 2**), details of the tool, including methodology, input data and outputs (**Section 3**), and other considerations that should be made when thinking about the possible carbon impacts of quarrying (**Section 4**).

2 Scenario analysis

The scenario tool has been used to develop a range of scenarios that encompass carbon emission outcomes for constraints in the development of on island supply (at Chouet) as well as two demand scenarios:

The different development phases for Chouet Headlands (see Error! Reference source n ot found.), from no development to full development have been modelled.

- **Supply Scenario A: No development of Chouet Headland**: Using an extraction rate of 110 kilotonnes per year, unconstrained reserves at Les Vardes will be exhausted in February 2022 and constrained reserves will be exhausted in December 2025[1]. Following exhaustion of Les Vardes, Chouet Headland will not be developed.
- **Supply Scenario B: Phase 1 development of Chouet Headland**: Development of part of Chouet Headland and all constrained reserves at Les Vardes.
- **Supply Scenario C: Phases 1 and 2 development of Chouet Headland**: Les Vardes will be quarried until exhaustion alongside development of the phase one Chouet Headland area. After this, all processing activities will move to Chouet for Phase 2.
- **Supply Scenario D: Full (phases 1, 2 and 3) development of Chouet Headland**: This includes the phases above with additional extraction during Phase 3.

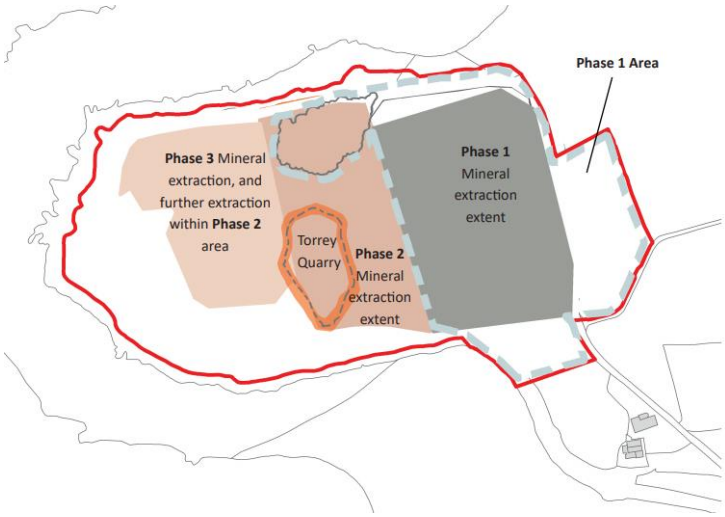


Figure 1 - Proposed phases of development for Chouet Headland

Different assumptions around demand (including an initial decline in activities (down to 80%) followed by recovery and a high growth (10% increase per year) scenario). These include:

- **Demand Scenario A: Demand drops to 80% of current levels** for next three years before returning to and plateauing at 2020 levels.
- **Demand Scenario B: Demand rises by 10% per year on 2020 levels for next 5 years** then plateaus at 50% above 2020 levels.

[1] Unconstrained reserves: Reserves that are currently available
Constrained reserves: Reserves that are currently unavailable as they are located beneath the processing plant

2.1 Headline messages

The carbon dioxide emissions for 6 emissions scenarios with and without Chouet development (supply scenarios) and high and low growth demand scenarios have been estimated for each year in the timeseries 2020 – 2035 and for the total sum of the timeseries. The emissions scenarios are shown in **Table 1** and the key messages can be summarised as follows:

- Full development of Chouet results in the lowest carbon impact for both high and low demand scenarios. Due to additional carbon emissions from importation (mostly shipping) of materials the embodied carbon emissions with supply scenario A no development of Chouet (emissions scenarios 1 and 4) are around a factor of two higher than emissions for supply scenario D for the full development of Chouet (emissions scenarios 3 and 6). The carbon intensity of Guernsey's on-island supply of aggregate is comparatively low.

- The differences in high and low growth demand scenario are more significant where there is full development of Chouet. The difference in emissions between the two no Chouet development supply scenarios (scenarios 1 and 4) is 21%. In contrast, the difference between the two full Chouet development supply scenarios (scenarios 3 and 6) is 46%.

- It is important to distinguish between direct (on-island) emissions and indirect (off-island) emissions. Scenarios with no development of Chouet have the lowest direct emissions but the highest indirect emissions and vice versa for full Chouet development scenarios. Only direct emissions count towards Guernsey's national total emissions however indirect emissions are important for considering the global impact of Guernsey's activities.

Table 1 - Report scenarios

Emissions Scenario	Demand Scenario	Supply Scenario - Chouet development	Total 2020-2035 tonnes CO_2e
1	A: Drops to 80% of current levels for next three years before returning to and plateauing at 2020 levels.	A: No development of Chouet site.	46,628
2		B: Only phase 1 of Chouet site development.	39,254
3		D: Full development of Chouet site.	21,026
4	B: Rises by 10% per year on 2020 levels for next 5 years then plateaus at 50% above 2020 levels.	A: No development of Chouet site.	56,623
5		B: Only phase 1 of Chouet site development.	48,913
6		D: Full development of Chouet site.	30,682

Figure 2 and **Table 2** show the trend in total emissions up to 2035 associated with each scenario outlined above. Scenarios that shows a growth in demand accompanied with the need for importation of materials (scenarios 4 and 5) are associated with the highest total emissions. In contrast, the two scenarios that involve full development of the Chouet Headland site (scenarios 3 and 6) are associated with the lowest total emissions.

The difference in emissions between scenarios with significant importation and those with little importation can largely be attributed to the embodies emissions of imported products, particularly from transportation.

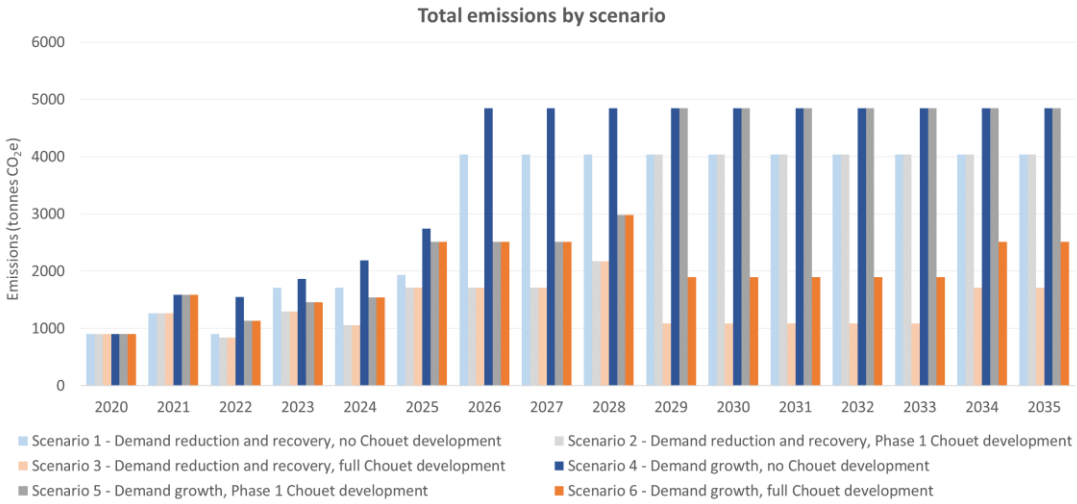


Figure 2 - Total emissions 2020-2035 by scenario

Table 2 - Total emissions 2020-2035 for each scenario (tonnes CO_2e)

Emissions scenario		2020	2025	2030	2035	Total emissions 2020-2035
Scenario 1 – Demand reduction and recovery, no Chouet development	**Direct**	630	625	204	204	**48,766**
	Indirect	271	1,309	3,831	3,831	
Scenario 2 – Demand reduction and recovery, Phase 1 Chouet development	**Direct**	630	670	204	204	**40,900**
	Indirect	271	1,037	3,831	3,831	
Scenario 3 – Demand reduction and recovery, full Chouet development	**Direct**	630	670	795	670	**21,514**
	Indirect	271	1,037	295	1,037	
Scenario 4 – Demand growth, no Chouet development	**Direct**	630	665	245	245	**59,256**
	Indirect	271	2,076	4,597	4,597	
Scenario 5 – Demand growth, Phase 1 Chouet development	**Direct**	630	711	245	245	**51,039**
	Indirect	271	1,803	4,597	4,597	
Scenario 6 – Demand growth, full Chouet development	**Direct**	630	711	835	711	**31,650**
	Indirect	271	1,803	1,061	1,803	

The total emissions shown in **Figure 2** and **Table 2** refer to both direct and indirect greenhouse gas emissions and therefore reflect Guernsey's global impact. However, Guernsey's total national emissions, as described in the national greenhouse gas inventory, only include direct emissions. Direct emissions are those which occur due to activities within a jurisdiction. In the context of this analysis that means that direct emissions are those associated with on-island quarrying activities and indirect emissions

are those from off-island activities associated with imported materials (e.g. shipping, quarrying in the source country and transport of material in the source country).

If only direct emissions are considered (as per the greenhouse gas inventory), scenarios that involve significant importation (scenarios 1, 2, 4 and 5) will have considerably lower emissions than scenarios with greater on-island supply (scenarios 3 and 6). Indirect emissions will be accounted for in the jurisdiction that the activities occur in (in the case of this analysis, the UK). Considering both direct and indirect emissions, whilst not in line with international inventory reporting methodologies, allows for consideration of the global impacts of Guernsey's quarrying activities. This is considered further in the individual scenario sections below.

Figures 3 and **Table 3** show the average emissions per tonne of aggregate for 2020 to 2035 by scenario (also called implied emission factors). Off-island implied emission factors do not vary between the scenarios. On-island emission factors vary very slightly between scenarios due to differences in the amount of transport between Les Vardes and the Chouet Headland site that is required. With the no Chouet development supply scenarios, there is no transport required between the two sites. With the Phase 1 Chouet development only supply scenario, there is a transition between the sites and a time where transportation between the two sites will be required due to extraction happening at one site and processing at the other. This also occurs as part of the full Chouet development supply scenario however in this case there is a longer period after transition where all activities occur at Chouet and transport is no longer needed between the sites.

There is variation in emissions intensities when considering all supply. This is due to the scenarios having different amounts of imported materials. Imported materials have high embodied emissions and therefore, the more material that is imported, the higher the average emissions per tonne of aggregate.

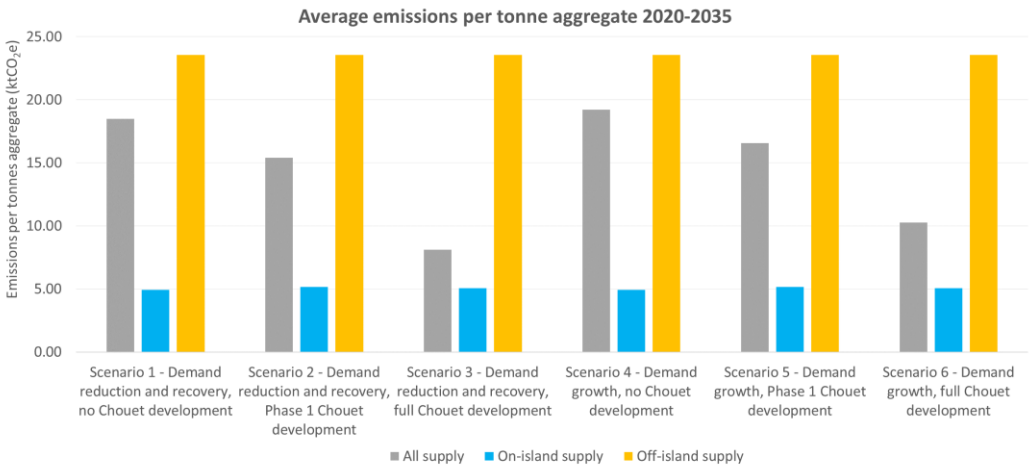


Figure 3 - Average emissions per tonnes aggregate 2020-2035

Table 3 - Average emissions per tonnes aggregate for each scenario, split by on-island and off-island supply

	Average emissions per tonne aggregate 2020-2035 ($ktCO_2e$)		
	All supply	**On-island supply**	**Off-island supply**
Scenario 1	18.48	4.92	23.55
Scenario 2	15.41	5.16	23.55
Scenario 3	8.11	5.05	23.55
Scenario 4	19.21	4.92	23.55
Scenario 5	16.55	5.16	23.55
Scenario 6	10.26	5.05	23.55

The embodied carbon intensity for on-island production and supply ranges from 4.9 to 5.2 $ktCO_2e$ per tonne of aggregate across all development scenarios compared to the imported equivalent of 23.6 kt CO_2e per tonne of aggregate.

The "cradle-to-gate" carbon intensity of Guernsey's on-island supply of aggregate is comparatively low[2]. It tends to be close in value to the average carbon intensity of virgin 'land-won' aggregate (approx. 4.4 kg CO_2e per tonne[3]). Of the 134 individual supplies of virgin 'land-won' aggregate considered in this average, the Guernsey embodied carbon factor sits somewhere between the 50th and 75th percentile in value, suggesting that it is a fairly typical aggregate source of its type in terms of carbon intensity. Crucially, the carbon intensity of this type of aggregate source is the lowest of all the averages listed. Other types of source, including 'marine-won' and recycled, tend to have a higher carbon intensity. This sets a high bar for the carbon intensity of any alternative, imported, supply of aggregate to be lower than Guernsey's own supply, when solely considering "cradle-to-gate" (in-earth to processed product) emissions. For more technical detail on the terminology used here, and calculations behind this conclusion, see section 3.2.4.

Therefore, the carbon intensity of Guernsey's own supply of aggregate is low, largely due to the type of extraction and processing that virgin, "land-won" sources involve. The use of electricity in processing also contributes to its low value relative to aggregate from other sources. Any changes in fuel mix used in processing and extraction would result in changes to the carbon intensity of Guernsey's own supply.

When analysing scenarios, it is important to remember that the uncertainties associated with the tool are high. They are also subject to a number of assumptions, which are summarised in section 3.1 and explained in detail throughout the tool and the detailed analysis presented in this report. Therefore, the results are best considered relative to other scenarios, instead of as absolute numbers for an individual scenario.

[2] Using a cradle-to-gate scope means emissions from in-earth through to processed product. Note that, for the sake of comparison to other existing data, this scope includes slightly fewer sources of emission than for the data of on-island carbon intensity in Table 3. For more detail, see section 3.2.4.
[3] ICE Database V3.0, 2019

2.2 Individual scenario analysis

As mentioned above the key variables adjusted while generating these scenarios are demand and the phasing for on-island quarrying activities. For this analysis, all other variables available in the scenario tool have been kept constant, including:

- Constraints on production – the 'probable' estimate for the Chouet reserves, for scenarios where Chouet is developed, and upper quarry production capacity are used in all scenarios
- Storage capacity – The maximum storage capacity is assumed to be 20 kilotonnes and the amount in storage in the base year is assumed to be 0 kilotonnes in all scenarios
- Materials that can be imported – In all scenarios it is assumed that all materials except for masonry stone and rock armour can have some share of demand met by imported materials
- The mix of imported materials – In all scenarios it is assumed that the mix of imported aggregates will reflect the UK market average
- Source of imported materials – In all scenarios it is assumed that imported materials will come from the Teignmouth (33%), Plymouth (34%) and Swansea (33%).

2.2.1 Scenario 1: Demand scenario A (80% drop in demand followed by recover), supply scenario A (no Chouet development)

In this scenario, demand drops to 80% of expected 2020 levels from the start of 2020 to the end of 2022 and then recovers to the expected 2020 levels where it remains constant. The Chouet Headland site is not developed (**Table 4**).

Table 4 - Timing of on-island supply phases in scenario 1

On-island supply	Start year	End year
Les Vardes remaining unconstrained	2020	2022
Les Vardes constrained	2022	2030 (or earlier if exhausted)
Phase 1 Chouet development	Never	N/A
Phase 2 Chouet development	Never	N/A
Phase 3 Chouet development	Never	N/A

Once Les Vardes has been fully quarried, all demand must be met by imports (**Figure 4**).

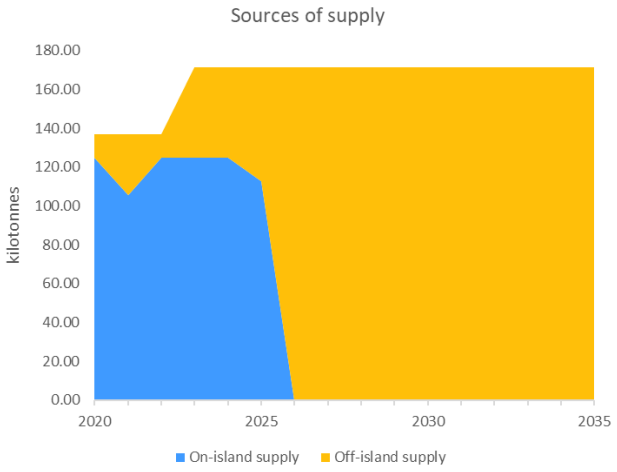


Figure 4 - On-island and off-island supply required to meet demand under scenario 1

The overall emissions per tonne of aggregate timeseries reflects the move from on-island supply to entirely imported materials that have a higher emissions intensity (**Figure 5**). As mentioned previously, this is largely due to the emissions associated with shipping, but also the increase in emissions associated with production and transportation of imported materials (**Figure 6**).

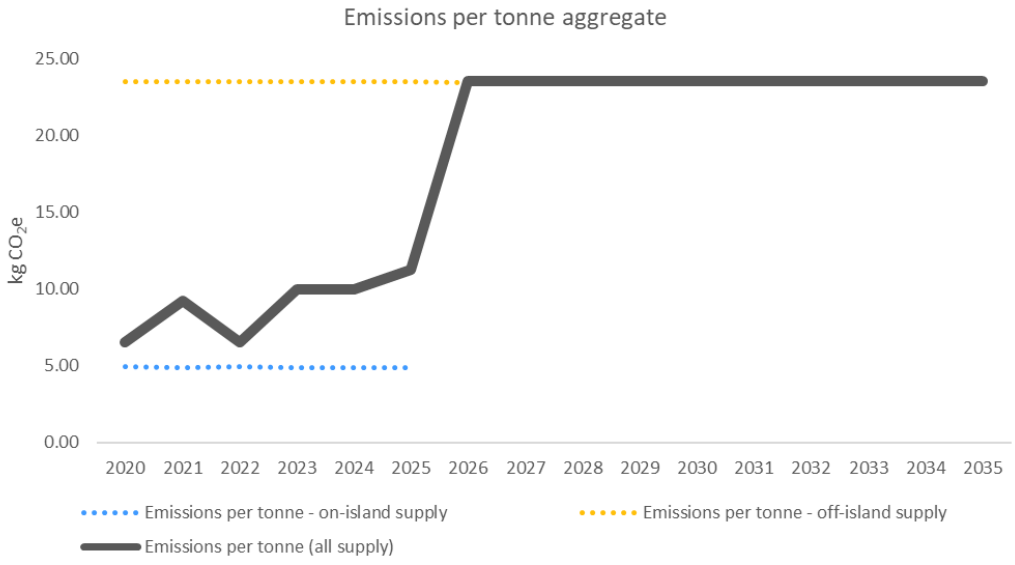


Figure 5 - Emissions per tonne of aggregate under scenario 1

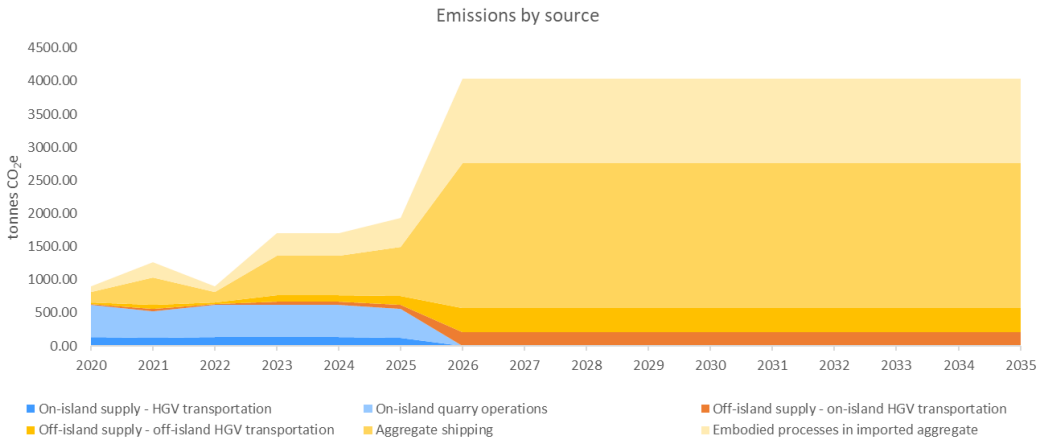


Figure 6 - On-island (blue) and off-island (yellow) emissions under scenario 1

It is important to distinguish between direct and indirect emissions. Direct emissions are those associated with on-island activities and are therefore counted in Guernsey's total national emissions. Indirect emissions are those associated with activities occurring off-island, for example the production, processing and transportation of imported materials. These are not counted in Guernsey's total national emissions but are important when considering the global impact of Guernsey's quarrying activities.

Figure 7 illustrates the split between direct and indirect emissions for scenario 1. It shows that, after 2030, direct emissions from quarrying activities will be negligible and therefore Guernsey's total national emissions will decrease. However indirect emissions will increase considerably. Whilst these will be accounted for in the source country's inventory, they should be considered when trying to reduce Guernsey's global impact. Indirect emissions are largest under scenarios 1 and 3 as these scenarios are associated with the greatest need for importation (no Chouet site development).

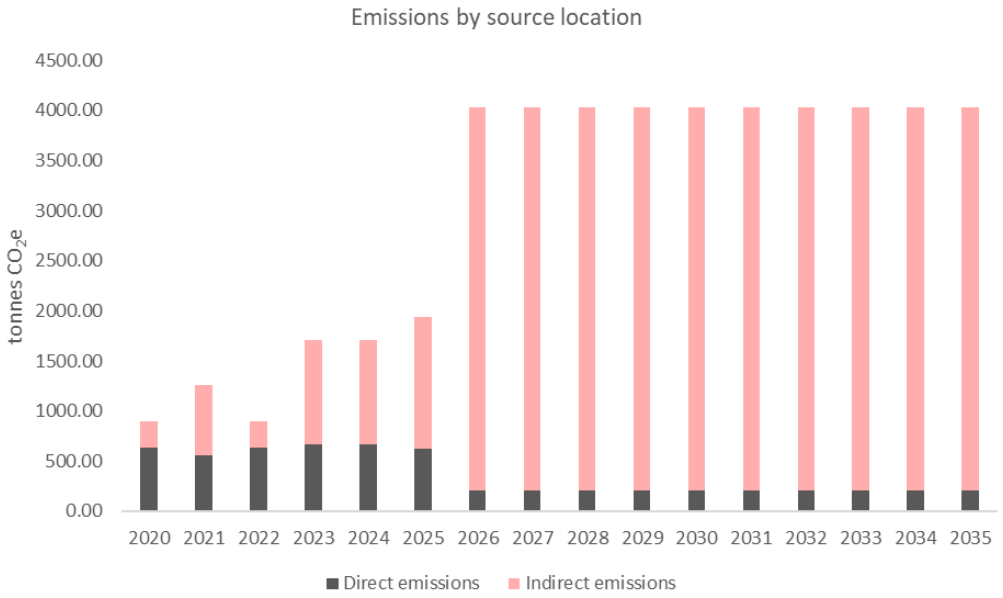


Figure 7 - Emissions split by direct and indirect sources for scenario 1

2.2.2 Scenario 2: Demand scenario A (80% drop in demand followed by recovery), supply scenario B (Phase 1 Chouet development only)

In this scenario, demand drops to 80% of expected 2020 levels from the start of 2020 to the end of 2022 and then recovers to the expected 2020 levels where it remains constant. The Chouet Headland site is only subject to Phase 1 development (**Table 5**).

Table 5 - Timing of on-island supply phases in scenario 2

On-island supply	Start year	End year
Les Vardes remaining unconstrained	2020	2022
Les Vardes constrained	2024	2030 (or earlier if exhausted)
Phase 1 Chouet development	2022	2025
Phase 2 Chouet development	Never	N/A
Phase 3 Chouet development	Never	N/A

Once Les Vardes reserves and the reserves associated with Phase 1 development of the Chouet Headland site have been exhausted, demand must be met by imports (**Figure 8**).

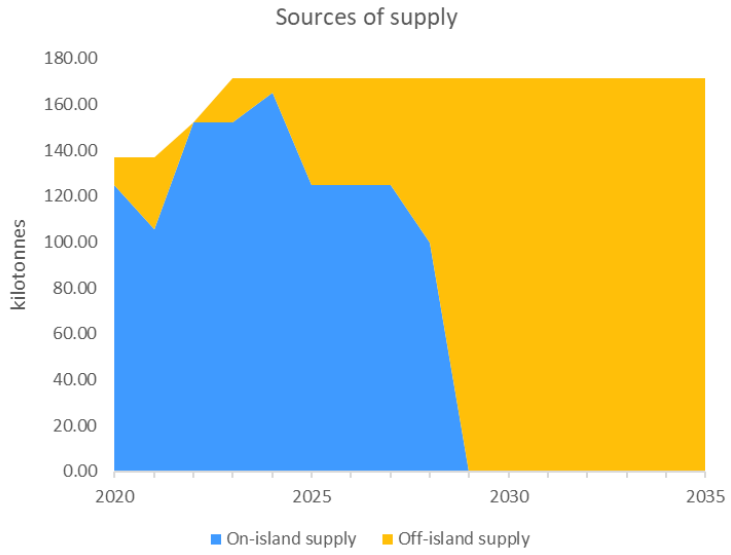


Figure 8 - On-island and off-island supply required to meet demand under scenario 2

As with scenario 1, the overall emissions timeseries per tonne of aggregate reflects the move from on-island supply to entirely imported materials that have a higher emissions intensity (**Figure 9**), however in scenario 2 this transition occurs later due to the additional Chouet reserves. There is a drop in emissions per tonnes of aggregate for off-island supply in 2022 as in this year, both Les Vardes and Chouet are operational and therefore on-island supply is greater than demand and there is no need for imports.

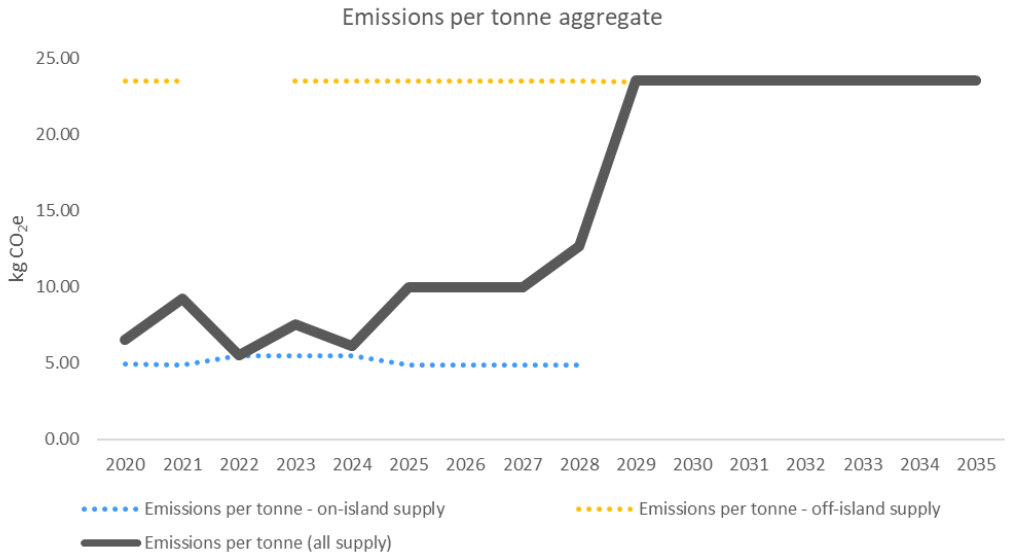


Figure 9 - Emissions per tonne of aggregate under scenario 2

As with scenario 1, the move to fully imported supply causes higher emissions due to emissions from shipping as well as production and other transportation on imported materials (**Figure 10**).

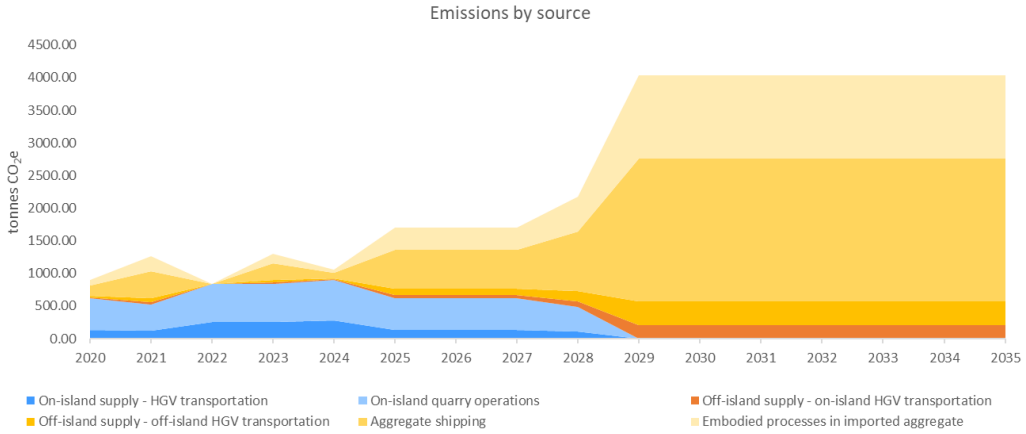


Figure 10 - On-island (blue) and off-island (yellow) emissions under scenario 2

As mentioned previously it is important to distinguish between direct and indirect emissions. **Figure 11** shows a similar trend to scenario 1 with direct emissions being replaced by indirect emissions with the transition to imported materials. In scenario 2 however, this transition occurs later and therefore Guernsey's direct emissions will decrease over a longer time period. Considering Guernsey's global impact, total direct and indirect emissions will be lower for scenario 2 in comparison to scenario 1 due to the later transition to imported materials.

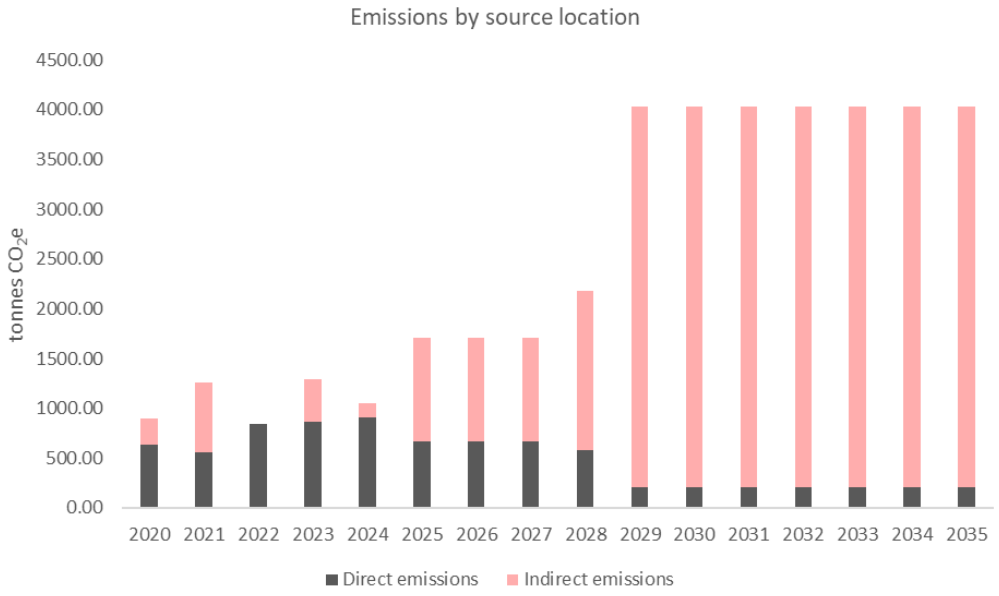


Figure 11 - Emissions split by direct and indirect sources for scenario 2

2.2.3 Scenario 3: Demand scenario A (80% drop in demand followed by recovery), supply scenario D (full Chouet development)

In this scenario, demand drops to 80% of expected 2020 levels from the start of 2020 to the end of 2022 and then recovers to the expected 2020 levels where it remains constant. The Chouet Headland site is fully developed including phases 1, 2 and 3 according to the schedule presented in **Table 6**.

Table 6 - Timing of on-island supply phases in scenario 3

On-island supply	Start year	End year
Les Vardes remaining unconstrained	2020	2022
Les Vardes constrained	2024	2030
Phase 1 Chouet development	2022	2025
Phase 2 Chouet development	2029	2034
Phase 3 Chouet development	2034	2060

In this scenario, there is no transition to only imported materials as on-island quarrying occurs throughout the timeseries. Imported materials therefore make up the difference between on-island supply and demand (**Figure 12**).

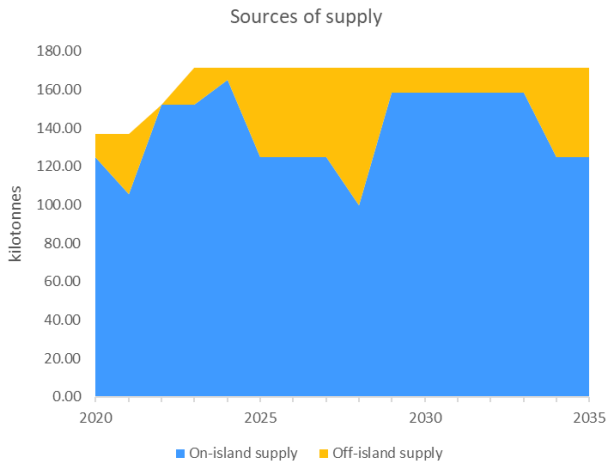


Figure 12 - On-island and off-island supply required to meet demand under scenario 3

As there is no need for large-scale importation of aggregate with associated production and transportation emissions, the overall average emissions per tonnes of aggregate for scenario 3 remain at a lower level across the timeseries (**Figure 13**). As with scenario 2, there is a decrease in emissions per tonne of aggregate in 2022 due to Les Vardes and Chouet being operational and able to meet demand.

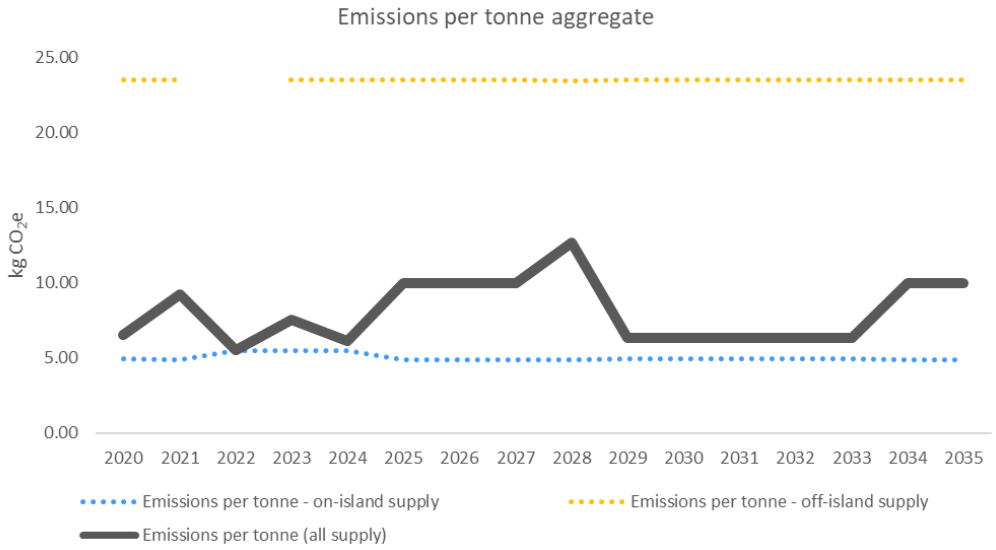


Figure 13 - Emissions per tonne of aggregate under scenario 3

Total emissions for scenario 3 are lower than all other scenarios as emissions from imported material are the lowest out of all emissions scenarios due to the high on island capacity supply scenario and low demand scenario (**Figure 14**). Fluctuations across the timeseries relate to the phasing of Les Vardes and Chouet development (see **table 6**) and therefore the on-island availability of supply.

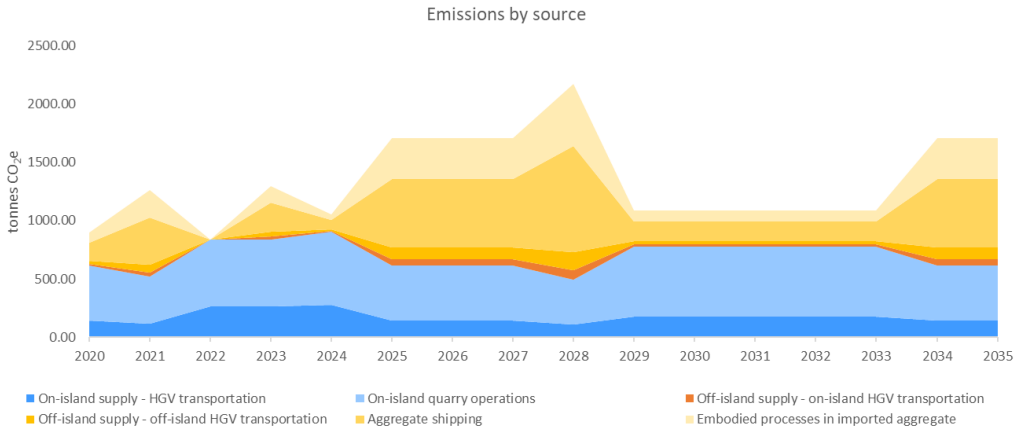


Figure 14 - On-island (blue) and off-island (yellow) emissions under scenario 3

However, as Guernsey is producing more of its own materials there will be more direct emissions that contribute to its official national totals (that exclude indirect embodied emissions) (**Figure 15**).

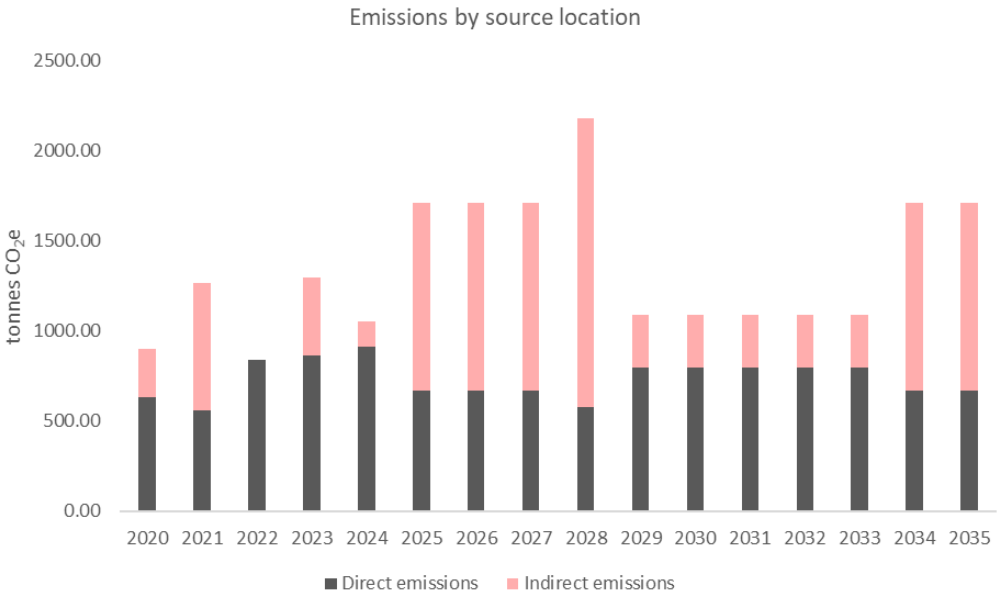


Figure 15 - Emissions split by direct and indirect sources for scenario 3

2.2.4 Scenario 4: Demand scenario B (Demand increases by 10% per year for 5 years), supply scenario A (no Chouet development)

Scenario 4 is the first of the high growth scenarios, with demand increasing by 10% per year for 5 years (2020-2025) before plateauing. There is no development of the Chouet Headlands site (**Table 7**). This demand scenario pushes the demand for materials above the capacity of on island supply to provide.

Table 7 - Timing of on-island supply phases in scenario 4

On-island supply	Start year	End year
Les Vardes remaining unconstrained	2020	2022
Les Vardes constrained	2022	2030 (or earlier if exhausted)
Phase 1 Chouet development	Never	N/A
Phase 2 Chouet development	Never	N/A
Phase 3 Chouet development	Never	N/A

As with scenario 1, once Les Vardes has been fully quarried, all demand must be met by imports (**Figure 16**). In addition, Les Vardes does not have the capacity to meet the demand while operating.

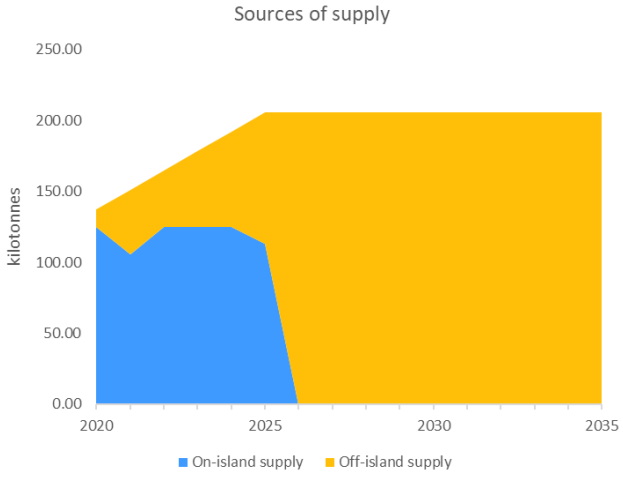


Figure 16 - On-island and off-island supply required to meet demand under scenario 4

The overall average emissions per tonne of aggregate timeseries is similar to that of scenario 1 however there is a steeper rise in emissions between 2020 and 2025 associated with the demand growth (**Figure 17**) especially as this is met through imports. The transition to a full importation results in an increase in indirect emissions as imported materials have a higher emissions intensity. The increase in emissions can largely be attributed to slightly higher embodied emissions in production of materials and from the additional transportation of imported materials (shipping) (**Figure 18**).

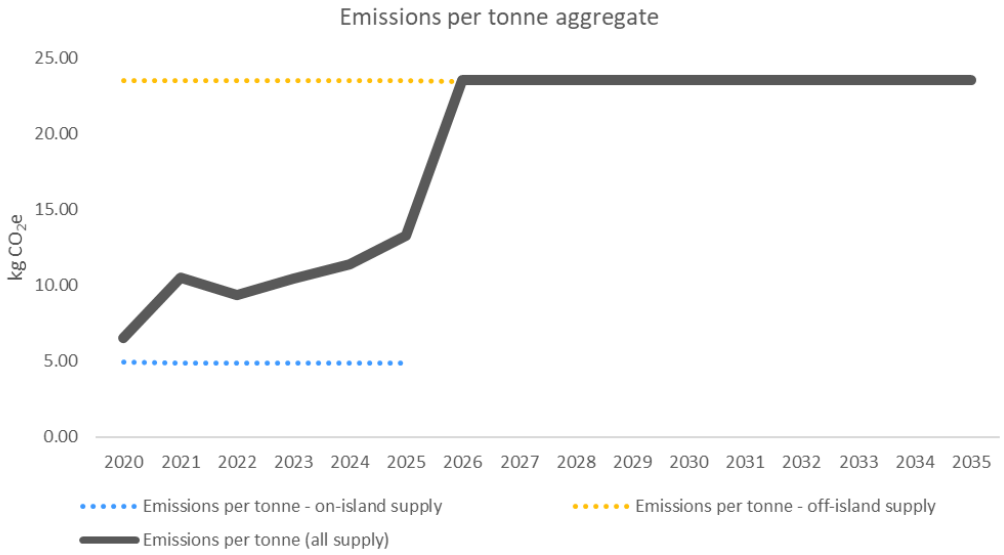


Figure 17 - Emissions per tonne of aggregate under scenario 4

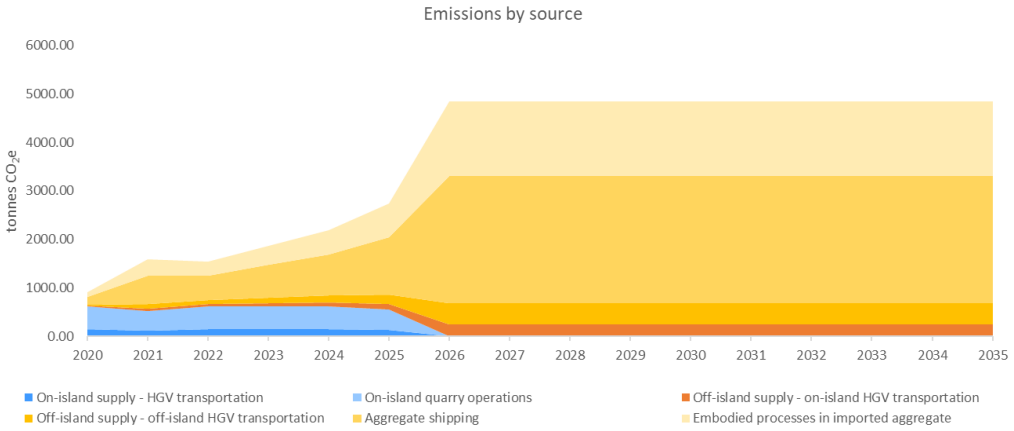


Figure 18 - On-island (blue) and off-island (yellow) emissions under scenario 4

In comparison to scenario 1, scenario 4 results in total emissions for the timeseries due to increased demand. However, the trend in direct and indirect emissions remains the same with direct emissions becoming negligible (only transportation emissions remaining) but indirect emissions increasing significantly after 2025. Therefore, in this scenario, Guernsey's total direct emissions will decrease. However, when considering Guernsey's global impact, scenario 4 will result in the greatest indirect emissions of all the scenarios (**Figure 19**).

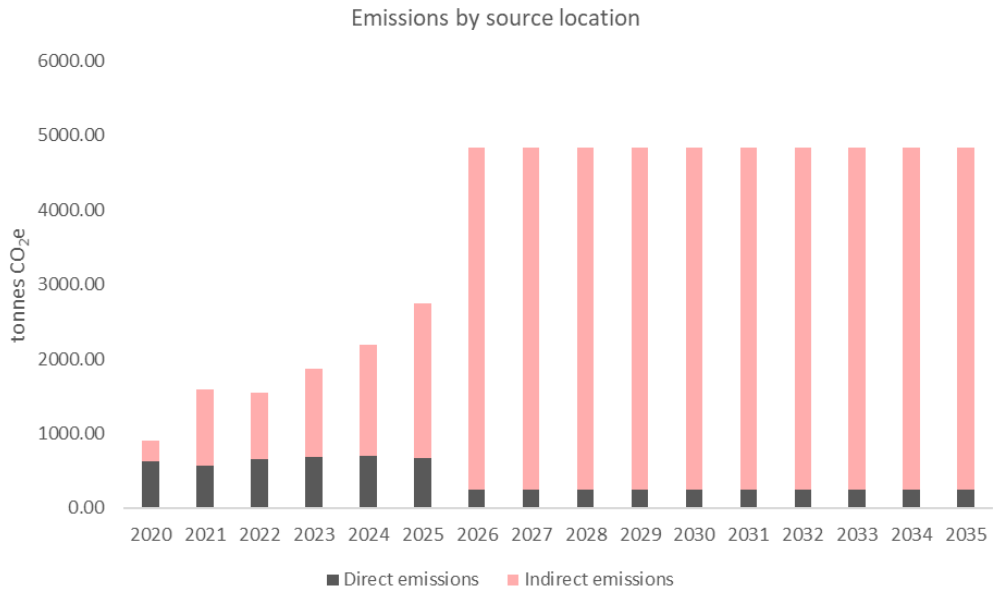


Figure 19 - Emissions split by direct and indirect sources for scenario 4

2.2.5 Scenario 5: Demand scenario B (Demand increases 10% per year for 5 years), supply scenario B (Phase 1 Chouet development only)

As with scenario 4, in scenario 5, demand grows by 50% between 2020 and 2025 before plateauing. The Chouet Headland site is only subject to Phase 1 development (**Table 8**).

Table 8 - Timing of on-island supply phases in scenario 5

On-island supply	Start year	End year
Les Vardes remaining unconstrained	2020	2022
Les Vardes constrained	2024	2030 (or earlier if exhausted)
Phase 1 Chouet development	2022	2025
Phase 2 Chouet development	Never	N/A
Phase 3 Chouet development	Never	N/A

Once Les Vardes reserves and the reserves associated with Phase 1 development of the Chouet Headland site have been exhausted, demand must be met by imports (**Figure 20**). Variation in the on-island supply trend relate to the phase timings mentioned above. For example, between 2022 and 2024, both Les Vardes and Chouet are operational and therefore on-island supply increases.

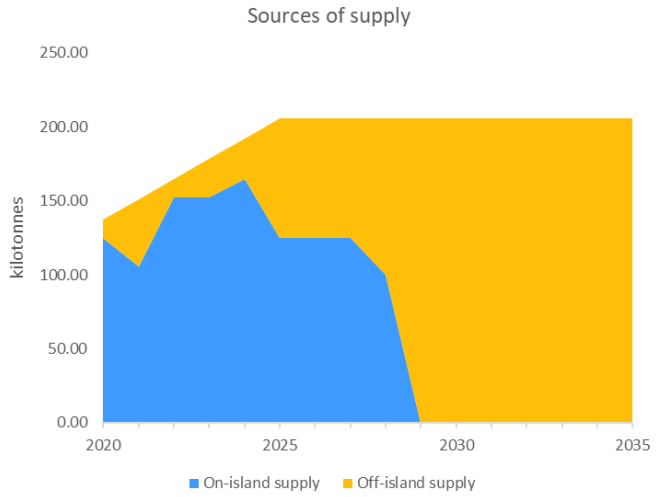


Figure 20 - On-island and off-island supply required to meet demand under scenario 5

Like scenarios 1, 2 and 4, the overall average emission per tonnes of aggregate timeseries reflects the transition to imported materials that have a higher emissions intensity (**Figure 21**). The emissions intensity is higher in the early part of the timeseries in comparison to scenario 2 as increasing demand is greater than on-island supply and therefore some importation is needed. The increasing emissions per tonne of aggregate due to increased emissions is also reflected in the total emissions timeseries (**Figure 22**). On-island emissions reduce to a very low level once on-island quarrying ceases, with only emissions from transportation left. However, off-island emissions significantly increase, especially those associated with transportation and processing of materials.

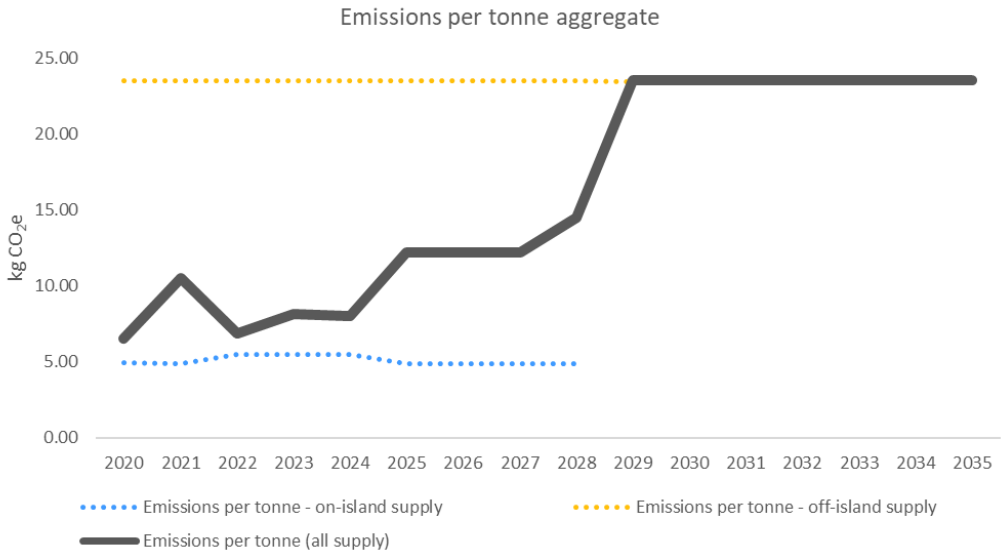


Figure 21 - Emissions per tonne of aggregate under scenario 5

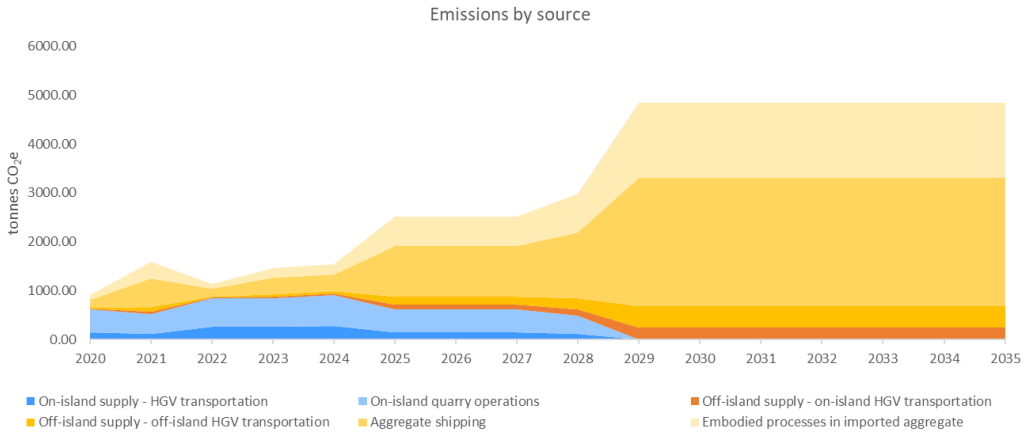


Figure 22 - On-island (blue) and off-island (yellow) emissions under scenario 5

The split between direct and indirect emissions is similar in trend to scenarios 1, 2 and 4. Direct emissions are significant until on-island quarrying ceases and are then negligible. Indirect emissions are higher in scenario 5 compared to scenario 2 as the additional demand requires imports to supplement on-island supply. A large increase in indirect emissions is seen once all material is imported (**Figure 23**).

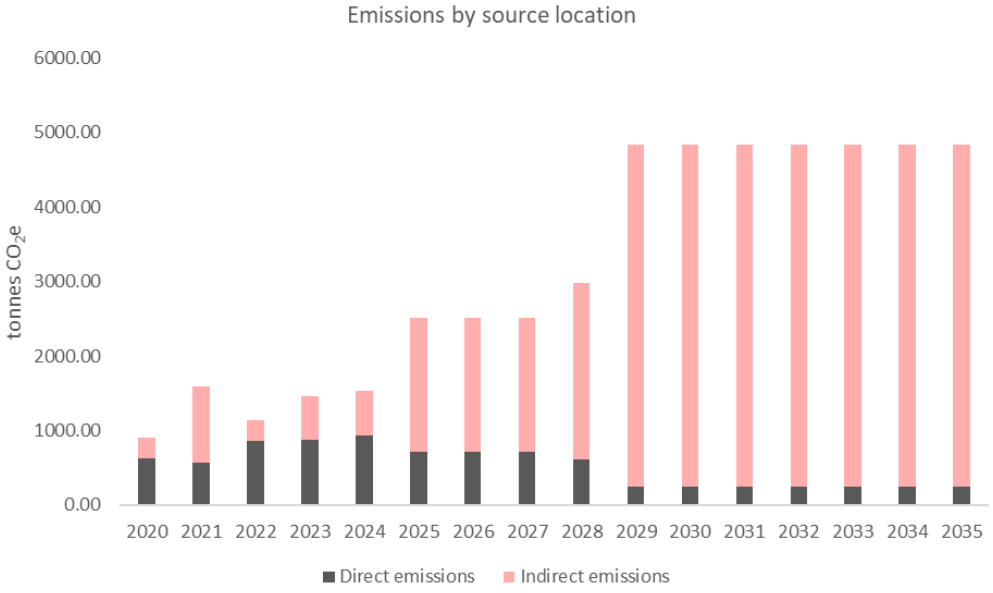


Figure 23 - Emission split by direct and indirect sources for scenario 5

2.2.6 Scenario 6: Demand scenario B (Demand increases 10% per year for 5 years), supply scenario D (full Chouet development)

In scenario 6, demand increases by 50% of the first 5 years (2020-2025) and then remains constant. The Chouet Headland Site is fully developed including phases 1, 2 and 3 (**Table 9**).

Table 9 - Timing of on-island supply phases in scenario 6

On-island supply	Start year	End year
Les Vardes remaining unconstrained	2020	2022
Les Vardes constrained	2024	2030
Phase 1 Chouet development	2022	2025
Phase 2 Chouet development	2029	2034
Phase 3 Chouet development	2034	2060

As with scenario 3, there is no transition to only imported materials and on-island quarrying occurs throughout the timeseries. The majority of demand is met by on-island supply with imports supplementing supply when demand requires it (**Figure 24**). On-island supply is the same as in scenario 3 however off-island supply is greater in scenario 6 due to higher demand.

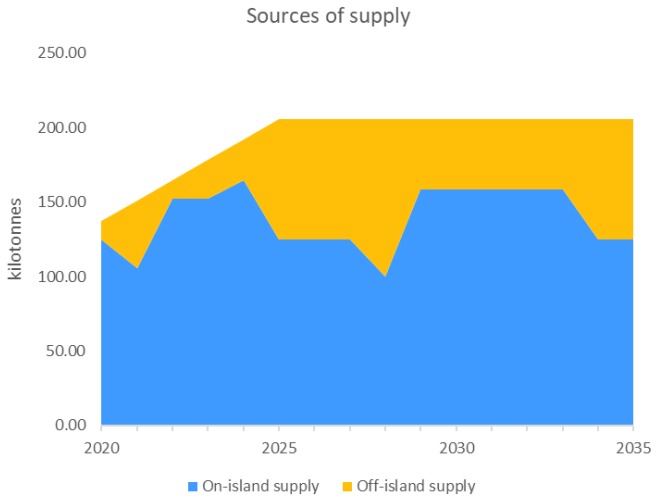


Figure 24 - On-island and off-island supply required to meet demand under scenario 6

There is no large-scale importation of aggregate under scenario 6 and therefore the average overall emissions per tonne of aggregate remains relatively constant across the timeseries (**Figure 25**). Total emissions under this scenario are lower than all other scenarios except scenario 3 (scenario 3 has lower demand). This is due to most material being produced on-island with lower associated emissions intensities. Imported materials are associated with high emissions from processing and transportation (**Figure 26**). Fluctuations across the timeseries relate to the phasing of Les Vardes and Chouet development and therefore the on-island supply.

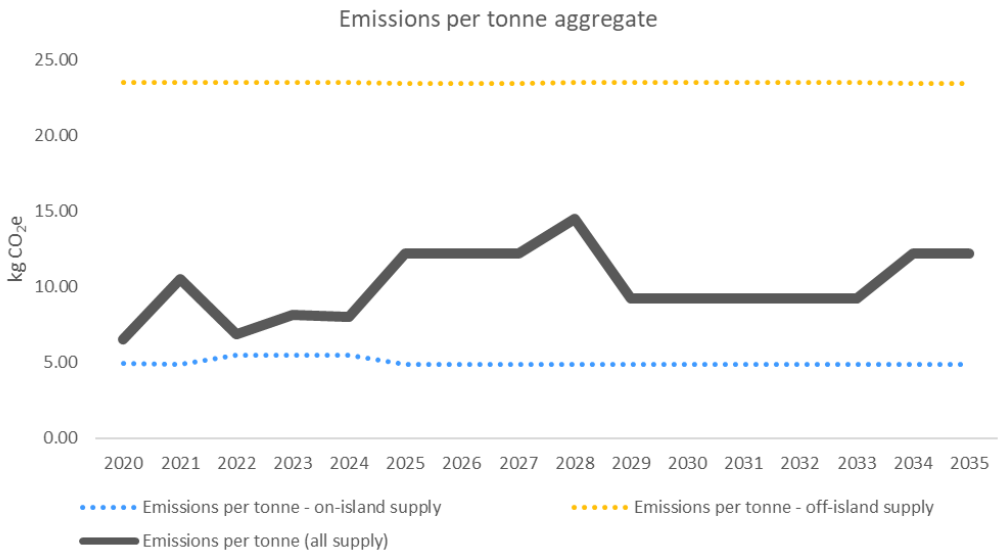


Figure 25 - Emissions per tonne of aggregate under scenario 6

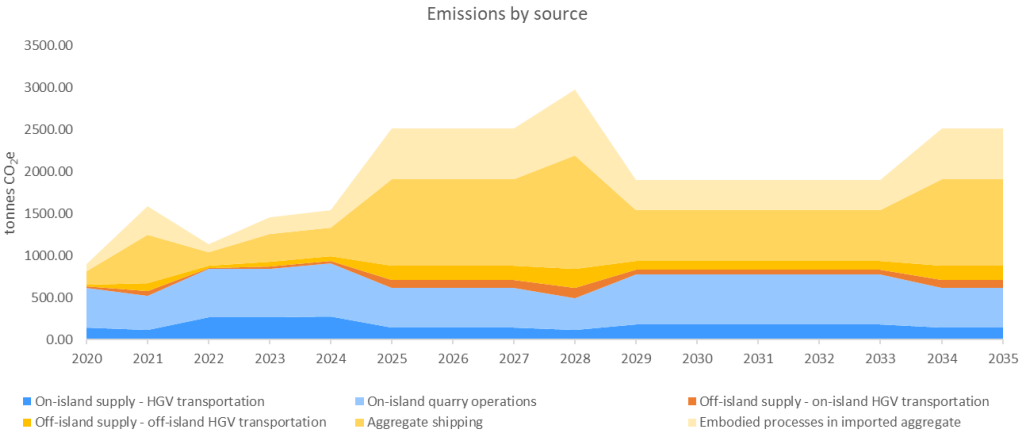


Figure 26 - On-island (blue) and off-island (yellow) emissions under scenario 6

Whilst scenario 6 has one of the lowest total emissions when analysing direct and indirect emissions, it has the highest direct emissions of all the scenarios. This means that, if looking at only Guernsey's total direct emissions, this scenario will produce the highest value. However, indirect emissions are lower than all scenarios except scenario 3 (scenario 3 has lower demand). Therefore, scenario 6 could be considered to have a lower global impact than scenarios 1, 2, 4 and 5 (**Figure 27**).

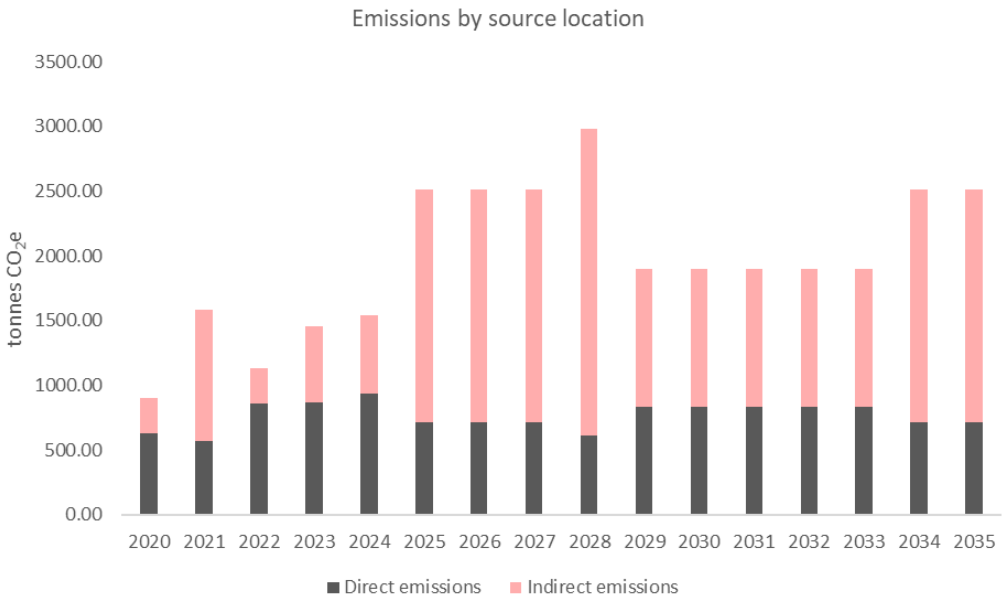


Figure 27 - Emissions split by direct and indirect sources for scenario 6

3 Scenario tool methodology

The scenario tool is an Excel based tool that brings together activity data and emission factors to estimate possible future emissions scenarios relating to aggregate supply in Guernsey. The activity data is estimated on the balance of on-island demand, supply, and existing constraints, such as on-island reserves and storage capacity. Where on-island supply cannot satisfy on-island demand, the activity data also accounts for the source and port of origin of imported material. Users of the tool can generate emissions scenarios by adjusting these variables. Scenarios can be saved and compared.

This section will go into further detail about the tool including methodology and key functionalities.

3.1 Key assumptions

For the scenario tool to produce emissions estimates, it relies on some key assumptions. These are listed below; where relevant they are informed by the background information provided by and consultation with Ronez Limited and/or States of Guernsey:

- Historical data is assumed to be representative of future supply and demand, and Ronez Limited's activities in producing aggregate.
- It is assumed that the emission factor used in each calculation is the most relevant available to characterise the activity taking place (see Table 10 for data sources). The assumptions made here are particularly well supported by the evidence provided by Ronez Limited and States of Guernsey.
- There are assumed to be no major changes to predominant technologies used in the 15-year period considered. For example, fossil fuel-based shipping and diesel fuel-based HGV transportation are assumed as constants.
- Relatedly, the constraints of Ronez Limited's operations are largely assumed to stay constant, unless the user input section of the tool indicates otherwise. For example, it assumes that the same number of vehicles, rate of extraction, storage capacity available and production capacity will persist over the time series considered.
- On-island demand is assumed to always be met or exceeded by supply from on-island and imported materials.
- It is assumed that all journeys made on-island to transport aggregate are both ways. Therefore, for the purposes of emissions calculations, half of journeys are assumed to be completely laden, while the other half are assumed unladen.
- For journeys made off-island (HGV and shipping), it is assumed that only the one-way, "A to B" journey is relevant to Guernsey's aggregate supply – so only the emissions from these journeys, as fully-laden journeys, are included.
- More specific assumptions are made throughout the scenario tool – these are indicated in text boxes and in this report where relevant.

3.2 Scenario Builder

The Scenario Builder allows the user to customise supply and demand variables to build emissions scenarios.

The tool allows the user to select which of these phases will occur and adjust the start and end date for each phase. In the "Scenario Composer" section the user can also adjust the following:

- Constraint selection – users can select whether to use the probable, maximum, or minimum estimate for the reserves at Chouet Headland, and the on-island production capacity
- Demand scenario – users can select a starting point of high, average, or low levels of demand for each product type, and the predominant driver of its trend in future years
- Storage capacity – users can change the maximum storage capacity (kilotonnes) available on-island
- Alternative supply – users can prioritise the types of aggregate product that can be imported, the type(s) of aggregate source making up the imported supply, the port(s) from which it is shipped and the distance travelled between source (e.g. quarry) and port

Once these variables have been selected, the user can then use the supply, demand and balance modules to further refine the scenario. If the user wants to edit any part of the supply, demand or balance modules, it is advisable to work with the current in-cell formulae rather than overwrite them (where feasible).

3.2.1 Supply module

Taking into account the phases and timings that are selected in the scenario composer, the supply module uses reserve quantities and threshold minimum and maximum capacity to calculate the amount quarried from Les Vardes and Chouet Headlands each year. The reserves quantities and threshold values were supplied to Aether by Ronez Ltd. The output of this module is a timeseries of the amount of product quarried from each site per year and a timeseries of the on-island transport distances associated with the scenario.

The tool assumes that material is quarried at a constant rate per site across the active period of a phase. For example, a reserve of 300 kilotonnes quarried over three years would produce 100 kilotonnes per year.

The tool accounts for the need for activities to be economically viable. If the estimate of quarried material exceeds the maximum capacity available, outputs are rescaled to this capacity. Similarly, if production is predicted to be below the minimum threshold, it is assumed that production will be increased to this threshold value.

3.2.2 Demand module

The demand module starts with a base year assumption on the level of demand for each stream of aggregate use. This base level demand has been supplied to Aether by Ronez Ltd. Future demand is scaled using one of the following proxies which are individually selected for each product:

- Population
- Gross Domestic Product (GDP)
- Flat – demand is flatlined from the base year estimate as no change in demand is predicted
- User input – users can define their own trajectory

3.2.3 Balance module

The main function of the balance module is to balance demand with on-island supply, importation and storage capacity, per stream of aggregate use. It assumes that if supply is greater than demand, then no imports are required, although some material may be stored for use in future years or exported. It also assumes that if demand is greater than supply, then use of imports (or previously stored material) is needed.

Where imports are required, the module decides which streams of aggregate use to supplement with imports based on the prioritisation set out by the user in the Scenario Composer section of the Scenario Builder sheet. This is important where imports make up a share of the total supply to Guernsey, as it determines the level of processing still taking place for the on-island supply. Where imports make up the whole supply of aggregate, this prioritisation remains but has no impact on the emission calculations.

3.2.4 Calculating emissions

On-island quarrying and transportation

Activity data for extraction, production operations and transportation are calculated using the supply, demand and balance modules. Emission factors for on-island quarrying are sourced from a range of UK government databases, as activities in Guernsey are assumed to be comparable to those in the UK. A number of conversion factors, based on the data input from Ronez Ltd, facilitate the adaptation of activity data such that its units are matched to that of the best available emission factor. Activity data and emission factors are multiplied together to generate greenhouse gas emissions estimates.

Imported materials

As with on-island quarrying, activity data for imported materials (quantities and on-island transportation) are calculated using the supply, demand and balance modules. User input largely dictates the activity data informing off-island transportation (HGV and shipping). Emission factors are taken from the Inventory of Carbon & Energy (ICE) Database (2019) which provides emission factors for the embodied carbon and energy in construction materials.

Embodied emissions

The ICE (Inventory of Carbon & Energy) database is the result of an ongoing project which seeks to assess the embodied carbon in construction materials in the UK. As part of the project, data has been collated for embodied carbon from aggregates and average embodied carbon factors calculated for different types of aggregate source. For example, for “land-won” aggregate sources they have taken the average of 134 aggregate sources of this type to calculate the average embodied carbon factor of “land-won” sources. In other cases, a considerably smaller sample size is available to calculate an average, though each factor is accompanied by an indication of data quality. This average factor can be thought of as the expected carbon intensity of production of aggregate from any given source.

In the scenario tool, 8 of the ICE embodied carbon factors are offered for the purpose of comparison (and so the user can determine the types of aggregate source making up the imported supply). By looking at the same scope of activities from the Guernsey supply, it

is possible to gain an indication of how carbon intensive the supply of aggregate is from Guernsey relative to the averages of other types of source.

The ICE database uses a cradle-to-gate scope, which refers to the emissions that occur between the material being extracted to the end of its processing. Therefore, this includes emissions related to the quarry operations (extraction and processing) and any transportation between quarry and processing plant. To ensure comparability, therefore, calculating the relevant factor for Guernsey's on-island aggregate supply includes the energy used in extraction, any travel between Les Vardes and Chouet and the energy used in processing. Travel between Les Vardes and Chouet is conditional on extraction taking place at a site while the chief processing for that material takes place at the other site. For the outcome of this analysis, see section 2.2.

It is worth noting that, in part, the modelled carbon intensity data for Guernsey reflects a limitation of the data in the scenario tool. As future fuel use for extraction and processing is determined on the basis of a historical average for fuel use per tonne of aggregate extracted/produced, it does not reflect any changes in intensity of fuel use associated with the quantity processed (or any other factor). For example, in reality, less fuel use per tonne processed may occur when higher tonnages of aggregate are produced, resulting in lower carbon intensity.

3.2.5 Outputs

This section shows a summary of emissions calculations for the scenario prescribed in the Scenario Composer section. This includes key metrics, indicating the total emissions over the time period considered and average emissions per tonne for the whole supply, on-island supply and off-island supply. The range below each large number indicates the minimum and maximum value for that metric, accounting for all saved scenarios in the tool.

The graphs that follow indicate the year-to-year changes to estimated activity data and emissions. The accompanying text boxes are designed to provide some context to the data presented.

3.2.6 Saving scenarios

There are two buttons at the top of the Scenario Builder, which enable the storage, manipulation, and comparison of data from different scenarios.

- **Save this scenario** - adds a new sheet in the "Archive" section of the tool, with a copy of all the data from the Scenario Builder in its present form, allowing the scenario to be reloaded at a later time. This also saves key data into the Scenario Comparison sheet, so that the scenario can be compared to other saved scenarios. The name of the scenario must be different from all other saved scenarios.
- **Restore saved scenario** - allows the user to restore all the data from a previously saved scenario back into the Scenario Builder so that they can work with this scenario again. For example, the user could restore the data from a scenario created previously, edit parameters of their choice, and then re-save as a new scenario. The dropdown below the button allows the user to select the saved scenario to be re-loaded to the Scenario Builder.

3.2.7 Data sources

Further to the information listed above, information on the source of each data point used in the scenario tool is contained in the "Central Data Store", which is a hidden sheet in the tool. This follows a matrix structure where each parameter, with supporting information, is listed and recorded for all the years relevant to this project. The user can use this sheet and the filters available at the top of the data table to trace each number back to its specific data source. **Table 10** provides information on data sources used for the tool.

Table 10 - Sources of data used in or consulted for the scenario tool

Name	Year of publication/ completion	Data source for:
SLR Report: Chouet Headland – Environmental Appraisal of Establishing a Quarry, Prepared for Ronez Limited	2020	Scenario tool constraints; background information
Draft Chouet Headland Development Framework: Supplementary Planning Guidance 2019	2019	Background information and context
Confidential Consultation Questionnaire: Ronez Response	2020	Scenario tool constraints; activity data for quarrying in Guernsey
Response to Follow up States of Guernsey Questionnaire 050620	2020	The majority of activity data for quarrying in Guernsey; constraints; conversion factors
ICE (Inventory of Carbon & Energy) Database v3.0	2019	Embodied emission factors for different types of aggregate
UK Government GHG Conversion Factors for Company Reporting	2020	Emission factors for transportation activity and fuel use
Guernsey Electricity: http://www.electricity.gg/about/carbon-reporting/	Accessed: 2020	Emission factor for Guernsey's electricity factor
Ports.com: http://ports.com/sea-route/	Accessed: 2020	Shipping distances between St Peter Port and other port locations
Chouet Reserve Range, provided by Ronez Limited	2020	Scenario tool constraint
Google Maps	Accessed: 2020	Distance between Chouet Headland site and Les Vardes
States of Guernsey Population Projection Bulletin June 2018	2018	Scenario tool constraint

3.3 Scenario comparison

The scenario comparison tool allows users to compare different scenarios to highlight the key differences and sensitivities. The user can select two scenarios to see data tables and graphs side-by-side for various key metrics, including the make-up of supply source (on-island or off-island), the emissions per tonne of aggregate consumed and location of

emissions sources. This can be helpful in analysing the key messages that the collated scenarios convey.

3.4 Considering uncertainties and sensitivities

For quarrying operations on-island and associated on-island transportation, the activity data is largely sourced from Ronez Limited. This goes a long way to minimising the uncertainty in data for on-island activities. Input from Ronez Limited also underpins much of the logical process applied to the scenario tool, regarding the rate and phasing of extraction on-island, and the balancing of on-island supply with imported aggregate to meet demand. This too will work towards minimising the uncertainties in the tool's method.

The tool allows the user some choice over the range of likely reserves at the Chouet Headland site and the on-island production capacity. This can allow the user some indication of the range of uncertainty according to feasible changes in these parameters.

Given that emissions associated with imported materials are highly sensitive to the location and nature of material source(s) supplying Guernsey, which have regularly changed in the past, the emissions estimate here likely have a far greater range of uncertainty. In particular, the emission factors used for shipping of imports are relatively generic (i.e. they are not specific to the type of cargo ship involved in the importation of various materials). Given the magnitude of emissions from shipping, the results of each scenario will be relatively sensitive to refinements of these emission factors.

In a similar fashion, the outputs from the tool are also sensitive to the embodied emission factors used. These are mostly based on averages from variably sized datasets, so the uncertainty varies from factor to factor (the ICE database gives an indication of data quality with each factor). Crucially, aggregates are renowned for having a wide range of embodied emissions, relative to many other construction materials. Therefore, embodied emissions estimates are likely to be a key source of uncertainty in the projected total emissions.

4 Other considerations

4.1 Global impacts

The decision over the development of the Chouet headland site, and subsequent impacts on the share between on-island and off-island aggregate supplies, has a small global impact through greenhouse gas emission on island and off island for extraction of and import of materials.

Beyond the modelled approach detailed above, it becomes very difficult to quantify these impacts in a way that meaningfully relates to meeting the aggregate demand on-island. In particular, the long-term upstream and downstream effects of decisions made in Guernsey are difficult to disentangle and compare. For example, a decision in favour of importing aggregate from a nearby, existing quarry, with a relatively low-carbon fuel mix in its operations, could have a minimal impact on a global scale. However, the extra demand on this quarry may push the site closer to exhaustion on a shorter timescale, contributing to the environmental impacts of establishing another quarrying site. As the chain of impact grows longer, the uncertainties of impacts are likely to grow. This kind of impact has not been modelled.

Nonetheless, this should not take away from decisions over sources for imported aggregate that favour quarrying operations with a low environmental impact, operated by an organisation which places emphasis on environmental sustainability.

4.2 Carbon sequestration/release from development of Chouet

In 2018, only 4.3% of Guernsey's total greenhouse gas emissions originated in the AFOLU sector (Agriculture, Forestry and Other Land Use), which corresponds to 17.3 kt CO_2e[4]. With most emissions in this category originating from livestock and agricultural processes, only a small proportion of emissions are likely to be sensitive to changes in land use. Any removal of vegetation for quarrying purposes will have a net removal of sequestered carbon. However, the land use change proposed for the development of a quarry at Chouet Headland only affects a small proportion of the total island area. Changes away from the existing land use, of grassland and agricultural fields, are not normally associated with significant releases of carbon stores. Accounting for these considerations, it seems likely that the impact on carbon sequestration/release from the development of a new quarrying site on-island would be negligible.

5 Conclusions

This report has presented details for a number of scenarios for the provision of aggregate materials to meet Guernsey's needs to 2035. The work includes a model for the development of additional scenarios that can help in assessing the estimated carbon impact of decisions relating to Guernsey's aggregate supply. In particular, the tool outputs can be used to direct decisions regarding the potential development of a new quarrying site at Chouet Headland. The users of the tool can also change other variables, such as the make-up of the imported supply, future demand and other factors relevant to GHG emissions, to enable a more comprehensive comparison of future scenarios for quarrying and aggregate supply in Guernsey.

[4] From 'Guernsey Annual Greenhouse Gas Bulletin, 2018'

Through the analysis of the six scenarios presented above, it can be seen that demand met by imports has a significant impact on greenhouse gas emissions. This is due to imported materials having high emissions from the processing and transport of materials, especially shipping. Imported material emissions are indirect emissions and not attributable to Guernsey's official national totals. Scenarios with high on-island supply throughout the timeseries are associated with lower total emissions which are included in Guernsey's national total emissions.

It is therefore important to consider any decision within the wider context:

- Guernsey's national total emissions and associated targets for carbon neutrality – direct emissions will be particularly important for on-island carbon neutrality targets
- Global impact – Under international emission reporting practices, all emissions will be accounted for in the source country however, indirect emissions are important to consider when thinking about the global impact of Guernsey's activities
- Economic and other environmental considerations – the emissions impacts outlined above need to be considered as part of a wider assessment of Guernsey's quarrying activities including economic factors and other environmental factors such as impacts on biodiversity and water resources.

6 Recommendations for further work

Following the work undertaken in this project, we recommend progress in the following areas to further aid the consideration of carbon impacts in future decisions regarding Guernsey's aggregate supply.

Training and engagement

The tool and report currently contain instructions to aid the user in understanding the data inputs required and the likely reasons for differences between scenarios. A deeper engagement with the emissions calculations and the process used by the tool would allow for the uncertainties of outputs to be reduced, methodologies to be refined and a more detailed understanding of decision-relevant factors to be obtained. This could be achieved through training sessions for staff in using the tool to inform decision-making, and workshops to allow further input from key stakeholders. This tool can also be used as part of a wider engagement on the impacts of quarrying options for Guernsey, including a consideration of how carbon impacts balance with economic and other environmental impacts and priorities.

Tool improvement

There is scope for the current assumptions and uncertainties in the model to be reduced with further stakeholder engagement and tool development. Further factors relevant to the carbon impacts of quarrying could also be considered by adding more functionality to the model. For example:

- Further consideration of development of technology that decarbonises certain emissions sources
- The use of projected emission factors, so that the emissions estimate reflects changes to the carbon intensity of an activity over time

- More refined consideration of recycled aggregate supply, to give more detailed consideration to the carbon impacts of recycled aggregate relative to virgin resources
- Refinement of the tools user interfaces and user interaction to its output. This could include developing more refined user workflows, input screens and development of online data visualisation of different scenario outputs and scenario comparisons.



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APPENDIX C

States of Guernsey
Energy and Infrastructure

Carbon Impacts for Different Quarrying Options for Guernsey Summary Report August 2020

Introduction

The States of Guernsey is considering options relating to on-island quarrying. Currently, there is one quarry in Guernsey, Les Vardes, which produces up to 165,000 tonnes of granite per year, with a 10 year average of 125,000 tonnes, and is the primary source of aggregates for the island. Other quarried materials including sand and other aggregate, are imported from the UK and mainland Europe. With Les Vardes moving towards becoming expended and the recognition that Guernsey will not move away from concrete products in the immediate future, the States of Guernsey have a need to gather evidence and knowledge on the options for quarrying and supply of aggregates.

Once Les Vardes has been expended, the only remaining accessible area of quality stone on the island is at Chouet Headland. The Chouet Headland site is within the Vale Parish, at the north-western top of Guernsey. The site is bordered by Mont Chouet landfill to the east and by the sea to the north, west and south. The site contains a mix of uses including residential, leisure and recreation, open land, public amenity land, car parking, heritage and refuse and recycling facilities

Aether Ltd were commissioned to undertake a review of future quarrying options, including a range of phased development and demand led scenarios. Recovery action plans may impact on future demand, and also if the Island entered in and out of lockdown due to the ongoing global pandemic. A 'scenario tool' had been developed to help future decision making.

This report summarises the findings of that review on the carbon impacts of potential different future options for the provision of rock and aggregates.

Background

The Chouet Headland area is identified as an area for mineral extraction. In April 2019, a draft of the Chouet Headland Development Framework Supplementary Planning Guidance was shared for public consultation. Following the consultation the States of Guernsey are reviewing the principle of on-island quarrying and gathering robust evidence to support policy decisions. Any plans for future mineral extraction at Chouet Headland must be sustainable, respecting and protecting the local environment as well as the amenity of local communities and residents and the local infrastructure. The work on carbon impacts of

quarrying options will feed into this wider body of work which will be taken to the States in the future.

Scope

The report focusses only on carbon emissions and not on other factors such as wider environmental factors, economics or rock availability (beyond the anticipated lifetime of the on island quarries as informed by Ronez). Ronez contributed technical information on the amounts of material they quarry as well as providing information allowing a detailed assessment of their on-island carbon footprint.

The following factors were considered when undertaking the scenarios and creating the tool for future use:

- The energy used in on-island mining and quarrying and on-island transportation.
- Energy used for transportation of imported materials.
- Global carbon impacts.
- Energy intensity of quarrying practices in Guernsey, compared to international standards and neighbouring countries that could supply imported materials.
- Potential for increased use of recycled aggregate materials in Guernsey.
- Possible impacts on carbon sequestration/release.
- Scenarios that may arise out of the recovery plan and future policy directions.
- The options for different stone types e.g. granite, mason stone.

An Excel spreadsheet based tool was developed which enables consideration of further scenarios allowing re-evaluation as further information is made available. The following scenarios were explored in the report:

- Supply Scenario A: No development of Chouet Headland
- Supply Scenario B: Phase 1 development of Chouet Headland
- Supply Scenario C: Phases 1 and 2 development of Chouet Headland
- Supply Scenario D: Full (phases 1, 2 and 3) development of Chouet Headland
- Demand Scenario A: Demand drops to 80% of current levels
- Demand Scenario B: Demand rises by 10% per year on 2020 levels for next 5 years

Key findings

When accounting for carbon across the entire supply chain; full development of Chouet results in the lowest carbon impact for both high and low demand scenarios. Due to additional carbon emissions from importation (mostly shipping) of materials the embodied carbon emissions with no development of Chouet are around a factor of two higher than emissions for supply scenario for the full development of Chouet. The carbon intensity of Guernsey's on-island supply of aggregate is comparatively low.

It is important to distinguish between direct (on-island) emissions and indirect (off-island) emissions. Scenarios with no development of Chouet have the lowest direct emissions but the highest indirect emissions and vice versa for full Chouet development scenarios. Only direct emissions count towards Guernsey's national total emissions however indirect emissions are important for considering the global impact of Guernsey's activities

Table's 1 and 2 and figure 1 below illustrate the different carbon intensities of the scenarios modelled. Figure 2 and table three illustrate the average emissions per tonne of aggregate and the breakdown of on and off-island supplies. These all clearly illustrate that additional global carbon impact of importation.

The carbon intensity of Guernsey's own supply of aggregate is low, largely due to the type of extraction and processing that virgin, "land-won" sources involve. The use of electricity in processing also contributes to its low value relative to aggregate from other sources. Any changes in fuel mix used in processing and extraction would result in changes to the carbon intensity of Guernsey's own supply.

When considering supplies of virgin 'land-won' aggregate, the Guernsey embodied carbon factor sits somewhere between the 50th and 75th percentile in value, suggesting that it is a fairly typical aggregate source of its type in terms of carbon intensity. Crucially, the carbon intensity of this type of aggregate source is the lowest of all the averages listed. Other types of source, including 'marine-won' and recycled, tend to have a higher carbon intensity. This sets a high bar for the carbon intensity of any alternative, imported, supply of aggregate to be lower than Guernsey's own supply, when solely considering "cradle-to-gate" (in-earth to processed product) emissions.

Table 1 - Report scenarios

Emissions Scenario	Demand Scenario	Supply Scenario - Chouet development	Total 2020-2035 tonnes CO_2e
1	A: Drops to 80% of current levels for next three years before returning to and plateauing at 2020 levels.	A: No development of Chouet site.	46,628
2		B: Only phase 1 of Chouet site development.	39,254
3		D: Full development of Chouet site.	21,026
4	B: Rises by 10% per year on 2020 levels for next 5 years then plateaus at 50% above 2020 levels.	A: No development of Chouet site.	56,623
5		B: Only phase 1 of Chouet site development.	48,913
6		D: Full development of Chouet site.	30,682

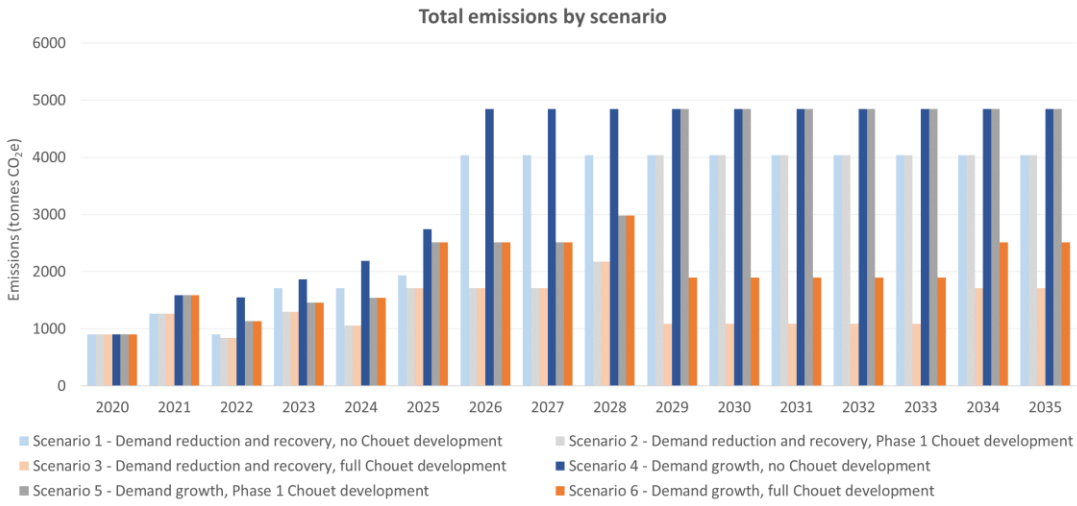


Figure 1 - Total emissions 2020-2035 by scenario

Table 2 - Total emissions 2020-2035 for each scenario (tonnes CO_2e)

Emissions scenario		2020	2025	2030	2035	Total emissions 2020-2035
Scenario 1 – Demand reduction and recovery, no Chouet development	**Direct**	630	625	204	204	**48,766**
	Indirect	271	1,309	3,831	3,831	
Scenario 2 – Demand reduction and recovery, Phase 1 Chouet development	**Direct**	630	670	204	204	**40,900**
	Indirect	271	1,037	3,831	3,831	
Scenario 3 – Demand reduction and recovery, full Chouet development	**Direct**	630	670	795	670	**21,514**
	Indirect	271	1,037	295	1,037	
Scenario 4 – Demand growth, no Chouet development	**Direct**	630	665	245	245	**59,256**
	Indirect	271	2,076	4,597	4,597	
Scenario 5 – Demand growth, Phase 1 Chouet development	**Direct**	630	711	245	245	**51,039**
	Indirect	271	1,803	4,597	4,597	
Scenario 6 – Demand growth, full Chouet development	**Direct**	630	711	835	711	**31,650**
	Indirect	271	1,803	1,061	1,803	

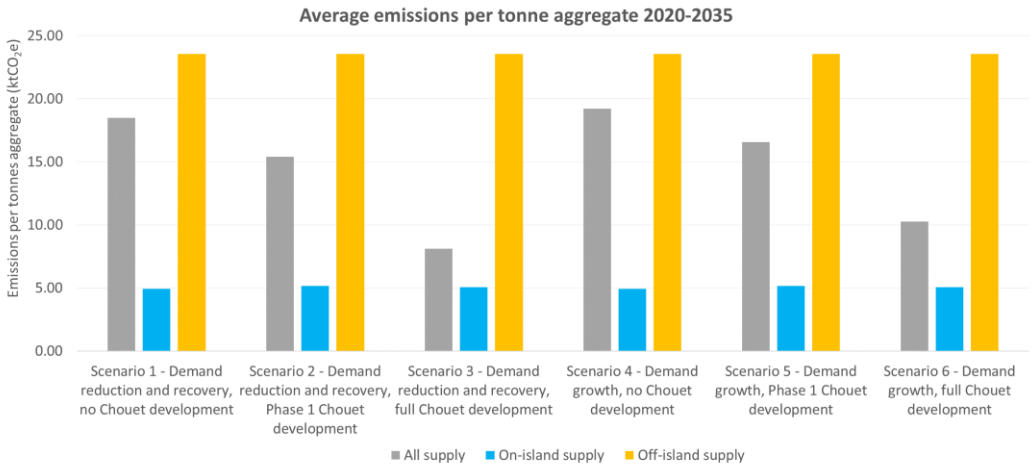


Figure 2 - Average emissions per tonnes aggregate 2020-2035

Table 3 - Average emissions per tonnes aggregate for each scenario, split by on-island and off-island supply

	Average emissions per tonne aggregate 2020-2035 ($ktCO_2e$)		
	All supply	**On-island supply**	**Off-island supply**
Scenario 1	18.48	4.92	23.55
Scenario 2	15.41	5.16	23.55
Scenario 3	8.11	5.05	23.55
Scenario 4	19.21	4.92	23.55
Scenario 5	16.55	5.16	23.55
Scenario 6	10.26	5.05	23.55

The difference in emissions between scenarios with significant importation and those with little importation can largely be attributed to the embodied emissions of imported products, particularly from transportation. It should be noted that changes in international shipping practices to low carbon fuel would greatly reduce the impact of importing aggregate.

However, if only direct (scope 1) emissions are considered (as per the greenhouse gas inventory), scenarios that involve significant importation will have considerably lower emissions than scenarios with greater on-island supply. Emissions associated with the quarrying of the rock will be accounted for in the jurisdiction that the activities occur in (in the case of this analysis, the UK) and shipping in the jurisdiction where the fuel is sold. Considering both direct and indirect emissions allows for consideration of the global impacts of Guernsey's quarrying activities and also is in alignment with the aims of Guernsey's Climate Change Policy.

Conclusions

- It is important to consider any decision within the wider context;
- Local vs global impact – Under international emission reporting practices, all emissions will be accounted for in the source country however, indirect

emissions are important to consider when thinking about the global impact of Guernsey's activities; and
    - On island aggregate production has the lowest associated emissions;
    - Off island aggregate has a lower impact on Guernsey's national reporting of emission;
    - The climate change policy supports accounting for whole life emissions, with E&I tasked to provide more comprehensive reporting in the future;
- Decarbonisation of supply chains has the potential to significantly reduce the carbon intensity of imported aggregate;
- Guernsey's source of rock is a low carbon intensity source.

APPENDIX D

CHOUET HEADLAND

Environmental Appraisal of Establishing a Quarry

Prepared for: **Ronez Limited**

Client Ref:

RONEZ
PART OF THE ISLANDS' FOUNDATIONS

SLR Ref: 403.06370.00001
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February / 2020

SLR

BASIS OF REPORT

This document has been prepared by SLR with reasonable skill, care and diligence, and taking account of the manpower, timescales and resources devoted to it by agreement with Ronez Limited (the Client) as part or all of the services it has been appointed by the Client to carry out. It is subject to the terms and conditions of that appointment.

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1.0 Introduction

SLR Consulting Limited ('SLR') has been appointed by Ronez Limited to advise on the potential effects on the environment and local amenity through developing a quarry at the Chouet Headland. This work has been undertaken as part of a formal Environmental Impact Assessment ('EIA') which has been undertaken to assess the likelihood of significant effects by developing the eastern part of the headland.

This document is an Environment Appraisal of the likely effects and in essence is an extended summary of the EIA (not a Non Technical Summary as required under the EIA Ordnance) and has been prepared to inform States of Guernsey Committee for the Environment and Infrastructure as part of their consideration of evaluating the options for the future supply of aggregates to the Island construction sector.

It should be noted that the environmental work commenced in c. 2017 and is ongoing and will be refined following the provision of a Scoping Opinion relating to the development. The detailed assessment work also relates to development in the eastern part of the headland as part of the initial phase of developing the headland to establish a new processing plant site. Notwithstanding this, most of the baseline work undertaken relates to the whole of the headland. However, it is considered that this work will provide a reasonable basis for considering the effects of developing a quarry on the headland as an 'on-Island' source of aggregates.

1.1 Quarrying on Guernsey

The granite trade started in the late 18th century. At its peak in 19th Century there were over 250 active quarries within Guernsey. Today there is one active quarry on Guernsey (Les Vardes Quarry) located in the north of the island at St Sampson. The origins of the quarry at Les Vardes are understood to date back a couple of hundred years. It was operated during WW II and abandoned afterwards. The quarry was reopened by Ronez in 1961 and has been operated continuously ever since. Permission for a north-western extension to the quarry containing about 750,000 tonnes of reserve was granted in 2010. There are no further feasible extensions to Les Vardes Quarry.

The quarry works granite deposits from the Bordeaux Northern Diorite formation to produce a range of aggregate products which are supplied to the local construction market, either as 'dry stone' or used in the manufacture of concrete or asphalt.

The quarry has sufficient reserves to sustain production for around six to seven years. Notwithstanding this, over half of the consented reserves lie underneath the processing plant within the southern part of the quarry void and so cannot be accessed until the plant is dismantled.

It is therefore important to source new reserves of granite if supplies of aggregates and related products (concrete, asphalt etc.) are to continue to be available to the island construction sector from an on-island source.

1.2 The Chouet Headland

The Chouet Headland is located at the north-western tip of Guernsey, some 5.6km to the north of St Peter Port, immediately to the west of Mont Cuet landfill site. To the north, west and south the headland is surrounded by sea. To the south is Ladies Bay whilst to the south-east is L'Ancresse Common (within which is the Royal Guernsey Golf Club).

The eastern part of the headland comprises five linear agricultural fields orientated in an east to west fashion with clearly delineated boundaries formed by low vegetated stone walls. To the east of the fields is a road (Rue des Grands Camps) and ancillary land associated with the Mont Cuet landfill site. To the south-west of the fields

is a residential property (bungalow), whilst to the north-west is an old quarry which is being used for recycling/processing green (garden) waste.

The western part of the headland is more open and without any formal structure, comprising an area of coastal grassland on the higher ground surrounded by scrub, bare ground, old quarries and historic buildings, including 18C Pre-Martello tower and associated magazine, batteries and WWII fortifications. The grassland area is used by a model aeroplane club and includes benches and picnic tables. On the western edge of the headland, to the north of the largest WWII structure is a building and shooting range associated with a pistol club. The range, which is located within an old quarry, is securely fenced with chain link fencing, with a flagpole located at the north-western corner. On top of the WWII bunker are an array of masts and solar panels within a fenced compound associated with a weather station.

The initial area to be developed as part of the establishment of a new quarry comprises the eastern part of the headland, namely the agricultural fields and property. In addition, an old quarry and the reception are of Mont Cuet landfill would also be used for ancillary operations, whilst an area to the south of the fields would be used to create a landscaped screen mound. An outline of the development is set out in section 1.3 below.

1.3 The Development of a Quarry on Chouet Headland

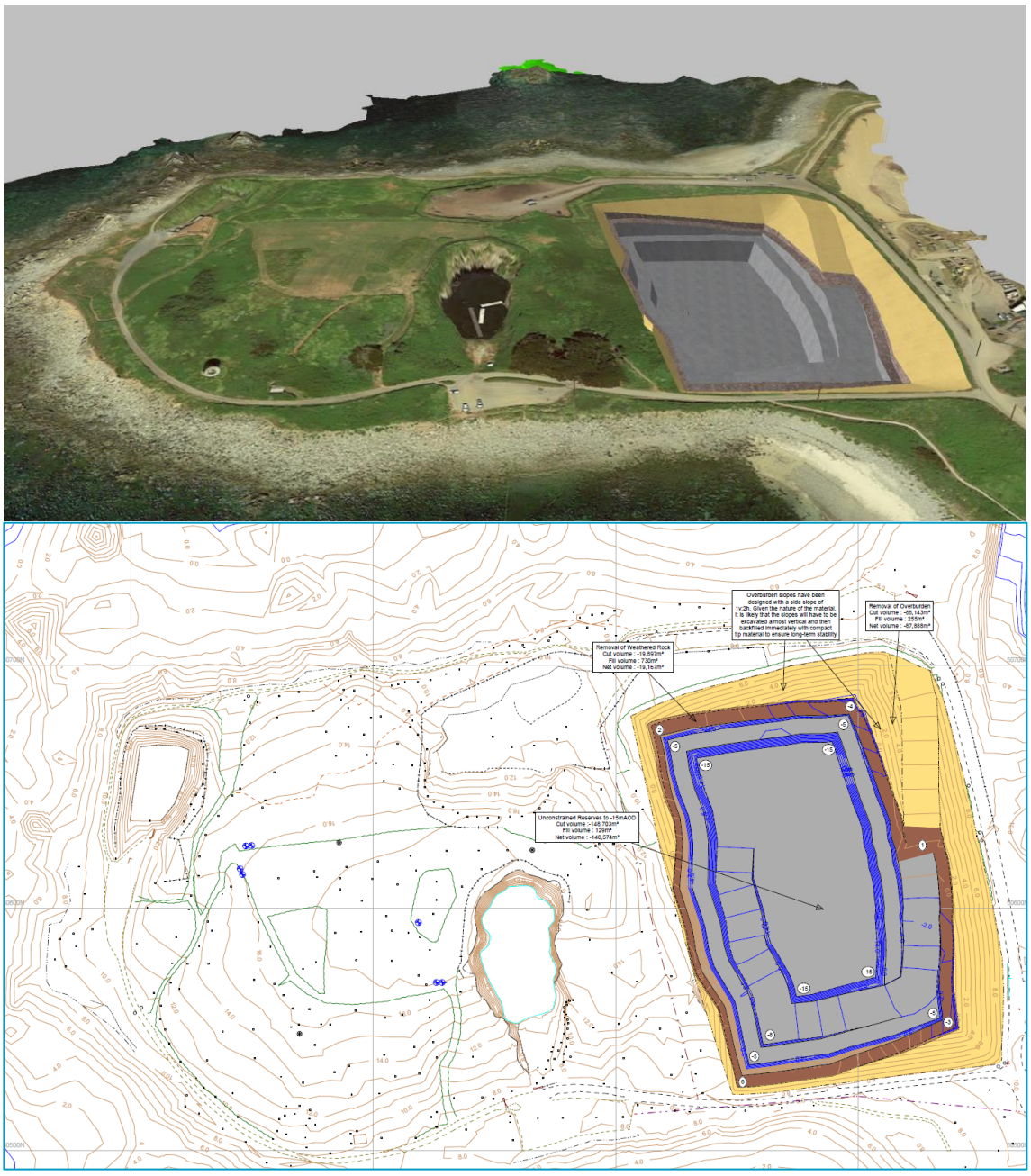
It is anticipated that the Chouet Headland would be developed in three phases, progressively advancing westwards and dovetailing with the completion of Les Vardes Quarry. Operations would commence within the eastern part of the site (which is owned by Ronez Limited) and progressively deepen the mineral working through successive levels, each nominally 10m high, to create a suitable platform below ground level upon which a new processing plant could be erected. During the first phase it is likely that the extracted granite would undergo crushing using a mobile primary crusher located within an old quarry on northern edge of the headland (currently used for green waste recycling). This would make the material more suitable for transporting to Les Vardes Quarry for further processing to produce aggregates using the established plant. Once a suitable platform had been created in the quarry void a new quarry processing plant could be established and the plant at Les Vardes dismantled, allowing the remaining reserves at Les Vardes to be worked, with the extracted rock transported to Chouet for processing.

Following exhaustion of the reserves at Les Vardes Quarry, the workings at the headland would progress into the second phase, extending westwards taking in the old Torrey Canyon Quarry and current green waste tip. The final phase would extend the workings further to the west and include land occupied by a pistol club and model aircraft runway. During this final phase, the quarry would develop to its maximum lateral extent which would allow the workings in Phase 2 to be deepened. At the end of this phase, the plant would be dismantled and the remaining reserves worked, again being processed using a mobile plant.

The design of the quarry would take into account the volume of soils and other deposits (known as overburden) stripped to expose the granite and how this can be beneficially used to help screen the workings to ameliorate both visual and acoustic effects. It would also be necessary to consider what volume of material would need to be retained for final restoration works. Should there be a surplus of such materials then the scheme would need to show how this material can be beneficially used off site. Any overburden not used for screening or other schemes agreed with the States would be placed in the worked out sections of Les Vardes Quarry. As part of the design work consideration would be given to the perimeter treatment of the site to deter access into the working area.

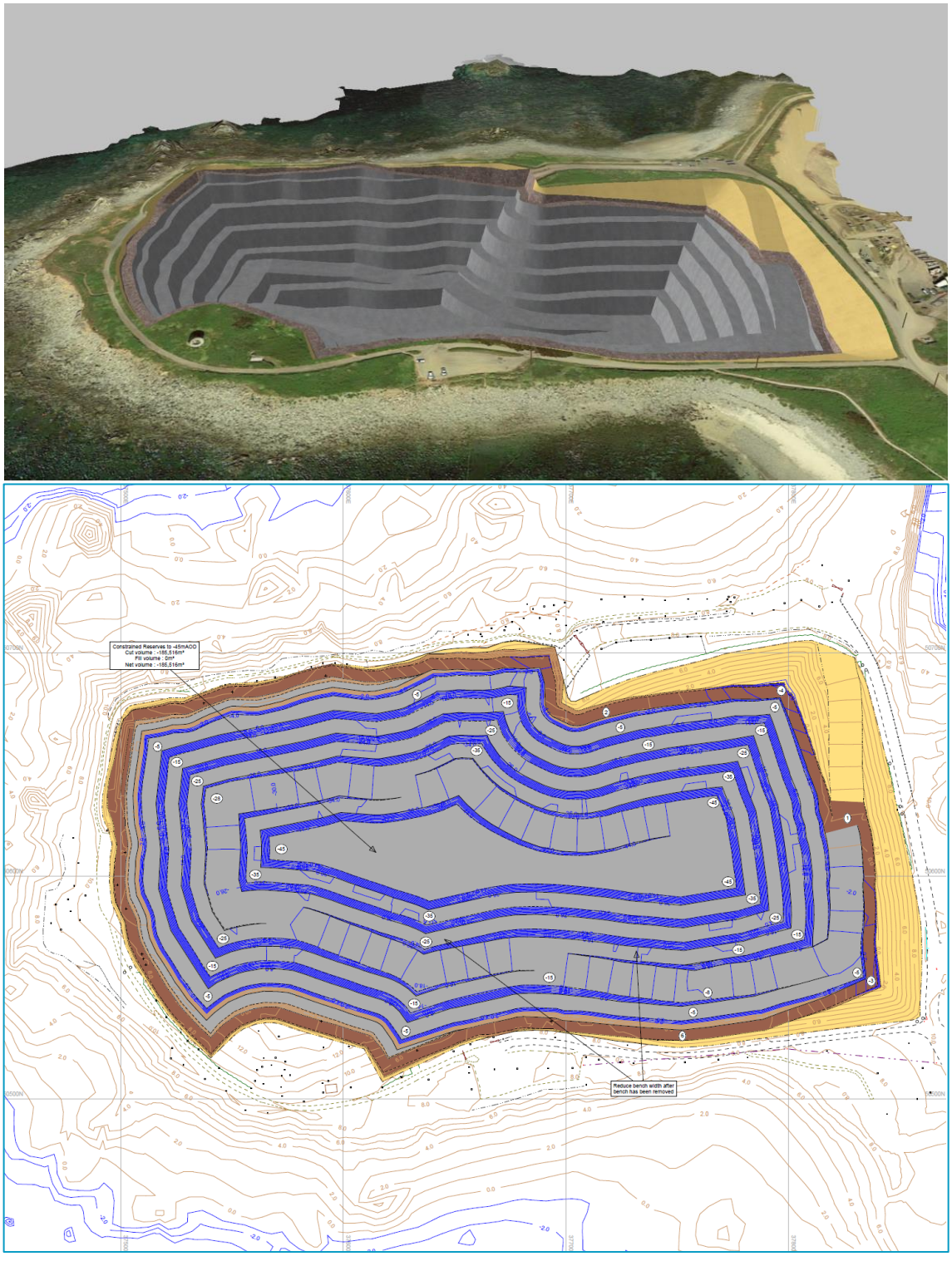
Based on a quarry design work undertaken for Ronez Limited it is anticipated that the first phase of the development could release around 400,000t of saleable rock (allowing for production losses) and so sustain production for around 3 years. After this, the remaining 480,000t of reserves at Les Vardes Quarry would be transported to Chouet for processing, which could last for around 3 to 4 years. Figure 1-1 provides an illustration of how the eastern part could be developed; however, the illustration is not meant to be prescriptive as the final design would be informed by various environmental studies as well as geotechnical considerations.

Figure 1-1
Phase 1 Development within the Headland



Phase 2 of the development could release a further 685,000t of saleable rock whilst Phase 3 could release and additional 3.05Mt of saleable rock. The overall design of the quarry, allowing for reserves lying underneath the processing plant, could yield in total 4.1Mt. Figure 1-2 illustrates the possible maximum quarry design (again it is not meant to be prescriptive).

Figure 1-2
Maximum Extraction Potential



In terms of restoration without importing fill materials the quarry void would fill with water over time to create a new waterbody. At this stage it is not possible to be prescriptive over the final restoration scheme and after-use for the quarry. However, the following options present themselves:

- Infill the quarry void with inert waste materials; or

- Allow the void to fill with water for the supply of water; or
- Link the quarry void to the bay to the south and create a marina.

1.4 The Environmental Studies

SLR has undertaken a range of baseline studies to be able to characterise the environment of the headland and the immediate surrounding area. These studies comprise the initial part of the EIA work and form the basis against which assessments can be undertaken. The baseline studies include survey and other field work alongside desk based data gathering. In this respect the following surveys have been undertaken:

- Archaeology and Heritage – desk based data gathering and 'walk over' survey of the headland by qualified archaeologist.
- Ecology – an extended Phase 1 habitat survey along with targeted surveys for:
    - Reptile Survey;
    - Bat Survey;
    - Wintering Bird Survey; and
    - Breeding Bird Survey.
- Landscape and Visual – desk based assessment in relation to landscape character and the potential zones of visibility followed by site work to examine potential viewpoints.
- Noise – measuring background noise levels at sensitive receptors around the headland.
- Transport – undertaking traffic counts on local roads and survey of local road network.
- Vibration – gathering of data on recorded vibration levels as a result of blasting operations at Les Vardes Quarry;
- Water Environment – desk based data gathering, groundwater monitoring, walk over survey by qualified hydrogeologist.

1.5 Structure of this Report

The following sections in this report address each environmental topic that has been studied; the topics have been addressed in alphabetical order as opposed to any perceived order of importance.

- Section 2 Air Quality Assessment
- Section 3 Archaeology and Cultural Heritage
- Section 4 Ecology
- Section 5 Landscape and Visual Impact
- Section 6 Noise
- Section 7 Transportation
- Section 8 Vibration
- Section 9 Water Environment

1.6 SLR Consulting Limited

SLR is a multi-disciplinary environmental consultancy to *inter alia* the minerals, energy and waste management industries, and also provides advice to local authorities together with both nongovernment and government bodies on strategic issues. SLR is a registered Environmental Impact Assessor Member of IEMA and has secured the EIA Quality Mark awarded by IEMA.

In undertaking the environmental assessment work, SLR has drawn upon the expertise of an in-house team of specialists comprising planners, landscape architects and environmental scientists for the technical assessments. SLR has also worked closely with the management teams and technical staff of Ronez Limited, as part of an iterative process, to ensure that the proposed development is practical, feasible and optimises environmental protection.

SLR has a specialist capability in mineral and waste planning. SLR is a member of the 'Institute of Environmental Management and Assessment' (IEMA) with an awarded EIA 'Quality Mark'. The EIA Quality Mark is a voluntary scheme, operated by IEMA through which EIA activity is independently reviewed, on an annual basis, to ensure it delivers excellence in the following areas:

- EIA Management
- EIA Team Capabilities
- EIA Regulatory Compliance
- EIA Context & Influence
- EIA Content
- EIA Presentation
- Improving EIA practice

2.0 Air Quality

2.1 Baseline

2.1.1 Air Quality Review and Assessment

The Office of Environmental Health and Pollution Regulation (OEHPR) prepares air quality screening and assessment reports to provide an overview of the air pollution levels on-island and the local contributors to the measured pollutants.

The most recent 'Screening and Assessment Document' for air quality in Guernsey is the report issued in July 2015, representing the second comprehensive document following the 2010 Air Quality Screening and Assessment. The reports seek to provide a detailed review of air quality monitoring data collected and present trend analysis data. The reports focus on sources and levels of local ambient (outdoor) air pollution in comparison with the standards and objectives set in UK law.

The 2015 Screening and Assessment Document states that ambient air quality has been monitored across the island by the OEHPR since 1992 with strong evidence that generally air quality is good. There is evidence of pollutants that pose notable concern locally and the presence of hotspots where there are localised high concentrations of pollutants.

The 2015 report concluded that over the five year period (2010 to 2014) ongoing compliance with standards (UK AQO) for nitrogen dioxide have been achieved whilst PM_{10} concentrations in the built up industrial area on the south of the Island exceeded the more stringent Scotland AQO in 2014. This area of concern is located approximately 3.5km south of the headland and is not therefore identified as an area that would be affected by the proposed development of a quarry.

2.1.2 OEHPR Monitoring Data

The OEHPR currently maintain two permanent monitoring locations; Lukis House monitoring for NOx (and CO) and Bulwer Avenue monitoring for NO_x & PM_{10} (& SO_2).

Lukis House station is located on a busy road between St Sampson and St Peter Port, in a built up urban area approximately 5.5km southwest of the headland. Bulwer Avenue is a roadside location in the industrial area of St Sampson, located approximately 3.5km south of the headland.

Given the distance and the location in the built up urban / industrial environments of the permanent automatic monitors, pollutant concentrations are not considered to be representative of the rural locale of the headland. Monitoring data for the two permanent monitors for 2017 is presented below in Table 2-1.

There are no data sources for which to predict background concentrations of PM_{10} or NO_2 for the area of the application site and surrounding receptors.

Table 2-1
2017 Automatic Monitoring Data

Monitor	Classification (& distance from Site)	PM_{10}		NO_2	
		PM_{10} Annual Mean	No. 24hr exceedances >50µg/m³	NO_2 Annual Mean	No. hrly exceedances >200µg/m³
Bulwer Avenue	Roadside 3.5km from Site	27	0	14	0
Lukis House	Roadside 5.5km from Site	-	-	27	0

a) Lukis House monitor monitors for NO_2 only

Table 2-1 demonstrates that in the built up urban / industrial areas where SoG consider monitoring of air quality to be required, the UK AQOs have been met during 2017. On this basis, it would be reasonable to assume that PM_{10} and NO_2 levels within the rural setting of the application site would be considerably less.

Nitrogen dioxide (NO_2) levels are also monitored on a monthly basis using diffusion tubes situated at roadside locations across Guernsey. The annual mean objective level for NO_2 of 40µg/m³ is being achieved across each individual monitoring location.

The closest diffusion tube monitoring location to the headland is approximately 2km distant within the residential area of La Passee on the northern coastline. There are no diffusion tubes located in rural areas similar to that of the application site that would be considered to be representative of air quality in the locale of the Site.

2.1.3 PM_{10} Monitoring at Les Vardes Quarry

A 3 month monitoring programme was undertaken in 2012 by Aggregate Industries[1] to establish the ambient baseline concentrations of PM_{10} in relation to the extension of operations at Les Vardes Quarry. The monitoring was undertaken at a property to the west of the quarry, representing the closest residence to the extension area.

The results concluded the following:

- the 3 month mean was 24.7 µg/m³, well within the AQO of 40 µg/m³;
- the scheme recorded 2 exceedances of the daily limit of 50 µg/m³;
- easterly winds transported a notable influence of secondary particles from mainland Europe;
- the predominant southwest and westerly winds conveyed considerable concentrations of sea salt, resulting in an addition 15 µg/m³ when compared to data collected from Plymouth and Southampton City Centres; and
- southwest and westerly winds accounted for over 50% of wind within Guernsey.

2.1.4 Disamenity Dust Monitoring and Complaints Records

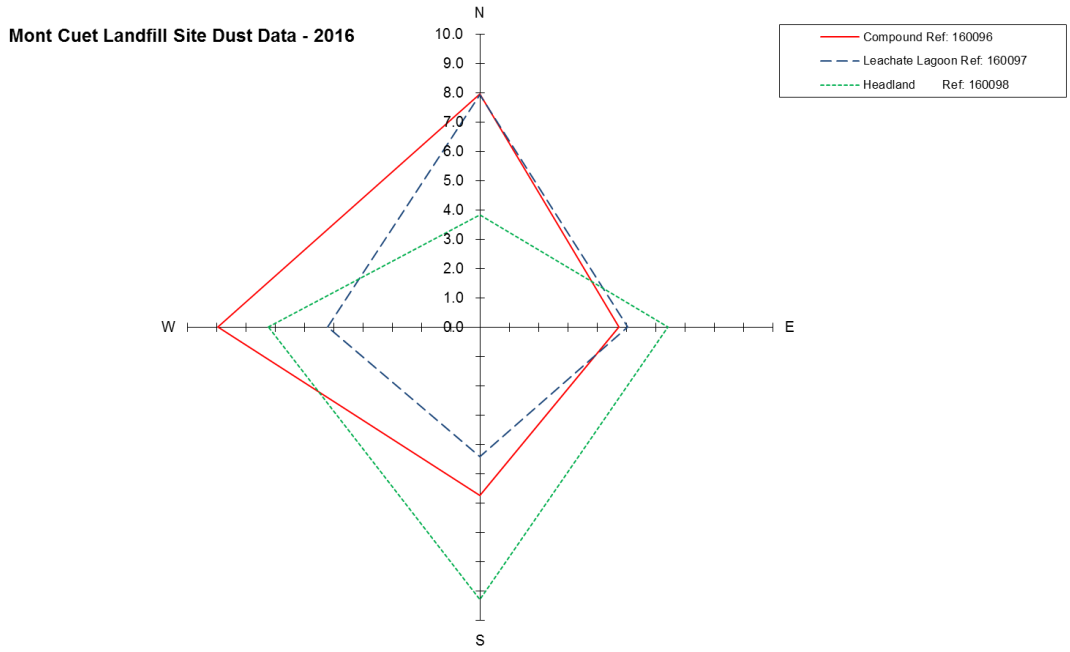
Monitoring of dust levels have been undertaken at the adjacent Mont Cuet Landfill site. Monitoring is undertaken at three locations:

[1] Advance Environmental, 2012. Report on PM_{10} in the vicinity of the Les Vardes Quarry Guernsey. November 2012

- southern boundary ("Leachate Lagoon");
- north western corner ("Headland"); and
- southwestern corner of the operational landfill site. ("Compound").

Dust is monitored by the determination of the 10-day percentage obscuration on samples collected in the directional dust gauges. The 10-day obscuration percentage (TDO) is a measure of the percentage of horizontal area which would be covered by dust during 10 days exposure. The 2016 dust-roses for the three monitors at Mont Cuet landfill site is presented below in Figure 2-1.

Figure 2-1
Mont Cuet Disamenity Dust Monitoring Results (2016)



Disamenity dust at the compound monitor have strong northerly and westerly components, corresponding with internal infrastructure and onsite areas where vehicle movements are likely to be frequent. The monitor at the headland demonstrates a strong southerly component likely to be attributed to the active filling area. The monitor at the leachate lagoon indicates a northerly component of disamenity dust likely to correspond to the landfill area utilised for stockpiling purposes.

2.1.5 Complaints

Given the likely similarity of operations, working techniques and attitude towards environmental management between the current operations at Les Vardes Quarry and the proposed development a review of complaints received in relation to dust in the local area of Les Vardes Quarry has been undertaken. Les Vardes Quarry is located in an area where residential properties of high sensitivity to dust are located within 100m; more than 200 dwellings are located within the IAQM screening distance of 400m. For comparison, for the proposed development at the headland has 4 residential properties located within this distance.

It has been confirmed during discussions with the OEHPR that no complaints in recent years have been received with regard to dust emissions from existing operations undertaken at the working Les Vardes Quarry.

Following discussions with the Waste Services and Environmental Monitoring department of States of Guernsey, it was confirmed that complaints regarding dust from the landfill site are 'rare'. Active dust suppression on site includes a perimeter misting system along the southern boundary of the site and a mobile sprinkler system to dampen down internal roadways.

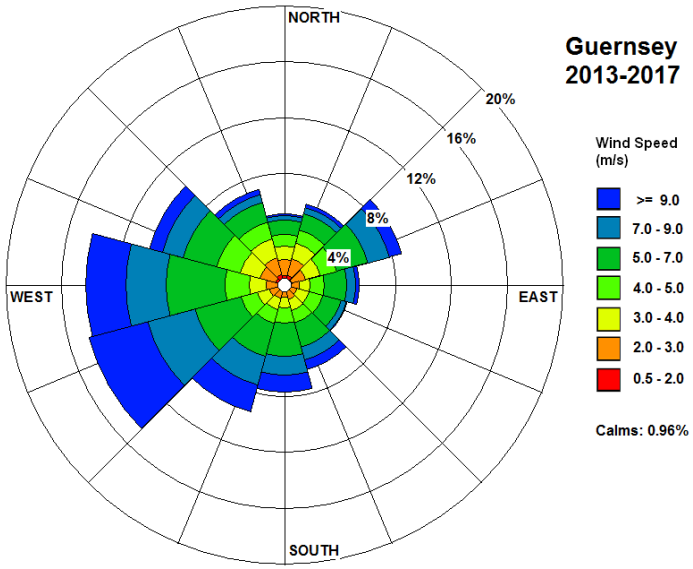
2.1.6 Meteorology – Dispersion of Emissions

The most important climatic parameters governing the release and dispersal of fugitive emissions from the proposed development are wind speed, direction and rainfall (for dust emissions):

- wind direction determines the broad direction of dispersal;
- wind speed affects ground level concentrations by increasing the initial dilution of pollutants in the emission. It will also affect the potential for dust entrainment; and
- rainfall naturally supresses dust release.

A five year windrose from Guernsey Airport (located approximately 9km to the south west) is presented in Figure 2-2.

Figure 2-2
Wind Rose of Guernsey Airport Meteorological Station (2013 to 2017)



The windrose from Guernsey Airport shows that the majority of winds are from the western sectors, with winds from 195° to 315° occurring for approximately 49% of the year. High winds (greater than 5m/s) occur for an average of 56% of the year, with the dominant directions being between 215° to 285°. On this basis, locations to the east and northeast would expect to have the highest potential for impacts from any dust emissions generated by the proposed development.

Relevant rainfall data applicable to the application site has been obtained from the Met Office website[2] of UK mapped climate averages for 1981-2010. The average annual rainfall >1.0mm/day for the area of the site is 130.5 days per year, comprising approximately 36% of the year. As such, the number of days with sufficient rainfall to suppress dust emissions (>0.2mm/day) is expected to be greater still.

[2] Meteorological Office Website http://www.metoffice.gov.uk/climate/uk/averages/key-features-1981-2010, accessed August 2018

Table 2-2
Rainfall (Total) Data: Guernsey Observation Station

highlights seasonal rainfall variation during the climate period 1981 - 2010. As anticipated, winter months experience an increase in the quantity of rainfall. As such, the potential for dust emissions are higher during the summer months.

Table 2-2
Rainfall (Total) Data: Guernsey Observation Station

Rainfall (mm)											
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
92.5	70.2	66.7	53.1	51.2	45.5	42.1	47.8	57.6	95.0	104.3	112.7

2.2 Appraisal

2.2.1 Screening Criteria

The IAQM[3] uses a distance-based screening criteria for both airborne concentrations and deposited dust. It states that dust impacts associated with disamenity effects from hard rock sites are considered to occur mainly within 400m of the operations.

In accordance with the IAQM methodology, if there are relevant receptors within 400m and 1km then further assessment of dust deposition and PM_{10} will be required, respectively.

2.2.2 Assessment of Vehicular Emissions

Atmospheric emissions from vehicles related to site proposals are primarily associated with the exhaust emissions from Heavy Duty Vehicles (HDVs). The decision as to whether an assessment of potential impact is required is based upon the screening criteria set out in the EPUK/IAQM guidance.

The primary criteria set out in the EPUK/IAQM to assist in the determination of whether further assessment of vehicle exhaust emissions is required, as presented in Table 2-3.

Table 2-3
EPUK / IAQM Vehicle Emissions Screening Criteria

Vehicle Category	Relevant Criterion for Application Site
LDVs (vehicles <3.5 tonnes)	>500 AADT additional movements
HDVs (vehicles >3.5 tonnes)	>100 AADT additional movements

In the event that, as a result of the proposed development there is an increase in vehicle movements that exceeds the IAQM/EPUK guidance criteria, further assessment would be undertaken.

[3] Institute of Air Quality Management

2.2.3 Sensitive Receptors

The term 'sensitive receptors' includes any persons, locations or systems that may be susceptible to changes in abiotic factors as a consequence of the development. These have been identified as human receptors and ecological receptors sensitive to fugitive dust and vehicular emissions.

Human Receptors

The IAQM Guidance states that the majority of impacts from fugitive dust emissions from hard rock quarries are experienced within 400m of the dust generating activity. A desk study was undertaken to identify sensitive receptors within 400m of the application site.

The receptors considered in the assessment of dust amenity impacts are presented within Table 2-4 Human Sensitive Receptors

2-4 and on **Drawing CH 1**. Where these are referenced within the report text, they are referred to as R1 – R9. It is noted that the residential property within the headland would demolished as part of the proposals.

Table 2-4
Human Sensitive Receptors

Receptor		Distance / Direction from Development Boundary		Sensitivity to Dust
R1	Residence Mont Cuet Road	<100m	South	High
R2	Restaurant Mont Cuet Road	<100m	South	High
R3	Residence	250m	East	High
R4	Residence	<200m	South-east	High
R5	Café	<200m	South-east	High
R6	Golf Club (playing green)	350m	South-east	Low
R7	Car Park	<50m	West	Low
R8	Golf Club (playing green)	>400m	East	Low
R9	Recreational RC flying area	<100m	West	Low

Ecological Receptors

There are no designated ecological designations within the application site, with isolated areas of the Site of Special Significance (SSS) L'Ancresse Common located within 400m of the development site boundary. L'Ancresse Common is a large area of unenclosed land in the north of Guernsey, which consists mainly of dune grassland and scrub. Areas of the SSS within 400m of the Site include a small area comprising a water body with dense scrub located 190m to the west of the site, and an area of dune grassland located 100m to the south.

The IAQM Guidance states the sensitivity of an ecological receptor to dust emissions should be based on both the value of the habitat (i.e. level of designation) and the sensitivity of features within the areas to dust deposition. The guidance suggests that sites of National importance with designated features with the potential to be affected by dust deposition should be classified as medium in sensitivity.

On the basis of discussions with SLR's ecologist and information provided in Section 4 (Ecology), there are not considered to be any feature of specific sensitivities to dust within the L'Ancresse Common SSS. In accordance with IAQM guidance, the SSS has been classified in the assessment as a receptor of medium sensitivity.

On the basis that the L'Ancresse Common SSS does not have any features with any specific sensitivities to dust, it has been included in the assessment as a receptor of medium sensitivity.

2.2.4 Potential Sources of Fugitive Dust

The potential sources of airborne dust emissions are considered to include the following activities:

- site preparation activities (stripping of soils, screen mound formation);
- mineral extraction;
- handing and transfer of material;
- mineral processing;
- storage and stockpiling of material; and
- off-site vehicle movements.

Table 2-5
Residual Source Emission Magnitude

Phase	Dust Generating Activity	Justification	Maximum Source Magnitude
Preparation	Construction of ancillary areas	Limited to plant site, stockpiling areas and loading / unloading area (<5,000m^2) Minimum stand off to receptors	Small
	Soil stripping and overburden removal	Unsurfaced haulage routes Water bowser on site Discrete areas worked Minimum stand off to receptors	Small
	Construction of screening mounds	Material potentially dry and high dust potential Located along periphery of site Duration of 3 months for southern mound seeded immediately on completion	Medium
	On-site vehicle movements	Unsurfaced haulage routes Water bowser on site	Small
Operational Phase	Mineral processing (Plant Site)	Mobile screen and jaw crusher (with incorporated dust suppression system) 125,000 tonnes per annum throughput Majority of processing offsite initially (at Les Vardes Quarry)	Small

Phase	Dust Generating Activity	Justification	Maximum Source Magnitude
	Mineral stockpiling (Plant Site)	Location at greatest distance from off-site receptors	Small
	Soil stripping and overburden removal (Excavation Area)	limited to discrete sections <2.5ha	Small
	On-site vehicle movements	2 x dump trucks for internal transfer Proportion of route above ground would reduce as working depth increases Unsurfaced haulage routes Water bowser on site	Small
	Mineral extraction	Single excavator (such as Komatsu PC450 or similar) Sheltering effect as working face deepens Blasting 2-4 times / month Blasting equipment with incorporated dust collection system Excavated mineral of low dust potential	Small
	Off-site vehicle movements	Approx. 64 HDV movements per working day (46 AADT) Offsite vehicles restricted to paved roads to access loading area at plant site Minimum of 200m paved road prior to using wheel wash Additional 70m paved road after wheel wash before joining public road network Loads if <75mm particle size sheeted	Medium <200m from Site Access Small >200m from Site Access

Activities associated with the site preparation phase have the potential to cause a slight adverse effect on receptors R1, R2 and R3. Predicted effects at the remaining receptors and for the operational phase are considered to be negligible.

The stripping of soils and overburden and the construction of the southern screening mound during the preparation phase would be located within 200m of the identified receptors (R1, R2 and R4) for a maximum period of up to 6 months. During this period there would be the potential for slight adverse effect on disamenity in the absence of any additional dust control on site. Following the seeding and subsequent stabilisation of the mound, the potential for dust generation would reduce to negligible.

In terms of the impact assessment of off-site transportation the source of dust emissions that would cause trackout on the local road networks would be the site itself, including the site access road. As such, the potential for trackout would reduce with distance from the quarry as the dust source is reduced.

The dust impact assessment for trackout has identified that there is one receptor (R1, Residence on Mont Cuet Road) where there is potential for a slight adverse effect from trackout. Receptor R1 is located within 10m of the road for which HDVs would be travelling on route to Les Vardes Quarry, 100m from the site access. However, it should be noted that the effects would be similar to those associated with HGVs visiting the Mont Cuet landfill site.

The overall assessment of effect is considered to be not significant. Additional mitigation has, however, been recommended (see **Appendix 01**) with particular attention to those activities that have been identified as having the potential to cause 'slight adverse' effects on the receptors in the immediate locale.

2.2.5 Assessment of Effects and Significance – Vehicular Emissions

The increase in vehicle movements from the headland during the operational phase of extraction would be around 46 HDV movements as AADT[4]. The predicted trip generation is significantly below the EPUK-IAQM screening criteria of 100 HDV AADT movements for which further assessment of emissions would be required. Therefore, consistent with EPUK-IAQM guidance, no further quantitative assessment is required and the impacts of traffic emissions in the local area can be considered 'not significant'.

2.3 Conclusions

A qualitative dust impact assessment has been undertaken in order to assess predicted impacts as a result of dust emissions from the proposed development, in line with the IAQM document *Guidance on the Assessment of Mineral Dust Impacts.*

The assessment of PM_{10} effects on human health concluded that air quality would remain well within the UK national air quality standards, with no significant effects predicted.

With regard to disamenity effects from deposited dust, the overall significance of effect of the proposed activities is predicted to be negligible in accordance with IAQM guidance. The assessment takes into account the environmental designed in measures in addition to range of recommended dust controls that would incorporated into the proposed working scheme. A number of mitigation measures in accordance with industry best practice have been recommended for inclusion within the proposed working scheme.

The proposed working of the headland is considered unlikely to cause any adverse effects with regard to dust or air quality. The overall residual impact of the site on PM_{10}, suspended dust and deposited dust is considered to be not significant.

All potential dust impacts from the proposed development are considered to be reversible i.e. the risk of impact will cease on completion of the extraction and restoration activities at the site, with no significant impacts on local air quality during the operation or following completion of the development.

[4] Annual Average Daily Traffic

3.0 Archaeology and Cultural Heritage

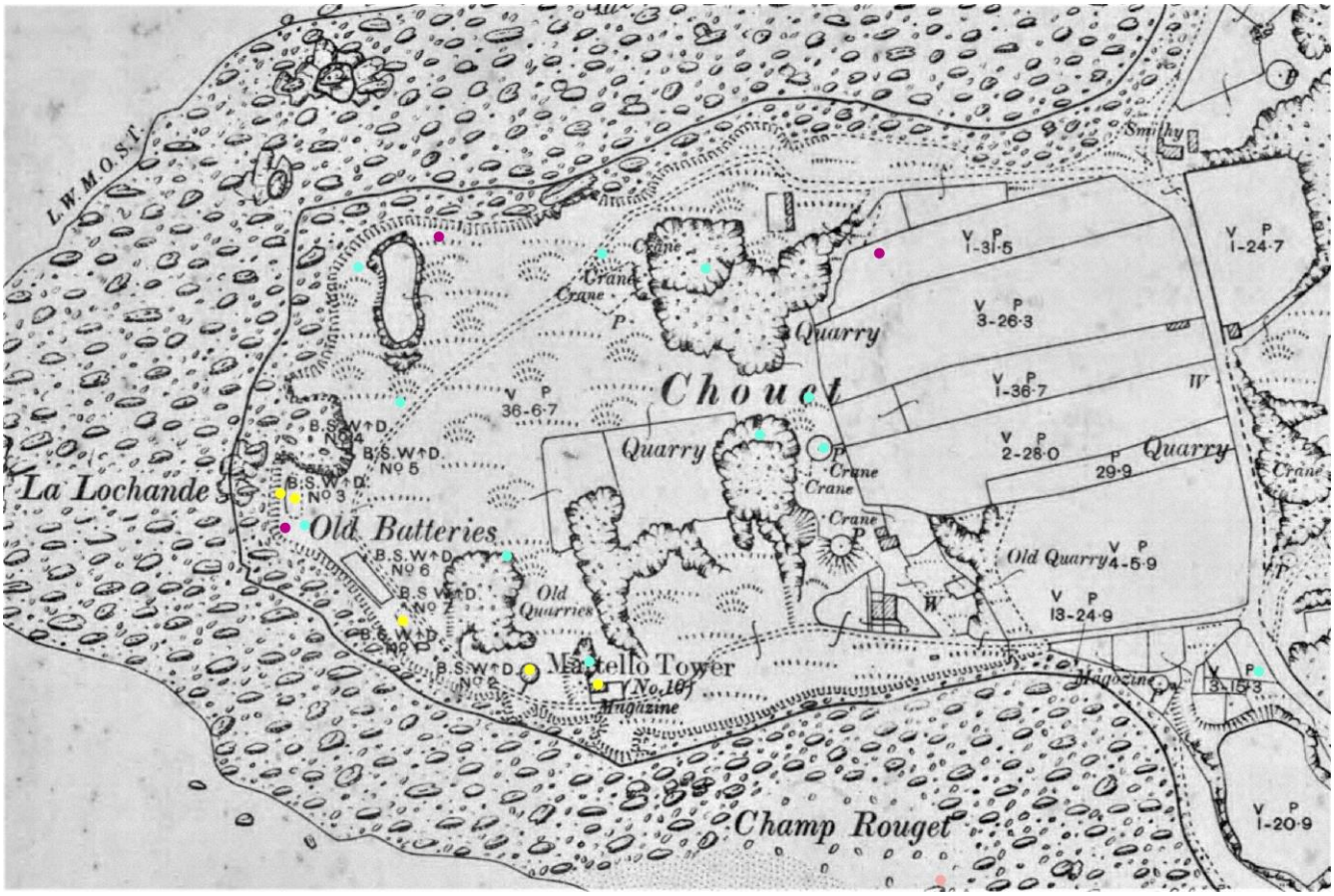
3.1 Baseline

Despite historic and recent quarrying activity, the archaeology and cultural heritage in and surround the Chouet Headland is extensive. Many sites, including Registered Buildings and Registered Sites, are mainly within the foreshore zone, with eight sites located within the core of the Headland (Figure 3-1). Many of the sites are considered industrial, associated with recent former quarrying industry (Figure 3-2). Immediately east of the quarrying is a linear field system, constructed of five rectangular east-west plots.

Figure 3-1
List of sites present on the States of Guernsey's Historic Environment Record (HER)



Figure 3-2
Ordnance Survey map dated 1898 showing the quarried landscape of the Headland and the rectangular plots to the east



The Chouet Headland is located within the northern part of Vale[5] Parish. The history of this part of Guernsey extends as far back as the Mesolithic period (if not earlier). The neighbouring L'Ancresse Common, much of it used for public recreation, is home to a number of significant Protected Monuments and includes:

- Le Dolmen de Déhus;
- La Varde passage grave;
- Les Fouaillages;
- La Platte Mare, cist-in-circle;
- La Mare es Mauves, cist-in-circle; and
- Martello loophole Tower No. 7 cist-in-circle.

In addition to these sites, the parish also contains a number of archaeological findspots that date from the prehistoric era to the post-medieval period; findspots are recorded on the States of Guernsey Historic Environment Record (HER). The distribution of the prehistoric findspots provides some indication of the

[5] Guernésiais French: Lé Vale, one of the ten parishes of Guernsey

potential density of prehistoric activity within this part of the island. For example, identified within the western section of the Chouet Headland are seven prehistoric findspots.

During the early part of the historical period, Guernsey was under the control of the Duchy of Normandy (William I). At this time much of Vale parish was under the fiefdom of Saint Michael and nearby a Benedictine Abbey was established. Also established within the parish were Vale Castle (also known as the Castle of St Michael) and the Vale Parish Church of St Michel du Vale. It was around these two prominent landmarks that the settlement of Vale became established.

During the medieval and post-medieval periods Vale Parish was involved in external conflict. In 1372 a pretender to the Welsh throne (Owain Lawgoch) attacked Guernsey (on behalf of the French Crown) killing 400 island militia before retreating. Further conflicts between the islands and French continued during succeeding centuries; most notably were the Napoleonic Wars of the late 18th and early 19th century and the German invasion of the island archipelago in 1940. For each event, Vale Parish, and, in particular, the Chouet Headland contains a number of extant buildings and monuments that reflect these military campaigns.

Prior to 1806 Vale Parish formed the island of Le Clos du Valle and land on the Guernsey mainland - Vingtaine de l'Epine. Separating this island from the Guernsey mainland was a narrow tidal channel of water known as the Le Braye du Valle which was drained and reclaimed (filled-in) to create one island. The reclaiming of this stretch of water by the British Government was for defensive reasons. It was during this time that many of the Napoleonic military installations were constructed and in use.

At the beginning of World War II, the German military invaded the Channel Islands. As part of their long-term defence strategy, the Atlantic Wall was constructed. This programme of work involved the fortification of the western and norther coastlines of Guernsey where a possible Allied invasion might occur. Evidence for this massive fortification programme is present along the coastline of Vale Parish, including gun emplacements and tunnels on the Chouet Headland.

Notable military sites within the parish include:

- The site of Vale Castle;
- Fort le Marchant;
- Fort Doyle;
- Fort Pembroke;
- Rousse Tower;
- Eight Guernsey loophole towers (Numbered 4 to 11);
- Beaucette Battery dating from the Napoleonic Wars;
- La Lochande Battery dating from the Napoleonic Wars;
- Nid L'Herbe Battery and Magazine dating from the Napoleonic Wars;
- Portinfer Battery dating from the Napoleonic Wars;
- German fortifications, built during the occupation years 1940-45.

Based on the States of Guernsey's Historic Environment Record (HER), over 7000 sites are recorded; of these 5623 sites are identified on the mainland of Guernsey. The Chouet Headland and the neighbouring L'Ancresse Common boast a rich prehistoric and historic past with a number of extant Neolithic and Bronze Sites dispersed across an open landscape, including those incorporated into the greens and fairways of the Royal Guernsey Golf Club (also known as L'Ancresse Golf Club). A prehistoric presence on the Chouet Headland is the form of

diagnostic worked flint and stone artefacts, referred to in the HER as 'findspots'. The date range for these artefacts extends between the Neolithic (4500-2000 BCE[6]) and Bronze Age (2500 to 900 BCE).

The most obvious and earliest extant monuments present within the Study Area include the Pre-Martello loophole Tower No. 10 (MGU 171) and its associated battery buildings (MGU 449 & 450) and a magazine (MGU 588). The tower and batteries are marked on the Duke of Richmond survey map of 1787 . The magazine building constructed of stone and supporting a slate tiled roof is not marked but it is assumed that the tower could not function effectively with its magazine. Both this building, Pre-Martello loophole Tower and the batteries are located close to the coastal edge, on the southern and western side of the headland and are therefore afforded a high degree of protection from the Development Site, both from direct and indirect impacts.

Based on the Duke of Richmond survey map and late 19th century Ordnance Survey mapping are the field boundaries that belong to the field system that occupies the main part of the development site (SLR 002, Table 2 in **Appendix 02**). The southern-most field[7] of this group is present on the Duke of Richmond survey map, along with a north-south field boundary that later forms the western boundaries to the other four fields appears to be the earliest; although, one could argue that the void between the southern-most field and a section of the northern coastline of the headland were in agricultural use. It is more than likely that elements of the earlier field system survive within the current field boundary alignment.

Intense industrial activity is witnessed on the Ordnance Survey map of 1898 (and its early 20th century successors). On this map (but sometimes difficult to identify within the field) are up to seven quarries (e.g. SLR 001, Table 2 in **Appendix 02**), the [current] historic layout of the five fields, the Pre-Martello loophole Tower and its magazine, the Old Batteries, an ancillary buildings associated with a quarry, locally known as 'Green Waist' Quarry, a series of cranes (and associated stanchions), water pumps and a remnant field system located immediately west of the quarry that currently holds crude oil from the Torrey Canyon (SLR 001); later quarrying has cut into the eastern section of the field. Immediately south and east of the same quarry are a number of buildings including a cottage terrace. The mapping at this time also shows the western side of the headland to be covered by grassland. It is probable that by the end of the 19th century most of the quarrying activity had ceased. Currently five of the seven quarries shown of the 1898 Ordnance Survey map have been backfilled.

There are numerous archaeological sites that arguably have a group value including World War II installations. These sites include the Pre-Martello loophole Tower (and associated magazine, a telephone switching post (MGU 2430) and military magazine building, located south-east of the headland and World War II military installations that occupy the western coastal fringes of the headland (MGU 449, MGU 565, MGU 2434 and MGU 2435). Further sites occupy the northern shoreline of the headland and include MGU 2437 and MGU 6923 (World War II military installation and the prehistoric flint findspot). A further military installation is located outside the headland and lies to the east within the current landfill area (MGU 2469).

One site, which is not visible, stands c. 63m north of the Pre-Martello loophole Tower, between two backfilled quarries, and is at depth of c. 8m below the current ground level. The tunnel system, used for generating electricity was uncovered by the Festung Guernsey Group in 2011 and later reported in detail in their publication *German Tunnels in Guernsey, Alderney and Sark* (2012) (MGU 2439). This roughly H-plan tunnel system housed three 30 KVA generators for use in an emergency should the mains electricity fail.

Archaeological and cultural heritage assets within and surrounding the development site include a number of extant monuments, find-spots and World War II (WWII) structures/features (totalling 27 sites); these sites are present on the island's Historic Environment Record (HER), see **Table 1 in Appendix 02**. In addition to this assemblage, the walkover survey, undertaken by SLR in May 2018 identified a further five sites – see **Table 2 in Appendix 02**.

[6] Before Christian Era
[7] Registered as land parcel C012745

3.2 Appraisal

Based on the walkover survey and online and hard-copy documentary sources, the assessments of the effects on archaeology and Cultural Heritage are considered to be largely Minor in relation to developing the eastern part of the headland; this is despite the fact that non-designated sites such as a field system (SLR 002) located within the eastern section of the proposed development site would be removed as part of the initial phase of development (a *preservation-by-record* account of these two sites is recommended - see Mitigation in Section 3.2.2 below). As the quarry develops the other sites that stand within the boundary of the proposed development site will also be affected (see Section 3.2.2 below).

No Protected Monuments would be directly affected through the development of the quarry, as these would be excluded from the footprint of any development works.

3.2.1 Archaeological/Cultural Heritage Potential

To summarise the findings of this chapter and to broadly assess the potential for survival or presence of archaeological/cultural heritage assets of the various chronological periods discussed above, the table below outlines the known archaeological and historic evidence that stands within the arbitrary study area.

Table 3-1
Summary of the archaeological potential for Developing Eastern part of Headland

Period	Evidence	Potential
Palaeolithic-Neolithic	Based on various documentary sources, there is no evidence of early prehistoric activity within the curtilage of the proposed development site or within the vicinity. There is, however, a Neolithic presence in the form of several Neolithic findspots including a stone ring (MGU 6284) and stone axe (MGU 3677) from nearby Mont Cuet. To the south of the Headland, on L'Ancresse Common are a number of extant prehistoric sites dated to the Neolithic period; however, dues to the topography of the northern part of the common there is no intervisibility and therefore no indirect impacts.	LOW TO MODERATE
Bronze Age - Iron Age	Based on various documentary sources, there is limited evidence of Bronze Age or Iron Age activity within the curtilage of the site or the surrounding landscape including four findspots that have yielded flint artefacts (MGU 565, MGU 2139, MGU 5599, MGU 6923); one of these sites MGU 2139 is located within the field system (SLR 002).	LOW TO MODERATE
Romano-British	Based on various documentary sources, there is one findspot that has yielded Roman coins, located outside the proposed development site.	LOW TO MODERATE
Early Medieval	Based on various documentary sources, there is no evidence of Early medieval activity within the curtilage of the site or the surrounding landscape.	LOW TO NEGLIGIBLE
Medieval	Based on various sources, there is no evidence of medieval activity within the curtilage of the proposed development site, although one cannot dismiss the fact that certain features present on the Duke of Richmond survey map of 1787 may have their origins in the medieval period, including sections of the current field system that stands within the eastern section of the proposed development site.	MODERATE
Post-Medieval	Present within the proposed development site boundary are a number of sites that characterise the headland as a post-medieval industrial area (SLR 001, SLR 005), along with an agricultural presence (SLR 002). During and following industrial activity, the headland became the focus for military activity, especially during the late 18th/early 19th century and World War II (MGU 171, MGU 449, MGU 450, MGU 588, MGU 830, MGU 2438, MGU 2430 to MGU 2439, MGU 2469 and MGU 6903). Sites MGU 2430,	HIGH

Period	Evidence	Potential
	MGU 2431, MGU 2432, MGU 2434. MGU 2438, MGU 2439 and MGU 6957 inside the curtilage of the proposed development site.	
Conservation Areas	The proposed development site does not stand within a designated Conservation Area; however, two Conservation Areas (Vale Church and Les Mielles) stand some way south of the Chouet Headland and are therefore not directly or indirectly affected due to the topography of the landscape between Vale and Chouet Headland.	N/A
Protected Buildings	There are no Protected Buildings that stand within the curtilage of the proposed development site.	N/A
Protected Monuments	There are no Protected Monuments within the curtilage of the proposed development site; however, a Pre-Martello loophole Tower (and its associated magazine stands west of the Development Site boundary, within States of Guernsey land (MGU 171). Further Protected Monuments stand close by but are not affected by potential indirect impacts that may occur from quarrying operations from the proposed development site	N/A
Battlefield sites	There are no Battlefield sites within the curtilage of the site or the proposed development site.	N/A
World Heritage Sites	There are no World Heritage Sites within the proposed development site.	N/A

3.2.2 Mitigation

There are no direct impacts to those sites that stand outside the boundary of the proposed development. Several of these including the loophole Tower (No. 10) may be indirectly impacted upon. and therefore a programme of screening and possible boundary realignment to the north of this site would be required in order to protect its setting.

The post-medieval field system (SLR 002), located within the eastern section of the proposed development site would be removed as a result of proposed quarrying operations. It is therefore proposed that the field system is monitored and recorded prior to its removal. In addition, palaeoenvironmental sampling should be undertaken under selective boundaries should *palaeosols* be revealed during the monitoring stage. The *palaeosol* could determine the date of the field system and the probable palaeoclimate/environment during pre-construction, construction and early use.

As part of the mitigation process, several of the gateposts recognised within the field system should be researched as they may have once formed part of a later prehistoric landscape. It is not uncommon for standing stones and menhirs to be utilised in this way.

Archaeological fieldwork would be required to those sites that stand within the boundary of the proposed development site. Sites that will be directly impacted are mainly associated with German World War II activity. Arguably, all are of minor significance but the impact on each will be severe. Directly-impacted sites include: MGU 2139, MGU 2431, MGU 2432, MGU 2434, MGU 2436 AND MGU 2138(?). Site MGU 2439, an electrical generating supply tunnel stands north of the loophole Tower and has previously been recorded by Fustung Guernsey; however, the site would require further recording using CIfA/Historic England building recording standards.[8]

3.3 Conclusions

This assessment has followed best practice guidance in undertaking a reasonable and proportionate appraisal of the heritage assets likely to be affected, and the degree of adverse impact that the proposed development could

[8] See *Understanding Historic Buildings: A Guide to Good Recording Practice* (Historic England 2017).

potentially incur. The assessment complies with EIA and [English] national planning policy requirements which aim to achieve a sustainable development process, so that heritage assets are conserved in proportion to their heritage significance. There is also sufficient detail included in this assessment to allow decision-makers to be confident that they can discharge their statutory duties. Although the proposed development would constitute incremental change within the setting of a limited number of designated heritage assets of the highest significance and sensitivity, the indirect harm is considered Minor or Negligible. There are designated heritage assets such as several WWII sites and remnants of the quarry industry; however, their loss should not result in a reason for refusal should proportionate mitigations measures be implemented, as long as a considerate preservation-by-record programme is installed.

Identified within the walkover survey were thirty-two sites. These were located via the SLR Walkover Survey and information supplied by the States of Guernsey's Historic Environment Record. Of these 32 sites, eight stand within the core of the Headland; six within the area of the proposed first phase of development.[9]

The direct impacts to the field system would be Severe resulting in substantial harm to the majority of the field embankments/boundaries. In addition to the extant field boundaries, a subterranean set of World War II tunnels MGU 2439), constructed by the German Army would also be severely impacted, as well as six sites that stand within the boundary of the proposed development including MGU 2139, MGU 2431, MGU 2432, MGU 2434, MGU 2436 and MGU 2438. All the above sites, with the exception of MGU 2139 are World War II defence structures, including the German Army electricity generating tunnel (MGU 2439). Although the physical impact to all sites is Severe, their heritage value is considered Low to Moderate.

In terms of indirect impacts to identified designated heritage assets (Tables 1 and 2, **Appendix 02**), the topography of the Headland conceals those heritage assets located on L'Ancresse Common. Those sites, such as the loophole Tower and its associated magazine (MGU 171 & MGU 588) may incur an impact; however, based on the local topography immediately north of these two sites, the indirect impact will probably be Low to Negligible.

In terms of indirect impacts to those Protected Buildings and Protected Monument to the south and west of the Headland, the natural topography of the landscape of the western and southern headland above the shoreline will provide necessary screening for the proposed development site; therefore, the indirect impacts will be Negligible.

[9] Site MGU 830 appears to have been destroyed by quarrying.

4.0 Ecology

4.1 Baseline

4.1.1 Habitats

Desk Study

A review of available aerial photography[10] and comparison between the Island-wide Phase 1 habitat surveys which were undertaken in 1999 and again in 2010 show that the extent of maritime grassland decreased within the survey area during this 10 year period. Further comparison between the 2010 survey and SLR's 2017/18 habitat plan shows a further reduction in the extent of this habitat type. There is a long term trend of grazing being abandoned on coastal grassland and heath in Guernsey with an attendant increase in scrub, bracken, bramble and tree cover; a situation which has been mirrored at Chouet Headland.

The main site habitats are described below and are shown on **Drawing CH 2.**

The dominant vegetation type on Guernsey is grassland. The most threatened habitats are saltmarshes, dune slacks and open dune. The terrestrial habitats most important for their biodiversity include Dune, Coastal and Marshy Grasslands.

Field Survey – Main Habitats

Drawing CH 2 illustrates the main habits within the headland, as surveyed by SLR.

Scrub / Tall Ruderal (Target Note 1) – See Figure 5

The dominant species are bracken (*Pteridium aquilinum*) and bramble (*Rubus fruticosus*) with more localised beds of nettle (*Urtica dioica*). Thickets of blackthorn (*Prunus spinosa*) and European gorse (*Ulex europeaus*) also occur on the lower slopes. Various species of non-native shrub/tree are present in discrete patches including Muttonbird scrub (*Brachyglottis rotundifolia*), Buttonwood tree *(Conocarpus erectus var. sericeus), tamarisk (Tamarix gallica*) and German ivy (*Senecio mikaniodes*).

Along the edges of tracks and where bracken/bramble is less dense, the diversity of plants is higher with a range of robust species such as red campion (*Silene dioica*), sea radish (*Raphanus raphinistrum subspecies maritimus*), bittersweet (*Solanum dulcamara*), lesser burdock (*Actium minus*), wood sage (*Teucrium scorodonia*), black horehound (Ballota nigra), Pellitory of the Wall (*Parietaria Judaica*), hedge bedstraw (*Galium album*), common ragwort (*Senecio jacobea*), common mallow (*Malva sylvestris*), hedge bindweed (*Calystegia sepium*), field bindweed (*Convulvulus arvensis*), fennel (*Foeniculum vulgare*), wild carrot (*Daucus carota*), hogweed (*Heracleum sphondylium*), wall barley (*Hordeum murinum*) and thistles (*Cirsium arvense, C.vulgare, Carduus tenuiflorus and C.nutans*).

Semi-Improved Grassland Fields

The fields were found to be species-poor and to be dominated by grasses such as cock's foot (*Dactylus glomerata*), Yorkshire fog (*Holcus lanatus*) and crested dog's tail (*Cynosurus cristatus*) with some white clover (*Trifolium pratense*) and cat's ear (*Hypochoeris radicata*). It is, however, unlikely that they receive regular inputs of fertilisers or manure. In one of the fields is a clump of Guernsey lily (*Nerine sarniensis*).

[10] Internet search and Google Earth Pro.

Coniferous Woodland (Monterey Pine)

A mature plantation of pine trees with no discernible ground or shrub layer.

Standing Water / Inland Cliffs – Target Note 4 and Figure 3

The cliff faces and water body are largely un-vegetated.

Maritime Grassland – Target Note 5 and Figure 7

Examples of mown, rabbit-grazed and un-grazed areas of maritime grassland are present.

Regular mowing has reduced the species complement and favoured species adapted to such conditions such as chamomile (*Chamaemelum nobile*), daisy (*Bellis perennis*), yarrow (*Achillea millefolium*), common stork'sbill (*Erodium circutarium*), scarlet pimpernel (*Anagallis arvensis*), dove's foot cranesbill (*Geranium molle*) and the uncommon Allseed (*Radiola linoides*).

The most naturalistic and species-rich examples were found around the top of the rocky shore by the public path. Frequently recorded species in the more diverse swards included birds foot trefoil (*Lotus corniculatus*), autumn hawkbit (*Leontodon autumnalis*), greater plantain (*Plantago major*), ribwort plantain (*Plantago lanceolata*), thrift (*Armeria maritima*), rock samphire (*Crithmum maritimum*), sheep's sorrel (*Rumex acetosa*), common restharrow (*Ononis spinosa*), common toadflax (*Linaria vulgaris*), wild carrot (*Daucus carota*), common fleabane (*Pulicaria dysenterica*), perennial wall rocket (*Diplotaxis tenuifolia*), sea radish (*Raphanus raphinistrum subspecies maritimus*), hare's tail grass (*Lagurus ovatus*), fine-leaved fescue grass (*Festuca tenuifolia***),** other fescue and bent grasses (*Festuca/Agrostis*) and sea beet (*Beta vulgaris subspecies maritima*).

Less commonly recorded species were parsley-leaved waterdropwort (*Oenanthe lachenalii*), buck's-horn plantain (*Plantago coronopus*), galingale (*Cyperus longus*), sheep's bit (*Jasione montana*) and sea campion (*Silene uniflora*).

Non-native / invasive species included hottentot fig (*Carpobrotus edulis*), agave cactus, pink sorrel (*Oxalis articulate*), Spanish bluebell (*Hyacinthoides hispanica*) and Duke of Argyll's tea plant (*Lycium halimifolium*).

More ruderal areas comprised of bristly oxtongue (*Helminthotheca echiodes*), mugwort (*Artemesia vulgaris*), thistles, cock's foot grass (*Dactylus glomerata*), tree mallow (*Malva arborea*), smooth sow thistle (*Sonchus oleraceus*), frosted orache (*Atriplex laciniata*), spear-leaved orache (*Atriplex prostrata*), rye grass (*Lolium perenne*) and wild carrot.

4.1.2 Species

Background to Guernsey's Flora and Fauna

Terrestrial Mammals[11]

The Bailiwick has few native terrestrial mammals. The shrew found in Guernsey (and also Herm and Alderney) is the Greater White-toothed Shrew (*Crocidura russula)*, recently introduced to Ireland but otherwise not known in the British Isles. The Guernsey Vole, (*Microtus arvalis sarnius)*, is a subspecies of the Common Vole of Europe, and is only found in Guernsey.

[11] Extract from: UK Overseas Territories and Crown Dependencies: 2011 Biodiversity snapshot. Guernsey: Appendices. Author: Dr Charles David Guernsey Biological Records Centre, States of Guernsey Environment Department & La Societe Guernesiaise. More information available at: www.biologicalrecordscentre.gov.gg

Other rodents include the Wood Mouse (*Apodemus sylvaticus)* on all major islands and the introduced House Mouse (*Mus musculus)*, Brown and Black Rats (*Rattus norvegius) and (R. rattus)*.

The largest native mammalian carnivore is the stoat, (*Mustela ermine)* but this is believed to be extinct. Rabbits (*Oryctolagus cuniculus)* and Hedgehogs (*Erinaceus europaea*) are found in all the major islands but these were introduced.

Six species of bats have been observed in Guernsey, with caves on the south coast used as roosting sites. The species assemblage includes the rare grey long-eared bat.

Invertebrates

Guernsey is important for the conservation of several species of invertebrates which include mole cricket (*Gryllotalpa gryllotalpa*), Glanville Fritillary butterfly (*Melitaea cinxia*), blue-winged Grasshopper (*Oedipoda caerulescens*) and the Dung Beetle (*Copris lunaris*) which are either scarce on mainland UK, extinct or never occurred.

Reptiles and Amphibians

Guernsey supports three native species of amphibian and reptiles (i.e. common frog, smooth newt and slow worm) and one introduced species (Green Lizard).

Birds

The most important bird populations in the Bailiwick are its seabirds 1% of the World's Northern Gannets (*Sula bassana*) (c. 6000 pairs) breed on the Les Etacs (Garden Rocks) and Ortac off Alderney.

Guernsey has a healthy population of Barn Owls (*Tyto alba*) boosted by a scheme to provide large numbers of nest boxes.

Plant Species

Many of the UK Red Data Plant Book species are common in the Channel Islands because of their geographical position. Some species are of cultural significance as they are named after the islands, such as Guernsey Centaury and Guernsey fern and Guernsey spleenwort. Loose-flowered orchids, which do not occur in the UK, are a characteristic plant of damp meadows.

4.1.3 Desk Study Results

GBRC supplied records from within a 2km search area of the Chouet Headland as defined by a central grid reference. A summary of records of species considered to be endangered or at risk is provided in Table 1 in **Appendix 03**.

4.1.4 Summary of Baseline Survey Results – Flora

No plant species of particular rarity were recorded. The surveys recorded the presence of musk thistle (*Carduus nutans*), allseed (*Radiola linoides*) and common toadflax (*Linaria vulgaris*). All three of these species are considered to be "at risk".

A number of non-native / invasive plant species were recorded, some of which are likely to have originated from deliberate planting and others are likely to have spread from the green waste facility.

4.1.5 Summary of Baseline Survey Results – Fauna

Amphibians

The GBRC report returned records for slow worm, smooth newt and common frog from within the 2km search area.

The reptile survey undertaken in autumn 2017 recorded one juvenile slow worm. Due to the presence of a juvenile animal there must be a breeding population of this species which is likely to be small in size due to the limited extent of rough grassland and predation by rats and other predators.

No species of amphibian were recorded or are considered to be present based on the habitats which are present. It is considered unlikely that the waterbody present in the quarry void would support amphibians given its past use as a facility for the bio-remediation of oil.

Bats

The survey work undertaken in 2017/18 aimed to establish (1) whether bat roosts are present and could be affected and (2) whether the application site is of value to bats for foraging and commuting.

In respect of (1) above, structures/trees or other features within the survey area were inspected by a Natural England licensed bat worker during the daytime for evidence of bat roosts and/or the potential for them to occur. No bat roosts or potential roosting sites were identified.

In respect of (2) above, a combination of walked transects with bat detectors at dusk and dawn (with listening points at key stages) and remote recording was undertaken (with detectors being left in suitable locations for extended periods of time). The surveys aimed to achieve coverage in the spring, summer and autumn seasons.

All of the walked transects recorded very low levels of usage by bats. The August 2017 transect recorded 1-2 common pipistrelles foraging around the plantation of pines and the frontage of the quarry. An ANABAT left overnight on the edge of the pine plantation facing west (30th August 2017) and east (31st August 2017) also recorded common pipistrelle. The late October 2017 transect recorded no bats. The series of dusk and dawn transects in early May 2018 recorded virtually no activity by bats.

Further automated recording was undertaken in late October/early November 2017 which recorded very low levels of activity by mainly common pipistrelle and to a lesser extent Nathusius' pipistrelle. Further automated recording in May 2018 recorded a similar pattern of bat use by these two species with higher levels of activity (as measured by bat passes per hour) by common pipistrelle. A small number of calls were provisionally assigned to "big bat" - on the UK Mainland this would usually be a noctule. No calls attributable to grey long-eared bats were recorded.

To summarise, the bat surveys undertaken have not detected the presence of roosts. They found that the survey area is mainly used by two species of pipistrelle bats, of which common pipistrelle was the most frequently recorded. All activity by bats was at a low level and localised in distribution to the sheltered south-facing parts of the survey area such as the edges of the conifer plantation.

The survey area are therefore not considered to be of high value to bats.

Rodents

The reptile survey also recorded the presence of small numbers of the greater white-toothed shrew (*Crocidura russula*). Brown rats were seen on a number of occasions during fieldwork.

Invertebrates

No formal invertebrate surveys have been undertaken. Brown argus (*Aricia agestis*) butterfly is present within the coastal grassland on the plateau. This species has a localised presence on Guernsey. Likely foodplants in this location are low Geraniums and common stork's-bill.

Strong colonies of gatekeeper butterfly and common blue butterfly were recorded in 2017 and 2018 which are common species on the Island. In addition, other common species included red admiral, meadow brown, large white, small copper, brown-tailed moth (*Euproctis chrysorrhoea*) and the common carder bee (*Bombus pascuorum*).

Wintering Birds

Thirty bird species were recorded during the course of the winter CBC surveys.

The bird community was dominated by gulls and in particular many thousands of herring gull *Larus argentatus.* At any one time there were usually at least 1000 herring gull roosting on shoreline rocks, with several thousand more on the neighbouring landfill site or flying to/from it. Although herring gull is a Red list species, and the other four gulls are Amber list for varying degrees of population decline, they are still common, and also a pest species at landfill sites.

The scrub and semi-improved grassland habitats had low general value for birds. Wren *Troglodytes*, dunnock *Prunella modularis*, robin *Erithacus rubecula*, goldfinch *Carduelis* and starling *Sturnus vulgaris* were frequently seen or heard in these habitats; all are common birds, although dunnock and starling are on the Amber and Red lists respectively. Starling is listed due to a UK and Channel Islands population decline of over 50% from 1990 to 2015, while the dunnock has suffered a longer term UK and Channel Islands population decline of 31%. A few other notable birds were seen here including individual song thrush *Turdus philomelos*, mistle thrush *T. viscivorus*, linnet *Carduelis cannabina* (all Red list), and three meadow pipit *Anthus pratensis* (Amber list).

Breeding Birds

The Breeding Bird Survey recorded 17 nesting species, comprising mostly of common species.

The survey area is notable for breeding long-eared owl (*Asio otus*) which uses old crows nests in the mature plantation of pine trees (Target Note 3). The pole/tree mounted nest boxes and quarry rock ledges support breeding / roosting kestrel (*Falco tinnunculus*) and barn owl.

A house sparrow colony is associated with the bungalow and its grounds.

No other notable bird species were recorded.

4.2 Appraisal

4.2.1 Habitat

The development of the quarry would result in the direct loss of habitats within the development footprint due to the need to expose the underlying rock. Based on the Phase 1 survey work the main habitats to be lost would be dense scrub/bracken, semi improved grassland, with smaller amounts of maritime grassland. In the context of the Island wide resource, losses would be small. Notwithstanding this, a small area of planted coniferous woodland lies within the development footprint; whilst this is a habitat with low ecological value, it can be of

importance as a place of shelter for migrant birds, nesting birds such as raptors and as for insects which specialise in the tree species present (e.g. moths). In addition, it is scarce within the Island.

4.2.2 Species

Flora

Surveys of the application site and wider area have not recorded any particularly rare species of plant.

Mammals

Surveys of the headland recorded the presence of two species of pipistrelle bat (common and Nathusius'). Low levels of foraging by these species were recorded in 2017/18. This is attributed to the generally exposed nature of the headland and the limited availability of sheltered opportunities for foraging.

No bats roosts are considered to be present.

The survey area and application site are therefore not considered to be of high value to bats.

Birds

Surveys of the headland encompassing every season did not record the presence of a particularly notable assemblage of birds using the headland for breeding or wintering.

The presence of breeding long-eared owl, barn owl and kestrel was considered to be noteworthy in an Island context.

The bungalow supports a breeding colony of house sparrows, a species which is in steep decline in the UK Mainland, but which remains a reasonably common species on Guernsey.

Reptiles and Amphibians

Reptile surveys have recorded the presence of a "small" population of slow worm.

Invertebrates

The wider survey area supports a colony of brown argus butterfly which has a restricted distribution on the Island.

4.3 Conclusions

No designated ecological sites such as Sites of Special Significance (SSS) would be affected by the development of a quarry on the headland, provided that dust suppression measures are adopted in respect of heavy goods vehicles.

Surveys have not recorded the presence of notable habitats.

Surveys undertaken for flora and fauna have not recorded any particularly rare or uncommon species.

A small population of slow worm was recorded within the wider survey area. Although no slow worms were recorded from within the development site it is possible that this species also occurs in the rough margins of the hay fields.

The survey area supports three species of raptor (barn owl, long-eared owl and kestrel) which nest/roost in purpose-built boxes, old crow nests in mature pines or cliff faces. The habitats present within the development site form part of a wider resource of rough grassland which supports their small mammal prey. A colony of house sparrows is resident in and around the bungalow. No other notable species of birds were recorded during the winter or breeding seasons; however, the site has a general value to birds in providing nesting opportunities for a variety of common species in buildings, low scrubby vegetation, cliffs, edges of standing water etc.

Bat surveys have not detected the presence of any roosts. Foraging activity by bats was attributed to two common species of pipistrelle bat. Activity levels were very low across the seasons and were restricted to sheltered areas on the south-facing flank of the site. The majority of the site is quite exposed to prevailing winds and lacks structured vegetation such as trees or hedgerows and as a consequence its value to bats is limited.

Recommendations have been made in respect of avoidance and mitigation measures required to ensure that impacts on species and off-site habitats are either avoided or their effects are reduced to acceptable levels. These relate to the timing of operations (e.g. the removal of vegetation outside of the bird nesting season) or measures required in advance of development commencing (e.g. reptile and raptor mitigation schemes).

Residual ecological impacts have been predicted in respect of house sparrow only which are considered to be of significance at local level.

5.0 Landscape and Visual Impact

5.1 Landscape Baseline

The Chouet Headland is a gently undulating promontory with visual connections to Lady's Bay and Grand Havre to the south, the Rousse Headland to the south west, and the open moorland areas associated with L'Ancresse Common to the south-east. To the north and west there is a strong and often direct connection to the open sea of the English Channel.

The headland is generally rural in appearance and located away from built up areas. The closest built up areas being Vale Marais (approximately 1km to the south east) and L'Islet / La Garenne (approximately 1-1.5km to the south). To the east, the gradually increasing topography of a working landfill site prevents visual connectivity with the eastern part of Mont Cuet and L'Ancresse/Pembroke Bay.

Despite being generally rural in appearance, Chouet Headland contains evidence of much previous development, ranging from historic coastal defences (Napoleonic and WWII) to previous quarrying and current waste management.

5.1.1 Character of the landscape

The Guernsey Character Study (Stage 1), undertaken in June 2013 and published by The States of Guernsey Government Department, describes the landscape of Guernsey and has been used to inform the assessment of landscape character as set out below.

Figure 8 (Landscape Character) within the Guernsey Character Study shows the application site is located within the Northshores Character type. Further to the south are the Wetlands and Lowland Hills character types. The Lowland Hills provide the southern and eastern backdrop to the landscape of the site.

Figure 13 of the Guernsey Character Study identifies some 49 Landscape Character Areas (LCAs), with the headland being located within LCA 1 - L'Ancresse Character Area. Each Character Area is also defined as being one of four general land uses; rural, semi-rural, built-up and urban. The "L'Ancresse" Character Area is defined as having a 'Rural' category. The Site has potential visual connectivity with LCA 11 - Les Vardes / Haut Coutis / L'Islet to the south/southeast, and LCA 49 - Vale Church to the south. Visual connectivity is more restricted for two other character areas that are part of the study area, namely LCA 5 - Braye du Valle and LCA 2 - Les Landes.

The headland has a coastal position and therefore seascape is equally important as landscape. No suitable published Seascape Character Assessments (SCA) have been identified for Guernsey, therefore this assessment proposes its own for the purpose of identifying landscape effects. Three SCAs have been defined to measure the level of effect on the marine 'landscape'. These three areas are as follows; the Grand Havre; Baie de Port Grat; and Open Sea/Baie de la Jaonneuse.

L'Ancresse

The topography of this area includes areas of exposed rock and higher ground above the general lowland landscape, including the northern coastline of Chouet and Mont Cuet, and the L'Ancresse Common. The exposed rock has resulted in the establishment of numerous historic quarries and subsequent landfill activities in the north of this character area.

The character area comprises large areas of coastal heath and rough grazing land much of this supporting its use as a golf course. Enclosure is limited with large open areas of heathland and very few agricultural field units.

Where present, field boundaries include stone walls, but are often in poor condition and overgrown by vegetation.

The scale of the landscape is large and exposed with open views towards the sea and the rising ground towards the south of the island, particularly from the areas of higher ground. The combination of heathland and golf course provides the most extensive area of terrestrial open space on the island. Open panoramic views are a noted characteristic of L'Ancresse Common.

This character area has a rich historical record with a number of Martello towers and other Protected Monuments present around the coastline at regular intervals, largely concentrated around Pembroke Bay, and in combination with other monument sites such as the Star Fort (PM127), Fort Pembroke (PM128) and Fort Le Marchant (PM126). Other protected monuments include 'La Varde Dolmen' (PM15) 'Les Fouaillages Dolmen' (PM97) and 'Platte Mare Dolmenon' (PM130) further south on L'Ancresse Common.

With regard to the headland specifically, Martello Tower (Protected Monument (PM117) and Chouet Batteries (PM134) are of particular note. The Martello Tower is the focal point for the Chouet Headland when viewed across the Grand Havre, with a visual connection across the bay to the Rousse Martello tower.

Les Vardes / Haut Coutis / L'Islet

The higher ground in this character area is concentrated on the area of the existing Les Vardes Quarry, rising above the surrounding lowland landscape.

A complex network of local roads divides this area into numerous small landscape units, and in the case of Les Vardes Quarry one larger unit. Ribbon development has been historically established along these roads, with a mixture of remnant agricultural land and larger scale development located within the centre of landscape units surrounded by such ribbon development.

Land enclosure is formed by a mixture of residential plot boundaries (garden vegetation, hedges and fencing) and tall hedgerows around the remnant agricultural fields. The scale of enclosure is generally small scale but increases to medium scale in the west.

The long-term settlement of this area has resulting in numerous historic buildings towards the more sheltered eastern side of the area. In addition, protected monuments such has the Megalithic chamber, Sandy Lane, have been preserved and add to the historic settled nature of the character area.

Preserved monuments of note for this study are the Rousse Tower (No 11), battery and magazine (PM115) and adjacent burial 'cists' (PM133), below the high-water level. These monuments are situated on the Rousse Headland where views across the Grand Havre towards the proposed development are present.

The enclosure by vegetation generally restricts views within this character area to short distances and glimpses. Although the coastal edge frequently has distant views to the sea.

Vale Church

This character area is entirely lowland, with the exception of a small rocky outcrop which is the location of Vale Church (St. Michel du Valle Protected Building PB1180). The character area is dominated by the church, and associated Mentone (PB1179) and cemetery, which are largely encircled by residential development. More open coastal heath is present to the west, with boat storage and a large pond.

The area of the church is designated as a conservation area which forms the majority of the character area and provides the character area with a strong historic nature.

Visually the church steeple is a prominent feature in the local landscape and provides a strong visual connection to the coastal area to the west. However, the enclosing residential belt and associated vegetation provide an enclosed nature for views within the character area with generally only glimpsed views out. Of more note are the views from the raised ground around the church to the south.

Les Landes

This is a semi-rural area where the underlying landform and character dominate, but the landscape is enclosed by built features restricting long range views. There are clusters of buildings and ribbon development along the main roads which enclose and impede visual connections to the remaining open space between roads.

Braye du Valle

This LCA is identified in the Island Development Plan as a built-up area with a medium level of development with large scale buildings such as the Guernsey Clematis Nursery, Alliance supermarket and Moonpig Factory. Residential development tends to have extended from the main roads via secondary side roads, as oppose to the linear ribbon development elsewhere. An exception to this general characteristic is present within the study area to the south of the Vale Church where the LCA crosses more open land around Vale Pond which is classed as part of the Pont Soif to Pont du Valle Site of Special Significance (SSS) in the IDP. This area includes the brackish pond and salt marsh of Vale Pond and a small area of coastal land. The SSS continues along the coast through the following LCA.

Seascape Character Areas

The Grand Havre SCA comprises the bay of Grand Havre, enclosed by the headlands of Rousse and Chouet. The bay is enclosed and sheltered with large areas of sand exposed at low tide as well as rocks around the edge of the low water mark. The area is influenced by adjacent recreational uses such as the shoreline path, L'Ancresse Common and tourist attractions such as the Rousse Martello Tower. Its sheltered nature makes it important for harbouring boats.

The Bais de Port Grat SCA is more exposed than that of the Grand Havre and characterised by extensive areas of exposed rock. These areas of rock include Quenon, Grands Moulinets, The Knife and La Marquie, some of which form part of the boundary with the Grand Havre in the east. To the west the area is open to the sea. Beach areas are limited to the curve of shoreline between Pulias Pool and the Rousse Headland, protected from the sea by extensive rock areas.

The Open Sea/Baie de la Jaonneuse SCA includes the English Channel to the north of the rocks of the Baie de Port Grat, and the Baie de la Jaonneuse north of the Chouet Headland. This area is predominantly open sea with very occasional small areas of rock exposed. It is wild and vast in nature with the rocky shoreline edge generally an area of spray and waves even in calm weather.

5.2 Visual Baseline

The focus of local views is generally centred on Ladies Bay and Grand Havre, one of the main bays in north Guernsey. The Rousse and Chouet headlands frame sea views from the coastline of the bay.

To the west of Rousse visibility is affected by the sinuous coastline and extensive areas of intertidal rocks, which reduce the prominence of the Chouet headland in any views present. Further visibility to the west is prevented beyond the coastline and inland vegetation near Pulias Pool.

To the east of the Chouet headland views are limited to a short section of coastline, and views east of the Marine Wildlife Observatory are screened by the existing landform of the adjacent landfill site.

5.2.1 Visual receptors

Potential visual receptors in the area with theoretical visibility include the following:

- Inhabitants of properties at Rousse, visitors to the Peninsular Hotel and residential properties on the southern side of Lady's Bay (fronting Route Du Picquerel and adjacent roads). A small number of properties at Mont Cruet;
- users of public highways such as Mont Cuet, Route Du Picquerel and a number of car parks around the bay supporting recreational purposes, including at Rousse, Picquerel Point, Pont St Michel, Amarreurs Harbour, Roc Salt Restaurant and the south side of the Chouet Headland. (recreational, local residents or workers); and
- recreational users of the surfaced, off road, cycle and walking route present around the edge of the Ladies Bay / Grand Havre. Visitors to the strategic views identified in the Guernsey Character Study, and these include panoramic views at Rousse and L'Ancresse Common.

In addition, users or passengers on vessels on the sea (recreational or workers) are also theoretically affected. However, the main ferry route from Portsmouth passes the eastern coast of the island before landing at St Peter Port, and the nearest ferry route to the north of the island is over 7km offshore. However, private boat users could pass close to the Chouet headland and Grand Havre includes 3 minor arrival points for private boats at Chouet, Les Amarreurs and Rousse (marinas, slipways and moorings), as identified in the 2013 Guernsey Character Study.

5.3 Appraisal

5.3.1 Landscape

The proposed development may potentially affect the following landscape receptors:

- physical disturbance of landscape elements and features within the site and adjacent landscape;
- alteration to aesthetic and perceptual aspects such as scale, simplicity, openness and sense of tranquillity and wildness; and
- alteration to overall landscape character and key characteristics.

Alterations to Aesthetic and Perceptual Aspects

Changes to aesthetic and perceptual aspects occur principally within the development footprint and its immediate landscape setting, with effects on the wider landscape setting being limited to visual connections with other landscape character areas and features due by the size and scale of the new elements and their visibility.

Overall Effects on Landscape Components and Character

The alterations to overall landscape character and key characteristics result from a combination of changes to physical elements and features and the changes to the aesthetic and perceptual aspects of views/inter-visibility. Such effects occur both within the application site and its immediate landscape setting (and these are considered together).

The sensitivity of the Chouet Headland is to be considered within the context of prior use of the headland for quarrying, built development (coastal defences), existing waste operations and adjacent landfill. The magnitude of any change relates largely to the loss of landform and resultant physical change to the topography.

The proposed development does not add or remove elements from the existing character of the Chouet Headland. The distinctive Martello Tower on the Chouet Headland would be retained and the visual connection between the Chouet Headland and Rouse Headland maintained.
The proposed development would not directly affect the Vale Church Conservation Area or alter any visual connectivity between the conservation area and the Chouet Headland. In many views from around the Grand Havre the steeple of the Vale Church is a key feature, linking the church to the coast. However, none of these views are orientated to take in the steeple in the same frame of view as the Chouet Headland so that both are seen at the same time.

The more important effects would be those on the landscape character areas of L'Ancresse and Les Vardes / Haut Coutis / L'Islet. This is due to perceived changes in the visual connections between these two LCA and the Chouet Headland.

Although visible from the western side of L'Ancresse Common and the coastline of Grand Havre the level of landscape change would not be sufficient to alter the composition of the landscape or dominate the key visual connections for these character areas.

In the Grand Havre SCA, the Chouet Headland would still enclose the entrance to the bay from the open sea, but the skyline of the headland would be changed and the bay slightly more open due to this. However, the change would not add or remove any important features of the existing landscape character, just modify the existing elements.

5.3.2 Visual

The extent of visual effects would generally be restricted to the coastal edge between Pulias Pool and Mont Cuet, Garden vegetation, built development and landform prevent visual effects from being perceived further inland. In addition, viewers on private boats approaching and entering the bay of Grand Havre from the north and north-west would be affected.

The visual effect would consist of two operational stages, firstly the stripping of soils and overburden from the surface, and extraction of the top layers of rock. Secondly, the extraction void deepening and descending below the level of the adjacent landscape. In the first stage earthmoving machinery and disturbance would be very evident on the landform of the headland. In the second stage the extraction process would be screened from view and the restoration process undertaken around the periphery of the quarry void. The second stage would result in less disturbance and a gradual merging of the disturbed area into the adjacent landscape. The first stage would be adverse in nature, with the second stage starting as adverse but becoming neutral in nature as the restoration establishes.

The most prominent effects have been identified for Rouse Headland and in the vicinity of Roc Salt Car Park. This level of effect would extend for viewers on the paths around the Chouet Headland, where proximity to the development generates significant change to the visible landscape.

The visual effects identified above would be created by proximity to the proposed development and the soil and overburden stripping this would entail. Once those early stages are completed and restoration of the peripheral areas of the proposed quarry carried out, the level of effect is predicted to reduce. The remaining change in the view would relate to the part removal of the skyline of the Chouet Headland, rather than the addition of elements to the view.

Similarly, views from the path around the headland are likely to remain significant due to proximity, and high level of visual change.

The visual effects from other areas would be less, and largely related to the proximity of the viewer.

5.4 Conclusions

Overall this assessment has not identified any significant landscape effects as a result of the proposed development, other than on the Chouet Headland itself, where the change in topography and loss of vegetation would be a significant change.

Moderate landscape effects have also been identified for the L'Ancresse and Les Vardes / Haut Coutis / L'Islet LCAs and the Grand Havre SCA. Moderate effects can be significant, with value, susceptibility, size/scale of effect, and whether the effect is found across a number of receptors or in a pattern that intensifies the overall impact, all carefully considered to identify significant Moderate effects. In the case of the proposed development it is considered that the change would only be perceived in certain parts of the LCAs and that the scale and size of change within visual connections between the LCAs and the proposed development would not be sufficient to generate a significant effect. With regard the Grand Havre SCA, lower angles of view between the seascape area and the Chouet headland would reduce the degree to which the reduction in the Chouet Headland skyline was perceived, and thus the landscape effect is not considered significant.

More of the identified visual effects have been considered significant due to their concentrated and directed nature, thus having a greater effect on the viewer, compared to the more diluted landscape effects. The main source of significant visual effect would be the disturbance generated by the stripping of soils and overburden, with these effects being removed from view as the extraction process worked downward into the ground. Similar disturbance is already present in many of these identified views, caused by waste management operations and/or landfill operations at Mont Cuet.

6.0 Noise

6.1 Baseline

Noise monitoring has been undertaken to determine the existing noise environment at the nearby noise-sensitive receptors. All measurement instrumentation was calibrated before and after the measurements. The calibration chain is traceable via the United Kingdom Accreditation Service to National Standards held at the National Physical Laboratory. No significant drift was observed.

To assess the potential impact of the development upon existing receptors close to the site, daytime noise measurements were taken at the following locations representative of the soundscape at the receptor:

- Location 1 – Adjacent to the Roc Salt restaurant on Mont Cuet Road, approximately 150m to the south-east of the quarry workings;
- Location 2 – Property off Mont Cuet Road, approximately 290m to the south-east of the quarry workings; and
- Location 3 – Adjacent to L'Ancresse Golf Club on La Jaonneuse Road, approximately 590m to the east of the quarry workings.

The results of the noise surveys are presented Table 6-1.

Table 6-1
Summary of Measured Noise Levels, free-field, dB

Location	Date	Period	$L_{Aeq,T}$	L_{A90}	L_{Amax}
Location 1	Thursday 6th July 2017	14:36	51.2	39.9	70.8
		15:25	51.6	43.1	75.2
	Friday 7th July 2017	12:23	44.3	36.3	56.9
		13:38	56.2	38.2	80.3
	Saturday 8th July 2017	10:16	52.3	40.5	74.2
		11:41	50.3	35.0	60.4
Location 2	Thursday 6th July 2017	11:59	41.2	34.9	57.7
		16:19	40.9	31.6	57.9
	Friday 7th July 2017	12:48	45.4	40.1	57.8
		14:03	42.3	34.2	74.2
	Saturday 8th July 2017	10:57	51.0	31.9	76.3
		12:01	37.0	31.2	47.7
Location 3	Thursday 6th July 2017	13:33	52.6	36.0	75.9
		14:59	42.3	36.7	59.4

Location	Date	Period	$L_{Aeq,T}$	L_{A90}	L_{Amax}
	Friday 7th July 2017	15:54	48.2	36.3	72.3
		13:23	52.6	36.0	75.9
	Saturday 8th July 2017	10:38	42.2	33.9	57.9
		11:18	40.7	35.2	51.5

The soundscape at all the noise-sensitive locations considered may be described as distant road traffic and natural sounds such as birdsong.

6.2 Appraisal

Surface minerals extraction sites, by their nature, generate noise due to the use of heavy machinery. During the proposed development the potential risk of noise impacting on the nearby noise-sensitive receptors would vary depending on the type of activities being undertaken at the time and the effectiveness of any noise control measures that are in place.

6.2.1 Quarry Development

In the absence of specific guidance in Guernsey, discussions have been had with the Environmental Health department at the States of Guernsey. This has indicated that any assessment should be undertaken in accordance with the National Planning Policy Guidance and associated Planning Practice Guidance, which contains details regarding noise from mineral operations as previously presented in MPG11.

In this respect, the relevant guidance states:

"*Mineral planning authorities should aim to establish a noise limit, through a planning condition, at the noise-sensitive property that does not exceed the background noise level (LA90,1h) by more than 10dB(A) during normal working hours (0700-1900). Where it will be difficult not to exceed the background level by more than 10dB(A) without imposing unreasonable burdens on the mineral operator, the limit set should be as near that level as practicable. In any event, the total noise from the operations should not exceed 55dB(A) LAeq, 1h (free field). For operations during the evening (1900-2200) the noise limits should not exceed the background noise level (LA90,1h) by more than 10dB(A) and should not exceed 55dB(A) LAeq, 1h (free field). For any operations during the period 22.00 – 07.00 noise limits should be set to reduce to a minimum any adverse impacts, without imposing unreasonable burdens on the mineral operator. In any event the noise limit should not exceed 42dB(A) LAeq,1h (free field) at a noise sensitive property".*

Based on the anticipated compliment of plant and machinery the worst case predicted noise levels associated with the initial phase of development would be as follows:

- Location 1 – 52.3dB(A)
- Location 2 – 48.6dB(A)
- Location 3 – 46.1dB(A)

These predicted limits are all above the PPG criterion of setting a noise limit that is 10dB(A) above the background noise level, but all are below the absolute maximum of 55dB(A). It should be noted that the noise predictions are worst case, when all plant is operational and working at the closest part of the site to the receptor. As such the predicted levels would only occur for a small period of the overall life of the development.

With additional mitigation based around operational practices experience shows that predicted noise levels can be reduced by around 5dB(A).

6.2.2 Traffic

According to the DMRB, *"a change in noise level of 1dB is equivalent to a 25% increase or 20% decrease in traffic flow"*. This change in noise level, in accordance with the IEMA guidelines, equates to a difference which is just perceptible under laboratory conditions; however, a change or difference of 3dB is perceptible under most normal conditions.

By comparing the total 'baseline' and 'baseline + development' flows it can be seen that the increase in traffic would be below 25%. However there is a significant increase in HGV movements.

Calculating the Basic Noise Level using the methodology outlined in the Calculation of Road Traffic Noise indicates that the increase in noise level as a result in the overall change in flow and increase in percentage HGV's would result in a 0.2dB increase of each of the assessed roads. As such, traffic noise would have a negligible impact.

6.3 Conclusions

The noise assessment was based on a baseline sound survey undertaken over midweek and weekend periods at locations considered representative of the nearest noise-sensitive receptors to the development site.

The assessment has considered the potential noise impacts of the operation of the proposed development and has been undertaken in conjunction with BS5228:2009+A1:2014.

All sound prediction has been undertaken using the proprietary noise modelling software Cadna/A which incorporates all the relevant calculation algorithms within BS5228:2009+A1:2014.

The assessment has shown that the predicted noise levels from on-site quarrying operations would be below the absolute noise limit of 55dB $L_{Aeq,1hour}$ outlined within the PPG guidance.

The assessment has also shown that with the adoption of mitigation measures in the form of good site practices the residual impacts at the nearest noise-sensitive receptors would as a worst-case be minor.

The assessment for development related traffic movements has shown that the increase in HGV movements would lead to a negligible impact on all the roads considered.

7.0 Transportation

7.1 Baseline

Access to the headland site is via Rue des Grand Camps (which leads onto Mont Cuet Road at the junction with Les Hures) which runs south east from the headland to connect with Les Clotures Road and L'Ancresse Road. From here Les Clotures Road connects east towards La Fontella Vale and L'Ancresse Road links south towards La Tonnelle.

Initially, extracted rock would be processed at the headland using a mobile processing plant and transported by HGV's to Les Vardes Quarry for further processing and dispatch. In so doing, HGVs would travel along the following roads:

- Mont Cuet Road;
- L'Ancresse Road;
- Road between L'Ancresse and junction with La Route De L'Islet;
- La Route De L'Islet;
- La Route du Picquerel;
- Route du Port Grat; and
- Route de Pulias (to the junction of Les Vardes Quarry).

The second phase of the development would then see the reverse, with rock extracted at Les Vardes Quarry (from underneath the plant site) and transported to a new processing plant site at Chouet Headland.

The final phase of developing the headland would result in the final reserves at the headland being worked and processed at the headland, with aggregates dispatched to the local market using the most suitable route.

7.1.1 The Highway Network

Mont Cuet Road is a single carriageway with two-way flow leading off the application site in a south-easterly direction before a sweeping bend to the east adjoins the road to La Jaonneuse Road, Les Clotures Road and L'Ancresse Road via a crossroads junction with priority to La Jaonneuse Road and L'Ancresse Road. Give-way road markings on Mont Cuet Road and Les Clotures Road are visible and clear to inform this layout.

L'Ancresse Road follows on from Mont Cuet Road to the south west as a single carriageway with two-way flow. Unlike Mont Cuet Road there are residential properties fronting the link along the eastern side, and fields when heading north-east. This link ends at Route Militaire with a staggered crossroad priority junction with Ville Baudu Road extending east and La Route de L'Islet, which extends west.

La Route de L'Islet, a single carriageway road, extends west from the junction for approximately 250m before an almost 90 degree bend where it continues south west towards L'Islet. The full length contains central white line road markings. A second staggered crossroads then gives way to La Route du Picquerel in the north; Les Petites Mielles in the south; and Les Tracheries Road in the west.

La Route du Picquerel is a single carriageway road with two-way flow and central white line road markings. It extends to the north and then continues north west until a bend left after which it changes to Route du Port Grat.

Route du Port Grat is of the same road description as La Route du Piquerel and heads mostly in a westerly direction until linking with Route de Pulias which continues for a further 140m until adjoining with the access lane to Les Vardes Quarry.

There appears to be a limited area of dedicated footway and no pedestrian crossing facilities along the extent of the route from the headland to Les Vardes Quarry. The route along Route du Port Grat accommodates a footway along the southern edge of the road, as does La Route du Picquerel along its eastern edge through L'Islet. There are footpaths that extend within grassland between the road and the coast, in locations such as Route du Port Grat and La Route de L'Islet; however these do not provide direct pedestrian routes.

7.1.2 Existing Traffic Flows

Survey specialist Axiom Traffic Limited (Axiom) were commissioned to undertake traffic counts. The traffic surveys included two Automatic Traffic Counts (ATC) and two Manual Turning Counts (MTC). These were placed at the following locations:

- ATC 1 – L'Ancresse Road;
- ATC 2 – Route du Port Grat;
- MTC 1 – La Jaonneuse Road/ Mont Cuet Road/ L'Ancresse Road/ Les Clotures Road; and
- MTC 2 – La Route du Picquerel/ Les Tracheries Road/ Les Petites Mielles/ La Route De L'Islet.

The one week period during which the surveys were completed did not contain any public or bank holidays, nor did it fall within any school holiday periods; the data collected is therefore considered representative of the typical conditions on the local road network.

ATC Data

The ATC captured classified directional flow data continuously over a 7-day period between Tuesday 20th June 2017 and Monday 26th June 2017. The total vehicle numbers through an average weekday are provided for each location surveyed in Figures 7-1 and 7-2 below.

Figure 7-1
Average weekday flows (total vehicles) for L'Ancresse Road

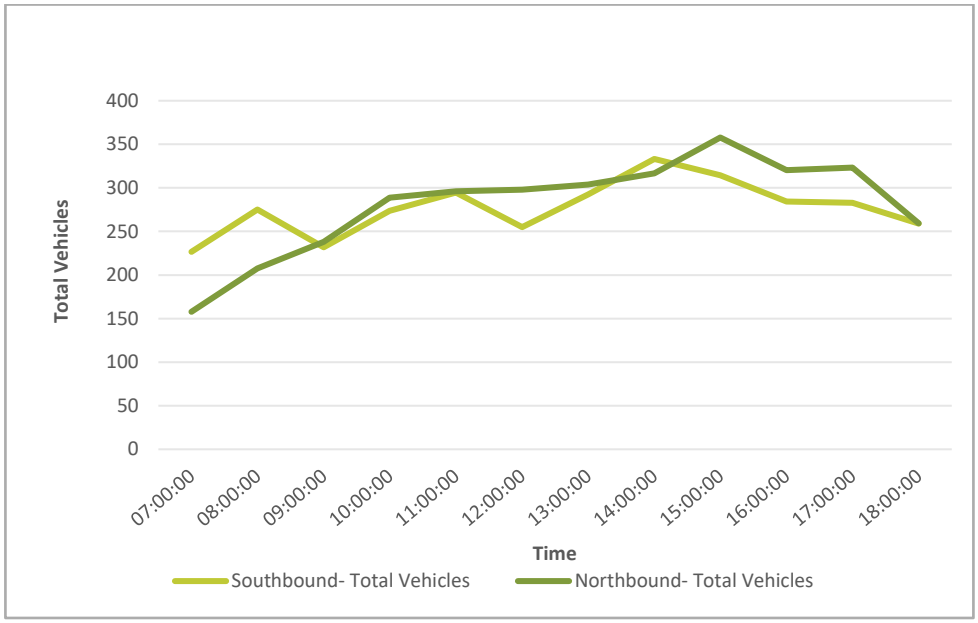


Figure 7-2
Average weekday flows (total vehicles) for Route de Port Grat

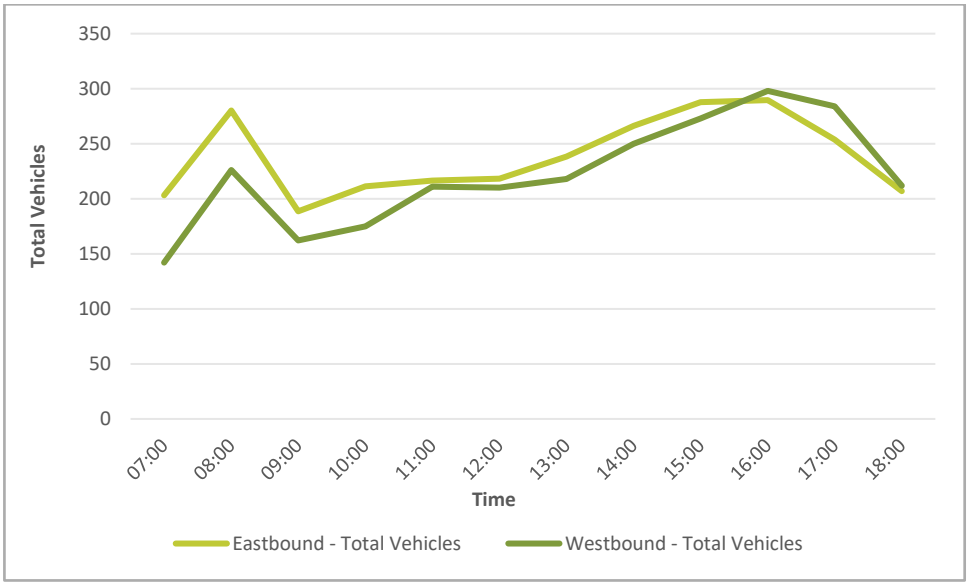


Figure 7-1 shows that the current traffic flows through an average weekday are similar for each direction on L'Ancresse Road. The southbound flows are slightly higher in the morning and the northbound flows are slightly higher in the afternoon and evening; however as the difference is not significant, and as the flows rise gradually through the day for each direction, there is no obvious commuter travel pattern to the data. Figure 7-2 shows a similar pattern for Route de Port Grat, with the eastbound flow higher in the morning, however there is an obvious peak in both flows at 08:00; from here the eastbound flow remains slightly dominant until after 15:00, with both directional flows rising gradually through the day. The time period that most stands out as the peak for both roads is between 15:00 and 16:00.

The average weekday (Monday to Friday) peak hour (15:00-16:00) and 12 hour (07:00-19:00) traffic flows are summarised below, with figures provided for total vehicles and HGVs in Table 7-1, with the Saturday 12-hour flows provided in Table 7-2.

Table 7-1
Average 5-day Traffic Flow data (Monday to Friday)

Location	Period	Northbound			Southbound			Two-Way		
		Total	HGV	%HGV	Total	HGV	%HGV	Total	HGV	%HGV
L'Ancresse Road	Peak Hour (15:00-16:00)	358	8	2%	315	6	2%	673	14	2%
	12-hour (07:00-19:00)	3367	76	2%	3323	63	2%	6690	139	2%
		Eastbound			Westbound			Two-Way		
Route de Port Grat	Peak Hour (15:00-16:00)	288	6	2%	273	3	1%	561	9	2%
	12-hour (07:00-19:00)	2860	55	2%	2656	38	1%	5516	93	2%

A review of the traffic flow data for each route confirms that between 1% and 2% of the vehicles on the roads are HGVs. The data also confirms that there is no significant dominant directional flow on either road. L'Ancresse Road has a higher flow of total traffic over the 12 hours, with 6690 vehicles compared to 5516.

Table 7-2
Saturday Traffic Flow data

Location	Period	Northbound			Southbound			Two-Way		
		Total	**HGV**	**%HGV**	**Total**	**HGV**	**%HGV**	**Total**	**HGV**	**%HGV**
L'Ancresse Road	12-hour (07:00-19:00)	3431	60	2%	3542	69	2%	6973	129	2%
		Eastbound			**Westbound**			**Two-Way**		
Route de Port Grat	12-hour (07:00-19:00)	2740	31	1%	2536	27	1%	5276	58	1%

The 12-hour flows for a Saturday are slightly higher on L'Ancresse Road than on an average weekday, although the numbers of HGVs appear to be slightly lower, while the 12 hour flows on Route de Port Grat are slightly lower for all vehicles.

MTC Data

The MTC was undertaken on Tuesday 20th June 2017, covering a 12-hour period between 07:00 and 19:00; the data provide the turning movements for each arm of the two junctions surveyed, with vehicle types classified. The MTC data has been used to create turning flow diagrams to produce a visual summary of the traffic movements at the junction of La Jaonneuse Road/ Mont Cuet Road/ L'Ancresse Road/ Les Clotures Road and the junction of La Route du Picquerel/ Les Tracheries Road/ Les Petites Mielles/ La Route De L'Islet.

The peak period for each junction has been determined from the review of the ATC data, with the hour from 15:00 to 16:00 selected. The turning flow diagrams show the numbers of total vehicles and numbers of heavy goods vehicles for each time period. The turning flow diagrams are set out in Figures 7-3 and 7-4.

Figure 7-3
Turning Count for Mont Cuet/L'Ancresse Road junction – from 15:00 to 16:00

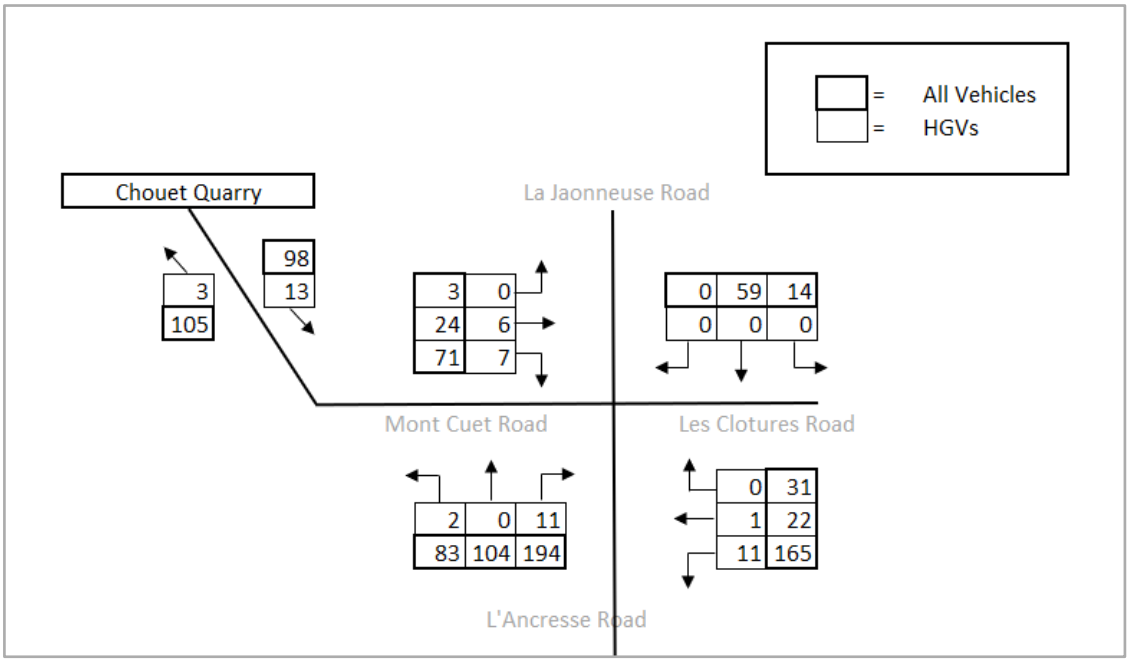


Figure 7-3 provides a summary of the existing movements on the first junction along the route from the applications site to Les Vardes quarry. This shows that the largest flows are on Les Clotures Road and L'Ancresse Road, for both the total vehicle and HGV movements. The existing flows on Mont Cuet Road include the movements to and from the landfill site adjacent to the application site, which can be seen here with larger HGV numbers on this arm of the junction (16 two-way movements). The movement of vehicles between Les Clotures Road and L'Ancresse Road is shown to be the highest, with 359 two-way total vehicle movements and 22 two-way HGV movements.

Figure 7-4
Turning Count for Les Petites Mielles/La Route de L'Islet junction (15:00 to 16:00)

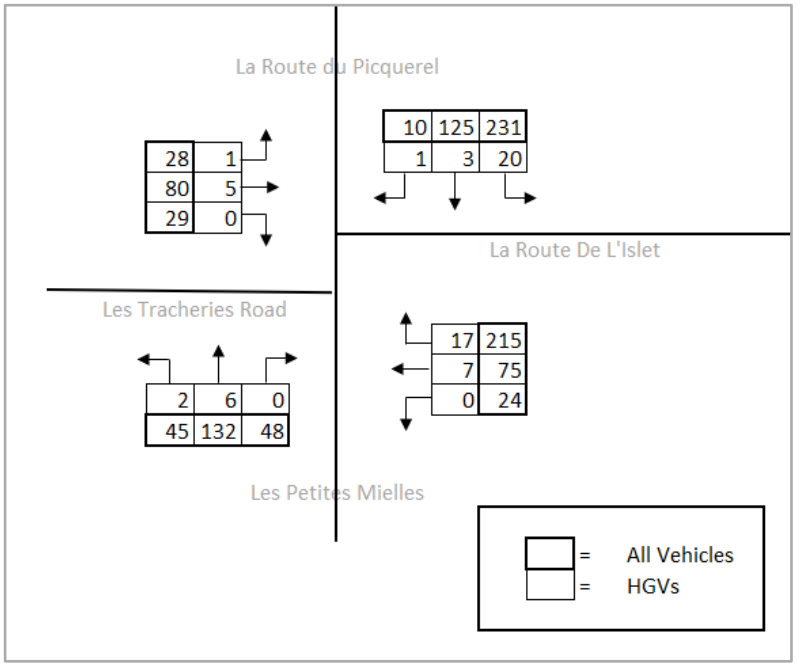


Figure 7-4 provides a visual summary of the movements at the second junction along the route to Les Vardes quarry. It can be seen that during this peak period the largest movement of all vehicles can be seen between La Route de L'Islet and La Route du Picquerel, with 215 vehicles turning right from La Route de L'Islet onto La Route du Picquerel and 231 vehicles making the opposite movement. Similarly the largest numbers of HGVs also make these movements.

7.1.3 Accidents

A total of seven accidents were recorded throughout the study area over a five year period up to 2017. Six of the seven accidents resulted in minor injuries with the most recent resulting in major injuries; there were no fatalities recorded during the five year study period. There have been no recorded injury accidents within the study area during the years of 2013 or 2016.

7.2 Appraisal

The quarry would generate on average 125,000 tonnes of material each year, all of which would initially be transported to the Les Vardes Quarry for processing. The vehicles have been confirmed as 14 tonnes capacity HGVs and so there would be on average 31 loads per day or 3 loads per hour (using a 10 hour working day).

Based on the data from the ATC, Table 7-3 below set out the existing traffic flows for the network peak period for an average weekday and the 12 hours flows for an average weekday for L'Ancresse Road.

Table 7-3
Traffic Flows (Two-way) for Opening Year Scenario – L'Ancresse Road

	2022 Base		Proposed Development		Base + Proposed Dev.		Percentage Increase	
	All Veh.	**HGVs**	**All Veh.**	**HGVs**	**All Veh.**	**HGVs**	**All Veh.**	**HGVs**
Peak (15:00-16:00)	673	14	8	3	681	17	1%	21%
12 Hour (07:00-19:00)	6690	139	72	62	6762	201	1%	45%

It is clear from the tables above that the impacts of all of the additional vehicles derived from the site would be negligible in terms of total vehicle numbers with a 1% increase. However, the increase in HGVs is significant in, with a 21% increase on L'Ancresse Road in the peak hour; during the 12 hour period L'Ancresse Road would see an increase of 45%. While the percentage increase is significant, it should be noted that the numbers of HGVs are currently low, with HGVs counting for less than 2% of all traffic on these routes.

7.3 Conclusions

An assessment of the impacts on the local transportation network as a result of the developing a quarry on the headland has been undertaken. To ensure a robust assessment, traffic movements have been considered for the maximum export from the site within the operational period, which equates to 125,000 tonnes per annum.

A full environmental impact assessment has been undertaken, considering the potential transport related impacts associated with the proposed development. The assessment has determined that the volume and composition of the proposed development traffic would have no significant impact on the operation and safety of the local road network, and the amenity of local residents.

In conclusion, it is considered that the proposed development traffic would have no adverse impact on the surrounding road network.

8.0 Vibration

8.1 Baseline

In order to be able to extract the rock it will be necessary to use controlled explosive charges. The detonation of explosive charges in a borehole (often referred to as a 'shot hole') generates stress waves causing localised distortion and cracking of the rock mass. Outside of this immediate vicinity of the blast permanent deformation does not occur. Instead, the rapidly decaying stress waves cause the ground to exhibit elastic properties whereby rock particles are returned to their original position.

Despite the substantial design process involved in determining the parameters of the blast, such as borehole diameter, spacing, depth, amount of explosive etc., all blasts will generate vibration. This vibration occurs both through the ground and through the air (as a pressure wave).

Research has concluded that the maximum value of particle velocity in any stress wave is the parameter of significance. Recognised best practice is to measure blast-induced vibration using a seismograph in terms of unfiltered time histories of three component particle velocities from which the peak values can be identified. As set out in BS 7385-2: 1993 measurements are taken on a well-founded hard surface at the base of the building on the side of the building facing the source of vibration; this is because in most instances, consideration is being given to compliance with prescribed limits. The vibration monitor is covered with a sandbag to ensure good contact with the ground and that the monitor does not bounce in response to a blast.

With experience and knowledge of the factors which influence ground vibration, such as blast type and design, site geology and receiving structure, the magnitude and significance of the blast induced waves can be accurately predicted at any location.

The accepted method of predicted peak particle velocity for any given situation is that of *'scaled distance'*. BS 6472-2:2008 states that in order to predict the likely vibration magnitude, a series of measurements at several locations should be taken from one or more trial blasts. For this assessment data gathered from monitoring production blasts at Les Vardes Quarry has been used (a total of 996 blasting events has been used in the assessment). The scaled distance value (s) for any location may be calculated as follows:

$$s = d/\sqrt{C}$$

where:

d is the separation distance (blast to receiver) in metres; and

C is the Maximum Instantaneous Charge (MIC) weight in kilograms (kg) i.e. maximum weight of explosive per delay interval in kg.

8.2 Appraisal

Recorded vibration values have then been plotted against scaled distance on logarithmic scales to give a blast regression line. Differing geology and blast design result in a degree of dater scatter. As noted in the Institute of Quarrying publication[12] (page 146) the statistical method adopted in assessing the vibration data is that used by Lucole and Dowding. The data is presented in the form of a graph showing the attenuation of ground vibration with scaled distance and results from log - normal modelling of the velocity distribution at any given scaled distance. The plotted data are generally presented with the mathematical best fit or mean (50%) line through

[12] The Use of Explosives in Quarrying. T E White and P Robinson. The Institute of Quarrying

the data, calculated by least squares regression, together with an upper confidence level, which is generally taken as 95%.

Analysis of the recorded vibration data from Les Vardes Quarry has been used to create a regression line, showing both the 50% and the 95% confidence limit and is shown in Figure 8-1. The regression line plot shows that the corresponding scaled distance value for a vibration criterion of 10.0mm/s PPV at 95% confidence level is 32.2mkg$^{-1/2}$.

Figure 8-1
Blasting Regression Line Model

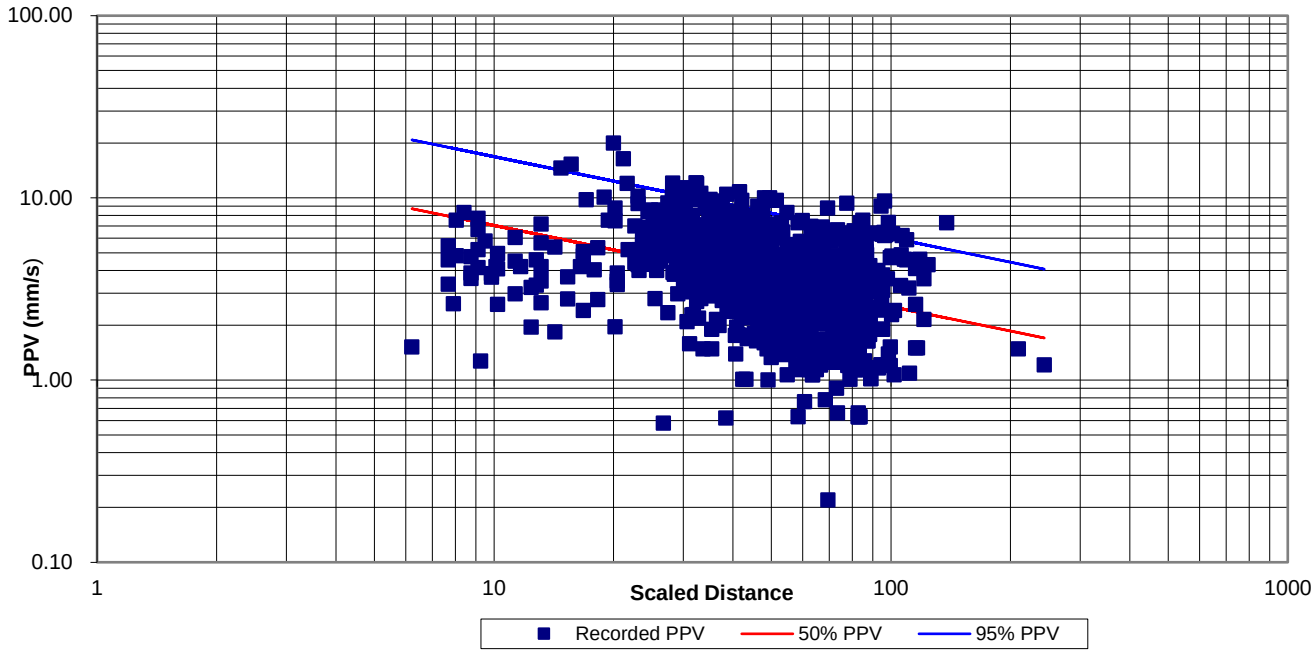


Table 8-1 shows the allowable maximum instantaneous charge weight to comply with this criterion at given separation distances.

Table 8-1
Allowable maximum instantaneous charge weights

Blast/receiver separation distance (m)	Allowable maximum instantaneous explosive charge weight to comply with 10mm/s criterion (kg)
50	2.41
75	5.41
100	9.63
125	15.04
150	21.66

Blast/receiver separation distance (m)	Allowable maximum instantaneous explosive charge weight to comply with 10mm/s criterion (kg)
175	29.48
200	38.50

Where it is predicted that the levels of vibration at a receptor would exceed the relevant criteria then it would be necessary to reduce the MIC. One method of achieving such a reduction is to 'deck' the explosives within the borehole. This technique splits the column of explosives in two (or more), separated by inert material. If blasting is required at closer distances than that where double decking would be a successful strategy, other charge reduction methods would have to be employed. These could be more complex decking strategies or changes to the blast geometry and / or the use of smaller diameter boreholes.

These are matters for the operator as part of the detailed design of individual blasts and adherence to blast vibration limits, rather than for the imposition by planning condition of prescriptive blast design requirements.

In terms of receptors, the closest residential properties are located to the south (L'Eternite) and south-east (La Morada) of the proposed quarry. L'Eternite is around 130m from the closest part of the proposed quarry workings and La Morada is over 200m. in comparison, the closest properties to Les Vardes Quarry are within 60m – 90m of the quarry workings.

To limit the environmental effects of blasting, limits are imposed on vibration levels based on the 95 percentile and maximum limit. For Les Vardes Quarry, the limits are 10mm/s. However, much higher vibration levels are required to cause damage to a property.

8.3 Conclusions

An assessment of predicted blast-induced vibration levels has been made to nearby vibration-sensitive receptors. The predictions are based on 996 blast induced vibration events which were measured at various locations around the nearby Les Vardes Quarry and considered representative for Chouet Quarry.

Using the measured data a blast regression line has been plotted and a maximum instantaneous charge weight of 16.27kg has been derived at of 130m which is the approximate distance to the nearest vibration sensitive receptor.

The assessment has shown that the criterion of 10.0mm/s PPV at 95% confidence can be achieved by suitable blast design using the suggested instantaneous charge weights.

Therefore, vibration generated by blasting events is not considered to be a limiting factor in blasting within the proposed quarry.

9.0 Water Environment

9.1 Baseline

9.1.1 Geological Setting

Soils

The vegetation across the headland includes 'semi-improved' grassland. Semi-improved grassland is a transition category made up of grasslands which have been modified by artificial fertilisers, slurry, intensive grazing, herbicides or drainage.

Information about the soil underlying the grassland has been taken from the Soil and Land Evaluation for Guernsey (2010). Whilst the exact location of the site is not assessed the L'Ancresse area is classified as Grade 4 soil due to very severe droughtiness limitation. These soils are of poor quality with severe limitations which significantly restrict the range of crops and/or level of yields. It is mainly suited to grass with occasional arable crops the yields of which are variable.

Superficial Geology

The superficial geology comprises raised beach deposits located in the La Chouet area. This comprises gravels and fine grained material cemented by iron minerals.

In the immediate vicinity of the headland, the deposits are likely to comprise 1m – 3m depth of topsoil and clay underlain by fractured granitic bedrock.

Bedrock Geology

The headland is underlain by the Bordeaux Diorite Complex, comprising a range of lithologies, but generally hard, relatively coarse grained granodiorite to dioritic rocks.

The Complex is seamed with weakness associated with joints and narrow dykes. The fracture diameter has been reported as being 'open'[13] in some areas. However, in the walkover, the Torrey Canyon Quarry showed very tight fracturing. This is supported by the very low permeability results for the aquifer in the area of the proposed quarry.

The top of the bedrock is likely to be weathered to a soft, friable material. The depth of the weathered zone may be over 30 metres below ground.

Radon is of potential concern in Guernsey because the geology of the island is made up of a number of different types of granite that contain natural uranium in the bedrock. Most buildings in Guernsey are sited on potentially radon-emitting geology or bedrock.

9.1.2 Potential Contamination

Information supplied by the States of Guernsey[14] indicates that there is no Made Ground on the proposed application site. The land use history, described in a Phase 1 Land Quality Risk Assessment Report, supports this as the land has been fully agricultural since the 19th century. The site walkover did not identify potential source of contamination in Ronez Field either, but potential off site sources included:

[13] Cucakovic, M., 2014, An Evaluation of Chouet Head Quarry. MSc Dissertation, Engineering Geology Department, Newcastle University. Page 10.
[14] Borehole construction information supplied to SLR via email August 2017.

- Torrey Canyon Quarry to the west of the application site which has held oil in water since the 1970's; and
- Mont Cuet Landfill located to the east of the site - this is an operational landfill site which accepts domestic and construction waste.

The Phase 1 Report indicates that the area of land to the west of the proposed site (in and around where the Torrey Canyon Quarry is sited) has a history of quarrying activity within proximity of the application site. Many of these former quarries have been backfilled.

9.1.3 Hydrogeological Setting

With the exception of military fortifications (refer to Section 3 above) and small quarries the headland has not been developed and predominantly has a history of agricultural uses. A landfill, Mont Cuet, is operational and is located to the east of the headland.

The Torrey Canyon Quarry is also located to the west of the proposed development. This is a flooded quarry which has been used to store crude oil which was removed from Guernsey's beaches in the 1967 following the Torrey Canyon disaster. In addition anecdotal evidence suggests that, when retreating from the Island, the German's placed munitions in the quarry. A more detailed breakdown of the site history and setting can be found in SLR(2017)[15] .

Aquifer Characteristics

The geological setting and hydrogeological characteristics within the vicinity of application site are summarised in Table 9-1. In summary the site is underlain by superficial raised beach underlain by deposits of diorite.

Table 9-1
Summary of Aquifer Characteristics

Age	Parent Unit	Description	Aquifer Characteristics
Quaternery	Raised Beach Deposits	Wind-blown silt (1 - 3m thick)	The superficial deposits comprise gravels and fine grained material cemented by iron minerals in places. In the immediate vicinity of the site the deposits are likely to comprise 1m – 3m topsoil, sand, silt and clay. Exposure in the Torrey Canyon quarry wall suggests that there might only be <1m of superficial deposits in the immediate vicinity of the site. Examination of the borehole records provided by the States of Guernsey indicates the depth to bedrock (which includes superficial and fractured bedrock) ranges from 5-10m below ground. This information has been used to provide depth to bed rock contours presented in the attached drawing.

[15] SLR (2017) Chouet Quarry, Guernsey, Phase 1 Land Quality Risk Assessment Ref: 403.06370.00001. Rev 2 Prepared for Ronez

Age	Parent Unit	Description	Aquifer Characteristics
Lower Palaeozoic	Bordeaux Northern Diorite Complex	Granodiorite comprising coarsely grained, crystalline, plutonic intrusive igneous rocks.	Negligible primary porosity and permeability. The water table lies within 3 to 8 metres of the ground surface, and the main aquifer, in which the majority of groundwater flow takes place, is situated in a 25m thick zone immediately below the water table. However the Geological Society states there is little potential for groundwater flow beneath low lying land towards the north of the island where the fractured bed rock has a clay matrix or the degree of fracturing is not as pronounced. Beneath this depth there is some groundwater flow in deeper fractures, but borehole yields from the greater depths are commonly less than those from the shallow weathered zone. This reduction in aquifer yield with depth provides an element of self-protection, whereby base-flow discharge from the aquifer and abstraction from boreholes is automatically reduced as the water table falls. The fractured bedrock is likely to be contributing to the groundwater flow across the site. In-situ permeability testing was undertaken in two boreholes in the area of the proposed quarry during the July 2017 sampling event. The results of the assessment are shown in Table 13-6 below.

The BGS hydrogeological report indicates the following:

- The groundwater body is itself divisible into three contiguous levels. Where present there is an upper granular aquifer within superficial deposits of alluvium and raised beach material. Beneath this is the main aquifer which is contained within the shallow weathered zone of the bedrock. This is underlain by a deeper aquifer with groundwater flow restricted to occasional dilated fractures. Bedrock mainly consists of ancient crystalline metamorphic rocks.
- Borehole information obtained from States of Guernsey indicate that there is over 10m of material (comprising superficial deposits and fractured bedrock) that overlies the bed rock across the site.

The information obtained from the States of Guernsey regarding the depth to groundwater and also the depth to bedrock, support the published information presented by the Geological Society.

The following observations regarding the geology at the site were made during the site visit:

- there are limited thicknesses of superficial deposits recorded across Torrey Canyon Quarry, immediately to the west of the proposed quarry; and
- the quarry faces within Torrey Canyon Quarry are variably fractured. The fractures appear tightly held with variable orientation. Photographs of the quarry are presented in the SLR (2017) Phase 1 Desk Study for La Chouet Headland

Recharge Mechanisms

Guernsey has a temperate maritime climate, with prevailing wind directions from the west. Average annual rainfall (1907 to 1980) is reported as ranging from c. 790mm to c. 850mm. The potential evapotranspiration has been taken from Jersey data (in the absence of suitable data from Guernsey) and is c. 613mm per year. Regionally, stream flow (of which 60% is derived from groundwater recharge as base flow) is c. 226mm and groundwater recharge is estimated as c. 128mm/year.

Given the thin sequence of superficial deposits in the general vicinity of the application site, it is considered that the majority of effective rainfall will form groundwater recharge to the fractured bedrock aquifer. The groundwater surface sits in the fractured bedrock as identified by the site boreholes.

Any groundwater infiltrating through the superficial horizon and fractured bed rock is expected to recharge the underlying bedrock aquifer via vertical leakage.

Groundwater Levels and Flow

A number of boreholes have been monitored by the States of Guernsey over a number of years at the application site. The 2011-2017 monitoring data have been collated and are presented in Table 9-2 below.

Table 9-2
Summary of Groundwater Elevation

BH No.	Min of Water Level (mAGD)	Average of Water Level (mAGD)	Max of Water Level (mAGD)
2020	-0.01	0.62	1.51
2021	0.07	0.69	1.70
2022	6.22	6.55	7.00
2023	2.22	2.60	3.29
2026	2.18	5.68	8.80
2027	4.51	5.33	6.89
2031	1.67	2.15	2.99
9122	-4.31	-2.77	-0.32
9130	-0.96	0.16	2.43
9131	-1.30	0.03	2.61
9133	-3.05	0.05	3.62
9134	-2.60	-0.88	1.21
9135	-2.47	1.16	2.60
9136	-1.98	1.77	4.02
9137	-3.21	-1.86	0.89

Groundwater contours indicate that the groundwater flow direction in the vicinity of the headland is towards the Mont Cruet landfill to the east. This might suggest that there is some groundwater management being undertaken in the landfill site. Although information from Guernsey Water indicates there is no licensed groundwater abstraction in the area, the landfill site does operate a leachate treatment system (with discharge to the sea) which might be locally influencing groundwater flow.

This appears to be supported by the groundwater hydrographs for boreholes 9122, 9133, 9137 and 9134 which appear to indicate pumped levels and recovery over periods of time. The maximum head in the boreholes is around March with a minimum head in November of the same year. Boreholes more distant from Mont Cuet, such as 2027 and 2022, do not show the same hydrograph responses over the same time period. Boreholes 9136 and 2023, which are close to the sea (as with 2027) also so not show the same hydrograph which suggests any differences seen closer to the landfill are not due to tidal variation.

There also appears to be a localised groundwater drainage feature to the within the southern part of the headland, south west of the first phase of extraction. When this is compared to the depth to bedrock, this feature coincides with relatively thick sequence of fractured bedrock/superficial deposits. Therefore, it is likely that a preferential flow path exist for groundwater in this location of the site.

The hydraulic gradient does increase in the vicinity of the coastline. In the immediate vicinity of the Torrey Canyon quarry the hydraulic gradient appears to be different depending on the orientation of the former quarry:

- Borehole 2026 immediately to the north has a groundwater elevation similar to the water level, in the flooded quarry;
- Borehole 2021 immediately to the east has a groundwater elevation lower than the quarry water level.
- Borehole 2021 has a much thicker sequence of material overlying the bed rock (12.2m compared to 6.3m in borehole 2026) and therefore the groundwater is likely to be draining preferentially to the east at this location. There is no visual evidence of significant permanent groundwater inflows taking place into Torrey Canyon Quarry, either from the seaward or the landward quarry faces. Onsite in-situ permeability testing in borehole 2021 is recorded as 5.7 x 10^{-9} m/s (see below).

As part of the July 2017 fieldwork permeability tests were completed in 2 boreholes at the site; the results are summarised below:

Table 9-3
Summary of Permeability Data

Borehole Number	Permeability (m/s)
2021	5.679 x 10^{-9}
9131	2.12 x 10^{-7}

The groundwater elevation observations and permeability measured during the July 2017 sampling indicates that the groundwater velocity in the area of the proposed quarry is likely to be low.

Competent granodiorite aquifers typically demonstrate low transmissivities, which supports the results of the in-situ permeability assessment, resulting in narrow and deep drawdown cones in response to pumping; even more so given the unconfined nature (and high storage values) of the aquifer in question. Consequently the zone of influence (ZOI) associated with any dewatering strategy is likely to small. In order to make a preliminary assessment of the ZOI, a simple calculation was made utilizing the highest transmissivity value calculated from slug testing conducted in July 2017 (2.1 x 10^{-7} m/s) and a specific yield (0.02) typical of fractured rock.

Using a Cooper-Jacob solution, a ZOI of less than 5m was calculated with a drawdown of 15m. The calculation is preliminary in nature. The phreatic surface is located in the slotted screen of the wells which sit in the superficial deposits and fractured bed rock. Therefore, it is likely the presence of potentially more permeable strata, has been accounted for in the preliminary testing and analysis undertaken. Consequently, whilst this is a preliminary assessment, it is useful to demonstrate that under typical conditions the ZOI should be anticipated to be small.

Water Resources and Abstractions

The headland is not located in a Water Catchment Area as defined by Guernsey Water. Commercial enterprises that operate within a Water Catchment Area require a formal Permit for Development from Guernsey Water, if planning and building consent is given by the Environment Department. The Permit will contain Guernsey Water's conditions for the site to prevent pollution, or a risk of pollution, arising to the Public Water Supply.

Guernsey Water's pollution legislation does not permit trade effluents to be discharged into surface water. Guernsey Water has reported that there are no current abstraction license applications, pollution incidents or discharge licenses located at the development site.

Guernsey Water outlined potential issues for contamination of surface water that is currently located within the Torrey Canyon Quarry:

- Guernsey Water are aware that the quarry contains oil which is a result of a spill off the coast of Guernsey known as the Torrey Canyon oil spill;
- This occurred in 1967 when the SS Torrey Canyon super tanker hit a reef off the coast of Cornwall resulting in an estimated 25 to 36 million gallons of crude oil being spilled.

The Mont Cuet Landfill site is located to the east of the headland. This accepts a mixture of waste materials from the island and is operational. The site has a leachate and gas management system.

Groundwater Quality

Groundwater quality sampling and analysis has been completed by the States of Guernsey using the boreholes at site. Review of the water quality monitoring records shows the following:

- The concentration of major ions is similar to that reported in the BGS (2000) study which indicates they are a result of mixing between rainwater and sea-spray. This is also supported by the electrical conductivity measurements which are shown in Figure 13-3. The highest concentration relates to boreholes located closest to the sea (9136 and 2023). Over time the concentration in boreholes 9034 and 9022, which are further inland, have increasing conductivity which is probably related to salinization/mixing in the groundwater.
- The organic load markers (BOD, COD and DOC) are not considered elevated and therefore don't show the presence of significant concentrations of petroleum hydrocarbons. The only anomaly is the groundwater in 9130 which has high BOD, COD and DOC.
- The elevated oxidised nitrogen compounds are consistent with shallow groundwater across the island and reflect infiltration of rainwater through the surrounding agricultural land.
- Ammonium is elevated at locations 2027 and 9130. The organic carbon is also relatively elevated and suggests this is a function of the site use as a biomass recycling facility(2027) and anthropogenic source (9130).
- The concentration of iron is consistent with the understanding that any superficial raised beach drift deposits are cemented by iron minerals. Although it is very high in groundwater adjacent to the landfill site (9137). This may be due to reducing conditions in the groundwater which causes greater concentrations of iron to be soluble (typically when the dissolved oxygen is < 2mg/l).

Additional groundwater sampling was undertaken by SLR in July 2017. This was to identify the presence or otherwise, of organic compounds which might be present in the Torrey Canyon Quarry and/or associated with the groundwater in close vicinity to Mont Cuet landfill. The main conclusions from the sampling and analysis are as follows:

- The major ion analyses indicated the majority of the groundwater was sodium – chloride waters, with the exception of borehole 2020 which was sodium carbonate dominant groundwater.
- The wide variety of analysed volatile organic compounds, speciated total petroleum hydrocarbons and semi-volatile hydrocarbon were not detect at significant concentrations.
- Trace concentrations of chlorinated and polyaromatic aromatic hydrocarbons were detected in borehole 2022 in the Torrey Canyon Quarry. This is most likely related to the historic cleaning of hydrocarbon sampling tools or similar. The chlorinated hydrocarbons were not detected in the quarry surface water or in any of the other groundwater sampled.
- Trace concentrations of xylene and phenol were detected in borehole 9134. This is located in Ronez Field and given the lack of significant concentrations elsewhere in this area, it is considered most likely this has resulted from a small spill probably during agricultural activities in the field.
- Given the anecdotal evidence regarding the German's disposing of munitions in the quarry, an explosive residue suite was also included in the analysis of the surface and groundwater closest to the quarry. There were no explosive resides detected in the borehole closest to the Torrey Canyon quarry.

9.1.4 Hydrological Setting

Surface Water Features

The closest surface water feature to the application site is the Torrey Canyon Quarry where historical storage of crude oil has occurred. Visual and olfactory information from a site walkover also suggests hydrocarbons are present, although the surface water here has undergone a number of years of treatment. More information regarding the quarry and its contents are included in detail within the Phase 1 Report (Appendix 13-3)

During the site walkover it was not possible to identify any other surface water features such as land drains, springs or rivers associated with the study area . The proposed quarry area is bounded to the north and south the sea.

The walkover did note a small diameter (50mmID) uPVC or HDPE pipe apparently directing drainage from the biomass Recycling Centre onto the northern beach. The exact purpose of the pipe is not known but it appears to be a localised surface water control feature of low significance.

Surface Water Quality

Surface water in Torrey Canyon Quarry was sampled during the July 2017 water sampling event. This showed that whilst there was observable historic crude oil in areas of the site surface, the surface water chemistry had the following characteristics:

- no detectable speciated hydrocarbons;
- no detectable explosive residues (anecdotal evidence indicates there may be munitions in the base of the quarry); and
- trace concentrations of polyaromatic hydrocarbons were present in the water which is not surprising given the history of oil containment in the quarry.

This confirms that the trace organic compounds identified in the Torrey Canyon surface water are not identified in groundwater immediately next to the quarry and therefore migration from the quarry is not occurring or has not occurred over the last 40 years. In addition, the lack of detectable hydrocarbon adjacent to the landfill suggests if hydrocarbons are present in leachate in the landfill, these are not impacting the groundwater.

9.2 Appraisal

9.2.1 Hydrogeological and Hydrological Flow Regimes and Flooding

The proposed quarry would not have any significant effect on the regional groundwater flow regime within the bedrock aquifer, either during future quarrying activities or following restoration, given the following:

- The area of the island is designated as a Safeguarded Zone for mineral extraction;
- The permeability of the bedrock is measured as being very low at depth;
- No groundwater inflows have been observed from the quarry faces in areas such as the Torrey Canyon Quarry;
- There are no visible surface water streams present surrounding the application site;
- The closest surface water receptor will be the marine environment;
- There are no groundwater abstractions in the area of the application site;
- The proposed site is not located in a groundwater catchment area;
- Groundwater levels in the area would be reduced due to the dewatering likely to be required in the proposed quarry. However there are no obvious receptors which might be impacted by the dewatering;
- Based on the preliminary calculations, the Zone of Influence of any quarry dewatering is unlikely to include the existing Torrey Canyon Quarry which comprises hydrocarbons in the surface water. Hydrochemical analysis has shown that this surface water is not influencing the groundwater quality in the area;
- The very low permeability in the aquifer immediately adjacent to the Torrey Canyon Quarry confirms the containment of the hydrocarbons in the quarry is still occurring after a number of years since the crude oil was first contained in the quarry;
- Based on the preliminary calculations, the Zone of Influence of any quarry dewatering is unlikely to include the existing Mont Cuet landfill;
- Hydrographs suggest there may be some form of localised groundwater control in vicinity of the landfill, possible associated with the leachate treatment system;
- Hydrochemical analysis has shown that the chemistry of the groundwater close to the landfill does not appear to be influencing the groundwater quality in the proposed quarry area; and
- The area is not deemed to be at a risk from flooding.

9.2.2 Potential Effects on Groundwater and Surface Water Quality

During the operation of the quarry there is a risk of contaminated runoff being generated from the following potential sources, as a result of:

- intercepting potentially contaminated groundwater from the area to the west Torrey Canyon Quarry) and east (Mont Cuet Landfill) of the site;
- inducing saline intrusion;
- accidental spillage of fuels, lubricants and other potentially contaminating liquids; and
- suspended solids within surface water runoff.

The sensitivity of the groundwater surface water receptor, in terms of quality is assessed as 'high', given the proximity to the coastline.

Pollution prevention and control measures are currently employed by the applicant at other quarries it operated on Guernsey and Jersey; therefore, it is considered that the magnitude of change on groundwater quality due to spillage of fuels, lubricants and other potentially contaminative liquids would be 'negligible'. This assessment is also based on the relatively small areal extent of potential spillages due to the relatively small number of vehicles that would be accessing the quarry during the operational and decommissioning phases.

Any suspended solids generated within surface water runoff would also 'settle out' within the quarry sump and settlement lagoons and so this potential effect is not considered further.

Given the above, the significance of potential direct effect to groundwater and surface water quality would be 'negligible', and consequently there is no requirement for additional mitigation measures to protect water receptors. Consequently, these potential effects can be scoped out of further assessment.

The groundwater and surface water sampling indicates there appears to be limited or no interaction with water in the Torrey Canyon Quarry and that in the area of the Mont Cuet landfill. The following has been considered regarding these two areas of potential impact:

- the quarry and the landfill have been in existence for a considerable length of time;
- these structures do not appear to have influenced the groundwater quality over this period of time;
- the lack of interaction is supported by low and very low intrinsic permeability of the bed rock across the area;
- preliminary calculations indicate that the Zone of Influence of the quarry dewatering is unlikely to intersect the Torrey Canyon surface water, Mont Cuet landfill leachate or the sea (inducing saline intrusion); and
- the groundwater and surface water is already saline.

It is therefore not unreasonable to assume that these conditions would remain during the lifetime of the proposed quarry development and would not be altered by the quarry dewatering. Notwithstanding this, precautionary measures would be required during the groundwater management in the proposed quarry and surrounding area, as discussed below.

9.3 Conclusions

As a consequence of the site design, site setting and embedded mitigation, no significant effects are predicted. Notwithstanding this, and like other operations managed by the applicant, confirmatory monitoring would be undertaken to confirm there are no residual effects. The monitoring protocol would be agreed with States of Guernsey.

APPENDIX 01

Table 1
Recommended Dust Control Measures

Activity	Dust Control Measures
General	• Planning and design of the scheme to make provision for water supply to ensure supply can meet site demand at areas such as plant site and during perimeter bund construction along the southern boundary • Existing woodland / hedgerows to be retained along site southern site boundaries where possible. Additional planting along southern boundary • Provide training on dust mitigation to personnel as part of any site / job induction procedure • Maintain good communication between operator and surrounding communities
Site Preparation and Restoration	• Water suppression to be available when screening mounds are being constructed within 200m of off-site receptors • No vehicles to traverse near the base of screening mounds unless explicitly required • Screening of mounds to be seeded at the earliest opportunity and thereafter maintained free from weeds • Temporary cessation of soil stripping / bund construction during conditions whereby high winds are from the northerly sectors and activities are present within 200m of activities
Plant Site: Processing, Materials Handling & Stockpiling	• Drop heights of mineral into stockpiles / dump trucks minimised • Use of water bowsers/spray systems to dampen stockpiles during dry / windy conditions • Paved surface area of plant site to be swept regularly • Mobile plant to be maintained / serviced as per manufacturers recommendations • Visual checks of mobile plant to ensure dust suppression working and effective
On-site Transportation	• Use of water bowsers/spray systems to dampen haul roads • No plant/vehicles shall cross any area of unstripped topsoil or subsoil or areas of loosened ground, except where unavoidable for the purposes of undertaking permitted operations • Speed limit usually controlled to 10mph • Haul roads are maintained to remove potholes and dips which trap dust and cause plumes
Off-site Transportation	• Wheel wash facility to be used by all vehicles that enter site; • Wheelwash to be serviced and maintained as per manufacturers recommendations • Access tracks to loading / unloading area to be hard paved and separate from those routes utilised by on-site dump trucks All loaded vehicles transferring material off-site to be covered • Induction of staff members to include awareness of trackout and to report signs of trackout beyond the site boundary to the relevant person • A separate paved parking area for off-site non-HDV vehicles (i.e. staff cars) with no access to working areas / plant site to reduce track-out onto public highway

APPENDIX 02

Table 1. List of Sites present on the States of Guernsey's HER that are present within the Study Area

HER UID Reference Numbers	Site Name	NGR	Description
MGU 171	No. 10 (Pre) Martello loophole Tower	37566 50510	Late 18th/19th century defensive structure.
MGU 449	Chouet Battery No. 1	37497 50553	Late 18th/19th century defensive structure.
MGU 450	Chouet Battery No. 2	37497 50553	Late 18th/19th century defensive structure.
MGU 565	Flint findspot at Chouet	37566 50568	Later prehistoric artefact
MGU 588	Chouet magazine	37594 50504	Late 18th/19th century defensive structure.
MGU 830	Strongpoint 'Kraehennest'	37660 50606	World War II defensive structure
MGU 2139	Flint findspot at Chouet	3786 5044	Later prehistoric artefact
MGU 2430	Telephone switching post N (C3)	3786 5050	World War II Transmitter site
MGU 2431	8cm mortar and trenches, associated with MGU 830	3768 5060	World War II defensive structure
MGU 2432	5cm M19 Automatic mortar bunker, associated with MGU 830	3768 5062	World War II defensive structure
MGU 2433	Small shelter, associated with MGU 830	3759 5051	World War II defensive structure
MGU 2434	Machine gun post and trenches, associated with MGU 830	3755 5055	World War II defensive structure
MGU 2435	Site of 10.5cm K331 (f) Casemate, associated with MGU 830	3747 5056	World War II defensive structure
MGU 2436	10.5cm K331 (f) Casemate at Chouet	3751 5062	World War II defensive structure
MGU 2437	Multi loop-holed turret (Mehrschartenturm), associated with MGU 830	3749 5067	World War II defensive structure
MGU 2438	10.5cm K331 (f) Casemate (associated with MGU 830)	3759 5068	World War II defensive structure
MGU 2439	Electricity Generating tunnel (Ho. 31)	375 505	World War II defensive structure
MGU 2469	Army Observation Post (M2) and Navel Tower	3794 5065	World War II defensive structure
MGU 3677	Stone axe from Mont Cuet	37967 50743	Later prehistoric artefact
MGU 4893	Minesweeper 2070 off Chouet	37325 50857	Wreck
MGU 5243	Unidentified vessel off Chouet	37325 50857	Wreck
MGU 5341	Roman coins from Chouet	38013 50585	Roman coinage
MGU 5569	Flint findspot at Mont Cuet	3796 5074	Later prehistoric artefact
MGU 6284	Stone ring from Chouet Point	3804 5062	Neolithic artefact
MGU 6903	Stone Platform at Chouet	3746 5057	Late 18th/19th century defensive structure
MGU 6923	Flint findspot at Chouet	37525 50069	Later prehistoric artefact
MGU 6957	Cottages at Mont Cuet	37705 5053	Post-medieval dwelling

Table 2. Additional sites identified from the Walkover Survey (undertaken in May 2018)

SLR Ref. No.	Site Name	NGR	Description
SLR 001	Quarry (Torrey Canyon oil storage site)	376 506	Former 18th/19th century quarry site that was later used to store some of the crude oil from the stricken super tanker Torrey Canyon in 1967.
SLR 002	Field system located within the Development Site	37 50	Five rectangular fields (oriented E-W) located within the eastern section of the Development Site, each field is delineated by drystone walled boundaries. Date range: medieval to post-medieval.
SLR 003	Worked and dressed gate posts and attached gate furniture	37 50	A series of squared dressed and worked granite gate post, providing access to each of the five fields. Date range: post-medieval to modern.
SLR 004	Possible later prehistoric standing stones	37 50	Two irregular-shaped stones with tapered point, standing c. 1.5m in height and surviving as a gate posts. Located in the boundary of Field No. 2 and accessed via the Rue des Grands Champs.
SLR 005	Historic quarries within the western part of the Chouet Headland	375 506	Severn historic quarries were in operation during the 19th century, two of these are still exposed, and the remaining five have been backfilled. One Quarry, locally known as Green Waste Quarry is visible.

APPENDIX 03

Table 1
Data Search Results (At Risk and Endangered Species only)

Species/Group	Latin Name	English Name	Status
Insects	*Callophrys rubi*	Green hairstreak	At Risk
	Nepa cinerea	Water Scorpion	At Risk
	Asilus crabroniformis	Hornet Robberfly	At Risk
	Copris lunaris	Horned Dung Beetle	Endangered
	Gryllotalpa gryllotalpa	Mole Cricket	At Risk
Arthropods	*Cypris bispinosa*	large mussel-shrimp	Endangered
Flowering Plants	*Ranunculus sceleratus*	Celery-leaved Crowfoot	At Risk
	Ranunculus baudotii	Brackish Water-crowfoot	Endangered
	Ranunculus trichophyllus	Thread-leaved Water-crowfoot	Endangered
	Ranunculus peltatus	Pond Water-crowfoot	Endangered
	Saxifraga tridactylites	Rue-leaved Saxifrage	At Risk
	Euphorbia amygdaloides	Wood Spurge	At Risk
	Linum catharticum	Fairy Flax	At Risk
	Radiola linoides	Allseed	At Risk
	Lythrum salicaria	Purple-loosestrife	At Risk
	Matthiola sinuata	Sea Stock	At Risk
	Arabis hirsuta	Hairy Rock-cress	At Risk
	Cakile maritima	Sea Rocket	At Risk
	Crambe maritima	Sea-kale	At Risk
	Rumex hydrolapathum	Great Water Dock	At Risk
	Herniaria ciliolata ciliolata	Fringed Rupturewort	At Risk
	Silene nutans	Nottingham Catchfly	Endangered
	Silene conica	Sand Catchfly	Endangered
	Dianthus armeria	Deptford Pink	Endangered
	Anagallis tenella	Bog Pimpernel	At Risk
	Centunculus minimus	Chaffweed	Endangered
	Galium constrictum	Slender Marsh-bedstraw	Endangered
	Cicendia filiformis	Yellow Centaury	Endangered

Species/Group	Latin Name	English Name	Status
	Exaculum pusillum	Guernsey Centaury	Endangered
	Echium vulgare	Viper's-bugloss	Endangered
	Cynoglossum officinale	Hound's-tongue	At Risk
	Calystegia soldanella	Sea Bindweed	At Risk
	Hyoscyamus niger	Henbane	Endangered
	Linaria vulgaris	Common Toadflax	At Risk
	Plantago major intermedia	Greater Plantain (hybrid)	At Risk
	Stachys palustris	Marsh Woundwort	Endangered
	Mentha pulegium	Pennyroyal	Endangered
	Parentucellia viscosa	Yellow Bartsia	At Risk
	Pedicularis sylvatica	Lousewort	Endangered
	Orobanche purpurea	Yarrow Broomrape	At Risk
	Carduus nutans	Musk Thistle	At Risk
	Scorzoneroides autumnalis	Autumn Hawkbit	At Risk
	Hieracium umbellatum bichlorophyllum	Umbellate Hawkweed	At Risk
	Aster tripolium	Sea Aster	Endangered
	Erigeron acris	Blue Fleabane	Endangered
	Eryngium maritimum	Sea-holly	At Risk
	Eryngium campestre	Field Eryngo	Endangered
	Oenanthe fistulosa	Tubular Water-dropwort	Endangered
	Bupleurum baldense	Small Hare's-ear	Endangered
	Falcaria vulgaris	Longleaf	Endangered
	Torilis japonica	Upright Hedge-parsley	At Risk
	Alisma plantago-aquatica	Water-plantain	Endangered
	Triglochin maritima	Sea Arrowgrass	Endangered
	Potamogeton natans	Broad-leaved Pondweed	Endangered
	Zostera marina	Eelgrass	At Risk
	Asparagus prostratus	Prostrate Asparagus	At Risk
	Sparganium erectum	Branched Bur-reed	At Risk

Species/Group	Latin Name	English Name	Status
	Schoenoplectus tabernaemontani	Grey Club	Endangered
	Bolboschoenus maritimus	Sea Club-rush	At Risk
	Eleocharis palustris	Common Spike-rush	At Risk
	Eleocharis multicaulis	Many-stalked Spike-rush	Endangered
	Carex flacca	Glaucous Sedge	At Risk
	Carex demissa	Common Yellow Sedge	At Risk
	Carex oederi	Lesser Yellow Sedge	Endangered
	Carex caryophyllea	Spring-sedge	At Risk
	Carex pilulifera	Pill Sedge	Endangered
	Carex nigra	Common Sedge	Endangered
	Milium vernale sarniense	Dwarf Millet	Endangered
	Festuca filiformis	Fine-leaved Sheep's-fescue	Endangered
	Vulpia fasciculata	Dune fescue	At Risk
	Poa bulbosa	Bulbous Meadow-grass	Endangered
	Agrostis canina	Velvet Bent	At Risk
	Phleum arenarium	Sand Cat's-tail	Endangered
	Danthonia decumbens	Heath Grass	Endangered
Bats	*Plecotus austriacus*	Grey Long-eared Bat	Endangered
Birds	*Hirundo rustica*	Swallow	At Risk
	Anthus pratensis	Meadow Pipit	At Risk
	Carduelis cannabina	Linnet	At Risk
Fungi	*Hygrocybe conicoides*	Dune Waxcap	At Risk

DRAWINGS

N

Land Fill Site

Chouet

Mont Cuet

Martello Tower

Martel

a Lochante

R8

R7

R1

R2

E1

E2

R3

R4

R5

R6

R8

PC

La Varde Dolmen

Ladies Bay

Hommet de Grève

Baie des

P

0 100 200 300 400m 600 800 1000

Metres 1:10,000

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LEGEND

HUMAN RECEPTORS

ECOLOGICAL RECEPTORS

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CHOUET HEADLAND

PLANNING APPLICATION

AIR QUALITY RECEPTORS

CH 1

Scale: NTS

Date: march 2019

CL_AQ_receptors (002).dwg

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LEGEND

- APPLICATION SITE BOUNDARY
- SURVEY AREA
- CONIFEROUS PLANTATION
- SCATTERED MATURE CONIFERS
- BARE GROUND
- HARDSTANDING / BARE GROUND
- SI — MOWN GRASSLAND
- SI — SEMI-IMPROVED GRASSLAND
- BUILDINGS / STRUCTURES
- A — AMENITY GRASS
- MARITIME GRASSLAND
- Q — ARTIFICIAL QUARRY
- SCATTERED SCRUB
- EARTH / STONE WALL

- TREE
- PLANTED CONIFEROUS WOODLAND
- NON- NATIVE HEDGE
- TALL RUDERAL
- STANDING WATER
- BRACKEN / BRAMBLE / BLACKTHORN/ INTRODUCED SCRUB / GORSE
- 1 — TARGET NOTE
- KESTREL / OWL BOX x3

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CHOUET HEADLAND

PLANNING APPLICATION

PHASE 1 HABITAT PLAN

CH 2

Scale 1:1500 @ A3

Date APRIL 2019

403.06370.00001.27.ECO1.1 Phase 1 habitat plan.dwg

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INTRODUCTION

Background

11.1 This chapter of the ES provides an Ecological Impact Assessment (EcIA) following completion of baseline surveys of flora and fauna between 2016 and 2018.

11.2 The purpose of this EcIA is to establish the ecological value of the application site by collating the findings of the desk study and baseline surveys; to identify the specific impacts that could occur to valued ecological features; to characterise such impacts (e.g. magnitude, permanence); and to recommend appropriate avoidance and mitigation measures so that residual effects are either not predicted or are at a level considered to be acceptable.

Site Description

11.3 The geographical term "Chouet" refers to the western-most part of a low coastal peninsula situated at the north-western tip of Guernsey (at map reference XD 6069956250). The underlying geology is Bordeaux Diorite (an intrusive igneous rock).

11.4 As noted from Chapter 2 above, the Chouet Headland is accessed from the south by Mont Cuet Road and La Jaonneuse Road (see Figure 11-1). Other land uses and features present in the wider area to the east include the Mont Cuet landfill site, Fort Pembroke and beach, Jaonneuse Bay and Chouet Beach. The large L'Ancresse common, much of which is designated as a Site of Special Significance and also used as a golf course is present to the south.

Figure 11-1
Chouet and Surrounding area (excerpt from the Island Development Plan)



11.5 Figure 11-2 shows the general nature of the habitats and features present at the Chouet Headland (being based on Drawing CH 11/1).

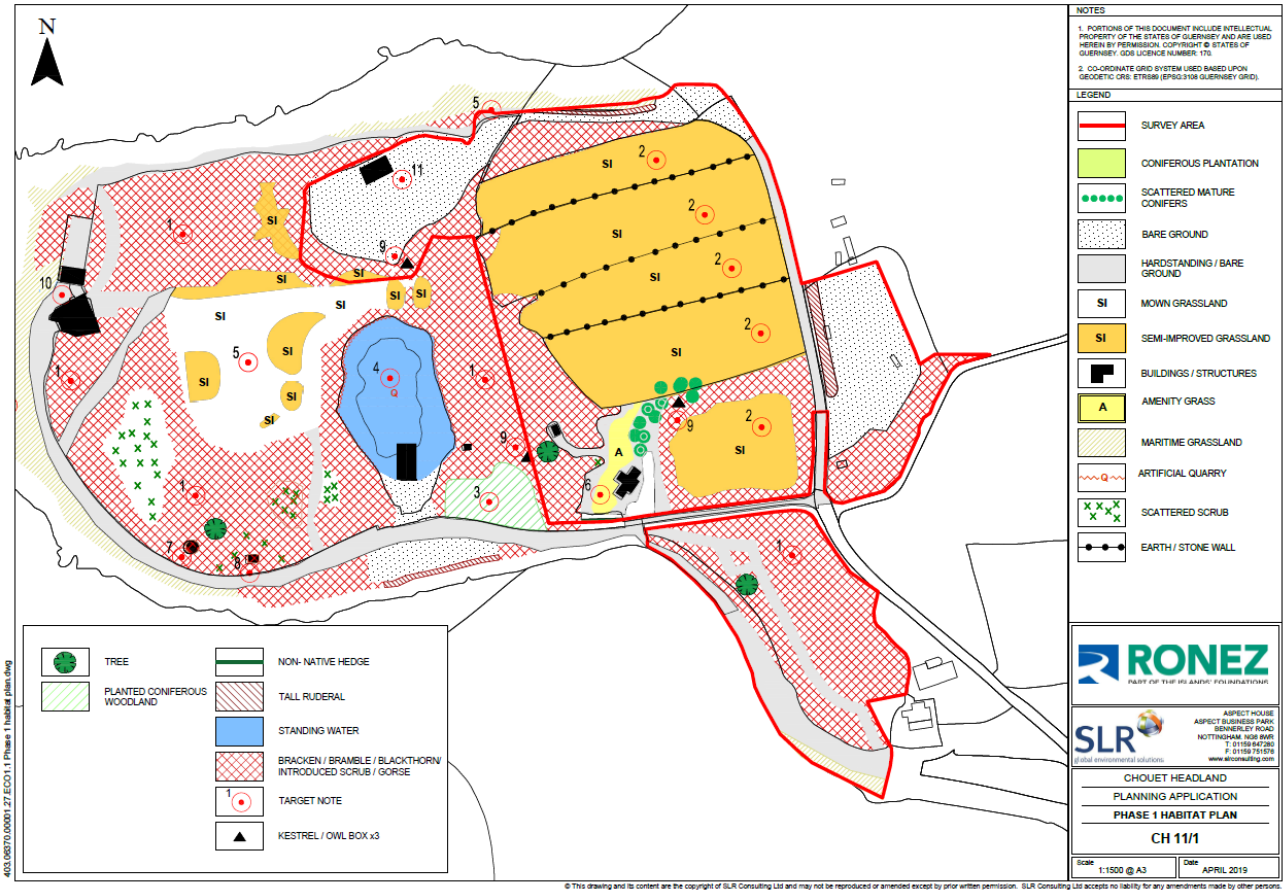


Figure 11-2
Drawing showing the Main (Phase 1) Habitat Types

11.6 The headland comprises of a low hill (up to 13 metres above sea level in height). A centrally located small quarry void (0.15ha) is present on its southern flank which contains a water body / lagoon and vertical faces (see Figure 11-3).

11.7 A narrow pebble/cobble beach is present on its southern side and a rocky shoreline forms the western and northern sides. Mont Cuet landfill site is situated to the east which receives household waste. A public path starting from a small carpark to the south of the quarry void runs around the lower perimeter along the top of the rocky shore through maritime grassland and scrub.

11.8 Being a strategic point on the Island, a stone "loophole" (Martello) tower and small ammunition store were constructed in the late 18th century.

11.9 The central and western-most areas of the wider survey area predominantly comprise of a mosaic of dense bracken, bramble, blackthorn scrub, patches of non-native shrubs and scattered trees. On the plateau itself, open patches of maritime grassland are present in a mosaic with the scrub / trees.

The largest patch of grassland is located centrally within the headland and is mown to facilitate the flying of model aircraft. A network of paths is present and the area is popular with dog walkers.

11.10 The eastern parts of the wider survey area, within which the application site is situated, comprise of five small rectangular hay fields on level ground which are bordered by low stone walls and dense bracken. To the south-west of the fields is a small plantation of now mature pine trees. The application site also contains a modern bungalow and outbuildings. Its garden has areas of lawn, mature trees, a small quarry void/low cliff and lengths of non-native hedgerow. To the east is a small road (Rue des Grand Camps) and the reception area of the Mont Cuet landfill site. The reception area to the landfill comprises bare ground on which are several structures, including weighbridge, office/welfare and stores.

11.11 An area of bare and disturbed ground occurs in association with the green waste facility to the north, situated within a quarry void and also the public car park.

11.12 In addition to the bungalow, the headland contains other built structures notably a Martello Tower (see Figure 11-4), a small ammunition store (stone built), a firing range, WW2 concrete bunker and a fenced compound containing anemometer masts and aerials. A portacabin and old conveyor structure are also present. Three bar owl / kestrel boxes have been erected on wooden poles or attached to mature pine trees (shown as black triangles on Figure 11-2).

Figure 11-3
Torrey Canyon Quarry.



Terms of Reference

11.13 The study area for the purpose of desk study is the survey area and a 2km buffer.

11.14 The term survey area refers to the area of land shown edged green on Figure 11-2 and Drawing CH 11/1. The application site is shown edged red in the same Figure and Drawing.

Details of the Proposed Development

11.15 As described in Chapter 3 above the application site extends to c. 4.4 ha. The proposed development would comprise of the phased removal of buildings, trees and other surface vegetation followed by the remove of over-burden (soils). This would be followed by the phased quarrying of rock using mobile plant and machinery, along with primary processing. Rock would be transported from the site and processed at Les Vardes Quarry via local roads.

11.16 It is estimated that around 343,000 tonnes of aggregate could be extracted from the application site over a period of around 24 - 36 months.

11.17 At the end of the development, a suitable platform would have been established within the quarry void upon which an aggregate processing plant could be erected (subject to a further planning application). That plant would replace the one at Les Vardes Quarry.

Purpose of the Assessment

11.18 The purpose of this Ecological Impact Assessment is:

- to describe the baseline data collection and assessment methodologies used;
- to summarise the baseline ecological conditions;
- to identify and describe all potentially significant ecological effects associated with the proposed development;
- to set out the mitigation and compensation measures required to ensure compliance with nature conservation legislation and to address any potentially significant ecological effects;
- to identify how mitigation and compensation measures will/could be delivered;
- to provide an assessment of the significance of any residual effects in relation to the effects on biodiversity and the legal and policy implications;
- to identify appropriate enhancement measures and how these will/could be delivered; and
- to set out the requirements for post-construction monitoring.

11.19 Included with this EcIA report are four survey reports as appendices:-

- Reptile Survey (Appendix 11/1);
- Bat Survey (Appendix 11/2);
- Wintering Bird Survey (Appendix 11/3); and
- Breeding Bird Survey (Appendix 11/4).

RELEVANT LEGISLATION AND PLANNING POLICY

Relevant Legislation[1]

11.20 Limited local legislation is in place to protect wild birds and wild flowers. The current planning laws contain enabling powers which allow for the control of development on land and there is also provision in the main Planning Law to designate Sites of Special Significance (SSSs) to protect areas that are particularly rich in biodiversity[2].

11.21 However, it should be recognised that Planning Laws in general are limited in their protection of biodiversity since they only seek to control development as defined in law. There are currently no comprehensive and over-arching laws which specifically seek to protect wildlife or habitat in the Bailiwick.

11.22 Until now the need for legislation has been tempered by the fact that a large proportion of publicly accessible and managed land is in public ownership or owned by organisations that are well disposed toward the protection of the natural environment. This has often been backed by specific management policies which seek to enhance biodiversity.

11.23 The formal relationship between the Channel Islands and the EU is enshrined in Protocol 3 of the UK's 1972 Accession Treaty, and confirmed in what is now Article 355 (5) (c) of the EU Treaties. Under Protocol 3, the Islands are part of the Customs Union and are essentially within the Single Market for the purposes of trade in goods, but are third countries (i.e. outside the EU) in all other respects. However, the Channel Islands have a close relationship with the EU in many different fields, not simply those covered by the formal relationship under Protocol 3. Both Jersey and Guernsey voluntarily implement appropriate EU legislation or apply the international standards on which they are based.

Relevant Planning and Environmental Policy

Biodiversity Strategy

11.24 A Biodiversity Strategy for Guernsey was published in 2015. The strategy provides a framework for future development of specific actions to safeguard and enhance biodiversity.

---

[1] Please note that the summary of relevant legislation provided here is intended for general guidance only. The original legislation should be consulted for definitive information.

[2] The Land Planning and Development (Guernsey) Law, 2005, which was enacted in 2009, makes provision for the designation of Sites of Special Significance (SSSs) through Development Plans or Subject Plans. A Site of Special Significance may be designated if it has been identified as an area having a special significance, whether because of archaeological, historical, botanical, geological, scientific, cultural, zoological or any other interest, which it is desirable to preserve, enhance or manage by the application of special provisions. For the purposes of designation in the Island Development Plan only areas of botanical, scientific or zoological interest have been considered. However, on receipt of robust evidence, the Environment Department may choose to designate other Sites of Special Significance in the future through a proposal for a Local Planning Brief or Subject Plan which would be subject of a separate independent public Inquiry.

States of Guernsey – Strategic Environmental Policy Plan

11.25 This document provides a holistic approach to sustainable development in respect of land-use and includes indicators for measurement for biodiversity and a summary of actions.

Island Development Plan

11.26 The Island Development Plan (published in 2016) includes proposals to designate areas regarded as important for biodiversity (Areas of Biodiversity Importance – ABIs) and which provides a level of protection from specific activities to Sites of Special Significance (SSSs).

METHODOLOGY

Scope

11.27 The ecological survey area comprised of the whole of the Chouet Headland (c. 7.5 ha) excluding the active landfill to the east. The application site is situated within the eastern part of the study area.

11.28 Drawing CH 11/1 shows the boundaries of the survey area and the application site boundary.

11.29 The following ecological features have been considered:-

- Designated sites; and
- Habitats and Species of importance for the conservation of biodiversity.

11.30 SLR engaged the services of Environment Guernsey, the Island's ecological consultancy, to provide local assistance with survey work and to assist SLR in interpreting the findings of site surveys in a Guernsey context.

11.31 The scope of this EcIA, i.e. the collection of baseline data, evaluation of ecological resources and description and assessment of the significance of impacts, follows guidelines set out by the Chartered Institute of Ecology and Environmental Management (CIEEM 2018) and references therein.

11.32 The survey work has been undertaken in accordance with CIEEM's Code of Professional Conduct when undertaking ecological work.

Baseline Data Collection

Desk Study

11.33 In July 2017, SLR commissioned the Guernsey Biological Records Centre (GBRC) to undertake a data search of the headland and a 2km buffer.

11.34 GBRC supplied a species list (all Taxa) for the site and 2km radius which included interpretation of conservation status, date of records, exact location of the record, accuracy and recorder and the Guernsey plant species checklist.

11.35 In addition, the following sources of information have been reviewed by SLR for background information:-

General Websites

- Birding in Guernsey[3];
- Ornithology Section of La Société Guernesiaise's website[4];
- Sustainable Guernsey[5]; and
- Société Guernesiaise[6]

Biodiversity Strategy

- Safeguarding Guernsey's Wildlife: A Biodiversity Strategy for Guernsey. Environment Department - August 2015.

Habitat Audits

- Habitat Survey of Guernsey, Herm and Associated Islands 1999[7]. Environment Department 1999;
- Habitat Survey of Guernsey, Herm and Associated Islands 2010[8]. Environment Department 2010; and
- UK Overseas Territories and Crown Dependencies: 2011 Biodiversity snapshot. Guernsey: Appendices. Author: Dr Charles David Guernsey Biological Records Centre, States of Guernsey Environment Department & La Societe Guernesiaise. More information available at: www.biologicalrecordscentre.gov.gg

Site Designation

- Approach to the Designation of Sites of Special Significance. October 2014. Environment Guernsey; and
- Appraisal of Sites of Special Significance *By J Gilmour, B.Sc. & J Hooper, B.Sc. Environment Guernsey. 2015*

Field Survey(s) in Chronological Order

11.36 The following field surveys have been undertaken of the survey area.

Wintering Bird Survey 2016/17 – See Appendix 11/3

11.37 Due to the coastal location of the site it was considered necessary to undertake surveys of birds over the winter period.

[3] http://www.guernseybirds.org.gg/
[4] http://www.guernseybirds.org.gg/
[5] http://www.sustainableguernsey.info/
[6] http://www.societe.org.gg/
[7] http://maps.digimap.gg/gsyHabitat.htm
[8] http://maps.digimap.gg/gsyHabitat.htm

11.38 Three surveys based on the Common Bird Census (CBC) methodology[9] were undertaken by Mr Ben Garnett MCIEEM, a Senior Consultant with SLR on the 15th November 2016, 7th December 2016, and 6th January 2017.

11.39 Each survey session was undertaken in fair weather conditions during the morning. Each survey started approximately one hour after local sunrise and lasted for up to three hours.

11.40 During each survey session, the surveyor walked a repeatable route across the survey area, approaching to within at least 100 m of all points to ensure adequate coverage, but at the same time being careful to avoid double-counting birds.

11.41 Bird registrations were recorded on large scale field maps using British Trust for Ornithology (BTO) activity recording codes and two-letter species codes.

Breeding Bird Survey 2018 – See Appendix 11/4

11.42 Due to the presence of scrub and other habitats and features (e.g. nest boxes) which had the potential to be used by birds for nesting it was necessary to undertake surveys of breeding birds.

11.43 Three surveys were undertaken based on the Common Bird Census (CBC) methodology[10]. The area was surveyed at dawn for up to three hours on the 23rd May, 16th June and 18th July 2018.

11.44 Weather conditions during each survey were warm and dry.

11.45 The May and June 2018 surveys were undertaken by Mr Chris Townend, a consultant ornithologist. The July survey was undertaken by Mr Andy Law CEcol, MCIEEM, a Principal Ecologist with SLR.

Phase 1 Habitat Survey 2017/18

11.46 Initial interrogation of aerial photography and desk study records found that the study area largely comprised of un-developed land including semi-natural and man-made habitats. As such, it was necessary to undertake a habitat mapping exercise.

11.47 The habitats present within the survey area were surveyed to Phase 1 level (i.e. mapped according to broad habitat categories) on the 17th July 2017, 30th and 31st August 2017 and 17th and 18th July 2018 by Mr Andy Law CEcol, MCIEEM, an experienced Phase 1 surveyor and Principal Ecologist with SLR.

11.48 Weather conditions during all of the habitat surveys were warm and dry.

11.49 The surveys followed the standard methodology for Phase 1 habitat survey; this approach was developed by the Joint Nature Conservation Committee (JNCC) in the mid 1980's and has, as its core, the utilisation of a standardised series of colour, symbols and descriptive categories to record habitats, species and other physical features. The methodology was developed in order to allow a quick, universal, means of mapping semi-natural and other habitats at up to a county scale. A Phase

[9] Marchant, J.H. 1983. *Common Birds Census instructions*. BTO, Tring. 12pp.
[10] Marchant, J.H. 1983. *Common Birds Census instructions*. BTO, Tring. 12pp.

1 survey therefore provides a consistent approach to habitat recording and evaluation, and a means of identifying features which may be of value for protected species.

Reptile Survey 2017 – See Appendix 11/1

11.50 Initial interrogation of aerial photography and desk study records found that the study area contained habitats which could be used by reptiles such as coastal grassland.

11.51 A preliminary walkover survey of the study area was undertaken on 3rd September 2017 by ecologists from Island Guernsey using direct observational methods to detect the presence of reptiles with particular effort made to observe individuals in and around vegetation or likely basking spots.

11.52 A total of 64 artificial refuges, consisting of sheets of roofing felt of varying sizes were deployed within areas of suitable habitat on the 31st August 2017 and in the following days.

11.53 The refugia were given one week to 'bed in' before commencing a total of 7 further visits in suitable weather between 7th September and 24th October 2017 to determine presence or all reasonable likelihood of absence of reptile species.

11.54 During each visit, the refugia were checked, wherever practically possible, during suitable weather conditions (dry, calm, ambient temperature 9-18°C), either in the morning or afternoon inspecting both on top of and below each refuge. In addition, during each visit all other parts of the survey area were subject to a walkover survey with direct observational methods employed to detect reptiles.

11.55 Records of the location, species, sex and life stage were made.

Bat Survey 2017/17

Scoping

11.56 The findings of the Phase 1 survey and desk study records were reviewed. It was found that the study area largely comprised of un-developed land including semi-natural and man-made habitats. As such, it was considered that the site could potentially be used by bats for foraging and commuting.

11.57 In addition, the presence of a bungalow and the stone Martello tower and store were noted which potentially could be used by bats for roosting.

11.58 The survey area was initially assessed as being of likely "low" potential value to bats as a foraging / commuting resource due to its isolated geographic location and exposed nature and the general absence of woodland/sheltered opportunities for foraging.

11.59 The man-made structures which are present were initially evaluated as having "low" potential to support bat roosts. The bungalow is of modern construction and in a good state of repair. The Martello tower and store provide no enclosed loft/voids other than locally where mortar is missing. The other structures such as the WW2 bunker, portacabin and rifle range sheds were either sealed or had no features which could provide opportunities for roosting by bats.

11.60 No trees were recorded within the survey area with the potential to support bat roosts.

11.61 The rock faces associated with Torrey Canyon Quarry were inspected using binoculars. No significant gaps or crevises were identified which could be used by bats for roosting.

Approach

11.62 The overall aim was to determine the likely importance of the application site for bats within the context of the use made by bats of the wider survey area and beyond that the value of the Island of Guernsey for bats in general.

11.63 The survey strategy in respect of bats was based on the recommendations contained with the third edition of the Bat Conservation Trust (BCT) Guidelines for Bat Surveys (2016) and comprised of a combination of daytime building inspections, dusk and dawn transects and automated recording.

Figure 11-4
"Martello" Tower (left) and WW2 Bunker and Mast Enclosure (Right)



Summary

11.64 Table 11-1 provides a summary of the bats surveys undertaken. Surveys were undertaken in the spring, summer and autumn seasons across 2017 and 2018 during suitable weather.

Table 11-1
Bat Surveys (2017/2018)

Survey Description	Date	Personnel
Daytime Building Inspection of "Martello" Tower and Bungalow	30th August 2017	Andrew Law (AL), SLR (NE Licensed batworker – England and Wales) Jamie Hooper (JH), Environment Guernsey (EG)

Survey Description	Date	Personnel
Dusk Transect Survey	30th August 2017	AL and Julia Denney, EG
Automated Recording (One ANABAT device – two locations)	30th & 31st August 2017	SLR and EG
Dusk Transect	30th October 2017	Environment Guernsey
Automated Recording (One ANABAT device)	30th October 2017 to 6th November 2017	Environment Guernsey
Dusk Transect Survey	1st May 2018	Phillippa Dean (PD) and JH
Dusk Transect Survey	2nd May 2018	Phillippa Dean (PD) and JH
Dawn Transect Survey	3rd May 2018	Phillippa Dean (PD) and JH
Automated Recording (Two ANABAT devices).	1st to 3rd May 2018	SLR
Automated Recording (One ANABAT device).	18th May to 22nd May 2018.	Environment Guernsey

Limitations

Desk Study

11.65 Desk study data is unlikely to be exhaustive, especially in respect of species, and is intended mainly to set a context for the study. It is therefore possible that protected species not identified during the data search do in fact occur within the vicinity of the site. Interpretation of maps and aerial photography has been conducted in good faith, using recent imagery, but it has not been possible to verify the accuracy of any statements relating to land use and habitat context outside of the field study area.

Field Surveys

11.66 Field surveys were generally not constrained by access, weather or the time of year available.

11.67 Access to the actual quarry void (Figure 11-3 / TN 4) was not possible at ground level as it is fenced and the gates are locked. However, visual inspection was possible from the fence and upper parts of the site. Similarly, the small fenced enclosure with various masts (TN 10) was also not directly accessible.

Assessment Methodology

11.68 The CIEEM Guidelines for Ecological Impact Assessment in the UK form the basis of the impact assessment presented in this report.

11.69 In accordance with the CIEEM guidelines only ecological features (habitats, species, ecosystems and their functions/processes), which are considered to be important and potentially affected by the

project should be subject to detailed assessment. It is not necessary to carry out detailed assessment of features that are sufficiently widespread, unthreatened and resilient to project impacts and will remain viable and sustainable.

11.70 Ecological features should be considered within a defined geographical context. For this proposal the following geographic frame of reference is used:

- International;
- Island-level (i.e. Guernsey);
- Parish (i.e. Vale); and
- Local (i.e. within circa 2km).

11.71 For designated sites, importance should reflect the geographical context of the designation. For example, a Site of Special Significance (SSS) would be considered of Island-wide importance and a more local designation i.e. Area of Biological Importance (ABI) would normally be considered to be of importance at a 'parish' level.

11.72 In accordance with CIEEM guidelines the value of habitats has been measured against published selection criteria where available.

11.73 In assigning a level of value to a species, it is necessary to consider its distribution and status, including a consideration of trends based on available historical records. Reference has therefore been made to published lists and criteria where available and assistance sought from Environment Guernsey.

11.74 For the purposes of this assessment ecological features of Local importance or greater and/or subject to legal protection have been subject to detailed assessment. Effects on other ecological features are considered unlikely to be significant in legal or policy terms.

Impact Assessment

11.75 The impact assessment process involves the following steps:

- identifying and characterising impacts;
- incorporating measures to avoid and mitigate (reduce) these impacts;
- assessing the significance of any residual effects after mitigation;
- identifying appropriate compensation measures to offset significant residual effects (if required); and
- Identifying opportunities for ecological enhancement.

11.76 When describing impacts, reference has been made to the following characteristics, as appropriate:

- positive or negative;
- extent;
- magnitude;
- duration;
- timing;
- frequency; and

- reversibility.

11.77 Both direct and indirect impacts are considered: direct ecological impacts are changes that are directly attributable to a defined action, e.g. the physical loss of habitat occupied by a species during the construction process. Indirect ecological impacts are attributable to an action, but which affect ecological resources through effects on an intermediary ecosystem, process or feature, e.g. the introduction of artificial lighting which may not directly decrease the extent of vegetation but may influence the behaviour of nocturnal species.

11.78 For the purposes of this assessment, in accordance with CIEEM guidelines, a 'significant effect' is an effect that either supports or undermines biodiversity conservation objectives for 'important ecological features' or for biodiversity in general. Conservation objectives may be specific (e.g. for a designated Site) or broad (e.g. national/local nature conservation policy). Effects can be considered significant at a wide range of scales from international to local. As such, a significant effect does not always correspond to a significant effect under the EIA Ordnance.

11.79 Consideration of conservation status is important for evaluating the effects of impacts on individual habitats and species and assessing their significance:

- habitats – conservation status is determined by the sum of the influences acting on the habitat that may affect its extent, structure and functions as well as its distribution and its typical species within a given geographical area.
- species – conservation status is determined by the sum of influences acting on the species concerned that may affect its abundance and distribution within a given geographical area.

Avoidance, Mitigation, Compensation and Enhancement

11.80 A sequential process has been adopted to avoid, mitigate and compensate for ecological impacts. This is often referred to as the '*mitigation hierarchy'*.

11.81 It is important for the EcIA to clearly differentiate between avoidance mitigation, compensation and enhancement and these terms are defined here as follows:

- avoidance is used where an impact has been avoided e.g. through changes in scheme design;
- mitigation is used to refer to measures to reduce or remedy a specific negative impact in-situ;
- compensation describes measures taken to offset residual effects, i.e. where mitigation in-situ is not possible; and
- enhancement is the provision of new benefits for biodiversity that are additional to those provided as part of mitigation or compensation measures, although they can be complementary.

Assessment of Cumulative Impacts and Effects

11.82 Cumulative effects can result from individually insignificant but collectively significant actions taking place over a period of time or concentrated in a particular location. The potential for cumulative effects with other development projects has also been considered as part of this assessment.

BASELINE ECOLOGICAL CONDITIONS

11.83 The purpose of this section is to provide:

- a clear description of the baseline conditions for all ecological features considered based on the conditions at the time of survey and where relevant a consideration of likely baseline conditions in future years; and
- a statement for each ecological feature in respect of the geographical context within which that feature is considered to be important.

Designated Ecological Sites

11.84 The Island Development Plan[11] (see Figure 11-1) shows that the application site and wider survey area is not designated as a Site of Special Significance (SSS) or other ecological designation (e.g. Area of Biological Importance, ABI).

11.85 The following sites of ecological interest are present within a 2km radius:

- L'Ancresse common / La Varde is present at its closest point 278m to the south-east. This is a Site of Special Significance (SSS) comprising of a large area of unenclosed land, which consists mainly of marshy areas, damp shortgrass areas, areas of high quality species-rich dune grassland, open dune, bare peaty ground that is wet in winter, heath, and ponds. The common supports rare and threatened flora and fauna including significant populations of birds of conservation interest (e.g. kestrel, barn owl, long-eared owl and Dartford Warbler, amphibians and reptiles and invertebrates[12]);
- Associated with L'Ancresse common SSS is a flooded quarry (Mont Cuet Quarry) which is situated around 216m east of the application site. The surrounding scrub is also included as an Area of Biological Importance designation, serving as a buffer. Long-eared Owls use the quarry area for roosting at times and probably have bred there in some years; and
- Also present and associated with L'Ancresse common SSS is a parcel of coastal grassland/scrub near to Jaonneuse Bay which is situated around 488m also to the east. This land was included as buffer ABI land because there are remnants of coastal grassland. The current habitat is much the same as large parts of the Common.[13]

Habitats

Desk Study

11.86 A review of available aerial photography[14] and comparison between the Island-wide Phase 1 habitat surveys which were undertaken in 1999 and again in 2010 show that the extent of maritime grassland decreased within the survey area during this 10 year period. Further comparison

[11] https://idp.digimap.gg/
[12] Appraisal of Sites of Special Significance *By J Gilmour, B.Sc. & J Hooper, B.Sc. Environment Guernsey*
[13] Jamie Hooper, Environment Guernsey *pers comm*. 20.12.18
[14] Internet search and Google Earth Pro.

between the 2010 survey and SLR's 2017/18 habitat plan shows a further reduction in the extent of this habitat type. There is a long term trend of grazing being abandoned on coastal grassland and heath in Guernsey with an attendant increase in scrub, bracken, bramble and tree cover; a situation which has been mirrored at Chouet Headland.

11.87 The main site habitats are described below and are shown on Drawing CH 11/1.

11.88 The dominant vegetation type on Guernsey is grassland. The most threatened habitats are saltmarshes, dune slacks and open dune. The terrestrial habitats most important for their biodiversity include Dune, Coastal and Marshy Grasslands.

Field Survey – Main Habitats

Scrub / Tall Ruderal (Target Note 1) – See Figure 5

11.89 The dominant species are bracken (*Pteridium aquilinum*) and bramble (*Rubus fruticosus*) with more localised beds of nettle (*Urtica dioica*). Thickets of blackthorn (*Prunus spinosa*) and European gorse (*Ulex europeaus*) also occur on the lower slopes. Various species of non-native shrub/tree are present in discrete patches including Muttonbird scrub (*Brachyglottis rotundifolia*), Buttonwood tree *(Conocarpus erectus var. sericeus),* tamarisk *(Tamarix gallica*) and German ivy (*Senecio mikaniodes*).

11.90 Along the edges of tracks and where bracken/bramble is less dense, the diversity of plants is higher with a range of robust species such as red campion (*Silene dioica*), sea radish (*Raphanus raphinistrum subspecies maritimus*), bittersweet (*Solanum dulcamara*), lesser burdock (*Actium minus*), wood sage (*Teucrium scorodonia*), black horehound (Ballota nigra), Pellitory of the Wall (*Parietaria Judaica*), hedge bedstraw (*Galium album*), common ragwort (*Senecio jacobea*), common mallow (*Malva sylvestris*), hedge bindweed (*Calystegia sepium*), field bindweed (*Convulvulus arvensis*), fennel (*Foeniculum vulgare*), wild carrot (*Daucus carota*), hogweed (*Heracleum sphondylium*), wall barley (*Hordeum murinum*) and thistles (*Cirsium arvense, C.vulgare, Carduus tenuiflorus and C.nutans*).

Figure 11-5
Bramble and Bracken Dominated Shrub



Semi-Improved Grassland Fields – Target Note 2 and Figure 6

11.91 The fields were found to be species-poor and to be dominated by grasses such as cock's foot (*Dactylus glomerata*), Yorkshire fog (*Holcus lanatus*) and crested dog's tail (*Cynosurus cristatus*) with some white clover (*Trifolium pratense*) and cat's ear (*Hypochoeris radicata*). It is, however, unlikely that they receive regular inputs of fertilisers or manure. In one of the fields is a clump of Guernsey lily (*Nerine sarniensis*).

Figure 11-6
Hay Fields – Species Poor Grassland and Boundary Vegetation



Coniferous Woodland (Monterey Pine) – Target Note 3

11.92 A mature plantation of pine trees with no discernible ground or shrub layer.

Standing Water / Inland Cliffs – Target Note 4 and Figure 3

11.93 The cliff faces and water body are largely un-vegetated.

Maritime Grassland – Target Note 5 and Figure 7

11.94 Examples of mown, rabbit-grazed and un-grazed areas of maritime grassland are present.

11.95 Regular mowing has reduced the species complement and favoured species adapted to such conditions such as chamomile (*Chamaemelum nobile*), daisy (*Bellis perennis*), yarrow (*Achillea millefolium*), common stork'sbill (*Erodium circutarium*), scarlet pimpernel (*Anagallis arvensis*), dove's foot cranesbill (*Geranium molle*) and the uncommon Allseed (*Radiola linoides*).

11.96 The most naturalistic and species-rich examples were found around the top of the rocky shore by the public path. Frequently recorded species in the more diverse swards included birds foot trefoil (*Lotus corniculatus*), autumn hawkbit (*Leontodon autumnalis*), greater plantain (*Plantago major*), ribwort plantain (*Plantago lanceolata*), thrift (*Armeria maritima*), rock samphire (*Crithmum maritimum*), sheep's sorrel (*Rumex acetosa*), common restharrow (*Ononis spinosa*), common toadflax (*Linaria vulgaris*), wild carrot (*Daucus carota*), common fleabane (*Pulicaria dysenterica*), perennial wall rocket (*Diplotaxis tenuifolia*), sea radish (*Raphanus raphinistrum subspecies*

maritimus), hare's tail grass (*Lagurus ovatus*), fine-leaved fescue grass (*Festuca tenuifolia***),** other fescue and bent grasses (*Festuca/Agrostis*) and sea beet (*Beta vulgaris subspecies maritima*).

11.97 Less commonly recorded species were parsley-leaved waterdropwort (*Oenanthe lachenalii*), buck's-horn plantain (*Plantago coronopus*), galingale (*Cyperus longus*), sheep's bit (*Jasione montana*) and sea campion (*Silene uniflora*).

11.98 Non-native / invasive species included hottentot fig (*Carpobrotus edulis*), agave cactus, pink sorrel (*Oxalis articulate*), Spanish bluebell (*Hyacinthoides hispanica*) and Duke of Argyll's tea plant (*Lycium halimifolium*).

Figure 11-7
Maritime Grassland



11.99 More ruderal areas comprised of bristly oxtongue (*Helminthotheca echiodes*), mugwort (*Artemesia vulgaris*), thistles, cock's foot grass (*Dactylus glomerata*), tree mallow (*Malva arborea*), smooth sow thistle (*Sonchus oleraceus*), frosted orache (*Atriplex laciniata*), spear-leaved orache (*Atriplex prostrata*), rye grass (*Lolium perenne*) and wild carrot.

Species

Background to Guernsey's Flora and Fauna

Terrestrial Mammals[15]

11.100 The Bailiwick has few native terrestrial mammals. The shrew found in Guernsey (and also Herm and Alderney) is the Greater White-toothed Shrew (*Crocidura russula)*, recently introduced to Ireland but otherwise not known in the British Isles. The Guernsey Vole, (*Microtus arvalis sarnius)*, is a subspecies of the Common Vole of Europe, and is only found in Guernsey.

11.101 Other rodents include the Wood Mouse (*Apodemus sylvaticus)* on all major islands and the introduced House Mouse (*Mus musculus)*, Brown and Black Rats (*Rattus norvegius) and (R. rattus)*.

11.102 The largest native mammalian carnivore is the stoat, (*Mustela ermine)* but this is believed to be extinct. Rabbits (*Oryctolagus cuniculus)* and Hedgehogs (*Erinaceus europaea*) are found in all the major islands but these were introduced.

11.103 Six species of bats have been observed in Guernsey, with caves on the south coast used as roosting sites. The species assemblage includes the rare grey long-eared bat.

Invertebrates

11.104 Guernsey is important for the conservation of several species of invertebrates which include mole cricket (*Gryllotalpa gryllotalpa*), Glanville Fritillary butterfly (*Melitaea cinxia*), blue-winged Grasshopper (*Oedipoda caerulescens*) and the Dung Beetle (*Copris lunaris*) which are either scarce on mainland UK, extinct or never occurred.

Reptiles and Amphibians

11.105 Guernsey supports three native species of amphibian and reptiles (i.e. common frog, smooth newt and slow worm) and one introduced species (Green Lizard).

Birds

11.106 The most important bird populations in the Bailiwick are its seabirds 1% of the World's Northern Gannets (*Sula bassana*) (c. 6000 pairs) breed on the Les Etacs (Garden Rocks) and Ortac off Alderney.

11.107 Guernsey has a healthy population of Barn Owls (*Tyto alba*) boosted by a scheme to provide large numbers of nest boxes.

[15] Extract from: UK Overseas Territories and Crown Dependencies: 2011 Biodiversity snapshot. Guernsey: Appendices. Author: Dr Charles David Guernsey Biological Records Centre, States of Guernsey Environment Department & La Societe Guernesiaise. More information available at: www.biologicalrecordscentre.gov.gg

Plant Species

11.108 Many of the UK Red Data Plant Book species are common in the Channel Islands because of their geographical position. Some species are of cultural significance as they are named after the islands, such as Guernsey Centaury and Guernsey fern and Guernsey spleenwort. Loose-flowered orchids, which do not occur in the UK, are a characteristic plant of damp meadows.

Desk Study Results

11.109 GBRC supplied records from within a 2km search area of the Chouet Headland as defined by a central grid reference. A summary of records of species considered to be endangered or at risk is provided in Table 11-2.

Table 11-2
Data Search Results for 2km Radius (At Risk and Endangered Species only)

Species/Group	Latin Name	English Name	Status
Insects	*Callophrys rubi*	Green hairstreak	At Risk
	Nepa cinerea	Water Scorpion	At Risk
	Asilus crabroniformis	Hornet Robberfly	At Risk
	Copris lunaris	Horned Dung Beetle	Endangered
	Gryllotalpa gryllotalpa	Mole Cricket	At Risk
Arthropods	*Cypris bispinosa*	large mussel-shrimp	Endangered
Flowering Plants	*Ranunculus sceleratus*	Celery-leaved Crowfoot	At Risk
	Ranunculus baudotii	Brackish Water-crowfoot	Endangered
	Ranunculus trichophyllus	Thread-leaved Water-crowfoot	Endangered
	Ranunculus peltatus	Pond Water-crowfoot	Endangered
	Saxifraga tridactylites	Rue-leaved Saxifrage	At Risk
	Euphorbia amygdaloides	Wood Spurge	At Risk
	Linum catharticum	Fairy Flax	At Risk
	Radiola linoides	Allseed	At Risk
	Lythrum salicaria	Purple-loosestrife	At Risk
	Matthiola sinuata	Sea Stock	At Risk
	Arabis hirsuta	Hairy Rock-cress	At Risk
	Cakile maritima	Sea Rocket	At Risk
	Crambe maritima	Sea-kale	At Risk

Species/Group	Latin Name	English Name	Status
	Rumex hydrolapathum	Great Water Dock	At Risk
	Herniaria ciliolata ciliolata	Fringed Rupturewort	At Risk
	Silene nutans	Nottingham Catchfly	Endangered
	Silene conica	Sand Catchfly	Endangered
	Dianthus armeria	Deptford Pink	Endangered
	Anagallis tenella	Bog Pimpernel	At Risk
	Centunculus minimus	Chaffweed	Endangered
	Galium constrictum	Slender Marsh-bedstraw	Endangered
	Cicendia filiformis	Yellow Centaury	Endangered
	Exaculum pusillum	Guernsey Centaury	Endangered
	Echium vulgare	Viper's-bugloss	Endangered
	Cynoglossum officinale	Hound's-tongue	At Risk
	Calystegia soldanella	Sea Bindweed	At Risk
	Hyoscyamus niger	Henbane	Endangered
	Linaria vulgaris	Common Toadflax	At Risk
	Plantago major intermedia	Greater Plantain (hybrid)	At Risk
	Stachys palustris	Marsh Woundwort	Endangered
	Mentha pulegium	Pennyroyal	Endangered
	Parentucellia viscosa	Yellow Bartsia	At Risk
	Pedicularis sylvatica	Lousewort	Endangered
	Orobanche purpurea	Yarrow Broomrape	At Risk
	Carduus nutans	Musk Thistle	At Risk
	Scorzoneroides autumnalis	Autumn Hawkbit	At Risk
	Hieracium umbellatum bichlorophyllum	Umbellate Hawkweed	At Risk
	Aster tripolium	Sea Aster	Endangered
	Erigeron acris	Blue Fleabane	Endangered
	Eryngium maritimum	Sea-holly	At Risk
	Eryngium campestre	Field Eryngo	Endangered

Species/Group	Latin Name	English Name	Status
	Oenanthe fistulosa	Tubular Water-dropwort	Endangered
	Bupleurum baldense	Small Hare's-ear	Endangered
	Falcaria vulgaris	Longleaf	Endangered
	Torilis japonica	Upright Hedge-parsley	At Risk
	Alisma plantago-aquatica	Water-plantain	Endangered
	Triglochin maritima	Sea Arrowgrass	Endangered
	Potamogeton natans	Broad-leaved Pondweed	Endangered
	Zostera marina	Eelgrass	At Risk
	Asparagus prostratus	Prostrate Asparagus	At Risk
	Sparganium erectum	Branched Bur-reed	At Risk
	Schoenoplectus tabernaemontani	Grey Club	Endangered
	Bolboschoenus maritimus	Sea Club-rush	At Risk
	Eleocharis palustris	Common Spike-rush	At Risk
	Eleocharis multicaulis	Many-stalked Spike-rush	Endangered
	Carex flacca	Glaucous Sedge	At Risk
	Carex demissa	Common Yellow Sedge	At Risk
	Carex oederi	Lesser Yellow Sedge	Endangered
	Carex caryophyllea	Spring-sedge	At Risk
	Carex pilulifera	Pill Sedge	Endangered
	Carex nigra	Common Sedge	Endangered
	Milium vernale sarniense	Dwarf Millet	Endangered
	Festuca filiformis	Fine-leaved Sheep's-fescue	Endangered
	Vulpia fasciculata	Dune fescue	At Risk
	Poa bulbosa	Bulbous Meadow-grass	Endangered
	Agrostis canina	Velvet Bent	At Risk
	Phleum arenarium	Sand Cat's-tail	Endangered
	Danthonia decumbens	Heath Grass	Endangered
Bats	*Plecotus austriacus*	Grey Long-eared Bat	Endangered
Birds	*Hirundo rustica*	Swallow	At Risk

Species/Group	Latin Name	English Name	Status
	Anthus pratensis	Meadow Pipit	At Risk
	Carduelis cannabina	Linnet	At Risk
Fungi	*Hygrocybe conicoides*	Dune Waxcap	At Risk

Summary of Baseline Survey Results – Flora

11.110 No plant species of particular rarity were recorded. The surveys recorded the presence of musk thistle (*Carduus nutans*), allseed (*Radiola linoides*) and common toadflax (*Linaria vulgaris*). All three of these species are considered to be "at risk".

11.111 A number of non-native / invasive plant species were recorded, some of which are likely to have originated from deliberate planting and others are likely to have spread from the green waste facility.

Summary of Baseline Survey Results – Fauna

Amphibians

11.112 The GBRC report returned records for slow worm, smooth newt and common frog from within the 2km search area.

11.113 The reptile survey report for the site is provided as Appendix 11/1.

11.114 The reptile survey undertaken in autumn 2017 recorded one juvenile slow worm. Due to the presence of a juvenile animal there must be a breeding population of this species which is likely to be small in size due to the limited extent of rough grassland and predation by rats and other predators.

11.115 No species of amphibian were recorded or are considered to be present based on the habitats which are present. It is considered unlikely that the waterbody present in the quarry void would support amphibians given its past use as a facility for the bio-remediation of oil.

Mammals

Bats

11.116 The bat survey report for the site is provided as Appendix 11/2.

11.117 The survey work undertaken in 2017/18 aimed to establish (1) whether bat roosts are present and could be affected and (2) whether the application site is of value to bats for foraging and commuting.

11.118 In respect of (1) above, structures/trees or other features within the survey area were inspected by a Natural England licensed bat worker during the daytime for evidence of bat roosts and/or the potential for them to occur. No bat roosts or potential roosting sites were identified.

11.119 In respect of (2) above, a combination of walked transects with bat detectors at dusk and dawn (with listening points at key stages) and remote recording was undertaken (with detectors being left in suitable locations for extended periods of time). The surveys aimed to achieve coverage in the spring, summer and autumn seasons.

11.120 All of the walked transects recorded very low levels of usage by bats. The August 2017 transect recorded 1-2 common pipistrelles foraging around the plantation of pines and the frontage of the quarry. An ANABAT left overnight on the edge of the pine plantation facing west (30th August 2017) and east (31st August 2017) also recorded common pipistrelle. The late October 2017 transect recorded no bats. The series of dusk and dawn transects in early May 2018 recorded virtually no activity by bats.

11.121 Further automated recording was undertaken in late October/early November 2017 which recorded very low levels of activity by mainly common pipistrelle and to a lesser extent Nathusius' pipistrelle. Further automated recording in May 2018 recorded a similar pattern of bat use by these two species with higher levels of activity (as measured by bat passes per hour) by common pipistrelle. A small number of calls were provisionally assigned to "big bat" - on the UK Mainland this would usually be a noctule. No calls attributable to grey long-eared bats were recorded.

11.122 To summarise, the bat surveys undertaken have not detected the presence of roosts. They found that the survey area is mainly used by two species of pipistrelle bats, of which common pipistrelle was the most frequently recorded. All activity by bats was at a low level and localised in distribution to the sheltered south-facing parts of the survey area such as the edges of the conifer plantation.

11.123 The survey area and application site are therefore not considered to be of high value to bats.

Rodents

11.124 The reptile survey also recorded the presence of small numbers of the greater white-toothed shrew (*Crocidura russula*). Brown rats were seen on a number of occasions during fieldwork.

Invertebrates

11.125 No formal invertebrate surveys have been undertaken. Brown argus (*Aricia agestis*) butterfly is present within the coastal grassland on the plateau. This species has a localised presence on Guernsey. Likely foodplants in this location are low Geraniums and common stork's-bill.

11.126 Strong colonies of gatekeeper butterfly and common blue butterfly were recorded in 2017 and 2018 which are common species on the Island. In addition, other common species included red admiral, meadow brown, large white, small copper, brown-tailed moth (*Euproctis chrysorrhoea*) and the common carder bee (*Bombus pascuorum*).

Wintering Birds

11.127 The winter bird survey report for the site is provided as Appendix 11/3.

11.128 Thirty bird species were recorded during the course of the winter CBC surveys.

11.129 The bird community was dominated by gulls and in particular many thousands of herring gull *Larus argentatus.* At any one time there were usually at least 1000 herring gull roosting on shoreline rocks, with several thousand more on the neighbouring landfill site or flying to/from it. Although herring gull is a Red list species, and the other four gulls are Amber list for varying degrees of population decline, they are still common, and also a pest species at landfill sites.

11.130 The scrub and semi-improved grassland habitats had low general value for birds. Wren *Troglodytes troglodytes*, dunnock *Prunella modularis*, robin *Erithacus rubecula*, goldfinch *Carduelis carduelis* and starling *Sturnus vulgaris* were frequently seen or heard in these habitats; all are common birds, although dunnock and starling are on the Amber and Red lists respectively. Starling is listed due to a UK and Channel Islands population decline of over 50% from 1990 to 2015, while the dunnock has suffered a longer term UK and Channel Islands population decline of 31%. A few other notable birds were seen here including individual song thrush *Turdus philomelos*, mistle thrush *T. viscivorus*, linnet *Carduelis cannabina* (all Red list), and three meadow pipit *Anthus pratensis* (Amber list).

Breeding Birds

11.131 The breeding bird survey report for the site is provided as Appendix 11/4.

11.132 The Breeding Bird Survey recorded 17 nesting species, comprising mostly of common species.

11.133 The survey area is notable for breeding long-eared owl (*Asio otus*) which uses old crows nests in the mature plantation of pine trees (Target Note 3). The pole/tree mounted nest boxes and quarry rock ledges support breeding / roosting kestrel (*Falco tinnunculus*) and barn owl.

11.134 A house sparrow colony is associated with the bungalow and its grounds.

11.135 No other notable bird species were recorded.

Predicted Trends

11.136 In the absence of development the main part of the application site would continue to be managed as hay meadow with annual cuts and baling of fodder. Other parts would remain in domestic or waste management use.

11.137 The wider survey area would be expected to continue to become scrubbier in nature with increasing cover of non-native trees and shrubs over time.

Evaluation

Habitats present within the Application Site and Wider Survey Area

11.138 Due to there being Island-wide coverage of Phase 1 (most recent being 2010), it is possible to place the application site in a quantitative context as shown in Table 11-3.

Table 11-3
Evaluation of Site Habitats in Comparison to Island Wide Habitat Data (2010)

Habitat – Island extent 2010	Application Site only	Percentage of Guernsey Resource (2010 figures)
Planted coniferous woodland 26 ha	n/a	n/a
Coastal grassland 60.94	n/a	n/a
Dense Scrub / Bracken (amalgamated by SLR) – 416ha	1.46ha	0.35%
Maritime Grassland – 74.03ha	0.04	0.05%
Semi-improved grassland 192.00ha	1.73ha	0.90%
Amenity grassland 687.00ha	0.04ha	0.005%
Standing water 48.00ha	0	
Other (Building/Hardstanding/tall ruderal etc)	1.21	n/a
Total	4.48	

11.139 Table 11-3 shows that none of the habitats present within the application site alone represent more than 1% of the total Island-wide resource of a particular habitat.

11.140 The table shows that planted coniferous woodland is generally a scarce habitat in Guernsey. Intrinsically this is a habitat with low ecological value; however, it can be of importance as a place of shelter for migrant birds, nesting birds such as raptors and as for insects which specialise in the tree species present (e.g. moths). This habitat is present off-site to the west.

Species Summary

Flora

11.141 Surveys of the application site and wider area have not recorded any particularly rare species of plant.

Mammals

11.142 Surveys of the application site and wider area recorded the presence of two species of pipistrelle bat (common and Nathusius'). Low levels of foraging by these species were recorded in 2017/18. This is attributed to the generally exposed nature of the site and the limited availability of sheltered opportunities for foraging.

11.143 No bats roosts are considered to be present.

11.144 The survey area and application site are therefore not considered to be of high value to bats.

Birds

11.145 Surveys of the application site and wider area encompassing every season did not record the presence of a particularly notable assemblage of birds using the site for breeding or wintering.

11.146 The presence of breeding long-eared owl, barn owl and kestrel was considered to be noteworthy in an Island context.

11.147 The bungalow supports a breeding colony of house sparrows, a species which is in steep decline in the UK Mainland but which remains a reasonably common species on Guernsey.

Reptiles and Amphibians

11.148 Reptile surveys have recorded the presence of a "small" population of slow worm.

Invertebrates

11.149 The wider survey area supports a colony of brown argus butterfly which has a restricted distribution on the Island.

Summary of Important Ecological Features

11.150 Table 11-4 provides a summary table listing all important ecological features for which detailed assessment is required (i.e. all features of a defined level of importance and/or subject to legal protection), the geographical context within which each is considered to be important and their legal status where appropriate.

Table 11-4
Summary of Important Ecological Features Subject to Detailed Assessment

Ecological Feature	Scale at which Feature is Important	Comments on Legal Status and/or Importance
Application Site Only		
Site Habitats	Local	Farmland is considered to be an important resource on the Island due to being a finite resource.
Breeding Raptors	Guernsey	Presence of three breeding species plus buzzard.
Breeding Birds (General)	Local	Relatively small breeding bird assemblage. Nests are protected.
Foraging Bats	Local	Low levels of activity recorded by common species. No roosts affected.

Ecological Feature	Scale at which Feature is Important	Comments on Legal Status and/or Importance
Slow Worm	Local	A small population is likely to occur. This species is not uncommon in suitable habitats in Guernsey.
Wider Survey Area (Mineral Safeguard Area)		
Maritime Grassland	Guernsey	Scarce and declining resource.
Mature Conifer Woodland	Parish	Localised habitat of value in coastal locations for birds in particular.
Foraging Bats	Local	Low levels of activity recorded by common species. No roosts affected.
Breeding Birds (General)	Local	Relatively small breeding bird assemblage. House sparrow colony associated with the bungalow would be lost.
Slow Worm	Local	A small population is likely to occur. This species is not uncommon in suitable habitats in Guernsey.
Brown Argus Butterfly	Guernsey	Localised status on Guernsey possibly due to local geology rather than geographical location.

ASSESSMENT OF EFFECTS AND MITIGATION MEASURES

Statutory Ecological Sites

11.151 No direct effect on statutorily designated ecological sites has been predicted. No sensitive sites, such as those which could be linked hydrologically to the application site and be affected by quarrying / dewatering are present.

11.152 In terms of dust from mineral extraction operations, the closest part of L'Ancresse Common SSS is over 200m to the south of the proposed quarry and so unlikely to be affected through dust emissions due to the separation distance and the prevailing wind not blowing in that direction (refer to Chapter 8 above). The potential exists for dust deposition (through heavy vehicle use) to affect the road verges present adjacent to L'Ancresse Common / La Varde which is an important ecological site. It would therefore be necessary to ensure that dust control/suppression measures are implemented at the site such as a wheel wash/sprayer bay to minimise the amount of material 'dragged' out onto the public highway. Notwithstanding this, the roads are already experiencing HGV traffic associated with the Mont Cuet Landfill site.

Notable Habitats

11.153 No notable habitats have been recorded as being present within the application site itself.

11.154 The loss of species-poor hay meadow and associated areas of bracken/bramble scrub, amenity grassland and mature conifers (in a garden setting) is considered to be of ecological significance at a local level only. The loss of a very small area of maritime grassland (0.04ha) is not considered to be of ecological significance. The areas involved are subject to trampling by walkers and indirect disturbance from the landfill operations.

Notable Species

Breeding Birds

11.155 The demolition of the bungalow and removal of associated shrubbery would result in the loss of nesting opportunities for a colony of house sparrow.

11.156 The proposals would involve the need to re-locate 2 of the 3 pole/tree mounted bird nest boxes.

11.157 Adjacent quarrying activities could result in disturbance to the pair of long-eared owl which are known to use the adjacent conifer plantation although due to the presence of the adjacent car-park the birds which are present would already be accustomed to human activity.

11.158 At a general level, the proposals would involve the need to remove vegetation which could be used by birds for nesting.

11.159 The following mitigation measures are proposed in respect of breeding birds:

- all vegetation removal and building demolition would take place outside of the nesting season (February[16] to August inclusive); and
- the pole/tree mounted nest boxes used by barn owl/kestrel would be re-located within the wider survey area away from possible sources of disturbance and future development. This would take place outside of the nesting season well in advance of the commencement of development activities. The boxes would be repaired/replaced with new boxes as required.

Bats

11.160 No impacts on roost sites have been predicted.

11.161 Significant impacts on foraging habitats used by bats are considered to be unlikely to occur. Removal of vegetation would result in the loss of foraging opportunities for bats; however, surveys have not found that the application site is well used by bats.

Slow Worm

11.162 A small population of slow worm was recorded in autumn 2017. The potential exists for slow worms to be present in the application site and to be associated with the field margins of the hay fields. As such it would be necessary to implement appropriate mitigation measures for this species in

[16] Spring in Guernsey is at least 2-3 weeks earlier that the rest of the UK and therefore nesting in late February could start to take place.

advance of development activities commencing. The scope of such measures is likely to include the targeted use of artificial refuges for 1 week immediately in advance of soil stripping activities. The refuges are attractive to reptiles as they assist with the animal's thermoregulation. Any slow worms present could then be captured and relocated away from development activities.

Residual Effects

Designated Sites and Notable Habitats

11.163 Residual effects on designated sites or notable habitats have not been predicted provided that the avoidance and mitigation measures set out in this EcIA are followed and a nature-conservation led restoration is implemented.

Notable Species

11.164 The loss of nest sites for a house sparrow colony, which currently uses the bungalow/associated shrubbery, could not be easily mitigated for as there are no other suitable buildings where communal nest boxes could be erected. This would represent a residual impact of ecological significance at a local level.

11.165 The fields which form the application site currently offer a plentiful source of small mammal prey (due to the presence of rough field boundaries and the adjacent domestic landfill) for kestrel, barn owl and long-eared owl as part of a larger resource available to these birds. The removal of the fields through quarrying would result in the birds which use the site having to forage further afield. It should, however, be noted that the nest boxes which are currently present can be moved to other locations away from disturbance and large areas of suitable hunting habitat are present at the adjacent golf course/common. As such, this would be an effect which is of ecological significance at a local level only.

11.166 A residual effect on slow worm has not been predicted as suitable habitat will remain within the wider survey area.

CONCLUSIONS

11.167 No designated ecological sites such as Sites of Special Significance (SSS) would be affected by the proposed development, provided that dust suppression measures are adopted in respect of heavy goods vehicles.

11.168 Surveys of the application site have not recorded the presence of notable habitats.

11.169 Surveys undertaken for flora and fauna have not recorded any particularly rare or uncommon species.

11.170 A small population of slow worm was recorded within the wider survey area. Although no slow worms were recorded from within the application site it is possible that this species also occurs in the rough margins of the hay fields.

11.171 The application site and wider survey area support three species of raptor (barn owl, long-eared owl and kestrel) which nest/roost in purpose-built boxes, old crow nests in mature pines or cliff faces. The habitats present within the application site form part of a wider resource of rough grassland which supports their small mammal prey. A colony of house sparrows is resident in and around the bungalow. No other notable species of birds were recorded during the winter or breeding seasons, however, the site has a general value to birds in providing nesting opportunities for a variety of common species in buildings, low scrubby vegetation, cliffs, edges of standing water etc.

11.172 Bat surveys have not detected the presence of any roosts. Foraging activity by bats was attributed to two common species of pipistrelle bat. Activity levels were very low across the seasons and were restricted to sheltered areas on the south-facing flank of the site. The majority of the site is quite exposed to prevailing winds and lacks structured vegetation such as trees or hedgerows and as a consequence its value to bats is limited.

11.173 Recommendations have been made in respect of avoidance and mitigation measures required to ensure that impacts on species and off-site habitats are either avoided or their effects are reduced to acceptable levels. These relate to the timing of operations (e.g. the removal of vegetation outside of the bird nesting season) or measures required in advance of development commencing (e.g. reptile and raptor mitigation schemes).

11.174 Residual ecological impacts have been predicted in respect of house sparrow only which are considered to be of significance at local level.

Committee *for the*
Environment & Infrastructure

Raymond Falla House
Longue Rue
St. Martin
Guernsey
GY4 6HG

President
Policy & Resources Committee
Sir Charles Frossard House
La Charroterie
St. Peter Port
Guernsey
GY1 1FH

28 June 2021

Dear Deputy Ferbrache

Policy Letter - The Island's Future Aggregate Supply

In accordance with Rule 4(2) of the Rules of Procedure for the States of Deliberation and their Committees, it is requested that the Policy Letter entitled "The Island's Future Aggregate Supply" be considered by the States of Deliberation at its meeting on Wednesday 8 September 2021.

The request is made to ensure that the Island will continue to receive aggregate without interruption because security of supply of aggregate is essential for construction in the Island. Ronez Limited has advised that current workable unconstrained reserves of granite at Les Vardes Quarry, which are used for aggregate, are expected to be exhausted by the end of 2023. This may be sooner if demand increases.

From discussions with members of the Policy & Resources Committee, I am aware that there is a strong understanding of the need to expedite the decision in relation to aggregate production and supply, and trust that they will also be supportive of this request.

Yours sincerely

H L de Sausmarez
President
Committee *for* the Environment & Infrastructure

P.2021/80

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

STATES' TRADING SUPERVISORY BOARD

GUERNSEY ELECTRICITY LIMITED – ANNUAL REPORT AND ACCOUNTS

The States are asked to decide:-

Whether, after consideration of the policy letter entitled 'Guernsey Electricity Limited – Annual Report and Accounts' dated 15 June, 2021, they are of the opinion:-

1. To note the Annual Report and Accounts of Guernsey Electricity Limited for the period ended 30th September 2020.

The above 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.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

STATES' TRADING SUPERVISORY BOARD

GUERNSEY ELECTRICITY LIMITED – ANNUAL REPORT AND ACCOUNTS

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

15th June, 2021

Dear Sir

1 Executive Summary

1.1 The Annual Report and Accounts of Guernsey Electricity Limited (GEL) are hereby presented to the States.

2 Guernsey Electricity – Annual Report and Accounts

2.1 Under the terms of Section 8 of the States Trading Companies (Bailiwick of Guernsey) Ordinance, 2001, the States' Trading Supervisory Board (STSB) is required to submit GEL's Annual Report and Accounts to the States for their consideration.

2.2 GEL's Annual Report and Accounts for the period ended 30th September, 2020, are therefore appended to the policy letter.

2.3 As reported in the 2018/19 Annual Report and Accounts[1], the Board of GEL previously approved a change in the fiscal year end date for the company from 31 March to 30 September. The 2019/20 accounting 'year' is therefore a transitionary eighteen-month period from 1 April, 2019, to 30 September, 2020.

2.4 As a consequence of the above, the results for the 2019/20 financial period are not directly comparable with those of the previous twelve months.

[1] Billet d'Etat XXIV or 2019 – States' Trading Supervisory Board – Guernsey Electricity Limited – Annual Report and Accounts.

3 Compliance with Rule 4

3.1 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.

3.2 In accordance with Rule 4(1), the Proposition has been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.

3.3 In accordance with Rule 4(4) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the proposition above has the unanimous support of the Board.

3.4 In accordance with Rule 4(5), the Proposition relates to the duties of the STSB to carry out the States' role as shareholder of any incorporated companies which are owned by the States and which the States have resolved to include in the mandate of the Board.

Yours faithfully

P J Roffey
President

C N K Parkinson
Vice-President

N G Moakes
Member

S J Falla, M.B.E.
Non-States Member

J C Hollis
Non-States Member



Securing the energy transition

Report and financial statements
2019/20

Guernsey Electricity
Powering Life, Today & Tomorrow

Directors, officers and professional advisers

Directors:	IA Hardman	*(Non-Executive Chairperson)*
	AM Bates	*(Chief Executive Officer)*
	JPC Turner	*(Chief Financial Officer and Deputy Chief Executive Officer)*
	S-A David	*(Chief Operating Officer)*
	RP Lawrence	*(Non-Executive) retired by rotation on 15 September 2020*
	RJ Dutnall	*(Non-Executive) retired by rotation on 15 October 2019*
	GM Browning	*(Non-Executive)*
	P Shaefer	*(Non-Executive)*
	RL Denton	*(Non-Executive)*
	T Songini	*(Non-Executive) appointed on 15 September 2020*
	I Chapman	*(Non-Executive) appointed on 15 September 2020*

Secretary: SL Walden

Bankers:

Barclays Bank Plc
PO Box 41
Le Marchant House
St Peter Port
Guernsey, GY1 3BE

Royal Bank of Scotland International
Royal Bank Place
1 Glategny Esplanade
St Peter Port
Guernsey, GY1 4BQ

HSBC Bank Plc
Arnold House
St Julian's Avenue
St Peter Port
Guernsey, GY1 3NF

Legal advisers:

Carey Olsen (Guernsey) LLP
PO Box 98
Carey House
Les Banques
St Peter Port
Guernsey, GY1 4BZ

Independent auditor:

Ernst & Young LLP
Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey, GY1 4AF

Registered office:

PO Box 4
Electricity House
North Side
Vale
Guernsey, GY1 3AD

Company number: 38692

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Board members



Ian Hardman

Non-Executive Chairperson

Ian became a Non-Executive Director of Guernsey Electricity Limited in 2011. He has a background in banking and, having joined Lloyds Bank in 1973, worked his way up to the position of Senior Islands Manager, responsible for the four retail branches in Guernsey and Alderney. He worked on the offshore merger of Lloyds Bank and TSB Bank Channel Islands in 1996 and was involved with the legal aspects of the takeover of HBOS by LTSB. Ian is an Associate of the Chartered Institute of Bankers and the Institute of Chartered Secretaries and Administrators.



Bob Lawrence – *retired by rotation on 15 September 2020*

Non-Executive Director

Bob is the former Chief Executive Officer of Jersey Telecom Limited and led it from a state-controlled entity into a private limited company that operates in a highly competitive market. He has extensive engineering knowledge as well as the experience of operating and managing within a regulated market similar to the Channel Islands and became a Non-Executive Director of Guernsey Electricity Limited in 2011.



Bob Dutnall – *retired by rotation on 15 October 2019*

Non-Executive Director

Bob is a qualified Chartered Accountant with substantial business and commercial experience. His senior management career has involved working for a number of different organisations, particularly in the engineering sector. In 2005 he joined Sportingbet Plc, a FTSE 250 internet gaming company, before moving in 2012 to take on a new part-time role as an Executive Director of betway.com, a privately-owned internet gaming group. Bob became a Non-Executive Director of Guernsey Electricity Limited in 2013.



Rick Denton

Non-Executive Director

Rick has 30 years' experience of leading UK and international subsidiaries of four major banking groups. Subsequently he became CEO of a specialist family office business, managing property developments and acquiring companies. Rick now leads his own consultancy and has a range of international Non-Executive Director positions. Locally he chairs the Guernsey Banking Deposit Compensation Scheme. He is a National Council Member for the Institute of Directors, representing the international branches. Rick holds an MBA with distinction from Warwick University; is an Associate of the Chartered Institute of Bankers; a Chartered Member of the Institute of Securities and Investments and a Member of the Society of Trust and Estate Practitioners. He has also recently achieved the Henley Certificate in Executive Coaching and the Institute of Directors' Diploma in Company Direction.



Peter Shaefer

Non-Executive Director

Peter has an honours degree in Geology and is a Chartered Accountant. He has substantial business and commercial experience, having held a number of senior positions in both energy and consumer products industries, including being a member of the Executive Committee of the US listed company Coty Inc. He currently holds a number of both Executive and Non-Executive Director positions, joining Guernsey Electricity Limited as a Non-Executive Director in 2018.



Gillian Browning

Non-Executive Director

Gillian was appointed as Non-Executive Director of Guernsey Electricity Limited in 2018, after participating on the NED Development Programme with the company since 2016. Gillian is also Director of the Investment, Fiduciary and Pension Division at the Guernsey Financial Services Commission (GFSC), a role that includes leading policy development, supervisory oversight, risk management and good corporate governance. Gillian joined the GFSC from the UK Financial Conduct Authority (FCA), and prior to that the Cabinet Office where she was a Minister's Private Secretary and Policy Officer. Gillian graduated from Exeter University where she read History and Politics.



Ian Chapman – *appointed on 15th September 2020*

Non-Executive Director

Ian is the CEO of the UK Atomic Energy Authority, the UK's largest energy research organisation with over 2000 scientists and engineers. He has held a number of international roles in fusion research, currently chairing the IAEA Fusion Research Committee, as well as sitting on a number of ministerial committees in the UK and advising other governments on clean energy issues. He has won a number of notable international awards, including the Royal Society Kavli Medal in 2019, the American Physical Society Stix Medal in 2017 and the Institute of Physics Paterson Medal in 2013. Ian was made a Fellow of the Institute of Physics in 2013 and became a visiting Professor at Durham University in 2015.



Tania Songini

Non-Executive Director

Tania worked for German engineering multinational company Siemens for over 18 years, including five years within its NW Europe Energy business, which focussed on the construction and installation of large-scale renewable energy and infrastructure projects. She currently sits on the boards of Thrive Renewables and the Private Development Infrastructure Group, London Energy and Oxford Policy Management, and has a comprehensive understanding of sustainable energy technologies and strong governance track record. Tania is the Chair of ViaNinos UK, a charity she established in the UK in 2009 that supports children in Ecuador.



Alan Bates

Chief Executive Officer

Alan became Managing Director (2010) then Chief Executive Officer (2015) having joined from Manx Gas, where he was Managing Director. He commenced his career with P&O Cruises as an Engineering Officer followed by 19 years in the oil and gas industry working for Mobil Oil/BP Oil and IEG. He has a degree in Electro Mechanical Power Engineering and an MBA in Executive Leadership. Alan is a Chartered Electrical Engineer (MIET), a Chartered Mechanical Engineer (FIMechE), has qualifications in risk and safety management (IIRSM) and is also a member of the Institute of Asset Managers. Alan is also a Director of CIEG.



Julian Turner

Chief Financial Officer and Deputy Chief Executive Officer

Julian joined Guernsey Electricity Limited as Chief Financial Officer in 2015. A Deloitte qualified Chartered Accountant with substantial commercial, compliance and process transformation experience, he has held a number of varied finance roles with regional responsibility including EMEA in large multinationals such as Procter & Gamble, Flowserve and GE. Julian has an MBA from Alliance Manchester Business School and is a designated CIA. He is also a Director of CIEG.



Sally-Ann David

Chief Operating Officer

Sally-Ann was appointed to the Board in 2011. She is a Chartered Electrical Engineer with over 30 years' experience in the power and submarine cable market. Sally-Ann is a fellow of the Institute of Electrical Engineers, has an MBA, and is a Chartered Director. She is also a Director of CIEG.

Chairperson's statement

We all take it for granted that we can turn on a light, have power for our fridge-freezer, television, laptops or mobile phones. Our 200 plus employees, who with the support of the shareholder, the States Trading Supervisory Board ("STSB"), are truly dedicated to powering Guernsey life today, as well as preparing to enable the decarbonised future for our island. Guernsey Electricity Limited ("Guernsey Electricity", "GEL", or the "company") is owned by the people of Guernsey, through the States of Guernsey. Islanders have every reason to be proud of the company and have confidence that we will continue to do what is right for our island and our community.

The responsibility for leading the energy transition for Guernsey Electricity continues to be a rewarding experience for the directors. There are many varied challenges presented in navigating the transition in Guernsey, which requires prudence to ensure the island continues to enjoy a reliable, secure and sustainable electricity supply, that remains affordable for all islanders.

More recently, COVID-19 impacted the business (and of course the island), with Guernsey Electricity recognising its vital critical infrastructure role, and the responsibility to maintain services during this extremely disrupted period.

Challenges and achievement

The replacement of the subsea cable was a major infrastructure project for the island and was delivered in record time. A project of this stature would normally take two to three years to complete, yet our team achieved this in just seven months and under budget.

The replacement of the cable dramatically reduced the financial and environmental impacts created by the limits on electricity import capacity on the unreliable existing cable.

I was a proud Chairperson standing at Havelet Bay when the cable came ashore. Having this reliable electricity supply remains vital for our lives and economy today, but also to deliver the island's carbon reduction targets and facilitate on-island renewable energy generation.

We are also delighted with the switch to all imported electricity now coming from renewable sources, such as hydro, wind and solar, ensuring all islanders are able to contribute towards the global climate change issue.

Therefore, securing a second connection remains an absolute priority.

By understanding our responsibility as a pivotal part of the energy transition, we can deliver the island's desire for locally generated renewable energy. We firmly believe in social equity and our community solar arrays ensure all islanders benefit equally. We now have large scale community solar systems at several locations around the island, enabling all customers to benefit from this technology in a fair way.

The future needs to be sustainable

Overall, the past 18 months have been a successful period for the company with many great achievements. But we now need to focus on the future, to ensure we are ready for the next 30 years and successfully play our role in enabling the island's Energy Policy to become a reality.

During this financial period we have redefined Guernsey Electricity's environmental vision and set out our strategy to achieve environmental sustainability. To reinforce this strategy, we released our 'Climate Change Statement' setting out our commitment to playing an active part in making a positive contribution to our island environment today and for the benefit of future generations.

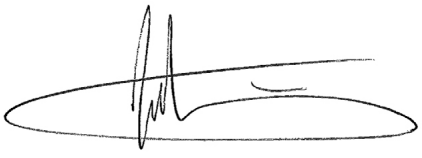
We firmly believe in social equity and our community solar arrays ensure all islanders benefit equally.

Before I close, I would like to thank Peter Ferbrache, President of the STSB and his committee, both political and non-political, for their advice and support throughout the last 18 months. I look forward to working with the new President of the STSB, Peter Roffey, and his committee.



The NKT Victoria in Havelet Bay during the cable replacement operation

I would like to take this opportunity to thank Robert Dutnall and Robert Lawrence, who both stepped down as Non-Executive Directors during this financial period, for their significant contribution to the company and welcome two new Non-Executive Directors to the Board, these being Ian Chapman and Tania Songini who both bring a wealth of relevant experience to complement and add future value to the Board. I would also like to thank my fellow Directors, Company Secretary and colleagues at Guernsey Electricity for their continued hard work and contribution to the ongoing success of the company.



Ian Hardman
Chairperson

Chief Executive Officer's report

Overview

What has changed in the last 18 months? As I write the 2019/20 annual report the answer to that question seems to be – everything.

Even before the pandemic became the number one factor impacting every business, Guernsey Electricity was going through an extremely busy, challenging and at times turbulent period.

Despite this, the highlight of the period has to be the record-breaking pace of the subsea cable replacement project, which was nothing short of outstanding; procured, manufactured, installed and put into service in just seven months. The direct result of this decision is a reliable and affordable supply of low carbon sustainable electricity for the island. Indirectly, having reliability returned to the cable has allowed the business to plan its future capital investment programme with much greater confidence.

The replacement of the cable was combined with a move to 100% renewable energy importation, which immediately allowed the island to continue progress on its energy transition journey; a huge positive for our community.

Alongside the subsea cable replacement project, the company has over the 18-month period also been heavily involved in an Enterprise Resource Planning ("ERP") project to replace legacy IT systems, some of which, including our billing system, have been in place since the 1990's. This project has consumed significant levels of internal resource and remains a critical project to allow the business to plan for the future and be ready to provide a service to support the islands decarbonisation aspirations through the energy transition.

Policy Direction on Energy

Last year's report raised the point that the reliability and affordability of electricity today was set by company decisions made a quarter of a century ago. The Board of Guernsey Electricity is acutely aware of this and therefore how the business will be judged in terms of strategic investment decisions for the future. These decisions on assets which span many decades of service, need to be based on a clear policy direction in terms of the island's future energy needs, and these directions need to remain in the long-term best interest of electricity customers.

For this reason, Guernsey Electricity has consistently raised the need to update the island's energy policy. The 2012 'Energy Resource Plan' had become outdated by virtue of the pace of change of the energy transition. The island's energy market and the development of new technology were not waiting for policy, which started to create further unnecessary disruption in the island energy market. Obvious questions in terms of subsidies for electric vehicles and planning policy for local renewables became just two of the matters that needed a clear directive for the island.

The approval of a new Energy Policy in June 2020 has allowed that planning process to commence. The policy is quite naturally a foundation document which will allow different workstreams to develop much more detailed policy direction aligned to the rapidly changing technology. This will ensure our market direction remains aligned to the overarching energy policy and the island's climate change aspirations.

It is extremely important to now clearly articulate what the journey looks like. Some of the first policy directions will need to set out the desired market structure and then how the costs within that market are fairly recovered.

Local renewable resources

To create a clear pathway for the energy transition journey, an early decision needs to be made on where and how the island wants energy to be generated. Understandably, there is a desire to utilise the natural resources around the island. We have plentiful sun, wind and tidal resources which we must factor into our decisions on a local renewables target.

This decision must also take into account how technology can harness these resources affordably. But also how we can cover off the intermittency of local renewable generation with energy storage, and how we create security so when those resources are not available we have a secure and affordable resource to provide the island's energy needs. Our fortunate geography and ability to be connected to the European grid provides this provision at an affordable cost to consumers.

This is not an easy equation to develop and solve for a small jurisdiction.



Marketing content from the "Renewables for All" campaign announcing the switch to renewables



The PV array at Envoy House, part of Guernsey Electricity's portfolio of community PV arrays which feed into the network

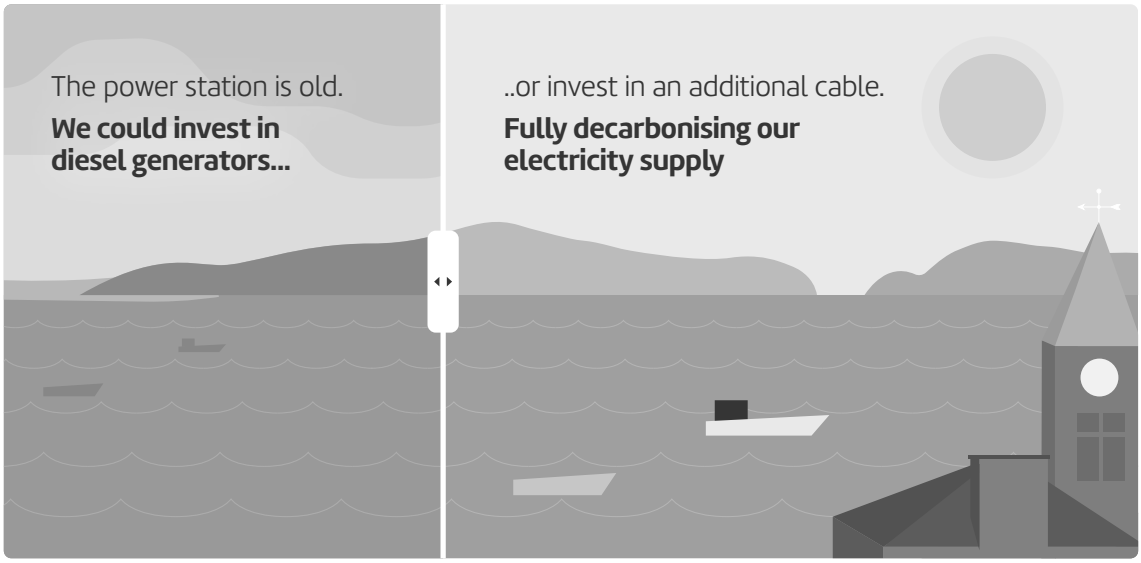
Any direction set must remain agile and adaptable to changes in the journey created by outside influence. It will also need to be pragmatic and ultimately understand that the speed of progress will need to be aligned to our ability, as a small island, to pay.

Energy security for locally generated renewables

There is clearly a need for significant capital investment to start the energy transition journey. A direct subsea cable connection to France to provide security of our low carbon electricity supply will almost double the size of Guernsey Electricity from a balance sheet perspective. But without this second connection we cannot securely cover off the intermittency of local renewables using low carbon energy. The cover without the second connection would remain the hydrocarbon power station.

If this was the case, then for the power station to be reliable in this security role we would need to spend almost the equivalent amount of money of the direct cable to France, on replacing the old generation engines at the power station.

Some may think this is a credible option, as whilst the power station may be a hydrocarbon sourced back-up, it does give us independence from the European electricity grid. To some degree this is correct.



The island needs to invest to support the energy transitions. There is no "do nothing" option

However, the current power station electricity generators require imported fuel to operate and this is potentially likely to suffer a greater degree of supply chain disruptions as the world uses less and less hydrocarbon for energy.

Therefore, Guernsey Electricity continues to recommend the direct cable to France as the optimal solution to provide security and reliability of electricity supply. This facilitates the adoption of local renewable technology by providing a low carbon and sustainable resource, and displaces the current top-up role of the power station.

As with the journey for local renewables, the only matter to be considered and addressed in terms of this investment is again, who pays and when. This is a matter Guernsey Electricity will bring back to the States of Guernsey through its shareholder, the States Trading Supervisory Board "STSB"), in 2021.

The role of Guernsey Electricity

Notwithstanding this complexity around planning for the energy transition journey, Guernsey is in an extremely fortunate position whereby the key asset to facilitate that pragmatic and sustainable route remains in State ownership. This gives the States of Guernsey complete control in ensuring policy coherence is achieved. In this regard, the purpose of Guernsey Electricity as an entity in relation to energy transition, economic stability and social policy needs to be carefully considered to ensure well informed decisions are made in terms of the future business role of the company.

Guernsey Electricity as a State-owned entity continues to understand that it has a direct responsibility to assist in leading the energy transition for the island. This includes creating an understanding of how the transition pathway can be delivered in an affordable and fair way for all in our community.

The energy transition does create some risks for our small jurisdiction, but these are far outweighed by the opportunities for Guernsey to strategically manage the journey and create real value for the community, our economy and our island environment.

However, to set off on the journey with a complete understanding on how much it will cost we must now fix our legacy issues, so we are in the most favourable position to manage the energy transition whilst preserving and enhancing our environment for the future of our island.

Transparency on the recovery of costs

Guernsey Electricity continues to promote a community focused approach to delivering the energy transition, where all islanders benefit in a fair and equitable way. To do this the understanding of how future energy transition costs are going to be created and reflected into the energy market will be absolutely key in deciding how those costs are then recovered from customers. Aligned to the desire for local renewables and the need for a secure supply of energy we need to be clear on who pays and when – both today and in the future.

However, at this time, Guernsey Electricity continues to be the custodians of the "broken" electricity market model. Decades of regulatory dysfunction has resulted in an under recovery of costs and misleading tariff structures not aligned to the delivery of the energy transition. This means future generations will be picking up the costs of past electricity consumers, and today's customers will potentially be making misinformed investment decisions based on the consequence of offsetting their fair share of fixed cost recovery. We must fix this for the benefit of islanders and the environment

What has created this "broken" model? The energy transition and policies to achieve decarbonisation has seen greater adoption of new technologies, such as solar PV and battery storage offering consumers the opportunity to self-generate and store energy for their own use. The adoption of these technologies will allow customers to lead their own energy transition. However, the consequence of this needs to be managed in terms of maintaining security of electricity supply. The electricity industry, whilst supporting these technologies, is aware that this leads to a reduction in electricity consumption without a corresponding decrease in maximum demand.

Indeed, as the energy transition progresses the increase in the number of electricity customers and electricity appliances, such as electric heating and electric vehicles, will in fact continue to disproportionately increase the maximum demand.

The consequence of this increasing demand is that the capacity and security of the electricity network has to be increased so as to be able to meet that maximum demand, even if that capacity is not being used all of the time. Therefore, for Guernsey Electricity it is the maximum demand which is the factor which drives capital investment to maintain capacity and to ensure security of electricity supply and it is this investment which creates the fixed costs that need to be recovered.

Unfortunately, Guernsey Electricity's existing tariff structures have not significantly changed since 1993 and are not appropriate for the necessary effective recovery of these fixed costs. Currently a variable consumption charge (to cover the actual consumption of electricity by customers) recovers over 90% of costs with the remainder being through standing and demand charges (to cover infrastructure investment costs which are driven by the electricity demand on the network). The level of fixed costs created by infrastructure investment to meet the maximum demand represents significantly more than the 10% recovered.

The Board of Directors is extremely concerned about this growing divergence between fixed costs to provide for an increased demand and a resilient and secure network and the variable cost recovery associated with decreasing/static level of electricity consumption.

Under the existing tariff structure this has the very real risk of disrupting the recovery of fixed costs to pay for future investments in infrastructure.

Guernsey Electricity therefore believes complete transparency needs to be provided to all customers on the costs to provide a reliable and secure electricity infrastructure for the island. By doing this, customers can make informed investment decisions by understanding how much electricity as a commodity actually costs from the different generation sources. This transparency will enable us, as a community, to focus on how we can best achieve our environmental and economic expectations affordably.

Guernsey Electricity continues to support the implementation of a smoother tariff evolution model which promotes customers making behavioural and appliance changes to manage any cost changes.

Regulatory environment challenges

To achieve the island's energy transition, there now needs to be clear direction given on what form of regulation, if any, the future energy market may need and whether another form of market oversight may give greater value to the island and energy customers.

Guernsey Electricity has for many years openly stated that in our opinion, the current regulation of the electricity sector adds little value and imposes additional unacceptable cost and time burden on a company 100% owned by the States of Guernsey. The Board has also conveyed its continued concerns at the length of time the dysfunctional regulatory environment has been allowed to be in place.

On this basis, Guernsey Electricity supports the intention to align future market licencing to energy policy direction. A clear view needs to be provided, as soon as possible, to allow the market to continue investment planning. It also remains critical that, in conjunction with the market structure direction, the work to ascertain how costs should be recovered is carried out as soon as possible to allow a transparent and understandable tariff evolution to be presented to customers.

Financial and Operational performance

As reported in last year's financial statements, the Board of Guernsey Electricity approved a change in fiscal date from 31 March to 30 September. This accounting period is therefore a transitionary 18-month period from 1 April 2019 to 30 September 2020. Consequently, this financial period's results are not directly comparable with the results of the previous 12-month period.

The unexpected replacement of the existing cable forced us to bring forward the planned investment in the subsea cable by over 10 years. As a result, the business has also brought forward an inevitable financial consequence of continuing to operate within an environment of long-term lack of appropriate revenue control. Without any revenue control, created by the continuing regulatory environment which is not fit for purpose, the business has been unable to consistently build its financial reserves to fund such projects.

Inevitably, this has created the need to take on more debt to fund the asset replacement programme to ensure a reliable and secure supply of electricity to customers. Fortunately, our dependable underlying EBITDA earning capability continues to ensure we can provide affordable electricity to our customers today.

However, the inability to make an appropriate level of return on our asset base has now started to challenge sustainable capital investment on much needed new and replacement assets. This untenable position has required the business to again review its cost structures to maintain compliance with these financial constraints.

Whilst this is an appropriate and pragmatic approach in the near-term, it is incompatible when considering the island's economic recovery from the pandemic and the residents' natural desire to progress the energy transition to meet our climate aspirations.

The Board of Guernsey Electricity is working closely with the STSB, as shareholder, to ensure the issues constraining the company are fully identified and considered. They must be resolved as soon as reasonably possible.

The financial performance and level of business profitability therefore continues to be significantly below the level required to continue to fund the island's electricity infrastructure. This remains a significant issue as we plan for future capital investments.

During this 18-month financial period we have reinvested £32.7m of cash back into our business activities, whilst only being able to recover uncontrollable costs through tariff increases. This level of investment was below the planned level of underlying planned replacement capital investment when adjusted for the cable project.

The reported operating loss before pension settlement gains was £9.0m (31 March 2019: operating loss £7.8m). The complete cable failure in October 2018 and the consequential restricted ability to import electricity has by far been the largest impact on financial performance in both 2019 and 2020. The additional generation on-island for the financial period has cost £3.4m (31 March 2019: £6.5m).

Weakening of the £:€ exchange rate continues to increase the cost of importation year on year. We continue to manage the risk arising from this exposure through our foreign exchange hedging programme.

Despite the impacts of COVID-19, the 2018 cable failure, delayed tariff increase and the foreign exchange headwinds, on an adjusted basis the underlying business performance is profitable and is reflective of the continued strong execution of business transformation initiatives and bold decision making for the long-term benefit of the company.

In terms of financial performance, the returns from the business are considered on a three-year rolling average basis. This allows the Board to assess the underlying financial dynamics created by weather, the wholesale markets and the required changes that may be required to tariff levels.

The Board is, however, mindful of the continuing cost pressures on the business, particularly accentuated by the impact of Brexit on our foreign exchange costs.

The Guernsey Competition and Regulatory Authority ("GCRA") approved uncontrollable cost recoveries of 6.8% and 4.8%, effective from 1 July 2019 and 1 September 2020 respectively, applying this to tariffs across the board for three years to cover historic increases in foreign exchange and commodity costs.

This rise will enable Guernsey Electricity to recover the last three years costs created by increases in external costs to import electricity and generate on-island. The increase associated with these historic changes in the price of commodities and foreign exchange rates do not recover other costs which have increased, or the need to maintain or replace assets. These are the first changes in electricity tariffs since 2012.

The agreement and implementation of a forward-looking agreed tariff model is now pressing, particularly in the light of significant future capital spend which will need to be properly funded and recovered. Additionally, a debt restructure is being explored to optimise the mix of debt and equity to ensure the secure funding of the business in order to deliver on its significant 10-year planned capital programme.

The company continues to benefit from a strong asset base with the statement of financial position with our non-current asset base of £150.8m, the largest changes being the completion of our investment in our subsea cable network and our ERP replacement business system. The net cash inflow for the period is largely attributable to net drawdowns on credit facilities of £21.6m. At the period-end, we had net debt of £38.7m compared to £13.6m at the last period. This comprised £43.6m loans and closing cash balances of £4.9m; these amounts include balances held with the States of Guernsey of £23,000 (31 March 2019: £7.3m).

Shareholder's funds have reduced by £14.5m, from £108.1m to £93.6m. This was primarily the result of the actuarial loss in the pension scheme, net of the movement in deferred tax relating to the pension deficit of £8.2m together with the additional costs of on-island generation of £3.4m associated with the cable link failure.

One of the key operational performance metrics for Guernsey Electricity is the level of importation of electricity from France and the associated carbon intensity of the business. The level of import capacity has been increasing due to investment in the Channel Islands Electricity Grid ("CIEG") with importation being the preferred source based on both economic and environmental factors. Whilst additional import capacity had been gained the cable reliability issues in 2015 and 2018 resulted in the inability to utilise the full importation capability. The importation levels are given in the table below.

We report our greenhouse gas emissions annually in accordance with international accounting tool, the GHG Protocol, and the UK Government's 'Environmental Reporting Guidelines'.

Our methodology and reporting process is validated annually by external greenhouse gas reporting specialists. In 2020, we changed our greenhouse gas reporting to a calendar year basis from 1 January to 31 December (previously 1 April to 31 March). This helps us to align our GHG emissions calculations with the data that we receive from our suppliers of imported electricity.

Our strategic importation plan remains for imports to meet or exceed 85% of our island electricity demand. The current import capacity is facilitated through our investments in the CIEG. Importation is limited by the capacity of the Guernsey to Jersey based assets with a calculated maximum import level of well over 90% of the island's electricity annual demand possible if required. From the 1 January 2020 all imported electricity is from renewable resources guaranteed through certificates of origin.

Over the rolling 18-month period 1 April 2019 to 30 September 2020, we have seen a 7.1% decrease in electricity usage by our customers. Adjusting for the weather, and the impact of COVID-19, we believe that the underlying demand will continue the downward trajectory of previous years, which is mainly reflecting energy efficiency improvements in our customer base. However, we are starting to see some growth from the decarbonisation of transport and heat.

In terms of our service to our customers, I am pleased to report a significant improvement in supply reliability with customers, both domestic and commercial, experiencing 53.7 minutes loss of supply on average for the 18-month financial period compared to 66.81 minutes lost during the previous 12-month financial year. This level of average minutes lost includes an island-wide loss of electricity incident on 2 September 2019 associated with on-island generation during the replacement of the subsea cable. Without this single event the figure for the period would have been 34.50 minutes, which aligns to the previous trend in reliability improvement.

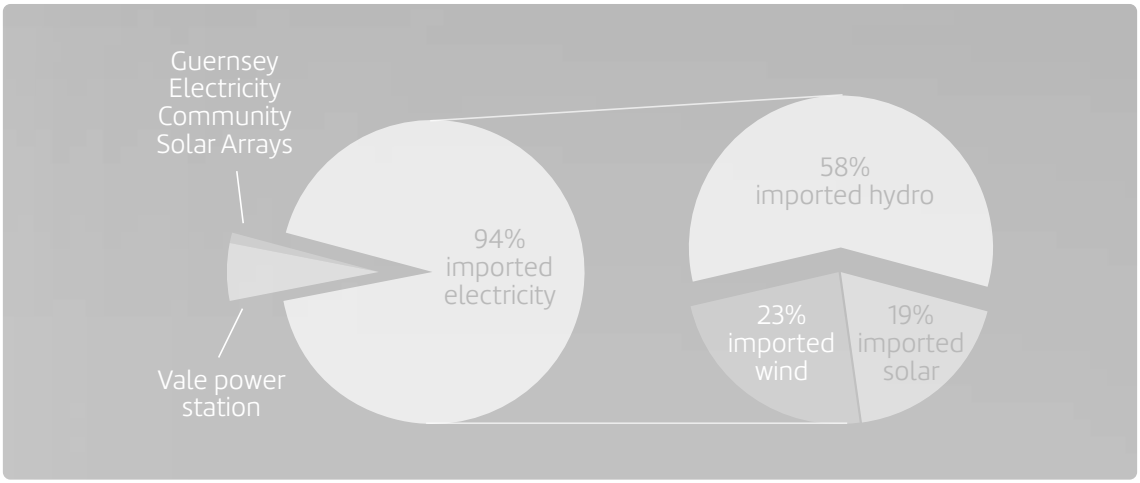
Pensions

The company is part of the States of Guernsey Pension Scheme and we are continually assessing the funding risks that come with membership. To this end we closed our Career Average Revalued Earnings ("CARE") to new members in 2017. As a continuance of this risk mitigation strategy the company transferred the pension liabilities of all retired and deferred members as at 30 June 2018 to the States of Guernsey Combined Pool. The Board understands the liability created by the older schemes and keeps the affordability of these under review.

Electricity Usage and Generation summary

Calendar Year	On-Island Generation MWh		Importation MWh					Total Distributed MWh	Intensity of Distributed Electricity gCO2equiv./kWh
	Vale Power Station	Community PV	Hydro	Nuclear	Wind	Solar	% Imported		
2017	50,733	–	119,402	196,062	–	–	86%	332,264	120
2018	105,444	110	106,993	160,416	–	–	72%	354,023	112
2019	199,139	123	112,980	64,151	–	–	47%	342,647	410
2020	22,783	369	200,942	–	81,430	64,328	94%	331,899	68

Import percentages



During 2020 all imported electricity bought in Europe was from renewable sources and is broken down in the above diagram by source type.

Health, safety and environmental performance

Nothing is more important than the safety of our employees, contractors and customers.

In May 2019, a 1,000,000 hours milestone was achieved without a "lost time injury" to employees. This is testament to the focus from the business over recent years where we have conducted a full review of our health and safety arrangements and rolled out a new Health, Safety and Environment ("HSE") management system aligned to ISO standards. It is a systematic, explicit and comprehensive process for managing safety risks befitting a modern organisation.

As a business we firmly believe that delivery of effective health, safety and environmental management systems makes not only sound business sense but ensures that our moral and legal obligations are met and are at the core of our operation for now and into the future.

We have invested our time in ensuring our HSE performance exceeds expectations and encourage all our colleagues to be involved in sound health, safety and environmental practice and management.

Community highlights

Playing an active part in the community is extremely important to Guernsey Electricity. All Guernsey residents are our customers, as are all of our employees. Supporting our community, whether that be financial or with our teams' skills is a key part of what we stand for.

We again sponsored the Safety Calling initiative, which teaches Year Six students how to handle an emergency situation and gives them a chance to make a 999 call to the emergency services.

In September 2019, a group of employees took part in the annual Beachwatch campaign at Bordeaux beach and Banque Imbert beach as part of the nationwide initiative. At Guernsey Electricity we feel it's important to look after our island and so do our employees, which is why we get involved with the coastal clean-up every year.

Last winter, we also supported the annual Be Safe Be Seen Campaign with local radio station Island FM.

To celebrate the switch to importing 100% renewable energy earlier in the period, Guernsey Electricity distributed over 2,000 packets of seeds of wildflower species through the 'hedge veg' stalls of its employees' homes dotted around the island.

Seeds of Change was a fun way of helping islanders reconnect with nature and make a difference to the wildlife in their gardens during the 'lockdown'.





Seeds were distributed to the public to celebrate "Renewables for All"



We also supported a local initiative which encouraged islanders during the month of September 2020 to 30 days of 30 ways to enjoy living more sustainably. The challenges include changes to grocery shopping, tips to use less energy, and opting to walk, cycle or taking the bus instead of a usual car journey.

As part of its commitment to building a strong community, Guernsey Electricity supported the new Guernsey festival of food, drink and artisanal crafts – 'Eat Drink & Be Local' – during the summer 2019.

We partnered with Guernsey Post to run an Eco-Schools Challenge to encourage local school children to consider how their schools could become more sustainable. Teams were tasked with putting forward creative ideas, plans of action and drawings or models.



'Be Safe Be Seen' public education campaign delivered in partnership with Island Fm



Winners of 2020s EcoSchools Challenge



Sustainability a public campaign to help the public reduce their personal environmental impact



2020 EcoSchools Challenge



Guernsey Electricity employees outside Electricity House and in the Power Station





Guernsey Electricity Employees in C station for the internal announcement on the switch of imported electricity to renewables

The team

This financial period has been extremely challenging for the team at Guernsey Electricity. The replacement of the subsea cable was a significant achievement. This success is made possible by not just the project team but also the wider business that supports our activities.

Of particular note were the significant efforts required by the power station and network teams to ensure our electricity supplies remained reliable. I would like to thank all of my colleagues who have engaged with and taken the company forward to deliver these outstanding contributions to the organisation and our community. Our employees remain dedicated to providing a high level of service to our customers and continue to deal with the future challenges we face, whilst striving to improve what we do today.

I continue to appreciate how all Guernsey Electricity employees operate professionally every day, remain loyal and committed to the company and bring our values to life through their behaviours and work.

I would also like to record recognition of the key role the Board and our shareholder, the STSB, has played in providing significant guidance whilst dealing with the challenges faced by the company over what continues to be a demanding period.

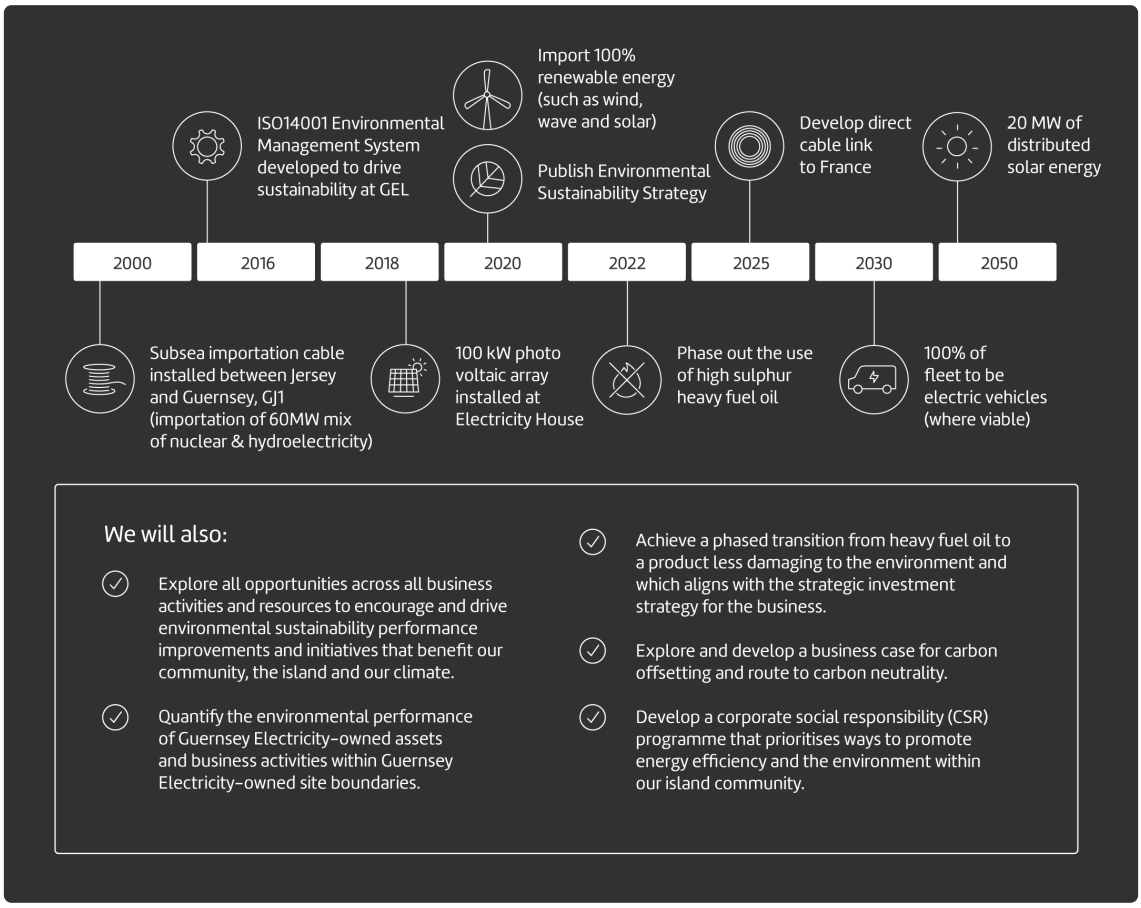
Environmental sustainability

Events over the last 18 months have brought into sharp focus the challenging yet exciting times ahead for Guernsey Electricity as we strive to balance environmental sustainability with the delivery of a safe, stable, value-for-money energy supply.

For the first time ever, the World Economic Forum's annual risk report has placed environmental related issues - including climate change, biodiversity loss and extreme weather events - top of the risk agenda; the United Nations has advised that "unprecedented changes are needed to reduce greenhouse gas emissions, requiring serious effort at every level of society".

Locally, the States of Guernsey has released the long-awaited Energy Policy, a Climate Change Policy and a revised Strategy for Nature for Guernsey, all signalling the need for businesses to take action.

Since the last reporting period, Guernsey Electricity has responded to these external drivers with the release of a 'Climate Change Statement' which highlights our commitment to support the energy sector in taking the lead in creating a more sustainable world in which to live and at the same time help tackle climate change. In parallel, we have reviewed and increased the ambition of our Environmental Sustainability Strategy and supporting objectives for 2020 – 2025; placing environmental sustainability firmly at the heart of the business.



GEL's glidepath to supporting the energy transition

Climate Change Statement

Our revised Environmental Sustainability Strategy presents how Guernsey Electricity intends to deliver on the Climate Change Statement across the business and includes the following targets designed to help shape our environmental journey:

- achieve ISO14001 Environmental Management System ("EMS") Certification;
- develop a Guernsey Electricity carbon reduction action plan and glidepath to align with the targets set within the Climate Change Policy;
- phase out carbon emissions from on-island generation.

Guernsey Electricity's carbon reduction journey started in 2000 with the installation of the subsea cable between Jersey and Guernsey, GJ1, which enabled 60MW of our 89MW maximum demand to then be imported. This greatly reduced the amount of energy that was generated on-island using fossil fuels and enabled Guernsey Electricity to select what type of energy was allocated from the French grid to supply to our customers.

In January 2020, Guernsey Electricity took the next step towards transitioning the island to a greener future by changing the type of energy allocation we source from France, previously a mix of nuclear and hydro, to 100% renewable energy such as solar, wind and hydro-electricity.

The next step along our environmental sustainability path over the next reporting period shall be to achieve certification of our (currently aligned) ISO14001 EMS. Putting in place an externally validated EMS will give us the assurance that we have in place the best system we can to drive environmental sustainability performance improvements and initiatives across the business which shall in turn benefit our community, the island and our climate.









Guernsey Electricity's Climate Change statement which was published in the Environmental Sustainability Strategy alongside the switch to imported renewable energy



NKT Victoria the vessel used to replace the GJ1 cable



NKT Victoria at sunrise in Havelet Bay



On board the NKT Victoria when the cable laying operation is underway



The cable being loaded onto the NKT Victoria in Sweden

GJ1 replacement project

Following another failure of our subsea cable in 2018, GJ1, that connects us directly to the European grid via Jersey, we were met with significant operational, financial, and environmental challenges when further inherent faults within the cable were discovered.

This resulted in an inability to operate the cable above 25% of its designed capacity, compromising reliability and security of supply. The shortfall in electricity demand had to be generated at the power station, which brought an additional generation cost of circa £10m and produced an associated 216,000 tonnes of carbon dioxide.

Following the repair in October 2018 (and the two previous repairs in 2012 and 2014) and considering the impact of ongoing reduced import capacity, replacing the subsea section was concluded to be the only option available to provide a reliable solution. Therefore, in early 2019, the replacement project was initiated.

Contracts were signed in March 2019 to secure a manufacturing slot and installation for that calendar year.

The project presented complex challenges, including weather and tidal conditions, but thanks to the hard work of all teams at Guernsey Electricity, our main subcontractors and the cable manufacturer NKT, the replacement was installed and in operation by autumn 2019. Importantly, this was completed in time to provide a reliable energy supply over the 2019-2020 winter period.

We are proud to have completed the replacement of the cable in such a short timeframe, allowing Guernsey to return to importing more than 90% of its electricity from sustainable sources and for the power station to return to its back-up role.

The support we received for the project from local stakeholders and the general public in both Guernsey and Jersey was greatly appreciated.

The failure of GJ1 reinforces the importance of securing a diverse and sustainable supply of electricity for Guernsey and reducing our reliance on fossil fuels through our on-island generation option.

Directors' report

The directors present their report and the audited financial statements for the 18-month period ended 30 September 2020. These comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, the cash flow statement and notes to the financial statements set out on pages 33 to 65.

Incorporation

Guernsey Electricity Limited (the "company") was incorporated on 24 August 2001.

Principal activities

The principal activities of the company are the generation, importation and distribution of electricity and the sale of associated goods and services.

Dividend

No dividend was paid during the period (31 March 2019: £nil paid), representing £nil per share (31 March 2019: £nil per share paid). The company will not be proposing a dividend at the 2021 Annual General Meeting (2019: £nil proposed).

Customers

The number of customers as at 30 September 2020 is 30,859 (31 March 2019: 30,678).

Units

Importation through the cable link between Guernsey, Jersey and the European grid provided 74% (31 March 2019: 55%) of the island's electricity needs in the 18-month period ended 30 September 2020 and 26% (31 March 2019: 45%) was generated on the island, as shown by the units analysis below:

	30 Sept 2020	31 Mar 2019
Units imported MWh	**394,069**	203,968
Units generated MWh	**137,809**	165,043
Total units imported/generated MWh	**531,878**	369,011

Average price

The average price per kWh sold in the period ended 30 September 2020 was 15.10 pence (31 March 2019: 14.54 pence).

Reliability

The reliability of Guernsey Electricity's supply is measured by minutes lost per customer. Power outages can be caused by failures of generators, the distribution network or the cable link. In the 18-month period ended 30 September 2020, customers lost 21.51 minutes due to generation/importation activity (31 March 2019: 31.68 minutes) and 32.19 minutes were lost per customer in respect of distribution (31 March 2019: 35.13 minutes).

Directors and their interests

The directors of the company, who served during the period and to date, are as detailed on page 2.
The directors have no beneficial interests in the shares of the company.

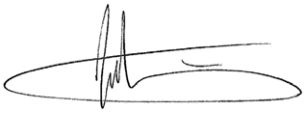
Disclosure of information to auditor

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

Auditor

Ernst & Young LLP (EY) have expressed their willingness to continue in office as auditor and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

For and on behalf of the Board of Directors.



IA Hardman

Director



AM Bates

Director

20 April 2021

Corporate governance

As a Board we take corporate governance very seriously. We make significant investments in our governance and compliance systems and the training of our people to ensure these systems are running effectively.

Guernsey Electricity's corporate governance arrangements are based on the proportionate and relevant application of good practice.

The Board

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

Division of responsibilities

Chairperson

Ian Hardman, the Chairperson, is responsible for the running of the Board and spends on average 1.5 days per week in his role. The Board consider that he has no other external directorships which make conflicting demands on his time as Chairperson. Gillian Browning is the Deputy Chairperson appointed by the Board.

Chief Executive

Alan Bates is the Chief Executive Officer and is responsible for running the company's business and is head of the Executive Leadership Team ("ELT").

Executive Directors

The Chief Financial Officer and Deputy Chief Executive Officer, Julian Turner and Chief Operating Officer, Sally-Ann David are the other two Executive Directors on the Board and ensure the company's financial and operational objectives are delivered and the governance and compliance systems are working effectively.

Non-Executive Directors

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

The Shareholder

Guernsey Electricity Limited is 100% owned by the States of Guernsey, through the States Trading and Supervisory Board. There is a Memorandum of Understanding between the shareholder and the company setting out matters which can be dealt with by the company and those which should be referred back to it together with inclusion of the shareholder expectations in respect of corporate governance.

How the Board operates

Board balance and independence

Throughout the financial period the company has had a balance of independent Non-Executive Directors on the Board who ensure that no one person has disproportionate influence. There are currently six Non-Executive Directors and three Executive Directors on the Board.

All of the Non-Executive Directors bring with them significant commercial experience from different industries, which ensures that there is an appropriate balance of skills on the Board.

Robert Dutnall and Robert Lawrence retired from the Board on 15 October 2019 and 15 September 2020 respectively. Ian Chapman and Tania Songini both joined the Board on 15 September 2020.

Information and professional development

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

All newly appointed directors participate in an internal induction programme that introduces the director to the company and key stakeholders.

The Company Secretary, who is appointed by the Board is responsible for facilitating compliance with Board procedures. This includes recording any concerns relating to the running of the company or proposed actions arising there from, that are expressed by a director in a Board meeting. The Company Secretary is also Secretary to all of the Board's Sub-Committees.

Board meetings and attendance

Attendance during the financial period for Board meetings is given in the table below:

Director	Meetings attended	Total meetings held
IA Hardman	**8**	**8**
AM Bates	**8**	**8**
JPC Turner	**8**	**8**
S-A David	**8**	**8**
RP Lawrence (retired by rotation 15 September 2020)	**7**	**7**
RJ Dutnall (retired by rotation 15 October 2019)	**3**	**3**
RL Denton	**8**	**8**
GM Browning	**8**	**8**
P Shaefer	**8**	**8**
I Chapman (appointed 15 September 2020)	**1**	**1**
T Songini (appointed 15 September 2020)	**1**	**1**

Board strategy

The Board meets once a year for the Board Strategy Day, attended by the ELT and other senior employees to agree strategic priorities for the next three years and to provide direction on key issues to the ELT. The Board also meets annually for the Board Risk Review Session. The company's top strategic risks and annual risk actions, as proposed by the ELT are reviewed and approved by the Board, thereby setting the company's risk management strategy for the year.

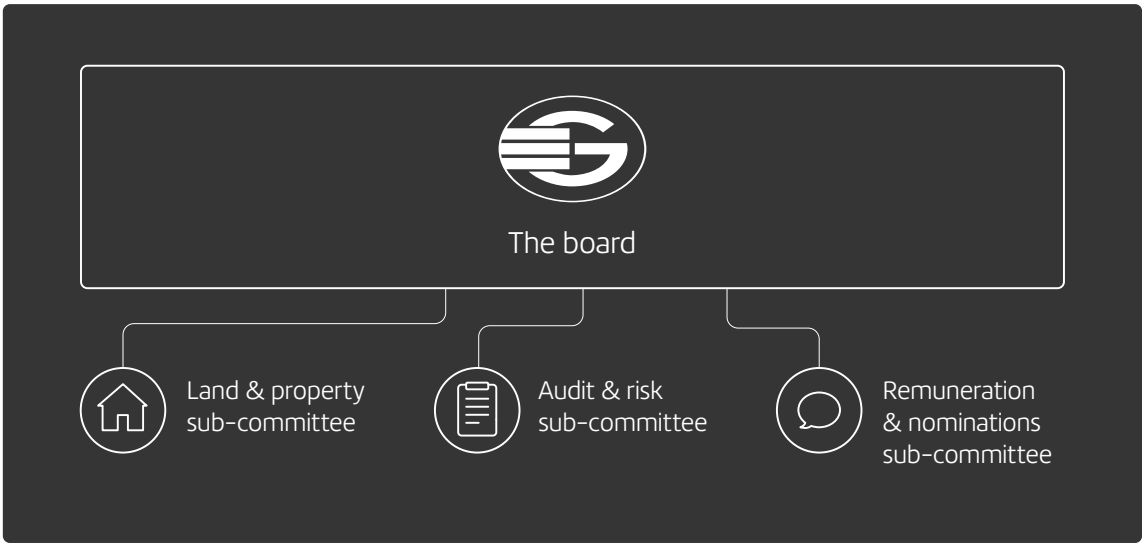
Key areas of focus for the Board

The principle areas of strategic focus and development agreed by the Board and monitored throughout the financial period were:

- Guernsey to France interconnector cable (GF1)
- Network investment programme and funding
- Enterprise Resource Planning ("ERP") system
- Regulatory framework

How we are governed

In addition to regular scheduled Board meetings, the Board has delegated some of its governance responsibilities to various Sub-Committees. Each of the committees has Terms of Reference agreed by the Board.



Remuneration & Nominations Sub-Committee

The Remuneration & Nominations Sub-Committee, which is chaired by Gillian Browning, consists solely of a minimum of two Non-Executive Directors. The purpose of the Remuneration & Nominations Sub-Committee is to assist the Board in the effective discharge of its responsibilities for the remuneration and other employment conditions of Executive Directors and senior management and to act as a Nominations Sub-Committee as the need arises.

No director is permitted to be involved in deciding the amount of his or her own remuneration.
The Remuneration & Nominations Sub-Committee considers that the policy and procedures in place provide a level of remuneration for the directors which is both appropriate for the individuals concerned and in the best interests of the shareholder.

There were eight Remuneration & Nominations Sub-Committee meetings held in the financial period.

The membership of this Sub-Committee during the financial period was as follows.

Chairperson: GM Browning (from 26 November 2019)
RP Lawrence (until 26 November 2019)

Members: IA Hardman
GM Browning (until 26 November 2019)
RP Lawrence (from 26 November 2019 until 15 September 2020)

Audit & Risk Sub-Committee

The purpose of the Audit & Risk Sub-Committee is to assist the Board of Directors of Guernsey Electricity Limited in the effective discharge of the Board's responsibilities for risk management, financial reporting and internal control in order to ensure high standards of probity and good corporate governance. In doing so, the Audit & Risk Sub-Committee is required to act independently of the executive and seek to safeguard the interest of the company shareholder.

Whilst the Sub-Committee has no executive powers, it has wide ranging terms of reference and reports to the Board on a regular basis.

The Audit & Risk Sub-Committee members comprise Non-Executive Directors. Rick Denton is the Chairperson of the Audit & Risk Sub-Committee and the Board is satisfied that the Sub-Committee has through its membership, access to recent and relevant experience to enable the duties of the Sub-Committee to be fully discharged.

There were nine Audit & Risk Sub-Committee meetings in the financial period, all attended by the company's Head of Risk & Compliance, Rob Winter and attendance at one meeting by representatives from RSM UK, the company's main external provider of business assurance and internal audit services.

The membership of this Sub-Committee during the financial period was as follows:

Chairperson: RL Denton (from 5 November 2019)
RJ Dutnall (until 15 October 2019)

Members: IA Hardman (until 1 May 2019)
RL Denton (until 5 November 2019)
RP Lawrence (from 26 November 2019 until 15 September 2020)
P Shaefer

Land & Property Sub-Committee

Julian Turner is the Chairperson of the Land & Property Sub-Committee. The main terms of reference for this Committee are to review and approve all routine property transactions undertaken by the company up to a limit set by the Board and to undertake such other tasks relating to land and property as directed by the Board. This Sub-Committee comprises the Chairperson of the Board together with all of the Executive Directors. There were eleven Land & Property Sub-Committee meetings held in the financial period.

Relations with the shareholder

The company's issued share capital is wholly owned by the States of Guernsey. The States Trading Companies (Bailiwick of Guernsey) Ordinance, 2001, as amended, provided for the States of Guernsey Advisory & Finance Committee (subsequently the Treasury & Resources Department) to undertake, on behalf of the States, the role of shareholder representative.

Following the re-organisation of the States of Guernsey and the introduction of "The Organisation of States' Affairs (Transfer of Functions) Ordinance 2016" and the General Election of Deputies held in April 2016, the powers, duties and responsibilities of the Treasury & Resources Committee in relation to the company were transferred to the States Trading Supervisory Board. The shareholder functions, including holding equally the issued share capital of the company in trust on behalf of the States of Guernsey, of the Minister and Deputy Minister of the Treasury & Resources Department have also been transferred to the President and Vice President of the States Trading Supervisory Board by virtue of section 1.(1) The Organisation of States' Affairs (Transfer of Functions) Ordinance 2016.

Provision is also in place for the States to give guidance to the States Trading Supervisory Board on the policies it wishes to be pursued in fulfilling its role. Each year, the company submits its forward plan to the States Trading Supervisory Board. In addition, the company has signed a Memorandum of Understanding with the States' shareholder representative concerning the manner in which the company and its shareholder's representatives will interact in respect of stewardship and corporate governance matters generally.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial period. Under that law, they have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland and applicable company law.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the company and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website, and for the preparation and dissemination of financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Opinion

We have audited the financial statements of Guernsey Electricity Limited ("the Company") for the period ended 30 September 2020, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and notes 1 to 24 to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2020 and of the Company's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standards" applicable in UK and Ireland; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ("FRC") Ethical Standards, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors' have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors' Report but does not include the financial statements or our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters for which we are required to report by exception

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

- proper accounting records have not been kept by the company; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 30, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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



Ernst & Young LLP
Guernsey, Channel Islands

Date: 5 May 2021

Notes:

1. The maintenance and integrity of the Guernsey Electricity Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of comprehensive income

for the period ended 30 September 2020

	Note	**30 Sept 2020 £'000**	31 Mar 2019 £'000
Revenue	*4*	**81,437**	54,920
Cost of sales		**(70,487)**	(52,216)
Gross profit		**10,950**	2,704
Net operating expenses		**(19,925)**	(10,455)
Operating loss before pension settlement		**(8,975)**	(7,751)
Pension settlement gains	*21*	**1,070**	18,194
Operating (loss)/profit after pension settlement	*5*	**(7,905)**	10,443
Net gains/(losses) on derivatives at fair value	*20*	**1,373**	(464)
Finance income	*6*	**169**	167
Finance cost	*6*	**(1,013)**	(257)
Other finance cost	*21*	**(278)**	(568)
(Loss)/profit on ordinary activities before taxation		**(7,654)**	9,321
Taxation	*7, 13*	**1,757**	(1,746)
(Loss)/profit for the financial period after taxation		**(5,897)**	7,575
Other comprehensive income:			
Effective portion of changes in fair value of cashflow hedges	*20*	**(414)**	(103)
Remeasurement of net defined benefit liability	*13,21*	**(8,232)**	8,906
Total comprehensive income for the financial period		**(14,543)**	16,378

All activities derive from continuing operations.

The notes on pages 37 to 65 form an integral part of these financial statements.

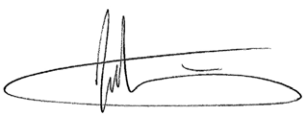
Statement of financial position

at 30 September 2020

	Note	**30 Sept 2020** **£'000**	31 Mar 2019 £'000
Non-current assets			
Property, plant and equipment	*9*	**150,747**	133,852
Investments	*10*	**5**	5
		150,752	133,857
Current assets			
Inventories	*11*	**6,198**	6,963
Trade and other receivables	*12*	**14,179**	12,669
Balances with States Treasury	*14*	**23**	7,295
Cash		**4,855**	1,125
		25,255	28,052
Current liabilities			
Trade and other payables: amounts falling due within one year	*15*	**(15,823)**	(18,905)
Net current assets		**9,432**	9,147
Total assets less current liabilities		**160,184**	143,004
Non-current liabilities			
Trade and other payables: amounts falling due after more than one year	*16*	**(47,773)**	(26,264)
Pension deficit	*21*	**(18,815)**	(8,601)
Net assets including pension deficit		**93,596**	108,139
Equity			
Share capital	*17*	**105,209**	105,209
Reserves		**(11,613)**	2,930
Total equity		**93,596**	108,139

The financial statements on pages 33 to 65 were approved by the Board of Directors on 20 April 2021.

Signed on behalf of the Board of Directors





IA Hardman Director

AM Bates Director

The notes on pages 37 to 65 form an integral part of these financial statements.

Statement of changes in equity

for the period ended 30 September 2020

	Share capital £'000	Reserves £'000	Total equity £'000
1 April 2018	**105,209**	**(13,448)**	**91,761**
Profit for the financial year	–	7,575	7,575
Other comprehensive income for the year			
Remeasurement of net defined benefit liability	–	8,906	8,906
Effective losses on hedging instruments in a cash flow hedge	–	(103)	(103)
Total comprehensive income for the year	**–**	**16,378**	**16,378**
31 March 2019	**105,209**	**2,930**	**108,139**
Loss for the period	–	(5,897)	(5,897)
Other comprehensive income for the period			
Remeasurement of net defined benefit liability	–	(8,232)	(8,232)
Effective losses on hedging instruments in a cash flow hedge	–	(414)	(414)
Total comprehensive income for the period	**–**	**(14,543)**	**(14,543)**
30 September 2020	**105,209**	**(11,613)**	**93,596**

Cash flow statement

for the period ended 30 September 2020

	Note	**30 Sept 2020 £'000**	31 Mar 2019 £'000
Net cash inflow from operating activities	*18*	**8,646**	5,130
Cash flow from investing activities			
Finance income		**169**	168
Payments to acquire property, plant and equipment		**(33,196)**	(11,612)
Proceeds of disposal of property, plant and equipment		**19**	18
Customers' contributions towards capital expenditure		**259**	58
Net cash outflow from investing activities		**(32,749)**	(11,368)
Cash flow from financing activities			
Finance cost		**(1,050)**	(159)
Amounts drawn under credit facilities		**28,000**	22,000
Amounts repaid under credit facilities		**(6,417)**	(14,000)
Net cash inflow from financing activities		**20,533**	7,841
(Decrease)/increase in cash and cash equivalents during the period		**(3,570)**	1,603
Cash and cash equivalents at the beginning of the period		**8,420**	6,842
Exchange gains/(losses) on cash and cash equivalents		**28**	(25)
Cash and cash equivalents at the end of the period		**4,878**	8,420
Cash and cash equivalents consists of:			
Balances with States Treasury	*14*	**23**	7,295
Cash		**4,855**	1,125
		4,878	8,420

Movements in balances with States Treasury (note 14) and the other income are deemed cash equivalents in accordance with section 7 of FRS 102 (Statement of Cash Flows).

The notes on pages 37 to 65 form an integral part of these financial statements.

Notes to the financial statements

Period ended 30 September 2020

1. General information

Guernsey Electricity Limited was incorporated on 24 August 2001 and is registered in Guernsey. The company is governed by the provision of the Companies (Guernsey) Law, 2008. The address of its registered office is PO Box 4, Electricity House, North Side, Vale, Guernsey, GY1 3AD.

The company was established in accordance with the provisions of the States Trading Companies (Bailiwick of Guernsey) Law 2001 (Commencement) Ordinance and the States Trading Companies (Bailiwick of Guernsey) Ordinance 2001 to take over the generation, importation and distribution of electricity previously carried out by the States of Guernsey Electricity Board with effect from 1 February 2002.

The principal activities of the company are the generation, importation and distribution of electricity and the sale of associated goods and services.

The company is classified as a Public Benefit Entity given that its primary objective is to seek value and an appropriate return that provides best value to the island's economy whilst striking a balance with its enabling role in supporting the social, economic and environmental objectives for the long-term benefit of the island and its community.

2. Statement of compliance

The financial statements give a true and fair view, have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, ''The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland'' (''FRS 102'') and are in compliance with the Companies (Guernsey) Law, 2008.

3. Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the financial periods presented, unless otherwise stated.

Basis of preparation

As reported in last year's financial statements, the Board of Guernsey Electricity approved a change in fiscal date from 31 March to 30 September. This change in fiscal date aids business forecasting and reduces period end unbilled revenue estimation as the higher winter consumption periods move towards the beginning of the financial period. This accounting period is therefore a transitionary 18-month period from 1 April 2019 to 30 September 2020. Consequently, this financial period's results are not directly comparable with the results of the previous 12-month period. The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost convention as modified by the fair value for derivative financial instruments.

Going concern

On the basis of their assessment of the company's financial position and resources, the directors believe that the company is well placed to manage its business risks.

The company holds credit loan facilities with total facility limits of £63m of which £19m remains available to draw down as at 30 September 2020 as set out in the table below:

3. Principal accounting policies – *(continued)*

Going Concern – (continued)

Credit Facility	Facility Limit	Term	Expiry	Drawn down as at 30 Sept 2020	Available to draw
RBSI Revolving Credit Facility	£20m (with option to increase to £35m)	5 years	2 October 2023	£16m	£19m
RBSI Term Loan	£15m	10 years	31 May 2029	£14.58m	-
States of Guernsey Bond	£13m	25 years	30 June 2045	£13m	-
Total	£63m			£43.58m	£19m

The company undertakes active monitoring of its loan covenants, maintaining sufficient headroom to ensure compliance and management have mitigating measures to deploy in order to avoid any potential breach.

The Guernsey Competition and Regulatory Authority ("GCRA") have approved historic cost recoveries of 6.8% and 4.8%, effective from 1 July 2019 and 1 September 2020 respectively, each applicable for three years from commencement to cover increased foreign exchange and commodity costs. These rises enable Guernsey Electricity to recover the uncontrollable costs related to the periods 1 April 2017 to 31 March 2019 and 1 April 2019 to 31 March 2020 respectively, created by increases in external costs to import electricity and generate on-island.

On 11 March 2020, the World Health Organisation declared Coronavirus ("COVID-19") as a global pandemic. Subsequently, on 25 March 2020 the States of Guernsey imposed universal lockdown restrictions on islanders and businesses, which lasted in some form until June 2020. A second COVID-19 related lockdown was imposed in the island on 23 January 2021 with relaxations to exit lockdown measures commencing on 22 February 2021. All operational and financial projections for the company have reflected on these events and the continuing circumstances of the pandemic, and as at the date of approval of these financial statements, the overall prospective impacts are considered to be manageable.

Therefore, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing these financial statements.

Revenue

a) Sales of electricity

Sales of electricity are accounted for on an accruals basis and include the estimated value of unbilled units at the period end. The unbilled units are valued at current tariff rates.

b) Sales of goods, commercial and hire purchase

The company operates a retail sales section offering white and brown goods to customers across the Bailiwick of Guernsey. Sales of goods are recognised on sale to the customer, as this is the point at which the company recognises the transfer of risks and rewards.

The company operates a commercial contracting section providing electrical and plumbing services to domestic, commercial and industrial clients. Revenue is recognised as the service is provided.

3. Principal accounting policies – *(continued)*

Revenue – (continued)

The company provides hire purchase facilities on the provision of goods and services ancillary to the principal activities of the company. The sales value is included in revenue at the inception of the hire purchase transaction and interest is included in finance income over the finance period of the transaction on an effective interest rate basis.

c) Rental income

Rental income is accrued on a time basis by reference to the agreements entered.

d) Deferred income

Customers' contributions towards capital expenditure are credited in equal annual amounts to the statement of comprehensive income over the estimated life of the assets to which they relate.

e) Other income

This represents minor income streams including, but not limited to, consultancy services and discounts received. These sales are valued as the service is provided or receipt is due.

Employee benefits

The company provides a range of benefits to employees, including a defined benefit pension plan and holiday pay. The defined benefits pension plan was closed to new members from 1 October 2017. A new defined contributions pension plan was set up to receive members from 1 April 2018.

a) Short-term benefits

Short-term employee benefits such as salaries and compensated absence are recognised as an expense in the period employees render services to the company. Holiday leave accruals are recognised at each balance sheet date to the extent that employee holiday allowance has been accrued but not taken, the expense being recognised as staff costs in the statement of comprehensive income.

b) Pension costs

The employees' pension scheme is a defined benefits scheme. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date.

The company applies employee benefits, Section 28 of FRS 102. In so doing, current service cost and any past service cost is charged to the statement of comprehensive income, together with finance costs/income for the scheme which are charged/credited to the statement of comprehensive income. The difference between the expected and actual actuarial gains and losses are charged to other comprehensive income. Annually, the company engages independent actuaries to calculate the defined benefit obligation. The present values of the defined benefit obligation, the related current service cost and any past service costs (if applicable) were measured using the projected unit method. Full actuarial valuations are carried out on a triennial basis and annual updates are carried out to disclose the values and assumptions in accordance with Section 28 of FRS 102.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

3. Principal accounting policies – *(continued)*

Employee benefits – (continued)

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

(i) the increase in pension benefit liability arising from employee service during the period; and

(ii) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as 'Other finance cost'.

This defined benefits scheme was closed to new members from 1 October 2017. A new defined contributions scheme was established and there were 44 members as at 30 September 2020 (31 March 2019: 10 members).

Leases

Operating lease rentals are charged to the statement of comprehensive income in equal annual amounts over the lease term.

Finance income/cost

Finance income and finance costs are accounted for on an accruals basis using the effective interest rate.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

a) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the period or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

b) Deferred taxation

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference. The pension scheme deficit shown in the accounts is gross of the deferred tax asset.

3. Principal accounting policies – *(continued)*

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Assets transferred from the States of Guernsey Electricity Board as at 1 February 2002 are being depreciated over their residual estimated useful lives from that date applying the periods noted overleaf. Property, plant and equipment is derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the statement of comprehensive income and included within the operating profit.

Depreciation is calculated so as to write off the cost of property, plant and equipment over the period of their estimated useful lives using the straight-line method. The estimated life of each class of non-current asset is set out below. The estimated life of associated assets within each category are aligned to the remaining useful lives of the major asset to which they are associated with and therefore individual assets may have lives up to, but not exceeding, the time periods noted below. Depreciation commences in the period of acquisition, or on completion of construction. Any shortfall of depreciation arising on the disposal, or write-off, of non-current assets is charged to the disposals account and any proceeds arising from the disposal are credited to that account. Land is not depreciated. Major overhauls of generating assets are treated as separate components and depreciated on the basis of elapsed running hours for the relevant asset.

The estimated lives are as shown below:

		Estimated life in hours	Estimated life in years
Buildings			40
Buildings equipment			10
Cable link			25 - 30
Plant and machinery:	- Generation		20 - 35
	- Overhauls	24,000	
	- Distribution		20 - 35
	- Street lights		20
Distribution network comprising:	- Distributors		75
	- Meters		5 - 15
	- Cyclocontrol receivers		5
Motor vehicles			7
Furniture and equipment			3 - 10
Minor plant			5 - 10

3. Principal accounting policies – *(continued)*

Joint arrangements

The Channel Islands Electricity Grid Limited is a jointly controlled operation between Jersey Electricity plc and Guernsey Electricity Limited who each own an equal 50% shareholding. The company was formed to manage the cable link project and the ongoing operation of the cable links between Guernsey, Jersey and France. In accordance with Section 15 of FRS 102, "Investments in joint ventures", these financial statements include the company's entitlement to the assets, liabilities, cash flows and the shared items of this Joint Arrangement where the company's entitlements are fully determined by contracts with the other party to the jointly controlled operation.

The Channel Islands Electricity Grid Limited is considered to meet the definition of a jointly controlled operation. As a result, for its interest in the Channel Islands Electricity Grid Limited, Guernsey Electricity Limited recognises the following in its financial statements in accordance with FRS 102, paragraph 15.5:

(a) the assets that it controls and the liabilities that it incurs; and

(b) the expenses that it incurs and its share of any income earned by the joint venture.

The jointly controlled operation assets are included within property, plant and equipment.

Impairment of non-financial assets

At each statement of financial position date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset or asset's cash generating unit ("CGU") may be impaired. If there is such an indication the recoverable amount of the asset or CGU is compared to the carrying amount of the asset or CGU. The recoverable amount of the asset or CGU is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's or CGU continued use.

The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset or CGU is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the statement of comprehensive income.

If an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income.

Inventories

Inventories are valued at the lower of cost and estimated selling price less cost to complete and sell. Inventories are valued at weighted average cost. In respect of goods held for resale, a provision is made based on the time elapsed since the goods were purchased. Provision is made for other inventories relating to strategic plant, based upon the remaining useful economic life of the assets to which they relate. The cost of work in progress includes costs directly related to the units of production and a systematic allocation of fixed and variable production overheads. Inventories are recognised as a cost of sale in the period in which the related revenue is recognised.

3. Principal accounting policies – *(continued)*

Inventories – (continued)

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of comprehensive income. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of comprehensive income.

Foreign exchange

a) Functional and presentation currency

The company's functional and presentation currency is Pounds Sterling, being the primary economic environment in which the company operates. All amounts in the financial statements have been rounded to the nearest £1,000.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period-end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Financial instruments

a) Financial assets

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets, including receivables and cash and bank balances, are initially recognised at transaction price plus transaction costs, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

3. Principal accounting policies – *(continued)*

Financial instruments – (continued)

b) Financial liabilities

Basic financial liabilities, including trade and other payables and short-term loans, are initially recognised at transaction price less transaction costs, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

c) Derivatives

Derivatives, including interest rate swaps, heavy fuel oil commodity swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in the statement of comprehensive income, except when applying hedge accounting.

The company enters into forward exchange contracts to mitigate the risk of fluctuations in the currency rate between the Euro and Sterling in meeting its financial obligations for the import of electricity units from the European grid and on major infrastructure projects. The company does not hold or issue financial instruments for speculative purposes. The company also hedges against the fluctuation in the price of heavy fuel oil, including the movement in the US Dollar, which is inherent in the pricing.

These contracts are measured at fair value utilising the third-party market valuations provided by the relevant counterparties on the basis of 'exit' model methodologies.

The company applies hedge accounting for its foreign exchange hedging of the Euro exposure for the import of electricity. These relationships are designated as cash flow hedges of highly probably forecast transactions. The fair value of these hedges is shown in note 20. Changes in the fair value of derivative financial instruments which are designated as highly effective hedges of future cash flows are recognised directly in other comprehensive income and any ineffective portion is recognised immediately in profit or loss in the statement of comprehensive income. When hedges mature, amounts deferred in other comprehensive income are recognised in profit or loss in the statement of comprehensive income in the same period as the hedged item. The risks being hedged are as outlined above. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Until that time, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is kept in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss that has been recognised in other comprehensive income is transferred to profit or loss in the statement of comprehensive income.

3. Principal accounting policies – *(continued)*

Financial instruments – (continued)

d) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents include cash at bank, balances with States Treasury, highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within trade payables in current liabilities.

Critical accounting judgements and estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(i) Revenue

Sales of electricity include an estimate for the value of unbilled units at the end of each financial period which represents the estimated units consumed by customers since the last billing date. These unbilled units are valued at current tariff rates. See note 4 for the value of unbilled units included in sales of electricity.

(ii) Property, plant and equipment (note 9)

a) Recognition

The costs of property, plant and equipment are only recognised as an asset when there is sufficient certainty that the asset will be completed. For significant projects, an assessment is made at least annually, or at the time of key project milestones, and the associated costs are recognised in the statement of comprehensive income until such time that management considers it probable that the project will proceed to completion.

b) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 9 for the carrying amount of the property, plant and equipment.

3. Principal accounting policies – *(continued)*

Critical accounting judgements and estimation uncertainty – (continued)

c) Impairment/disposals

At each statement of financial position date, non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset or CGU may be impaired. If there is such an indication, an estimation of the recoverable amount of the asset or CGU is determined which requires estimation of the future cash flows from the asset or CGU and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

(iii) Retirement benefit obligations – for details and assumptions see note 21

(iv) Deferred tax/unrelieved trading losses – for details and assumptions see note 7

4. Revenue

	30 Sept 2020 £'000	31 Mar 2019 £'000
Sales of electricity	**74,606**	50,182
Sale of goods, commercial and hire purchase	**5,940**	4,048
Rental income	**371**	247
Deferred income	**283**	182
Other income	**237**	261
	81,437	54,920

All sales of electricity arise from customers in the island of Guernsey. Sales of goods, commercial and hire purchase are made to customers throughout the Bailiwick of Guernsey. As stated in the accounting policy for sales of electricity, at the end of each financial period, an estimate of the unbilled units is determined.

The value of unbilled units included in sales of electricity above is £4,774,000 (31 March 2019: £6,706,000).

5. Operating (loss)/profit

Operating (loss)/profit is after charging/(crediting)

		30 Sept 2020 £'000	31 Mar 2019 £'000
Depreciation (note 9)		**11,069**	7,736
Impairment		**–**	3,367
Pension settlement gain (note 21)		**(1,070)**	(18,194)
Rentals under operating leases		**179**	124
Auditor's remuneration	- statutory audit	**125**	43
	- non-audit services	**–**	-
Bad debts		**437**	100
Director fees, salaries and other benefits		**1,438**	930
Regulatory costs	- external	**102**	60
	- internal	**127**	45
Loss on disposal of assets		**24**	45

The amount of inventories recognised as an expense during the period is as follows:

	30 Sept 2020 £'000	31 Mar 2019 £'000
Inventory write-offs	**63**	19
Inventory discrepancies	**31**	5
Inventory provision	**282**	10

6. Finance and income cost

	30 Sept 2020 £'000	31 Mar 2019 £'000
Finance income:		
Deposits with banks and States Treasury	**93**	23
Hire purchase	**76**	144
	169	167
Finance cost:		
Medium-term credit facilities	**669**	255
Long-term credit facility	**335**	–
Other interest payable	**9**	2
	1,013	257

7. Taxation

The company's profits, or losses, from the activities subject to licence from the Guernsey Competition and Regulatory Authority will be chargeable to tax at the company higher rate of 20%, as will rental income from Guernsey properties. For all other company activities, the company standard rate of 0% is applicable. The tax adjusted profits of the company have been determined so that the appropriate amounts are taxed at the applicable rate.

The basis of assessment to Guernsey tax continues to be on an actual current period basis. The assessable profits for the current period have been offset against the unrelieved trading losses and excess capital allowances carried forward from prior years.

Deferred tax in the financial statements is measured at the actual tax rates that are expected to apply to the income in the periods in which the timing differences are expected to reverse. Various rates of income tax are applied depending on the activity of the company. The rate applied in relation to the company's activities is a combination of the company standard rate and the company higher rate. Deferred tax has been provided on timing differences depending on which rate they are expected to reverse out in the future. Where deferred tax balances relate to items which may be taxed at either 20% or 0% a blended rate of 12.2636% (31 March 2019: 15.0178%) has been used to provide for deferred tax. The blended rate has been calculated by reference to the company's effective rate of tax in the period ended 30 September 2020.

The actual tax (credit)/charge differs from the expected tax (credit)/charge computed by applying the higher company rate of Guernsey income tax of 20% as follows:

7. Taxation – *(continued)*

	30 Sept 2020 £'000	31 Mar 2019 £'000
(Loss)/profit on ordinary activities before taxation	**(7,654)**	9,321
Tax (credit)/charge at 20%	**(1,531)**	1,864
Effects of adjusting items:		
Income not taxable	**(428)**	(366)
Disallowed items	**5**	9
Income taxable at the company standard rate (0%)	**(196)**	(137)
Short-term timing differences (pension taxed at blended rate)	**299**	293
Short-term timing differences (other)	**94**	83
Tax (credit)/charge in the statement of comprehensive income	**(1,757)**	1,746

The tax (credit) / charge relates to changes in deferred tax and there is no tax payable for the current period.

8. Dividend

No dividend was paid during the period (31 March 2019: £nil paid), representing £nil per share (31 March 2019: £nil per share paid). The company will not be proposing a dividend at the 2021 Annual General Meeting (2019: £nil proposed).

9. Property, plant and equipment

Cost	1 April 2019 £'000	Additions £'000	Written off/ disposals £'000	**30 Sept 2020 £'000**
Land and buildings	35,307	382	8	**35,681**
Cable link	66,656	17,896	–	**84,552**
Plant and machinery:				
- Generation	63,138	1,792	22	**64,908**
- Distribution	15,130	1,526	–	**16,656**
Distribution network	42,178	3,905	165	**45,918**
Motor vehicles, furniture and equipment, minor plant	8,872	2,507	77	**11,302**
	231,281	28,008	272	**259,017**

Depreciation	1 April 2019 £'000	Charge for the period £'000	Written off/ disposals £'000	**30 Sept 2020 £'000**
Land and buildings	15,136	1,409	8	**16,537**
Cable link	27,733	3,185	–	**30,918**
Plant and machinery:				
- Generation	29,816	3,607	20	**33,403**
- Distribution	5,035	700	–	**5,735**
Distribution network	15,151	1,274	138	**16,287**
Motor vehicles, furniture and equipment, minor plant	4,558	894	62	**5,390**
	97,429	11,069	228	**108,270**
Net book value	133,852			**150,747**

Included above are assets in the course of construction of £9,241,000 (31 March 2019: £14,627,000), which are not depreciated.

10. Investments

	30 Sept 2020 £'000	31 Mar 2019 £'000
Channel Islands Electricity Grid Limited	**5**	5

The Channel Islands Electricity Grid Limited is incorporated in Jersey and is a joint arrangement between Guernsey Electricity Limited and Jersey Electricity plc who each own an equal 50% shareholding. The company was formed to manage the cable link project and the ongoing operation of the cable links between Guernsey, Jersey and France. Guernsey Electricity Limited holds 5,000 Ordinary shares of £1 each.

11. Inventories

	30 Sept 2020		31 Mar 2019	
	£'000	**£'000**	£'000	£'000
Fuel inventories		**2,764**		3,215
Purchased goods for resale	**224**		245	
Provision	**(11)**	**213**	(8)	237
Other inventories	**5,476**		5,486	
Provision	**(2,519)**	**2,957**	(2,240)	3,246
Work in progress		**264**		265
		6,198		6,963

The replacement cost of inventories was lower than the statement of financial position carrying amounts as follows:

	30 Sept 2020 £'000	31 Mar 2019 £'000
Fuel inventories	**(509)**	(38)

There is no significant difference between the replacement cost of purchased goods for resale, other inventories and work in progress and their carrying amounts.

12. Trade and other receivables

	30 Sept 2020 £'000	31 Mar 2019 £'000
Estimated value of unbilled units	**4,774**	6,706
Customer accounts outstanding	**4,214**	4,166
Other receivables	**470**	494
Prepayments	**743**	864
Deferred tax asset (note 13)	**3,312**	401
Derivative financial instruments (note 20)	**666**	38
	14,179	12,669

Included in "Customer accounts outstanding" is an amount totalling £nil (31 March 2019: £172,000) due after more than one year, relating to goods and services purchased by customers under interest free and hire purchase agreements, which run for periods of up to 30 months.

Under FRS 102, the pension scheme deficit is presented in the statement of financial position gross of deferred tax. The deferred tax relating to the pension scheme deficit is recognised as part of the net deferred tax asset included within trade receivables.

13. Deferred tax asset

Deferred tax assets comprise of:	30 Sept 2020 £'000	31 Mar 2019 £'000
Deferred taxation:		
Balance at 1 April	**401**	3,713
Statement of comprehensive income credit/(charge)	**1,757**	(1,746)
Statement of other comprehensive income credit/(charge)	**1,154**	(1,566)
Balance at 30 September	**3,312**	401
Which comprises:		
Capital allowances in excess of depreciation	**12,006**	8,917
Short-term timing differences (other)	**(226)**	(242)
Unrelieved loss for tax purposes	**(12,784)**	(7,784)
Deferred tax (asset)/liability	**(1,004)**	891
Deferred tax asset on pension deficit (note 21)	**(2,308)**	(1,292)
Net deferred tax assets (note 12)	**3,312**	401

14. Balances with States Treasury

The Treasury Department of the States of Guernsey is engaged to invest the company's liquid funds in excess of its daily requirements.

15. Trade and other payables: amounts falling due within one year

	30 Sept 2020 £'000	31 Mar 2019 £'000
Trade payables	**4,082**	9,907
Customer payments received in advance	**8,750**	6,651
Employee taxes and Social Security	**187**	194
Deferred income	**189**	182
Accruals and other payables	**2,569**	1,594
Derivative financial instruments (note 20)	**46**	377
	15,823	18,905

The company has a £1m overdraft facility with Barclays Bank Plc (31 March 2019: £1m), and interest is payable quarterly at 1.75% over UK base rate. This facility is unsecured, is repayable on demand and is reviewed and approved by the Board annually. As at 30 September 2020, £nil was drawn on the Barclays Bank Plc overdraft facility (31 March 2019: £nil).

16. Trade and other payables: amounts falling due after more than one year

	30 Sept 2020 £'000	31 Mar 2019 £'000
Deferred income	**4,190**	4,264
Amount drawn under medium-term credit facilities (note 20)	**30,583**	22,000
Amount drawn under long-term credit facility (note 20)	**13,000**	-
	47,773	26,264

17. Share capital

	30 Sept 2020 £'000	31 Mar 2019 £'000
Authorised:		
125,000,000 ordinary shares of £1 each	**125,000**	125,000
Issued and fully paid:		
105,208,844 ordinary shares of £1 each	**105,209**	105,209

Two shares were issued on formation of the company and the remaining 109,208,842 shares were issued to equate to the consideration of £109,208,844 for the net assets acquired by the company from the States of Guernsey with effect from 1 February 2002.

On 13 December 2016, the company completed a share buyback of £4m of company shares from the States of Guernsey leaving the company with 105,208,844 issued shares equating to share capital of £105,208,844.

The ordinary shares do not confer any rights or preferences other than the right to vote, the right to participate in dividends or distributions that the company may make and such other rights, generally from time to time, including but not limited to, the rights, if any, to the repayment of capital as may be laid down in the company's Articles of Incorporation.

Dividends and distributions in particular, are subject to the provisions of Guernsey Company law and specifically, the Companies (Guernsey) Law, 2008 as amended or replaced.

The ordinary shares are subject to certain restrictions, including specifically, a restriction on the transfer of shares. In all cases, such restrictions are as laid down in the company's Articles of Incorporation and the provisions of any ordinance made by the States of Guernsey in exercise of its powers under the States Trading Companies (Bailiwick of Guernsey) Law 2001, as amended or replaced from time to time.

18. Reconciliation of operating (loss)/profit to net cash flow from operating activities

	30 Sept 2020 £'000	31 Mar 2019 £'000
(Loss)/profit for the period	**(5,897)**	7,575
Tax on (loss)/profit on ordinary activities	**(1,757)**	1,746
Net finance costs	**1,122**	658
Net (gains)/losses on derivatives at fair value	**(1,373)**	464
Operating (loss)/profit	**(7,905)**	10,443
Depreciation charge	**11,069**	7,736
Impairment	**–**	3,367
Loss on disposal of non-current assets	**24**	45
Exchange (gains)/losses on cash and cash equivalents	**(28)**	25
Pension service cost	**2,668**	2,394
Pension cost of benefit changes	**24**	-
Pension settlement gain	**(1,070)**	(18,194)
Employer's pension cash contributions	**(1,098)**	(809)
Pension administration costs	**24**	41
Deferred income	**(283)**	(182)
Decrease/(increase) in inventories	**765**	(1,277)
Decrease in receivables	**2,029**	825
Increase in payables	**2,427**	716
	8,646	5,130

19. Commitments

Capital commitments, for which no provision has been made in these financial statements, amounted to £10,335,000 (31 March 2019: £32,150,000 of which £24,804,000 related to the GJ1 cable link overlay project). These relate to outstanding commitments on capital projects across a range of asset categories.

Cable link commitments

Commodity risk

For the import of power from the European Grid, the company has a contract with Electricité de France ("EDF"). The existing electricity import contract with EDF is effective for a 10-year period which commenced from 1 January 2013 – this period was extended for a further 5 years on 25 June 2017. The related transmission agreement with Réseau de transport d'électricité ("RTE") also commenced from 1 January 2013. Under the import contract, there is a take or pay commitment, whereby the company is jointly and severally liable, along with the Channel Islands Electricity Grid Limited and Jersey Electricity plc, for a block of power over the term of the contract. The remainder of the requirement will be decided by a market pricing mechanism with no volume commitment. The price at which the take or pay block is agreed for the period of the contract, and for calendar year 2021 this results in a total commitment for Guernsey Electricity Limited of €8.9m, equating to £8.1m at the Sterling/Euro rate at 30 September 2020 of 1.1014, (2020: €8.9m, equating to £7.7m at the Sterling/Euro rate at 31 March 2019 of 1.1595).

Operating lease commitments

Commitments to make payments in respect of operating leases are as follows:

	30 Sept 2020 £'000	31 Mar 2019 £'000
Operating leases which expire:		
Within one year	**110**	110
Between one to five years	**101**	248

20. Financial instruments and associated risk management

The categories of financial assets and financial liabilities, at the reporting date, in total, are as below:

	Note	**30 Sept 2020 £'000**	31 Mar 2019 £'000
Financial assets at fair value through profit or loss			
Derivative financial instruments:	*12*		
- Interest rate caps		**45**	36
- Forward foreign currency contracts		**621**	2
Financial assets that are debt instruments measured at amortised cost			
Estimated value of unbilled units	*12*	**4,774**	6,706
Customer accounts outstanding	*12*	**4,214**	4,166
Other receivables	*12*	**470**	494
Cash and cash equivalents		**4,878**	8,420
Financial liabilities measured at amortised cost			
Trade payables	*15*	**4,082**	9,907
Customer payments received in advance	*15*	**8,750**	6,651
Deferred income	*15,16*	**4,379**	4,446
Accruals and other payables	*15*	**2,569**	1,594
Amount drawn under medium-term credit facilities	*16*	**30,583**	22,000
Amount drawn under long-term credit facility	*16*	**13,000**	-
Financial liabilities measured at fair value through profit or loss			
Derivative financial instruments – Forward foreign currency contracts	*15*	**46**	377

Financial Assets at fair value through profit and loss

(a) Classification of financial assets at fair value through profit or loss

Derivative financial instruments – Interest Rate Caps

Interest rate risk

The company is exposed to interest rate risk primarily through its loan financing arrangements. The company has a five-year interest rate cap to hedge part of the interest rate risk associated with the £20m revolving credit facility held with RBS International. An interest rate cap of 1.75% has been applied to a notional amount of £16m and is referenced against the three-month sterling LIBOR rate.

20. Financial instruments and associated risk management – *(continued)*

Interest rate risk - (continued)

The valuation of this instrument as at 30 September 2020 was £3,000 (31 March 2019: £36,000). A ten-year interest rate cap was entered into during the financial period, effective from 1 June 2019 in relation to a new ten-year loan facility with RBS International. An interest rate cap of 2.0% has been applied to a notional amount of £14.84m and is also referenced against the three-month sterling LIBOR rate. The valuation of this instrument as at 30 September 2020 was £42,000.

Financial Assets that are debt instruments measured at amortised cost

(a) Classification of financial assets that are debt instruments measured at amortised cost

Credit risk

The company's credit risk is primarily attributable to its trade and other receivables which include receivables arising out of estimated value of unbilled units, customer accounts outstanding and other receivables. Trade receivables generally arise from transactions within the usual operating activities of the company. They represent undiscounted amounts of cash expected to be received (within a year) except for customer accounts outstanding which are due after more than one year. The amounts presented in the statement of financial position are net of allowances for doubtful receivables. Allowances are made where there is evidence of a reduction in the recoverability of cashflows. Cash and cash equivalents include cash at bank and in hand and balances with States Treasury with original maturities of three months or less (refer to note 14).

(b) Fair values of financial assets that are debt instruments measured at amortised cost

The carrying amounts of financial assets and liabilities measured at amortised cost are assumed to be the same as their fair values due to their short-term nature.

Liquidity risk

The company maintains a strong liquidity position and manages the liquidity profile of its assets, liabilities and commitments so that cashflows are appropriately balanced and to ensure that the company meets all its financial obligations as they fall due.

Financial liabilities measured at amortised cost

The carrying amounts of trade payables, customer payments received in advance, deferred income, accruals and other payables are assumed to be the same as their fair values due to their short-term nature.

Loan Commitments

(a) Revolving credit facility

The company holds a five year, £20m revolving credit loan facility with RBS International. This loan facility is for general working capital and capital expenditure purposes. The loan incorporates an option to increase the credit facility to £35m for the purpose of the future financing of key infrastructure expenditure and an extension to £22m under this option was exercised on 18 March 2019. Interest costs for the commercial loan were at commercial rates of less than 2%. A commitment fee is payable on any undrawn amount in line with the terms of the arrangement. As at 30 September 2020, the company had utilised £16m of the loan (31 March 2019: £22m). The drawn amount has been classified as a financial liability measured at amortised cost. This facility expires on 2 October 2023.

(b) Term Loan facility

During the period, the company entered into a ten-year, £15m term loan facility with RBS International, effective from 1 June 2019. The purpose of this loan facility was for the part funding of the replacement Guernsey to Jersey interconnector. Interest costs for the commercial loan were at commercial rates of less than 2%. As at 30 September 2020, the balance drawn on the loan was £14.58m.

20. Financial instruments and associated risk management – *(continued)*

Loan commitments - (continued)

(c) States of Guernsey Bond

During the period, the company entered into a twenty five-year, £13m loan agreement with the States of Guernsey. The purpose of this loan was for the part funding of the replacement Guernsey to Jersey interconnector. The interest rate for the loan is fixed at 3.625% for the loan term. As at 30 September 2020, the balance payable on the loan was £13m.

Financial liabilities measured at fair value through profit or loss

Derivative financial instruments – Forward Contracts

(a) Import Financial Hedge

Currency risk

The company is exposed to currency risk through its import contracts with EDF and RTE which are denominated in Euros. The company manages the currency risk through derivative contracts. The company has entered into forward contracts for the purchase of the Euro. The company's commitment to forward contracts at the previous year ending 31 March 2019 was as follows:

Maturity	Notional amount €'000	Average hedged rate
Less than one year	12,770	1.1193
Greater than one year and less than two years	1,575	1.1023

As at 30 September 2020, the company is holding the following euro forward and participating forward contracts to hedge the exposure on its electricity import over the next 24 months. These dates represent when the cash flows are expected to occur and when they are expected to affect profit or loss:

Maturity	Notional amount €'000	Average hedged rate
Less than one year	17,979	1.1126
Greater than one year and less than two years	10,479	1.1331

The impact of hedging instruments designated in cash flow hedging relationships as of 30 September 2020 on the statement of financial position of the company is as follows:

Line item in the statement of financial position	Notional amount €'000	Carrying amount £'000
Trade and other receivables	22,458	621
Trade and other payables: amounts falling due within one year	6,000	(46)

20. Financial instruments and associated risk management – *(continued)*

Derivative financial instruments - Forward Contracts - (continued)

As at 30 September 2020, the outstanding contracts for import all mature within 24 months of the period end. These contracts are measured at fair value utilising the third-party market valuations provided by the relevant counterparties. The gain included within the statement of comprehensive income was an income of £1,373,000 (31 March 2019: The loss included within the statement of comprehensive income was £464,000). A £414,000 expense (31 March 2019: £103,000 expense) was recognised in other comprehensive income during the period reflecting the effective change in value of hedging instruments designated for hedge accounting.

A total of £138,000 (31 March 2019: £39,000) has been reclassified from equity to the statement of comprehensive income during the period. Gains and losses on the derivatives are recycled through the income statement at the time the purchase of power is recognised in the income statement.

Determination of fair value on contracts

These contracts are measured at fair value utilising the third-party market valuations provided by the relevant counterparties on the basis of 'exit' model methodologies.

21. Pension scheme

Nature of the Guernsey Electricity Limited actuarial account

Some employees of the company are members of the States of Guernsey Public Servants Pension Scheme ("PSPS"). This is a defined benefits pension scheme funded by contributions from both employer and employee at rates which are determined on the basis of independent actuarial advice. As the PSPS is a multi-entity arrangement, the States of Guernsey contracted the PSPS's qualified independent actuaries to identify the actuarial account for each entity and, therefore, the value of the pension fund assets and liabilities attributable to this company.

The actuarial account operated by the company provides retirement benefits based on final pensionable pay for service to 29 February 2016 and based on career average revalued earnings from 1 March 2016. Some protected members will continue to accrue benefits from 1 March 2016 linked to final pensionable pay. Employees recruited after 1 May 2015 accrue benefits based on career average revalued earnings. The actuarial account forms part of the PSPS. The PSPS is currently open to both future accrual and new members. However, Guernsey Electricity Limited's actuarial account was closed to new members during the financial year to 31 March 2018.

The most recent formal valuation of the company's actuarial account carried out as at 31 December 2016 reported that the actuarial account was in surplus. The company chose to maintain the contribution rate of 11.5% of pensionable pay using some of the surplus to cover the shortfall in the required contribution rate at the valuation date of 11.8% of pensionable pay and some as a prudent margin to cover any adverse future experience within the actuarial account. This contribution rate was approved by the States of Guernsey. The calculations for the FRS 102 disclosures have been carried out by running full actuarial calculations as at 30 September 2020.

Funding policy

The company's actuarial account is funded by means of regular contributions to cover current benefit accrual, with the rates of contribution set after each triennial actuarial valuation. The funding method currently employed is the Projected Unit Method, which sets contribution rates based on the benefits expected to be accrued in the year following the valuation date. This contribution rate is then adjusted to take account of any surplus or shortfall in the actuarial account. The States of Guernsey determine the level of contributions payable to the actuarial account following advice from the scheme's actuary.

21. Pension scheme – *(continued)*

Actuarial account amendment

During the accounting period, a number of CARE Transition Members opted to be treated as Elected CARE Transition Members for benefits accrued from 1 March 2016. This has resulted in a small past service cost over the accounting period.

There was a settlement gain of £1,070,000 on 30 September 2020 in relation to a transfer of liabilities in relation to active leavers over the period from 1 April 2019 to 30 September 2020. A transfer value was paid from the actuarial account to the Combined Pool in respect of these liabilities.

Employee benefit obligations for Guernsey Electricity Limited in respect of the Guernsey Electricity Limited Actuarial Account of the States of Guernsey Superannuation Fund

The amounts recognised in the statement of financial position are as follows:

	30 Sept 2020 £'000	31 Mar 2019 £'000
Fair value of actuarial assets	**36,456**	32,747
Present value of funded obligations	**(55,271)**	(41,348)
Net underfunding in actuarial account	**(18,815)**	(8,601)
Related deferred tax asset (note 13)	**2,308**	1,292
Net defined pension liability	**(16,507)**	(7,309)

The amounts recognised in the statement of comprehensive income are as follows:

	30 Sept 2020 £'000	31 Mar 2019 £'000
Service cost	**2,668**	2,394
Cost of benefit changes	**24**	–
Settlement gains	**(1,070)**	(18,194)
Net interest on net defined benefit liability	**278**	568
Expense/(income) recognised in the statement of comprehensive income	**1,900**	(15,232)

21. Pension scheme – *(continued)*

The net interest on net defined benefit liability is comprised as follows:

	30 Sept 2020 £'000	31 Mar 2019 £'000
Interest on obligation	**1,489**	1,611
Interest on assets	**(1,211)**	(1,043)
Net interest on net defined benefit liability	**278**	568

The amounts recognised as remeasurements in other comprehensive income are as follows:

	30 Sept 2020 £'000	31 Mar 2019 £'000
Return on assets (not included in interest)	**3,370**	606
Actuarial (losses)/gains on obligation	**(12,756)**	9,866
Total remeasurements recognised in other comprehensive income	**(9,386)**	10,472
Cumulative amount of remeasurements recognised in other comprehensive income	**(2,237)**	7,149
Actual return on actuarial account assets	**4,581**	1,649

The following other costs will also need to be charged in the relevant sections of the accounts.

	30 Sept 2020 £'000	31 Mar 2019 £'000
Administration expenses paid from actuarial account	**24**	41
Other items	**24**	41

In addition, the company should charge any other administration expenses relating to the actuarial account which are paid directly from company funds.

The company contributed £1,098,000 to the actuarial account over the period from 1 April 2019 to 30 September 2020. Members of the actuarial account contributed £681,000 to the actuarial account over the same period.

The company expects to contribute £724,000 to the actuarial account over the next year from 1 October 2020 to 30 September 2021. Contributions by members of the actuarial account are expected to total £459,000 over the same period.

21. Pension scheme – *(continued)*

Changes in the present value of the actuarial account's defined benefit obligation are as follows:

	30 Sept 2020 £'000	31 Mar 2019 £'000
Opening defined benefit obligation	**41,348**	100,694
Service cost	**2,668**	2,394
Contributions by members	**681**	506
Cost of benefit changes	**24**	-
Liabilities extinguished on settlements	**(3,696)**	(53,205)
Benefits paid	**–**	(785)
Interest on obligation	**1,489**	1,611
Experience (gains)/losses	**(1,695)**	270
Losses/(gains) from changes in assumptions	**14,452**	(10,137)
Closing defined benefit obligation	**55,271**	41,348

The weighted average duration of the liabilities of the actuarial account was 28 years as at 30 September 2020.

Changes in the fair value of actuarial account assets are as follows:

	30 Sept 2020 £'000	31 Mar 2019 £'000
Opening fair value of actuarial account assets	**32,747**	65,620
Interest on assets	**1,211**	1,043
Return on assets (not included in interest)	**3,370**	606
Assets distributed on settlements	**(2,627)**	(35,011)
Contributions by employer	**1,098**	809
Contributions by members	**681**	506
Benefits paid	**–**	(785)
Administration expenses	**(24)**	(41)
Closing fair value of actuarial account assets	**36,456**	32,747

21. Pension scheme – *(continued)*

The major categories of actuarial account assets as a percentage of the total are as follows:

	30 Sept 2020 %	31 Mar 2019 %
Equities & alternatives	**67**	75
Bonds, fixed interest and short-term securities	**23**	18
Property	**10**	7

The actuarial account holds no financial instruments issued by the company nor does it hold any property or other assets used by the company.

Principal actuarial assumptions used for the FRS 102 disclosures:

	30 Sept 2020 % p.a.	31 March 2019 % p.a.
Discount rate at end of period	**1.50**	2.40
Discount rate at start of period	**2.40**	2.50
Inflation	**2.70**	2.40
Rate of increase in pensionable salaries	**3.45**	3.15
Rate of increase in deferred pensions	**2.70**	2.40
Rate of increase in CARE benefits	**2.70**	2.40
Rate of increase in pensions in payment	**2.70**	2.40

Mortality assumptions

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member aged 65 will live on average until age 86 (31 March 2019: 87 years) if they are male and until age 88 (31 March 2019: 89 years) if female. For a member currently aged 45, the assumptions are that if they attain age 65 they will live on average until age 88 (31 March 2019: 88 years) if they are male and until age 90 (31 March 2019: 90 years) if female.

21. Pension scheme – *(continued)*

Amounts for the current and previous period are as follows:

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Defined benefit obligation	**55,271**	41,348	100,694	102,975	80,848
Actuarial Account assets	**36,456**	32,747	65,620	62,301	54,726
Deficit (gross)	**(18,815)**	(8,601)	(35,074)	(40,674)	(26,122)
Actuarial gains/(losses) on Actuarial Account assets	**3,370**	606	2,437	6,937	(1,987)
Experience gains/(losses) on Actuarial Account liabilities	**1,695**	(270)	3,945	3,487	859
(Losses)/gains from changes in assumptions	**(14,452)**	10,137	2,103	(23,316)	4,241
Total Actuarial (losses)/gains on Actuarial Account liabilities	**(12,756)**	9,866	6,048	(19,829)	5,100

22. Statement of control

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

23. Related party transactions

There are no disclosable related party transactions in this financial period. See note 5 for disclosure of directors' remuneration.

24. Subsequent events

There are no subsequent events requiring disclosure.

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Powering Life, Today & Tomorrow

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THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR* HOME AFFAIRS

AMENDMENTS TO CUSTOMS LAW – SEIZURE AND DISPOSAL OF PERISHABLE GOODS

The States are asked to decide:-

Whether, after consideration of the Policy Letter entitled "Amendments to Customs Law – Seizure and Disposal of Perishable Goods", dated 7th June 2021, they are of the opinion:-

1. To agree that the Customs and Excise (General Provisions) (Bailiwick of Guernsey) Law, 1972 be amended to give effect to the proposals set out in section 4.1 of this Policy Letter.

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

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.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR* HOME AFFAIRS

AMENDMENTS TO CUSTOMS LAW – SEIZURE AND DISPOSAL OF PERISHABLE GOODS

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

7th June 2021

Dear Sir

1 Executive Summary

1.1 The purpose of this Policy Letter is to seek approval from the States of Deliberation to amend the Customs and Excise (General Provisions) (Bailiwick of Guernsey) Law, 1972 ("the Customs Law") in order to allow certain functions of HM Procureur or Comptroller to be delegated to appropriate Guernsey Border Agency ("GBA") officers in relation to the sale or destruction of certain seized perishable goods. This is an important part of maintaining biosecurity post-Brexit.

2 Background

2.1 The States agreed the Bailiwick's participation in the UK-EU Trade and Cooperation Agreement ("TCA")[1] in December 2020. Whilst the TCA included the Bailiwick in the Sanitary and Phyto-Sanitary (SPS) chapter, the importation of SPS goods (animals, plants and food) from the EU has changed, and will continue to change during the phased implementation of SPS border controls up until March 2022. SPS goods that are imported that fail to comply with new requirements will need to be seized at the border. As COVID-related travel restrictions ease these seizures are likely to increase as a consequence when plants and food are imported from France without the necessary documentation. This is important for maintaining the integrity of the SPS territory and ensuring biosecurity which is essential for human, animal and plant health.

[1] Billet d'État XXIX of December 2020, Article I

2.2 In anticipation of this, the Committee *for* Home Affairs ("the Committee") has identified a way in which to condemn certain seized perishable goods straight away, rather than have to wait the normal one month appeal period as is the case under the Customs Law at the moment. This will allow the GBA to deal with perishable goods, normally by way of destruction, soon after seizure rather than hold onto them for a month.

3 Current position

3.1 Schedule 1 to the Customs Law sets out the provisions relating to forfeiture. Where any goods are imported, landed or unloaded contrary to any prohibition or restriction in force the goods shall be liable to forfeiture. SPS goods imported that fail to comply with new requirements will be liable to forfeiture and seized by GBA Officers at the border. A notice of seizure must be provided to the owner of the goods at the time and that person ordinarily has one month from the date of the notice of seizure to claim that the item(s) is not liable to forfeiture. Where a claim is made relevant procedures and potential legal proceedings must occur to determine the condemnation of the item(s) or, in the case that the item(s) was not liable to forfeiture at the time of its seizure, the restoration to the importer.

3.2 Under Paragraph 15(b) of Schedule 1 to the Customs Law, where goods of a perishable nature have been seized, the Committee may, with the concurrence of Her Majesty's Procureur or Comptroller ("HMP/C"), sell or destroy the item(s):

> *"15. Where any thing has been seized as liable to forfeiture* ***the Committee*** *may at any time if it thinks fit and notwithstanding that the thing has not yet been condemned, or is not yet deemed to have been condemned, as forfeited, with the concurrence of* ***Her Majesty's Procureur or Comptroller*** *–*
>
> > *(b) if the thing seized is a living creature or is in the opinion of* ***the Committee*** *of a perishable nature, sell or destroy it*."

3.3 In the absence of any specific provision in the legislation to enable the grant of "blanket" concurrence, the Law Officers have advised that the concurrence of HMP/C would be required on each occasion any thing is seized. This would be an unworkable solution if perishable items were being seized on a frequent basis (which is likely to occur when full SPS controls are introduced on goods from the EU due to the Bailiwick's connectivity with France). It would be an inefficient use of GBA officer's and HMP/C's time to follow this process for each and every perishable item.

3.4 It is therefore proposed that that the Committee and HMP/C's functions should be expanded so as to enable concurrence to be given to particular descriptions or types of SPS goods and also be capable of being delegated to operational officers.

3.5 Consultation with St James' Chambers, including HMP/C, has identified that the Committee's functions can be delegated to, e.g. 'Any Customs officer' (being an officer who ultimately is responsible to the Committee) but the delegation of HMP/C functions to senior Customs officer is not possible under the current provisions.

4 Legislative Requirements

4.1 It is proposed that an amendment is made to the Customs Law to allow the functions of HMP/C in Paragraph 15 of Schedule 1 to the Customs Law to be delegated to appropriate GBA officers. At the same time, to provide future resilience and efficiency, it is also proposed that a provision be inserted for HMP/C to issue 'blanket' concurrence for certain goods, in advance of the seizure of any such goods.

4.2 It should be noted that the proposed amendment will provide only the provision for HMP/C to delegate/concur, not automatically offer it, and so in reality nothing will change from the current position until HMP/C agree to a delegation/concurrence, thus ensuring the senior level integrity of the process.

5 Compliance with Rule 4

5.1 In accordance with Rule 4(1), the Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.

5.2 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 majority support of the Committee (Deputy Le Tissier was not present at the time this Policy Letter was agreed by the Committee).

5.3 In accordance with Rule 4(5), the Propositions relate to the Committee's purpose and policy responsibilities regarding law enforcement, including policing and customs.

5.4 Also in accordance with Rule 4(5), the Committee has consulted with the States of Alderney, Chief Pleas of Sark and the Committee *for the* Environment & Infrastructure.

Yours faithfully

R G Prow
President

S P J Vermeulen
Vice-President

M P Leadbeater
C J Le Tissier
A W Taylor

P A Harwood
Non-States Member

ORDINANCE LAID BEFORE THE STATES

THE MEDICINES (HUMAN AND VETERINARY) (BAILIWICK OF GUERNSEY) LAW (AMENDMENT) ORDINANCE, 2021

In pursuance of the provisions of the proviso to Article 66A(1) of The Reform (Guernsey) Law, 1948, as amended, "The Medicines (Human and Veterinary) (Bailiwick of Guernsey) Law (Amendment) Ordinance, 2021" made by the Policy & Resources Committee on the 17th August, 2021, is laid before the States.

EXPLANATORY MEMORANDUM

This Ordinance amends the Medicines (Human and Veterinary) (Bailiwick of Guernsey) Law, 2008.

Section 2 of, and the Schedule to, this Ordinance insert a new Part VIIA immediately after Part VII of the Law.

The new Part VIIA limits the liability of the States of Guernsey and any other person determined by a court to be liable in respect of any death or personal injury suffered by any person as a result of receiving coronavirus vaccines designated by regulations made by the Committee for Health & Social Care and sold, supplied or administered in accordance with a Patient Group Direction or protocol approved or consented to by that Committee.

These amendments to the Law are intended to replace The Emergency Powers (Coronavirus) (Vaccine) (Limitation of Liability) (No. 9) (Bailiwick of Guernsey) Regulations, 2021, or any subsequent iterations of these regulations, which are made under emergency powers.

This Ordinance shall come into force on a date to be appointed by that Committee.

The Ordinance was approved by the Legislation Review Panel on the 16th August, 2021 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. 39 of 2021

THE PAROCHIAL ELECTIONS (ST SAVIOUR) REGULATIONS, 2021

In pursuance of the powers conferred on it by Articles 54(4) and 77C of the Reform (Guernsey) Law, 1948 and all other powers enabling it in that behalf, "The Parochial Elections (St Saviour) Regulations, 2021" made by the States' Assembly & Constitution Committee on 22nd April, 2021, are laid before the States.

EXPLANATORY NOTE

These Regulations provide for an uncontested election to the office of Douzenier to take place in the Parish of St Saviour on 26 April, 2021, following the resignation from that office of Mrs C Connolly.

These Regulations came into force on the day they were made, 22nd April, 2021.

No. 64 of 2021

THE INCOME TAX (SUBSTANCE REQUIREMENTS) (IMPLEMENTATION) REGULATIONS, 2021

In pursuance of section 203A of the Income Tax (Guernsey) Law, 1975, as amended, "The Income Tax (Substance Requirements) (Implementation) Regulations, 2021" made by the Policy & Resources Committee on 15th June 2021, are laid before the States.

EXPLANATORY MEMORANDUM

These Regulations implement and enable the administration and enforcement in domestic law of substance requirements in respect of companies which are tax resident and which carry out relevant activities and other specified classes or descriptions of business or activity, in Guernsey. The regulations also now apply to the following descriptions of partnership –

(a) general partnerships which carry on business activity in Guernsey,

(b) limited partnerships which are registered as a limited partnership, and in respect of which there is a valid certificate of registration, under the Limited Partnerships (Guernsey) Law, 1995 (whether with or without legal personality), which do not have their place of effective management in a qualifying jurisdiction,

(c) limited liability partnerships registered under the Limited Liability Partnerships (Guernsey) Law, 2013 which do not have their place of effective management in a qualifying jurisdiction, and

(d) foreign partnerships registered, formed or entered into under the laws of a place outside Guernsey (and however named) –

(i) which correspond to a general partnership, limited partnership or limited liability partnership mentioned in (a), (b) or (c), and

(ii) which have their place of effective management in Guernsey and carry on business activity in Guernsey.

Companies and partnerships described above which carry out relevant activities and other specified classes or descriptions of business or activity, in Guernsey, must comply with the substance requirements set out in the Regulations in order to ensure that real economic activity is being carried on in Guernsey in respect of the profits and income of the companies or partnerships in question.

The regulations are a consolidation of the original substance requirements regulations, G.S.I. no. 90 of 2018, as amended by no. 93 of 2018, no. 84 of 2019 and no. 85 of 2020, and include the necessary amendments to accommodate the application of substance requirements to partnerships.

No. 67 of 2021

THE LIMITED PARTNERSHIPS (GUERNSEY) (STRIKING OFF) REGULATIONS, 2021

In pursuance of section 44 of the Limited Partnerships (Guernsey) Law, 1995, "The Limited Partnerships (Guernsey) (Striking Off) Regulations, 2021" made by the Committee *for* Economic Development on 25th June 2021, are laid before the States.

EXPLANATORY NOTE

These Regulations, made under the Limited Partnerships (Guernsey) Law, 1995, provide for the striking off of any defaulting limited partnership with legal personality which has not met the economic substance requirements applicable to it by virtue of the Income Tax (Substance Requirements) (Implementation) Regulations, 2021.

These Regulations came into force on 30th June 2021.

No. 68 of 2021

THE OFFICIAL CONTROLS (BREXIT) (AMENDMENT) (BAILIWICK OF GUERNSEY) REGULATIONS, 2021

In pursuance of sections 5(1) and 11 of the European Union (Brexit) (Bailiwick of Guernsey) Law, 2018a, "The Official Controls (Brexit) (Amendment) (Bailiwick of Guernsey) Regulations, 2021" made by the Policy & Resources Committee on 29th June, 2021 are laid before the States.

EXPLANATORY NOTE

These Regulations are made under the European Union (Brexit) (Bailiwick of Guernsey) Law, 2018 and make provision which is necessary or expedient as a result of the withdrawal of the United Kingdom from the EU.

The Regulations make minor amendments to existing regulations which, in turn, amended EU provisions having effect in the Bailiwick as Preserved EU law relating to official controls relating to agri-foods goods. The amendments made by the Regulations create more flexibility in the administration of the controls on agri-foods imports and will make it easier for practice in the Bailiwick to mirror (where appropriate) that in the United Kingdom.

No. 72 of 2021

THE CUSTOMS AND EXCISE (CUSTOMS EXPORT DECLARATIONS) (AMENDMENT) REGULATIONS, 2021

In pursuance of section 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 (Customs Export Declarations) (Amendment) Regulations, 2021, made by the Committee *for* Home Affairs on 5th July 2021, is laid before the States.

EXPLANATORY NOTE

These Regulations make an amendment to the Customs and Excise (Customs Export Declarations) Regulations, 2020 to narrow the description of goods which can be declared orally.

These Regulations will come into force on the day on which they are made.

No. 73 of 2021

THE COMPANIES (INCORPORATED CELL COMPANIES) (PRESCRIBED CLASSES) REGULATIONS, 2021

In pursuance of section 537 of the Companies (Guernsey) Law, 2008, "The Companies (Incorporated Cell Companies) (Prescribed Classes) Regulations, 2021", made by the Guernsey Financial Services Commission on 2nd July, 2021, are laid before the States.

EXPLANATORY NOTE

These Regulations prescribe, with exceptions, all classes or descriptions of company for the purposes of section 468(1)(e) of the Companies (Guernsey) Law, 2008, with the consequence that any such company can, subject to the provisions of the Law, be incorporated as, or converted into, an incorporated cell company.

This will modify the current position whereby only the limited classes of company described in paragraphs (a) to (d) of section 468(1) of that Law can be incorporated as, or converted into, an incorporated cell company.

These Regulations came into force on 2nd July, 2021.

No. 76 of 2021

THE COMPANIES (AUDIT EXEMPTION) (AMENDMENT) REGULATIONS, 2021

In pursuance of section 537 of the Companies (Guernsey) Law, 2008, "The Companies (Audit Exemption) (Amendment) Regulations, 2021", made by the Committee *for* Economic Development on 6th July, 2021, are laid before the States.

EXPLANATORY NOTE

These regulations amend the Companies (Audit Exemption) Regulations, 2008 by increasing the permissible turnover and net balance sheet value a company may have in order to be eligible to pass a waiver resolution under section 256 of the Companies Law exempting the company from the requirement under section 255 to have its accounts audited. It also revokes regulations and deletes definitions that are no longer required.

These Regulations came into force on 6th July, 2021.

No. 77 of 2021

THE PAROCHIAL ELECTIONS (ST MARTIN) REGULATIONS, 2021

In pursuance of the powers conferred on it by Articles 54(4) and 77C of the Reform (Guernsey) Law, 1948 and all other powers enabling it in that behalf, "The Parochial Elections (St Martin) Regulations, 2021" made by the States' Assembly & Constitution Committee on 8th July, 2021, are laid before the States.

EXPLANATORY NOTE

These Regulations prescribe the date for elections to the offices of Constable and Douzenier in the Parish of St Martin on the 13th July, 2021, following the vacation of office of the previous incumbents.

These Regulations came into force on the 8th July, 2021.

No. 86 of 2021

THE PAROCHIAL ELECTIONS (VALE) REGULATIONS, 2021

In pursuance of the powers conferred on it by Articles 54(4) and 77C of the Reform (Guernsey) Law, 1948 and all other powers enabling it in that behalf, "The Parochial Elections (Vale) Regulations, 2021" made by the States' Assembly & Constitution Committee on 3rd August, 2021, are laid before the States.

EXPLANATORY NOTE

These Regulations prescribe the date for elections to the office of Douzenier in the Parish of the Vale on the 4th August, 2021, following the vacation of office of the previous incumbent.

These Regulations came into force on being made on 3rd August, 2021.

No. 90 of 2021

THE PAROCHIAL ELECTIONS (VALE) (NO. 2) REGULATIONS, 2021

In pursuance of the powers conferred on it by Articles 54(4) and 77C of the Reform (Guernsey) Law, 1948 and all other powers enabling it in that behalf, "The Parochial Elections (Vale) (No. 2) Regulations, 2021" made by the States' Assembly & Constitution Committee on 11th August, 2021, are laid before the States.

EXPLANATORY NOTE

These Regulations prescribe the date for an election to the office of Douzenier in the Parish of the Vale on the 18th August, 2021, following the vacation of office of the previous incumbent, and the holding of an electors' meeting on 4th August, 2021.

These Regulations came into force on being made.

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

P.2021/97

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

THE TAX REVIEW

The following Propositions are laid in accordance with Rule 17(9) of the Rules of Procedure of the States of Deliberation and their Committees.

The States are asked to decide:

Whether, after consideration of the policy letter "The Tax Review" dated 20 August 2021, they are of the opinion:-

1. To reaffirm principle 5 of the Fiscal Policy Framework: *"The aggregate amount of States' revenue should not exceed 24% of GDP*".

2. To agree that the Committees of the States are collectively responsible and accountable for ensuring that States expenditure is limited to the amount necessary to fund public services proportionate to the Island's size and population, and to endorse the intention of the Policy & Resources Committee to establish a sub-committee, comprising a Member from each Principal Committee, and charged with the identification and development of options to reduce expenditure or mitigate the anticipated increase in the cost of public services as set out in Paragraph 4.6.

3. To agree that the existing Social Security contributions system should be restructured such that all contributors are assessed on the same definition of income with the same access to allowances and that the Policy & Resources Committee, in close consultation with the Committee *for* Employment & Social Security, should develop detailed proposals for the restructure to establish the rates, allowances and limits which should be applied under such a scheme.

4. To agree that any restructure to meaningfully diversify the tax system requires the introduction of a broad-based Goods and Services Tax and that the Policy & Resources Committee should develop detailed proposals including the measures necessary to mitigate its impact on lower income households in the context of a restructured Social Security contributions system.

5. To agree that, in order to secure Guernsey's long-term financial stability, it will be necessary to raise additional revenues but that no significant changes to the tax system should be implemented until the States Assembly considers, as part of the Government Work Plan debate in June 2022, a framework to co-ordinate the work streams that will achieve and fund an affordable government and public services proportionate to the Island's size and population, including the options for reductions in public expenditure and those that support growth in economic output.

6. To direct the Policy & Resources Committee to report back to the States, following a period of consultation and engagement, with detailed proposals for the restructure of the tax base and its phased implementation in line with Propositions 3 and 4, by no later than July 2022.

THE STATES OF DELIBERATION

of the

ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

THE TAX REVIEW

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

20 August 2021

Dear Sir

1. Executive summary

1.1 Following consideration of *"The Review of the Fiscal Policy Framework and Fiscal Pressures"* in January 2020 (Billet d'État I, Jan 2020) the States resolved:

"To direct the Policy & Resources Committee, in consultation with all States Members and further to public engagement, to conduct a review to ensure that Guernsey's tax base is capable of raising sufficient revenues to meet long-term government expenditure needs in a sustainable manner within the boundaries of the Fiscal Policy Framework."

1.2 Although much has happened since January 2020, the core issues remain largely unchanged. The costs incurred as a result of the management of COVID-19 are significant, but they are also largely one-off and it is expected that the States' General Revenue position will return to surplus in 2022. However, the significant longer-term fiscal issues remain: the need to support health and care services for an increasing population of older people; the need for ongoing and sustainable investment in infrastructure; and the vulnerability of the income reliant tax base to a potential decline in the workforce as a result of the changing demographics.

1.3 The gap between the revenues received from taxation and the cost of the services and infrastructure they need to pay for is increasing and will continue to widen without action. The most recent financial analysis, as set out in the Funding & Investment Plan (Billet d'État XV, July 2021) suggests General Revenue funding gap of approximately £54m per annum by 2025, after factoring in savings in the cost of delivering public services of a further £10m per annum. In addition,

the funding gap on the Guernsey Insurance and Long-Term Care schemes, under current assumptions, totals £33m per annum. The combined total of £87m would require funding of between 24% and 25% of GDP with the likelihood of further pressure on health and care expenditure in future years. There is also the risk of other pressures arising which are currently unknown or unquantified, including those arising from climate change.

1.4 This, without any further reduction in the cost of providing public services or increase in GDP through growth in our economy or population, will place the need for revenues above the 24% of GDP limit in the Fiscal Policy Framework, in other words, require more tax than that considered in this green paper.

1.5 **Meeting the funding requirements of both General Revenue and Social Security within the 24% of GDP limit placed on government revenues may be achievable in the longer term *only if* there is success in measures to enhance economic growth and to alleviate expenditure pressures.**

1.6 **The Policy & Resources Committee considers that the limit on States' revenue agreed by previous the States and set out in the Fiscal Policy Framework remains appropriate. However, keeping the overall cost of the public sector within this limit will only be possible if the States deliver the priorities agreed as part of the Government Work Plan to achieve sustainable economic recovery and accelerate the pace of public service reform. This will require an unprecedented level of fiscal self-discipline and political co-operation.**

1.7 While many people will argue that the States should cut expenditure or grow the economy *before* considering raising taxes to fund our public services, the scale of this issue is such that all three routes to more sustainable finances (increasing revenues, reducing expenditure and facilitating growth) are necessary if we are to meet the needs of our community beyond the end of the current political term. Equally, it is not advisable to wait and see whether growth will manifest before plans are made – economic growth is dependent on many factors, including the conditions in the global economy, most of which are beyond the States' ability to control.

1.8 Significant changes to the revenue structure cannot be made quickly or without a significant amount of planning. Therefore, to ignore the reality of the situation now and fail to plan for the forecast need for more revenues only serves to magnify the problem.

1.9 Although some discussion on reductions in expenditure and economic growth is included for context, this Review addresses the following question:

If it is necessary to increase revenues to the limit of the Fiscal Policy Framework (24% of GDP) to meet the cost of public services, what is the best way to achieve this?

1.10 The Tax Review Steering Group[1] was formed to consider this question and its Report is appended (Appendix 2).

1.11 This Report outlines that there is a primary choice between the taxing of income or the taxing of consumption, with increased taxes on corporate profits also playing a role. While other supporting measures are available (such as taxing property) their revenue raising potential is limited and may be more suited to consideration as part of the annual Budget process than forming part of structural reform of the tax system. The fundamental decision presented to Members is whether to continue our heavy over reliance on income-based taxes or to broaden the tax base by adding a Goods and Services Tax (GST) to Guernsey's financial toolbox.

1.12 The Report presents three potential solutions with accompanying analysis:

- Option 1 focuses on income-based measures only in the form of a 3% Health Tax combined with increased revenues from a restructured social security contributions system;

- Option 2 focuses all revenue raising on a consumption tax applying a GST gradually increasing up to 8% over a period of several years combined with associated measures to mitigate the regressive impact on lower income households, including a reduction in direct taxation via increases in personal allowances and a revenue neutral restructure of the social security contributions system;

- Option 3 offers a hybrid solution combining a GST gradually increasing up to 5% with increased revenues from a restructured social security contributions system.

1.13 The Report also includes discussion around measures which the Steering Group considered but has not recommended for progression at this time including higher earners rates and online taxes. More details are provided in sections 8 to 10 of the Report.

1.14 The Steering Group concludes:

"Having reviewed the analysis undertaken to date, the Steering Group conclude that structural changes to the tax base are necessary. The current social security contributions system has evolved a long way from its origins and in its current

[1] Membership comprises: Deputy Helyar (Policy & Resources Committee lead on Treasury matters), Deputy Mahoney (Member, Policy & Resources Committee), Deputy Roffey (President of the Committee *for* Employment & Social Security) and Mark Thompson (Non-States Member, Committee *for* Employment & Social Security)

form is inequitable. There is an opportunity to reform it which can make it both more equitable and more progressive and this should be pursued further.

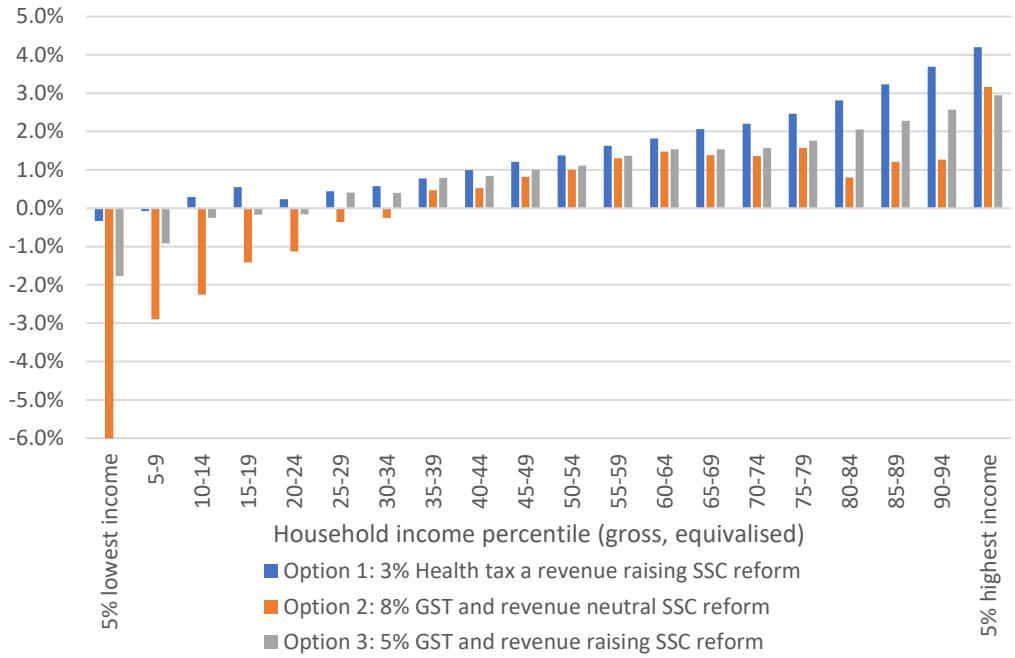
Furthermore, the current heavy reliance on income-based taxes should not be continued. If more revenues are required, it should be from a more diverse tax base and introducing a GST represents the most effective way of achieving this.

The concerns about the regressive impact of a GST on lower income households are valid. However, the analysis suggests that the inclusion of a GST within a package of measures including measures designed to mitigate the impact on lower income households can address these concerns and make the change to the tax base overall progressive. The relatively recent introduction of a GST in Jersey and other jurisdictions also provides examples of how the scheme can be designed so as to reduce the administrative burden on companies.

More engagement with stakeholders is needed before final recommendations can be made. To ensure that engagement is effective in producing a successful outcome for this project the Steering Group recommends that direction be sought from the States on these two key conclusions."

1.15 The options presented by the Steering Group include mitigations designed to address the very valid concerns expressed about the regressive features of a GST. They demonstrate that, with increases in tax allowances, the restructure of the social security contributions system and the redirection of a portion of the revenue generated, these concerns can be well addressed. Mitigation will never be perfect but, as modelled, both options 2 and 3 offer an opportunity to make a net beneficial change for the majority of low-income households in Guernsey – that is, many would actually pay **less** tax overall (see figure 1).

Figure 1: Comparison of average impact of options by household income



1.16 All three options are designed to be generally progressive.

- Those in the first 5 percentiles would be *benefited* by an average of 0.3%, 6.0% or 1.8% of their gross income under options 1, 2 and 3 respectively (or would be £70, £390 or £100 a year better off).

- A middle-income household (in the 50th to 54th percentile) would be negatively impacted by an average of 1.4%, 1.0% and 1.1% of their gross income under options 1, 2 and 3 respectively (or in monetary terms they would pay approximately £850, £550 or £650 more).

- Those in the highest 5 percentiles would pay would be negatively impacted by an average of 4.2%, 3.2% and 2.9% of their gross income under options 1, 2 and 3 respectively (or in monetary terms they would pay an average of £12,900, £10,700 or £9,400 a year more).

1.17 By laying this Policy Letter under rule 17(9)[2] the intention is to present Members with the research undertaken to date and allow debate on the *principles* of taxation before committing further resources to establish the full details of how these principles should be applied. Rule 17(9) allows a Policy Letter covering matters of general policy to be "considered by the States without amendment on the understanding that if the propositions are accepted the Committee will return with detailed proposals which could be accepted or rejected with or without amendments". In this context, the Committee wishes to seek direction from the States on the main policy recommendations reached to date in order to formally establish whether the direction of travel is, or is not, acceptable to the Assembly.

1.18 With this direction, further resources will be invested to develop these proposals to a point where there is sufficient detail to implement them. **The next proposals laid before the States will expand in detail: what changes are proposed; what mitigations need to be put in place and how these will work; and how changes should be phased. As directed by Rule 17(9) Members will then have the opportunity to amend these.**

[2] *17 (9) Where a Committee originating a matter for debate before the States is of the opinion that the proposals it is submitting to the States are of general policy, and where it is desirable that the principles of that policy should be considered, the Committee may have its propositions considered by the States without amendment on the understanding that if the propositions are accepted the Committee would return with detailed proposals which could be accepted or rejected with or without amendments. Where a Committee invokes the provisions of this paragraph it shall make express reference to it in its propositions.*

1.19 This Policy Letter therefore seeks to test and confirm the States' support in principle for the two primary policy changes recommended at this stage and included in both options 2 and 3, namely:

- The restructure of the social security contributions system to a more equitable basis; and

- The development of a GST along with mitigation measures to support those on lower income.

1.20 The opportunity to formally capture the Assembly's views and establish the key elements needing to be addressed as this work is progressed further are as important as the Propositions. The debate on this Policy Letter will inform how the next phase of work progresses.

1.21 If the Propositions are accepted, the Policy & Resources Committee would ask the Steering Group to conduct more detailed engagement with businesses and the public and develop more detailed proposals before bringing back formal recommendations.

1.22 In recommending further development of a restructure of the tax system, it is recognised that various factors will influence its progression. The success of government policy to stimulate and enable economic growth and accelerate public service reform could mean the extent of revenues required may be less or that the timing of their introduction can be delayed. Conversely, if Government spending continues to rise, further increases will become necessary.

1.23 In committing to report back with formal proposals in mid-2022, the Policy & Resources Committee undertakes to co-ordinate this work with the progress on other workstreams which will contribute to the States' long-term financial stability. This includes Public Service Reform and any other initiative intended to manage expenditure; population policy; and other policies intending to promote economic growth. The intention is to bring forward a more holistic framework of the financial landscape as part of the Government Work Plan debate in June 2022.

1.24 The Committee *for* Employment & Social Security has relayed its intention to take steps to address the known funding shortfall on the States Pension and Long-Term Care scheme, quantified through the recent valuations by the Government Actuary, without further delay. That Committee intends to include within its annual contributory uprating report proposals for a phased increase in the social security contribution rates under the existing structure which would increase contribution revenues by an estimated £34m a year by 2031. It would be that Committee's intention that such increases are halted as and when the decisions arising from the Tax Review are implemented, assuming that those decisions deliver a sustainable solution.

1.25 The increases proposed by the Committee *for* Employment & Social Security represent almost half of the total amount which could be raised within the Fiscal Policy Framework and would ensure that those schemes are fully funded. However, it is clear from the analysis undertaken that the overall cost pressures are significantly greater than the 'headroom' available within the Fiscal Policy Framework and this would therefore significantly reduce the amount available for funding General Revenue pressures and make staying within the 24% of GDP limit on revenues more difficult. This highlights the need for such matters to be considered holistically and not by Committee mandate. It is for this reason that the Policy & Resources Committee, while working closely with the Committee *for* Employment & Social Security, has taken the lead in co-ordinating this work and presenting this Policy Letter. Further co-operation across other areas, such as population policy will also be necessary.

1.26 It should further be recognised that corporate income tax rates are under global consideration. The OECD[3] is working to establish a global solution to reform the international corporate tax framework, impacting how large multi-national enterprises are taxed around the world. As technical discussions on these proposals are ongoing, how these will impact Guernsey is still far from clear. The Steering Group has included the best available estimates of additional revenue that will be raised through changes to the corporate tax system (£10m). The eventual outcome may be more or less than the estimates included and taxes in other areas will need to be adapted to this as the situation evolves.

2. Current Economic Context

2.1 The current economic conditions, and those that may prevail at the point any changes are implemented need to be considered. COVID-19 caused a significant amount of economic disruption in 2020 but, as a whole, the economy has recovered far better than expected. This has been reflected in tax receipts during 2021 which are currently ahead of that budgeted.

2.2 The level of unemployment, having reached a peak of more than 5% during May 2020, has returned to 1.4% in June 2021, compared to 1.1% immediately prior to the first lockdown. The current key issue within the workforce has shifted away from unemployment towards challenges with labour supply. While employment numbers remain lower than during 2019, this is in part because of the combined disruption COVID-19 and the changes in visa requirements for EU nationals working within the UK Common Travel Area following Brexit has caused to recruitment of staff from outside of the island. Sectors reliant on travel, primarily the Hostelry Sector are still impacted, but Construction, Information and communication, Real estate, and Professional services sectors have all expanded since 2019. The shift in the workforce distribution away from lower paid hostelry

[3] The Organisation for Economic Co-operation and Development

jobs is at least partly responsible for the real growth in median earnings reported for Q1 2021 and it is not yet clear how much of this is genuine wage growth.

2.3 COVID-19 has also created disruption in the housing market, and Guernsey, like many other jurisdictions is experiencing significant upward pressures on both purchase and rental prices. This pressure on the housing market is likely to complicate any policy development around population since the cost and availability of housing may become a barrier to attracting people to Guernsey. A Housing Action Group has been established to address the current housing supply issues, with a particular focus on the provision of affordable housing.

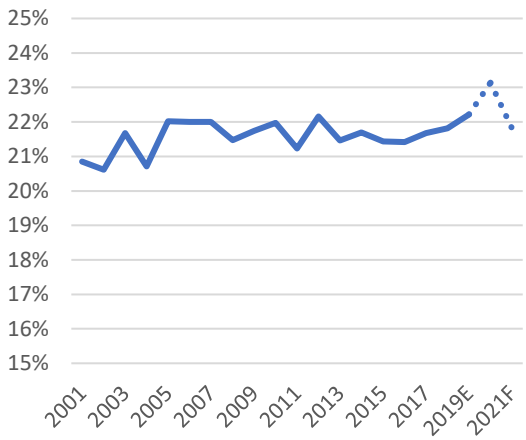
2.4 Inflation pressure is not restricted to housing. Both the UK and Guernsey inflation figures have shown an upward pressure on prices during the second quarter with RPIX rising to 2.3% in June 2021. This is likely due to a combination of the effects of Brexit on imported goods and global supply chain disruption caused by widespread lockdowns in key producing nations. The UK (who report inflation data monthly) reported a fall in CPI between June and July but the Bank of England is expecting it to rise again before the end of the year. Inflation measures in Guernsey are expected to follow a similar trend.

2.5 In the broader policy context, the planned introduction of Secondary Pensions is also expected within two years and its phasing may coincide with implementation of tax measures. This may result in some households saving for retirement for the first time which will have an impact on their disposable income. Any further progression of the Tax Review workstream will need to consider the combined impact on household income of both changes in taxation and an increase in pension saving.

3. Expenditure: Is 24% of GDP the right size of government?

3.1 The limit placed on government revenues by the Fiscal Policy Framework is set at 24% of GDP (Billet d'État I, Jan 2020). This limit is just over 2% of GDP higher than the average level of revenues generated over the three years between 2017 and 2019 (see figure 2)[4].

Figure 2: Aggregate revenue as % GDP



3.2 This limit was set reflecting what was considered to be the **minimum** amount required to meet the States' known and quantified long-term expenditure pressure. These are detailed in the January 2020 policy letter and included:

- **the demand on health services as the population ages (£5-10m over 5 years);**
- **the demand on the States Pension system as the number of pensioners increases (£8-18m per annum);**
- **The demand on the Long-Term Care Fund as the population ages (£7-23m per annum);**
- **The extension to cover NICE approved medical treatments (£5-12m per annum);**
- **A reform of primary care services to make these more accessible (£9m-20m per annum);**
- **The costs to achieve greater parity in terms and conditions across different public sector staff groups (£35-40m per annum); and**
- **The loss of revenues and administrative cost from the introduction of Secondary Pensions legislation (rising to £9m per annum in the medium term).**

[4] Note that the estimated increase in revenues in 2020 as a % of GDP is due to the forecast negative impact of COVID-19 on GDP being larger than the % impact on revenues

3.3 The anticipated long-term cost of these totalled between £80m and £130m a year.

3.4 A significant proportion of this pressure is on the cost of delivering **existing** services to an increasing number of people as a result of the ageing of the population. These pressures are not new or unique to Guernsey and most developed jurisdictions are or will face similar pressures as their populations age.

3.5 For many of these cost pressures there is little discretion available in the rising cost unless there is an appetite to make significant policy changes determining what services and benefits people are entitled to. For example, the States Pension (the States' largest single expense) costs more than £130m a year but the pensions system and eight other benefits are administered by just six members of staff. Costs have increased year on year since 2011 and will continue increasing well beyond the middle of this century as a result of the increasing numbers of people of pensionable age entitled to the benefit and the uprating policy applied by the States. With administrative costs representing less than 1% of expenditure, administrative efficiency can make little impact. To make a material change in the expenditure profile of the States' Pension would require either significantly reducing the value of the pension over the long-term or reducing the number of people entitled to claim it.

3.6 Although the States' priorities and policies are constantly evolving, the core challenges remain the same. In addition, while many of these pressures are described as long-term since their impact will grow over many years, they are now apparent in the States' financial baseline. While it is impossible to set out precise numbers, broadly the current status can be summarised as follows:

- the Fiscal Framework was amended to increase the assumed capital spend requirement from 1.5% of GDP per annum to an average of 2%, implying an additional cost of £16m a year and this assumption of a higher level of capital spending has been built into the Funding & Investment Plan;

- the demand on health services as the population ages is already manifesting and an annual upward pressure has been factored into the Funding & Investment Plan of approximately £3m each year;

- The latest actuarial review suggested that to fund the States Pension and other benefits paid from the Guernsey Insurance Fund requires additional revenue of approximately £28m per year under the current assumptions (previously estimated at £8m - £18m);

- The Government Work Plan was successfully amended to retain the extension of services to cover NICE approved medical treatments with an ICER up to £40,000. The financial information presented in figure 5 has been amended to reflect this. This is to be funded from reserves until 2025 but

there is no long-term funding source identified to date (the estimated cost remains £5-12m per annum);

- The work to develop primary care services is ongoing, and it is noted that this workstream may result in costs which may place additional pressure on tax revenues or result in charges to islanders outside the tax system;

- After the debate on Supported Living and Ageing Well Strategy: Extending the Life of the Long-Term Care Insurance Scheme (Billet d'État XVI, September 2020,) and a subsequent actuarial review, the current estimate of additional funding requirement for the scheme is £6m a year (previously estimated at £7-23m). Work to extend the coverage of the scheme to include care in a person's home may increase this;

- The loss of revenues forecast from the early stages of the implementation of Secondary Pensions and the costs associated with it are also factored into the Funding & Investment Plan from 2023 (still expected to rise to approximately £9m per annum although in the very long-term tax will be collected as pensions are in payment);

- The plans laid out in the Funding & Investment Plan, which include use of £160m of the Bond proceeds and £200m of additional borrowing to cover the States medium-term recovery and capital investment plans, with an estimated cost of £10m a year to service this debt; and

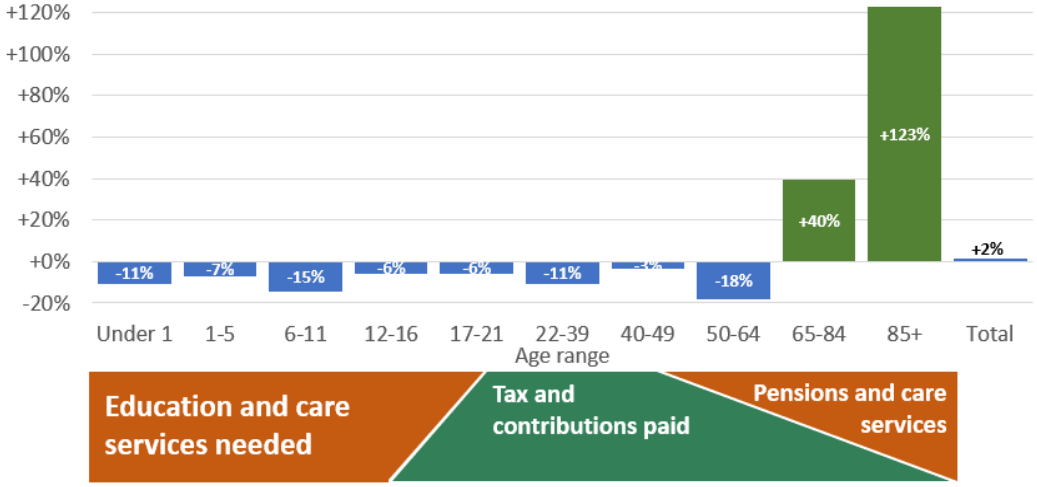
- The COVID-19 pandemic significantly reduced GDP in 2020 and any lasting impact on the economy is likely to reduce the available headroom going forward. Current estimates are that the available headroom, post recovery, has reduced slightly from £80m to between £70m-£75m (including replacing revenue lost through tax relief on secondary pensions).

3.7 It should be acknowledged that this kind of long-term forecasting is inherently difficult. Every decision the States take that has a significant financial implication or any shift in the island's economic wellbeing has the potential to change the outcome. There is also the risk of other pressures arising which are currently unknown or unquantified, including those arising from climate change. However, some of these costs are inescapable, already manifesting themselves and captured within the baseline presented in the Funding & Investment Plan. This is resulting in lower surpluses leading to pressure on the amounts available to invest in infrastructure.

3.8 These pressures will continue to grow beyond the five-year projections included in the Funding & Investment Plan. This is evidenced by the upward pressure on the baseline cost of the Committee *for* Health & Social Care and the known funding requirements to support the States Pension and the Long-Term Care

Scheme. **It will be necessary to increase the capacity of these services over time just to provide people with the same level of care they are entitled to today.**

Figure 3: Demographic change 2019-2040

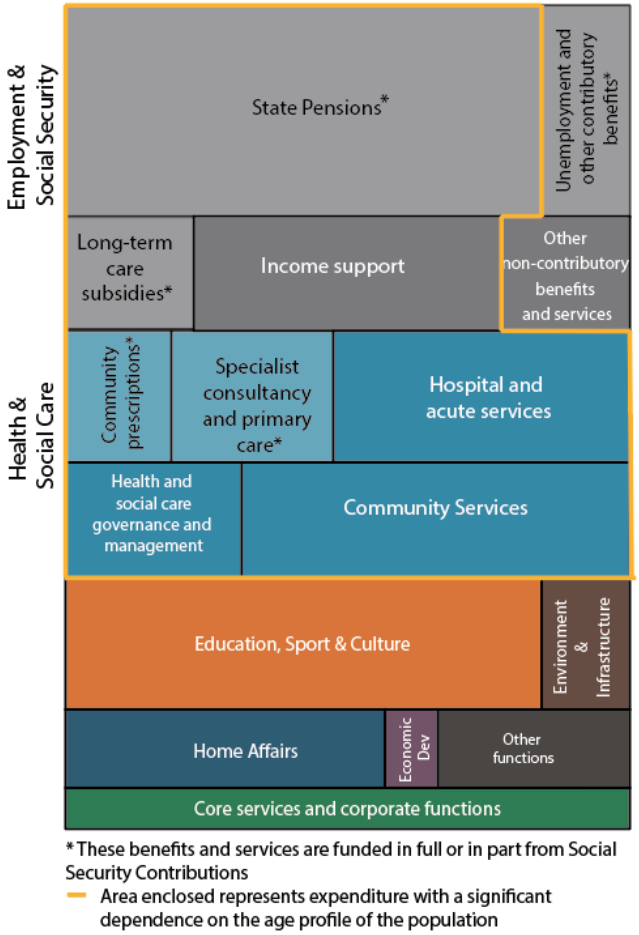


3.9 A significant proportion of States spending is in some way linked to the demographic profile. As well as more obvious elements such as the States Pension and Long-Term Care, it is estimated that about 30% of income support claims relate to pensioner households including about a third of those people in nursing or residential placements.

3.10 Within health and social care, the per capita cost of providing services for older age groups, who typically have more complex care needs, is significantly higher than for younger people. As the distribution of the population shifts towards older age groups who need this higher level of care, the cost of providing services will increase.

3.11 Overall, as much as 60% of the States' expenditure is dependent to some extent on the number of older people in the population (see Figure 4) and the extent of the pressure this is already exerting on States' spending is considerable. The number of people claiming a States Pension has increased from 15,047 in 2010 to 18,692 in 2020 (and could increase to more than 24,000 by 2040). As a result, the annual cost of providing these pensions has increased from £82m to £134m – a 63% increase in the total cost relative to a 27% increase in the rate at which the pension is paid.

Figure 4: Distribution of States Expenditure



3.12 Analysis presented in 2017 as part of the Partnership of Purpose Policy Letter suggested "health and care costs will outstrip the available funding within ten years" (Billet d'État XXIV, December 2017). The same report suggested that, without change, between 2017 and 2027 real terms spending on public health and care services could increase by more than £20m. This is now expected to be an underestimate as the cost of health and care services has already increased in real terms by £15m between 2017 and 2020 and the Funding & Investment Plan includes an estimate of an average of £3m a year further upward pressure as a result of demographic and other cost pressures on existing service levels.

3.13 The Policy Letter recommending the 24% of GDP limit on revenues described it as *"challenging but achievable"*. It is certainly no less challenging now. It can only be achieved by a significant improvement in fiscal discipline.

3.14 The States agreed proposals within the Funding & Investment Plan to invest up to £568m to support the capital requirements over the current term funded through borrowing up to £200m, using £160m of the proceeds of the Bond and depleting reserves. This is intended to enable the immediate progression of the States' priorities. However, it is a temporary solution only and a way of managing

but not removing the underlying structural deficit. Without further action, beyond 2025 the States will again have to consider how best to support their spending requirements in the face of the same pressure to provide for the increased demand for existing services and maintain an appropriate level of capital investment. A longer-term solution is required.

Figure 5: Estimated structural deficit beyond 2025

5 YEAR PLAN - Middle Case £m	Est structural deficit by 2025
Adjusted Baseline Position	**11.2**
GWP Revenue Impact	
Brexit (on-going)	(1.1)
Recovery (on-going)	(3.5)
NICE TA's	0[5]
Transformation Savings	5.8
RICE	(1.7)
Budget measures	4.0
Baseline incl. GWP	**14.8**
Net Financing income/(charge)	(2.0)
Overall Surplus	**12.8**
Capital @ 2% GDP	(66.5)
Result after Capital Provision	**(53.7)**
Revenue requirement of Guernsey Insurance and Long-Term Care Funds	**(33.7)**
Total Forecast Funding Gap Beyond 2025	**(87.4)**

3.15 Figure 5, adapted from the Funding & Investment Plan, illustrates the forecast structural deficit (after provision in full for capital spending) beyond 2025 including the ongoing cost of the priorities of the GWP and the forecast savings of Public Service Reform.

3.16 At the level of capital expenditure set out in the Fiscal Policy Framework (2% of GDP), the estimated structural deficit on General Revenue beyond the 2025 horizon is estimated at £54m per annum[6]. Based on the most recent actuarial review, the social security contributions system has a further requirement for £34m of funding under the current policy. This would bring Guernsey's funding gap to £87m with increases in health and care costs likely to continue rising beyond this. This would put the funding requirement beyond the 24% of GDP limit if met entirely from additional revenues.

3.17 While the calculation is different, the message is the same as that conveyed in January 2020**. A revenue limit set at 24% of GDP is not enough to cover everything the States may want without compromise.** Raising revenues is not the only answer and if this limit is to be retained in any meaningful way, measures to grow the economy and limit expenditure growth have a vital role to play. Expenditure restraint and economic growth will need to carry a significant part of the burden.

[6] This table has been updated to reflect the States decision to approve the amendment laid to progress the implementation of NICE drugs in line with the original timetable

4. The Role of Expenditure Reduction

4.1 Expenditure restraint delivered through operational efficiency alone cannot meet the scale of this challenge and is likely to only limit the overall growth in financial pressures. The current Funding & Investment Plan includes expenditure savings rising to £10m per annum, but the overall cost of public services is still set to increase.

4.2 Should there be a desire to reduce expenditure significantly more, it will be necessary to make changes to the scope of public services and benefits provided and who is entitled to access these.

4.3 To illustrate the scale of cuts that would be required to meet the funding gap by reduced expenditure alone, £75m is the equivalent of:

- 60% of the money spent annually on the States Pension; or
- the entire combined budget of the Committees *for* Economic Development, Environment & Infrastructure, Home Affairs, the Policy & Resources Committee core services, The Scrutiny Management Committee, The Development & Planning Authority, the States' Trading Supervisory Board, the Royal Court and the Law Officers.

4.4 However, expenditure restraint does have a role to play in keeping within agreed limits. Priority 4 of the Government Work Plan includes an acceleration of the pace of public service reform and transformation and an element of the annual cost savings of this programme (£10m) are already incorporated in the baseline above. If these are not achieved the financial situation may be worse.

4.5 To achieve additional reductions in spending beyond this will require a more fundamental consideration of what level of services are provided and who is entitled to access them. This may include considerations such as the minimum contribution requirements attached to the long-term care scheme or means testing currently universal benefits. In combination, such measures have the potential to make further contributions to improving the States' long-term financial position and reduce the need to raise additional revenues, but they are unlikely to remove it entirely.

4.6 **The Policy & Resources Committee considers that it is now vital that such options are properly explored and therefore wishes to co-ordinate an exercise to identify and scope opportunities which might materially reduce expenditure or mitigate expected cost increases. It is proposed that a sub-committee, comprising a Member from each Principal Committee is formed, and charged with the identification and development of options to reduce expenditure or mitigate the anticipated increase in the cost of public services.** This should include consideration of potential opportunities for further means testing,

outsourcing or restricting the entitlement to some services on the basis of residency period or contribution record.

5. The Role of Economic Growth and the Population

5.1 The economic consequences of COVID-19 have worsened the financial position, both in respect of the largely temporary cost implications and by the potential long-term impact on the level of GDP. The assumption made in forecasting for the Funding & Investment Plan was an effective loss of up to two years of growth opportunity. This has reduced revenue forecasts and reduced the monetary value of the available headroom within the fiscal rules.

5.2 The reverse effect is also possible. It is highly unlikely that Guernsey would be able to sustain the level of economic growth required to meet the entirety of the fiscal challenge. To do so would require a full recovery of the economic activity lost in 2020 and an estimated 3% real growth (above inflation) each year for at least five years beyond that, compared to a recent average of 0.7%.

5.3 However, a more realistic increase in average economic growth levels could make a meaningful contribution to resolving the issue. Were the economic growth rate to exceed the forecast by 0.5% a year over a five-year period, this could add a total of £10m a year to States' revenues by the end of the period. Investment in economic growth, captured under GWP priority 3: Sustainable economic recovery, therefore has an important role to play.

5.4 The States have prioritised a review of the population and immigration approach, which will be co-ordinated by the Committee *for* Home Affairs with the Policy & Resources Committee and the Committee *for* Economic Development. The purpose of the work is to gain a greater understanding of the Island's population requirements for sustainable economic growth, and to inform decision-making in relation to the Island's population, housing stock, infrastructure, skills base and future trade policy. The scoping of that review has already acknowledged the interconnections between that piece of work and the Tax Review.

5.5 Across the medium-term, limiting the requirement for government revenues to 24% of GDP may be achievable *if* it is supported with investment in policies to enhance economic growth and measures to mitigate expenditure pressures. If those measures are unsuccessful it may not be sufficient longer-term.

5.6 **The Policy & Resources Committee considers that the limit on States' revenue agreed by previous States and set out in the Fiscal Policy Framework remains ambitious but appropriate. However, keeping the overall cost of the public sector within this limit will only be possible if the States deliver the priorities agreed as part of the Government Work Plan to achieve sustainable economic recovery and accelerate the pace of public service reform.**

6. Raising revenue

6.1 The decision to raise revenue is a difficult one, but one that is best taken before the financial situation reaches a critical position. The intention of this review is to ensure that discussions on how to raise revenue are done in a way that considers both the social and economic impact of such changes. The analysis presented by the Steering Group suggests that revenues could be raised up to 24% of GDP without significant long-term impacts on economic growth, albeit that within this there may be some redistribution away from sectors such as retail, wholesale and repairs toward those responsible for the provision of both public and private sector care services.

6.2 Revenue raising has the potential to create some economic impacts in the short-term[7] dependent on how revenues are raised. Taxes based on income may result in lower consumption, suppressed GDP growth and reduction in employment. A GST would generate an increase in inflation of about 60% of the headline rate.

6.3 The Steering Group concluded that of the levers available, taxes on income and taxes on consumption (e.g. a GST) offer the greatest potential for raising additional revenues. Other measures such as TRP, environmental and customs duties may contribute but are not practical options for meeting the scale of the challenge presented. The primary focus therefore should be the choice between taxing income and taxing consumption and the Steering Group concluded that a tax on consumption should be at least part of the solution.

6.4 While they are not discussed in detail in the Report this does not mean other taxes have no role to play. The Government Work Plan included a Resolution "*To direct the Policy & Resources Committee to include proposals in the annual Budget Report for each of the years 2022, 2023, 2024 and 2025 to generate an additional real-terms increase in revenues for each of these years of £1million per annum*" (Billet d'État XV, July 2021). Measures such as changes to TRP, document duty, excise duty, motor taxes or environmental taxes could be considered in the context of the annual Budget setting process.

6.5 The Steering Group presents three options for raising additional revenue up to the limits of the Fiscal Policy Framework which it considers could be workable in practice. These ultimately present a choice between continuing Guernsey's reliance on income-based taxes or diversifying the tax base with a GST, accepting that other measures will be needed to mitigate the regressive impact on low-income households.

[7] defined in this case as up to 3 years

6.6 There are some common elements to these options covered briefly in Sections 4 and 5. The options themselves are covered in Section 6. More detailed discussion of these are included in the Steering Group's Report which is appended.

7. Corporate Income Tax

7.1 Guernsey's current corporate tax system, zero-10, was introduced in 2008 following clear indication from the EU Code of Conduct Group (Business Taxation) (the 'Code Group') that the previous regime was considered harmful. It is therefore not possible to revert to the corporate regime that was in place before zero-10, as this would not meet international tax standards, a key principle of the review. Much of the revenue lost in the restructure of the corporate tax system was replaced by increases in commercial TRP rates and increases in social security contributions from employers.

7.2 Zero-10 was deemed compliant with the Code of Conduct in 2012, with the exclusion of the deemed distribution element of the system. It was reviewed again in 2017, when the EU compiled its list of non-cooperative jurisdictions at which point Guernsey committed to the introduction of legislation on economic substance to meet the required standards to be deemed a co-operative jurisdiction.

7.3 In accordance with the States Resolution from 2015[8], the Policy & Resources Committee continue to monitor the appropriateness of the corporate tax regime, having due regard for the need to retain an internationally acceptable and competitive tax environment for the islands' businesses. Officers therefore monitor developments at the OECD and also developments with regard to the EU list of non-cooperative jurisdictions for tax purposes.

7.4 Most recently the EU Economic and Financial Affairs Council (ECOFIN) has approved guidance on foreign source income exemption (FSIE) regimes, also known as territorial regimes, which acknowledge that they are a legitimate approach to prevent double taxation but identify potentially harmful elements that could be present in such regimes. It is understood that the Code Group has screened jurisdictions with FSIE regimes, and in May 2021 wrote to those jurisdictions from which it would seek commitments to repeal or amend their harmful FSIE regimes. This indicates that territorial regimes are not a paradigm

[8] Billet d'État IV, of 2015 the Personal Tax, Pensions & Benefits Review – "To direct the Treasury and Resources Department, having due regard for the need to provide a stable platform, maintain business confidence, support and encourage financial services and to retain an internationally acceptable and competitive tax environment for the islands' businesses, to continue to closely monitor the appropriateness of the corporate tax regime, and to report back to the States should it consider any changes are necessary."

or magic bullet, but remain subject to the same type of international pressure as the Zero-10 regimes employed by the Crown Dependencies.

7.5 The OECD has been working to establish a global solution to reform the international corporate tax framework, impacting how large multi-national enterprises are taxed around the world. That framework is based on two broad work streams, Pillar 1 relating to the proposal for partial re-allocation of taxing rights and Pillar 2 which proposes to introduce an agreement that large multinational enterprises (MNEs, those with group revenues of at least Euro 750m) pay a minimum effective rate of tax on their profits. These proposals seek to address issues that are linked to the increasing globalisation and digitalisation of the economy.

7.6 At the recent Inclusive Framework meeting in July, an overwhelming majority of jurisdictions (which included Guernsey) reached agreement on the proposals. Technical discussions will now continue, developing a detailed implementation plan by October.

7.7 The number of companies headquartered in Guernsey who would meet the criteria for an MNE under international rules is very limited. As technical discussions continue, it is not yet clear how these rules will be applied and therefore whether Guernsey would implement aspects of Pillar 2 that were not a minimum standard. Nor is it clear what the behavioural effects of the changes might be. As a result, the estimated revenues which might be generated from the implementation of the OECD proposals are limited and uncertain at this time.

7.8 The working assumption the Steering Group has used is that changes to the corporate income tax system may generate £10m a year of additional revenues.

7.9 In the longer term it may prove to be more or less than this figure if, for example, the rules are applied in such a way that some portion of the expected tax is paid elsewhere or if later discussions include the extension of the rules to include a wider range of companies. Any implementation plans for other tax measures will need to be flexible enough to allow for changes in the corporate landscape.

8. Reform of Social Security Contributions

8.1 As identified in the Policy Letter laid on Reform of Health Care Funding (Billet d'État X, June 2019) if the social security contributions system were to be designed today, it would not look as it currently does. The existing system, which has evolved organically through numerous changes, has some evident inequities.

8.2 The amount people are asked to contribute to social security benefits to which they have a largely uniform access is currently influenced by how an individual gains their income, their age, or their employment status.

8.3 The proposed reform of the social security contributions system (set out in the Steering Group's report, section 8), which will see it more closely aligned with income tax into a generally fairer and more progressive structure, would be difficult to achieve as a standalone change. However, as part of the wider reform of the tax structure, there is an opportunity to implement this, and a more progressive social security structure could partially offset the regressive elements of other changes such as a GST.

8.4 The restructure also addresses two extant Resolutions in relation to the social security contributions system and the inequities inherent in the current structure:

To direct the Social Security Department to review the assessment of Social Security contributions to ensure that the treatment of contributors in different contribution classes is equitable; such review to have particular regard to the upper earnings limit on contributions, the rates charged for self-employed and non-employed contributors and the definition of income used in the assessment of contributions for non-employed contributors.

(Billet d'État VI, April 2015)

To direct the Policy & Resources Committee in consultation with the Committee for Employment & Social Security to progress the second stage of the workstream, as described in section 10 of this Policy Letter, and review the structure of Social Security contributions collected for the support of health and social care services and ensure that these are appropriate, fair and sustainable, and to consider the prioritisation of this work stream for the new Assembly in the 2021-25 Policy & Resource Plan.

(Billet d'État X, June 2019).

8.5 The proposal made is that the contributions system be simplified so that all contributors are treated in the same way. The restructure would:

- Give all contributors (not employers) an allowance aligned with income tax;
- Charge all individuals below pension age the same "personal" rate on both earned and unearned income, with a reduced personal rate for those over pension age (reflecting that they no longer need to contribute to a pension but are typically the largest users of health and care services);
- Apply a reduced "employer" contribution to self-employed income; and
- Remove the upper earning limit on contributions for employers (but not for individuals).

8.6 The application of the allowance would make the system much more progressive, but costs £19m in isolation. Therefore, there needs to be an increase

in the rate charged in order to bring the system to a net neutral position. At the current value of the tax allowance and with an increase in employer contributions to 7.5% (a proposal which enables the packages presented to achieve a more even balance between the contribution of households and corporate entities to raising revenues) the personal rate needed to make this net neutral rate (that is, not to raise any additional revenues) is about 8% (compared to the current 6.6% for employees). Once restructured it is possible to raise revenues in a more progressive manner than from the existing system. However, because the current system favours some groups there are cohorts who will benefit (generally those of lower income) while others will be disadvantaged by the proposed changes.

8.7 In the absence of raising more revenues, the resulting system may change the liability of an individual with an income of £50,000 as follows:

Figure 6: Comparison of liability before and after restructure

Personal rate 8% (4% if over pension age), employer rate 7.5% (5% for self-employed), allowance aligned with personal income tax allowance

Income composition	Current liability (figures in brackets represent employer contribution)	Liability after restructure (figures in brackets represent employer contribution)
£50,000 employed income:	£3,300 (+£3,300)	£3,050 (+£3,750)
£10,000 employed, £40,000 unearned:	£660 (+£660)	£3,050 (+£750)
£50,000 unearned income:	£4,300	£3,050
£50,000 self-employed income:	£5,500	£3,050 (+£1,906)
£50,000 income over State Pension Age	£1,400	£1,525

8.8 The £50,000 example used approximates the earned income value at which a net neutral restructure is close to balance for an employed individual. The impact on a contributor will depend on their specific circumstances, but generally employed individuals with an income below £50,000 would pay less in contributions, those with a higher income would pay more.

8.9 This is not a simple change, albeit the outcome will be far simpler and more transparent than what currently exists. In unravelling such a complex scheme to replace it with something simpler those people who are most favourably treated under the current scheme may be worse off when conditions for all contributors are equalised. This is impossible to avoid whilst retaining the total revenue generated by the scheme. Nevertheless, **the restructure represents a significant improvement in terms of both the equity and progressiveness of the social**

security contributions structure and would make any further revenue raising from this source fairer. As such, it is recommended for inclusion in any final package of measures.

8.10 The Committee *for* Employment & Social Security has indicated its support for a restructure of contributions (Appendix 1). However, notwithstanding this, it has relayed its intention that the steps to address the known funding shortfall on the States Pension and Long-Term Care scheme, quantified through the recent valuations by the Government Actuary, should be taken without further delay. That Committee intends to include within its annual contributory uprating report proposals for a phased increase in the social security contribution rates under the existing structure which would increase contribution revenues by an estimated £34m a year by 2031. It would be that Committee's intention that such increases are halted as and when the decisions arising from the Tax Review are implemented, assuming that those decisions deliver a sustainable solution.

8.11 The proposals under development by the Committee *for* Employment & Social Security represent almost half of the total amount which could be raised within the Fiscal Policy Framework limit and would ensure that those schemes are fully funded. However, it is clear from the analysis undertaken that the overall cost pressures are significantly greater than the 'headroom' available within the Fiscal Policy Framework and this would therefore significantly reduce the amount available for funding General Revenue pressures and make staying within the 24% of GDP limit more difficult. This highlights the need for such matters to be considered holistically and not by Committee mandate. It is for this reason that the Policy & Resources Committee, while working closely with the Committee *for* Employment & Social Security, has taken the lead in co-ordinating this work and presenting this Policy Letter.

9. Goods and Services Tax

9.1 The addition of a GST to the tax base presents an opportunity to make a substantial move to diversify the tax base away from taxes on income. Economically, the analysis provided also shows it would be the less damaging, particularly if it can be combined with a reduction in direct taxes (See Appendix 2).

9.2 There are a range of concerns which have been raised regarding the application of a GST. The first of these relates to the potential for the tax to be regressive at low incomes. The analysis conducted suggests that, in isolation, this is true. The Steering Group particularly wished to establish that it would be possible to mitigate this impact effectively and therefore examined how this might be addressed in some detail. The suite of mitigation measures included in the options presented includes:

- reductions in tax and contributions for lower income households by way of the restructure of the social security contributions system and/or an increase in the income tax personal allowance which are most beneficial for lower and middle-income households;

- Pre-emptive adjustments to the States Pension which will bring forward the normal inflation linked increase in the pension by up to 12 months;

- Pre-emptive adjustments to Income Support at a level above the estimated impact on inflation reflecting the greater impact on lower income households; and

- Cost support schemes specifically targeted at reaching low-income households who are not eligible for Income Support.

9.3 The analysis presented shows that, if carefully designed, the overall impact of a change in the tax system to include a GST could be progressive and that lower income households might be benefited by the changes resulting in them paying **less** tax overall.

9.4 There will clearly be an additional administrative burden for businesses with the introduction of a GST. This is estimated at less than 1% of turnover on an ongoing basis although it is expected to be higher in the first year when the process is new (Deloitte LLP, July 2021), but this will depend on the type of business activity undertaken and the level of sophistication of each company's accounting processes. Measures such as a broad application with only limited exemptions, a high compulsory registration threshold (which has been modelled at £300,000) and the application of an International Services Entity scheme similar to that applied in Jersey could help limit this impact.

9.5 The potential for an increase in internet sales has also been raised as a concern. A GST would be applicable to imported goods but most jurisdictions apply a de minimis value below which the tax is not collected. This is intended to balance the revenue raised with the administrative cost of collecting the tax on personal imports. In Jersey this de minimis is set at £135 – the same level as the UK VAT de minimis. Further consideration to what level would be appropriate to apply in Guernsey, and more detail on the other features described will form part of any more detailed work.

9.6 The introduction of a new tax will also result in an additional administrative burden for the States. It is estimated that a GST would cost in the region of £800,000 a year to administer which is based on the experience of administering the scheme in Jersey. The administration of the scheme is expected to be split between the Revenue Service for the primary administration and the Border Agency in relation to the application of the tax to imports.

9.7 Further concerns raised include the possibility that, once introduced the rate of a GST could be raised beyond that initially agreed. The next phase of this workstream will include consideration of whether it might be appropriate or possible to apply mechanisms by which future increases in the rate could be restricted, if the limit placed on government revenues is not considered a strong enough measure.

10. The Options

10.1 The Steering Group presents three pragmatic solutions to the question posed. All are intended to have a net progressive structure (albeit after mitigation in the case of Options 2 and 3) and all divide revenue raising between households and corporates, with Options 2 and 3 also including revenue raised from visitors and other non-residents.

10.2 **Option 1** retains Guernsey's existing structure focussing on taxes raised against income in the form of an income-based health tax and an increase in the revenues raised through social security contributions. This meets the progressive objective and, for some, may be considered fairer, but it further exacerbates some of the existing issues with the tax base.

10.3 In 2015 the States resolved:

"To acknowledge that there are risks and challenges associated with the States' considerable reliance – by international standards – on direct personal taxes and social insurance contributions; and to agree in principle that it would be advantageous to diversify sources of States' income in ways which take account of the principle of 'ability to pay'."

Billet d'État IV, 2015, Planning a Sustainable Future: The Personal Tax, Pension and Benefits Review

10.4 And again in 2017

"To direct the Policy & Resources Committee, in developing its proposals for income measures from 2018 onwards, to consider the merits and disadvantages of any new forms of taxation, with the exception of taxes on capital; this recognises that there will be a clear presumption that over this period (in light of the island's changing demographics) the tax base will broaden and diversify consistent with the principles of seeking a greater contribution from those individuals and entities most able to bear the burden."

10.5 With two successive Assemblies recognising that the lack of diversity in the tax base is an issue, exacerbating this issue further by focussing entirely on revenue raising measures charged on income cannot be recommended.

10.6 **Option 2** places most of the revenue raising burden on a GST which would increase gradually to an 8% rate over a number of years and presents a net reduction in taxes on income due to the effect of the associated mitigation measures. As discussed in the accompanying economic analysis (Deloitte LLP, July 2021), this reduction in direct taxation could have short term economic benefits and economically this option would be the most efficient[9].

10.7 There would be a potential for significant short-term pressure on price inflation (expected to be approximately 60% of the rate implemented) leading to regressive impacts which could be costly to mitigate. Any proposal which includes a GST would need some of the revenue raised to be diverted towards the compensation of those on lower incomes and the higher the rate applied the larger the redistribution will need to be. As demonstrated in the Steering Group's report, it is possible to achieve a system in which the majority of lower income households could be benefited by the changes (that is, paying less tax overall), even at a relatively high rate of GST.

10.8 The cost of administering a GST is the same regardless of the rate and it is therefore administratively, as well as economically, more efficient to target a higher rate. It has the highest potential to diversify the tax base and the lowest potential to create short term pressure on employment and GDP.

10.9 **Option 3** presents a mix of elements from Options 1 and 2, combining a lower rate of GST (5%) with an increase in revenue from the restructured social security contributions. The lower rate of GST reduces the impact on inflation and the extent of mitigation required for lower income households, but the inclusion of increased revenues from the contributions system creates a limited degree of pressure on employment and GDP growth.

10.10 This creates a more moderate approach. It would align the Guernsey GST rate with Jersey's and may be publicly more palatable and less costly to mitigate albeit would lose some of the economic and administrative efficiency associated with focussing entirely on a GST.

10.11 The Steering Group has concluded that the tax system should include a GST. This would be consistent with the extant Resolutions listed above and offers the best

[9] Economic efficiency refers to the extent to which a tax distorts people's behaviour and impacts the economy. An efficient tax creates the least distortion.

opportunity to meaningfully diversify the tax base. **On that basis, the Policy & Resources Committee is asking the States to confirm that any restructure to diversify the tax system requires the introduction of a GST.**

10.12 The Steering Group also recognises that the details of this scheme are important and need further public consultation. The modelling has been conducted in broad alignment with the schemes applied in Jersey and New Zealand which have some attractive features:

- Jersey applies a high compulsory registration threshold to protect small businesses from administration costs. At the £300,000 turnover threshold applied in Jersey (compared to £85,000 in the UK) it is estimated that this could keep between 30% and 50%[10] of businesses from being required to register. Those businesses not required to register would be subject to GST on any taxable supplies, but they would not be obliged to charge GST on their sales, complete quarterly returns or make any remittance to the States. This removes the need for smaller businesses to conduct any administration in relation to a GST although the increased cost of supplies will still likely be passed on to customers.

- Jersey offers an optional International Services Entity Scheme designed to reduce administration for much of the finance sector. This scheme removes the need for financial services providers, whose services are largely exported and therefore zero-rated, to register and complete quarterly returns in order to reclaim any GST incurred on supplies. A fee is applied to access the scheme and based on the revenues raised in Jersey this is expected to raise £6m.

- Both Jersey and New Zealand also apply the tax to the vast majority of goods and services, with very limited exemptions. This creates a scheme significantly more efficient, economically and administratively, than a scheme like the UK's VAT which applies a complex regime of exemptions, zero-rating and reduced rates.

10.13 The further development and consultation will aim to refine this position and confirm which of these elements should form part of any final proposal, including detail on what goods and services should be subject to exemptions and zero rating.

[10] These estimates are based on the submission of claims to the Covid Business support scheme which may over represent small businesses and are therefore presented with a wide range

11. Consultation and Engagement

11.1 The Steering Group has undertaken initial engagement on the proposals presented to date, both with States Members and with industry and community representatives. This has been undertaken through a number of presentations and workshops encouraging participation and comment. However, further engagement is needed on the details of a scheme before final proposals are presented to the States for consideration. Further formal consultation, including public meetings, will be undertaken following the direction provided by the debate of this Policy Letter and further detailed modelling.

11.2 The President of the Committee *for* Employment & Social Security and a non-voting Member from that Committee are Members of the Steering Group. Communication and engagement was undertaken with the Committee *for* Employment & Social Security as this work progressed. The Committee *for* Employment & Social Security has indicated its support for the proposals to restructure social security contributions in order to address the identified issues and to make the scheme more progressive. A letter of comment from the Committee *for* Employment & Social Security on the proposals is attached at Appendix 1.

11.3 Engagement was also undertaken with Alderney States Members to ascertain any concerns raised in relation to the specific circumstances in Alderney. The primary issues raised related to the differences in the costs of goods between the two islands and the consequential potential for GST to impact Alderney residents more as a result. Work is planned for the next stage to establish the price gap between the two islands so this concern can be examined in more detail.

11.4 Another concern raised was the potential for the restructure of the social security contributions to discourage people owning property in Alderney from making these available to rent. Again, this will need to be investigated further.

12. Progression of the Workstreams

12.1 Subject to the approval of the Propositions in this Policy Letter, a substantial and detailed exercise is required to develop formal proposals to make significant structural changes to the tax base. **The next proposals laid before the States will expand in detail what changes are proposed, what mitigations need to be put in place and how these will work, how changes should be phased and how and when the operational implementation of these changes should be applied.**

12.2 It is the intention of the Committee that the next update of the Government Work Plan will also set out how the implementation of changes to the tax base can be co-ordinated with other measures needed to support the States' financial position. This will include the progression of priorities in relation to the

population, economic recovery, Public Service Reform and changes to service levels. These priorities could have a significant influence on how far and how fast changes to the tax base will need to be progressed.

12.3 A significant investment of staff time and resources will be required to bring these proposals to the point at which a final decision can be made by the States on implementing changes. It is estimated that up to £250k will be needed, including scoping the necessary IT, consultancy support on detailed development, and public engagement and communication. If necessary, the Policy & Resources Committee will use its delegated authority to make funding available from the Budget Reserve.

13. Conclusions

13.1 It is evident from the information available that the scale of the States' long-term fiscal pressures is such that it will be necessary to raise additional revenues at some point in the near future. If we are to stay within the rules that the States have set through the Fiscal Policy Framework, then this must be accompanied by a measurable and significant commitment to reduce expenditure and promote economic growth. Accepting that revenue raising may be necessary in no way reduces the importance of financial discipline, public service reform or economic investment. All will be required if we are to live within the limits set.

13.2 The Steering Group has presented pragmatic solutions to the question set. While an option that does not include a consumption tax is included, to progress in this direction would only exacerbate the risk and vulnerability created by an already heavy reliance on taxes charged against income. The Policy & Resources Committee therefore supports the conclusion that, if significant additional revenues are required and the need to diversify the tax base is accepted, then the optimal solution includes a consumption tax. However, the Committee believes that this must be accompanied with measures taken to address its regressive effects on lower income households and that further work will be required to refine such measures. Two successive Assemblies have laid resolutions to address the issue of the narrowness of the tax base and implementing a tax in place in almost every other jurisdiction in the world is the most practical way to address this.

13.3 The Steering Group has also recommended that the inequities in the social security contributions system be addressed. Again, these are issues formally recognised by two successive Assemblies (Billet d'État VI, April 2015) (Billet d'État X, June 2019). A system which presents a similar eligibility for benefits but applies liabilities that can vary enormously depending on how you gain your income cannot be equitable and should be addressed if there is a reasonable opportunity to do so.

13.4 The detail of how these options are structured is important. The Steering Group has demonstrated that there are ways to mitigate concerns about the regressive impact of a GST, and examples of good practice on its application which could maximise the efficiency of the Guernsey system while minimising the administrative burden. However, it is recognised that the details are important and that more engagement and development is required before the States can be expected to support firm proposals.

13.5 The Steering Group has committed to a six-month period of development and more detailed engagement and consultation but formal in principle endorsement from the States is sought on the key elements before this is undertaken.

14. Compliance with Rule 4

14.1 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.

14.2 In accordance with Rule 4(1)(a), the Propositions which this Policy Letter accompanies respond to Resolutions of the States made in relation to the Fiscal Policy Framework, as noted and explained throughout this Policy Letter. The review of taxation is a critical component of the action in the States' Government Work Plan (Billet d'État XV of 2021) to 'Agree a sustainable taxation policy'. This action forms part of the Priority area: 'Reshaping Government', which the States have resolved is one of the four main priorities for government at this time (Billet d'État VI of 2021).

14.3 In accordance with Rule 4(1)(b), the Propositions have been developed with consultation and engagement as explained in section 8 of this Policy Letter.

14.4 In accordance with Rule 4(1)(c), the Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications. She has advised that there is no reason in law why the Propositions should not be put into effect.

14.5 Rule 4(1)(d) concerns the financial implications to the States of carrying into effect the proposals. As set out in paragraph 12.3 of this Policy Letter, it is estimated that £250,000 will be needed to bring these proposals to the point where the States can make a final decision on the proposals. The more fundamental implications of these proposals for government revenue and expenditure are dealt with throughout this Policy Letter and therefore not repeated in this section.

14.6 In accordance with Rule 4(2)(a), the Propositions relate to the duties of the Committee to co-ordinate policy including leading the policy planning process, the allocation and management of resources, including the States' budget and facilitating cross-committee policy development.

14.7 In accordance with Rule 4(2)(b) 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.

PTR Ferbrache
President

HJR Soulsby MBE
Vice-President

J P Le Tocq
MAJ Helyar
DJ Mahoney

Appendix 1: Committee *for* Employment & Social Security: Letter of Comment

Committee *for*
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Deputy P T R Ferbrache
President
Policy & Resources Committee
Sir Charles Frossard House
St Peter Port
Guernsey

Our Ref:
Your Ref:
Date: 20 August 2021

By email

Dear Deputy Ferbrache

Tax Review

The Committee *for* Employment & Social Security ('the Committee') considered a draft of the Tax Review Policy Letter at its meeting on 18 August 2021.

The Committee very much supports the holistic approach taken by the Policy & Resources Committee in conducting the Tax Review. The Committee recognises the pressing need to raise more revenue to support the provision of essential public services, pensions and benefits for our population in the future.

The Committee supports the restructure of the existing social security contributions system to make it more equitable, noting that more detailed work is necessary to establish the appropriate rates, allowances and limits to be applied.

The Committee welcomes the introduction of an allowance on social security contributions for all contributors (not just non-employed persons) as part of the restructure. However, the Committee notes that the consequential substantial loss in revenue will need to be replaced through other measures in order not to worsen the already unsustainable position of the Guernsey Insurance Fund and the Long-term Care Fund. Therefore, this must not be implemented in isolation.

For some time, the States has shied away from agreeing measures to secure the long-term financial sustainability of the Guernsey Insurance Fund. The Fund has been in deficit, before investment returns are taken into account, since 2009. It is estimated that the operating deficit of the Guernsey Insurance Fund will increase to £38.3m in 2022. This is ameliorated to some extent by investment returns, resulting a forecast net deficit of £19.2m in 2021, but it should be noted that as the fund declines so will the extent to which operating losses can be mitigated by investment returns.

Although we have a large buffer Fund (valued at £702.4m as at 31 December 2020), the Government Actuary's Department has calculated that the Guernsey Insurance Fund will be exhausted by 2039 unless something is done to address this matter. It is a matter of deep concern that the pension fund could be exhausted in just 18 years if no measures are taken to prevent this. The equivalent of approximately £28m per annum of additional revenue is needed to make the Fund sustainable under current assumptions.

The Government Actuary projected that the balance in the Long-term Care Fund will fall to zero in 2053. This does not take into account the decision in principle, taken by the States of Deliberation in August 2020, to extend the coverage of the Long-term Care Scheme to cover care delivered in peoples' homes. The current estimate of additional revenue required to make the Long-term Care Fund sustainable, not taking into account the cost of this significant policy change, is £6m per annum.

The operating deficit of the Guernsey Insurance Fund is increasing and every further year of inaction only makes the situation worse and the potential solution more painful for contributors. The Policy & Resources Committee is already aware that the Committee intends to propose in its forthcoming annual Policy Letter on contributory benefits and contribution rates, a gradualist approach to increasing social security contributions. I would like to reiterate that this proposition is certainly not intended to undermine the Policy & Resources Committee's aim to address the island's fiscal issues in a holistic manner. The Committee very much supports this approach.

Instead, it seeks to provide a 'Plan B' in the event that the States does not support Proposition 2 of your Committee's Policy Letter on the Tax Review. Or if they do but then don't see through on that decision in principle.

This Plan B, under which contribution rates would gradually be increased over a ten-year period, aims to secure the long-term future of the Guernsey Insurance Fund which funds the States Pension (and other social insurance benefits), and Long-term Care Insurance Fund which funds long-term care benefit that addresses the significant financial risk to individuals of requiring long-term care.

The Committee is proposing this gradualist approach for two reasons. Firstly, to avoid becoming anti-competitive through a large increase now when we know that other jurisdictions are facing similar challenges and will be forced to address them sooner rather than later. Secondly to allow the situation to be regularly revisited in the light

of changing circumstances and the required total increase in contributions to be reduced or increased as required.

Returning to the Policy & Resources Committee's Policy Letter; of the two options presented by the Policy & Resources Committee which include the introduction of a broad-based Goods and Services Tax (GST) (i.e. options 2 and 3), the Committee's preference is option 2 (8% GST). This option raises more tax from GST and provides more opportunity to implement mitigating provisions which make the overall package the most redistributive and the best for lower and lower-middle income households of the three proposed. It also leaves the island less reliant on the taxation of income than either of the other two options.

The Committee is aware that this outcome will be counter-intuitive to many as a GST in itself is widely recognised as being regressive in nature. This is why the Committee stresses the need to view the competing possible packages in the round, including the impact of all of the measures included, rather than just homing in on the GST element. We very much hope that the Policy & Resources Committee will stress this requirement in order to judge the pros and cons of all of the possible packages.

The Committee suggests that the public messaging in respect of this Policy Letter should draw attention to the results of the analysis set out in figures 15, 19 and 23, showing the average impact by household income and household composition of the three options, and figure 24, which provides a high level comparative assessment of the options.

The Committee looks forward to continuing to work closely with the Policy & Resources Committee to address the future financial challenges faced by the island.

Yours sincerely



Deputy Peter Roffey
President

Appendix 2: Tax Review Steering Group: Technical Report and Recomendations

TAX REVIEW STEERING GROUP

Technical Report and Recommendations

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1. Executive Summary

1.1. In January 2020, the States of Guernsey resolved to undertake a review of the tax system (the 'Tax Review') in light of prospective long-term pressures on government finances (Billet d'État I, Jan 2020). This preceded the COVID-19 pandemic, which has made the need to address the issue more immediate, although it is not the root cause. The purpose of the Tax Review is to ensure that the tax system has the capacity to raise revenues up to the limits on revenues set in the Fiscal Policy Framework should this be necessary.

1.2. The fiscal pressures are significant. The population is ageing, and pressure is already manifesting in the cost of health care and pension provision. This pressure will continue to grow as an increasing number of people will need to depend on these services. A sustainable solution to supporting an ongoing capital programme is also needed. The borrowing recommended in the Funding & Investment Plan can support the investment in infrastructure for this term, but we cannot borrow indefinitely, and reserves will become exhausted.

1.3. There are also two issues with the tax base recognised by previous Assemblies which should be addressed:

- The narrowness of the tax base (Billet d'État VI, April 2015) (Billet d'État XII, June 2017); and
- The inequities in the current social security contributions system (Billet d'État VI, April 2015) (Billet d'État X, June 2019).

1.4. Personal income tax and social security contributions make up 63% of revenue collected. Broad based consumption taxes, such as GST are entirely absent. This makes Guernsey heavily reliant on the workforce to support public services and vulnerable to the ageing of the population - the erosion of the working age population as more people retire could place a downward pressure on revenues to the value of as much as £30m a year by 2040. It also means that the tax system lacks the resilience that would come with a more diverse tax base.

1.5. The inequities in the social security contributions system mean that individuals with similar incomes can face quite different liabilities and, if reforms are to be considered, this should be addressed (see section 8).

1.6. A structured plan setting a roadmap for how revenues should be raised will ensure that any increase in taxation is done in a way which minimises both the economic and social implications. This Review therefore addresses the question:

If it is necessary to increase revenues to the limit of the Fiscal Policy Framework (24% of GDP) to meet the cost of public services, what is the best way to achieve this?

1.7. The limit placed on government revenues by the Fiscal Framework is set at 24% of GDP (Billet d'État I, Jan 2020), just over 2% of GDP higher than the average amount raised over the three years between 2017 and 2019. This is estimated to allow between £70m and £75m[1] of capacity to cover the requirements of both General Revenue and the Social Security Funds.

1.8. Of the levers available, taxes on income and taxes on consumption (e.g. a GST) offer the greatest potential for raising additional revenues. Other measures such as TRP, environmental and customs duties may contribute but are not practical options for meeting the scale of the challenge presented. The focus of this report is therefore the choice between taxing income and taxing consumption.

1.9. Corporate income tax rates are under global consideration and parallel work is underway to identify what the OECD's[2] work to reform the international corporate tax framework will mean for Guernsey in practice. This report includes an assumption that changes to the corporate tax system may contribute £10m a year, but this is subject to the progression of a large and complex international workstream, the timing of which is largely outside of Guernsey's control.

1.10. The identified issues with the narrowness of the tax base make the inclusion of a GST in Guernsey's toolkit of tax measures an obvious, if uncomfortable, choice for both raising revenues and diversifying the tax base. On its own, a GST is regressive for those on low incomes. However, the options presented in this report demonstrate how this might be mitigated through changes to the income tax and social security systems combined with additional support provided via the States' pension, income support and other benefit systems.

1.11. This report presents three options:

- **Option 1:** An income only approach which applies a 3% income-based health tax as well as additional revenue raising from a more progressive social security system.

- **Option 2:** A GST only approach which applies a GST gradually increasing over a number of years up to 8% combined with a net neutral progressive restructure of the social security system, an increase in the personal income tax allowance and a variety of measures targeted at providing relief to low-income households.

[1] This is lower than the value quoted in the Review of the Fiscal Policy Framework and Fiscal Pressures report in January 2020, because the economic impact of COVID-19 is expected to result in a permanent reduction in GDP equivalent to between 0.5% and 1.5%. This effectively represents the loss of one to two years of growth opportunities.

[2] The Organisation for Economic Co-operation and Development

- **Option 3:** A combined GST and income-based approach which applies a a GST gradually increasing up to 5% with additional revenue raising from a more progressive social security system and a similar selection of mitigating measures as option 2.

1.12. The economic analysis appended to this report presents a persuasive case for including a GST within Guernsey's tax base (Appendix 1). Not only does this present the best opportunity to diversify the tax base, raising revenues from a GST is likely to be less economically damaging than income-based taxes. Combined with effective mitigation, this could place Guernsey's tax based on a more sustainable footing.

1.13. Some provisional engagement has been undertaken on this matter and the Steering Group recommends that direction from the States is sought ahead of more detailed engagement and the development of a complete and detailed proposal.

1.14. **The Steering Group therefore recommend that the Policy & Resources Committee seek direction from the States on the following:**

- **That in order to address the inequity of the existing social security contribuions system it should be restructured such that all contributors are subject to a personal assessment on the same definition of income and with the same access to allowances.**

- **That any restructure of the Tax system should include the introduction of a GST and that this should be a broad-based system similar to that applied in Jersey and New Zealand.**

- **That the impact of any GST should be mitigated by a range of measures targeted at those households considered most at risk of adverse consequences of a GST, including but not limited to consideration of;**

    - **an increase in the personal tax allowance;**
    - **a pre-emptive increase in the States' pension at a rate consistent with the anticipated impact on inflation;**
    - **a pre-emptive increase in Income Support, at a rate consistent with anticipated impact on inflation or higher; and,**
    - **The provision of additional cost support measures, such as a low-income pension supplement and a cost support scheme to reach low-income individuals not supported via income support.**

1.15. **Subject to the States approval of the above direction, the Steering Group proposes to undertake a period of detailed consultation and development before returning firm proposals to the Policy & Resources Committee.**

2. Review Terms of Reference

2.1. The terms of reference of this project, as agreed in January 2020 are as follows:

- To present options for restructuring the tax base so that it has the capacity to raise revenues up to the limits of aggregate revenues agreed in the Fiscal Policy Framework.
    - To investigate mechanisms for raising additional revenues including;
    - The taxation of company profits with due regard to the need to maintain a tax system which is competitive, internationally acceptable and maintains tax neutrality[3];
    - Extension or modification of the existing income tax and social security contributions system;
    - A health tax; and,
    - The addition of general or limited consumption taxes to the tax base.
- To investigate options for the implementation of these measures in such a way as to minimise the economic impact of changes to the tax structure.
- To provide analysis of the financial, economic, and social implications of any options presented.

2.2. Subsequently the following direction has been added:

To direct the Policy & Resources Committee to include consideration of the impact of duty free on its review of the tax base (amendment to 2021 budget)

2.3. The following Resolutions also have high priority within the consideration of this workstream:

To acknowledge that there are risks and challenges associated with the States' considerable reliance – by international standards – on direct personal taxes and social insurance contributions; and to agree in principle that it would be advantageous to diversify sources of States' income in ways which take account of the principle of 'ability to pay'.

Billet d'État IV, 2015, Planning a Sustainable Future: The Personal Tax Pensions & Benefits Review.

[3] Tax neutrality is important for the continuing operation of the finance sector in Guernsey, enabling Guernsey to competitively facilitate the movement of international capital flows in the absence of the extensive network of double tax agreements available to larger jurisdictions. Tax neutrality ensures that the products and clients of the finance sector are taxed appropriately in the jurisdictions of origin, residence or investment, as appropriate, without any additional tax cost being imposed in Guernsey. Tax neutrality does not generally impede the taxation of profits on the regulated providers of services in the finance sector as is currently the case under the 0/10 regime.

To direct the Policy & Resources Committee, in developing its proposals for income measures from 2018 onwards, to consider the merits and disadvantages of any new forms of taxation, with the exception of taxes on capital; this recognises that there will be a clear presumption that over this period (in light of the island's changing demographics) the tax base will broaden and diversify consistent with the principles of seeking a greater contribution from those individuals and entities most able to bear the burden.

Billet d'État XII, 2017, Policy & Resource Plan – Phase 2.

2.4. It should be noted that work to review the corporate income tax regime is underway but this is tied to the OECD's work to reform the international corporate tax framework. This is likely to require changes to the tax system but the outcome is not yet clear. This is a large and complex international workstream, the timing of which is largely outside of Guernsey's control. This report includes an assumption that changes to the corporate tax system may contribute £10m a year. Because this work is still ongoing this value is still uncertain. Corporate taxes are discussed in more detail in section 7.

3. Review Principles

3.1. It was agreed by the Policy & Resources Committee that the review be conducted in accordance with the following principles.

The tax system should:

- be capable of raising revenues of up to 24% of GDP in a way that is economically and socially sustainable;
- be diversified between different forms of taxation;
- be transparent, simple and credible;
- be resilient to demographic change and economic shocks;
- support and facilitate sustainable economic growth and employment;
- comply with international tax standards;
- maintain alignment on corporate tax policy with Jersey and the Isle of Man;
- overall, reflect people's ability to pay and be generally progressive, while accepting that a balanced tax system will include some elements (such as excise taxes) which are considered regressive in nature;
- not discriminate on the basis of age, gender, marital status or employment status in assessing or determining the amount an individual must pay; and,
- support the delivery of environmental and social objectives if there are opportunities to do so without breaching the previous principles.

4. Supporting Analysis

4.1. This report is presented with supporting financial and economic analysis. Appended to this document is an "Economic Impact Study of the States of Guernsey Tax Review" (Deloitte LLP, August 2021), which examines the potential impact of changes to the tax system on the Islands' economy and a comparison of the options presented by the Steering Group (see Appendix 1).

4.2. This analysis also includes comparisons with key benchmark jurisdictions. These were selected as having some general similarities with Guernsey's economy in that they are small jurisdictions with economies heavily focused on the financial services sector. Broadly, this group includes those jurisdictions which might be considered Guernsey's closest competitors. The benchmark jurisdictions selected were:

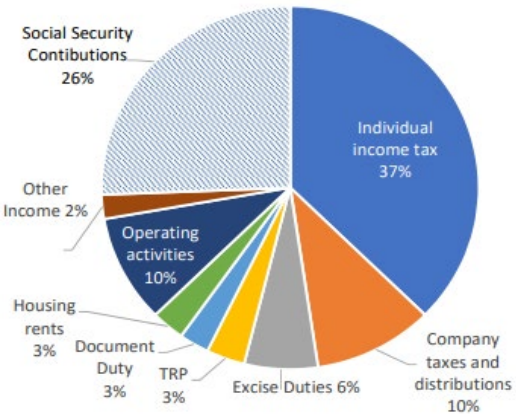
- Jersey
- Isle of Man
- Luxembourg
- Singapore

5. Sources of Revenues

5.1. In 2019 (the latest point at which States revenues might be considered uninterrupted due to the pandemic), Guernsey raised £622m in tax and contribution revenues equal to approximately 19% of GDP. A further £100m was raised from other revenue streams such as fees and charges and rent on States owned properties. The average total amount of revenue raised in Guernsey over a three-year period equated to 21.9% of GDP.

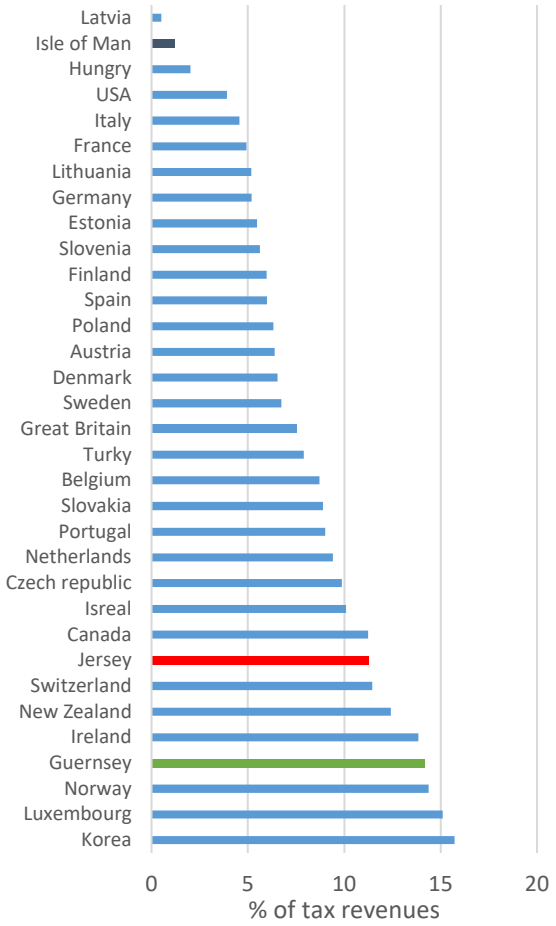
5.2. Income tax charged on individuals' income is the largest component of revenues comprising 37% of the total, closely followed by social security contributions at 26%. This means that almost two thirds of Guernsey's total revenue or 72% of tax revenue is derived from people's income. This is less than it has been in the past, but Guernsey remains unusually heavily reliant on income-based charges and earned income in particular. On average income taxes and contributions comprise 58% of tax revenue in the OECD countries (data.oecd.org) and 67% and 49% of tax revenues in Jersey and the Isle of Man respectively.

Figure 1: Sources of Government Revenues



5.3. Corporate income taxes (and distributions from companies) account for approximately 10% of total revenues or 14% of tax revenues. Corporate income tax receipts are typically highly cyclical, increasing while the economy is performing well and decreasing in times of economic stress to a much greater extent than personal income tax. These taxes are an important part of most countries' tax base. However, because of their potential volatility and competitive nature, most countries gain more revenues from personal taxes and consumption taxes, which are more stable and less economically sensitive. Even though Guernsey applies a 0% headline rate, the proportion of taxes generated from corporate income tax in Guernsey is above the OECD average of 10% (data.oecd.org).

Figure 2: Corporate tax revenues (% of total tax revenues)



5.4. In most jurisdictions a broad-based consumption tax such as a GST, VAT or sales tax (collectively referred to as GST for simplicity) makes up a significant proportion of revenues - the OECD average is for approximately a third of a jurisdiction's tax revenue to be generated from a GST (data.oecd.org). Guernsey is almost unique in not applying these taxes and among the benchmark jurisdictions used in the analysis of this project they comprised between 8% (Jersey) and 40% (Isle of Man) of tax revenues (see Appendix 1).

5.5. Other taxes, both in Guernsey and elsewhere, tend to make up a minority of tax revenues. In total TRP, document duty and excise duties raise just over 10% of the States total revenues. They are not considered able to offer significant enough revenues to be considered as part of the structural reforms discussed in this report. To raise £10m from TRP for example, it would be necessary to increase both commercial and domestic TRP rates by a further 50%.

5.6. While they are not included in this report in detail this does not mean they have no role to play. The Government Work Plan included a Resolution "*To direct the Policy & Resources Committee to include proposals in the annual Budget Report for each of the years 2022, 2023, 2024 and 2025 to generate an additional real-terms increase in revenues for each of these years of £1million per annum*" (Billet d'État XV, July 2021). Measures such as changes to TRP, document duty, excise duty or motor taxes could be considered in the context of the annual Budget setting process.

5.7. Motor taxes, which in Guernsey currently consists of excise duty on fuel with a small amount of revenue from first registration duty, are reducing because of a move to more fuel-efficient vehicles and, more recently, the acceleration of the move towards electric vehicles. This is the subject of an extant Resolution to investigate whether a distance charging model might offer a more sustainable alternative and to conduct a pilot to provide a proof of concept (Billet d'État XII, July 2019). The original direction was given to the Policy & Resources Committee, but discussions are underway for the Committee *for the* Environment & Infrastructure to progress this.

6. Economic Implications of Raising Additional Revenues

6.1. The working assumption used in compiling this report is that it may be necessary to raise revenues to the full extent allowed within the Fiscal Policy Framework. Based on current forecasts and allowing for the expected reduction in income tax revenue as a result of the launch of the Secondary Pension project in 2023, the available headroom is estimated at between £70m and £75m. This would place the aggregate amount of revenues raised from the economy at a level broadly similar to Jersey.

6.2. The economic impact analysis supporting this report (see Appendix 1) suggests that, assuming the additional revenues are spent providing public services and the raising of revenue is timed to match increases in expenditure, the aggregate effect on the economy from an increase in taxation to 24% of GDP should be negligible in the medium- to long-term. However, it may result in a shift in economic activity from the private to public sector.

6.3. The structural changes may include a reduction in the size of sectors such as wholesale, retail, and repair. These currently make up about 8% of total GVA, implying that their impacts on the overall economy are unlikely to be very large. Sectors which provide health and care provision are likely to expand as demand for services increases and an expansion of capital investment beyond what has been achieved in recent years may benefit the construction sector.

6.4. There will inevitably be some timing differences between the raising and spending of revenues. For example, the intention to borrow to support the current capital portfolio may bring forward economic growth, but the economic loss arising from the repayment will be spread over a number of years. The provision of funding for the States Pensions and Long-Term care services is also planned over an extended period, diverting revenues in the short-term to provide for benefits payable over several decades. This implies a small economic cost now to support greater levels of consumption in the future.

6.5. There is potential for short term impacts from changes to the tax structure, but how these manifest will depend on what changes are made.

6.6. Taxes on income, which reduce the amount of money an individual might take home in recompense for their labour, are more likely to have an impact on employment decisions and consumption than a GST. This means they have the potential to create a short-term suppression of employment and GDP growth. However, they are unlikely to impact inflation.

6.7. By contrast a GST is not expected to influence employment or GDP growth in the short term but may bring forward some consumption and will have a temporary impact on inflation.

7. Corporate Income Tax

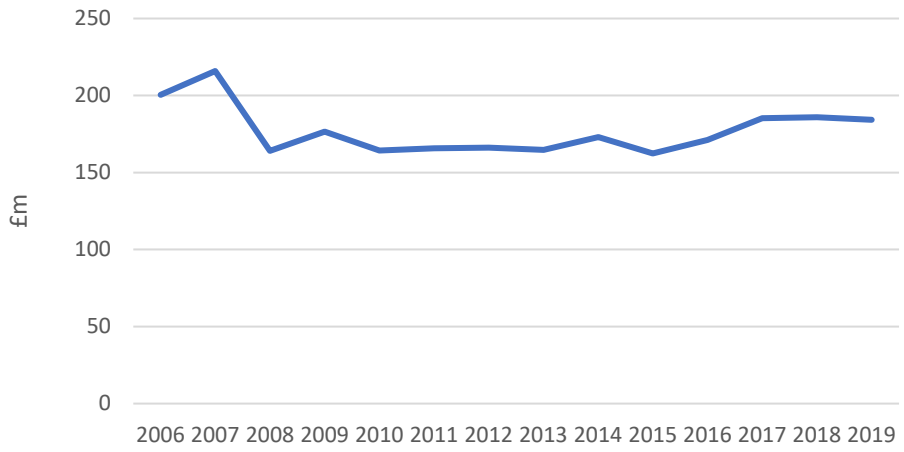
7.1. The standard rate of tax for companies is 0%, with an intermediate 10% rate applying predominantly to income from regulated financial services business and a higher 20% rate applying predominantly to income from land and property in Guernsey (both rental income and income from property development). This regime is known locally as "Zero-10".

7.2. The regime is under-pinned by strong general anti-avoidance rules (GAAR) and is based on (i) the principle of non-discrimination between resident and non-resident owned companies; and (ii) the principle of tax neutrality combined with transparency. As an international finance centre, Guernsey facilitates the investment of funds drawn from around the world into European and other financial markets. The return to the investors should be taxed in their home country and the business activity generated by the investment should be taxed in the jurisdiction where that activity takes place. That is why Guernsey has given its full support for the transparency principles central to the current G20, OECD and EU tax initiatives.

7.3. Corporate income tax receipts are typically highly cyclical, increasing while the economy is performing well and decreasing in times of economic stress to a much greater extent than personal income tax. These taxes are an important part of most countries tax base but, because of their potential volatility and competitive nature, most countries gain more revenues from personal taxes and consumption taxes, which are more stable and less economically sensitive.

7.4. Prior to the introduction of Zero-10, corporate income tax accounted for approximately 23% of government revenues and up to 33% of tax revenues. Currently, corporate income tax (and distributions from companies) account for approximately 10% of total revenues and up to 13% of tax revenues. This is comparable to the OECD average of 10% of tax revenues being generated by corporate income taxes (data.oecd.org). Much of this lost revenue was replaced by increases in commercial TRP rates and increases in social security contributions from employers. Figure 3 shows the changes in total revenue collection from corporates over this period.

Figure 3: Total contribution from corporates at 2019 prices (incl corporate income tax, commercial TRP and employer contributions to social security)



7.5. Guernsey introduced Zero-10 in 2008 following the EU Code of Conduct Group (Business Taxation) (the 'Code Group') finding aspects of the previous regime harmful. It is therefore not possible to revert to the corporate regime that was in place before Zero-10, as this would not meet international tax standards, a key principle of the review.

7.6. Zero-10 was deemed compliant with the Code of Conduct in 2012, following the repeal of the deemed distribution element of the system with effect from January 2013. It was reviewed again in 2017, when the EU compiled its list of non-cooperative jurisdictions at which point Guernsey committed to the introduction of legislation on economic substance to meet the required standards to be deemed a co-operative jurisdiction. This was concluded in March 2019. As a third country in scope of this EU process, Guernsey's corporate tax regime is under ongoing monitoring requirements against these standards. In July 2019, the OECD's Forum for Harmful Tax Practices confirmed that, following its own review, it concurred with the EU's assessment that Guernsey's corporate income tax regime including the new economic substance regime, was not harmful.

7.7. In accordance with the States Resolution from 2015[4], the Policy & Resources Committee continues to monitor the appropriateness of the corporate tax regime, having due regard for the need to retain an internationally acceptable and competitive tax environment for the islands' businesses. Officers therefore monitor developments at the OECD and also developments with regard to the EU list of non-cooperative jurisdictions for tax purposes.

7.8. Most recently the EU Economic and Financial Affairs Council (ECOFIN has approved guidance on foreign source income exemption (FSIE) regimes, also known as territorial

[4] Billet d'État IV, of 2015 the Personal Tax, Pensions & Benefits Review – "To direct the Treasury and Resources Department, having due regard for the need to provide a stable platform, maintain business confidence, support and encourage financial services and to retain an internationally acceptable and competitive tax environment for the islands' businesses, to continue to closely monitor the appropriateness of the corporate tax regime, and to report back to the States should it consider any changes are necessary."

regimes, which acknowledge that they are a legitimate approach to prevent double taxation but identify potentially harmful elements that could be present in such regimes. It is understood that the Code Group has screened jurisdictions with FSIE regimes, and in May 2021 wrote to those jurisdictions from which it would seek commitments to repeal or amend their harmful FSIE regimes. This indicates that territorial regimes are subject to the same type of international pressure as the Zero-10 regimes employed by the Crown Dependencies.

7.9. The Code Group also concluded that Guernsey (along with Anguilla, Barbados, Bermuda, British Virgin Islands, Cayman Islands, Isle of Man and Jersey) should extend their economic substance requirements to all relevant partnerships that were identified to fall out of the scope of existing legislation. Guernsey, together with Jersey and the Isle of Man, introduced relevant legislation that took effect from 30 June 2021.

7.10. Corporate income tax rates are under global consideration. The OECD has been working to establish a global solution to reform the international corporate tax framework, impacting how large multi-national enterprises (MNEs) are taxed around the world[5]. That framework is based on two broad work streams which seek to address issues that are linked to the increasing globalisation and digitalisation of the economy:

7.11. Pillar 1 aims to ensure a fairer distribution of profits and taxing rights among countries with respect to the largest 100 (or so) MNEs which are the largest beneficiaries of globalisation. This will be achieved through the partial re-allocation of taxing rights to the market or user jurisdiction, broadly ensuring profits are taxed where the customers are based.

7.12. Pillar 2 aims to ensure that MNEs, those with group revenues of at least Euro 750m, pay a minimum effective rate of tax on their profits. This will be achieved through the imposition of a "top-up tax" on a parent company in respect of any of its subsidiaries where the jurisdictional minimum effective tax rate paid is not at least 15%, or an equivalent adjustment if the jurisdiction the parent company is in does not implement the Pillar 2 rules.

7.13. At the recent Inclusive Framework meeting in July, an overwhelming majority of jurisdictions (which included Guernsey) reached agreement on the proposals. Technical discussions will now continue, developing a detailed implementation plan by October. Guernsey continues to work closely with Jersey and the Isle of Man on this.

[5] Highlights brochure: Addressing the tax challenges arising from the digitalisation of the economy, July 2021 (oecd.org)

7.14. The number of companies headquartered in Guernsey who would meet the criteria for an MNE under international rules is very limited. As technical discussions continue, it is not yet clear how these rules will be applied and therefore whether Guernsey would implement aspects of Pillar 2 that were not a minimum standard. Nor is it clear what the behavioural effects of the changes might be. As a result, the revenues which might be generated from the implementation of the OECD proposals are uncertain but they will be limited due to the scope of the OECD rules.

7.15. **The working assumption the Steering Group has used is that changes to the corporate income tax system may generate £10m a year of additional revenues.** Each option presented therefore assumes that £10m of the net gain in revenues, will be raised from changes to the corporate tax system.

7.16. In the longer term it may prove to be more or less than this figure if, for example, the rules are applied in such a way that some portion of the expected tax is paid elsewhere or if later discussions include the extension of the rules to include a wider range of companies. **It is therefore recommended that any implementation plans for other tax measures are flexible enough to allow for changes in the corporate landscape.**

8. Taxing Income

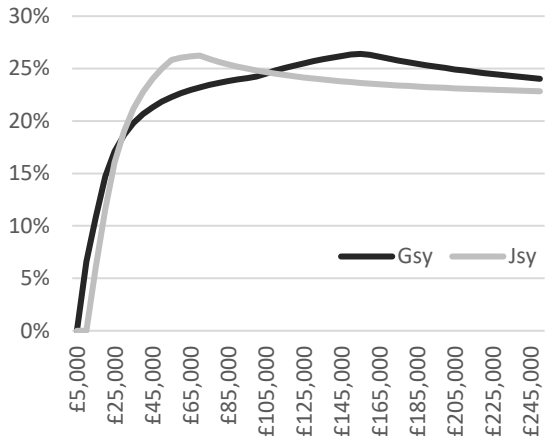
8.1. Income taxes are generally made progressive because of the availability of a personal allowance, which means people on lower incomes tend to pay less tax as a proportion of their gross income than those with higher incomes. In Guernsey, the phased withdrawal of allowances for those with an income over £100,000 makes it more so. However, as it does not have higher rates for higher earners, Guernsey's income tax system is less progressive than those applied in some other jurisdictions.

8.2. The structure of the social security contributions system is complex and discussed in more detail in section 8. At its inception it began as a broadly "insurance" based scheme with contributions liability capped at a level which approximated to the eventual benefit an individual might be expected to receive in the form of income replacement benefits (primarily a pension). The contributions for those not reaching this upper earnings limit were then "topped-up" by way of a grant from General Revenue.

8.3. The link between the upper earnings limit place on contribution and the value of expected benefits was broken when the upper earnings limit placed on contributions for both individuals and employers was increased between 2006 and 2013 from £36,000 to £132,000 (now £153,000). The grant from general revenue was then reduced which compensated for some of the revenues lost due to the changes to the corporate income tax structure. As a result, higher income individuals pay more into the scheme than they might be expected to receive in benefits from it and the insurance principle has been lost.

8.4. In general, for the majority of working age households, the system is proportional (that is people pay the same proportion of their gross income). Because contributions are subject to an upper earnings limit, above which you are no longer liable for contributions, the total tax and contributions liability for the top 2% of earners falls. However, because the upper limit on contributions in Guernsey is applied at £153,000 - much higher than in other jurisdictions (UK: £50,000; JSY £55,000) – this feature is less pronounced than similar schemes in the UK and Jersey. Overall, this means that Guernsey's current income tax and social security system is progressive to a higher level of income than in Jersey.

Figure 4: Income tax and social security contributions for a single adult (Guernsey and Jersey)



8.5. Approximately 75% of income taxes and contributions are paid by working age households. This means that Guernsey's revenues are particularly vulnerable to the ageing of the population**.** With the central projection, the reduction of the working age population as more people retire could place a downward pressure on revenues of as much as £30m a year by 2040. Increasing revenues from direct taxes on income increases this risk and may make Guernsey's finances more vulnerable to the ageing of the population and more reliant on maintaining (or increasing) the size of the working age population to sustain revenues.

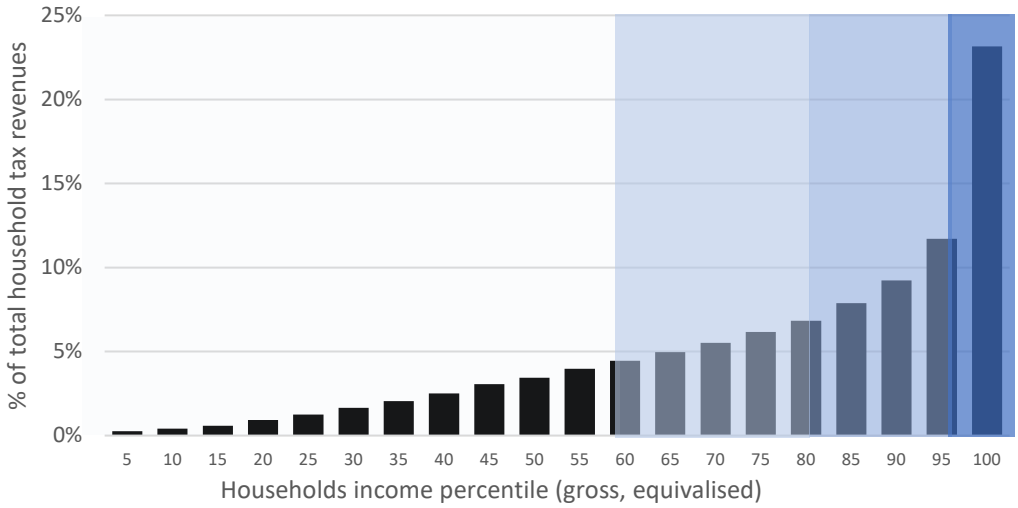
8.6. Solutions which focus solely on income (and particularly earned income) will rest more heavily on the younger members of the community. With cost pressures focused on provision of services for older people, this means a lot of the cost of providing services is transferred to younger generations. While generations are of equal size this is not a significant problem but, since the 1970s each generation has been progressively smaller than the one before. This means the tax burden can become increasingly focused on a younger household supporting a larger number of older people. This shift between generations, known as intergenerational equity, is a common theme in discussion around issues of ageing populations. This means that while income-based solutions may meet the principles of simplicity, transparency and progressiveness, their resilience to economic and demographic changes is less than other taxes.

8.7. The analysis provided in the appended report (Appendix 1) also suggests that income-based taxes are more likely to have a negative impact on employment and GDP in the short term, although the aggregate economic effects are expected to be temporary. The sectors most reliant on domestic consumption, primarily retail activity, are most likely to experience short term negative impact resulting from a loss of consumption as people have less money to spend.

8.8. Guernsey is also heavily reliant on the income from the top 5% of households (for a couple without children this means an income in excess of £150,000) who provide almost a quarter of household tax revenues.

8.9. The majority of households in the top 5% have been resident in Guernsey for at least 10 years. They are well established, employed largely in the Finance and Professional sectors and unlikely to choose to leave Guernsey if faced with moderate increases in their tax liability. However, there are a small group of households at the upper end of this group but without an income large enough to be protected by the tax cap who may be particularly sensitive to their tax liability. These households are highly mobile, tend to own businesses and employ staff which means that they have a significant economic value beyond their direct contribution to the tax base. Changes which increase the focus of the tax liability on this group increase the risk that it will be difficult to attract or retain the households in this group.

Figure 5: Distribution of tax revenues by Household income



Shaded areas each represent 25% of total houshold tax revenues

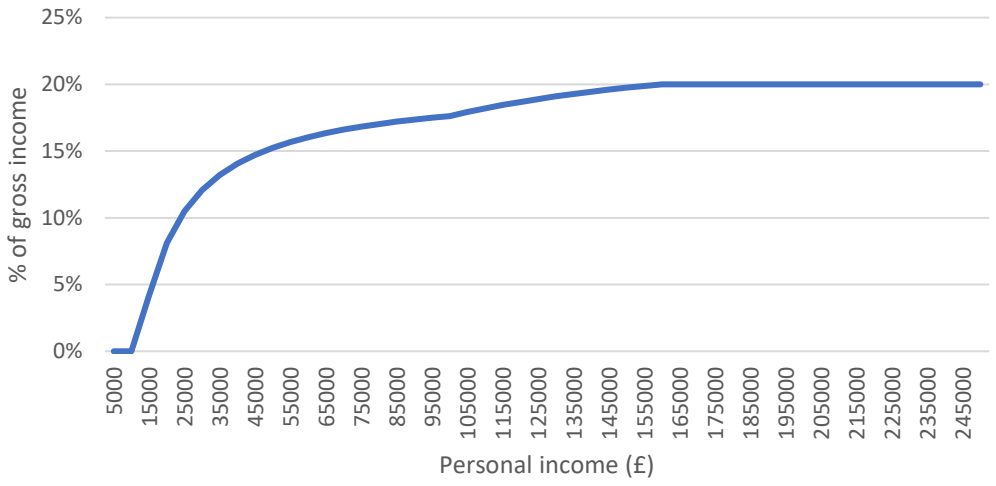
Income tax

8.10. Tax on personal income is Guernsey's primary source of revenues. Guernsey's existing system is very simple. It applies a single 20% rate to all income above an individual's allowances. These allowances are relatively few, and all are withdrawn at a rate of £1 for every £5 of income above £100,000 and primarily include:

- A personal allowance of £11,875.
  - This is transferable between married couples or couples with children.
- A charge of child allowance of £8,075.
  - Primarily available to single parents
- Mortgage interest relief.
  - In the process of a phased removal by 2025.
- Relief on pension contributions.
  - Provided up to a maximum of £35,000 of contributions per year

8.11. Tax liability in Guernsey is capped for very high-income individuals at £130,000 for non-Guernsey income and £260,000 for all income including that arising in Guernsey (excluding income from land and property in Guernsey which is taxed at 20% even when the tax cap is reached)[6]. A lower £50,000 cap is applied to qualifying individuals in Alderney between 2016 and 2025 and for individuals purchasing a qualifying Open Market property[7]. Between 30 and 45 individuals are subject to one of these tax caps in any given year.

Figure 6: Income tax liability by income for a single adult (% of gross income)



[6] Note that unlike the upper limit on social security contributions, which applies at a set level of earnings or income, the tax cap is applied at a set level of tax liability. For example, an individual subject to the £130,000 cap on their non-Guernsey income would be expected to have an income of at least £650,000

[7] Tax Cap - States of Guernsey (https://gov.gg/taxcap)

8.12. The application of allowances and their withdrawal for higher earners makes the system progressive (those with higher incomes paying a larger percentage of their income), although the absence of higher rates for those with higher incomes mean it is less progressive than systems applied in some other jurisdictions.

Increasing headline rates

8.13. The headline rate of tax is one of the most well understood and transparent elements of Guernsey's tax system. Each 1% increase in the headline rate of income tax could raise up to £13m per year of additional revenues. As an approach to raising revenues an increase in the headline rate would perform well against the principles of simplicity and transparency and would retain the same progressive profile of the current tax structure.

8.14. It performs less well against the principle that the tax base should be resilient to demographic change and economic shocks, given that it further focuses revenue raising in Guernsey on to income-based taxes and intensifies Guernsey's reliance on its working age population. It also has greater potential to create larger short-term impacts on employment and GDP growth than other measures (Deloitte LLP, August 2021). The loss of some take home pay by employees, and the resulting reduction in consumption implies this has the potential to impact the retail sector.

8.15. The loss of the 20% headline rate, which would place Guernsey out of step with its closest comparators, also has the potential to impact Guernsey's ability to attract employees with key skills from outside the jurisdiction.

8.16. These impacts are less obvious than the impact that a consumption tax may have on inflation and more difficult to mitigate.

Higher rate tax banding

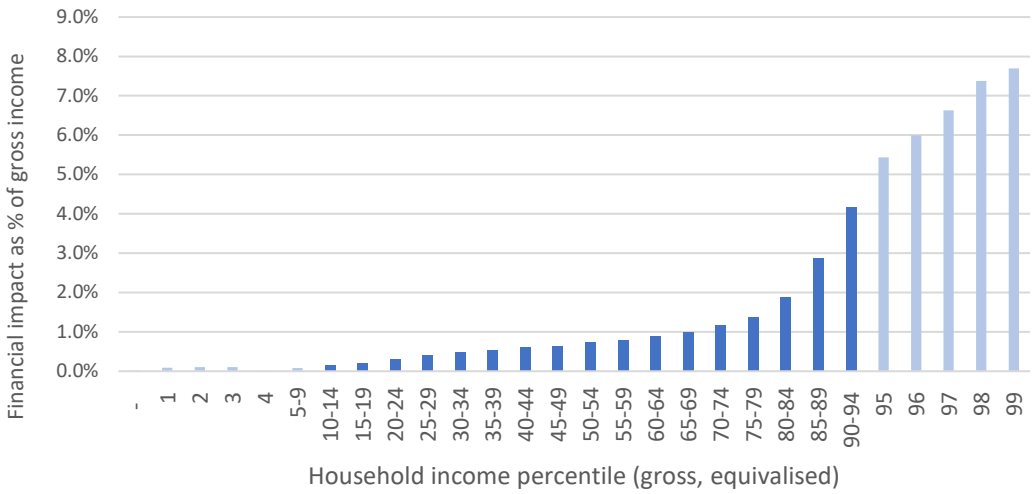
8.17. Higher rates of tax for income above a threshold level are common in larger jurisdiction but are not currently applied in Guernsey or Jersey. In the Isle of Man, the headline rate of tax is 10% with a 20% rate applied as a higher rate. The two other benchmark jurisdictions examined in the appended report both apply higher rates. In Luxembourg rates range from 0% to 42% in a series of narrow tax bands, the highest being applied to income above €200,004 (about £170,000). In Singapore rates scale to a maximum marginal rate of 22%, on income above 320,000 SGD (about £170,000).

8.18. Higher rates on income above a threshold level would make Guernsey's tax system more progressive. However, because such increases exclude a significant proportion of income the capacity to raise revenue from such structures is much lower than increases in the headline taxes. This means that to raise the same revenues the increased rate applied would need to be three or more times as large.

Figure 7: Estimated revenue raised by each 1% of tax on income above threshold value

Higher rate threshold	Revenue generated by 1% additional tax rate
£50,000	£5.0m
£60,000	£4.0m
£70,000	£3.5m
£80,000	£3.1m
£90,000	£2.7m
£100,000	£2.4m
Increase in headline rate	£13m

Figure 8: Impact of higher earners rate: 30% above £60,000 (raising approximately £40m)



8.19. As a result, to raise significant revenues from a higher tax band would require higher marginal rates than the Steering Group believe would be appropriate for Guernsey when combined with the high limit on social security contributions and the withdrawal of allowances for higher earners. For illustration a 30% rate on income above £60,000 would raise about £40m. Such a structure would focus more than half of the additional revenue raised into the top 5% of earners, making Guernsey increasingly dependent on this group while potentially undermining Guernsey's ability to attract or retain employees to senior positions. **Based on the above factors, the Steering Group does not propose the introduction of higher earners rates.**

Tax allowances

8.20. As a mechanism for raising revenues tax allowances are a poor option. Guernsey could raise significant revenues from removing or lowering the personal income tax allowance, but to do so would be a highly regressive step. Tax allowances have a better role in increasing the progressiveness of the system and acting as part of a package of measures to balance the distribution of impacts across the community.

8.21. Increases in income tax allowances are generally most beneficial for middle and lower middle-income earners, with sufficient income to be liable for taxes, but whose income is low enough that the reduction in their tax liability represents a meaningful portion of their income.

8.22. Changes to the scheme to withdraw tax allowances from those with an income above £100,000 has some limited capacity to raise additional revenues either by changing the threshold or rate (currently £1 in £5) at which these are withdrawn, but the scale of available revenues from this area is not sufficient to be considered as part of the structural reforms discussed in this report. Reducing the threshold to £90,000 or £80,000 is estimated to raise £0.7m or £1.6m respectively. This may be an option Members may wish to consider as part of the annual budget process.

Social Security Contributions

8.23. The social security contributions system as it exists today has evolved over time as a result of successive changes, each independently justifiable, but which in succession have resulted in some marked inequities.

8.24. At present people with different employment classifications and income sources are assessed differently for contributions. Some people are assessed on only their earned income, while others are assessed on all income and some benefit from an allowance (like the personal income tax allowance), but most do not.

Figure 9: Overview of current Social Security Contributions structure

	Employee	Self-employed	Non-employed	Over SPA
Initial payment threshold	£7,696	£7,696	£19,240	£19,240
Allowance	-	-	£8,695	£8,695
Tax on employed/SE income	6.6% (plus 6.6% from employer)	11.0% (part of which represents a contribution as their own employer)	n/a	3.4%
Tax on unearned income	0%	0%	10.4%	3.4%

8.25. The result is a system where people with the same income can pay markedly different amounts depending on their personal circumstances. For example, if an individual has £50,000 of income, the following social security would be payable depending on the type of income:

- All of it is employed income: £3,300 (+£3,300 from employer)
- £10,000 employed, £40,000 unearned: £660 (+£660 from employer)
- All of it is unearned: £4,300
- All of it is self-employed: £5,500
- Over State Pension Age: £1,400

8.26. These differences had a basis in differing entitlements and had justification when the basic insurance principle was still in place. However, subsequent changes, including the increase in the upper limits on contributions and the addition of more universal benefits, mean the justification for such significant variances has been largely lost. Benefits for which entitlement might vary based on someone assigned contributions class cover about 12% of the total annual cost of benefits and services supported by contributions. The potential discrepancy in liability is far greater than this.

8.27. The lack of an allowance also creates very high marginal rates as individuals pass the initial payment threshold. For example, an employed person earning £641 a month would have no contributions liability. However, just £2 more and they would face a 6.6% liability on their entire earnings of more than £40 for that month. The number of people this affects is limited but it can be an issue for those in part time or casual employment if their income tips over the threshold in a given pay period.

8.28. Furthermore, the difference in the treatment of employed and non-employed, people means that those living off a private income (such as rental income) are able to protect their private income from liability by engaging in just enough employed work to qualify as an employed individual. This is believed to be relatively common practice among people who choose to retire (or semi-retire) before they reach the State pension age.

8.29. There are two extant resolutions to look at issues around equity of the system (Billet d'État VI, April 2015) (Billet d'État X, June 2019). Resolving these issues is expensive, but there is a unique opportunity to address them as part of a wholesale restructure of the tax system making it fairer and easier to administer. The actuarial reviews of the Guernsey Insurance and Long-Term Care Funds suggest that if funded in full an additional £34m of revenue is required to make these sustainable. To raise further revenues from a scheme known to have such inequities only exacerbates these issues. **The Steering Group is recommending that all options being put forward include a restructure of the contributions system.**

8.30. The restructure could:

- Give all contributors (not employers) an allowance aligned with income tax.

- Charge all individuals below pension age the same "personal" rate on both earned and unearned income, with a reduced personal rate for those over pension age (reflecting that they no longer need to contribute to a pension but are typically the largest users of health and care services).

- Apply a reduced "employer" contribution to self-employed income[8].

[8] This is necessary to reduce attempts to avoid contributions by making employees self-employed contractors to reduce liability

8.31. Employers' contributions make up 43% of social security contribution revenues. Increases in the contribution rates charged for employers from 6.6% to 7.5% has been included in the options presented. This is in line with a general policy applied in relation to social security system that where appropriate the cost should be split between employers and employees. It also contributes to a more even balance of the revenue raised between households and corporate entities.

8.32. The application of the allowance would make the system more progressive, but costs £19m in isolation – so an increase in the rate charged is needed to bring the system to a net neutral position. At the current value of the tax allowance the personal rate needed to make this net neutral rate is about 8% (compared to the current 6.6% for employees), if combined with the increase in the employers rate to 7.5. Once restructured it is possible to raise revenues in a more progressive manner than from the existing system. However, because the current system favours some groups, there are cohorts who will benefit while others will be disadvantaged by the proposed changes.

8.33. In the absence of raising more revenues, the resulting system may change the liability of the individual used in the example as follows[9]:

Figure 10: Comparison of liability before and after restructure

Personal rate 8% (4% if over pension age), employer rate 7.5% (5% for self-employed), allowance alligned with personal income tax allowance

Income composition	Current liability (figures in brackets represent employer contribution)	Liability after restructure (figures in brackets represent employer contribution)
£50,000 employed income:	£3,300 (+£3,300)	£3,050 (+£3,750)
£10,000 employed, £40,000 unearned:	£660 (+£660)	£3,050 (+£750)
£50,000 unearned income:	£4,300	£3,050
£50,000 self-employed income:	£5,500	£3,050 (+£1,906)
£50,000 income over State Pension Age	£1,400	£1,525

8.34. In general, the following groups will be benefited:

- Low- and middle-income employed and self-employed individuals without any significant other sources of income.
- Non-employed individuals below State Pension Age with an income of more than £19,240.

[9] This example assumes: an 8% personal rate, a £7.5% employer rate (5% if self-employed), an allowance aligned with the current personal income tax allowance (not applicable for employers)

8.35. The following may pay more:

- Higher income individuals of all classes.
- Pensioners with an income between the proposed Personal Income Tax Allowance and the current £19,240 threshold for liability.
- Middle- and higher-income pensioners.
- People who have significant non-earned income but have sufficient employed or self-employed income to meet these definitions (usually semi-retired).

8.36. **All three options presented include restructured contributions. These either maintain or increase the total net revenue from contributions.**

8.37. The Steering Group considered whether it would be appropriate to apply a reduced rate charge (up to 2%) to individuals' income above the upper earnings limit, as is done in the UK. Given that Guernsey's upper earning limit (£153k) is already high relative to similar schemes this would impact only the top 2% of earners raising approximately £2-3m.

8.38. This would be similar to the UK approach where a reduced Employee National Insurance rate of 2% is applied to earning above the upper earnings limit of £4,189 a month (£50,270 a year). **However, given that the extension of contributions to cover all income and the increase in the rate will impact the liability of this group, the Steering Group is not recommending this.**

8.39. In relation to employer contributions, it is noted that in both the UK and Jersey employers are liable for contributions above the UEL. In Jersey employers pay a 2.5% rate on earnings between approximately £50k and £250k. In the UK no limit is placed on employer contributions. In doing so the overall contribution from higher value employment is increased without placing this liability on individuals directly.

8.40. Removing the UEL on employer contributions in Guernsey (potentially transitioned through reduced rates above the UEL) is an option, although because the UEL is already high its potential to raise revenues is limited to £2-3m. This would create a moderate increase in the cost of employment for those employers with very high salaried posts (in the top 2%). These are expected to be concentrated in the finance sector and professional, business, scientific and technical activities.

8.41. There is limited justification for restricting the contribution from employers for only the top 2% of employees and **the Steering Group is recommending that a removal of the UEL for employers be included within the restructure of contributions.**

Health Taxes

8.42. Health taxes, as presented in the context of this report, are another form of tax on income but issued with a specified purpose. They are not common, but Jersey opted to fund their long-term care scheme in this way which allowed them to create benefit from the progressive nature of their income tax system, while enabling the charge to be hypothecated in the same way their social security contributions are.

8.43. Guernsey already operates a long-term care scheme and provides part of its health funding through the social security system. However, these are collected as part of the total social security contributions and subject to the weaknesses of that system describe previously.

8.44. Given the extent to which the immediate and longer-term pressures arise from the provision of health services, the presentation of additional income-based taxes as a health tax might be appropriate. However, health and care services in Guernsey cost more than £200m a year, any health tax applied would only fund the incremental costs of services – most of the cost of the services would continue to be funded through general taxation.

9. Taxing Consumption

9.1. GST revenues are generally relatively stable and more so if they are applied with a broad base and low rate as they are in more modern schemes such as that in Jersey. In Jersey GST receipts for 2020 proved more resilient to the economic stress caused by COVID-19 than personal income tax receipts (States of Jersey; Annual Report, 2020). The reverse was true in the UK (www.statista.com) although to some extent this may reflect the UK's decision to reduce VAT rates on hospitality services to 5%. Jersey offered the option for firms to defer payment during 2020 and issued stimulus vouchers but these appear not to have impaired receipts significantly.

9.2. Because the tax is applied when money is spent, it applies equally to those who support their spending with savings or capital (typically those close to or above pension age) and those who are spending income as they earn it (typically younger people). As a result, the distribution of the tax across the generations is more even than taxes on income. It also raises revenues from the spending of visiting tourists and other non-residents.

9.3. However, a GST will create a short-term pressure on the inflation rate because it will increase prices. As modelled, the overall impact on the headline RPIX is estimated to be approximately 60% of the headline rate charged (about 5% for a GST at 8% or 3% for a GST at 5%).

9.4. Because those with lower incomes tend to save less and spend more of their income on taxable products within the jurisdiction than wealthier people, this inflation effect tends to rest more heavily on lower income households. This means a GST would tend to be regressive at low incomes. That is, as a percentage of gross income, low-income households would tend to pay more in tax. As a result, those jurisdictions who have introduced a GST in recent years, including Jersey (2008), Singapore (1994) and India (2017 GST replacing a raft of other taxes), have done so with a range of mitigating measures to protect low-income households.

9.5. GST also requires additional administration by both government and businesses. This can be limited by careful design: a high registration threshold, limited exemptions and Zero rating and a single rate.

9.6. The various design elements considered are covered below. These are important because they can significantly change how the application of the tax affects different households and businesses. The full details of what these would look like will be a key part of any further development stages.

Taxable Goods

9.7. The GST modelled in this report is based on that applied in Jersey (which itself was based on that applied in New Zealand). Unlike VAT applied in the UK and most European regimes, this works on a low-rate/broad base principle. The system has very few exemptions or zero-rated items, the primary of which are rents and mortgages and financial services (exempt) and exports (zero-rated). This creates a highly efficient system which creates limited distortions in people's purchasing decisions, which is economically desirable. The literature review presents evidence that the New Zealand GST, on which Jersey's system is based, is twice as efficient as the VAT system in place in the UK (Appendix 1).

9.8. The broad base reduces the complexity of accounting, removing the need for most businesses to identify what portion of their supplies need to be allocated to taxable and non-taxable goods. It also generates less appeals because the boundaries between what is and is not taxable is clearer. This creates a system which is simpler for both government and businesses to administer and less open for challenge.

9.9. The exclusion of items such as food from the tax is generally considered to make it less regressive because low-income households tend to spend a larger proportion of their income on food. The exclusion of food from a GST at 8% (as presented in option 2) could reduce the impact on low-income households by between 1% and 1.5% (or between 0.6% and 0.9% for a 5% GST) compared to 0.3% to 0.6% for higher income households.

9.10. However, excluding food would reduce the expected revenues by about 13%. The rate on everything else would therefore need to increase to recover the lost revenues (to 9.2% from an 8% GST or to 5.7% from a 5% GST). Once this increase in the tax on other items is incorporated the net benefit to the lowest income households is estimated at less than 0.2%.

9.11. The gain for low-income households is therefore limited relative to the added complexity of administering a greater number of exemptions and the loss of economic efficiency. Increases in tax allowances, the restructure of the social security contributions system, increases in benefits and other measures specifically targeted at low-income households are more effective at reaching lower income households and could do so without complicating the administration of the system.

9.12. A suite of mitigation measures is included in the options presented in this report including;

- reductions in tax and contributions for lower income households by way of the restructure of the social security contributions system and/or an increase in personal allowance which are most beneficial for lower and middle-income households;
- Pre-emptive adjustments to the States pension which will bring forward the normal inflation linked increase in the pension by up to 12 months;
- Pre-emptive adjustments to Income Support at a level above the estimated impact on inflation reflecting the greater impact on lower income households; and
- Cost support schemes specifically targeted at reaching low-income households who are not eligible for Income Support.

9.13. In consultation with representatives in Alderney, concern was raised that because goods are believed to be more expensive in Alderney than in Guernsey, any consumption tax would have a greater impact in the smaller island. Work is planned for the next stage to establish the price gap between the two islands so this concern can be examined in more detail.

Registration Thresholds

9.14. One of the key criticisms of GST schemes is that some of the cost of collection falls on businesses. The literature review conducted suggests that this is higher in the first year, when new processes are needed to administer the GST (estimated at up to 3% of turnover) but should reduce to an average of less than 1% of business turnover after the first year.

9.15. Inevitably the complexity and burden of administration is different for different businesses. For smaller companies, without internal accounting functions and sophisticated systems it is likely to be more challenging than it may be for larger companies. A compulsory registration threshold can be applied to manage this, removing smaller businesses from the need to collect GST on their sales (although they would still need to pay GST on their supplies). As well as benefiting small businesses a higher threshold can make the government administration simpler by reducing the number of returns.

9.16. In the UK the registration threshold is set at £85,000. Jersey opted to introduce a much higher threshold at £300,000 to limit the administrative impact on smaller businesses. It is estimated that a similar threshold applied in Guernsey might exclude between 30% and 50%[10] of businesses from being required to register. Those businesses not required to register would be subject to GST on any taxable supplies, but they would not be obliged to charge GST on their sales, complete quarterly returns or make any remittance to the States. This removes any administration requirements for smaller businesses although the increase in supply cost is likely to impact their prices.

[10] These estimates are based on the submission of claims to the Covid Business support scheme which may over represent small businesses and are therefore presented with a wide range

Import De Minimis and Taxing Online Purchases

9.17. Another concern with a GST is the potential for people to evade the tax by purchasing online. The application of the tax to personal imports is therefore important.

9.18. The collection of tax on personal imports is relatively labour intensive. As a result, there is a tipping point at which the tax costs more to collect than the amount it generates. Jersey originally introduced a relatively high de minimis value (the value below which the payment of GST on imports is not compulsory) at £240. This caused issues with the importation of white goods and electronics and the value has subsequently been reduced to £135 in line with the UK VAT de minimis.

9.19. The feedback in Jersey is that the tax is still cost effective to collect at this level and there may be potential to opt for a lower level than this in the design stage when the administrative cost of collection is clearer.

International Services Entity (ISE) Fee

9.20. The International Services Entity Fee is an unusual feature of Jersey's GST. Financial services are exempt from almost all GST and similar systems because the transactional nature of the business makes it too complex to administer efficiently[11].

9.21. In a finance sector like Guernsey's this is of greater consideration because most financial services are exports provided to non-resident beneficiaries. Exports are almost always Zero-rated. This means businesses charge 0% GST on their services, although are still required to register and file quarterly GST returns if their turnover of taxable goods exceeds the registration threshold. They would then claim back any GST paid on their inputs in their quarterly return. For financial service providers administering many separate entities, completing quarterly return and reclaiming GST on their inputs could be time consuming and costly.

9.22. To simplify matters, Jersey offers an optional scheme in which an ISE can pay a fixed fee to be issued with an End User Relief Certificate (EURC). Suppliers providing goods and services to a company or other entity with a valid EURC would not charge GST. Registered ISE's are then not required to register for GST in the normal way, relieving them of the administrative burden of completing quarterly returns[12].

9.23. As well as providing a significant reduction in administration costs for financial service providers this reduces the number of quarterly returns to be processed by the administering body. Further details of Jersey's scheme are available at About International Service Entities (gov.je)

[11] For example, a large proportion of retail banking profits are not made directly from the provision of services to their consumers, but from the interest rate differential between deposits and loans. A service has been provided, turnover is generated, but no "sale" has taken place which would be easily taxed.

[12] A light touch portal for ISE's to reclaim any GST that they do incur is provided online

9.24. Applied in a similar manner to Jersey it is estimated that an ISE scheme of this nature would raise approximately £6m.

10. Other Taxes and Considerations

TRP

Domestic

10.1. In 2015 a decision was taken to apply a policy of above inflation increases in domestic TRP which would seek to double TRP rates in real terms over 10 years (Billet d'État VI, April 2015). At the time TRP rates were exceptionally low relative to the UK and Jersey. This would have reached completion in 2025, but the decision was made in the 2021 budget to pause this policy given the economic conditions at the time.

10.2. In the 2019 budget, proposals were agreed to introduce a tiered system of TRP which would apply higher rates on larger properties. These changes were implemented in two stages in 2018 (on the largest properties with a TRP above 400) and 2019 (on properties with a TRP above 200). The introduction of these tiers has made the TRP system more progressive (to the extent that the size of a property owned is related to someone's income) but also means that for those in the higher tiers the increase in their rate may significantly exceed the targeted two-fold increase over 10 years.

10.3. Despite the stability of TRP revenues (which are among the most predictable in the current suite of revenues raised), as a measure to raise very significant level of revenues, domestic TRP is not considered an appropriate option. To raise £10m it would be necessary to raise rates by as much as 100%, which is not palatable given the increases already made. Any potential revenue raised from domestic TRP is therefore of a scale more appropriate for consideration in the annual budget process.

Commercial

10.4. Commercial TRP rates have also undergone significant changes in recent years. Commercial rates were increased very significantly between 2007 and 2010 as one of the measures employed to recoup some of the revenue lost in the move to Zero-10.

10.5. Subsequently further changes have been made, the most significant of which is the transition to move all office accommodation to the same rate as regulated finance begun in 2019. Once complete this will have increased the rates for this group by approximately 200% raising a total of approximately £4m.

10.6. Again, this quite clearly illustrates the scale of increases required to raise significant amounts of revenues, which make it an inappropriate choice for a primary revenue raising measure, although it may be appropriate to consider as a budget measure.

Excise Duties and Duty Free

10.7. Excise duties present challenges as a revenue raising measure, since (regardless of their original intent) their modern application is a way of discouraging damaging consumption behaviours and recognising the cost of these to the community or environment. Environmental taxes, more broadly present similar challenges when considered solely for revenue raising.

10.8. Like other taxes the potential gains available are limited - excluding motor fuels, excise duties raised a total of £24m in 2019[13]. They are further limited because increasing them to any significant extent may reduce consumption and erode the financial gain. This means that while they may be an effective lever in helping to manage negative behaviours, and may be appropriate if considered in that context, they offer little sustainability as revenue raising measures.

10.9. An amendment was laid to the 2021 Budget: "To direct the Policy & Resources Committee to include consideration of the impact of duty free on its review of the tax base."

10.10. 2020 was an exceptional year for excise duty receipts, with revenue driven upwards by a combination of some known and significant stockpiling of goods (tobacco products) ahead of the end of the Brexit transition period in January 2021, the lack of access to duty free products because of the travel restrictions in place and an apparent increase in alcohol consumption among the local community when under lockdown restrictions.

10.11. These effects are difficult to disaggregate, and the effects seem to be different across different excise streams. This makes any accurate estimation of the impact of the lack of access to duty free difficult, but it is likely that there has been some positive impact on excise revenues in 2020. Estimates suggest a maximum of £5m but in reality, it is likely to be considerably less.

10.12. The impact on excise revenue for beers and ciders appears very limited. The impact on wines and spirits appears greater, with a combined maximum impact of £1.7m and the largest impact may be on tobacco products with a maximum impact of £3m.

10.13. This implies there may be some limited potential for raising additional revenues by reviewing access to duty free, and there are potentially public health grounds to support this approach.

10.14. Guernsey is subject to a treaty obligation under the Kyoto Convention and this forms the basis for Guernsey's current allowances. World Customs Organisation's Revised Kyoto Convention contains a series of standards which all contracting parties must

[13] Revenues in 2020 were distorted by a combination of stockpiling ahead of the close of the Brexit transition period and the disruption to travel and spending habits caused by COVID-19

incorporate into their National Customs legislation. The Convention standards are further supported with recommended practices.

10.15. Annex J of the Kyoto Convention concerns standards and practices relating to travellers. Chapter 1, paragraphs 16 and 17 cover recommended practices concerning Duty Free Goods which sets out the minimum recommended allowances:

Recommended Practice:

The quantities of tobacco goods, wine, spirits and perfume allowed to be imported free of import duties and taxes by travellers should be not less than:

- *200 cigarettes or 50 cigars or 250 grams of tobacco, or an assortment of these products of a total weight not exceeding 250 grams;*
- *2 litres of wine or 1 litre of spirits;*
- *¼ litre of toilet water and 50 grams of perfume.*

10.16. These are recommended practices, not requirements so there is some freedom for jurisdictions to vary from these. With regards to wines and spirits these recommendations are applied consistently in the majority of OECD countries at or above the recommended levels. There are a small number of exceptions where lower limits are applied including Canada (1.5ltr wine or 1.14ltr spirits) and some island jurisdictions such as St Lucia, Barbados and BVI.

10.17. There is greater precedent for lower allowances (or no allowance) to be applied on tobacco products on public health grounds, but generally not on the grounds of raising revenue. Examples include Singapore (no allowance), Australia (25 cigarettes) and New Zealand (50 cigarettes).

10.18. The Committee *for* Health & Social Care has previously noted the potential to review the allowance on tobacco products for public health grounds although this is not prioritised in the Combined Substance Use Strategy 2021-2026. There may be some scope to revise duty free allowances, however further investigation is required to ensure that moving to a position where duty free allowances are set below the levels recommended by the Kyoto convention is compatible with Guernsey's Customs Arrangement with the UK Government and its inclusion in the UK's WTO membership.

10.19. It should also be noted that any changes to duty free allowances will also need to consider the potential impact on the commercial carriers, who sell much of the duty-free goods brought into Guernsey.

10.20. This could be progressed further, but it is not a priority for the Tax Review. If there is a desire to progress this, engagement should be sought with the Committee *for* Health & Social Care, the Committee *for* Home Affairs, the States' Trading Supervisory Body, and the relevant UK government agencies.

Motor Taxes and Distance Charging

10.21. The States is under the following Resolutions in relation to motor taxes:

> *1. To agree, in principle, that a distance charging mechanism should be introduced as soon as possible and direct the Policy & Resources Committee to report back to the States with detailed proposals to introduce a distance charging mechanism.*
>
> *2. To note that the Policy & Resources Committee intends to use its existing delegated authority to approve funding from the Budget Reserve to carry out further detailed research and a pilot exercise / trial to collect comprehensive data which could be used to calculate and model an appropriate charging structure for a distance charging mechanism, together with an assessment of the effect of any potential changes in behaviour.*
>
> Billet D'État XIII, July 2019

10.22. The pilot project to look at suitable mechanisms for applying distance charging was deferred at the outbreak of COVID-19 . The original direction was given to the Policy & Resources Committee, discussions are underway but discussions are underway for the Committee *for the* Environment & Infrastructure to progress this.

10.23. The need for an alternative to fuel duty has increased. Previously the gradual decline in motor fuel sales has been primarily been driven by advances in the fuel efficiency of internal combustion engines (ICEs), but globally the sale of Electric Vehicles (EVs) has accelerated, and Guernsey would appear to be no exception. Without any form of tax on motoring other than that on motor fuel the tax contributions from such vehicles is currently limited to their first import duty.

10.24. At present the direction for this workstream is to design a net neutral solution which raises a similar amount to the current structure in a more sustainable way. As that policy is advanced it may be appropriate to consider whether that position is still supported.

Online Taxes

10.25. The issue of an online tax was raised with Steering Group members by external parties and some investigation has been undertaken to test its feasibility. It was raised in response to the UK call for evidence on Business rates which suggested that such a tax might be used to balance the perceived unfairness between the business rates payable by those operating from prime retail outlets relative to those providing online retail based in less expensive locations. Alternative suggestions include a fee chargeable on parcel delivery which could support the cost of disposing of packaging.

10.26. For Guernsey the idea is superficially attractive in that it provides an opportunity to address competition from online retailers, but in reality that in itself poses an issue.

10.27. In November 2018, the State of Guernsey signed a Customs Arrangement with the UK Government (here). The Customs arrangement was agreed to ensure that at the point the UK left the EU, the customs arrangements between Guernsey and the UK were protected. The agreement primarily ensures the Bailiwicks customs arrangement is correspondent with the UK scheme and avoids a hard border between the UK and Guernsey for the trade in goods. Paragraph 4 of the Agreement ensures that no arbitrary import duty, or other levy, (having equivalent effect relating to the movement of goods between the UK and Guernsey) shall be applied. It could be considered that a levy on online purchases or on certain postal packages destined from the UK to Guernsey and applied to domestic/personal packages at the border would be considered as a customs duty and therefore the Islands would not be compliant with the Islands customs arrangements which forms the basis of both our domestic and international trading relationships. Without such an agreement, the islands would potentially face a 'hard' border for all goods trade between UK-Guernsey.

10.28. Further, The UK's World Trade Organisation (WTO) Membership was extended to the Bailiwick on 1st Jan 2021. There are 164 countries that make up the WTO, whose primary functions include negotiating international trade negotiations, and administering and presiding over international trade disputes and reviewing countries compliance with WTO rules. It is the international trade rules developed at the WTO which form the basis of global Free Trade Agreements (FTA). As part of the Bailiwicks WTO obligations, the Island is required, amongst other international trade principles, to adhere to the Most-Favoured-Nation (MFN) and National Treatment (NT) commitments. The NT Principle applies to goods movements and in particular market access and cross border movement of goods. The MFN obligation requires that where countries agree to provide preferential market access provision or reduced barriers to trade, these concessions and privileges will be granted to all other WTO member countries and denotes equal access to all countries.

10.29. The NT and MFN obligations do not stop countries from applying taxes as they see fit, but they have to align with appropriate policies and must be applied in an open, fair and transparent manner. Failure to meet these obligations would be internationally challengeable at the WTO through either a trade review or directly by a partner country. Therefore, should Guernsey consider that a taxation at the border be applied either as an "online" tax or to postal or Express Delivery Services (EDS) packages destined for personal customers/consumption, this would be discriminatory and non-compliant with the MFN/NT principles. To achieve compliance, any taxation would have to be applied to all goods, including those destined for personal or commercial use irrespective of their origin (including domestic goods) or destination and aligned to appropriate policies which meet both our International and UK obligations.

10.30. If the States of Guernsey did apply taxation on Postal services and EDS, for domestic/personal packages, this would be considered a technical barrier to trade, and trade distorting. The result would be that Guernsey would have to declare this non-compliance to trade partners, which could put Guernsey inclusion in the UKs FTAs

at risk, potentially leaving Guernsey subject to unfair and restrictive trade barriers on export which are applied to non-FTA countries.

10.31. While such charges could be considered quasi-environmental charges, relating to the potential cost of disposal of packaging, this would be less likely to be a cause of concern if it was applied at the point of disposal rather than at the point of import.

10.32. The UK introduced a Digital Services Tax (DST) in April 2020 which is turnover tax of 2% tax on the revenues of search engines, social media services and online marketplaces which derive value from UK users. However, the longer-term future of the DST is subject to international agreements within the context of the OECD/G20 work to reform the international corporate tax framework and will need to be removed as part of the unified approach. The UK have delayed any further discussion around the potential introduction of an Online Sales Tax (OST), which would be based on revenues like the DST model, until the Autumn in anticipation of further information on the international position being made available.

10.33. If the UK were to introduce an online tax and create a precedent for it this may change but given that Guernsey does not have the same domestic drivers to address a perceived imbalance in the internal application of business rates, it would still be difficult to argue that the intent of such a tax is not to discriminate in favour of local businesses at the expense of external trade partners.

10.34. Administratively, such a tax also comes with some of the same administrative challenges as a GST- in particular the need to increase the resources dedicated to the Border Agency, who would be responsible for collecting taxes on imported goods. The much narrower application of the tax means that revenues are likely to be much smaller than a GST, making its collection expensive and inefficient.

10.35. **The Steering Group cannot recommend progressing this idea further. If the UK do opt to move in this direction it may be appropriate to reconsider.**

Other Matters Discussed

10.36. In the course of discussions, the Steering Group also discussed options beyond public service reforms which might mitigate the need to raise revenues to some extent. These included discussions about whether there may be flexibility in some of the benefits provided via the Social Security Funds to reduce the required revenues. Possibilities raised by the President of the Committee *for* Employment & Social Security include a review of the eligibility criteria for the Long-Term Care Scheme to require a greater period of residency (already being progressed by that Committee), and investigation of whether a supplementary pension for lower income households might be a mechanism by which the uprating policy of the scheme as a whole might be reduced, lessening the pressure on the Guernsey Insurance Fund.

10.37. The Steering Group supports these investigations as contributing to the overall financial wellbeing of the island.

11. Options to be Considered

11.1. Having considered the available options, the Steering Group is presenting three options for consideration. These options comprise a suite of proposals, combining various elements into what the Steering Group feel could be a workable way to address the issues presented. They are not, and could not be, exhaustive, but they present a range of approaches which could form a target model for ongoing fiscal policy to work towards.

Notes on the data: The analysis presented in this section is based on the Rolling Electronic Census which includes real data about households' incomes and other circumstances. The full data set covers all households in Guernsey, but the impact analysis is based on households whose circumstances have been consistent for the reported tax year. Other exclusions have been made where it is evident that income data is missing or otherwise doesn't represent a household's real circumstances.

The final data set used for impact analysis covers more than 17,000 households and has been used to support the design of both tax and mitigation measures. A selection of real example of the application of the three options is presented in appendix 2. Appendix 3 provides a definition and explanation of income equivalisation and a translation of income percentiles into household incomes for different household compositions

11.2. Each option presented would result in a similar net gain in revenue (between £70 and £75m). Each assumes that £10m of this will be raised from changes to the Corporate tax system. Furthermore, the restructure of contributions included in all three options incorporates increases in employer contributions and the removal of the UEL for employers which distributes the burden of additional revenue raising between the corporate sector and households.

Option 1: an income only approach

- Focuses on revenue raising from income based sources and incorporates a 3% income-based health tax.
- Raises £20m with a 9% personal rate within a reformed social security contributions system; an allowance aligned with the personal income tax system; an increase in the employer's rate to 7.5%; and, removes the UEL for employers.
- Assumes that £10m of revenue might be generated from changes to the corporate tax structure.

Option 2: A GST approach

- Focuses primarily on a GST increasing over a number of years to 8%.
- Increases personal income tax allowance to £14,000.
- Includes a broadly net neutral restructure of the contributions system with an 8% personal rate; an allowance aligned with the personal income tax system; an increase in the employer's rate to 7.5%; removes the UEL for employers; and, assumes that £10m of revenue might be generated from changes to the corporate tax structure.

- Diverts up to £4m of the revenue raised to further measures to mitigate the regressive impact of the GST including a pre-emptive increase in the States Pension at the expected rate of inflation (up to 12 months ahead of normal policy); a pre-emptive increase in income support rates above the expected rate of inflation; and, a cost support grant intended to reach low-income households who do not benefit from Income Support.

Option 3: A combined GST and income approach

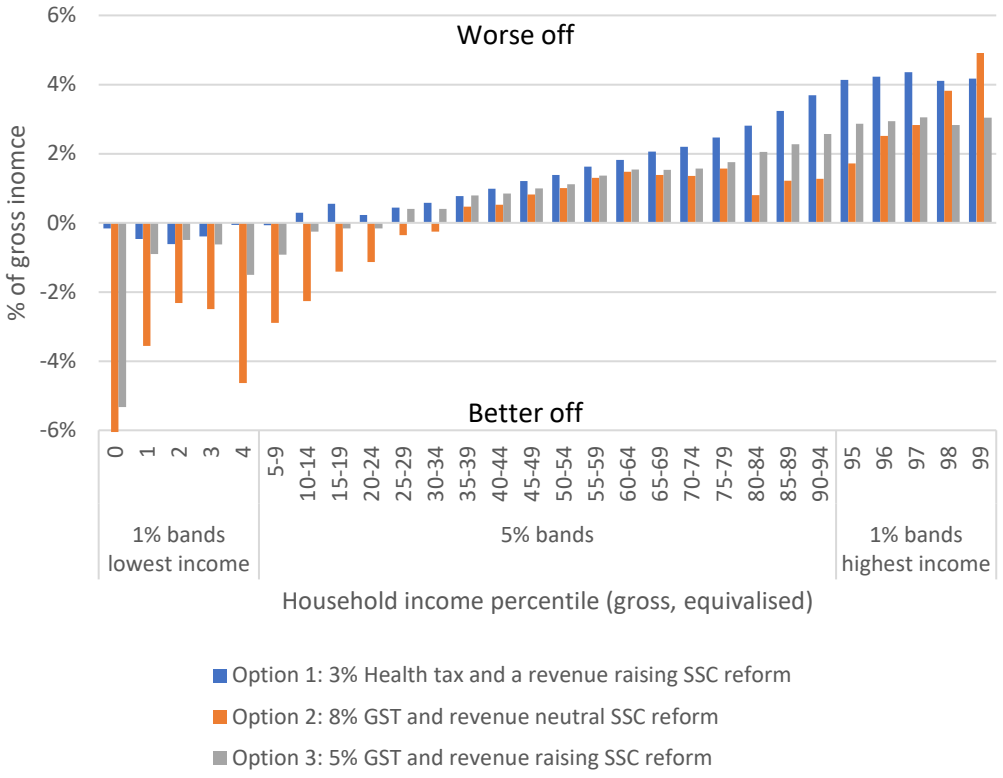
- Applies GST increasing over a number of years to 5%.
- Increase in the personal income tax allowance to £12,700.
- Raises £17m with a 9% personal rate within a reformed social security contributions system; an allowance aligned with the personal income tax system; an increase in the employer's rate to 7.5%; and, removes the UEL for employers.
- Diverts up to £4m of the revenue raised to further measures to mitigate the regressive impact of the GST including a pre-emptive increase in the States Pension at the expected rate of inflation (up to 12 months ahead of normal policy); a pre-emptive increase in Income support rates above the expected rate of inflation; and, a cost support grant intended to reach low-income households who do not benefit from Income Support.

11.3. Figures 11 and 12 provides a high-level comparison of how revenues are raised under each of these options and how they are expected to impact households. each is discussed in more detail in the following sections.

Figure 11: Financial comparison of options

Revenue Element	Option 1	Option 2	Option 3
Health/income tax	£39m	-	-
GST	-	£87m	£57m
PITA	-	(£20m)	(£9m)
Social security contributions	£20m	£2m	£17m
CIT	£10m	£10m	£10m
Total revenue raised	**£69m**	**£79m**	**£74m**
Administration and mitigation cost (on going only)	(<£1m)	(£4m)	(£2m)
Net Revenue Raised	**£69m**	**£75m**	**£72m**
From Households	£45m	£39m	£37m
From Tourists	-	£10m	£6m
From Corporates	£25m	£31m	£31m

Figure 12: Comparison of average impact of options by household income



Option 1: an income only approach

3% income-based health tax	£39m
A restructured social security contribution system	
• Personal rate: 9% for working age adults; 4.5% for pensioners • Employer's rate: 7.5% (5% for self-employed) • Remove limit for Employer contributions	£20m
Corporate income tax:	£10m
Total Revenue Raised:	**£69m**
Corporate Income Tax Administration	-£0.3m
Income Support ***reduction*** on net assessments	£0.5m
Net change	**£69m**

Revenue from households: £45m

Revenue from corporates: £25m

Figure 13: Option 1: High level assessment

Impact area	Provisional assessment
Household consumption	Short term decrease
GDP growth	Short term decrease
Employment	Short term decrease
Inflation	No impact
Annual cost implication	<0.5m pa

11.4. This option is arguably the simplest of the options presented. Revenue raising is split between a 3% health tax modelled to align with Income tax and a £30m increase in the revenue generated from the contributions system.

11.5. While the restructure of the contributions system requires some explanation, it has the advantage of offering a slight reduction in liability for the lowest income households. Revenue raising from this source also recognises that a significant portion of the emerging pressures are arising from the pension, long-term care and health provision.

11.6. The presentation of the revenue raising within General revenue as a health tax also recognises the provision of health services as a primary driver of expenditure. However, health and care services in Guernsey cost more than £200m a year, any health tax applied would only fund the incremental costs of services – most of the cost of the services would continue to be funded through general taxation.

11.7. As demonstrated by Figures 14 and 15 below, this option is generally progressive without mitigation, with lower income households being on average better off (thanks to the availability of an allowance on social security contributions) with households in highest income groups paying on average approximately 4% more.

11.8. The more detailed analysis presented in Figure 16 shows that pensioner households of low and middle income on average benefit less from the changes than working age households with similar incomes (a breakdown of the approximate incomes represented by household income percentiles is included in Appendix 3). This is because pensioner households are, in general more favourably treated in the existing social security set up, and therefore gain little benefit from the restructure. The allowance they have access to may be slightly larger if aligned with income tax, but the benefit is limited.

11.9. Under this model a middle-income household would be on average, just over 1% worse off relative to their income, equivalent to about £850 a year (about £16 a week).

11.10. However, this model is the least economically efficient of the options presented. The analysis presented in Appendix 1 show that this option is most likely to have short term (up to 3 years) effects on employment and GDP levels and the retail sector is likely to be impacted by a reduction in household consumption. This is expected to dissipate over time, as the tax raised is spent by the public sector and longer term the overall impact is expected to be minimal.

11.11. It is the weakest of the options presented in terms of Guernsey's competitive position, with taxes on income playing a much larger role in location decisions for potential employees than taxes like a GST. This is particularly true for higher income individual who pay a significant proportion of both the current tax take and the anticipated revenues. Given that at the very top end of the income profile, such individuals also generate employment opportunities and economic growth, a strategy which may discourage such individuals from locating or remaining in Guernsey is not without risk.

11.12. It also perpetuates the existing weaknesses in the current tax base, amplifying the reliance on earned income. This does little to mitigate the risk that shocks to the labour market, either through short term disruption or the ongoing ageing of the population. A significant restructure of the tax base without addressing these risk factors would be a lost opportunity.

11.13. As a result, while the Steering Group accepts that many in the community feel that taxing income is fairer than a GST, it recommends that any restructure of the tax base should include a diversification away from revenues to mitigate some of the existing issues.

Figure 14: Option 1- Average impact by household income (% of gross income)

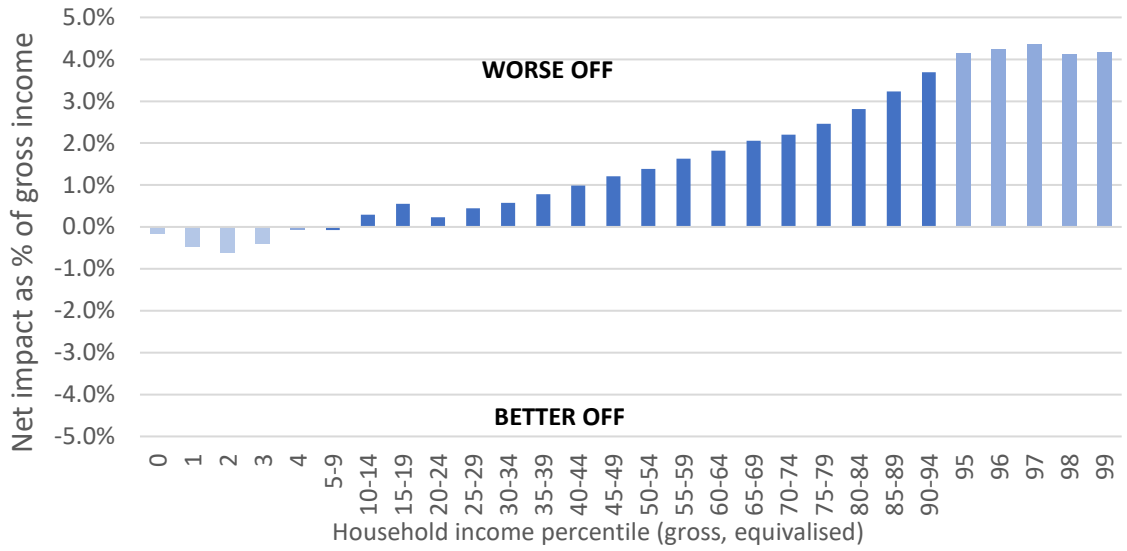


Figure 15: Option 1- Average impact by household income (£)

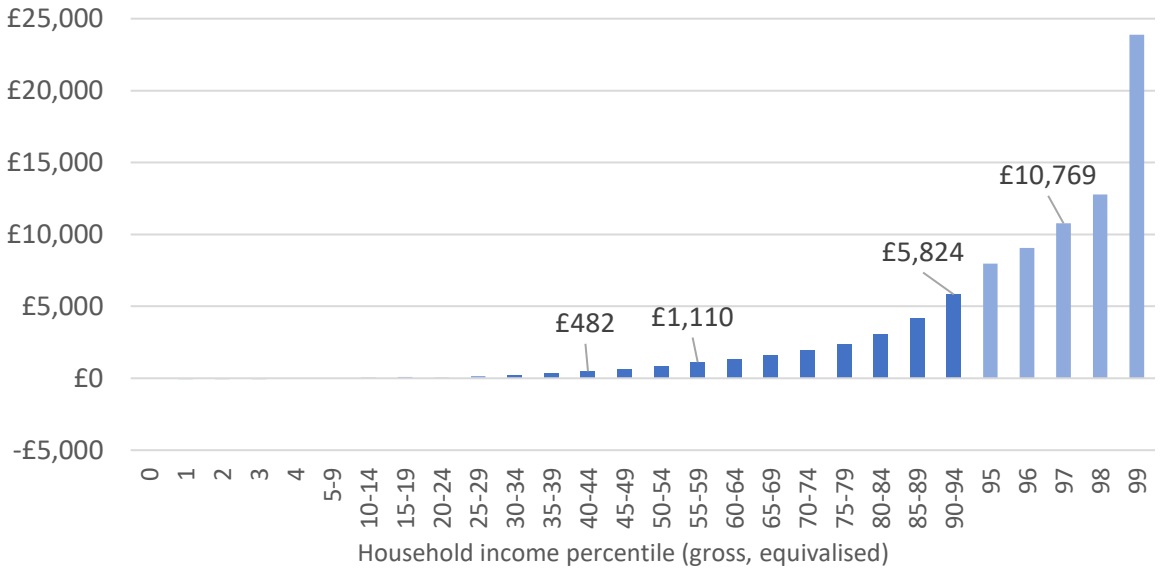


Figure 16: Option 1- Average impact by household income and household composition (as % of gross income)

	Household income percentile (gross, equivalised)																										
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70-74	75-79	80-84	85-89	90-94	95	96	97	98	99
One adult (16-64)	0%	-2%	-3%	-3%	-6%	-1%	-2%	-1%	-1%	-1%	0%	0%	1%	1%	1%	2%	2%	2%	3%	3%	3%	3%	4%	5%	5%	5%	5%	5%
One adult (16-64 with children)	-1%	-1%	-1%	0%	0%	0%	-1%	-1%	0%	0%	1%	1%	1%	2%	2%	2%	2%	3%	3%	3%	3%	4%	4%		4%	4%	4%	
One adult (65 and over)	0%	0%	0%	0%	0%	0%	1%	2%	1%	1%	2%	2%	2%	2%	2%	3%	3%	3%	3%	3%	3%	3%	3%	4%	4%	4%	4%	3%
Two adults (16-64 with children)	0%	-1%	0%	-2%		0%	0%	0%	0%	0%	0%	1%	1%	1%	2%	2%	2%	2%	3%	3%	3%	4%	4%	4%	5%	4%	4%	5%
Two adults (16-64)	0%	0%	-1%	-1%	0%	-1%	-1%	-2%	-1%	-1%	0%	0%	0%	0%	1%	1%	1%	2%	2%	2%	2%	3%	3%	4%	4%	5%	4%	5%
Two adults (65 and over)	0%	0%	0%	0%		0%	0%	1%	1%	1%	1%	2%	2%	2%	2%	2%	2%	3%	3%	3%	3%	3%	3%	4%	4%	4%	3%	3%

Option 2: GST Option

GST 8%	£87m
PITA increased to £14,000:	-£20m
• A restructured social security contribution system • Personal rate: 8% for working age adults; 4.0% for pensioners • Employer's rate: 7.5% (5% for self-employed) • Remove limit for Employer contributions	£2m
CIT:	£10m
Total revenue raised	**£79m**
• CIT administration	-£0.3m
• GST administration	-£0.8m
• Income support reduction on net assessments	£2.3m
• Above inflation increase in income support	-£2.4m
• Additional low-income support measures	-£2.5m
Net change	**£75m**

Revenue from households: £39m
Revenue from non-residents: £10m
Revenue from corporates: £31m

Figure 17: Option 1- High level assessment

Impact area	Provisional assessment
Household consumption	Some consumption brought forward
GDP growth	No significant impact
Employment	No significant impact
Inflation	5% for 1 year
Annual cost implication	Est £4m pa

11.14. Option 2 makes a GST the primary focus of revenue raising applying a rate of 8%. In this context the restructure of the social security system to a more progressive structure is designed to be largely net neutral (other than the removal of the employer's UEL) and serves largely to mitigate the impact of the GST on lower- and middle-income earners.

11.15. Of the options presented this is the most economically efficient. It is expected to have very limited short-term impact on GDP or employment, although some very limited impact may arise from the 0.9% increase in the employer contribution proposed.

11.16. For households this option creates the most limited distortion in behaviours. GST plays little part in people's location decisions and this option carries less risk in competitive terms than the other options presented.

11.17. It also presents the largest diversification of the tax base allowing a net reduction in tax on income. Different taxes respond in economic conditions in different ways and diversifying the tax base can help limit the impact these shifts in revenues have on States finances. This could reduce Guernsey's susceptibility to labour market shocks and the ageing of the population. A GST also adjusts automatically to changes in inflation (something that can take some months for income-based revenues) which also provides some mitigation against inflation risk within the States revenues.

11.18. A GST will cause a one-off increase in prices. This will be evident in headline inflation rates for a period of 12 months from first introduction (or any increase in the rate). As modelled, it is estimated that a GST at 8%, if introduced in a single stage, would increase inflation by approximately 4.5%. This increase in prices will not be felt equally by all households. Those who spend a significant proportion of their income on exempt or Zero-rated items such as rents, mortgages and financial services or who spend money outside Guernsey will face less tax on their total expenses than those who face tax on a greater proportion of their consumption.

11.19. Generally, but not universally, the result is that low-income households are more impacted by inflation than higher income households. This option applies a number of measures to mitigate this;

- increasing the tax allowance and restructuring the contributions system which tends to benefit lower and middle-income households;
- bringing forward the normal inflation uprating of pensions and benefits to match the timing of introduction, so households are not subject to a 12-month delay in the adaptation of their income;
- applying above inflation increases to income support benefits recognising the larger impact on these households; and,
- recommending an additional support grant (modelled at £800 a year) targeted at households with an income below £25,000 (bottom 15%[14]) who are not in receipt of income support.

11.20. With sufficient resources dedicated to mitigation the overall impact of this option could be progressive, providing a benefit to low-income households. However, they come at a cost, requiring a net additional spend (in addition to administration costs) of more than £2m per annum.

11.21. While every effort has been made to design mitigations which reach those most likely to be vulnerable to these changes, it is impossible to design a system that covers every eventuality. As shown in Figures 18 to 20 while overall the scheme is beneficial to low-income households in general, there are some pockets of low-income households who may still pay slightly more. These cluster around households in specific circumstances. For example, households who own their home without a mortgage and support a

[14] The 15% threshold (approximately £25,000) was chosen on examination of detailed households' data which showed that the households who appeared to require additional support were primarily below this threshold. Households above this threshold are more likely to benefit from changes in the social security structure and increases in the tax allowance

significant proportion of their spending with capital or savings. Relative to their income (but not their expenditure, and not necessarily their wealth) such households may have a higher exposure to a GST than others, and the mitigation for such groups may be incomplete.

11.22. At the opposite end of the income scale this option places slightly more burden on the very highest income households than option 1. However, generally GST and similar taxes play a lesser role than taxes on income in the location decisions of higher income households so the impact of these decision may be less.

11.23. Of the three options presented this is the only one which does not incorporate revenue raising via the social security system to any significant extent.

Figure 18: Option 2- Average impact by household income (% of gross income)

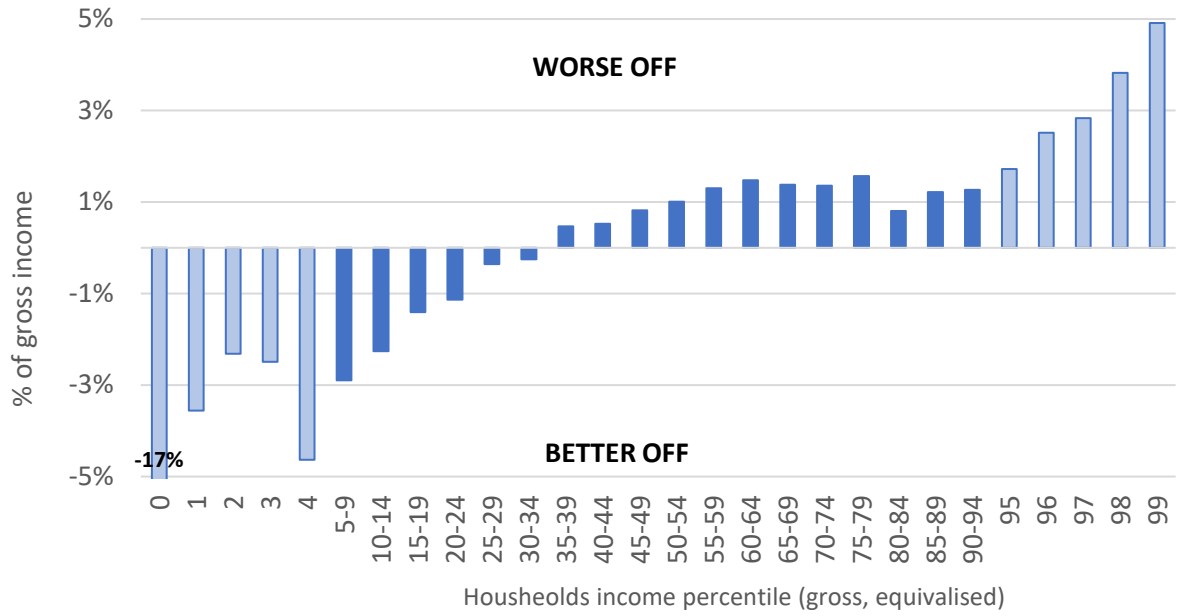


Figure 19: Option 2- Average impact by household income (£ per annum)

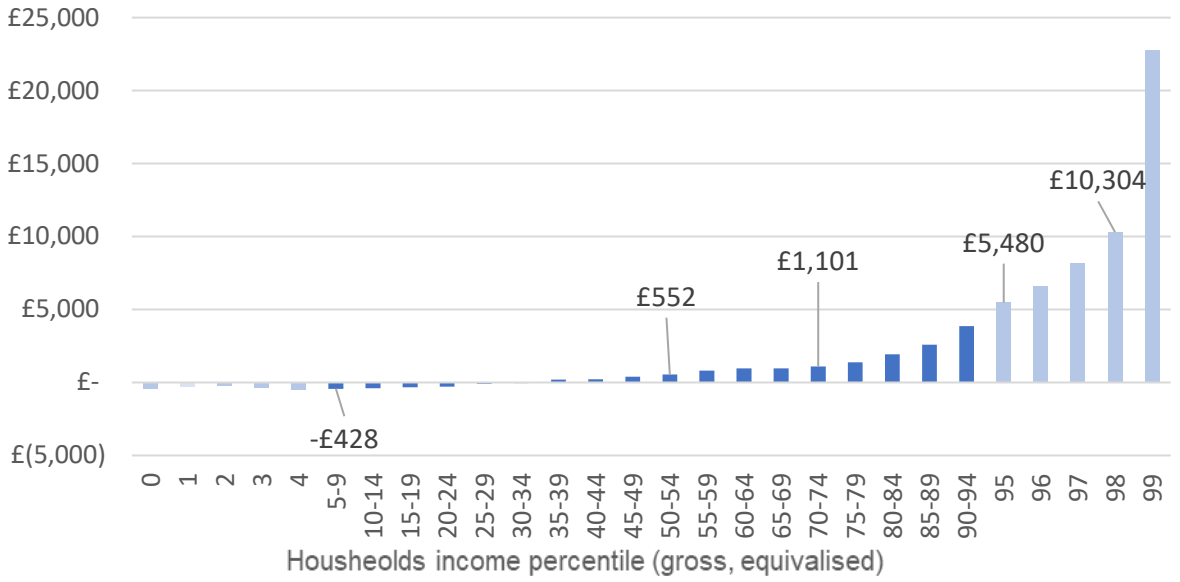


Figure 20: Option 2- Average impact by household income and household composition (% of gross income)

	Household income percentile (gross, equivalised)																									
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70-74	75-79	80-84	85-89	90-94	95	96	97	98	99
One adult (16-64)	-24%	-4%	-3%	-3%	-4%	-2%	-3%	-3%	-2%	-1%	-2%	-1%	0%	1%	1%	2%	2%	2%	2%	3%	3%	2%	2%	3%	3%	3%	3%	3%
One adult (16-64) with children)	-15%	-1%	-1%	0%	-1%	0%	-1%	-1%	-1%	-1%	1%	2%	2%	3%	2%	2%	3%	3%	3%	3%	3%	4%	3%		3%	3%	3%	
One adult (65 and over)	-20%	-6%	-5%	-4%	-5%	-5%	-4%	-2%	-3%	-1%	-2%	0%	1%	1%	2%	2%	2%	2%	3%	3%	4%	4%	4%	3%	3%	3%	3%	3%
Two adults (16-64 with children)	-1%	0%	-1%	-2%		-2%	-2%	-1%	-1%	0%	0%	0%	1%	1%	1%	2%	2%	2%	2%	2%	2%	3%	3%	3%	4%	4%	4%	4%
Two adults (16-64)	-11%	0%	2%	0%	-1%	2%	1%	-2%	-1%	0%	0%	0%	0%	0%	0%	1%	1%	1%	1%	1%	2%	2%	2%	3%	3%	3%	3%	4%
Two adults (65 and over)	-11%	-7%	-5%	-4%		-3%	-1%	-1%	0%	1%	1%	2%	2%	2%	2%	3%	3%	2%	2%	2%	2%	2%	3%	3%	3%	3%	3%	3%

Option 3: GST/income combination

GST 5%	£57m
PITA increased to £12,700:	-£9m
A restructured social security contribution system	
Personal rate: 9% for working age adults; 4.5% for pensioners	
Employer's rate: 7.5% (5% for self-employed)	
Remove limit for Employer contributions	£17m
CIT:	£10m
Total revenue raise	**£74m**
CIT administration	-£0.3m
GST administration	-£0.8m
Income Support reduction on net assessments	£1.5m
Above inflation increase in income support	-£1.3m
Additional low-income support measures	-£1.2m
Net change	**£72m**

Revenue from households: £37m
Revenue from tourists: £6m
Revenue from corporates: £31m

Figure 21: Option 3- High level assessment

Impact area	Provisional assessment
Household consumption	Some consumption brought forward, some reduced consumption
GDP growth	Limited short-term decrease
Employment	Limited short-term decrease
Inflation	3% for 1 year
Annual cost implication	Est £2m pa

11.24. Option 3 presents a hybrid between options 1 and 2. It offers the same benefits as option 3 but to a lesser extent. It provides some diversification of revenues away from the reliance on income which could improve Guernsey's resilience to economic shock and the ageing of the population. The short-term economic cost of this option may be greater than option 2 (but less than option 1) but with a lower impact on inflation.

11.25. The lower impact on inflation means that the measures needed to mitigate the effect on low-income households is also lower. The resulting system (as modelled) is generally progressive but arguably less so than option 2 because the measures required to address the more moderate impact on low-income households results in more moderate positive impacts as well.

11.26. The mitigating measure proposed under option 2 are applied here with but to a more moderate extent, including:

- increasing the tax allowance and restructuring the contributions system which tends to benefit lower and middle-income households (noting that the inclusion of revenue raising applied through the social security contributions system shift the point at which this is beneficial to a lower income);
- Bringing forward the normal inflation uprating of pensions and benefits to match the timing of introduction, so households are not subject to a 12-month delay in the adaptation of their income (which represents a one-off real cost);
- applying above inflation increases to income support benefits recognising the larger impact on these households; and
- recommending an additional support grant (modelled at £500 a year) targeted at households with an income below £25,000 (bottom 15%[15]) who are not in receipt of income support.

11.27. This offers a scheme which could provide a net benefit to, low-income households in general, with the distribution of the impact more evenly spread across middle- and high-income households.

11.28. As with option 2, the mitigation for the impact of GST is beneficial for most low-income households, but it is not perfect. Some low-income households in specific circumstances might be worse-off although the majority would benefit.

[15] The 15% threshold (approximately £25,000) was chosen on examination of detailed households' data which showed that the households who appeared to require additional support were primarily below this threshold. Households above this threshold are more likely to benefit from changes in the social security structure and increases in the tax allowance

Figure 22:Option 3- Average impact by household income (% of gross income)

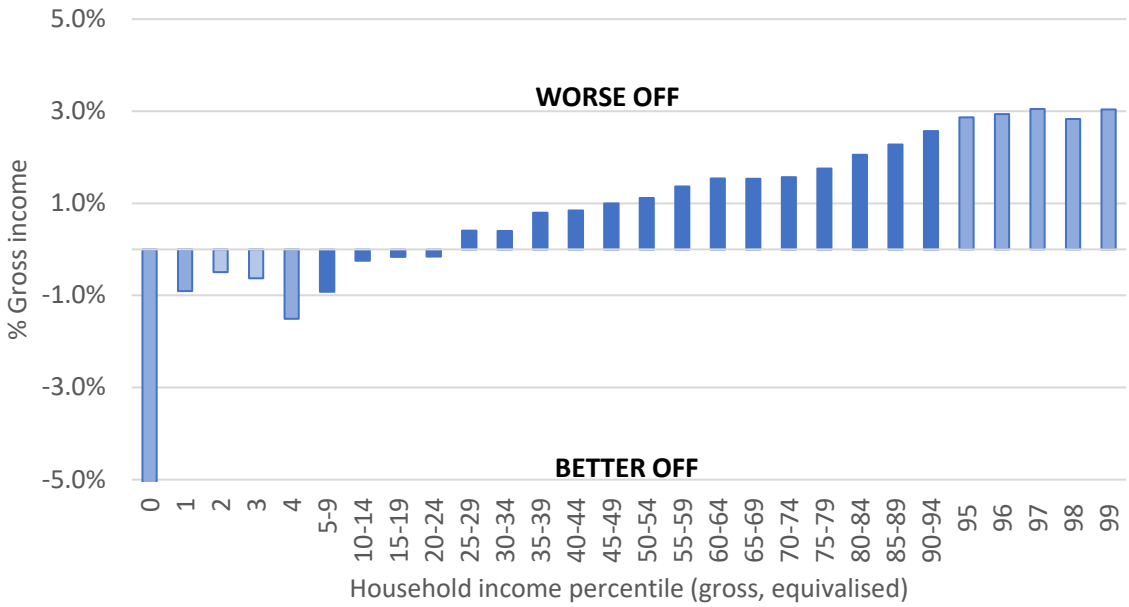


Figure 23: Option 3- Average impact by household income (£)

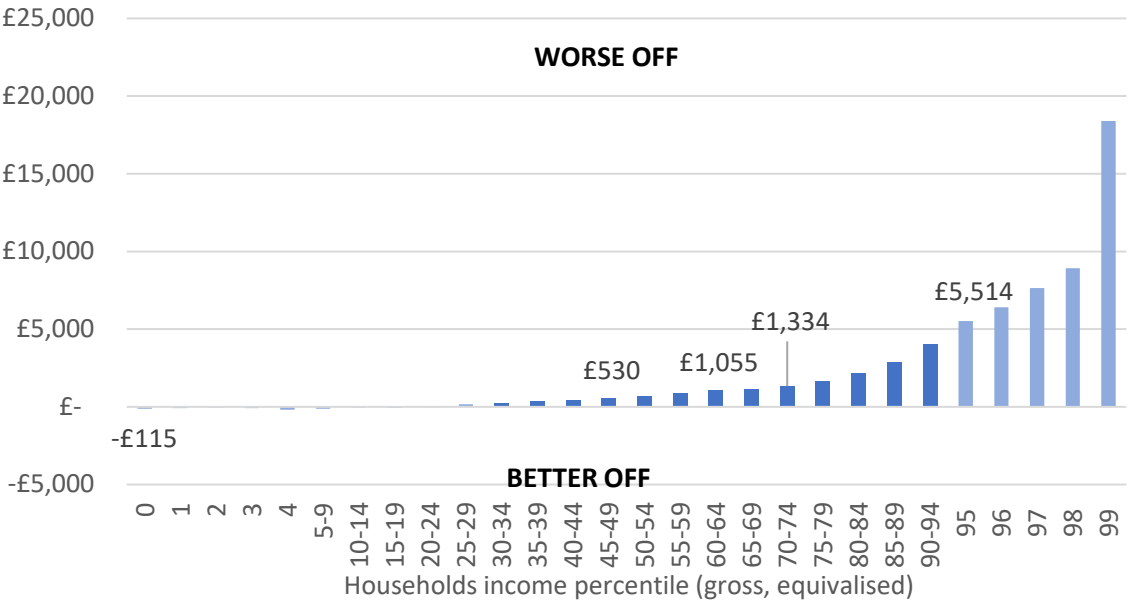
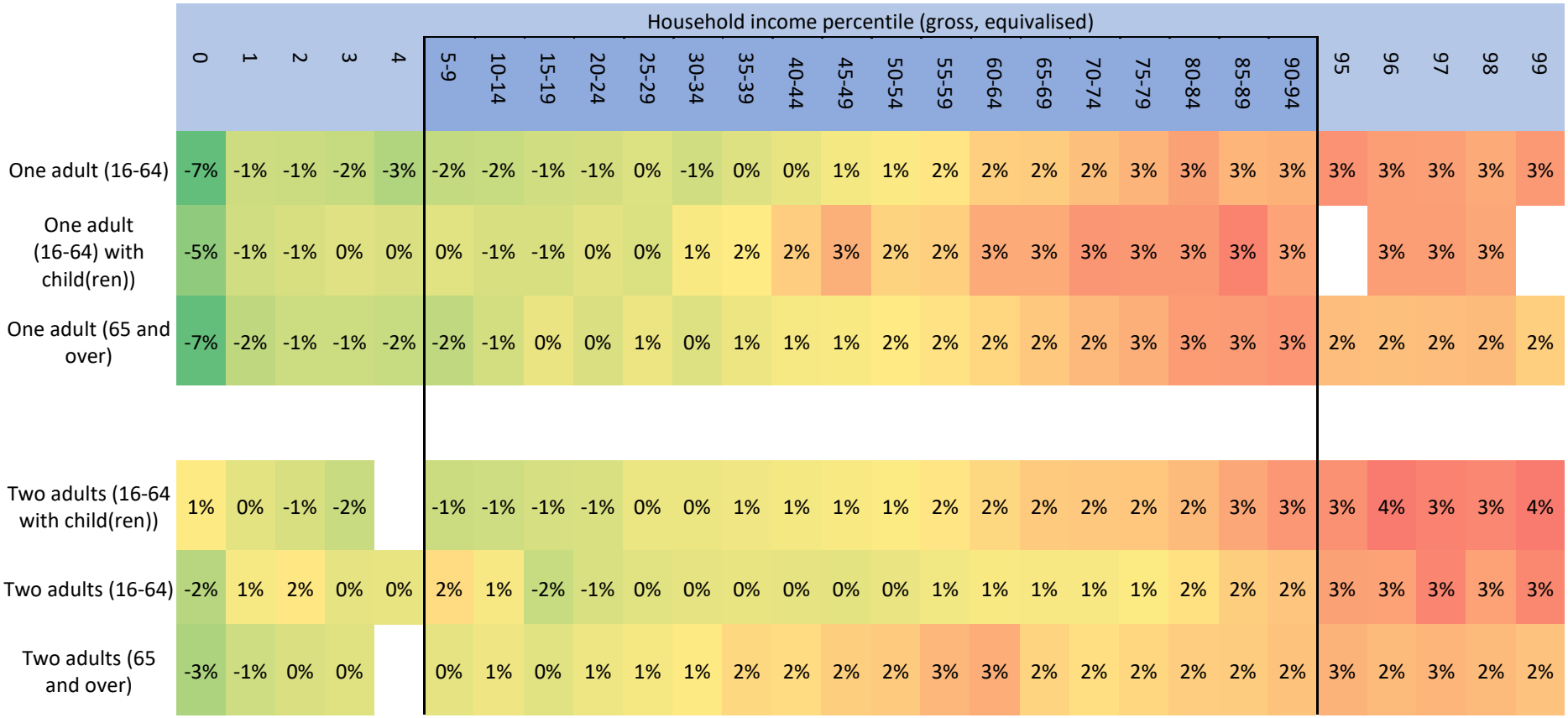


Figure 24: Option 3- Average impact by household income and household composition (% of gross income)



12. Assessment of Options

12.1. Figure 25 presents a comparison of the three options and the Steering Group's assessment of these against the stated principles of the Review.

12.2. It should be noted that the three options brought forward were chosen because the Steering Group felt they offered a reasonable fit with these principles. Analysis was undertaken on other options (including options which included a higher tax rate for higher earners), but these were not progressed because it was felt they did not sufficiently meet the principles of the review.

12.3. Of the options presented the Steering Group is of the view that option 1 (the income-based approach), performs less well than the other two options. To further concentrate revenues into taxes on income would place an unnecessary competitive pressure on Guernsey's economy and miss an opportunity to address some of the fundamental weaknesses in our tax base.

12.4. It is possible to mitigate the primary concerns raise against a GST. The regressive impacts can be successfully addressed for most low-income households if the package as a whole is designed to do so. It is possible to design a change in the tax system which would include a GST and benefit most low-income households. Given that such systems are applied in almost all other jurisdictions, including our nearest neighbour, examples of good practice are widely available.

12.5. The accounting and Point of Sale systems needed to minimise the administrative burden on business are widely available and, in many cases, already in use by local businesses. Measures like high registration threshold and the ISE scheme could mitigate this further.

12.6. The distinction between options 2 (GST approach) and option 3 (the GST /income combination) is less clear. Were the decision to be made on economic grounds only, the efficiency of option 2 would be preferable, but other considerations, including the higher cost of mitigation apparent in option 2 may influence the outcome.

12.7. The Steering Group concluded that to intensify the reliance on income-based taxes by following an approach like option 1 is unsustainable. As a result, the Steering Group's recommendation at this stage is that the way forward should include a GST. While a higher rate of GST is economically the strongest option and has the potential to be the most progressive if it is combined with significant levels of mitigation, it is acknowledged that this may not reflect the preference of the community.

12.8. More engagement is required to establish which of these options, or variations on them might be implemented in practice.

Figure 25: Assessment of options

Review principle	Option 1: Health tax/ SSC		Option 2: 8% GST		Option 3: 5% GST and contributions	
Capable of raising revenues of up to 24% of GDP...	Pass/fail criteria	Y	Pass/fail criteria	Y	Pass/fail criteria	Y
…in a way that is economically sustainable;	Long term economic impact minimal but with potential to create competitive issues in attracting higher income individuals to live in Guernsey. This may also create some recruitment issues for more senior posts	3	Long term economic impact minimal with very limited competitive issues	5	Long term economic impact minimal with limited competitive issues. Some limited potential to make attracting higher income individuals more difficult via increase in social security liability	4
…and socially sustainable	Progressive, with income-based taxes likely to be less controversial than GST	5	Overall, impact progressive with significant mitigation. Potential for net gain for lower income in general with some exceptions who may remain vulnerable. Higher rate of GST likely to be controversial and unpopular	3	Progressive with moderate mitigation. Potential for net gain for lower income in general with some exceptions who may remain vulnerable. Moderate rate of GST likely to be controversial but less so than higher rate	4
Be diversified between different forms of taxation	No diversification	0	Maximum diversification	10	Some diversification	5
Transparent, simple and credible	Social security restructure is complex but creates a simpler system. Income based taxes well understood by the public	4	Social security restructure is complex but creates a simpler system. Broad based consumption tax is simple, transparent, and applied widely in almost all jurisdictions	4	Social security restructure is complex but creates a simpler system. Broad based consumption tax is simple, transparent, and applied widely in almost all jurisdictions	4
Resilient to demographic change and economic shocks	Exaggerates existing reliance on income bases taxes and does not diversify risk to economic shocks or demographic change	1	Diversification spreads revenue risk between a wider range of revenue streams	5	Some diversification to spread revenue risk but with ongoing reliance on income-based tax	4
Support and facilitate sustainable economic growth and employment	Potential for short term impact on employment and economic growth which	3	Least potential for short term impact on employment and economic growth	5	Some potential for short term impact on employment and economic growth via increase in contribution revenues	4

	should recede in the medium term				which should recede in the medium term	
Comply with international tax standards	Subject to outcome of corporate tax workstreams	na	Subject to outcome of corporate tax workstreams	n	Subject to outcome of corporate tax workstreams	na
Maintain alignment on corporate tax policy with Jersey and the Isle of Man	Subject to outcome of corporate tax workstreams	na	Subject to outcome of corporate tax workstreams	na	Subject to outcome of corporate tax workstreams	na
Overall, reflect people's ability to pay and be generally progressive, while accepting that a balanced tax system will include some elements (such as excise taxes) which are considered regressive in nature	Progressive, although some elements of social security restructure will impact some groups more than others	4	Overall, most progressive outcome with mitigation. Low-income households may overall be better off than in income-based scenario but the impact of a higher rate of GST is difficult to mitigate for some low-income groups	4	Overall, moderately progressive outcome with mitigation. Low-income households may overall be better off than in income-based scenario but the impact of a higher rate of GST is difficult to mitigate for some low-income groups	4
Not discriminate and factors such as age, gender, marital status or employment status should not affect the way in which you are assessed or the amount you pay	Discrimination via the social security contributions system removed	5	Discrimination via the social security contributions system removed	5	Discrimination via the social security contributions system removed	5
Support the delivery of environmental and social objectives if there are opportunities to do so without breaching the previous principles	Reform of the social security contributions system benefits low income working households which supports objectives in relation to in work poverty	3	Reform of the social security contributions system benefits low income working households which supports objectives in relation to in work poverty	3	Reform of the social security contributions system benefits low income working households which supports objectives in relation to in work poverty	3
Total		**28**		**43**		**37**

13. Development Transition and Phasing

13.1. This Review is intended to inform plans to meet long-term revenue requirements. It may not be necessary to make an immediate jump to raise revenues to the full extent implied by the options discussed, particularly if other priorities to mitigate expenditure and grow the economy are successful.

13.2. The introduction of any major structural changes is likely to need at least 2 years of development. This means implementation of larger elements is not likely to take place until 2024 at the earliest, although some elements might be progressed sooner. During this time, it will be necessary to confirm finer points of detail, such as the exact application of any GST, and the relative timing of changes if there is a desire for these changes to be phased.

14. Consultation and Engagement

14.1. The Steering Group has undertaken some engagement on the proposals presented to date, both with States Members and with industry and community representatives. However, further engagement is needed on the details of a scheme before final proposals are presented to the States for consideration.

14.2. Developing the level of detail required to progress this analysis to full and detailed proposals will require a further investment of staff resources and require the public discussion of topics on which there is likely to be significant political debate.

14.3. **The Steering Group recommends that the States be asked to confirm the direction outlined in this first report. Subject to this confirmation, the Steering Group proposes to undertake a six-month period of detailed engagement and development before returning with firm proposals to the Policy & Resources Committee.**

15. Conclusions

15.1. Having reviewed the analysis undertaken to date, the Steering Group concludes that structural changes to the tax base are necessary. The current social security contributions System has evolved a long way from its origins and in its current form is inequitable. There is an opportunity to reform it which can make it both more equitable and more progressive and this should be pursued further.

15.2. Furthermore, the current heavy reliance on income-based taxes should not be continued. If more revenues are required, it should be from a more diverse tax base and introducing a GST represents the most effective way of achieving this.

15.3. The concerns about the regressive impact of a GST on lower income households are valid. However, the analysis suggests that the inclusion of a GST within a package including measures designed to mitigate the impact on lower income households can address these concerns and make the change to the tax base overall progressive. The relatively recent introduction of a GST in Jersey and other jurisdictions also provides examples of how the scheme can be designed so as to reduce the administrative burden on companies.

15.4. More engagement with stakeholders is needed before final recommendations can be made. To ensure that engagement is effective in producing a successful outcome for this project the Steering Group recommends in principle endorsement from the States is sought about the key elements before this is undertaken.

15.5. With direction from the States the Steering Group offers to conduct a period of more detailed engagement and development before presenting formal proposals for consideration.

MAJ Helyar

DJ Mahoney

PJ Roffey

M Thompson (Non-States Member, Committee *for* Employment & Social Security)

Appendix 1: Economic Impact Analysis Report (Deloitte LLP)

Deloitte.



Economic Impact Study of the States of Guernsey Tax Review

Final Report

10 August 2021

Important Notice from Deloitte

This Final Report has been prepared by Deloitte LLP ("Deloitte") for the States of Guernsey (the "States") in accordance with the contract with them dated 10 March 2021 (the "Contract") and on the basis of the scope and limitations set out below.

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We have conducted options analysis based on projections provided by the States (these comprise the options outlined and analysed in the report). The results produced by the options under different assumptions are dependent upon the information with which we have been provided. Actual results are likely to be different from those projected by the options due to unforeseen events and accordingly we can give no assurance as to whether or how closely the actual results ultimately achieved will correspond to the outcomes projected in the options. The scenarios are intended only to provide an illustrative analysis of the implications of the States' projections.

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1 Executive Summary

Guernsey is facing increasing fiscal pressures. These pressures are driven by Guernsey's ageing population and the requirement for financial resources to fund the increasing costs associated with meeting its existing service commitments and infrastructure requirements. As part of the measures under consideration to combat these pressures, the States are reviewing the possibility of several tax policy options. This Report compares Guernsey's tax structure to those of a set of benchmark jurisdictions and outlines the economic impacts of a set of tax policy options proposed by the States.

As with several other advanced economies, the population in Guernsey is ageing and this means that a greater level of expenditure is required to maintain current service levels. This pressure is accompanied by the fiscal demand for infrastructure investment to keep pace with the expanding scope of medical care services and to meet international commitments on areas such as climate change. Furthermore, the economic impacts of COVID-19 have resulted in the States operating at a deficit of £64 million, equivalent to 2.1% of the 2020 GDP estimate.[1]

To fund upcoming expenditure, the States must either raise additional revenues, increase their deficit or reduce spending elsewhere. The States view increasing their deficit to fund future costs as an unsustainable long-term option. The States are separately considering efforts to control expenditure. Approximately 63% of the States' expenditure is on health and community services, old age pensions and social welfare benefits. Each of these elements of expenditure is expected to increase and the States do not consider expenditure restraint alone to be a viable solution. Therefore, the States have stated that they will need a system capable of raising revenue within the 24% of GDP limit on government revenues set out in the States' Fiscal Policy Framework published in 2019. To this end, the States have identified three tax policy options that are under consideration.

Each of these policy options involves the restructure of social security contributions (SSCs). The exact rates of SSCs vary across the policy options. As well as changes in the rates, the policy options involve the introduction of an SSC allowance that is aligned with the personal income tax (PIT) allowance. Finally, across all policy options the nature of income treatment for SSC purposes is changed for all employed and self-employed persons, with contributions being made based on income from all sources as opposed to gross income from employment, which is currently the case. The key elements are provided below in Table 1 with the full details provided in Table 2. It can be seen that Option 1 is based predominantly on the introduction of a Health Tax of 3%, administered in a similar way to PIT. Options 2 and 3 are predominantly based on the introduction of a GST at rates of 8% and 5% respectively.

[1] The States of Guernsey Accounts 2020.

Table 1: Policy options overview

	Current	Option 1	Option 2	Option 3
GST	-	-	8%[2]	5%[3]
Health Tax	-	3% levied in a similar manner to PIT	-	-
PIT allowance	£11,875	£11,875	£14,000	£12,700
SSC allowance	-	£11,875	£14,000	£12,700
SSC employee rate	6.6%	9%	8%	9%
SSC employer rate	6.6%	7.5%[4]	7.5%[5]	7.5%[6]
Income treatment	Employee SSC contributions charged on earnings from employment[7]	Employee SSC contributions charged on all income	Employee SSC contributions charged on all income	Employee SSC contributions charged on all income

This Report includes analysis of the impacts associated with each of these options, which were selected by the States.[8] More broadly, other tax reforms, such as changes in corporate taxation, are being considered separately but are out of scope for the purposes of this Report. An assumption has been provided by the States as to the revenue that any change in CIT may generate.

Benchmarking analysis

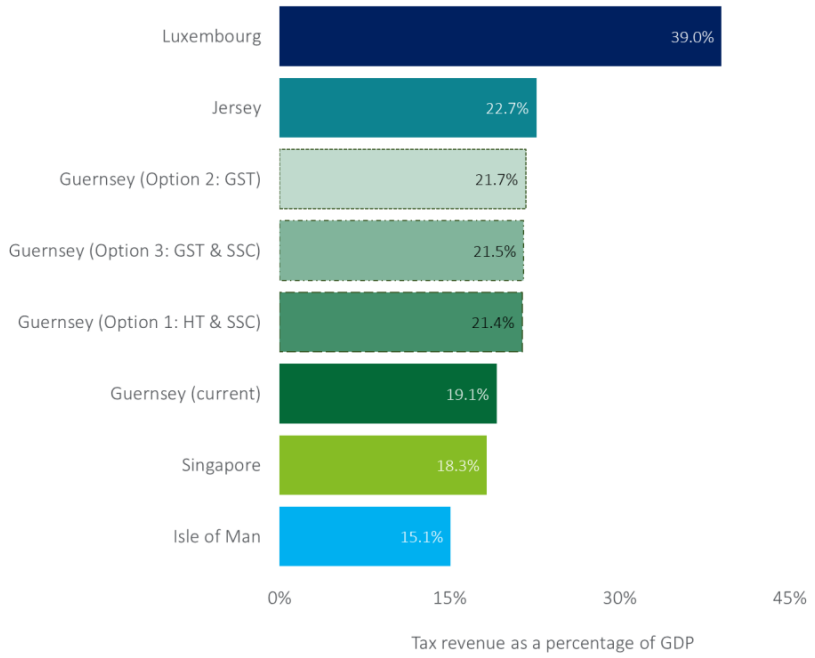
This Report considers the impacts of the tax changes described above in relation to the tax systems of some of Guernsey's benchmark jurisdictions. The benchmarking study considers differences in the economic and financial context of four jurisdictions. These benchmark jurisdictions, as agreed with the States, are Jersey, the Isle of Man, Luxembourg, and Singapore. These jurisdictions have been chosen because they are broadly as economically developed as Guernsey and have dominant financial service sectors. These jurisdictions may also be considered as alternatives to Guernsey if businesses or high net worth individuals choose to relocate as a result of changes in local tax policy. The benchmarking analysis considers total tax revenue as a share of GDP, Income Taxation (Personal Income Taxation (PIT), the Health Tax and Social Security Contributions (SSCs)) and Goods and Services Taxation (GST). The analysis concludes by discussing the relative reliance of Guernsey on direct and indirect taxation and how this may change under each of the options.

Total tax revenue as a share of GDP

Figure 1 shows how in comparison to some benchmark jurisdictions, the States currently raise less tax as a share of GDP, at 19%.[9] This is the ratio of tax revenue to GDP rather than the ratio of total government revenues to GDP. The latter is higher and includes other sources of revenue such as charges for services and rental incomes. Under each policy option the ratio of tax revenue to GDP would increase. Even under Option 2, which is associated with the largest increase in the ratio of tax revenue to GDP, Guernsey's ranking relative to the benchmark jurisdictions is unchanged.

[2] Applied on a broad basis with limited exceptions in line with application in Jersey (https://www.gov.je/TaxesMoney/GST/GSTCustomers/Pages/PayingGSTJersey.aspx). Primary exemptions include financial services and some health-related expenditure. All exports including financial services are assumed to be zero-rated.
[3] Applied on a broad basis with limited exceptions in line with application in Jersey (https://www.gov.je/TaxesMoney/GST/GSTCustomers/Pages/PayingGSTJersey.aspx). Primary exemptions include financial services and some health-related expenditure. All exports including financial services are assumed to be zero-rated.
[4] Self-employed are currently subject to 11% charge on income from self-employment (SE) up to the upper earnings limit (UEL). This would change to a 9% personal rate on all income up to the UEL less an allowance, plus a 5% reduced employers rate on income from SE. The non-employed rate for those under State Pension Age (SPA) would fall from 10.4% to 9.0% and the non-employed rate for those of SPA and older would increase from 3.4% to 4.5%.
[5] Self-employed are currently subject to 11% charge on income from SE up to the UEL. This would change to a 9% personal rate on all income up to the UEL less an allowance, plus a 5% reduced employers rate on income from SE. The non-employed rate for those under SPA would fall from 10.4% to 8% and the non-employed rate for those of SPA and older would increase from 3.4% to 3.5%.
[6] Self-employed are currently subject to 11% charge on income from SE up to the UEL. This would change to a 9% personal rate on all income up to the UEL less an allowance, plus a 5% reduced employers rate on income from SE. The non-employed rate for those under SPA would fall from 10.4% to 9.0% and the non-employed rate for those of SPA and older would increase from 3.4% to 4.5%.
[7] Note that those over State Pension Age (SPA) already get charged SSC on all income
[8] The precise scope of this report is set out in Section 2.4.

Figure 1: Tax revenue as a percentage of GDP, 2019



Source: See Appendix A2, Options revenue data as provided by the States

Income Taxation (PIT, Health Tax and SSCs)

In general, comparisons across both personal income tax rates and social security contribution rates show that Guernsey's rates are broadly comparable to those of its benchmark jurisdictions. For example, Guernsey's current headline PIT rate (20%) is much less than Luxembourg's highest marginal tax rate (42%), slightly less than Singapore's (22%) and identical to those of Jersey and the Isle of Man.

While no policy option under consideration in this report proposes a higher headline rate of PIT, Option 1 involves an increase in the rate of income taxation through the introduction of a Health Tax of 3%. The impact of the Health Tax is very similar to the impact of increasing PIT by 3 percentage points. Jersey is the only benchmark jurisdiction that currently has a Health Tax. The Jersey Health Tax, known as the long-term care charge, has a headline rate of 1.5% and a marginal rate of 1.95%[10], which is lower than the Health tax under consideration for Guernsey in Option 1.

As well as differences in the rate of PIT, the allowance for which no tax is charged also differs. Guernsey's current allowance is only higher than those of Singapore and Luxembourg but lower than the allowances in the Isle of Man and Jersey. Under Option 1 there would be no change in this allowance and thus no change in Guernsey's position. Under Options 2 and 3, Guernsey's personal allowance would increase to £14,000 and £12,700 respectively. The increase in the allowance under Options 2 and 3 would not be sufficient to change Guernsey's position relative to the benchmark jurisdictions. As well as the tax-free allowance, another key dimension of income taxation amongst some benchmark jurisdictions is the tax cap. The policy options under consideration by the States do not include any change in the levels of these tax caps.

In this report, the term SSC is used to cover all national insurance schemes. In Guernsey, SSCs are currently payable at a rate of 6.6% for employees and employers. This rate is lower than in the Isle of Man and Singapore, where rates of 11%

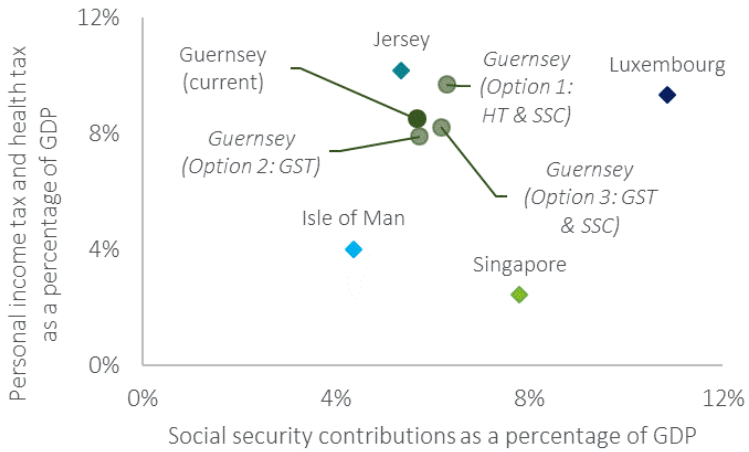
[10] Marginal rates are applied in line with Jersey's PIT

and 20% respectively are charged above lower thresholds.[11] Jersey's social security contribution rate is more comparable to Guernsey's, at 6% for employees and 6.5% for employers.[12] Employers in Jersey are charged at a rate of 2.5% for income between £55,320 and £252,360. By comparison, Guernsey currently charges a rate of 6.6% capped at the same level for both employees and employers. All policy options under consideration involve an increase in the headline rate of SSCs for employees and employers. Under Options 1 and 3 the employee rate is increased to 9% and the employer rate is increased to 7.5%. Under Option 2 the employee rate is increased to 8% and the employer rate to 7.5%. The increases under these options do mean a greater divergence from Jersey but the rates remain lower than in the Isle of Man and Singapore.

All policy options under consideration for Guernsey involve the adoption of the PIT allowance as an SSC allowance, meaning that individuals with income below the allowance threshold will not pay SSCs. The introduction of the allowance, which decreases SSC revenues, and the increased rates, which increase SSC revenues, mean that the change in the level of revenue raised through SSCs under each option is unclear in advance. When the revenue lost from the increased allowance is compared to the revenue gained from the increase in rates, Option 1 sees an increase in SSC revenue, Option 2 sees an increase but to a lesser extent than under Option 1 due to the higher personal allowance, and Option 3 sees an increase greater than under Option 2 but less than Option 1.

Figure 2 compares how the different options under consideration would affect Guernsey's position relative to its peers in terms of the ratio of PIT and Health Tax to GDP and the ratio of SSCs to GDP. Guernsey currently sits below Jersey and Luxembourg in terms of PIT and Health Tax and below Luxembourg and Singapore in terms of SSCs. Options 2 and 3, which are GST based, do not produce a material change in Guernsey's relative position. By contrast, Option 1 significantly increases the ratio of PIT and Health Tax to GDP to a level above that observed in Luxembourg and approaching the higher level found in Jersey.

Figure 2: Personal income tax (PIT) and social security contributions as a percentage of GDP



Source: As in Appendix A2 Figure 7

GST

Guernsey is the only jurisdiction in the benchmarking analysis that does not currently have a GST; in this report the term GST is used to include all forms of consumption tax. The Isle of Man follows the UK's GST regime and thus has a 20% standard rate, Luxembourg's GST is set at 17% and Singapore applies a broad-based, low rate GST at 7%. Jersey introduced

[11] Singapore has an allowance of £4,891 (SGD 9,000) and the Isle of Man has a primary threshold of £7,176. In Luxembourg, however, the minimum annual earnings used to calculate contributions are the legal monthly social minimum wage – at £22,977 (€26,423).
[12] However, Jersey has a much lower upper earnings limit of £55,320 at the 6% rate, compared to Guernsey's limit of £153,660.

a GST at 3% in 2009 and has now increased this to 5%.[13] The current lack of a GST in Guernsey is atypical in the sense that such taxes are common internationally. Across the 37 OECD countries, 36 have some form of GST.[14]

Under Options 2 and 3, a GST would be introduced in Guernsey at rates of 8% and 5% respectively. This level of GST remains at the lower end of the distribution of GSTs, but importantly the 8% GST would be higher than the 5% level currently charged in Jersey. Options 2 and 3 include exemptions for financial services, although many financial services organisations would be liable to pay international services exemption fees. These exemptions closely align to those found in Jersey, which are detailed in Table 10 in Appendix A3, alongside other benchmark jurisdictions' exemptions, all of which include financial services.

Reliance on direct tax revenue

Tax revenue can be delineated by that which is directly paid to the government, such as PIT, SSCs, Corporate Income Tax and the Health Tax, and that which is indirectly paid to the government such as GST. Of the benchmark jurisdictions, Guernsey is currently most reliant on direct taxation, with only 10% of its tax revenue coming from indirect taxation. Option 1 would further increase this reliance, as the level of revenue raised through indirect taxation would fall to 9%. By contrast, under Options 2 and 3, which would see the introduction of a GST at 8% or 5% respectively, the share of tax revenue raised through indirect taxation would increase to 21%, which is greater than the rates for Jersey and Singapore under Option 2, and 17% under Option 3, which is greater than that of Jersey.

Economic impacts

This Report considers the potential economic impacts of the tax policy options proposed by the States. To assess these impacts, we examine the expected changes in the size of the economy and the potential distributional consequences of the policies under consideration.

To maintain current service levels in the face of fiscal pressures arising from an ageing population requires a non-trivial expansion in the size of the state; this issue has been compounded by the impacts of COVID-19. Assuming the States' current working target is achieved, this would see total government revenue as a share of GDP increase from 21.9%, the estimate before 2020 and the resulting COVID-19 impact, to the target of 24%. The States estimate that under Policy Option 1 this increase would be to 23.8% by 2026, under Option 2 the increase would be to 24.1%, and under Option 3 it would be to 24.0%.

Under the options considered in this report, the overall impacts on GDP are unlikely to be large and likely to be short-term in nature; the structure of Guernsey's economy will change as a result of the increase in spending on health and aged care necessary to maintain current service levels. However, it is important to note that the macroeconomic impacts may be exacerbated if there is a disconnect between when the tax revenue is raised and when the revenue is spent. The structural changes may include a reduction in the size of sectors such as wholesale, retail, and repairs. These industries currently make up only about 8% of total GVA, implying that their impacts on the overall economy are unlikely to be very large. The changes proposed will likely include an expansion of the healthcare and government sectors, at 12% of GVA, in order to maintain current service levels in the face of increasing pressure.[15]

As the States have posited that this increase in tax revenue will ultimately be matched by an increase in spending as fiscal pressures manifest, this change will have a relatively small impact on the size of the economy in the long run. There may be a disconnect between when the tax revenue is raised and when it is ultimately spent as the spending is smoothed to keep pace with changes in the demographic profile of Guernsey. This difference in timing will have an impact on GDP up until the point that the accrued revenue is spent. Whilst the overall lasting impact on the economy may be small, the changes will have important distributional consequences and heterogeneous impacts across sectors. Empirical studies

[13] Note that both GST and VAT are taxes on goods and services and thus input/output taxes on consumption. The Isle of Man (alongside the UK) and the EU refer to Value Added Tax (VAT). Others refer to Goods and Services Tax (GST). For simplicity, we will refer to either as a GST throughout this report.
[14] OECD report, "Consumption Tax Trends 2020" available at: https://www.oecd-ilibrary.org/sites/152def2d-en/index.html?itemId=/content/publication/152def2d-en
[15] Guernsey Facts and Figures, 2020, States, available at: https://www.gov.gg/CHttpHandler.ashx?id=131184&p=0

have shown that increases in taxes accompanied by largely unchanged fiscal positions may have temporary impacts on the economy.[16]

Empirical evidence finds that income tax changes have a larger impact than GST on output, private consumption and investment in the short run. The GST is a more efficient tax than income taxation because of its base, which does not include mobile capital income. Further, it can be argued that the ageing population in Guernsey means that PIT revenues are on a downward trajectory, all else being equal, whereas GST revenues are likely to be less affected by this. The GST would help to reduce the States' reliance on direct tax revenue, diversifying their revenue base. GST also causes fewer market distortions as it does not impact the cost of labour or capital directly. Furthermore, the GST decreases in efficiency as rates and the number of exemptions increase. Finally, through increasing the cost of consumption, the GST has a general equilibrium impact via an increase in the savings ratio, which may lead to higher levels of investment that could be beneficial for the economy in the long run. The main drawback of the GST is that it can be regressive, but this may be mitigated through interventions for lower income households, as is proposed in the options outlined by the States. It is also worth noting that the administration and adjustment costs associated with the GST are somewhat independent of the rate selected.

Policy Option 1 is predominantly based on an increase in income taxation and thus there are likely to be transitory impacts on household consumption, GDP growth and employment. Policy Option 2 is based on a GST and is thus most likely to have an impact on inflation in the short term with impacts dissipating after one year. Under Policy Option 3 a lower rate GST is introduced, which will have a more moderate impact on price levels. Option 3 also includes the raising of more revenue through income taxation via SSCs, but this is likely to have a smaller impact on consumption, GDP growth and employment than Option 1.

An increase in the tax to GDP ratio, compliance and administrative costs and changes in incentives will lead to significant short-term transitory impacts as businesses, individuals and the government learn to navigate the new systems and the new structure of the economy. In this context, the short term could refer to a period of around 1 to 3 years. The adjustment costs will be more pronounced where new systems are being introduced, such as in the case of the introduction of a GST. Based on the effect of the GST introduction and subsequent increase in Jersey, a 1 percentage point increase in the GST rate was associated with an increase in price levels of approximately 0.65 percentage points. Given the similar level of proposed exemptions, it is reasonable to assume a similar level of impact for Guernsey; the introduction of a 5% GST will therefore lead to an increase in price levels by approximately 3 percentage points. The impact would likely be greater under Option 2, which includes a GST of 8%. However, after a year this would be expected to have no ongoing impact on inflation as prices settle to a new level.

Given the expenditure drivers and Guernsey's ageing population, the health and aged care sector will benefit most from the increase in government expenditure. The States will need to ensure that the labour market is able to keep up with the changing structure of the economy and the demand for new jobs in sectors such as healthcare. As the economy transitions to a new state, this may require investment in upskilling the labour force or the need to bring in skilled labour from abroad. The described increase in government expenditure may be complicated by the States' ability to expand the healthcare sector and increase health expenditure given the availability of skilled labour.

The economic impacts will not be felt equally across the income distribution. The progressivity of each of the taxes considered is different. The introduction of a broad-based, low-rate GST is a relatively efficient means of raising tax revenues in comparison to an income tax, as it has less impact on people's incentives to work. However, it can be regressive and impact lower income households more as these households tend to spend a larger proportion of their income on essentials. The States have outlined a suite of offsetting measures, such as increasing the tax-free allowance, restructuring social security contributions to make them more progressive, and allocating funding for a compensating increase in income support and an allowance for additional mitigation. This approach is in line with those of other

[16] Guajardo, Leigh & Pescatori (2014) "Expansion Austerity? International Evidence", available at: https://onlinelibrary.wiley.com/doi/abs/10.1111/jeea.12083, Romer & Romer (2007) "The Macroeconomic Effects of Tax Changes: Estimates Based on a New Measure of Fiscal Shocks", available at: https://www.nber.org/system/files/working_papers/w13264/w13264.pdf

countries or jurisdictions increasing government expenditure alongside such tax changes. The resulting impact is that all policy options are progressive when tax impacts are expressed as a share of household income, after taking the States' proposed mitigations into account. In absolute terms, under each policy option the majority of additional tax revenues are raised from those in the highest income quintile. Under Option 1, 73% of revenue is raised from the top 20% of earners; under Options 2 and 3 the figures are 62% and 63% respectively.

The higher earners, defined as individuals with a high income in the top 5% of households,[17] are likely to be impacted most by the changes in personal income tax relative to the impact from the other considered tax changes. They differ from high net worth individuals (HNWIs), who are much smaller in number, are more mobile and would be most influenced by the tax cap and any taxes on capital. The analysis suggests that the proposed changes may not have a material impact on the attractiveness of Guernsey for the higher earners. These individuals are unlikely to see an impact on their employment status as they are employed in high-skilled industries, such as the financial services industry, where changes in marginal income tax rates are one element of a broader list of factors that influence where a business chooses to locate. Aside from these tax changes being comparable to the taxes levied in other benchmark jurisdictions, Guernsey also has an attractive capital taxes policy (with no tax on capital gains and no inheritance tax), along with a corporate tax structure that moves in broad alignment with the other Crown Dependencies'.

A summary of the impacts associated with the policy options is provided below. Short-term impacts are likely to be felt for approximately 1 to 3 years following the introduction of the policies. Macroeconomic impacts are likely to be felt for at least the duration of the disconnect between when revenue is raised and when spending increases. One exception to this is the impact of the GST on inflation, which can be expected to dissipate after one year as suggested by empirical studies.

[17] Appendix A1 sets out the criteria for identifying these higher earners from the data on the top 5% in Guernsey.

	Policy Option 1 (income tax based)	Policy Option 2 (GST based)	Policy Option 3 (GST & income)
Tax revenue as a share of GDP	↗ 21.4%	↗ 21.7%	↗ 21.5%
	Tax revenue currently 19.1% of GDP Guernsey's ranking relative to benchmark jurisdictions would not change		
PIT + Health Tax revenue as a share of GDP	↑ 9.7%	↓ 7.9%	↘ 8.2%
	PIT + Health Tax revenue currently 8.5% of GDP Guernsey's ranking relative to benchmark jurisdictions would increase by 1 under Option 1		
SSC revenue as a share of GDP	↑ 6.3%	↔ 5.7%	↑ 6.2%
	SSC revenue currently 5.7% of GDP Guernsey's ranking relative to benchmark jurisdictions would not change		
GST revenue as a share of GDP	↔ 0.0%	↑ 2.7%	↗ 1.7%
	GST revenue as a share of GDP currently 0% in Guernsey as there is no GST Guernsey would have the 3rd highest GST revenue relative to GDP amongst benchmark jurisdictions under Option 2 but would remain lowest under Option 3		
Short-term impact on household consumption	↓	↗ due to decreased income taxation	↘
Short-term impact on GDP growth	↓	↗ due to decreased income taxation	↘
Short-term impact on employment	↓	↗ due to decreased income taxation	↘
Short-term impact on Inflation	↔	↑	↗
Progressivity	✓	✓	✓
Most impacted household type	2 working age adults and children by 2.7%	2 working age adults with children by 2.2%	2 working age adults with children by 2.2%
Impact on higher earners income	↓ 3 to 4%	↘ 2 to 3%	↘ 2 to 3%

Key Findings

- In comparison to those of other OECD countries, and the benchmark jurisdictions considered in this report, the States' tax revenues as a percentage of GDP are on the lower end. If Guernsey were to raise its PIT or SSC rates, or introduce a Health Tax, the illustrative tax rates considered in this report and the reliance on direct taxes would **still be broadly comparable to those of the benchmark jurisdictions**. Though it is worth noting that Guernsey is currently reliant on direct taxation for the majority of its tax revenue and Option 1 (the introduction of a Health Tax along with a restructuring of SSCs) would compound this reliance.
- In the context of other OECD countries and the benchmark jurisdictions considered here, Guernsey is **atypical in that it does not currently have a GST in place**. While the GST rates under consideration of 8% in Option 2 and 5% in Option 3 are within the range of benchmark jurisdictions, a rate of 8% would be higher than the level currently in place in Jersey.
- **Overall impacts on GDP are likely to be limited over time,** given that tax increases will be approximately matched by an increase in spending to maintain current service levels given an ageing population. However, there will be **transitory impacts on the economy** as the structure of the economy changes. **Short-term impacts will also be felt to the extent that there is a disconnect in the timing of when the tax revenues are raised and when they are spent.**
- An introduction of a GST at a rate of 5%, as in Option 3, could be expected to lead to a **short-term increase in price levels** of approximately 3 percentage points and this impact would likely be greater if a GST was introduced at 8%, as would be the case under Option 2. There will also be upfront compliance and administrative costs as businesses learn to navigate the new legislation as well as ongoing compliance costs.
- As the structure of the economy changes, the impacts on sectors will differ. An increase in taxes on income will adversely impact household consumption and therefore **impact sectors such as wholesale, retail, and transport**. On the other hand, the increase in expenditure on healthcare driven by **increasing demand for healthcare will expand these sectors**.
- The **introduction of a GST is less progressive than other core tax levers**. When a broad-based GST has been introduced in other jurisdictions, it has often been accompanied by other changes to support lower income households in an effort to redress some of the regressivity; this approach has also been suggested within the options proposed by the States. **These mitigating interventions help to offset the regressive impacts of the GST under Options 2 and 3 such that each option under consideration is progressive in terms both of absolute revenues raised and of revenues raised as a share of income or expenditure.**
- Of the tax changes proposed, higher earners (part of the top 5% of households) are most likely to be adversely impacted by increases in income taxation. Given the nature of the industries they work in (high-skilled), it is **unlikely that their employment status will be adversely impacted given that changes in the marginal personal income tax rate may not be a significant factor when companies choose where to locate**. Furthermore, given that there are currently no capital gains taxes in Guernsey, and that a majority of the higher earners have lived in Guernsey for over 10 years, it is **unlikely that the tax changes illustrated here will lead to a material change in factors that make Guernsey an attractive location for some of these higher earners**.

2 Introduction

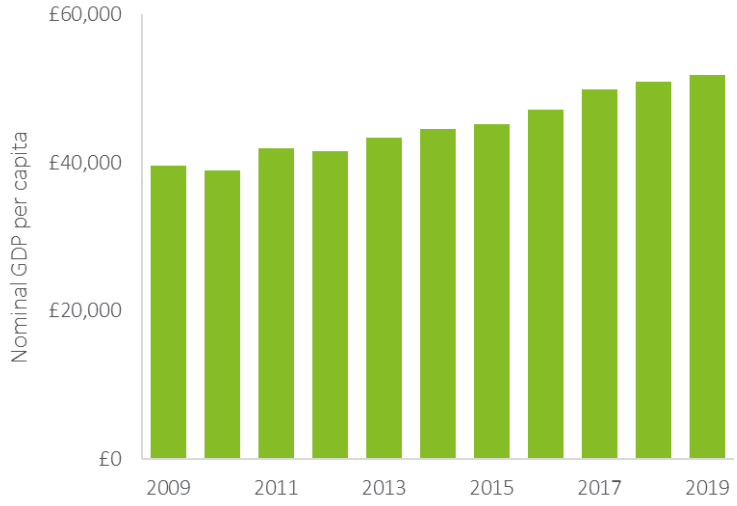
Guernsey's economy has grown considerably over the last decade, but an ageing population and the fiscal impacts of the Covid-19 pandemic have led to a need to increase spending to maintain current service levels

2.1. Background and context

This Report discusses the impact of certain tax policy changes in Guernsey, which includes Herm, and Alderney, where residents and businesses are subject to Guernsey's tax regime. For the purposes of this Report all references to Guernsey apply to both Guernsey and Alderney. The impact of any selected tax reform is contingent on the economic conditions which prevail in Guernsey at the time, and to that end it is important to understand the current economic context in Guernsey.

Guernsey's economy has flourished over the last 10 years. We measure the size of the economy using Gross Domestic Product (GDP) and Gross Value Added (GVA). GDP is a monetary measure of the value of goods and services in the economy, measured in Guernsey using the income approach. The components include employees' compensation, gross operating surplus of companies and government, mixed income from sole traders, household income, and taxes less subsidies. GVA is GDP before including taxes less subsidies. Guernsey's nominal GDP per capita has increased from £39,555 in 2009 to £51,868 in 2019.[18] Figure 3 shows the increase in Guernsey's nominal GDP per capita from 2009 to 2019.

Figure 3: Guernsey's nominal GDP per capita (2009 – 2019)



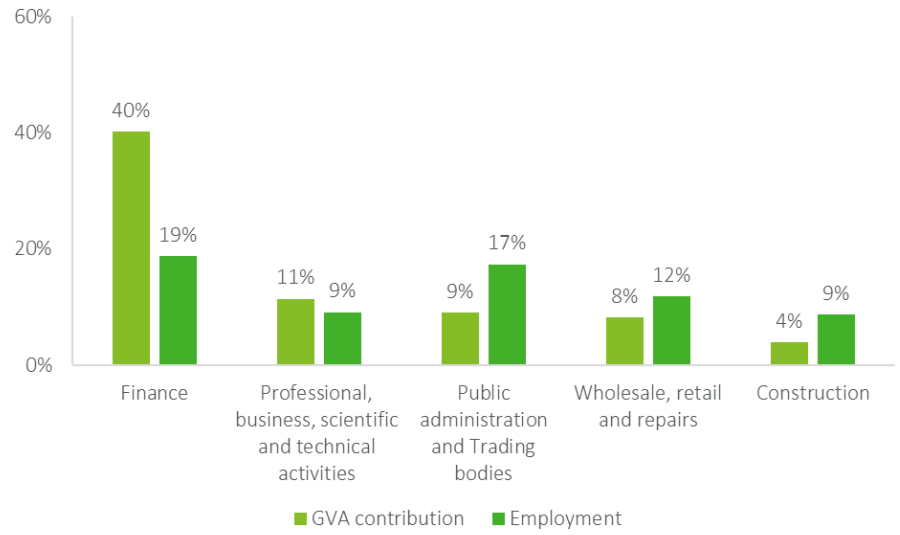
Source: The States government website, 'Supplementary GVA and GDP Data 2019' for 2009- 2019 data, available at https://www.gov.gg/gdp.

The finance sector has long been important to Guernsey's economy and has been one of the prime drivers of growth. Indeed, the finance sector has remained the largest single sector by Gross Value Added (GVA) in the last 20 years. In 2019, this sector comprised 40% of Guernsey's GVA. In the last 20 years, the finance sector has grown by approximately 225%, with its GVA increasing from £0.4 billion to £1.3 billion. In comparison, overall GVA has grown by 164%. The finance sector

[18] The methodology used to estimate GDP was updated in 2017 and series were backdated to 2009. Guernsey Facts and Figures Supplementary Data, 2020, States, available at: https://www.gov.gg/CHttpHandler.ashx?id=131185&p=0

also continues to be the largest sector by employment. Figure 4 shows the five largest sectors by GVA contribution and employment in Guernsey.

Figure 4: Largest sectors by GVA contribution (2019) and employment (March 2020)



Source: The States government website, 'Supplementary *GVA and GDP Data 2019', available at https://www.gov.gg/gdp & 'Facts and Figures 2020 Supplementary Data: T 2.16, F 2.16 – Employment by economic sector', available at https://www.gov.gg/ff*

2.2. Fiscal context

The States published a Fiscal Policy Framework in 2019 that sets out the key principles on which their fiscal policy should be based.[19] One of the key elements of the States' fiscal policy is that it should operate on a principle of long-term permanent balance – any increases in government spending should be offset with an increase in government revenues. This framework clearly sets the limits on the annual net deficit such that, in any given year, Guernsey's net deficit should not exceed 15% of its operating revenues. As of 2020, Guernsey's expected deficit is £64 million, 2.1% of the 2020 GDP estimate, which has been achieved by limiting capital spending.[20]

Guernsey's current tax base and levels are relatively low compared to those of other countries or jurisdictions. For example, the States currently collect 19% of annual GDP in tax revenues (with a further 2-3% from other revenue sources) compared to 23% in Jersey and 33% in the United Kingdom.[21] As of 2018, 29% of public expenditure was spent on health and community services, 20% on old age pensions, and 14% on social welfare benefits.[22] Given the fiscal pressures of an ageing population identified in their Fiscal Policy Framework Report, the States believe these costs will increase in the future, and, as a result of the growing demand for services, will present critical challenges to the sustainability of existing services.[23]

This increased demand on public finances was estimated to require between £79 million and £132 million per annum in additional revenue in the Fiscal Policy Framework published in 2019.[24] While government priorities are currently under review, the impacts of COVID-19 have intensified Guernsey's pre-existing financial pressures. In order to meet this demand, the overall revenue working target, to be considered as a working assumption for the purposes of this Report, as provided to us by the States, is 24% of GDP per annum over five years. To meet the needs of their ageing population,

[19] The Review of the Fiscal Policy Framework and Fiscal Pressures, available at: https://www.gov.gg/CHttpHandler.ashx?id=122178&p=0
[20] The States of Guernsey Accounts 2020 as provided by the States
[21] Revenue Statistics 2020 – the United Kingdom, available at https://www.oecd.org/tax/revenue-statistics-united-kingdom.pdf
[22] Guernsey Facts and Figures, 2020, States, available at: https://www.gov.gg/CHttpHandler.ashx?id=131184&p=0
[23] The Review of the Fiscal Policy Framework and Fiscal Pressures, available at: https://www.gov.gg/CHttpHandler.ashx?id=122178&p=0
[24] The Review of the Fiscal Policy Framework and Fiscal Pressures, available at: https://www.gov.gg/CHttpHandler.ashx?id=122178&p=0

the States can either reduce costs from other parts of their expenditure, increase their overall deficit and debt, or raise additional revenues. Given the predicted increase in expenditure as mentioned above, the States do not consider that greater expenditure control alone can provide a solution. Furthermore, the States also have to fund their capital programme, which ensures that investment in key infrastructure is undertaken in the Bailiwick.

Funding costs through a higher deficit is not viewed by the States as a sustainable long-term solution, especially since the States' costs are likely to continue to increase with an ageing population. Furthermore, tax revenues, which are currently highly dependent on personal income tax (PIT), social security contributions and corporate income tax, are also determined by the proportion of the population that is of working age, which is likely to reduce with time.

It is in this context that the States are reviewing potential changes to Guernsey's tax structures so that they are capable of raising revenues up to the 24% of GDP limit.

2.3. Tax Options

To raise the finances needed to meet the future demand of public provision, the States have provided us with three tax policy options for analysis and further consideration. Option 1 would raise revenue through a Health Tax of 3% levied on income and increased social security contributions. Option 2 would raise revenue through a GST of 8% and increased social security contributions, while offsetting this would be a reduction in tax revenues due to an increase in the PIT allowance from £11,875 to £14,000. Option 3 would raise revenue through a GST of 5% and increased social security contributions, while offsetting a reduction in tax revenues due to the PIT allowance increasing from £11,875 to £12,700.

While an assumption is made about changes in corporate taxation, as outlined below, a specific discussion of this policy and its broader impacts is beyond the scope of this report. Other tax changes such as tax on real property, road pricing and excise taxes are under consideration by the States of Guernsey, but these are unlikely to make a significant contribution and, as such, will only be briefly described in comparison to the other benchmark jurisdictions in Section 3.

Corporate Income Tax (CIT)

According to the OECD*, on 1 July 2021 "130 countries and jurisdictions joined a two-pillar plan to reform international taxation rules to ensure that multinational enterprises pay a fair share of tax wherever they operate." "Pillar One will ensure a fairer distribution of profits and taxing rights among countries with respect to the largest MNEs (multinational enterprises with a global turnover above 20 billion euros and profitability above 10%), including digital companies. It would re-allocate some taxing rights over MNEs from their home countries to the markets where they have business activities and earn profits, regardless of whether firms have a physical presence there." "Pillar Two seeks to put a floor on competition over corporate income tax, through the introduction of a global minimum corporate tax rate (for MNEs with global revenues of more than 750 million euros) that countries can use to protect their tax bases." The minimum rate under Pillar Two will be at least equal to the 15% assumption used in this report. The 130 countries and jurisdictions referenced in the OECD publication include Guernsey and all benchmark jurisdictions analysed in this report: Jersey, the Isle of Man, Singapore and Luxembourg.

For the purposes of this report, The States of Guernsey have used a working assumption that the impact of the Pillar One and Pillar Two proposals would raise an additional £10m in revenue. The States of Guernsey have stated that this change is independent of the policy options under consideration.

*https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm

The tax policy options under consideration each make use of different core levers. Option 1 raises revenue through a tax on income whereas Option 2 raises revenue through a tax on consumption. Option 3 also raises revenue through a tax on consumption; however, through the restructuring of social security contributions, it will also raise revenue through income taxation to a greater extent than Option 2.

The following section sets out what each of the main tax levers is and their theoretical impacts.

2.3.1. Personal Income Tax (PIT) and the Health Tax

PIT is a direct tax charged on individuals' earnings that is usually applied on income earned above a tax-free allowance. The States' current headline tax rate of 20% is charged on earnings above the 2021 allowance of £11,875, with no other rates applied, but there are a number of other allowances and benefits granted.[25] Currently, the personal allowance in Guernsey is withdrawn at a rate of £1 for every £5 of income earned in excess of £100,000.[26] Consequently, very high earners do not benefit from the personal allowance and other allowances and deductions available in Guernsey.

The current cap on personal income tax for worldwide income is £260,000 or £130,000 for non-Guernsey sources of income.[27] There are other tax caps charged in Guernsey, including a £50,000 cap for Alderney residents.[28] In addition, an open market cap of £50,000 is applicable to newly resident individuals for the first four years of their residence subject to certain requirements.[29] Certain Guernsey residents can also elect to pay a standard charge, which is set at the higher of £40,000 or the tax on the individual's Guernsey source income.[30]

The States have proposed some changes to PIT and Health Tax under the three tax policy options. Option 1 involves the introduction of a 3% Health Tax which would be administered in the same way as PIT, Option 2 involves an increase in the PIT allowance to £14,000, and Option 3 involves an increase in the PIT allowance to £12,700. No option under consideration includes a change in the level of the tax caps.

Income taxation rates vary significantly across countries, often accompanied by intra-country variation in the marginal tax rate as income increases. In OECD countries, the revenue from PIT makes up a significant proportion of collected tax revenue, at an average level of 24% in 2018.[31] Furthermore, over 60% of OECD countries report a PIT share of more than 20% of overall tax income.[32]

Theoretically, PIT is considered the main method of redistributing income from higher income to lower income households. However, this depends on the structure and progressivity of the tax.[33] PIT reduces the value of labour, as an individual earns less take-home income for the same amount of work. Therefore, any decision to change the rate of PIT, or the rate of income taxation more broadly, has the potential to theoretically affect labour supply decisions. Furthermore, the decrease in disposable income that results from a higher level of taxation may also reduce household expenditure, which in turn has an impact on the economy.

The overall impact of a PIT increase or the introduction of a Health Tax will depend on whether the government uses this revenue to reduce the deficit or whether it redistributes this revenue. If the revenue collected from this increase in tax is spent by the government, this could counteract the adverse effect that lower household spending has on economic growth. The nature of this government spending could also improve redistribution if focused on welfare provisions.

2.3.2. Social Security Contributions (SSC)

The social security contributions (SSC), as discussed in this report, covers all national insurance schemes. Guernsey's employed persons' social security contributions are currently based on the earnings of employees and is usually split into

[25] A single parent's annual "Charge of Children" allowance is £8,075 and the mortgage interest cap on tax relief is £5,000. A detailed list is available at: https://www.gov.gg/CHttpHandler.ashx?id=135587&p=0. A carer gets an annual allowance of £4,671 as in: https://www.gov.gg/CHttpHandler.ashx?id=102818&p=0

[26] See details on the limit for withdrawal, allowances and deductions withdrawn as well as the way withdrawal is phased in: https://www.gov.gg/wopa

[27] See "Tax cap for individuals" in: https://www.gov.gg/CHttpHandler.ashx?id=135587&p

[28] All States tax caps summarised here: https://gov.gg/taxcap

[29] "This cap can only be claimed if the individual that has paid £50,000 or more in document duty on the purchase of a property, that is on Part A of the Open Market Register, and that property is purchased within 12 months (either before or after) they take up permanent residence in Guernsey." See: https://gov.gg/taxcap

[30] Residency and tax liability information is summarised in: https://gov.gg/residency

[31] OECD e-book, "Revenue Statistics 2020", available at: https://www.oecd-ilibrary.org/sites/8625f8e5-en/index.html?itemId=/content/publication/8625f8e5-en

[32] OECD data on tax and personal income, available at: https://data.oecd.org/tax/tax-on-personal-income.htm

[33] Analysis of UK data shows that a reduction in average direct tax rate – which includes income tax – and an increase in progressivity have had a positive impact on redistribution. See ONS website, "The effects of taxes and benefits on income inequality", available at: https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/theeffectsoftaxesandbenefitsonincomeinequality/1977tofinancialyearending2015#what-impact-do-taxes-and-benefits-have-on-income-inequality

two parts, with the employer and the employee both making contributions. Contributions are also made by self-employed persons and by non-employed persons.

The current rate for both employees and employers in Guernsey is 6.6%, the self-employed rate is 11% and the non-employed rate is 10.4% (the non-employed rate applies to all types of income, not just income from labour). A lower non-employed rate of 3.4% is applied to those over state pension age. The social security contributions are charged up to an upper earnings limit of £153,660.

Currently, Guernsey has a lower threshold for SSCs above which contributions are paid on all employed or self-employed income. As proposed by the States, an allowance for social security contributions would be introduced and aligned with the allowance for income tax for all options. Under the allowance SSCs are payable on the first pound above the threshold, with the lower earnings limit SSCs become payable on income below the threshold and for the first pound above the threshold, creating a spike in the effective marginal tax rate. Further, under all tax policy options considered in this report, employee SSCs would be charged on all income less the allowance and up to the upper earnings limit rather than on gross earnings as is currently the case. The employer rate would be charged on all earnings but would no longer be subject to an upper earnings limit.

For Option 1, the current SSC lower earnings limit of £7,696 would be superseded by the allowance of £11,875.[34] The employee rate would increase from 6.6% to 9.0% and the employer rate would increase from 6.6% to 7.5%. For Option 2, the SSC allowance (given its alignment with the PIT allowance) is increased from £11,875 to £14,000. The employee rate would increase from 6.6% to 8% and the employer rate would increase from 6.6% to 7.5. For Option 3, there would be an increase in the SSC allowance from £11,875 to £12,700. The employee rate of SSCs would increase from 6.6% to 9.0% and the employer rate would increase from 6.6% to 7.5%. The self-employed rates and non-employed rates would also change, as is shown by option in Table 2.

The report focuses on the impact of the change in the level of total SSCs. In the case of Policy Option 1, the net effect of the changes outlined above is an increase in the level of SSCs by £21m. For Policy Option 2, the net effect of the changes outlined above is an increase in SSCs by £2m. For Policy Option 3, the net effect of the changes outlined above is an increase in SSCs by £17m.

OECD countries have an average social security to total tax revenue ratio of 26%, higher than the average for PIT.[35] It is also the most important source of tax revenue for countries like France, Germany and the Netherlands.[36]

The impact of a social security tax on individuals is similar to that of a PIT. It reduces the value of labour, as an individual earns less after-tax income for the same amount of work. When employer contribution rates increase, research suggests that employees shoulder approximately two thirds of the burden of an increase in social security contributions through a wage reduction.[37] There is some evidence which shows that individuals perceive social security and PIT differently if their social security contributions are directly linked to some future benefits they will receive (for example, pensions). In this case, individuals perceive it as a price rather than a tax.[38] This helps to mitigate the adverse impacts on labour supply as this perception leads to individuals not associating a rise in social security rate with a devaluation of labour. Such reasoning may also exist for the Health Tax relative to an equivalent change in the headline rate of PIT.

[34] In addition, class 2 contributions, which are currently not subject to any lower earnings limit or allowance, would also benefit from this allowance.
[35] OECD data on tax and social security, available at: https://data.oecd.org/tax/social-security-contributions.htm#indicator-chart & https://data.oecd.org/tax/tax-on-personal-income.htm#indicator-chart
[36] OECD data on tax and social security, available at: https://data.oecd.org/tax/social-security-contributions.htm#indicator-chart
[37] "Who really pays social security contributions and labour taxes?" available at: https://voxeu.org/article/who-really-pays-social-security-contributions-and-labour-taxes
[38] Goudswaard & Caminada (2016) "Social security contributions: Economic and public finance considerations" available at https://www.researchgate.net/publication/297713926_Social_security_contributions_Economic_and_public_finance_considerations

Social security contributions levied on employers will have a greater impact on sectors that depend more on labour compared to capital. Therefore, sectors such as hospitality, that are labour intensive but have lower profit margins, could be relatively more impacted by social security increases.

2.3.3. Goods and Services Tax (GST)

As discussed in this report, the GST covers all types of consumption tax and there is currently no GST in place in Guernsey. Under Policy Option 2 and Option 3 a broad-based low rate GST would be introduced at the point of sale on goods and services at a rate of 8% in the case of Policy Option 2 and 5% under Policy Option 3. The scheme considered in this report is broadly equivalent to that applied in Jersey[39], which has a low rate and broad-based GST. Exemptions are limited and apply primarily to financial services and some health-related services. Zero-rating is applied to the buying, selling and renting of accommodation and exported goods and services (including exported financial services). As in Jersey, while domestic financial services would be exempt, an International Services Entities (ISE) scheme would be available for international financial services organisations to opt into. At a fee, this would entitle the beneficiaries to GST exempt supplies and involve a simplified GST charge reclamation process.

The term Goods and Services Tax is analogous to Value Added Tax (VAT). While such taxes are referred to as VAT in the EU, UK, and the Isle of Man, for consistency, all taxes of this variety will be referred to as GST in this Report. Guernsey is fairly atypical in the sense that it does not currently have a GST; 36 of the 37 countries in the OECD charge GST. On average, their GST rates are 19.3%.[40] This tax raises 20% or more of total tax revenue in most of the countries, ranging from 15.4% of total taxes in the United States to 49.5% in Chile.

An increase in the GST rate essentially increases the price of the relevant goods or services by that rate, resulting in lower real income for consumers. A GST without any adjustments can be regressive, since lower income households typically spend a larger percentage of their income on essential items such as food, where the demand elasticity is low.[41] This is often the reason for lower rates or zero-rating of essential items. Recently, an alternative approach has been adopted in some countries where a broad-based GST is introduced at a lower rate, and compensation is provided by other means to minimise the regressive impacts.[42] There is evidence to suggest that, in OECD countries, fewer exemptions and zero ratings are better for long-term growth than an increase in the standard rate of the GST.[43] This is because the former broadens the GST base and in turn improves the efficiency of the tax. The added intricacy of GST administration due to the inclusion of multiple exemptions and zero ratings is another reason why countries may adopt a simple GST structure.

A GST also has an effect on businesses via the costs of compliance. Based on a study evaluating the impact of a GST on Australian small businesses during the introductory period of the tax, these compliance costs can be as high as approximately 3% of annual turnover.[44] The burden of ongoing compliance is lower, the highest estimate being 1% of annual turnover.[45] The complexity of the tax reclamation process could also require time commitments and specific know-how in addition to the financial costs of compliance. This has been highlighted as a point of improvement in a European Commission study.[46]

Empirical evidence finds that income tax changes have a larger impact than the GST on output, private consumption and investment in the short run. The GST is a more efficient tax relative to income taxation because its base does not include mobile capital income. Further, it can be argued that the ageing population in Guernsey means that PIT revenues are on

[39] Jersey's GST is fully outlined Table 10.
[40] OECD report, "Consumption Tax 2020" available at: https://www.oecd-ilibrary.org/sites/152def2d-en/index.html?itemId=/content/publication/152def2d-en
[41] IMF eLibrary, "Value-Added Tax: Administrative and Policy Issues", available at: https://asean.elibrary.imf.org/view/IMF084/07774-9781557751843/07774-9781557751843/ch01.xml
[42] For example, the UK zero-rates most food items and levies a lower rate of 5% on domestic fuel, while its standard rate is 20%. Most EU countries charge a reduced rate on food items, except Malta and Ireland where zero ratings apply to some foodstuff: https://www.avalara.com/vatlive/en/vat-rates/european-vat-rates.html
[43] IMF working paper, "The Value Added Tax and Growth: Design Matters", available at: https://www.imf.org/~/media/Files/Publications/WP/2019/WPIEA2019096.ashx
[44] "The Impact of the Introduction of the GST on Small Business in Australia", available at: https://www.emerald.com/insight/content/doi/10.1108/eb060751/full/html
[45] Ibid
[46] European Commission report, "VAT refunds and reimbursements: A quantitative and qualitative study ", available at: https://ec.europa.eu/taxation_customs/sites/taxation/files/20190620_final_report_vat_reimbursements.pdf

a downward trajectory, all else being equal, whereas GST revenues are likely to be less affected by this. GST also causes fewer market distortions as it does not impact the cost of labour or capital directly. Furthermore, the GST decreases in efficiency as rates and the number of exemptions increase. Finally, through increasing the cost of consumption, the GST has a general equilibrium impact through an increase in the savings ratio, which may lead to higher levels of investment which could be beneficial for the economy in the long run. The main drawback of the GST is that it can be regressive, but this can be mitigated through interventions for lower income households as is proposed in the options outlined by the States.

In general, countries and jurisdictions zero-rate exports for the purposes of the GST. This is because a GST will generally be applied to exports at their point of sale in the country where they are consumed (at the rates of the destination country). This is to ensure that world prices are not distorted as a result of a GST. As outlined previously, the tax is usually levied on imports at the point of sale.

Table 2, which summarises the changes relative to the current tax regime in Guernsey under the three policy options, is provided below for reference. The table also shows the allowances for additional mitigations under each scenario and the accompanying changes in income support.

Income support payments would fall under all options as a result of the introduction of the SSC allowance, and the increased PIT allowance for Options 2 and 3. As well as these automatic fiscal stabilisers, the States have allocated funds to offset the regressive impacts of the GST in Options 2 and 3. £6m to £9m has been allocated to combat the regressivity of the 8% GST in Option 2, while £4m to £5m has been allocated for this in Option 3 where a 5% GST would be introduced. Some of this will be temporary, such as pre-empting the inflationary uprating of pensions and benefits which would otherwise not occur for up to 12 months. Others, such as the above inflation increase in income support or the provision of additional cost support grants will be on-going costs. As well as these increases in income supports, the States have also allocated £0.5m and £0.3m as allowances for further mitigation in options 2 and 3 respectively.

The final row in Table 2 includes the States' estimates of the administration costs associated with managing the GST, which would be set at £0.8m regardless of the rate.

Table 2: Current Guernsey Tax Regime and Tax Options

Lever	Approach	Current	Option 1: 3% Health Tax + SSC	Option 2: 8% GST, higher PIT allowance & small SSC increase	Option 3: 5% GST, higher PIT allowance + SSC
GST	Rate	0%	No change	8%[47]	5%[48]
PIT/Health Tax	Rate	20% PIT	3% Health Tax	No change	No change
	Allowance	£11,875[49]	No change	£14,000	£12,700
Social Security Contributions	Class 1 – employed persons				
	C1 allowance	£7,696[50]	£11,875	£14,000	£12,700
	C1 Employee <65	6.6%	9%	8%	9%
	C1 Employee <65 income treatment	Gross earnings <UEL once LEL exceeded	All income less allowance <UEL	All income less allowance <UEL	All income less allowance <UEL
	C1 Employer rate	6.6%	7.5%	7.5%	7.5%
	C1 Employer income treatment	Gross earnings <UEL	All earnings	All earnings	All earnings

[47] Applied on a broad basis with limited exceptions in line with application in Jersey (https://www.gov.je/TaxesMoney/GST/GSTCustomers/Pages/PayingGSTJersey.aspx). Primary exemptions include financial services and some health-related expenditure. All exports including financial services are assumed to be zero-rated.
[48] Applied on a broad basis with limited exceptions in line with application in Jersey (https://www.gov.je/TaxesMoney/GST/GSTCustomers/Pages/PayingGSTJersey.aspx). Primary exemptions include financial services and some health-related expenditure. All exports including financial services are assumed to be zero-rated.
[49] Withdrawn at £1 for every £5 of income above £100k.
[50] This SSC lower earnings limit (LEL) differs from the SSC allowances. When income crosses the lower earnings limit, tax becomes payable on all income up to this point. By contrast with an allowance set at the same rate the tax would only be payable on income in excess of the allowance.

	Class 2 – self-employed persons				
	C2 allowance	-	£11,875	£14,000	£12,700
	C2 <UEL rate	11%	9%	8%	9%
	C2 <UEL income treatment	Gross earnings <UEL once LEL exceeded	All income less allowance <UEL	All income less allowance <UEL	All income less allowance <UEL
	C2 SE employer / above UEL rate	11%	5%	5%	5%
	C2 employer / above UEL income treatment	No charge	All earnings	All earnings	All earnings
	Class 3 – non-employed				
	C3 non-employed <65 allowance	£8,695	£11,875	£14,000	£12,700
	C3 non-employed <65 rate	10.4%	9%	8%	9%
	C3 non-employed <65 income treatment	All income	No change	No change	No change
	C3 non-employed >64 allowance	£8,695	£11,875	£14,000	£12,700
	C3 non-employed >64 rate	3.4%	4.5%	4%	4.5%
	C3 non-employed >64 income treatment	All income	No change	No change	No change
Income support	Reduction due to higher income	-	-£0.4m	-£1.8m to -£2.3m	£1m to -£1.5m
	Pre-emptive inflation increase (includes pension and income support)	-	-	£6m to £9m	£4m to £5m
	Above inflation increase			£1.4m to £2.4m	£0.8m to £1.2m
	Additional mitigation allowance	-	-	£0.5m to £2.5m	£0.3m to £0.7m
Admin costs	Ongoing GST admin cost	-	-	£0.8m	£0.8m

Source: The States of Guernsey

The GST introduction means that a tax is levied on goods and services at the point of sale. Understanding the consequences for the total level of income taxation is more complicated given the number of affected elements of income taxation that are included in the options. For example, this includes the Health Tax, the PIT allowance, the SSC allowance and the rate of SSCs.

Figure 5 compares how the marginal tax rate varies across the income distribution currently in Guernsey and subsequently under each policy option under consideration. The marginal tax rate shows the percentage rate of tax paid on income for the next pound earned. The final chart in Figure 5 shows the difference in rate for each income level relative to the current level for each policy option.

Guernsey's current income tax schedule has 6 points of inflection for those with incomes from £0 to £200,000.[51] The first is the SSC lower earnings limit, which means that income between £0 and £7,696 is subject to no tax. However, the first pound of income in excess of £7,696 results in all income up to this level becoming eligible for SSCs, resulting in exceptionally high marginal rates as the threshold is passed. After this initial spike in SSCs, income between £7,696 and the PIT allowance of £11,875 is subject to Class 1 SSCs at a rate of 6.6%. Income between £11,875 and £100,000 is subject to both PIT and SSCs, meaning that the effective marginal tax rate for income in this range is 26.6%. At an income level of £100,000 the tax-free PIT allowance is reduced at a rate of £1 for every £5 the income is above the £100,000 threshold. The withdrawal of the allowance increases the effective marginal tax rate to 30.6%. This marginal rate of taxation falls to 24.0% for income in excess of £153,660 as the SSC upper earnings limit is reached. This rate is charged only up to an income level of £159,375, when the withdrawal of the tax-free allowance is complete[52]; for income in excess of this level only PIT is charged at a rate of 20% and this rate holds for income levels up to the level of the tax cap.

Under tax Policy Option 1 the PIT allowance and SSC allowance are aligned, meaning that in Guernsey no-one would pay any tax or SSC on their income below £11,875. The other changes to the rate of tax on income for Option 1 are the 3% Health Tax and the increase in SSCs, such that the effective marginal rate is 5.4 percentage points higher when compared to the current system.

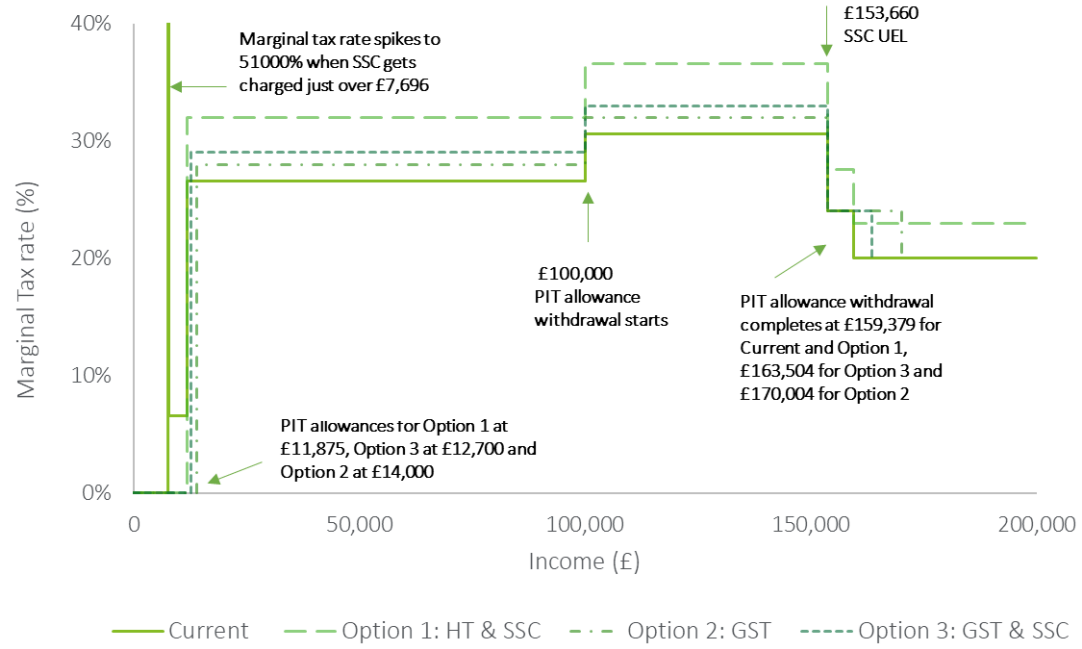
Under Policy Options 2 and 3, the PIT and SSC allowance are aligned and increased to £14,000 or £12,700 respectively. This means that in Guernsey no one would pay any form of tax on their income below £14,000 under Option 2 or £12,700 under Option 3. There is no Health Tax in Policy Options 2 or 3 but there is some increase in marginal rates from SSCs, as seen in Figure 5 below. The final change is that given the higher tax-free allowance value, the income level at which this withdrawal is complete is higher (currently the withdrawal is complete by £159,375; under Option 2 this would not be complete until an income level of £170,000 and under Option 3 £163,500[53]). A visual summary of these changes relative to the current situation is provided in the final chart.

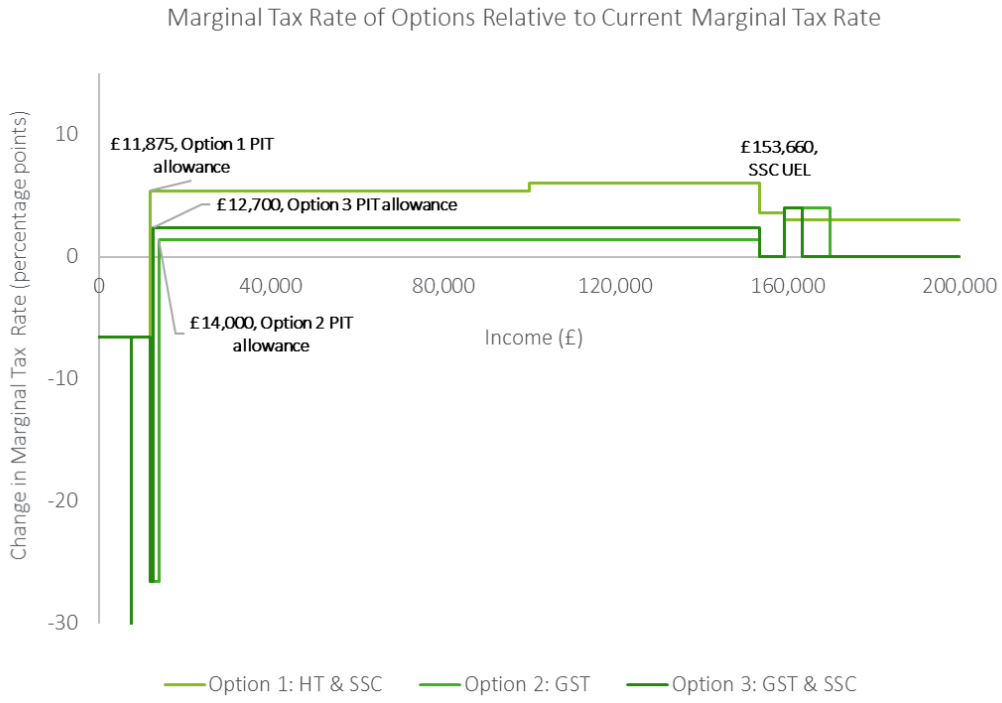
[51] The tax caps are discussed elsewhere in this report.

[52] Other allowances and deductions such as pension contributions and mortgage interest relief are also withdrawn. Therefore, this is indicative of a situation where an individual only receives a PIT allowance. There is a myriad of thresholds at which the marginal rate falls when other withdrawals are considered.

[53] Other allowances and deductions such as pension contributions and mortgage interest relief are also withdrawn. Therefore, this is indicative of a situation where an individual only receives a PIT allowance. There is a myriad of thresholds at which the marginal rate falls when other withdrawals are considered.

Figure 5: Marginal Tax Rates for Current Regime and Options (PIT, Class 1 employee SSCs and Health Tax)





Source: See Table 2 above for current rates; options data as provided by the States

Key Insights

Guernsey's economy has flourished over the past 10 years with significant growth in per capita GDP between 2009 and 2019. The finance sector is Guernsey's largest contributor to GVA and employment.

The States collect 19% of GDP as tax revenue, and 2-3% of GDP as revenue from other sources. Due to growing demographic pressures and the impact of COVID-19, there is an increasing demand on public finances. To meet these needs, the States can either reduce expenditure, increase overall deficit and debt, or raise revenues. Expenditure restraint alone, which is being examined separately by the States, is not deemed a solution. Similarly, deficit funding is not sustainable, as the ageing population is increasing. Thus, the States are reviewing potential changes to Guernsey's tax structures so that they are capable of raising revenues up to the 24% of GDP limit.

This report considers three tax reforms that may help to achieve this. The tax policies considered are: Option 1 (3% Health Tax + significantly increased SSCs), Option 2 (8% GST + PIT decrease due to higher allowance + modestly increased SSCs) and Option 3 (5% GST + modest PIT decrease due to higher allowance + moderately increased SSCs).

Changes in personal income taxation through the introduction of a Health Tax may distort the labour market, as it changes the value of labour. The wider economic impacts of changes in income taxation are contingent on whether and when the revenues are spent. If revenues are spent instantaneously, the adverse economic impacts of the tax increase are approximately offset by the benefits of increased government spending. The impacts of social security contributions and a Health Tax are similar to that of PIT. However, social security contributions and the Health Tax may be less distortionary than PIT since they are perceived as a price for the consumption of public goods.

GST is a more efficient tax relative to PIT, especially at low rates. However, GST has a direct price impact and can be less progressive than the income taxation described above if it is not complemented with offsetting policies for lower income households. Evidence from the OECD suggests that fewer exemptions and zero ratings are better for economic growth in the long run. The introduction of a GST is likely to be accompanied by significant friction costs associated with implementation.

2.4. Scope of this Report

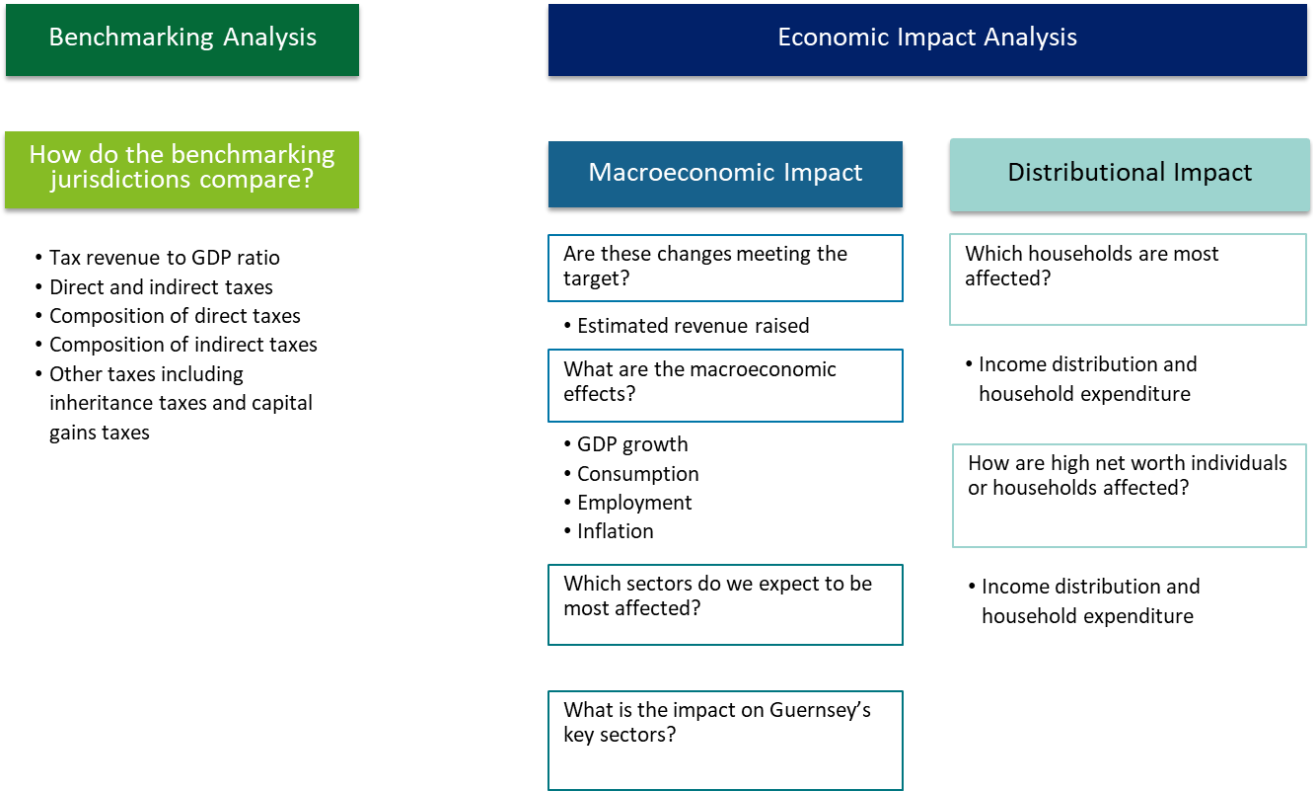
Given the wider context and the levers under consideration, the States have contracted Deloitte LLP to provide economic analysis to support the delivery of the Tax Review. As outlined in the Request for Proposal, the States' Tax Review is to ensure that Guernsey's tax base can raise necessary revenues. To guide this, the States are seeking to understand the economic implications of potential tax policy options.

The States initially provided us with a set of broad potential tax levers which included: PIT, SSCs, Health Tax and GST. In a predecessor report to this we considered Guernsey's position relative to benchmark jurisdictions and the potential economic impacts of illustrative changes in the broad tax levers listed above. The States subsequently selected the three policy options that are analysed in this report. The analysis carried out in the Interim Report forms the basis of this Final Report. The Final Report adds to the Interim Report by considering in detail how the three options under consideration change Guernsey's position relative to its benchmark jurisdictions and by specifically analysing the economic impacts of the three policy options under consideration.

This Final Report reviews the tax structures and policies in comparable benchmark jurisdictions and the expected economic impacts of a set of tax policy options provided by the States. This Report does not conclude or opine on the suitability of the tax policies being considered, nor does it provide advice or recommendation on the policy design, implementation of the chosen option(s) or legislation required.

Figure 6 provides an overview of the framework adopted in this Report. Overall, each tax revenue-raising option is considered in the context of the revenue it raises with respect to the overall revenue-raising goal as set out by the States.

Figure 6: Benchmark and economic impact analysis overview



This Report is appended with a Policy Letter and presented to the States of Deliberation.

The rest of this Report is structured as follows:

- Section 3 sets out the results of the benchmarking analysis;
- Section 4 sets out the economic impacts; and
- Section 5 concludes.

3 Benchmarking analysis

Guernsey is currently reliant on direct taxation and is unique amongst its benchmark jurisdictions in that it currently has no GST in place. Option 1, which relies on income taxation, increases Guernsey's reliance on direct taxation and makes its income tax schedule less competitive. Options 2 and 3 involve the introduction of a GST, which reduces the reliance on direct taxation. The GST is typically a more efficient means of taxation but can be regressive.

Before undertaking the economic impact study, this section of the Report compares Guernsey's current tax structure to those of other chosen jurisdictions. This forms a picture of how Guernsey measures up to other jurisdictions in terms of the amounts of tax revenues raised as a percentage of GDP, and the types of tax revenues that are relied on in these jurisdictions. The Report goes on to consider how Guernsey's tax structure would compare to the other jurisdictions' following the implementation of each of the policy options under consideration.

The jurisdictions that Guernsey's tax regime is benchmarked against have been chosen and agreed by the States considering their comparability to Guernsey along four dimensions: the structure of their economies, specific tax structures, overall tax as a share of GDP, and size of the economy. In particular, the chosen jurisdictions are those whose economies tend to rely on the financial services industry and that would be potential alternatives for individuals and businesses to relocate to in the case of material domestic tax policy changes.

Each of these jurisdictions is compared to Guernsey across a range of dimensions:

- Tax revenue as a percentage of GDP: the economy's overall reliance on tax revenue is compared across each of the jurisdictions.
- Core tax levers: the core tax levers (PIT, social security, Health Tax, and GST) are compared across the benchmark jurisdictions to determine whether the proposed illustrative changes are in line with the current tax structures in these comparable jurisdictions.
- Direct and indirect tax revenue: the relative reliance on direct and indirect taxes is considered.
- Other taxes: a high-level review of the structure of taxes such as inheritance taxes or capital gains taxes is also undertaken.

This analysis highlights where Guernsey is placed in comparison to each of these jurisdictions to ensure that an overall picture can be built that outlines whether there is scope for the States to raise revenues through different types of taxes whilst remaining comparable to the benchmark jurisdictions.

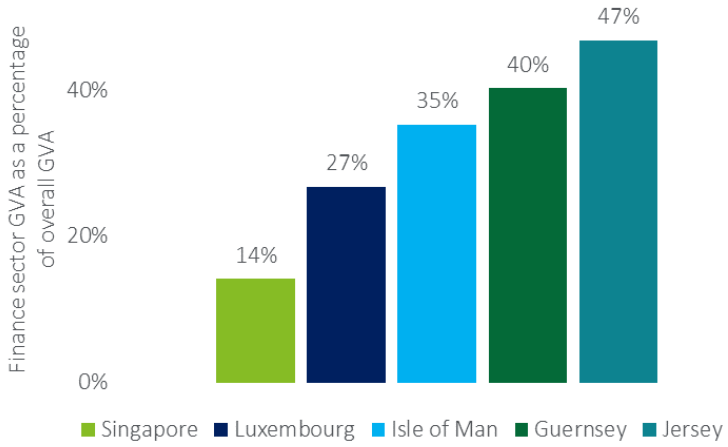
3.1. Economic rationale for chosen jurisdictions

The four comparable jurisdictions chosen for this benchmarking analysis, as agreed upon with the States are: Jersey, the Isle of Man, Luxembourg and Singapore. In addition, New Zealand is considered with respect to its GST. These jurisdictions have been chosen as they either have similar tax regimes and are directly comparable or are similarly developed, with an emphasis on the financial services sector. It is worth noting that given that Jersey and the Isle of Man are English speaking jurisdictions that use British pound sterling, they are particularly important comparators for higher earners, HNWIs and businesses that prioritise these features in comparison to the other benchmark jurisdictions that have been chosen.

The size of the economy amongst benchmark jurisdictions varies, ranging from £4.89 billion in Jersey and £3.25 billion in Guernsey to £276 billion in Singapore. Each of these jurisdictions is highly developed, with Luxembourg leading at GDP per capita of about £87,892, followed by the Isle of Man with GDP per capita of £64,173. Guernsey, Singapore and Jersey follow with GDP per capita of £51,868, £48,355 and £46,120, respectively.

As in Guernsey, the finance sectors in Jersey and the Isle of Man contribute the most of all sectors to GVA. Guernsey's finance sector contributes 40% to its GVA, Jersey's contributes 47% and the Isle of Man's 35%.[54] The other two benchmark jurisdictions, Singapore and Luxembourg, are chosen with a view to comparing the competitiveness of Guernsey to Europe and beyond, given the importance that these countries or jurisdictions place on their financial services sectors. Luxembourg's financial sector contributes 26% to its overall GVA and the country has a reputation as an international financial hub, with 94% of its banks being foreign.[55] Singapore is also a leading world financial centre, but with a highly developed economy overall such that its financial sector only contributes 14% to GVA.[56] Figure 7 shows the financial services sector's GVA as a share of total GVA in 2019 for each of the benchmark jurisdictions.

Figure 7: Finance Sector GVA as a percentage of overall GVA, 2019



Source: See Appendix A2

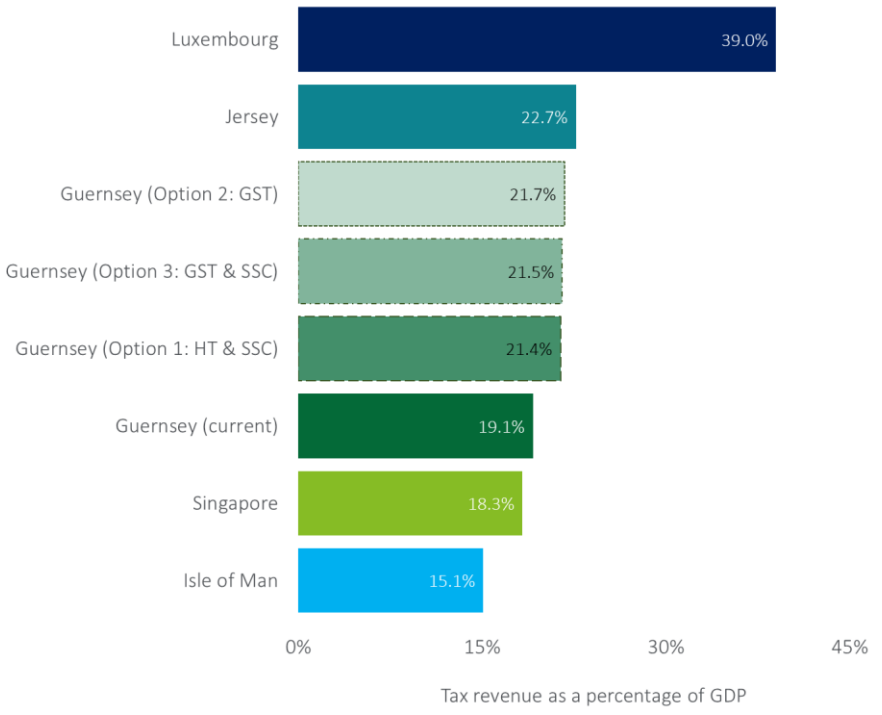
3.2. Comparison of tax components across jurisdictions

3.2.1. Tax revenue as a percentage of GDP

Guernsey sits in the middle of its benchmark jurisdictions in terms of its tax revenue to GDP ratio and would continue to do so under the different options. Luxembourg is most reliant on revenues from tax, as its tax to GDP ratio is 39%, whereas the Isle of Man is at the other end of the spectrum with a ratio of 15%. The other jurisdictions fall in between these two extremes, as seen below. Singapore's highly stable economy and consistent surplus explain the relatively low tax to GDP ratio of 18%. Figure 8 shows the tax revenue as a percentage of GDP ratio for these jurisdictions, with Guernsey's 19% solely reflecting income from taxation for comparability purposes. This suggests that if Guernsey were to increase its tax revenue as a share of GDP it could do so and remain broadly in line with its benchmark jurisdictions; by way of example, in Jersey tax revenue as a percentage of GDP is 4 percentage points higher at 23%. Figure 8 also shows that under each policy option under consideration, Guernsey would retain its position in terms of having the third highest level of tax revenue as a percentage of GDP.

[54] Guernsey - https://www.gov.gg/CHttpHandler.ashx?id=133038&p=0 ; Jersey - https://opendata.gov.je/dataset/national-accounts
Isle of Man - Banking, Insurance and Other Finance and Business Services computed to make up the Finance Sector https://www.gov.im/about-the-government/departments/cabinet-office/economic-affairs-division/national-income/
[55] Luxembourg – National accounts, Annual aggregates https://statistiques.public.lu/en/economy-finances/index.html
[56] Singapore - https://www.tablebuilder.singstat.gov.sg/

Figure 8: Tax revenue as a percentage of GDP, 2019



Source: See Appendix A2, options revenue data as provided by the States

3.2.2. Core tax levers

To provide context when comparing the level of tax revenue raised as a share of GDP, Table 3 shows a summary of tax rates across the jurisdictions.

Personal Income Taxation (PIT) & Health Tax

Guernsey's current headline rate of PIT is identical to those in Jersey and the Isle of Man but higher than the levels in Singapore and Luxembourg. Jersey is the only jurisdiction with a Health Tax; under Option 1 where a Health Tax of 3% would be introduced, Guernsey and Jersey would be aligned in terms of the headline PIT rate but income taxation would be higher in Guernsey due to the higher Health Tax. Guernsey and Jersey have a headline PIT rate of 20% for income in excess of their respective personal allowances. However, in Jersey, low-income individuals liable to pay income tax are charged at whichever of the following two rates gives the lower tax amount: (i) marginal rate of 26% above the tax allowance, or (ii) flat rate of 20% on total income. The Isle of Man charges a 10% rate above the tax allowance, but also has a top average rate of 20%. Of these three jurisdictions, Guernsey currently has the lowest personal allowance threshold and would continue to do so even under Policy Option 3 where the allowance was increased to £14,000. Singapore and Luxembourg charge the top tax rates at high incomes.

In addition, the personal income tax caps and treatment for high earners vary, with Guernsey and the Isle of Man charging specific amounts of tax set at £260,000/£130,000 and £200,000 respectively as tax caps. Instead, Jersey charges 20% on income up to £725,000 and then 1% on income above £725,000. The result of this is that personal income tax in Jersey is lower than Guernsey's cap for individuals with annual worldwide income below £12,225,000.

Jersey alone levies a long-term care charge separate to either their PIT or SSC regimes, which is shown as a Health Tax in Table 3 below. This was implemented due to an increasing pensioner population and as a way of reducing the burden of

funding long-term care.[57] It is set at a very low headline rate of 1.5% (with a marginal rate of 1.95%), which makes the impact at an individual level relatively small. Guernsey currently internally allocates some of its social security fund to a long-term care insurance fund.[58] However, from the perspective of the taxpayer, the social security contribution is consolidated. The form of Health Tax under consideration in this Report is similar to Jersey's long-term care charge, which is separate from SSCs and in form more aligned with the PIT system, though it should be noted that it is higher at a rate of 3% in Policy Option 1.

Social Security Contributions (SSC)

The rate of employee SSCs is 6.6% in Guernsey, which is higher than the level in Jersey (6%) but much lower than the headline level in the Isle of Man (11%). All policy options under consideration involve an increase in the employee rates of SSCs but none of these changes are sufficient to change Guernsey's position relative to the benchmark jurisdictions. The social security rates in Singapore are much higher in comparison to rates in the other jurisdictions. The rate of employee SSCs in Jersey is 6%, which is slightly lower than the current level in Guernsey of 6.6%. Further, in Jersey SSCs are charged up to £55,320, whereas the upper limit in Guernsey is much higher at £153,660. In both cases, the rate is lower than the 11% employee rate that exists in the Isle of Man; however, this drops to 1% for income in excess of £40,768. Each policy option under consideration by the States would see an increase in employee and employer rates in Guernsey but would also see the introduction of an SSC allowance that is aligned with the PIT allowance.

GST

Guernsey is unique amongst the benchmark jurisdictions in that it does not currently charge a GST. Options 2 and 3 involve the introduction of a GST at 8% and 5% respectively. A 5% GST would be aligned with Jersey, which is the lowest level amongst the benchmark jurisdictions that charge a GST. An 8% GST would be higher than the levels in Jersey and Singapore. The Isle of Man charges a relatively high standard GST rate of 20%. The Isle of Man and the UK pool these revenues and their common duties, and then share them in line with their Customs and Excise Agreement, which was updated in 2018.[59] Luxembourg's standard GST rate is 17%, with three other reduced rates. Jersey charges a standard GST rate of 5%, but with far fewer exemptions than the UK/Isle of Man system.

There are GST exemptions included with Policy Options 2 and 3 which will mean financial services organisations may be liable to pay exemption fees. These exemptions are modelled closely on Jersey's, which are detailed in Appendix A3 Table 10, alongside the other jurisdictions' exemptions. All benchmark jurisdictions exempt financial services from their respective GST rates. In addition to this, Singapore only exempts the sale and lease of residential land in addition to financial services. Isle of Man also exempts property transactions. Luxembourg and Jersey both exempt education and some medical and health services.

In sum, Guernsey currently relies on income taxation for the purpose of revenue raising. Option 1 would deepen this reliance whereas Options 2 and 3 would diversify the States of Guernsey's revenue base. Option 1 would see the sum of PIT and Health tax rates eclipse the level of Jersey. Option 3 would see an alignment with Jersey in the GST rate, whereas Option 2 would see the rate of GST exceed those of both Jersey and Singapore.

[57] "Long-term care for older people in Jersey" available at: https://statesassembly.gov.je/scrutinyreviewresearches/2008/s-31498-29419-10122008.pdf
[58] Actuarial Review of Guernsey Long-term Care Insurance Fund, available at: https://www.gov.gg/CHttpHandler.ashx?id=135486&p=0
[59] Agreement between the Government of the UK and the Isle of Man on Customs and Excise and associated matters, available at: https://www.gov.im/media/80147/cande-agreement-consolidated-v2018.pdf

Table 3: Tax rates across jurisdictions

	Guernsey	Jersey	Isle of Man	Luxembourg	Singapore
Tax revenue as a % of GDP	Current - 19%[60] Option 1 – 21.4% Option 2 – 21.7% Option 3 – 21.5%	23%	15%	39%	18%
Personal Income Tax (PIT) and Health Tax[61] (thresholds for individuals)	Current: 20% from £11,875 Option 1: 20% PIT + 3% Health Tax from £11,875 Option 2: 20% from £14k Option 3: 20% from £12.7k	Lower of 20% with no lower threshold & 26% from £16k 1% on income >£725k Health tax: 1.95% marginal rate (1.5% headline rate) with a £252,360 limit	10% from £14,250 20% above £20,750 Cap of £200k	8% from €11,265[62] (£9,796) & 42% from €200,005 (£173,917) on a progressive schedule 7% employment fund rate up to €150k (£130,435), 9% over	2% from SGD20k[63] (£10,870), 22% from SGD320k (£173,913) on a progressive schedule
Social Security Contributions	Current: Employee & employer 6.6% to £153,660 Option 1: Employee 9% & employer 7.5% from £11,875 up to £153,660 Option 2: Employee 8% & employer 7.5% from £14k up to £153,660 Option 3: Employee 9% & employer 7.5% from £12.7k up to £153,660	Employee - 6% up to £55,320 annually Employer - 6.5% up to £55,320, then 2.5% between £55,320 and £252,360	11% for employee (1% above £40,768 annually) 12.8% for employer	Maximum of: 12.45% for employee (11.05% up to €128,520 (£111,757)) 14.61% for employer (up to €128,520 (£111,757))	20% for employee 17% for employer
Goods and Services Tax (GST)	Current: No GST Option 1: No GST Option 2: 8% 0 ratings and exemptions as in Section 2.3.3 Option 3: 5% 0 ratings and exemptions as in Section 2.3.3	5% standard Limited 0 ratings & exemptions (financial & international services)	20% standard 5% reduced Wider 0 ratings & exemptions (financial & international services)	17% standard 14%, 8% & 3% reduced rates 0 ratings & exemptions (financial & international services)	7% standard 0 ratings & exemptions (financial & international services)
Company Tax	0% standard 10%/20% for specific income streams	0% standard 10%/20% for specific companies	0% standard 10%/20% for specific companies	15% up to €175k (£152,174), 17% above €200,001 (£173,914) Extra 7% for employment fund Net wealth tax of 0.5% - financial companies liable to a minimum of €4,815 (£4,186)[64]	17% flat rate

Source: See Appendix A2 (Figure 7 for row 1 and Table 3 for all else)

[60] This is Guernsey's 2019 tax revenue as a percentage of GDP, which differs from the total revenue as percentage of GDP working target of 24% as in the Fiscal Policy Framework. The 2019 total revenue as a percentage of GDP is 22%.
[61] Maximum tax paid capped at £260,000 for worldwide income (or £130,000 for non-Guernsey income). Other caps: £50,000 for Alderney residents; £50,000 open market cap for new residents and £40,000 standard charge for resident only individuals.
[62] The exchange rate used was £1 = €1.15, calculated on the 28th April 2021
[63] The exchange rate used was £1 = SGD 1.84, calculated on the 28th April 2021
[64] Other companies' minimum ranges from €535 to €32,100 depending on their balance sheet total as in https://www.parfigroup.eu/luxembourg-corporate-tax-guide/#_ftn1

3.2.3. Direct and indirect tax revenue

Countries usually raise revenues through a mixture of direct and indirect taxation. Direct taxes are taxes paid directly to the government and are applied to income, profits and wealth. Indirect taxes are collected by a third party (like a producer for production taxes and retailer for GST) and then paid to the government. Direct taxation includes personal income tax (PIT), corporate income tax (CIT), social security contributions (SSCs) and would include the Health Tax if introduced. Indirect taxes include taxes on production, consumption and imports such as GST, excise taxes and custom duties.

Consistent with the trend in OECD averages, Guernsey, Jersey, Luxembourg and Singapore have higher direct tax revenues than indirect tax revenues.[65] In the Isle of Man, more revenue is gained via indirect tax. These values are shown as a percentage of total tax revenue in Table 4. In addition, social security as a percentage of total tax revenue is expressed separately due to its high individual contribution. This is especially relevant because the social security scheme in Singapore, the Central Provident Fund (CPF), contributes the most to its tax revenue. The figure provided as part of Table 4 shows that the indirect share of total tax revenue is smallest in Guernsey at 10% compared to 14% in Jersey and 45% in the Isle of Man, which is higher due to its remittance agreement with HMRC in the UK on its GST. Guernsey's low indirect share of total tax revenue is as a result of not currently having a GST. This shows that with a GST, the extent of Guernsey's reliance on indirect tax revenues would remain in line with those of its benchmark jurisdictions.

Table 4: Tax components as a percentage of total tax revenue, 2019

	Direct tax (excluding social security) as a percentage of total tax revenue	Indirect tax as a percentage of total tax revenue	Social security as a percentage of total tax revenue
Isle of Man	29%	45%	26%
Singapore	38%	19%	43%
Luxembourg	43%	29%	28%
Jersey	57%	14%	24%
Guernsey (current)	60%	10%	30%
Guernsey – Option 1: HT & SSC	61%	9%	30%
Guernsey – Option 2: GST	52%	21%	27%
Guernsey – Option 3: GST & SSC	54%	17%	29%

Note: Remaining 5% of Jersey's tax revenue classified as 'Other income'

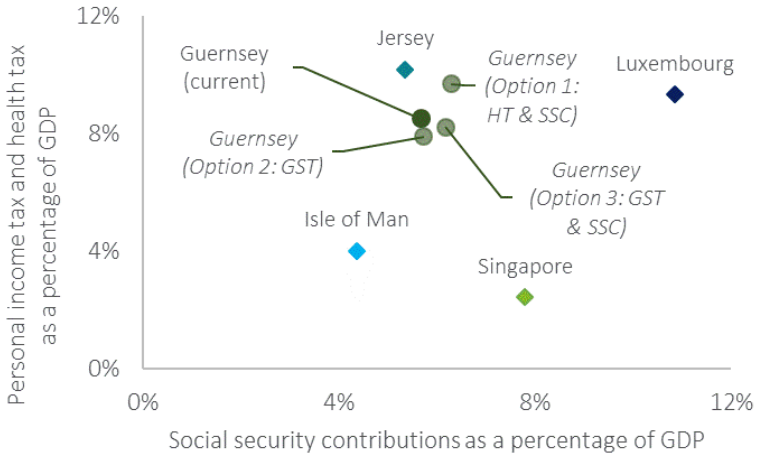
Source: As in Appendix A2 Figure 7

Of the benchmark jurisdictions, Guernsey is currently most reliant on direct taxation; Policy Option 1 would further increase this reliance as the level of revenue raised through indirect taxation would fall from 10% to 9%. By contrast, under Policy Options 2 and 3, which would see the introduction of a GST at 8% and 5% respectively, the share of tax revenue raised through indirect taxation would increase to 21% under Option 2 and 17% under Option 3.

Direct tax revenue is driven by PIT revenue for two of the above jurisdictions, at 9% relative to GDP for Guernsey and 10% relative to GDP for Jersey. In Luxembourg, the contributions of PIT and social security are quite similar and high, as seen in Figure 9. This figure also further illustrates the importance of social security in Singapore and the Isle of Man's overall lower reliance on direct tax revenue because of its inclusion in the UK's VAT regime. Importantly, it also shows that Guernsey's PIT and SSC revenues relative to GDP are within the range of the benchmark jurisdictions'. Policy Options 2 and 3 only have a modest impact on Guernsey's position in terms of PIT and SSCs relative to the benchmark jurisdictions. By contrast, Policy Option 1 increases the level of revenue raised from PIT as a share of GDP to a similar level as observed in Jersey while also increasing SSCs as a share of GDP further beyond that of Jersey.

[65] OECD e-book, "Revenue Statistics 2020", available at: https://www.oecd-ilibrary.org/sites/8625f8e5-en/index.html?itemId=/content/publication/8625f8e5-en

Figure 9: Personal income tax (PIT) and social security contributions as a percentage of GDP



Source: As in Appendix A2 Figure 7

Consistent with the other main direct taxes, Luxembourg has the highest CIT relative to GDP, at 6%. Singapore is the only jurisdiction where CIT revenue is higher than PIT revenue, at 3% of GDP. Guernsey and Jersey follow at 2% each and the Isle of Man has the lowest CIT relative to GDP of 1% as it only applies a 10% rate to income received by banking business and to large retailers with taxable income over £500,000.[66] In Guernsey, larger retailers fall in the 20% tax band and the financial services income streams charged at 10% do not only include banking business (income from various other regulated financial services activities is taxable at 10%). This difference in design and application explains why the Isle of Man's CIT contribution is lower than those of Jersey and Guernsey despite their similar approaches on the zero-10 corporate tax regime. Thus, the Crown Dependencies are on the lower end of CIT relative to GDP but are not exceedingly different to the other two jurisdictions. The States are considering changes to CIT to comply with the OECD work-stream on corporate taxes, but this is not within the scope of analysis in this Report. While not in the scope of the Report, an assumption has been provided by the States for analytical purposes and this assumption is set out in more detail in section 2.3.

The dominance of indirect tax revenue in the Isle of Man is mainly a consequence of its GST. This is because of the GST revenue sharing agreement between the Isle of Man and the UK as described in 3.2.2. Indirect tax revenue is also driven by GST for the other benchmark jurisdictions, as shown in Table 5. **The exception is Guernsey, which is atypical in that no GST is charged. In comparison, GST accounts for between 8% and 40% of total tax revenue across the benchmark jurisdictions. Under Policy Options 2 and 3, which would see the introduction of a GST, the relative contribution of the GST to indirect and total tax revenue in Guernsey would be comparable to those of other benchmark jurisdictions.** Under Policy Option 2, where a GST of 8% would be introduced, the contribution of the GST to indirect tax revenue would be 58%, which is equal to Jersey's. The share is only greater than for one other jurisdiction, Luxembourg; however, GST revenue as a share of total tax revenue would be higher than in Jersey but lower than in Luxembourg, Singapore and the Isle of Man. Under Policy Option 3, where a lower rate GST is introduced, the contribution of the GST to indirect taxation

[66] Business and Corporations tax information, Isle of Man Government website, available at: https://www.gov.im/categories/tax-vat-and-your-money/income-tax-and-national-insurance/business-and-corporations/

would be lower than in any other benchmark jurisdiction at 47%, and the share of total tax revenue would be joint lowest with Jersey at 8%.

Table 5: GST as a percentage of indirect tax revenue and total tax revenue

	GST as a percentage of indirect tax revenue	GST as a percentage of total tax revenue
Isle of Man	89%	40%
Singapore	62%	12%
Luxembourg	53%	15%
Jersey	58%	8%
Guernsey (current)	No GST	
Guernsey (Option 1: HT & SSC)	No GST	
Guernsey (Option 2: GST)	58%	12%
Guernsey (Option 3: GST & SSC)	47%	8%

Source: As in Appendix A2 Figure 7 & Isle of Man Government Accounts for VAT data, 'Detailed Government Accounts – year ended 31 March 2020', available at https://www.gov.im/categories/tax-vat-and-your-money/government-accounts/

3.2.3.1. Low rate and broad-based GST

In addition to the benchmark jurisdictions', New Zealand's GST system is also considered in this Report. This is because New Zealand's low-rate, broad-based GST is similar to the one being considered by the States.[67] Studies have shown that a broader based, lower-rate GST (as opposed to the higher rate European style with GST rates in excess of 20%), due to its more efficient nature, is considered more conducive to growth in the long run than a higher standard rate.[68]

New Zealand's GST was introduced in 1986 at a level of 10% and has since increased to 15%. It has minimal exemptions, and financial services, residential accommodation and exports are zero-rated. This is similar to the GST structure applied in Jersey and that being considered for Guernsey under Options 2 and 3. New Zealand's GST was revenue neutral at the time of introduction, as income tax was redesigned to have two rates and the company tax rate was lowered.[69] Taking the regressive nature of this structure of tax into account, a one-off benefit adjustment was provided to pensioners, low paid workers and social security beneficiaries. For the last two groups, a compensatory income supplement was also provided.[70]

Having few exemptions was a deliberate policy choice made at the time New Zealand's GST was introduced.[71] It's C-efficiency (the most widely used indicator of GST efficiency) is double that of the UK's and is much higher than the OECD average.[72] In the year that the GST was introduced, New Zealand's price levels were impacted significantly; however, this was already a period when New Zealand was experiencing high inflation. The positive impact of the GST on price levels dropped out a year after introduction, over 1987 to 1988 – a 5 percentage point drop, which was the second largest factor driving the year's fall in CPI.[73]

Jersey and Singapore's GST systems are modelled after New Zealand's. The Isle of Man and Luxembourg follow the European style of GST, which is characterised by one or more reduced rates and a relatively high standard rate, given the

[67] "The New Zealand GST and its Global Impact 30 Years On", available at: https://www.researchgate.net/publication/315782694_The_New_Zealand_GST_and_its_Global_Impact_30_Years_On

[68] IMF working paper, "The Value Added Tax and Growth: Design Matters", available at: https://www.imf.org/en/Publications/WP/Issues/2019/05/07/The-Value-Added-Tax-and-Growth-Design-Matters-46836

[69] "An International Perspective on VAT", available at: https://www.oecd.org/ctp/consumption/46073502.pdf

[70] "Tax Design Insights from the New Zealand Goods and Services Tax (GST)) Model", available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2046352

[71] "The Macroeconomic Effects of Tax Changes: Estimates Based on a New Measure of Fiscal Shocks", available at: https://www.nber.org/system/files/working_papers/w13264/w13264.pdf

[72] OECD e-book, "Consumption Tax 2020: VAT/GST and Excise Rates, Trends and Policy Issues", https://www.oecd-ilibrary.org/sites/152def2d-en/index.html?itemId=/content/publication/152def2d-en

[73] Reserve Bank of New Zealand bulletin, "Causes of the Fall in Inflation: 1985-88", available at: https://www.rbnz.govt.nz/-/media/ReserveBank/Files/Publications/Bulletins/1989/1989sep52-3hodgettsclements.pdf?revision=949a0e34-7253-41e1-90c6-642d15bdd24e

EU directive of at least 15%. Table 10 in Appendix A3 fully highlights the GST details of all the benchmark jurisdictions and New Zealand.

Singapore's GST was introduced in 1994 and, like New Zealand's, is a broad-based, low rate GST. Its introduction was accompanied by a permanent decrease in headline PIT and ongoing compensatory payments to low-income households and individuals.[74] It was initially set at a 3% rate and has increased steadily over the years to the current 7% rate.

3.2.4. Other taxes

In addition to the main taxes discussed above, other taxes charged in Guernsey and in the benchmark jurisdictions include property tax and excise taxes. Of all the benchmark jurisdictions, only Luxembourg charges an inheritance tax and capital gains tax. These taxes are not currently charged in Guernsey and are not included in the illustrative tax levers provided by the States. Therefore, they are only briefly described and compared across benchmark jurisdictions in this section.

CIT

Guernsey, Jersey and the Isle of Man have encountered equivalent scrutiny from outside organisations such as the OECD and the EU Code of Conduct Group. They all introduced new corporate tax regimes, zero-10, which took effect in the Isle of Man in April 2006, in January 2008 for Guernsey and January 2009 for Jersey. The standard rate of 0% is applicable to companies that are tax resident in Guernsey. The '10' refers to an intermediate 10% rate levied on specific financial services income streams.[75] Under the CIT scenario used in this report it is assumed that Guernsey's CIT system would remain broadly aligned with those of Jersey and the Isle of Man; more details of the specific assumptions made regarding CIT are provided in section 2.3.

Other Taxes

All five jurisdictions charge excise duties on alcohol, tobacco and fuel with variation in the respective rates.[76] For example, Luxembourg charges a rate of approximately 31p per litre on automotive diesel, the Isle of Man charges 57.95p per litre and Guernsey charges 73.4p per litre on road diesel.[77] Guernsey stopped charging annual motor tax fees from 2008, when a relatively high rate of excise duty on road diesel was introduced to recover the lost revenue.[78] Guernsey is currently considering road pricing in addition to its motor fuel duties, but this is driven by environmental factors and the erosion of revenues as people transition to increasingly efficient or electric cars. It is not centred around raising tax revenue and is thus not considered here.

Taxes on property are also charged differently. Jersey charges 'Rates' of 0.74p per rateable value or quarter for domestic land and 1.05p per rateable value or quarter for non-domestic land.[79] The rateable unit is assessed based on size, location, accommodation, condition, land use and the quality of any building on the land. Guernsey charges a maximum of £2.98 per square metre of domestic buildings and a maximum of £48.55 per square metre of non-domestic buildings owned by utilities providers.[80] Luxembourg property tax rates range from 0.7% to 1% of the property value depending on property use and location.[81] At a higher level, revenue generated from property taxes is 9.7% of tax revenue for Luxembourg (the

[74] "Value Added Tax Policy and Implementation in Singapore", available at: https://cri-world.com/publications/qed_dp_128.pdf

[75] Furthermore, the States also charge a higher tax rate of 20% on company income arising from telecommunications, ownership of local land and buildings, large retail operations with taxable profits over £500,000, the business of the cultivation or use of the cannabis plant, the business of the prescribed production or prescribed use of controlled drugs, and the importation and supply of gas or hydrocarbon oil, Fifth Schedule of The Income Tax (Guernsey) Law, 1975, available at: https://www.guernseylegalresources.gg/CHttpHandler.ashx?documentid=80761

[76] The aim of these taxes is to incentivise behaviour, such as a reduction in consumption of alcohol and tobacco. As such, many OECD countries take fuel efficiency levels into consideration whilst taxing cars, to encourage the use of vehicles that have lower emissions.

[77] Luxembourg - https://www.fuelseurope.eu/knowledge/refining-in-europe/economics-of-refining/fuel-price-breakdown/, Isle of Man - https://www.gov.im/categories/tax-vat-and-your-money/customs-and-excise/technical-information-vat-duty-and-interest-rates/, Guernsey - https://www.gov.gg/CHttpHandler.ashx?id=134733&p=0

[78] Resolutions, Billet XVII, Made On 25th, 26th And 27th October 2006: https://www.gov.gg/CHttpHandler.ashx?id=5698&p=0

[79] Jersey government Rates website, available at: https://parish.gov.je/pages/rates.aspx

[80] States Tax on Real Property (TRP) System and States Tax on Real Property Tariffs for 2021, available at: https://www.gov.gg/cadastre & https://www.gov.gg/CHttpHandler.ashx?id=135987&p=0

[81] PWC worldwide tax summaries, available at: https://taxsummaries.pwc.com/luxembourg/individual/other-taxes

highest amongst the benchmark jurisdictions) in comparison to Guernsey where the figure is 4%, while Jersey generates just 1% of revenue from property taxes (the lowest amongst benchmark jurisdictions).[82]

With regards to the capital gains tax in Luxembourg, individuals are subject to personal income base rates ranging from 8% to 42%.[83] Capital gains from the sale of a main residence are exempt.[84] Likewise, companies are subject to corporate income tax rates on gains, ranging from base rates of 15% to 17% depending on the company's taxable income. Gains from company holdings, where an individual has over 10% of the company's share capital, are taxed at half of the average rate.[85] Dividends received may be tax exempt in Luxembourg, according to the participation exemption regime, if certain conditions are met. The other jurisdictions do not charge a capital gains tax, as previously highlighted, and this could be as a result of the distortions this tax could cause. Taxes on capital gains discourage savings and investment while also encouraging tax evasion and capital flight.[86] Thus, it can have a negative effect on the economy while lowering the jurisdiction's appeal to high net worth individuals and the financial sector, as they would be more likely to own assets that generate capital gains.[87] A recent study has shown that in terms of efficient redistribution, taxing labour and capital is better than taxing labour alone.[88]

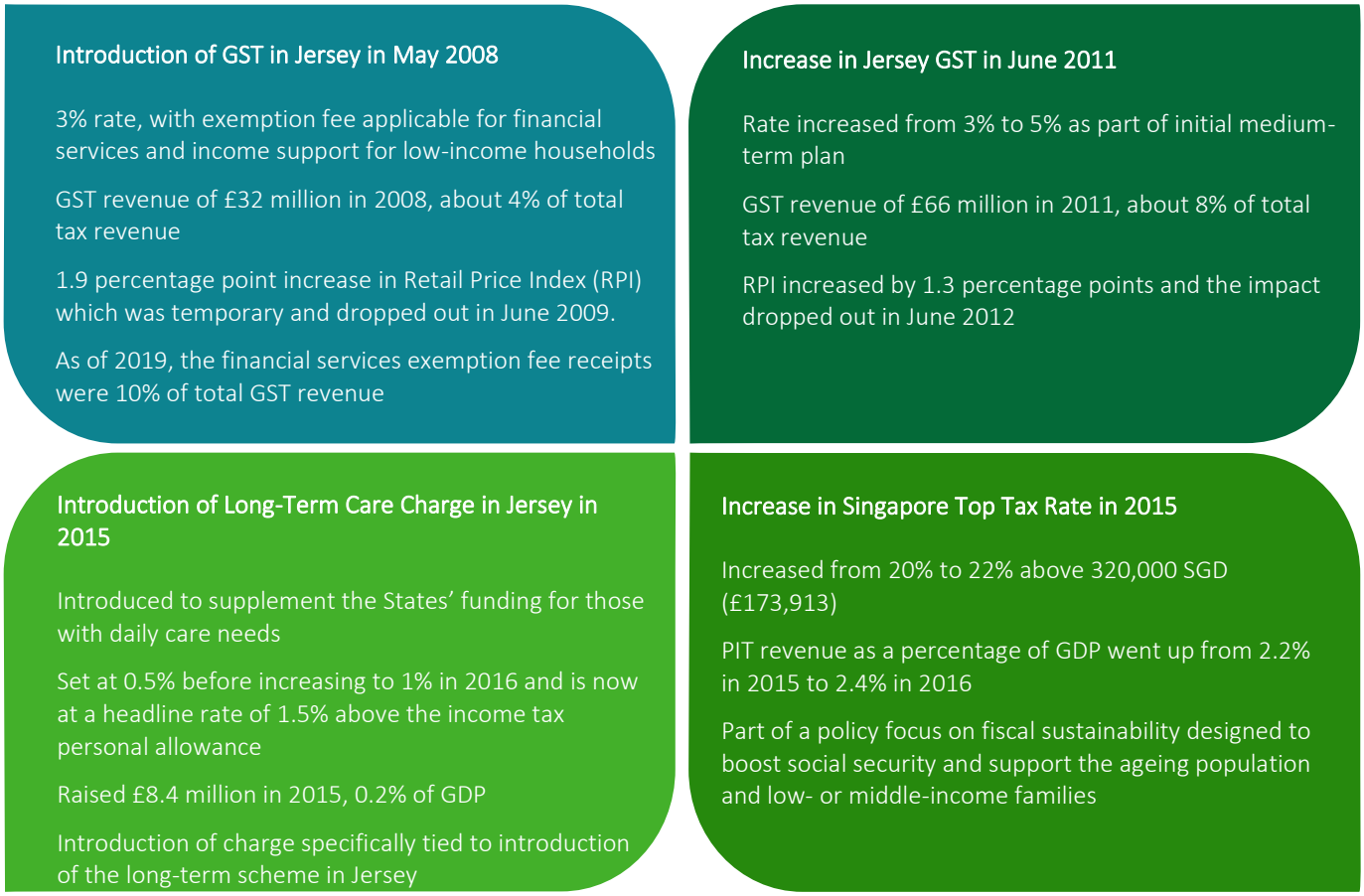
Luxembourg's inheritance tax is levied on the entire estate at variable rates depending on the relationship between the beneficiary and the deceased.[89] The maximum base rate is 15% and the maximum total incremental rate due to the value of the estate share received is 48%.[90] There is a tax-free allowance of €1,250 on small estates and €38,000 for spouses without children.[90] In addition, any acquisitions made with a partner at least 3 years before death are exempt. As the inheritance tax is a tax on wealth, maintaining attraction to HNWIs could be a reason why the other jurisdictions do not charge an inheritance tax.

[82] Luxembourg - https://data.oecd.org/tax/tax-on-property.htm, Guernsey - property tax revenue provided by the States, Jersey – Island rates https://opendata.gov.je/dataset/government-of-jersey-accounts/resource/b9bc6bb3-a74a-4c6e-bd20-b5e6a9464b1f
[83] PWC worldwide tax summaries, available at: https://taxsummaries.pwc.com/luxembourg/individual/other-taxes
[84] IBFD note on Luxembourg Individual taxation, available at: https://www.ibfd.org/sites/ibfd.org/files/content/pdf/European%20Tax%20Handbooks%202015_Indiv.pdf
[85] IBFD note on Luxembourg Individual taxation, available at: https://www.ibfd.org/sites/ibfd.org/files/content/pdf/European%20Tax%20Handbooks%202015_Indiv.pdf
[86] "Taxing Wealth and Capital Income", available at: https://www.cato.org/tax-budget-bulletin/taxing-wealth-capital-income
[87] "The economic effects of capital gains taxation", available at: https://www.researchgate.net/publication/293267376_The_economic_effects_of_capital_gains_taxation
[88] "Capital taxation: A survey of evidence", available at: https://voxeu.org/article/capital-taxation-survey-evidence
[89] PWC worldwide tax summaries, available at: https://taxsummaries.pwc.com/luxembourg/individual/other-taxes
[90] Estate and inheritance tax in Luxembourg, available at: https://www.expatica.com/lu/finance/taxes/luxembourg-inheritance-tax-1024768/

3.3. Key changes in comparators taxation and impacts overview

This section summarises some key changes in the core tax levers in some of the benchmark jurisdictions and the impacts of these changes on key economic indicators.

Figure 10: Overview of relevant tax changes in benchmark jurisdictions



Source: See Appendix A2

Key Insights

The four benchmark jurisdictions chosen and agreed with the States were: Jersey, the Isle of Man, Luxembourg and Singapore; New Zealand is also analysed with regard to its GST due to the similarities with the GST under consideration in this report. These jurisdictions were selected according to economic structure, tax structure, tax as a share of GDP and the size of the economies, with a focus on the financial sector.

Guernsey sits in the middle of its comparators in terms of the size of the economy and is second only to Jersey in terms of the importance of the financial sector. Guernsey's tax as a share of GDP is 19%, higher than the lowest value, which is the Isle of Man (15%), but considerably lower than the highest value, which is Luxembourg (39%). The tax policy options under consideration in this report would increase the ratio of tax revenue to GDP to more than 21% in each case but in none of these scenarios is the change sufficient to alter Guernsey's position relative to the benchmark jurisdictions. When combined with other revenues Policy Options 2 and 3 are capable of raising the States' working target of total government revenues relative to GDP, 24%, while Option 1 would raise 23.8%.

Guernsey currently has a lower tax-free allowance for PIT than both Jersey and the Isle of Man. Under Options 2 and 3 this tax-free allowance would increase but it would not exceed the level in these jurisdictions. While the PIT rate is unchanged under all policy options, Option 1 includes the introduction of a Health Tax of 3% which is higher than in Jersey where there is a 1.5% headline rate. Of all jurisdictions considered, Guernsey has the lowest share of tax revenue raised through indirect taxation. Option 1 would further increase this reliance. Option 2 would significantly reduce this reliance moving Guernsey above Jersey and Singapore in terms of tax revenue raised through indirect sources. Option 3 sits as an intermediate case, raising the indirect revenue share but not above the level in Singapore.

The restructures in social security contributions considered in Options 1, 2 and 3 increase social security contributions as a share of GDP but not by a sufficient amount to change the position of Guernsey relative to its peers (above the Isle of Man and Jersey but below Singapore and Luxembourg). Options 2 and 3 *reduce* the level of PIT revenue raised as a share of GDP slightly but not by enough to change Guernsey's position relative to the benchmark jurisdictions. Policy Option 1, by contrast, would see a more notable increase in the level of tax revenue raised from income taxation bringing Guernsey above Luxembourg and near to parity with Jersey.

The GST rates amongst the comparators range from 5% in Jersey to 20% in the Isle of Man. Consequently, GST accounts for between 8% and 40% of total tax revenue across the benchmark jurisdictions that charge a GST. Of all the benchmark jurisdictions, Guernsey alone does not charge a GST. As a result, Guernsey's indirect tax share is the lowest, at 10%. The GST rates of 8% under Option 2 and 5% under Option 3 sit at the bottom end of the range amongst benchmark jurisdictions, with the 8% GST being higher than the 5% rate currently in place in Jersey. Under Policy Options 2 and 3 GST tax revenue as a share of total tax revenue would be 12% or 8% respectively which is at the bottom end of the range found amongst benchmark jurisdictions. In Jersey, a 5% GST accounts for 8% of total tax revenue.

In Jersey, a GST was introduced at 3% in 2008 and then increased to the current 5% in 2011. The effects of both GST changes on price levels, 1.9 percentage points and 1.3 percentage points increase respectively, dissipated after one year. New Zealand's 1986 broad-based GST with minimal exemptions and few zero ratings is a model followed by Jersey and Singapore. The illustrative GST option in this report is also similar to this. New Zealand's GST is reported to have a high level of efficiency.

Overall, the States' reliance on tax revenues is less than some of its benchmark jurisdictions'. However, it is heavily reliant on its income tax structure, which is less progressive than that of other benchmark jurisdictions considered here. Guernsey does not levy a capital gains tax or inheritance tax, providing an attractive tax environment for higher earners and high net worth individuals (HNWIs). This, along with changes to the PIT regime, could ensure that Guernsey remains competitive and continues to attract highly skilled individuals. Furthermore, the States have stated that any changes to CIT will consider how Guernsey compares to jurisdictions such as Jersey and the Isle of Man. Finally, introducing a low rate GST is unlikely to impact Guernsey's overall competitiveness considering that it is currently the only one of the jurisdictions considered that does not have a GST.

4 Economic impacts

Option 1, which is based on income taxation, is likely to have short-term impacts on the economy through household consumption, output and employment but is more progressive than a GST. Options 2 and 3, which are based on consumption taxation, lead to a short-term increase in inflation; GST is typically less distortionary to labour markets and is empirically found to be a more efficient tax.

The tax policy options under consideration within this Report can be categorised as changes to income taxation (either through changes in the tax-free allowance, the introduction of a Health Tax or changes in the structure of social security contributions) and tax on consumption through a GST. These tax changes may have impacts on the economy of Guernsey that can be split into two dimensions. First, macroeconomic impacts such as through a change in GDP growth, the level of employment or the rate of inflation, which also include sectoral impacts on key sectors of focus for Guernsey. Second, distributional impacts on individuals across the income distribution.

Impacts of tax changes are highly dependent on the specific structure of the economy. The revenue raised through the potential tax increases considered in this Report would be used to fund increased government spending in Guernsey. The States have posited that this spending is necessary to maintain current service levels given the demographic and fiscal challenges the States are facing. The net impact of the taxation on economic activity can be expected to be relatively small as a result of the increase in expenditure. However, it must be noted that the introduction of some of the tax changes may cause short term impacts, as spending to boost economic activity may not follow immediately. Furthermore, the introduction of a new tax such as a GST will involve extra administration and compliance costs both initially and over time.

The impacts of tax increases can be both direct and indirect. Direct impacts include, for example, a reduction in disposable income as a result of a PIT increase, which leads to households consuming less. Conversely, indirect impacts include effects on investment and employment in sectors as a result of a reduced level of demand for their goods and services. Indirect impacts also include the boost to the economy provided as a result of additional government expenditure funded by the tax revenues raised through each of the tax policy options.

This section outlines the economic impacts of the tax policy options being considered by the States of Guernsey, in the context of Guernsey's fiscal needs and its economy. A key measure reported for all tax policy options is the tax revenue impact, showing how much revenue each scenario could raise towards the working target. The overall revenue target, provided as a working assumption by the States, is 24% of GDP within the next five years.[91]

4.1.1. Macroeconomic Impact

The macroeconomic impact analysis of the tax changes focuses on three key economic indicators: GDP growth, employment and inflation. The analysis also considers any sectoral impacts, particularly in relation to the financial sector and those sectors which are more labour intensive or would be most impacted.

The approach in this report is to use empirical studies that estimate the effect of the policy options outlined above. These estimated impacts are discussed in the specific context of Guernsey's economy. The absence of an economic model outlining the details of Guernsey's economy (for example, using input output tables) means that the results from this analysis should be considered as directional, rather than precise impacts on the economy. For GST, studies on the impact

[91] The overall revenue itself is made up of a combination of streams on which tax revenue is the largest, but also includes revenue from fees and departmental revenues.

of its introduction in New Zealand and Jersey are analysed given their relevance to the GST structure being proposed by the States.

In the case of employer social security contribution increases, the direct impact is estimated using the most recent data on employee remuneration by sector in Guernsey as provided by the States. The impact on different sectors is considered in the context of each sector's contribution to GVA and overall labour productivity.

4.1.2. Distributional Impact

The distributional impact analysis examines the effect of each tax policy option on households across the income distribution. For each of the tax policy options, the impact on each household is estimated by the States.[92] Using the same household income data,[93] household gross unequivalised income ranges for each quintile can be established as listed below. By estimating the impact of each policy option on average within these quintiles,[94] this report assesses the distributional consequences of each policy option:[95]

- Q1: 0 - £23,953
- Q2: £23,954 - £44,328
- Q3: £44,329 - £69,909
- Q4: £69,910 - £108,890
- Q5: £108,891 and above

The analysis of tax impacts and the tax burden on household income, is performed for each income quintile. The magnitude of the impact is assessed relative to household income and household expenditure. The impact relative to expenditure is estimated using data from the latest Household Expenditure Survey Report.[96] The expenditure items are split into essential and non-essential expenditure with food and non-alcoholic drinks and housing, fuel and power classified as essential. As a result, the average expenditure by quintile on essentials relative to total expenditure, shown in Figure 20.

The GST tax burden on each household by category of expenditure has been provided to us by the States. By categorising expenditure into essential and non-essential items, the differences in tax burdens are studied across household quintiles and compositions.

4.1.2.1. Impact on Higher Earners

To analyse the impact of PIT changes on the income of higher earners, we use data provided by the States for the top 5% of households in terms of household income. As individual income is not available, household income is used as a proxy. This is declared household income as individuals who pay the PIT cap are not obliged to declare their full income. Thus, the impacts calculated as a proportion of overall household income may be an overestimation for these higher earners. We contextualise these results using insights contained in this dataset, including information on employment sector and the length of time resident in Guernsey.

4.2. Impacts on revenue

Guernsey currently raises approximately 19% of its GDP as tax revenues. The breakdown of this is shown in Table 6.

[92] Household composition broadly includes single adult households, one or more pensioner households, multiple adult households and multiple adult households with children. These are included in the household data as well.
[93] The income distribution data used is as observed by the States and does not include capital income or any measure of household wealth. As a result, it (and by extension, the distributional analysis) does not accurately reflect the spending power of households that are reliant on these other means which are not captured.
[94] Impact within each quintile is calculated by dividing the average change in tax liability as a result of the policy option by the average level of gross household income.
[95] The household income and ranges do not take into account differences between household composition (e.g. number of children, adults, pensioners) at this stage.
[96] Guernsey Household Expenditure Survey Report, available at: https://www.gov.gg/CHttpHandler.ashx?id=133968&p=0

Table 6: Types of taxes and the revenues raised through each of them

Tax	Tax revenues raised as a % of GDP (2021 forecast)
Personal Income Tax (PIT)	8.6%
Corporate Tax	2.2%
Social Security	5.7%
Other taxes	2.8%
Miscellaneous and operating income	3.1%

Source: Tax revenue data and 2021 GDP forecast provided by the States

As discussed in Section 3, this is less than in some of Guernsey's benchmark jurisdictions. In addition to tax revenue, Guernsey also generates revenue from operating income and other sources,[97] the value of which is in the region of 2 to 3% of GDP. Total revenue relative to GDP was 21.9% prior to COVID-19. The States have requested a working assumption that they may seek to raise revenues of up to 24% of GDP by 2026. Each of the considered tax policy options may raise between 1.9% and 2.2% of GDP according to the revenue analysis provided by the States.

Policy Option 1 relies on changes in personal income taxation through a Health Tax and SSCs for revenue raising. Policy Option 2 relies on the introduction of a GST with a reduction in PIT and a marginal increase in SSCs also present. Policy Option 3 is chiefly based on a GST but is accompanied by a smaller reduction in PIT and a greater increase in SSCs than under Option 2.

Given that CIT changes will consider how Guernsey compares to jurisdictions such as Jersey and the Isle of Man, it is not included in the scope of this Report. For analytical purposes the States have provided an assumption regarding CIT, which is presented in section 2.3. The assumption involves broad alignment between comparators and estimated revenues from introducing the OECD Pillar 1 and 2 proposals.

Table 7 shows the additional tax revenues raised as a percentage of GDP as forecast for 2021 for each tax policy option (and core elements).

Table 7: Additional tax revenues raised as a percentage of GDP from proposed tax measures

Proposed Tax	Option elements	Additional tax revenues raised as a % of GDP (2021 forecast)
Option 1	SSC restructure - *rates increased to 9% for employees and 7.5% for employers*	0.63%
	Health Tax - *administered in a similar way to PIT of 3%*	1.20%
	Corporate income tax	0.31%
	Peak forecast revenue lost from secondary pensions	-0.25%
	Option 1 Total	**1.9%**
Option 2	SSC restructure - *rates increased to 8% for employees and 7.5% for employers*	0.06%
	8% GST	2.68%
	PIT allowance increase to £14,000	-0.60%
	Corporate income tax	0.31%
	Peak forecast revenue lost from secondary pensions	-0.25%
	Option 2 Total	**2.2%**
Option 3	SSC restructure - *rates increased to 9% for employee and 7.5% for employers*	0.51%
	5% GST	1.75%
	PIT allowance increase to £12,700	-0.29%
	Corporate income tax	0.31%
	Peak forecast revenue lost from secondary pensions	-0.25%
	Option 3 Total	**2.1%**

Source: Based on tax impact data provided by the States

[97] These include housing rental income, company fees, dividend income from States Trading, court fines and rental income on commercial property.

The SSC restructure present in all options under consideration involves an increase in the SSC rates, although this is to a greater extent for Options 1 and 3 than for Option 2. The SSC restructure also includes a move away from an equal rate for both employers and employees, with employees' rates higher in all options. Despite this shift, SSC revenue from employers remains higher than that from employees. Currently, employers' revenue share is 51% while employees' share is 49% for Class 1 contributions. For Option 1, employers' SSC revenue share is 59% while employees' is 41%. With Option 2, employers' SSC revenue share is lower than for Option 1 at 55% while employees' is higher at 45%. Option 3 has employers' and employees' revenue shares between Option 1 & 2 at 56% and 44% respectively. This increase is as a result of the changes in income treatment for both employers and employees.

As GDP grows over the next few years, the levels of tax revenues raised will also increase. Studies have shown that in developed countries, tax buoyancy is approximately equal to unity, in both the short and long term.[98] This means that in general, for a 1% increase in GDP, revenues from taxes will also increase by 1%, implying that the tax to GDP ratio will not change.

To estimate overall growth in the economy up to the end of 2026, the GDP growth forecast as provided by the States is used. This forecasts that GDP will contract by 4.2% in 2020, increase by 4.1% in 2021 and then increase by less than 1% annually. Using this growth forecast, the overall growth expected in Guernsey by the end of 2026 is 1.03%. This would imply an approximate increase of 1.03% in tax revenues as well.

By design, each of the policy options under consideration produces a similar increase in tax revenue as a share of GDP in 2021. The impact of Policy Option 2 is greatest at 2.2% of GDP, the next largest impact arises from Option 3 at 2.1% and the smallest impact would be under Option 1 at 1.9%. Under Option 1, total revenues as a percentage of GDP in 2026 would be 23.8%, which is marginally lower than the working target of 24% while it would be 24.1% under Option 2 and 24.0% under Option 3.

A small portion of the increase in tax revenues comes from the CIT change, which is constant across each of the policy options at 0.31% of GDP. Each tax policy option incorporates a variant of an SSC restructure. The most impactful restructure to SSCs is under Option 1, which would raise an additional 0.63% of GDP in tax revenue; Option 2 is smallest with a minimal impact of 0.06% and then Option 3 is similar to Option 1 in terms of impact on SSC revenue at 0.51%.

Policy Option 1 involves the introduction of a 3% Health Tax, which is estimated to raise an additional 1.2% of tax revenue as a share of GDP (equal to £38.9m), the largest contributor to the additionally raised revenue under Option 1. While Options 2 and 3 do not involve a Health Tax, both incorporate an increase in the tax-free allowance for PIT – which results in a reduction in tax revenue from PIT. Under Policy Option 1, there are a variety of changes to the level of social security contributions (SSCs). The net impact of these changes is an increase in the level of revenue generated through SSCs to the tune of £20.4m. In sum, the impact of Policy Option 1 is to increase the level of revenue raised from taxes on income by approximately £59.3m.

The tax revenue increases from Options 2 and 3 are chiefly based on the introduction of a GST. The impact of the GST is greater for Option 2 where a GST of 8% is introduced, which results in an increase in tax revenue raised as a share of GDP of 2.68%. Option 3 involves the introduction of a GST at a lower level of 5%, which produces a smaller increase in tax revenues from GST equal to 1.75% of GDP.

Policy Option 2 involves an increase in the PIT tax-free allowance, which will reduce the level of revenue raised through PIT by £19.5m or 0.6% of GDP. The restructure of SSCs that forms part of Policy Option 2 would result in an increase in the level of revenue generated through SSCs to the tune of £2.1m. In sum, the impact of Policy Option 2 is to decrease

[98] Tax buoyancy is the relationship between the percentage change in tax revenues and the percentage change in GDP. If tax buoyancy is not different from unity, this implies that a 1% growth in GDP is linked to a 1% increase in tax revenues, leaving the tax revenues to GDP ratio constant. See IMF working paper, "How Buoyant is the Tax System? New Evidence from a Large Heterogeneous Panel", available at: https://www.imf.org/~/media/Files/Publications/WP/wp1704.ashx

the level of revenue raised from taxes on income by £17.4m. In addition, Policy Option 2 involves the introduction of a GST at 8%, meaning that **£86.9m would be raised by consumption taxation under Option 2**.

Policy Option 3 involves an increase in the PIT tax-free allowance, which will reduce the level of revenue raised through PIT by £9.2m or 0.29% of GDP. The restructure to SSCs that forms part of Policy Option 3 would result in an increase in the level of revenue generated through SSCs to the tune of £16.7m. **In sum, the impact of Policy Option 3 is to increase the level of revenue raised from taxes on income by £7.5m.** In addition, Policy Option 3 involves the introduction of a GST at 5%, meaning that **£56.5m would be raised by consumption taxation under Option 3.**

4.3. Macroeconomic impact

As discussed in Section 2, the impacts of the tax changes considered are discussed in the context of changes in the taxation of individual income (changes in the PIT tax-free allowance, increased social security contributions and a Health Tax) and the introduction of a GST.

4.3.1. Impact of Individual Income Tax Increase

4.3.1.1. GDP Growth

While an increase in individual taxation, as would result from the implementation of Policy Options 1 or 3, may impact disposable income and consumption, it is important to consider that the overall impacts on GDP growth in this scenario depend on how the government decides to use the additional revenue raised. Since it is anticipated that the States will use the raised revenue to increase spending in order to maintain current service levels, this may offset the reduction in household consumption, ensuring that the overall impacts on the economy are limited. For Policy Option 2, under which there would be a reduction in the level of revenue raised through income taxation, all impacts discussed in this section would be reversed.

A study by the OECD considers the impact of increasing tax revenues on GDP growth using both a top-down cross-country regression approach and a bottom-up simulation approach.[99] Based on the top-down approach, this study estimates that for developed countries a 10 percentage point increase in tax revenues as a percentage of GDP could reduce growth by about 0.5 percentage points, all else being equal.[100]

Furthermore, studies that do show a negative impact on GDP growth tend to show that this impact is transitory and that it is absorbed in around two years.[101] A study using US data shows that for a 1 percentage point increase in the tax to GDP ratio, the impact on growth is not significantly different from zero, three years after the change is implemented.[102] Similarly, a study based on 18 OECD countries showed that there are no significant impacts on growth if tax increases are applied to higher earners, as the level of consumption by these households does not vary much as a result of changes in personal income taxation.[103]

Following the empirical evidence, and the decision that government expenditure will increase alongside the tax changes, the overall impacts on GDP growth will be limited and transitory in nature. However, there will be significant short-term transitory impacts associated with compliance costs, behavioural impacts and administration costs as businesses, individuals and the government learn to navigate the new systems. Furthermore, there will be impacts if there are delays to the government increasing expenditure.

[99] OECD working paper, "Taxation and Economic Performance", available at: https://www.oecd-ilibrary.org/economics/taxation-and-economic-performance_668811115745

[100] The same paper conducts a bottom up simulation approach which finds that a reduction in tax to GDP ratio of 10 percentage points is estimated to increase growth by 0.5-1 percentage points

[101] "The Macroeconomic Effects of Tax Changes: Estimates Based on a New Measure of Fiscal Shocks", available at: https://www.nber.org/system/files/working_papers/w13264/w13264.pdf

[102] "How Large Are the Effects of Tax Changes", available at: https://www.researchgate.net/publication/46474949_How_Large_Are_the_Effects_of_Tax_Changes

[103] "Optimal Taxation of Top Labour Incomes: A Tale of Three Elasticities", available at: https://www.nber.org/system/files/working_papers/w17616/w17616.pdf

These impacts would be largest for Policy Option 1, given that it raises an additional £59.3m through taxes on income. In the case of Policy Option 3, only £7.5m would be raised through taxes on income meaning any impacts on GDP growth would be significantly reduced. Under Policy Option 2 there would actually be a decrease in the level of revenue generated through income taxation by £17.4m, which would have the opposite impact and potentially provide an increase in growth.

4.3.1.2. Sectoral impacts

Whilst the increase in the level of individual income taxation under Policy Options 1 and 3 (and the decrease under Policy Option 2) are unlikely to impact the overall levels of economic activity in Guernsey, the overall structure of the economy may be impacted. As a result of households potentially reducing consumption in response to increased taxation, sectors such as wholesale, retail and repairs, and transport and storage may shrink. However, these sectors currently comprise 10% of total GVA, meaning that overall impacts on the economy may be limited. In addition, some of the more labour-intensive sectors like education, hostelry, and transport and storage will also be negatively impacted given the increased cost of labour.

40% of Guernsey's economy is derived from the financial services industry. This activity is almost entirely driven by services provided to off-island beneficiaries.[104] This implies that the demand for services in this industry is not adversely impacted even in the scenario where household disposable income reduces as a result of increases in individual taxes on income. In addition, professional, business, scientific and technical activities comprise 13% of the overall economy in Guernsey. This sector is also unlikely to be adversely impacted, as its services generally have inelastic demand as they are consumed by higher earners or the finance sector, which is unlikely to be impacted.

A further 9% of Guernsey's GVA results from the activities of the government and public administration sector, which is likely to expand given the anticipated increase in government expenditure for which tax revenues are being raised and that is required in order to maintain current service levels in light of the ageing population and other fiscal pressures. The health and care sectors[105] are also likely to expand for the same reason. This expansion is, however, likely to be influenced by the availability of health and care professionals. To a lesser extent, the capital investment in infrastructure may also positively impact the construction sector.

It is also worth noting that the public administration sector relies less on imports than sectors such as wholesale, retail and repairs, real estate, etc. This implies that as public administration expands, while more import driven sectors shrink, Guernsey will rely more strongly on its own assets and less on imports.

4.3.1.3. Employment

Theoretically, there is both a labour supply and a labour demand response following an increase in individual taxation. Impacts on labour demand come through the indirect effects of income tax. As a result of a reduction in consumption of certain goods and services, firms begin producing less and therefore demand less labour. On the supply side, taxing income disincentivises work as the value of work post-tax falls (income effect) and incentivises work more as a result of a reduction in post-tax income (substitution effect). For lower income earners, low wages may often make labour supply inelastic. This is because at very low wages, individuals do not have the choice to work less as their essential expenses often equate to a significant part of their income.

The downward pressure on GDP in Guernsey in the short term may also impact employment. In general, the largest sectors by employment are finance and the professional, business, scientific and technical sectors. Together, they employ approximately 28% of Guernsey's labour force. As discussed above, these sectors are unlikely to see a large impact on economic activity and therefore on employment. Furthermore, at 17%, the government and public administration sector

[104] The Channel Islands and the EU – Financial Services, available at: https://www.channelislands.eu/wp-content/uploads/2011/12/FS-background-note-September-2016.pdf

[105] In Guernsey, healthcare provided directly by the States is captured under "public administrative". Private health and care providers such as GP practices and care homes are captured as in the health and care sector even where their activity is heavily subsided.

also employs a large percentage of the labour force. Considering the increases in expenditure and services, employment within the public sector, and to a larger extent within the health sector, may increase.

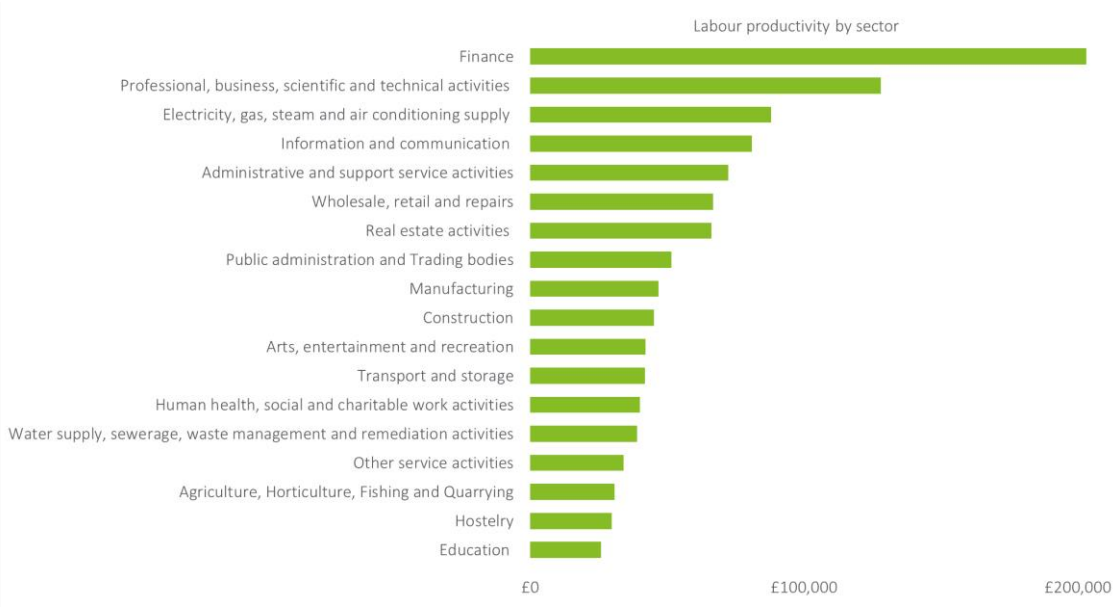
Adverse impacts on employment are most likely to be felt in the sectors that may have larger decreases in GVA. Some of the largest sectors (by employment) that are likely to be more adversely impacted are construction, wholesale, retail and repairs, hostelry, transport and storage, and administrative and support service activities. These sectors together comprise 35% of the labour force and contribute 19% of GVA.[106]

However, given that a portion of the revenue from tax increases will be spent on capital infrastructure,[107] some of the adverse impacts on sectors such as construction may be negated. In comparison to industries such as wholesale, retail and repairs, real estate, administrative and support services, sectors such as public administration, healthcare and construction rely more on labour than capital. This implies that as the economy structurally changes to expand sectors such as public administration, healthcare and construction, the overall impact on jobs may be positive as the loss in jobs from reduced consumption may be offset by the creation of new jobs in labour intensive sectors.

4.3.2. Impact of social security increases on employers in different sectors

An increase in the level of social security contributions, which occurs in each policy option though to a much lesser extent under Policy Option 2, will impact employers in different sectors to a varying extent. Social security contributions will impact sectors that rely more on labour than capital, as they increase the cost of labour. This includes sectors such as hospitality, which often work on low margins and have lower labour productivity. Figure 11 shows the labour productivity, calculated as GVA divided by the number of employees by sector. This figure shows that sectors such as finance, and professional, business, scientific and technical activities have high labour productivities whilst those such as agriculture, sewage and waste management, and hostelry have lower labour productivity.

Figure 11: Labour productivity by sector (£)



Source: The States government website, 'Supplementary GVA and GDP Data 2019', available at https://www.gov.gg/gdp & 'Facts and Figures 2020 Supplementary Data: T 2.16, F 2.16 - Employment by economic sector', available at https://www.gov.gg/ff

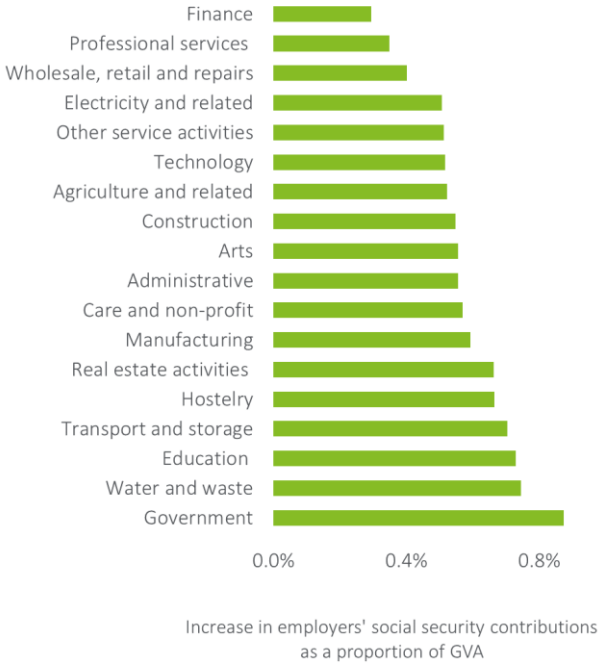
By applying the considered SSC restructure to the data provided on remuneration by sector, we can estimate the change in the social security burden on sectors. As overall remuneration is highest in sectors such as finance and professional,

[106] Guernsey Facts and Figures, 2020, States, Nominal GVA All Sectors - available at: https://www.gov.gg/CHttpHandler.ashx?id=131184&p=0
[107] Guernsey 2019 report, "The Review of the Fiscal Policy Framework and Fiscal Pressures", available at: https://www.gov.gg/CHttpHandler.ashx?id=122178&p=0

business, scientific and technical activities, these sectors bear the largest impact of social security increases in absolute terms. However, when this is compared to their GVA, the sectors that rely more on labour than capital are seen to be impacted more. Figure 12 shows the social security impact as a proportion of GVA for each sector.

As expected, key sectors of focus including the financial services sector are largely not adversely impacted as a percentage of their GVA (at 0.29% for all options). In comparison, sectors such as hostelry, transport and storage, education, and water management are impacted by as much as 0.6% to 0.8% of their GVA for all options. While these impacts are on the higher end of the range relative to GVA, as stated in section 2.3.2, there is evidence to suggest that about two thirds of this burden may be passed on to employees. This may imply a more limited impact on sectors than is provided by these estimates.

Figure 12: Increase in social security contributions for employers as a proportion of GVA



Source: Latest sectoral renumeration data provided by the States

4.3.3. Impact of GST

The GST (which would be introduced at 8% in Option 2 and 5% in Option 3) is a relatively more efficient tax in comparison to PIT because its base does not include mobile capital income. The GST causes fewer distortions as it does not directly impact the cost of capital or labour.[108] Furthermore, the GST decreases in efficiency with higher rates and the addition of exemptions.[109]

Empirical evidence shows that income tax changes have a larger impact than GST on output, private consumption and investment in the short run.[110] As a result, the impact of a GST on the economy is expected to be more limited. To this end, this section reviews the potential impacts that a GST could have on Guernsey's price levels and sectoral performance.

[108] OECD working paper, "Taxation and Economic Growth", available at: https://www.oecd-ilibrary.org/economics/taxation-and-economic-growth_241216205486
[109] IMF working paper, "The Value Added Tax and Growth: Design Matters", available at: https://www.imf.org/en/Publications/WP/Issues/2019/05/07/The-Value-Added-Tax-and-Growth-Design-Matters-46836
[110] "The Macroeconomic Effects of Income and Consumption Tax Changes", available at: https://ideas.repec.org/p/shf/wpaper/2017008.html

Given the relative reliance of the different policy options on the GST for revenue raising and the relative efficiency of the GST, Policy Option 1, which relies solely on income taxation to raise revenue, is likely to be less efficient than Option 3, which incorporates a 5% GST. Option 3 is in turn likely to be less efficient than Option 2, which relies exclusively on GST for revenue raising and is accompanied by a *decrease* in income taxation.

There are a number of empirical studies in the literature that estimate the impact of introducing a GST. An analysis of 53 GST changes in 14 developed countries suggests that aggregate consumption and economic growth increases just before GST is raised, decreases as it is raised and then increases again afterwards.[111] These findings are consistent with a temporal substitution effect of a GST increase, as consumption is brought forward in response. The findings are also consistent with the impact of a GST increase on inflation being temporary in nature.[112] In the long term, a GST increase is not found to adversely impact economic growth.[113] This result is in part driven by countries also increasing government expenditure alongside these tax changes (e.g. compensating low-income households or funding social welfare), which matches the options under consideration for Guernsey.[114]

4.3.3.1. Impact of GST introduction on price levels

In general, the introduction of a GST leads to higher price levels in the short-term as a result of the direct impact on the prices faced by consumers. Empirically, it has been noted that this effect is usually temporary and dissipates after around 4 quarters. A study of the macroeconomic effects of GST introduction in New Zealand, Australia and Canada reported a temporary effect on inflation for all three countries.[115] A separate analysis of the GST effect on inflation in Australia confirms this transitory impact. Australia introduced the tax at a 10% rate in July 2000, thus simplifying its existing sales tax system.[116] It had a higher number of exemptions than New Zealand and was slightly revenue expansionary.[117] A one-off national effect of this GST introduction is reported on price levels at 2.8%, this impact was observed only in the September quarter with no lasting impacts observed beyond this point.[118]

The study of the macroeconomic effects of the GST introduction in New Zealand, Australia and Canada also reviewed the percentage change in GDP arising as a result and reported no common GDP impacts.[119] This result is supported by findings in a paper comparing the effect of the income tax rate and GST rate cuts, showing that a reduction in the GST rate had no significant impact on GDP and its components.[120]

As Guernsey and Jersey have several similarities in their economic structures, the impacts of Jersey introducing a GST are also considered. In Jersey, both the introduction of a GST at 3% and then a subsequent increase to 5% had similar impacts, whereby 1% of GST was associated with an increase in price levels of approximately 0.65% but did not impact inflation beyond the span of one year. Considering Jersey as a close comparator, the introduction of a GST of 5% in Guernsey, as under Policy Option 3, may therefore lead to an increase in price levels of approximately 3.25 percentage points. However, following the Jersey case study, as well as evidence from other countries, the impact this has on inflation can be expected

[111] "The Effect of the VAT Rate Change on Aggregate Consumption and Economic Growth", available at: https://academiccommons.columbia.edu/doi/10.7916/D86W9JX0/download
[112] "Quantifying the Effect of GST on Inflation in Australia's Capital Cities: An Intervention Analysis", available at: http://eprints.qut.edu.au/423/1/Valadkhani_153.pdf
[113] "The Effect of the VAT Rate Change on Aggregate Consumption and Economic Growth", available at: https://academiccommons.columbia.edu/doi/10.7916/D86W9JX0/download
[114] Examples of countries mentioned in the paper and details of the changes: Canada's 1991 introduction of a 15% GST also involved a GST credit scheme for low-income households, Japan's 3% GST introduction in 1989 was used to fund social welfare spending and the Netherlands' 2001 GST increase by 1.5% was accompanied by a 8% drop in PIT rate
[115] "An Empirical Note on the Comparative Macroeconomic Effects of the GST in Australia, Canada and New Zealand", available at: https://www.une.edu.au/__data/assets/pdf_file/0006/67947/econ-2004-17.pdf
[116] "The New Zealand GST and its Global Impact: 30 Years On", available at: https://www.researchgate.net/publication/315782694_The_New_Zealand_GST_and_its_Global_Impact_30_Years_On
[117] "An Empirical Note on the Comparative Macroeconomic Effects of the GST in Australia, Canada and New Zealand", available at: https://www.une.edu.au/__data/assets/pdf_file/0006/67947/econ-2004-17.pdf
[118] "Quantifying the Effect of GST on Inflation in Australia's Capital Cities: An Intervention Analysis", available at: http://eprints.qut.edu.au/423/1/Valadkhani_153.pdf
[119] "An Empirical Note on the Comparative Macroeconomic Effects of the GST in Australia, Canada and New Zealand", available at: https://www.une.edu.au/__data/assets/pdf_file/0006/67947/econ-2004-17.pdf
[120] "The Macroeconomic Effects of Income and consumption tax Changes", available at: https://ideas.repec.org/p/shf/wpaper/2017008.html

to dissipate after one year as prices adjust to a new base level. Under Policy Option 2, where a GST of 8% would be introduced, it is reasonable to expect a greater price effect than in the 5% case.

With the introduction of a GST, compliance costs are worth considering. Several countries, especially in the EU, have GST rates with several exemptions and zero-rated sectors. Whilst zero-rated or exempt sectors can help reduce the regressivity of the tax, they lead to higher compliance costs and erode revenues. Furthermore, these costs especially impact smaller businesses. A study commissioned by New Zealand's Inland Revenue Department after the GST was introduced estimated compliance costs of 7.3% relative to GST revenue.[121] However, when split by the size of the firm, it showed that for smaller firms (less than $30,000) compliance costs were as high as 2.6% of turnover, whilst for larger firms with turnover between $1 and $2 million, the estimate was only 0.2%.

In this respect, the GST under consideration with minimal zero-rating and an exemption for small firms at a threshold similar to Jersey's of less than £300,000 would be beneficial for a reduction in overall compliance costs. In general, compliance costs are also transitory as businesses get used to new systems and develop the know-how to register and comply with new legislation. The States of Guernsey have posited that the annual administration costs associated with the introduction of the GST would be equal to approximately £0.8m.

4.3.3.2. Impact of GST introduction on sectors

The impact of GST on specific sectors in Guernsey will depend on the GST treatment applied, and whether the sectors are exempted or zero-rated, or other mitigating strategies are employed. Whilst zero-rating helps alleviate any adverse effects on consumption, it imposes an administrative or, even more complex, some compliance burden as businesses need to register for GST and then apply to reclaim any GST paid on all their inputs.

Given that a GST will raise the prices of goods consumed by households by the tax rate, it is reasonable to expect that a concentrated effect of the introduction will be felt in the wholesale, retail and repairs sector. As will be highlighted within the distributional analysis in Section 4.4, the percentage of household expenditure spent on essentials is relatively high for lower-income households. This reduces the avenues through which expenditure can be reduced and for these households may prompt a shift towards lower price items.

The medium- and high-income households spend a smaller share of their income on essentials, as is seen in Figure 20, and are likely to find this GST cost minimal in comparison to their total expenditure. Hence, they are less likely to reduce their expenditure in response. On balance, this may shift the expenditure components around but not materially impact the sector's output.

4.3.4. Overall macroeconomic impacts

Overall, based on the empirical evidence in the literature and the fact that the tax changes proposed by the States are expected to be accompanied by equivalent expenditure increases, this implies that **overall impacts to GDP growth will be limited and transitory** in nature as the economy restructures. Therefore, while GDP growth may not be impacted significantly in the long term, **there will be short-term transitory impacts associated with compliance costs, behavioural impacts and administration costs as businesses, individuals and government learn to navigate the new systems.** Furthermore, there may also be impacts associated with government expenditure being delayed, for example as a result of a labour shortage for healthcare professionals to fulfil the increased capacity resulting from greater expenditure. The **introduction of a GST at 5% is likely to impact price levels by approximately 3 percentage points**; however, it is expected that this will not have any long-term impact on inflation as price levels settle to a new base level after a year.

Whilst the overall level of economic activity in the jurisdiction is unlikely to be impacted significantly, the structure of the economy will likely change as a result of the tax changes and increased government expenditure. This may include a

[121] "Reflections on the introduction of Value Added Tax in the United Kingdom and Goods and Services Tax in New Zealand", available at: https://core.ac.uk/download/pdf/12824616.pdf

reduction in the size of sectors such as wholesale, retail, and repair, hostelry and transport and storage, and an expansion in the size of the health and care, and public administration sectors. Key industries such as financial services, and other professional, technical, business and scientific activities are unlikely to be adversely impacted.

With respect to employment, the key industries including **financial services, and other professional, technical, business and scientific activities are unlikely to be adversely impacted**. The **recessionary impact may be felt in the short term in industries such as construction, wholesale retail and repair, hostelry, and transport and storage**. However, even within some of these industries, some of the negative impacts may be counteracted considering that the government aims to spend some of the extra revenues raised from taxes on providing physical infrastructure in the jurisdiction. Furthermore, the structural changes in the economy may lead to an expansion in jobs, especially in the healthcare and public administration sector. These estimated impacts are summarised in Table 8 below, this is then mapped onto the policy options under consideration in Table 9.

Table 8: Overall impacts of individual tax increases and GST introduction

	Overall expected impacts of increases to individual tax	Introduction of a GST
Household consumption	short-term ⇩	Consumption brought forward, but no significant impact ⇔
GDP growth	short-term ⇩	No significant impact ⇔
Employment	short-term ⇩	No significant impact ⇔
Inflation	No significant impact ⇔	short-term ⇧

Table 9: Impacts of tax policy options

	Policy Option 1 (income tax based)	Policy Option 2 (GST based)	Policy Option 3 (GST and income based)
Household consumption	short-term ⇩	short-term ⇗ due to decreased level of income taxation	short-term ⇘
GDP growth	short-term ⇩	short-term ⇗ due to decreased level of income taxation	short-term ⇘
Employment	short-term ⇩	short-term ⇗ due to decreased level of income taxation	short-term ⇘
Inflation	⇔	short-term ⇧	short-term ⇗

4.4. Distributional Impact

4.4.1. Impact by quintile and household composition

Each of the potential illustrative tax changes considered will have varying impacts on different types of households. This section discusses the impacts of each of the proposed tax increases by quintile and household composition (as set out in Section 4.2). When examining the impact by income quintile, we consider impacts relative to total expenditure, essential expenditure and gross household income. As highlighted in Figure 20 in the Appendix, the lower quintiles spend a higher proportion of their expenditure on essential items. Given that such expenditure is less income elastic, seeing how the tax impact relative to essential expenditure is reflected across the quintiles is an indicator of progressivity. In addition, some

elements of essential expenditure may be exempt in the policy options which include a GST thus making the view of tax impact relative to essential expenditure of interest.

4.4.1.1. Policy Option 1: 3% Health Tax and SSC restructure

Policy Option 1 involves the introduction of a 3% Health Tax administered in a similar fashion to PIT, along with an SSC restructure. The 3% Health Tax will impact all households whose taxable income is above the personal allowance threshold. The introduction of an SSC allowance will reduce the tax burden for those with lower incomes. The increased rates for employees will lead to greater tax payments as will the change in the nature of income treatment, which sees SSCs levied on all income rather than earnings from employment alone. Policy Option 1 also involves an automatic reduction in the level of income support as a result of the increase in income due to the introduction of a tax-free SSC allowance.

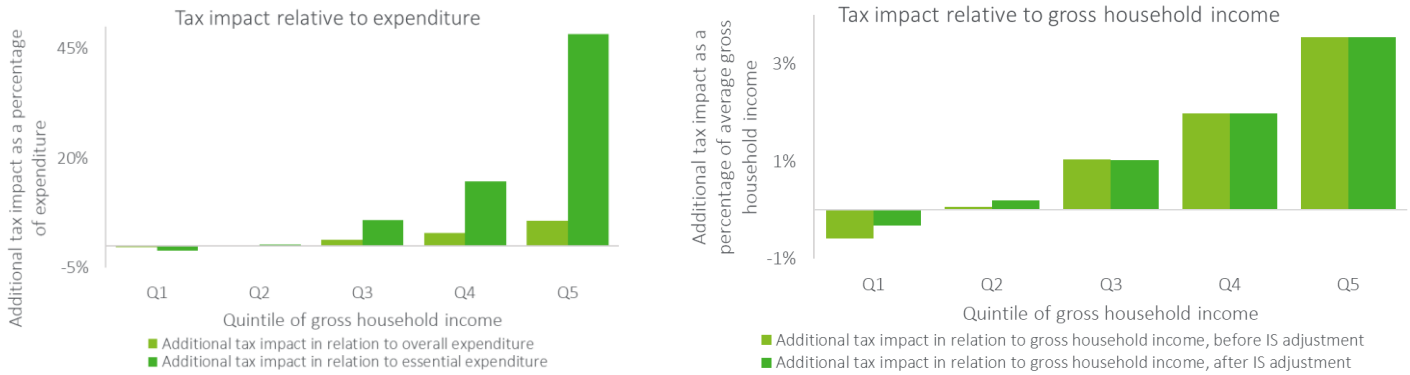
Figure 13 shows the impact of Policy Option 1 by income quintile relative to expenditure in the leftmost panel and relative to gross household income in the rightmost panel. The lighter bars in the left panel shows the impact by quintile relative to *overall* expenditure, the darker bars illustrate the impact relative to *essential* expenditure. The items classified as essential are food and non-alcoholic drinks and housing, fuel and power.

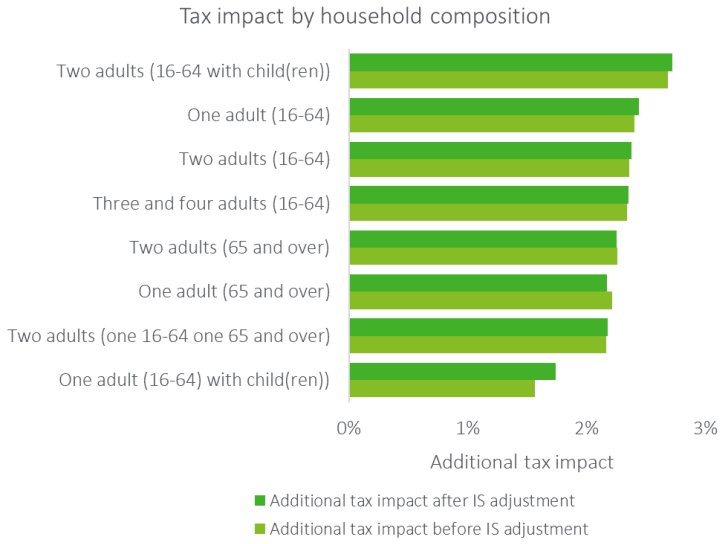
The lighter bars in the right panel show the impact as a share of gross household income before the adjustment in income support whereas the darker bar shows the impact after this adjustment. While residents only observe the impacts after the income support adjustment, it is useful to understand the impact of the tax levers themselves before the States' mitigating interventions.

In the left panel the y-axis shows the additional tax impact as a share of expenditure whereas the y-axis on the right panel shows the additional tax impact as a share of gross household income.

The final chart in Figure 13 shows the impacts by household composition before and after the income support adjustment.

Figure 13: Analysis of the additional tax impact of Policy Option 1





Source: Expenditure data from Guernsey Household Expenditure Survey Report, available at: https://www.gov.gg/CHttpHandler.ashx?id=133968&p=0. Household income data and tax impact data as provided by the States

Policy Option 1 is associated with a decrease in the tax take from those in the first quintile of the income distribution because of the benefit gained from the allowance on SSCs. For those in the second income quintile there is a marginal increase in their tax burden. **Policy Option 1 is therefore progressive as the proportionate tax impact relative to both income and expenditure is increasing with income.** For quintile 1, the tax impact after income support adjustment is -0.32% compared to 3.54% for quintile 5. The impact relative to essential expenditure is significantly greater than when compared to overall expenditure for those in the third, fourth and fifth income quintiles as a result of essential expenditure constituting a smaller share of total expenditure for these higher income households.

Under Option 1 there are no additional income support mitigations. As a result of the introduction of the SSC allowance the take-home income of lower income households is increased. This increase in take-home income results in the States making a lower level of income support payments, which offsets the impact of the SSC reduction. The impact of this automatic fiscal stabiliser from the income support adjustment is felt entirely by those in the first and second quintiles of income (as illustrated in the rightmost panel where the dark green bars pertain to greater values than the light green bars).

When the impact of Policy Option 1 is compared across the different household composition types, on a proportionate basis the greatest share of the burden is borne by two working age adult households with children, with the smallest impact coming for a household with one working age adult and children. Further, the automatic income support adjustment compounds this impact. The income support adjustment is only beneficial for households with one or two adults aged 65 and over.

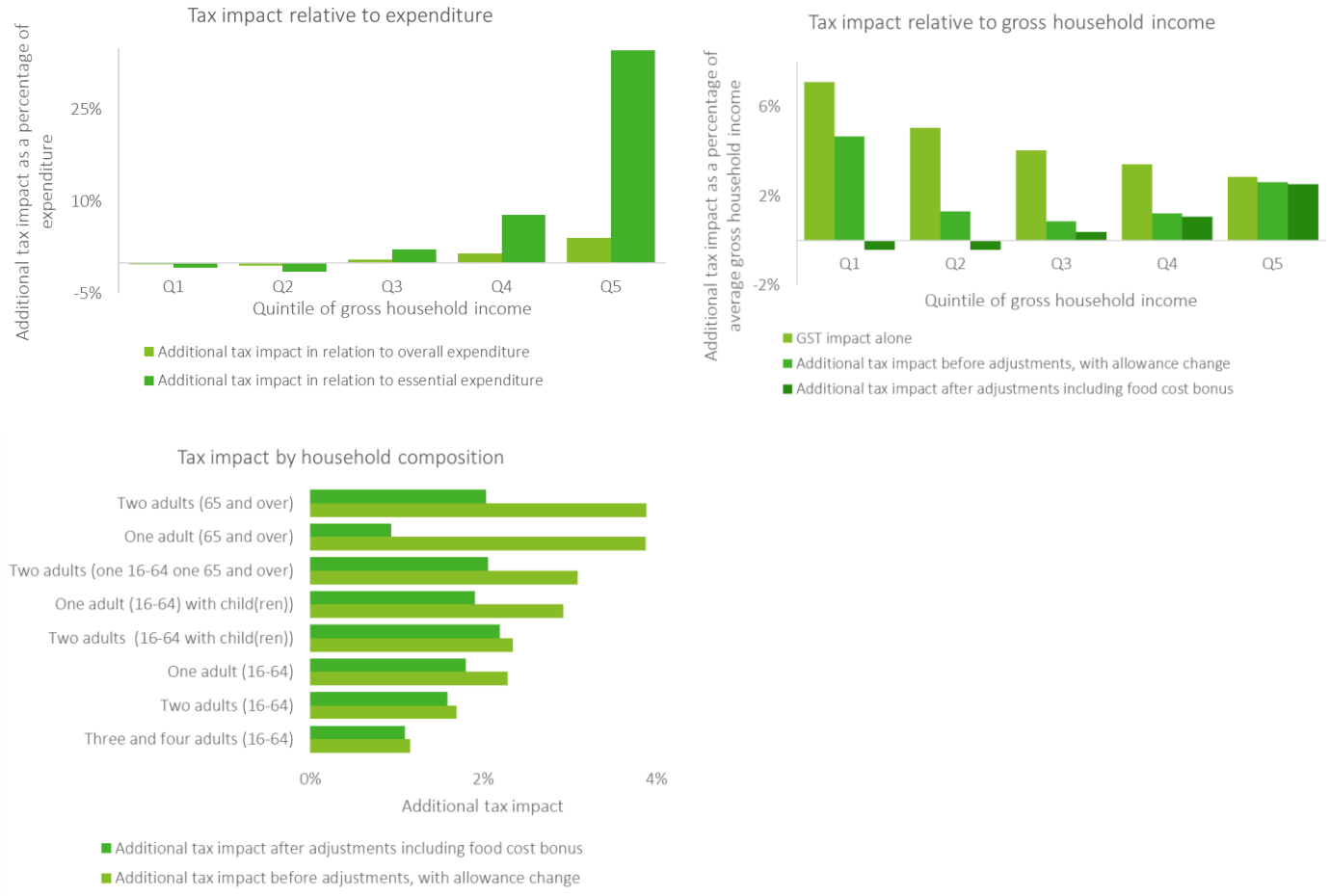
4.4.1.2. Policy Option 2: 8% GST, PIT allowance increase and SSC restructure

Policy Option 2 involves the introduction of a GST at 8% administered in a similar fashion to the GST in Jersey, along with an SSC restructure and an increase in the PIT allowance. The 8% GST will impact all households through its application to all eligible expenditure. The SSC restructure involves the introduction of an allowance in alignment with the PIT allowance and an increase in SSC rates.

Policy Option 2 also involves an automatic reduction in the level of income support as a result of the increase in income due to the introduction of a tax-free SSC allowance. The fact that the GST applies to all eligible expenditure means that it is potentially regressive. To alleviate this, the States of Guernsey have allocated £6m to £9m to increase income support for affected individuals and households and an additional allowance of £0.5m to £2.5m for further mitigation.

Figure 14 shows the impact of Policy Option 2 by income quintile relative to expenditure in the leftmost panel and relative to gross household income in the rightmost panel. The lighter bars in the left panel show the impact by quintile relative to *overall* expenditure, the darker bars illustrate the impact relative to *essential* expenditure. The lighter bars in the right panel show the impact as a share of gross household income for GST alone, the intermediately coloured bars also include the impact of the allowance change and change in the structure of SSCs and finally the darkest bars add to this the impact of offsetting adjustments. The final chart in Figure 14 shows the tax impacts by household composition before and after the income support adjustment.

Figure 14: Analysis of the additional tax impact of Policy Option 2



Source: Household income data and tax impact data as provided by the States & Expenditure data from Guernsey Household Expenditure Survey Report, available at: https://www.gov.gg/CHttpHandler.ashx?id=133968&p=0. Household income data and tax impact data as provided by the States

Policy Option 2 is associated with an increase in the tax take in income quintiles 3 to 5; however, those in income quintiles 1 and 2 would see a decrease in their tax burden. The tax impact as a share of both overall and essential expenditure is increasing along the income distribution. When the tax impact is assessed relative to essential spending, the proportionate impact increases more substantially for those in the fourth and particularly fifth quintiles. This occurs because essential expenditure is a smaller proportion of total expenditure for those in the upper echelons of the income distribution.

Policy Option 2 is progressive when analysed relative to gross household income and considered after the inclusion of mitigating measures. Quintile 1 has tax impact of -0.42% while the tax impact for quintile 5 is 2.54%. For those in income quintiles 1 and 2, the net effect of Option 2 is a decrease in their net tax burden. The GST in isolation (the lightest bar) is regressive such that the tax impact relative to gross household income is higher for those at the lower end of the income distribution. The other elements of Option 2, which include the increased PIT allowance and SSC allowance, help to

alleviate the regressivity of Option 2. The main contributing factors to this are the increased PIT allowance, which reduces the tax burden for those in income quintiles two to four, and the offsetting measures for GST cost, which especially alleviate quintile one's tax burden. Those in income quintile five are less affected by the other elements of tax Policy Option 2. This is because of the tax cap and the proportionately smaller role that the withdrawal of tax allowances plays in their tax affairs.

The final bar in the rightmost graph shows the tax impact as a share of gross household income after also adjusting for the offsetting interventions by the States of Guernsey. On a proportionate basis, the impact of these offsetting interventions would be greatest for those in the lowest income quintile. The net effect of Policy Option 2 after mitigations is therefore that the tax impact as a proportion of gross household income increases along the income distribution.

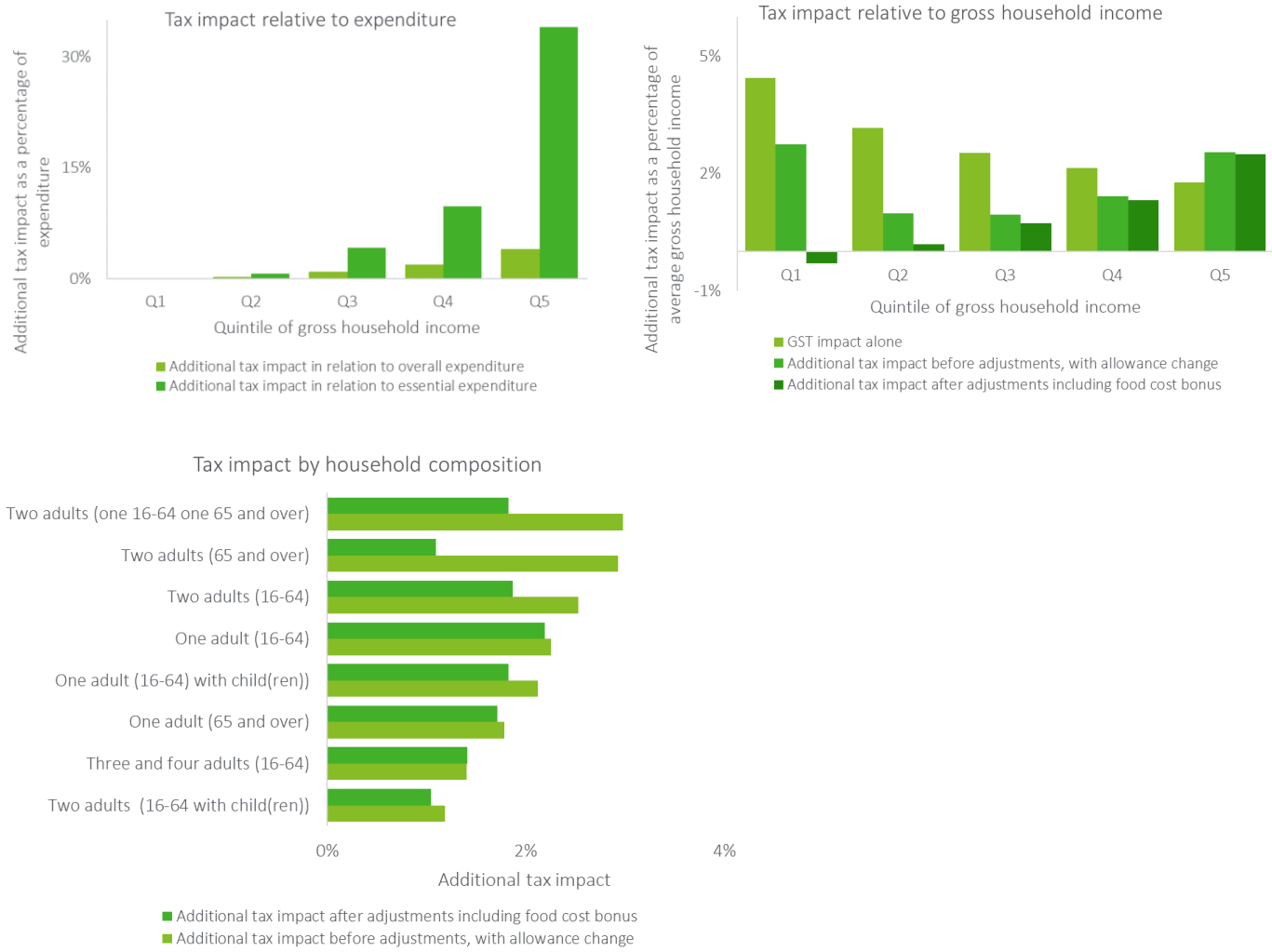
The final chart in Figure 14 shows the impact of Policy Option 2 across household types before adjustments (lighter bar) and post-adjustment (darker bar). The tax impacts before the adjustments are greatest for households containing adults aged 65 and over. However, these households benefit most from the adjustments bringing the impact to a level comparable to other household types. Households with one adult aged over 65 benefit particularly significantly from the adjustments. Prior to the adjustments they rank 2nd amongst household types in terms of impact magnitude and after the adjustments, the tax impact is smallest for this group.

4.4.1.3. Policy Option 3: 5% GST, PIT allowance increase and SSC restructure

Policy Option 3 involves the introduction of a GST at 5% administered in a similar fashion to the GST in Jersey, along with an SSC restructure and an increase in the PIT allowance. The 5% GST will impact all households through its application to all eligible expenditure. The introduction of an SSC allowance and increase in the PIT allowance will reduce the tax burden for those with lower incomes and the increased SSC rates for employees will lead to greater tax payments for these individuals as will the change in the nature of income treatment. Policy Option 3 also involves an automatic reduction in the level of income support as a result of the increase in income due to the introduction of a tax-free SSC allowance. The fact that the GST applies to all eligible expenditure means that it is potentially regressive. To alleviate this, the States of Guernsey have allocated £4m to £5m to increase income support for affected individuals and households and an allowance of £0.3m to £0.7m for additional mitigations.

Figure 15 shows the impact of Policy Option 3 by income quintile relative to expenditure in the leftmost panel and relative to gross household income in the rightmost panel. The lighter bars in the left panel show the impact by quintile relative to *overall* expenditure; the darker bars illustrate the impact relative to *essential* expenditure. The lighter bars in the right panel show the impact as a share of gross household income for GST alone, the intermediately coloured bar also includes the impact of the allowance change and change in the structure of SSCs and finally the darkest bar adds to this the offsetting adjustments. The final chart in Figure 15 shows the impacts by household composition before and after the income support adjustment.

Figure 15: Analysis of the additional tax impact of Policy Option 3



Source: Expenditure data from Guernsey Household Expenditure Survey Report, available at: https://www.gov.gg/CHttpHandler.ashx?id=133968&p=0. Household income data and tax impact data as provided by the States

Policy Option 3 is associated with an increase in the tax take from those in income quintiles 2 to 5; however, those in the lowest income quintile would see a decrease in their tax burden. The tax impact as a share of both overall and essential expenditure is increasing along the income distribution. When the tax impact is assessed relative to essential income the proportionate impact increases more substantially for those in the fourth and particularly fifth quintiles. This occurs because essential expenditure is a smaller proportion of total expenditure for those in the upper echelons of the income distribution.

The final (darkest) bar in the rightmost graph shows the tax impact as a share of gross household income after also adjusting for the offsetting interventions by the States of Guernsey. On a proportionate basis, the impact of these offsetting interventions would be greatest for those in the lowest income quintile. **After accounting for the adjustments, Policy Option 3 is progressive and for those in the lowest income quintile the tax burden would actually be *reduced*. The tax impact for quintile 1 is -0.30% while the tax impact for quintile 5 is 2.49%.**

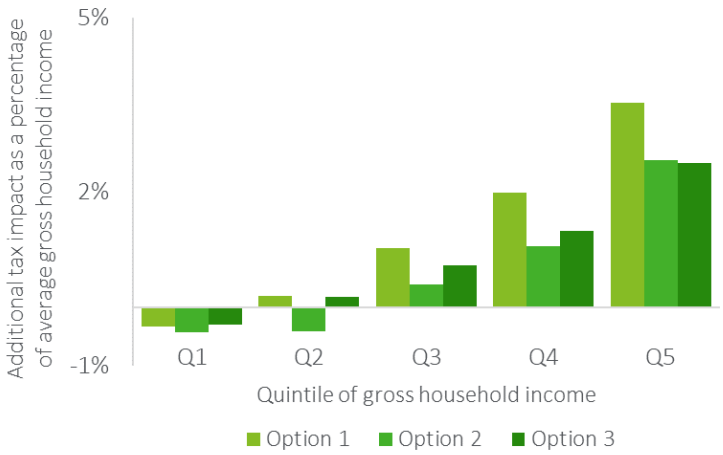
When the tax impact of Policy Option 3 is assessed relative to gross household income, the GST in isolation (the lightest bar) is regressive. This regressivity means that on a proportionate basis those in the first income quintile are more affected than those in the second, who are more affected by those in the third and so on. When the other changes included as part of Policy Option 3 are accounted for, the regressivity of the tax is reduced slightly for the fourth quintile but, in contrast, increased for the fifth quintile since the tax allowance change and mitigations such as income support have much less of an impact on their tax liability. Those in income quintiles one to three are most affected by the other elements of tax Policy Option 3 as they benefit from the change in allowance (more so in the case of second and third quintiles) and the additional mitigations (particularly the case of the first quintile).

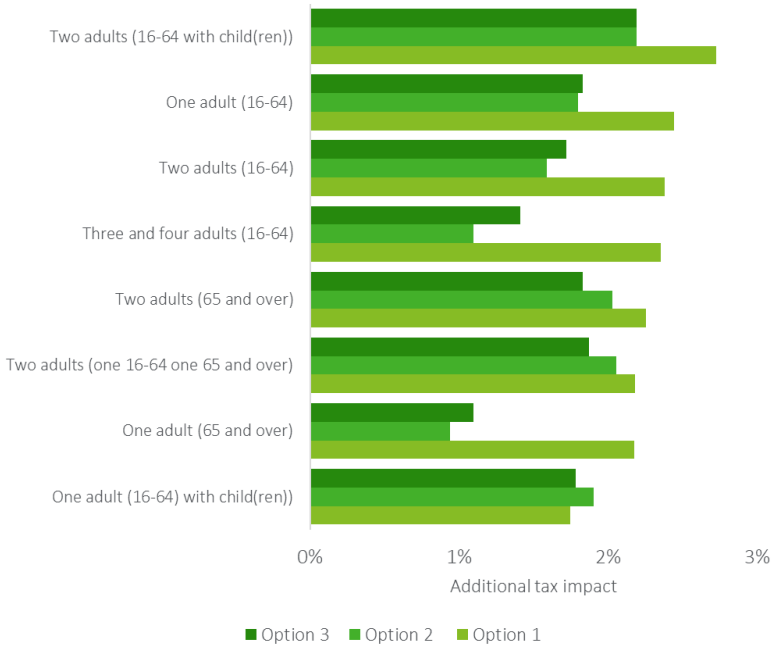
The final chart in Figure 15 shows the impact of Policy Option 3 across household types before adjustments (lighter bar) and post-adjustment (darker bar). The impact before the adjustments is greatest for multi-adult households containing individuals aged 65 and over. Two working-age adult households with children and households with three to four working-age adults are least affected. The adjustments have the largest impacts for the most affected households. In particular, households with two adults aged 65 and over benefit significantly from the adjustments, taking them from being the second most affected household group to the second least affected group. After adjustments, the most impacted household type is a household with only one working age adult.

4.4.1.4. Overall impacts of policy option, by income quintile

The purpose of this section is to facilitate easy comparison of the distributional consequences of the different policy options under consideration. The first chart in Figure 16 shows the tax impact across the income distribution relative to gross household income. The second chart in Figure 16 shows the tax impacts for the different types of household.

Figure 16: Impacts of policy options relative to gross household income





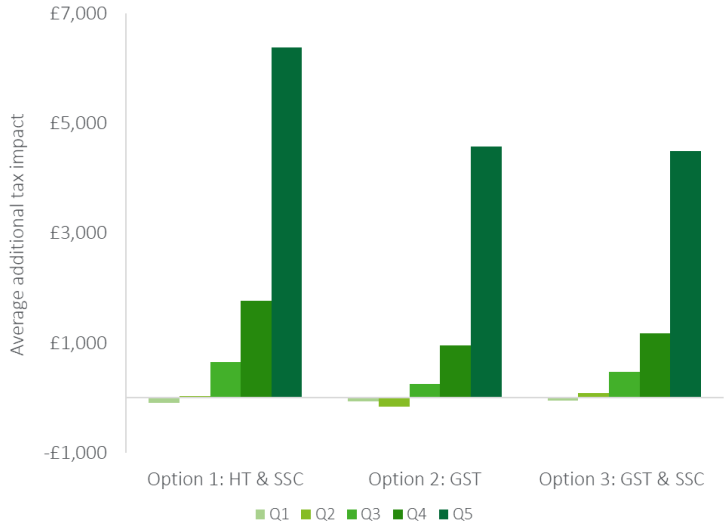
Source: Household income data and tax impact data as provided by the States

All three tax policy options are progressive, with Option 1 being the most progressive. Under all options, the most affected household type is a household with two working age adults with children.[122] There are numerous examples of notable changes in the magnitude of the tax impacts across the different household types. The impact for households containing a single adult aged 65 and over is significantly higher under Option 1, and this is also true for households with multiple working age adults without children. For the single pensioner households, this is because Options 2 and 3 include old age pension adjustments and pension support scheme along with the introduction of GST rates. The impact for single parent households is slightly greater under Option 2 compared to Options 1 and 3. Across the households, Option 1 has a higher tax impact than Options 2 and 3 as some of the revenue raised from the latter options are from tourist spend and the ISE scheme.

An additional view of the distributional impact of each tax policy option is shown in Figure 17 below, which illustrates the additional tax impact from each option by income quintile. For all options, the largest impact is seen in the fifth quintile, which includes those with the highest income levels. Each preceding quintile for Options 1 and 3 has less of a tax impact, meaning less tax liability. This is partly the same for Option 2, except in the case of the first and second quintiles; on average, quintile 2 results in less of a tax liability than quintile 1.

[122] These households have higher incomes on average across the household compositions.

Figure 17: Additional tax impact from each policy option by income quintile



Source: Household income data and tax impact data as provided by the States

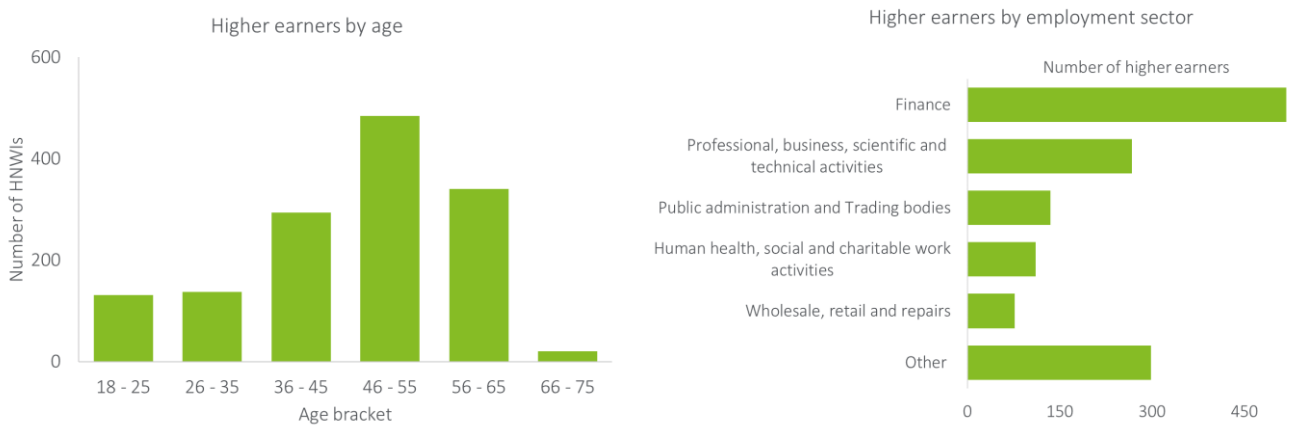
4.4.2. Higher Earners (Part of Top 5%)

Of the illustrative tax changes being considered, the PIT changes would be most likely to impact higher earners. Impacts on higher earners are therefore considered in the context of the different policy options under consideration. Furthermore, the demographics of these higher earners are studied to discuss impacts to specific sectors in the scenario that these individuals move out of Guernsey.

4.4.2.1. Demographics of Higher Earners

Overall, a total of 1,406 higher earners have been identified from data on the top 5% of households in the income distribution, as provided by the States. These higher earners are employed and self-employed individuals in 1 to 4 person households and employed and self-employed individuals chosen from 5 to 6 person households based on aggregate household income reflecting a high number of higher earners. Almost 80% of these individuals are between 45 and 65 years of age. Furthermore, 56% of these higher earners are employed either in the finance sector or in the professional, business, scientific, and technical activities sectors. Their distribution by age and employment sectors is shown in Figure 18.

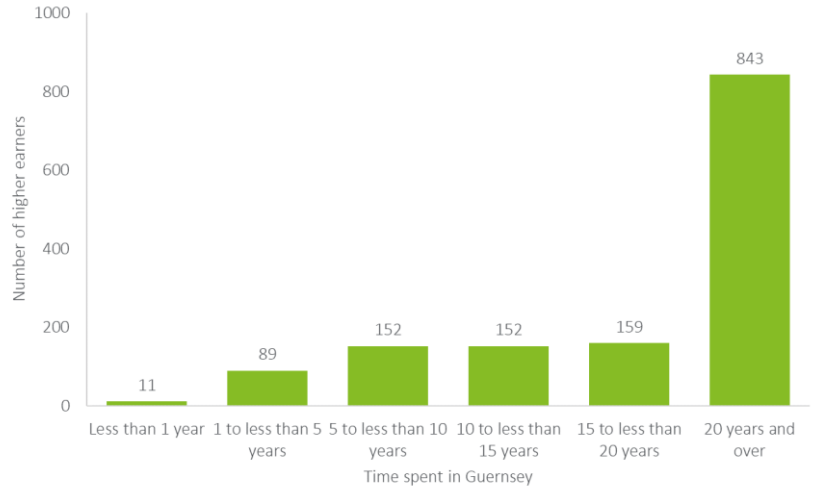
Figure 18: Distribution of higher earners by age and employment sectors (five largest)



Source: Household income data for the top 5% of households as provided by the States

When looking at time spent resident in Guernsey, 60% of higher earners have spent over 20 years in Guernsey, and 82% of higher earners have spent over 10 years in Guernsey. Figure 19 shows the distribution by the amount of time spent in Guernsey.

Figure 19: Higher earners by time spent in Guernsey



Source: Household income data for the top 5% of households as provided by the States

4.4.2.2. Impact on income of higher earners as a result of proposed changes in income taxation

Overall, it is seen that the largest proportion of those individuals who are categorised as higher earners would see an **impact of 3% to 4% on their household income under Option 1 and impact of between 2% and 3% of household income under both Option 2 and Option 3**.[123] For the small number of individuals who make use of the States' tax cap this impact will be zero. Under each policy option the impact on higher earners is 5% or less for at least 80% of households. In the event that these tax changes are large enough to incentivise higher earners to relocate to minimise their income tax

[123] As individual income is not available, household income is used as a proxy. This is declared household income as individuals who pay the personal income tax (PIT) cap are not obligated to declare their full income. Thus, the impacts calculated may be an overestimation.

burden, the finance and professional activities sectors may be adversely impacted as they employ over 50% of the higher earners.

However, given the PIT ranges seen in comparable jurisdictions in the benchmarking analysis in Section 3, it is unlikely that the tax changes illustrated here will lead to a material change in factors that make Guernsey an attractive location for some higher earners. For the few high net worth individuals who make use of the tax cap, their location choice is more likely to be sensitive to changes in the tax cap and capital taxes, which are unchanged for each of the options under consideration in this report. Further, higher earners generally tend to be more adversely impacted by increases in capital gains taxes, which are not currently applied in Guernsey.

Considering the distribution of time spent in Guernsey, this may suggest that about 82% of higher earners have ties to the island which could make them less sensitive to tax reform. On this basis, the improvement of the health and care sector, as a result of the planned expenditure, relative to the counterfactual where the spending does not take place, will help to retain Guernsey's attractiveness as a jurisdiction of residence. This still leaves 18% of this group who may have a more limited local connection and could be fairly mobile and sensitive to their direct tax burden. Given their large contribution to the tax base, the loss of even a small number could be significant for the States. This also does not consider whether the changes in direct taxation may impact Guernsey's ability to attract such individuals in the first place. Higher earners differ from the high net worth individuals (HNWIs), which are much smaller in number, more mobile and would be most influenced by the tax cap and any taxes on capital.

Key Insights

Government revenue in Guernsey, before 2020 and the impacts of COVID-19, was 21.9% of GDP, which is lower than the States' target of 24%. The first element of the economic impact study presented in this report is to consider whether the illustrative tax reforms considered in this Interim Report would lead to a sufficient increase in government revenue.

The three tax reforms under consideration include changes to existing tax policy as well as the introduction of new forms of taxation. The first option involves the introduction of a 3% Health Tax administered in a similar fashion to PIT along with restructured (increased) SSC rates. The second option involves the introduction of an 8% GST administered in a manner similar to the GST in place in Jersey, along with a marked increase in the PIT allowance and restructured (increased) SSC rates. The third option involves the introduction of a 5% GST administered in a manner similar to the GST in place in Jersey, along with an increase in the PIT allowance and restructured (increased) SSC rates.

Implementing Policy Option 1, which is based on the Health Tax, would increase the ratio of tax revenue to GDP to 23.8% by 2026. If Policy Option 2, which is based on the GST, were implemented, it would increase the ratio of tax revenue to GDP to 24.1% by 2026. If Policy Option 3, which is a balance between relying on the GST and changes in SSCs, were implemented, it would increase the ratio of tax revenue to GDP to 24.0% by 2026. While the analysis presented in this report suggests that the policy options under consideration may be sufficient to lead to an increase in government revenue, there are also likely to be wider economic impacts associated with their introduction.

Increases in individual taxation (PIT, social security and Health Tax) will lead to a short-term decrease in household consumption, a short-term decrease in GDP growth, a short-term decrease in employment and have no impact on price levels. The introduction of a GST will lead to household consumption being brought forward but not with any significant total impact, no significant impact on GDP growth, no significant impact on employment and a short-term increase in inflation.

While the aggregate impacts of changes in taxation may be somewhat limited, the impacts for individual sectors and the distributional consequences of reform may be greater. Changing the higher rate of PIT is most progressive, while the impact of changing social security contributions and introducing a Health Tax is limited for those in the top income quintile as a result of the tax cap.

The GST is least progressive as the burden falls predominantly on lower income households; this impact has been mitigated in other jurisdictions by introducing accompanying compensatory policies. When the impact of mitigations is included all policy options under consideration are found to be progressive in terms of expenditure or income and in absolute terms.

82% of higher earners have spent more than 10 years in Guernsey, which, when combined with the position of Guernsey's tax regime relative to its benchmark jurisdictions, suggests that the reforms considered in this report are unlikely to be sufficient to result in a material change in the incentives of such higher earners. However, it could be the case that some individuals who are more mobile and have less significant ties or time spent in Guernsey may consider their position, and this would have wider consequences for the people that such individuals employ as well as their overall contributions to Guernsey's tax base.

5 Conclusion and next steps

Guernsey's current tax regime is broadly comparable to those of its benchmark jurisdictions and would continue to be so after accounting for the tax policy options considered in this report. Nevertheless, the options analysed will cause changes to Guernsey's tax regime across the different dimensions considered. The direction of these changes is specific to each option. The economic impacts of the tax policy options are likely to be transitory but may have important repercussions for certain sectors.

The States currently have an expected operating deficit of £64 million in 2020. The States are considering three tax policy options to increase revenues such that the States meet the future needs of their ageing population and are capable of the 24% of revenue to GDP target. This Report analyses the options put forward by the States, which include changes to their key tax levers. It does so by first benchmarking Guernsey's current tax regime and the tax regime that would prevail under each of the three options, relative to comparable jurisdictions, and second considering the economic impact of implementing these options to increase revenues.

The first tax policy option involves the introduction of a 3% Health Tax and a restructured social security contribution system with rate increases. The second option involves the introduction of a GST at a rate of 8% along with a social security contributions restructure. The third option involves the introduction of a GST at a rate of 5%, a social security contribution system restructure with rate increases. Outside the tax policy options analysed in this report, the States have provided the assumption applicable to MNEs in line with the OECD work-stream on corporate taxes, that changes to the CIT would raise an additional £10m in revenue. Importantly, with regard to Jersey and the Isle of Man, the States are likely to seek to maintain alignment and the comparative position would remain broadly the same.

The States have posited that the revenue raised by any one of the options chosen will be reinvested in the economy as a result of increasing demand for health and aged care. Based on this and the empirical evidence, **the considered tax levers' overall impacts on GDP growth may be limited and transitory in nature.** However, there may be impacts in the short term that are associated with government expenditure being delayed, for example as a result of a labour shortage for healthcare professionals required to increase capacity in the sector. It is also likely that the **economy will experience structural change** resulting from both changes to the tax system and increased government expenditure. Sectors such as **wholesale, retail, and repairs, and transport and storage may be negatively affected**, as household consumption is adversely impacted. By contrast, sectors such as **health and care and public administration may expand in line with increased spending necessary to maintain existing service levels.** Consideration may need to be given to investing in upskilling labour to support the labour market in transitioning to a restructured economy.

Any tax reforms are likely to be accompanied by adjustment costs, these costs will be more pronounced where new systems are being introduced, such as a GST in the case of Guernsey. Furthermore, the introduction of a GST itself **may increase price levels in the short-term** increasing prices by approximately 3 percentage points for Option 3 and even more so for Option 2, based on impacts observed in Jersey. However, this is expected to **not have any long-term impacts on inflation** as prices settle to a new baseline after a year.

As discussed in Section 3, **Guernsey currently raises less tax as a proportion of its GDP relative to some of the benchmark jurisdictions**. **Guernsey's position remains the same when all three options are considered**. Amongst the benchmark jurisdictions, **Guernsey is the only one that does not currently have a GST in place. However, Options 2 & 3 present a**

change to this as a result of introducing GST at different rates. Guernsey's GST contribution to total revenue would increase with both options, bringing Guernsey to the lower end of the benchmark range.

Guernsey's share of direct tax as a proportion of total tax revenue is currently the highest amongst the benchmark jurisdictions considered in this report. Option 1 would increase Guernsey's direct tax reliance, maintaining its position across the range. This is largely driven by the introduction of a 3% Health Tax charged in the same way as PIT but also by the increase in SSC rates and the broader SSC restructure. Options 2 & 3 would reduce Guernsey's direct tax reliance as a result of introducing a GST, with Option 2 causing change of a higher magnitude due to its higher GST rate.

Furthermore, depending on the taxes implemented, the impacts on different parts of the income distribution will vary. Option 1 with the 3% Health Tax is the most progressive of the three tax policy options, with impact increasing from the first to fifth quintile. This is a result of Guernsey's current PIT structure and the SSC restructure as part of Option 1 to match the current PIT structure.

The introduction of a GST could be regressive in nature without any accompanying mitigations, particularly as no essentials are being zero-rated or taxed at a lower rate. Attempts to mitigate this regressivity in other jurisdictions have been made by providing means-tested benefits to lower income households. The States have included a change in the PIT and SSC allowance as well as mitigation measures such as a food cost support bonus to Options 2 and 3. As a result, the options involving a GST as presented by the states are progressive after making these adjustments.

The impacts on higher earners have been studied in the context of each individual option. It is seen that higher earners are mostly employed in high-skilled sectors such as finance and that a large majority of them have spent over 10 years in Guernsey. Given the nature of their high-skilled employment, it is unlikely that the employment status of these individuals will be adversely impacted as a result of the structural changes in the economy given that changes in the marginal personal income tax rate are unlikely to be a significant factor when companies choose where to locate. Furthermore, given that Guernsey's structures for capital gains tax, inheritance tax, and corporate tax are comparable to those of its benchmark jurisdictions, it is unlikely that the tax changes illustrated here will lead to a material change in factors which make Guernsey an attractive location for some higher earners. For some of the more mobile higher earners who may have weaker ties to the Island, the changes under consideration may cause them to reconsider their residence in Guernsey. For the few high net worth individuals who make use of the tax cap, their location choice is more likely to be sensitive to changes in the tax cap and any taxes on capital.

Appendix

A1. Identification of higher earners

The States have provided us with household-level data for the top 5% of households by household income. To further classify these individuals as higher earners:

- The household income data provided by the States is first filtered by quintile 5 households only.
- This subset is then filtered by large household sizes and these households are examined to determine the validity of their inclusion in this sample.
- For the 7 to 11 person households in the distribution, when income per working individual was calculated, the values were quite small. These households therefore have a large household income as a result of several adults living in one household. These individuals from these households were all removed from the sample.
- For 5 and 6 person households, all individuals with employment status "Full Time Education", "Incapacitated", "Non-Employed", "Other", or "Unemployed" were removed. The remaining individuals were then manually categorised as higher earners or not based on household income.
- For 1 to 4 person households, all individuals with employment status "Full Time Education", "Incapacitated", "Non-Employed", "Other", or "Unemployed" were removed. The rest were all classified as higher earners as the remaining dataset was too large to manually sort.

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- Table 3:
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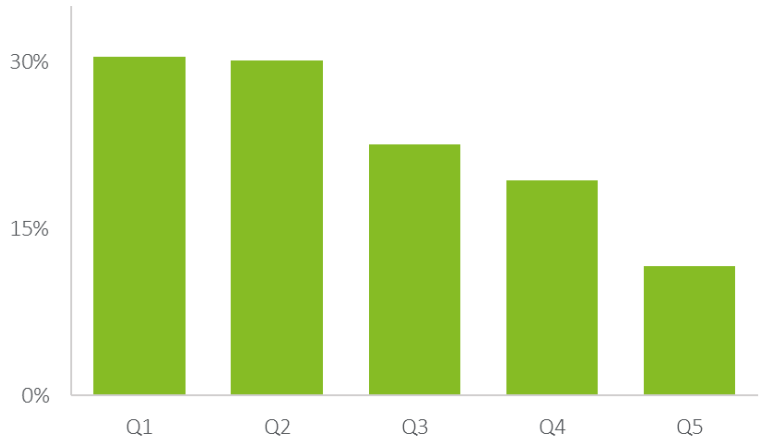
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A3. Other Figures and Tables

Figure 20: Proportion of total expenditure spent on essentials



Source: Expenditure data from Guernsey Household Expenditure Survey Report, available at: https://www.gov.gg/CHttpHandler.ashx?id=133968&p=0.

Table 10 below details the GST rates applied to each jurisdiction alongside a summary of some other GST treatments. It also highlights the exemption of financial services, which is important to each of these jurisdictions' economies.

Table 10: GST rates, zero ratings, exemptions and business threshold for each jurisdiction

	Jersey	Isle of Man	Luxembourg	Singapore	New Zealand
Standard Rate	5%	20%	17%	7%	15%
Other Rates	-	5% Children's car seats, home energy, domestic property repairs and accommodation provided by hotels	14% - Certain wines, solid mineral fuels, washing and cleaning products 8% - shoes and leather goods, clothing, household linen and hairdressing; 3% - Foodstuffs, soft drinks, children's clothing and footwear		-
Zero rated items	Exports of goods, housing, international services	Exports, most food and children's clothes, books and newspapers	Intra-community supplies, international transport and exports	Exports of goods and provision of international services	Exports, sales of ongoing business, sale of land
Exemptions	Financial services, insurance, postal services, medical and paramedical supplies made by registered professionals or institutions, registered childcare, school fees, supplies by charities, some burial and cremation services	Postage stamps, financial and property transactions	Medical services, health services, supplies of postage, welfare services, education and financial services	Sale and lease of residential land and financial services	Financial services, donations, private rent sale of private property and penalty interest
Business threshold	£300,000	£85,000	€35,000 (£30,435)	SGD 1 million (£543,478)	NZD 60,000 (£31234)

Source: See Appendix A2 Table 10, the exchange rates used for business threshold values were £1 = €1.15, £1 = SGD 1.84, and £1 = NZD 1.92, all calculated on the 28th April 2021

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Appendix 2: Samples of Household Analysis

The following analysis covers real examples extracted from the data set and assessed against all three options presented. They are intended to demonstrate in more detail how the options would be applied.

Note that the analysis presented in the body of the report are averages, and that a household's individual circumstances will affect the extent to which they are impacted by the changes. The examples presented in this appendix are not necessarily representative of all other households with similar incomes and household compositions.

To illustrate Figures A2.1 and A2.2 show a single employed or self-employed adult respectively, each of approximately median earning to illustrate the different outcomes. Figure A2.13 also shows a comparison between two pensioner couples with similar incomes but whose personal circumstances, including their housing status and the amount of their income derived from the States' pension are different.

Single adults no children

Figure A2.1

Gross income (incl benefits)	£38,110	(employed)
Income support recipient	No	
Equivalised income percentile	50-54	
Housing	Owner occupier with mortgage	

	Current	Option 1	Option 2	Option 3
Income tax/social security/health tax liability	£7,222	£7,800	£6,149	£6,766
Est TRP and excise liability	£977	£977	£977	£977
Est GST liability	£-	£-	£1,836	£1,147
Adjust Income Support for direct tax changes	£-	£-	£-	£-
Adjust IS for GST	£-	£-	£-	£-
Adjust pensions for GST	£-	£-	£-	£-
Cost support (max modelled)	£-	£-	£-	£-
Net change in circumstances	**£-**	**£578**	**£763**	**£691**
		1.5%	**2.0%**	**1.8%**
		worse off	**worse off**	**worse off**

Figure A2.2

Gross income	£35,639	(self-employed)
Children	-	
Income support recipient	No	
Equivalised income percentile	50-54	
Housing	Private renter	

	Current	Option 1	Option 2	Option 3
Income tax/social security/health tax liability	£7,858	£7,895	£6,263	£6,919
Est TRP and excise liability	£555	£555	£555	£555
Est GST liability	£-	£-	£1,342	£839
Adjusted Income Support for direct tax changes	£-	£-	£-	£-
Adjusted IS for GST	£-	£-	£-	£-
Adjusted pensions for GST	£-	£-	£-	£-
Cost support	£-	£-	£-	£-
Net change in circumstances	**£-**	**£37**	**-£253**	**-£100**
		0.1%	**-0.7%**	**-0.3%**
		worse off	**better off**	**better off**

Single adults no children (cont)

Figure A2.3

Gross income (incl benefits)	£16,816
Income support recipient	No
Equivalised income percentile	15-19
Housing	Private renter

	Current	Option 1	Option 2	Option 3
Total income tax/social security/health tax liability	£2,158	£1,677	£788	£1,194
Est TRP and excise liability	£572	£572	£572	£572
Est GST liability	£-	£-	£1,123	£702
Adjust Income Support for direct tax changes	£-	£-	£-	£-
Adjust Income Support for GST	£-	£-	£-	£-
Adjust pensions for GST	£-	£-	£-	£-
Cost support (max modelled)	£-	£-	£800	£500
Net change in circumstances	**£-**	**-£481**	**-£1,047**	**-£262**
		-2.9%	**-6.2%**	**-1.6%**
		better off	**better off**	**better off**

Figure A2.4

Gross income (incl benefits)	£63,508
Income support recipient	No
Equivalised income percentile	80-85
Housing	Owner occupier with mortgage

	Current	Option 1	Option 2	Option 3
Total income tax/social security/health tax liability	£12,632	£14,349	£11,889	£12,761
Est TRP and excise liability	£1,378	£1,378	£1,378	£1,378
Est GST liability	£-	£-	£2,764	£1,727
Adjust Income Support for direct tax changes	£-	£-	£-	£-
Adjust IS for GST	£-	£-	£-	£-
Adjust pensions for GST	£-	£-	£-	£-
Cost support (max modelled)	£-	£-	£-	£-
Net change in circumstances	**£-**	**£1,717**	**£2,021**	**£1,856**
		2.7%	**3.2%**	**2.9%**
		worse off	**worse off**	**worse off**

Couples with 1 child

Figure A2.5

Gross income (incl benefits)	£65,958
Income support recipient	No
Equivalised income percentile	50-54
Housing	Private renter

	Current	Option 1	Option 2	Option 3
Total income tax/social security/health tax liability	£12,634	£13,360	£10,332	£11,455
Est TRP and excise liability	£927	£927	£927	£927
Est GST liability	£-	£-	£2,356	£1,473
Adjust Income Support for direct tax changes	£-	£-	£-	£-
Adjust Income Support for GST	£-	£-	£-	£-
Adjust pensions for GST	£-	£-	£-	£-
Cost support	£-	£-	£-	£-
Net change in circumstances	**£-**	**£726**	**£54**	**£294**
		1.1%	**0.1%**	**0.4%**
		worse off	**worse off**	**worse off**

Figure A2.6

Gross income (incl benefits)	£31,019
Income support recipient	Yes
Equivalised income percentile	15-19
Housing	Affordable

	Current	Option 1	Option 2	Option 3
Total income tax/social security/health tax liability	£3,288	£2,157	£724	£1,411
Est TRP and excise liability	£483	£483	£483	£483
Est GST liability	0	0	£1,511	£944
Adjust Income Support for direct tax changes	0	-£1,131	-£2,564	-£1877
Adjust Income Support for GST	0	0	£2,218	£1,387
Adjust pensions for GST	0	0	0	0
Cost support	0	0	0	0
Net change in circumstances	**0**	**0**	**-£707**	**-£443**
		0.0%	**-2.3%**	**-1.4%**
		no change	**better off**	**better off**

Couples with 1 Child (cont)

Figure A2.7

Gross income (incl benefits)	£113,345
Income support recipient	no
Equivalised income percentile	80-85
Housing	Owner occupier with mortgage

	Current	Option 1	Option 2	Option 3
Total income tax/social security/health tax liability	£23,042	£26,945	£22,227	£23,822
Est TRP and excise liability	£1,840	£1,840	£1,840	£1,840
Est GST liability	0	0	£3,645	£2,278
Adjusted Income Support for direct tax changes	0	0	0	0
Adjust Income Support for GST	0	0	0	0
Adjust pensions for GST	0	0	0	0
Cost support	0	0	0	0
Net change in circumstances	**0**	**£3,903**	**£2,830**	**£3,058**
		3.4%	**2.5%**	**2.7%**
		worse off	**worse off**	**worse off**

Single Pensioners

Figure A2.8

Gross income (incl benefits)	£38,242
Income support recipient	No
Equivalised income percentile	50-54
Housing	Owner occupier without mortgage

	Current	Option 1	Option 2	Option 3
Total income tax/social security/health tax liability	£6,336	£7,322	£5,808	£6,248
Est TRP and excise liability	£995	£995	£995	£995
Est GST liability	£-	£-	£1,549	£968
Adjust Income Support for direct tax change	£-	£-	£-	£-
Adjust IS for GST	£-	£-	£-	£-
Adjust pensions for GST	£-	£-	£556	£347
Cost support (max modelled)	£-	£-	£-	£-
Net change in circumstances	**£-**	**£986**	**£465**	**£533**
		2.6%	**1.2%**	**1.4%**
		worse off	**worse off**	**worse off**

Single Pensioners (cont)

Figure A2.9

Gross income (incl benefits)	£16,603
Income support recipient	No
Equivalised income percentile	15-19
Housing	Private renter

	Current	Option 1	Option 2	Option 3
Total income tax/social security/health tax liability	£1,000	£1,076	£619	£950
Est TRP and excise liability	£458	£458	£458	£458
Est GST liability	£-	£-	£1,081	£676
Adjust Income Support for direct tax changes	£-	£-	£-	£-
Adjust Income Support for GST	£-	£-	£-	£-
Adjust pensions for GST	£-	£-	£556	£347
Cost support (max modelled)	£-	£-	£800	£500
Net change in circumstances (per year)	**0**	**76**	**-£656**	**-£221**
		0.5%	**-4.0%**	**-1.3%**
		worse off	**better off**	**better off**

Figure A2.10

Gross income (incl benefits)	£63,069
Income support recipient	No
Equivalised income percentile	80-85
Housing	Owner occupier without mortgage

	Current	Option 1	Option 2	Option 3
Total income tax/social security/health tax liability	£12,146	£14,150	£11,767	£12,331
Est TRP and excise liability	£1,893	£1,893	£1,893	£1,893
Est GST liability	£-	£-	£2,822	£1,764
Adjusted Income Support for direct tax changes	£-	£-	£-	£-
Adjusted IS for GST	£-	£-	£-	£-
Adjusted pensions for GST	£-	£-	£556	£347
Cost support	£-	£-	£-	£-
Net change in circumstances	**£-**	**£2,004**	**£1,887**	**£1,602**
		3.2%	**3.0%**	**2.5%**
		worse off	**worse off**	**worse off**

Pensioner couples

Figure A2.11

Gross income (incl benefits)	£57,573
Income support recipient	No
Equivalised income percentile	50-54
Housing	Owner occupier without mortgage

	Current	Option 1	Option 2	Option 3
Total income tax/social security/health tax liability	£8,188	£9,503	£7,227	£7,971
Est TRP and excise liability	£1,913	£1,913	£1,913	£1,913
Est GST liability	£-	£-	£3,301	£2,063
Adjust Income Support for direct tax changes	£-	£-	£-	£-
Adjust Income Support for GST	£-	£-	£-	£-
Adjust pensions for GST	£-	£-	£971	£607
Cost support (max modelled)	£-	£-	£-	£-
Net change in circumstances	**£-**	**£1,315**	**£1,369**	**£1,239**
		2.3%	**2.4%**	**2.2%**
		worse off	**worse off**	**worse off**

Figure A2.12

Gross income (incl benefits)	£96,304
Income support recipient	no
Equivalised income percentile	80-85
Housing	Owner occupier without mortgage

	Current	Option 1	Option 2	Option 3
Total income tax/social security/health tax liability	£17,310	£20,094	£16,373	£17,351
Est TRP and excise liability	£1,750	£1,750	£1,750	£1,750
Est GST liability	£-	£-	£3,704	£2,315
Adjust Income Support for direct tax changes	£-	£-	£-	£-
Adjust Income Support for GST	£-	£-	£-	£-
Adjust pensions for GST	£-	£-	£210	£131
Cost support (max modelled)	£-	£-	£-	£-
Net change in circumstances	**£-**	**£2,784**	**£2,767**	**£2,356**
		2.9%	**2.9%**	**2.4%**
		worse off	**worse off**	**worse off**

Figure A2.13
Comparison of low-income pensioner couple examples

Couple 1

Gross income (incl benefits)	£26,978
Income support recipient	no
Equivalised income percentile	15-19
Housing	Owner Occupier without mortgage

	Current	Option 1	Option 2	Option 3
Total income tax/social security/health tax liability	£1,110	£1,198	£196	£584
Est TRP and excise liability	£913	£913	£913	£913
Est GST liability	£-	£-	£1,707	£1,067
Adjust Income Support for direct tax changes	£-	£-	£-	£-
Adjust Income Support for GST	£-	£-	£-	£-
Adjust pensions for GST	£-	£-	£644	£403
Cost support (max modelled)	£-	£-	£-	£-
Net change in circumstances	£-	£88	£149	£138
		0.3%	0.6%	0.5%
		worse off	worse off	worse off

Couple 2

Gross income (incl benefits)	£27,477
Income support recipient	no
Equivalised income percentile	15-19
Housing	Private renter

	Current	Option 1	Option 2	Option 3
Total income tax/social security/health tax liability	£1,282	£1,407	£270	£777
Est TRP and excise liability	£712	£712	£712	£712
Est GST liability	£-	£-	£1,668	£1,042
Adjust Income Support for direct tax changes	£-	£-	£-	£-
Adjust Income Support for GST	£-	£-	£-	£-
Adjust pensions for GST	£-	£-	£878	£549
Cost support (max modelled)	£-	£-	£-	£-
Net change in circumstances	£-	£297	-£222	-£12
		1.1%	-0.8%	0.0%
		worse off	better off	better off

Appendix 3: Contextual and supporting data

Throughout this report data is presented in equivalised gross households income percentiles. These are not adjusted for housing costs.

A percentile represents 1% of households when arranged in order from lowest income to highest income. Those in the percentiles 1 to 5 are therefore the lowest income households; those in percentiles 95 to 100 are the highest income households.

Equivalisation is a standard methodology that adjusts household income to account for the different financial resource requirements of different household types. Household size is an important factor to consider because larger households usually need a higher income than smaller households to achieve a comparable standard of living. The composition of a household also affects resource needs, for example, living costs for adults are normally higher than for children. After equivalisation has been applied, households with the same equivalised income can be said to have a comparable standard of living.

For example:

A single adult has an income of £50,000

For a couple to achieve the same standard of living they are assumed to need £50,000 *1.5 = £75,000

A single parent with on child is assumed to need £50,000*1.3 = £65,000

Figure A3.1 provides a table which translates household income percentiles into estimates of actual households' incomes for different households compositions. These are drawn specifically from the data set as analysed in this report.

Figure A3.1: Approximate value of income percentiles (£)

Equivalised income percentile	Single Adult	Couple	1 adult 1 child	2 adults 1 child	2 adults 2 children
1	7,360	11,039	9,567	13,247	15,455
2	9,300	13,950	12,090	16,740	19,530
3	10,570	15,855	13,741	19,026	22,197
4	11,538	17,307	15,000	20,769	24,230
5	11,582	17,373	15,056	20,847	24,322
10	13,574	20,361	17,646	24,433	28,505
20	18,076	27,114	23,499	32,537	37,960
30	23,292	34,938	30,280	41,926	48,913
40	28,910	43,366	37,584	52,038	60,711
50	34,777	52,165	45,210	62,599	73,032
60	40,993	61,489	53,291	73,787	86,085
70	48,110	72,165	62,543	86,598	101,031
80	57,927	86,891	75,305	104,269	121,647
90	76,319	114,478	99,214	137,374	160,270
95	102,094	153,142	132,723	183,769	214,397
96	113,801	170,701	147,941	204,842	238,982
97	130,086	195,129	169,112	234,155	273,181
98	156,942	235,414	204,025	282,496	329,578
99	218,495	327,742	284,043	393,291	458,840

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THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR* ECONOMIC DEVELOPMENT

THE GUERNSEY COMPETITION AND REGULATORY AUTHORITY:
ACCOUNTS AND AUDITORS' REPORT FOR THE YEAR ENDING 31st DECEMBER 2020

The States are asked to decide:-

Whether, after consideration of the Policy Letter entitled "The Guernsey Competition and Regulatory Authority: Accounts and Auditors' Report for the year ending 31st December 2020" dated 15th July 2021, they are of the opinion:-

1. To note the accounts of the Guernsey Competition and Regulatory Authority and auditors' report for the ended 31st December 2020.

The above 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.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR* ECONOMIC DEVELOPMENT

THE GUERNSEY COMPETITION AND REGULATORY AUTHORITY:
ACCOUNTS AND AUDITORS' REPORT FOR THE YEAR ENDING 31st DECEMBER 2020

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

15th July 2021

Dear Sir

1 Executive Summary

1.1 The 2020 annual accounts of the Guernsey Competition and Regulatory Authority ("**GCRA**") and auditors' report are hereby presented to the States in accordance with section 13(5) of the Guernsey Competition and Regulatory Authority Ordinance, 2012.

2 Proposition

2.1 The States are asked to note the accounts of the GCRA and auditors' report for the year ending 31st December 2020.

3 Compliance with Rule 4

3.1 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.

3.2 In accordance with Rule 4(1), the Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.

3.3 In accordance with Rule 4(4) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the proposition above has the unanimous support of the Committee *for* Economic Development.

Yours faithfully

N R Inder
President

S J Falla
Vice-President

A Kazantseva-Miller
N G Moakes
S P J Vermeulen

A Niles
A Mancini
Non-States Members



ANNUAL REPORT 2020

ABOUT THIS DOCUMENT

This document sets out our annual report and accounts for the period 1 January 2020 to 31 December 2020. It is presented to Guernsey's Committee *for* Economic Development pursuant to Section 13 of The Guernsey Competition and Regulatory Authority Ordinance, 2012.

Further information about our work is available on our website www.GCRA.gg.

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OVERVIEW

CHAIRMAN'S MESSAGE

I am pleased to present the Annual Report and Accounts of the Guernsey Competition and Regulatory Authority ("GCRA").

At the start of 2020, no-one could have predicted how the year would turn out. Obviously the Covid pandemic has been the biggest change, affecting all countries. Although the experience in Guernsey has been very different from that in the UK, with considerably greater freedom benefitting many local businesses, this has been achieved through stricter controls on movement to and from the Bailiwick which have had an inevitable impact on the Guernsey economy and on the operation of organisations such as GCRA.

For GCRA itself, 2020 was also a year of great change. After eight years as part of the pan-island Channel Islands Competition and Regulatory Authority ("CICRA"), the Jersey Government announced in February that it was withdrawing from this arrangement. As a consequence, GCRA was re-established as an independent authority on 1 July, with its own Board and staff, and I was appointed as Chairman. Recognising that a number of issues are common to Jersey and Guernsey, we have entered into a Memorandum of Understanding with the Jersey Competition Regulatory Authority ("JCRA") which includes regular dialogue between the respective Chairs, without of course compromising the independence of either authority.

My own background is mainly in utility regulation in the UK, both as a regulator and as a director of a regulated company. But I have had some involvement with regulatory issues in Guernsey in the past and I am well aware of the importance of the need for a different approach in a small island compared with the UK - and indeed potentially a different approach from that taken by CICRA.

One of our early tasks, therefore, was to review our approach and priorities. We are clear that our focus should be working to promote value and choice for Guernsey consumers, to the benefit of the Guernsey economy, taking account of the distinctive features of the Bailiwick. Starting of course from the powers and duties given to us in law, we will approach this task in an open and flexible way, intervening only where we believe that this will bring a tangible benefit and doing so in a proportionate way. The work of a competition and regulatory authority is an enabling one - a means to achieving the end of better outcomes for consumers - not an end in itself.

To achieve this, it is important that we engage with all our stakeholders, including Government and the States of Guernsey, businesses and individual consumers to understand their concerns, and at the same time to ensure that there is proper understanding of our role and approach. Engagement with Government, for example, is all the more important given the change in approach and priorities following the general election in October. Given travel restrictions, I have only been able to meet officials face to (socially distanced) face once, and I have not been able to meet businesses and other stakeholders in person. I regret that. Video-conferencing, which we have also had to use for our Board meetings, does not have the same immediacy as meeting in person. I very much hope that, later in 2021, I will be able to visit the island more regularly.

Most of GCRA's current workload has been inherited from CICRA, and the Board regularly reviews progress to ensure that issues are brought to an effective and timely conclusion. We will also make sure that our approach reflects regulatory good practice, so we maintain dialogue both with UK regulators and with JCRA. With two of the non-executive Board members living on Guernsey, and two (including me) living in Southern England - within easy reach of Southampton airport once travel restrictions are lifted - the Board is well placed to achieve our objective of taking proper account of the particular circumstances in Guernsey while operating to international standards of good regulatory practice.

CHAIRMAN'S MESSAGE (continued)

I would like to pay tribute in particular to Paul Masterton, who chaired CICRA until it split, and to John Curran who led the work to separate GCRA from CICRA and remains as a non-executive member of the GCRA Board. But the success of GCRA is a real team effort, and also depends on the expertise and dedication of our other two non-executives, Caroline Chan and Philip Marsden, and our Chief Executive, Michael Byrne, and the whole of the GCRA team. We look forward to 2021 with confidence and with a renewed focus on the priorities of the Bailiwick of Guernsey's economy.

Chris Bolt - Chairman

CHIEF EXECUTIVE'S REPORT

Working to promote value and choice for Guernsey consumers, to the benefit of the Guernsey economy describes the GCRA's remit and informs its priorities. Over 2020 the Authority sought to promote these objectives, having regard to the challenges and opportunities of a small- scale market economy in the context of two significant events, namely the reversion to a separate independent Authority for Guernsey and the Covid-19 pandemic. Those events have brought into sharp focus the wider role of a body such as ours, which as the Chairman refers to above, includes being an enabler - a means to achieving the end of better outcomes for Guernsey consumers.

On that theme, the reversion to a single Guernsey Authority saw a renewed exclusive strategic focus on Guernsey in support of the States' policy priorities, in particular the Revive and Thrive vision. The disbanding of the channel island approach, while significant at a strategic level, was achieved relatively quickly without any significant operational impact and considerable credit must go to the teams in Guernsey and Jersey for accomplishing that in such short timescales.

Since many of our areas of work require the engagement of parties whose core activities are fundamental to the continuity of key services, a reassessment of our areas of work for 2020 was carried out at an early stage given the pressures they faced. Following a re-evaluation of the Authority's priorities, some planned initiatives were suspended to reduce the regulatory burden on those businesses. In support of government decision making during the crisis our role as an advisor on competition and policy matters took on a greater urgency, and in parallel the Authority continued to progress several significant regulatory and competition law matters.

The telecommunications and electricity sectors, where the Authority has an economic regulatory role, were especially critical in supporting continuity of business as well as other functions that society depended on through the challenges of 2020, giving a glimpse of the demands on future infrastructure capability the island will need to cater for in future. Reliance on fixed and mobile broadband to support homeworking was particularly acute, where for example online education provision and the continuation of the functioning of government through the crisis were able to benefit from different forms of access and choice of provider that the regulatory framework facilitated and oversaw.

The connectivity between Guernsey and its key markets relied on its off-island telecoms infrastructure while the electricity cable link to the continent provided key access to electricity supply. The ongoing importance of reliable, resilient core infrastructure on and off island was certainly underlined by the events of 2020 and the experience will inform policy decisions and the priorities of the Authority going forward. The Authority's focus on business connectivity over 2020 and its future work programme certainly reflect this.

It is worth noting at this point that the ability and commitment of our licensees and their people operating these key infrastructures and services was vital to the ability of the economy and society to continue with minimal disruption, as it did, and they deserve considerable credit for the role they played.

The Authority made a significant intervention in the telecoms market in 2020, with a decision to reduce the level of charges to a fraction of their existing level that mobile network operators charge to terminate voice calls. This is a cost that consumers ultimately pay and where there is little incentive for the industry to reduce charges absent intervention. Ensuring that such charges are fair and reducing distortions to competition were key reasons for the Authority's intervention which will support better outcomes for consumers.

CHIEF EXECUTIVE'S REPORT (continued)

Guernsey's electricity sector was exposed to unfavourable exchange rate movements and suboptimal despatch decisions given the failure of the interconnector over 2019, requiring recovery of those costs over 2020. An allowance to recover those costs was agreed with Guernsey Electricity following an application for additional revenues funded by tariff increases. The final decision was delayed out of consideration for the financial stress that many businesses and households experienced in the first half of 2020 but in July after the island came out of lockdown the Authority confirmed the increase to allow Guernsey Electricity to recover these costs.

Two significant competition law investigations, in the medical and mobile sectors, proceeded over 2020. These investigations required a careful analysis of a considerable body of evidence given the issues under investigation and the right of reply of parties under investigation. The conclusion of those matters is expected in the first half of 2021.

The ability of the Authority to deliver against its remit depends on expert and committed individuals, both at Officer level and the Members of the Authority, and I am grateful for their support, expertise and commitment over 2020 in meeting the challenges of the year. The Authority has also been able to build on the body of regulatory work developed by its predecessors who made decisions in the past that enabled healthier market conditions with greater resilience, reliability and where appropriate, choice, in the provision of key infrastructure and services. The foresight, prioritisation and planning evident in regulatory decisions made several years ago in no small way contributed to the positive position the island finds itself in. We intend to build on their legacy in achieving even better outcomes for consumers in future.

Michael Byrne - Chief Executive

OUR POWERS AND DUTIES

We are an independent public authority, accountable to the States Assembly in Guernsey established as the Guernsey Competition and Regulatory Authority ("GCRA") under the Guernsey Competition and Regulatory Authority Ordinance, 2012. Our functions and legal duties guide the direction of our work and are set out in legislation passed by the States, to whom we are accountable.

What we are here to do

We are responsible for administering competition law and regulating the telecoms sector and electricity sectors in Guernsey. We are one of a number of agencies that contribute to the reputation of Guernsey as a well-regulated jurisdiction. The GCRA is focussed on four key objectives, namely:

- Promote value and choice for Guernsey consumers to the benefit of the Guernsey economy;
- To protect the interests of consumers who have no direct way of making their voices heard;
- To support development and delivery of Government policy, in particular, in the sectors subject to economic regulation, to achieve the best outcome for Guernsey consumers;
- To keep the operation of markets and regulated companies under review to identify and address new forms of detriment and issues for potential action, and thereby to promote trust in markets.

Our priorities

We have four key areas that we prioritise in achieving our aims.

- We will remain alert to possible market failures which could require action, reviewing a range of evidence and engaging with relevant stakeholders in doing so.
- We will discuss with Government areas for investigation we propose to initiate.
- We will respond to all complaints about anti-competitive behaviour where the complaint is supported by evidence, but only take further action where this is consistent with our prioritisation principles.
- In respect of telecoms and electricity, we will enforce licence conditions in a proportionate way.

HOW WE WORK

We recognise that a small island economy has distinctive features which influence the outcomes which are desirable and achievable; where this results in an approach different from that in a larger economy, we make clear the reasons for this. We operate within the law and adopt best practice in our procedures but promote changes in the law where there are perceived deficiencies. We work to clear administrative timetables and be transparent about the reasons for any necessary changes, being clear about the principles we adopt in deciding whether to take action in a particular case. Where we take action, we will be clear about the detriment resulting from inaction, and the potential improvements that our action could bring. Where different stakeholders have different objectives, we look to be clear about how we have taken those differences into account in any final decision.

Our advocacy programme targeted at local law firms and States officials is designed to develop an awareness of the law and the responsibilities of various parties in terms of compliance. These programmes also serve as a means of enabling people in key areas of contact with business to become more familiar with the sort of behaviours that are likely to harm competition or weaken the competitive process. Law firms have a unique insight into commercial practices in Guernsey and therefore in a position to alert parties to risks of falling on the wrong side of competition law. States officials that run bidding procedures for States contracts make key decisions on the use of taxpayer money, being better versed in potential illegal practices can assist them in the design of their bidding processes, protecting taxpayer money by ensuring States contracts are made on their merits and deliver best value for money to our community.

Engagement with stakeholders - Consumers and Islanders

Understanding consumers' and Islanders' interests and behaviour is vital to our work.

In supporting certain workstreams we may undertake research to better understand what matters to consumers and tailor our work accordingly. Our annual Telecommunication Statistics Market Report provides specific insight into the trends in the telecoms sector. And our oversight of quality of service in the telecoms sector assists us in identifying and focussing our capacity and capabilities on those areas that matter most to consumers.

As a result of our intervention, local telecoms operators have voluntarily published details of their retail service standards and compensation and have met the UK standard for dispute resolution.

The GCRA receives calls, emails and letters directly from consumers. While we are not a consumer body in the sense that fair trading standards protects consumers and our focus is in large part on the competitive process itself, the information that consumers provide and the issues they highlight help us to prioritise our work. Our contact details are available on our website www.gcra.gg.

Engagement with stakeholders - Co-regulators and other bodies

We work alongside Ofcom (the UK telecoms regulator) to support our work in regulating the telecoms sector. This includes collaborative working on cross-border issues and making recommendations for the effective allocation of spectrum, through issuance of wireless telegraphy licences.

When assessing applications for the approval of certain mergers and acquisitions where appropriate we consult colleagues in the UK's Competition and Markets Authority and the European Commission to ensure we are working to high standards in terms of process and analysis.

HOW WE WORK (continued)

When we regulate

Our prioritisation principles are:

- ✓ **Actionable.** We consider whether we have the necessary legal powers to properly assess and address the nature of the concerns that have arisen. The powers given by legislation as well as the absence of powers are all relevant in considering whether the Authority has the legal means to proceed in considering matters that may arise.
- ✓ **Realistic.** A small jurisdiction competition authority like the GCRA needs to carefully weigh up whether the benefits of prohibiting certain transactions are realistically achievable through enforcement action. Even where it has the legal powers to do so, the practicalities of carrying out investigations and taking action and whether our actions will have sufficient impact are factors we take into consideration in deciding whether to take a matter forward.
- ✓ **Meaningful.** Ultimately, we want to be as sure as we can that any action taken has a net positive benefit to the functioning of local markets, mindful of the fact that any intervention – or indeed not intervening at all - will have some cost.

There are a range of customer protection issues and assistance sought by consumers from time to time that are not within the GCRA's remit and other bodies provide the primary forum for dealing with these matters. In Guernsey, the States of Guernsey's Trading Standards Services, the Financial Ombudsman, and the Citizens' Advice Bureau have different purposes and powers which support consumers. The GCRA does not as a general rule deal with individual consumer issues in the sectors it regulates, such as equipment failures or contractual disputes between consumers and providers. The setting of health and safety standards for mobile mast emission levels are for example set by the States of Guernsey and the GCRA's role is to conduct audits to ensure mobile providers comply with such standards. In some cases, the GCRA may act to protect consumers where it becomes apparent there is a systemic problem affecting the market, such as a pattern of issues that suggest the market is not working sufficiently well. On the other hand, certain areas of the GCRA's remit do not allow for discretion, for example, GCRA has a duty to investigate mergers and acquisitions that meet the relevant statutory tests, to undertake market investigations requested by relevant departments, to defend its decisions where there are regulatory appeals, and to consider and respond to complaints.

Openness, Integrity and Accountability

We abide by the principles of openness, integrity and accountability – and those standards which are widely recognised as being applicable to public service, and to the conduct of all involved in public life. In the discharge of our duties, we will ensure that:

- subject to the appropriate level of confidentiality, we maintain an openness in our public affairs, in order that islanders can have confidence in our actions and decision-making processes, in the management of our activities, and in the Members and staff of GCRA itself;
- we maintain, at all times, an appropriate degree of integrity in the conduct of our affairs. Integrity comprises both straightforward dealing and completeness. We base our integrity upon honesty, selflessness and objectivity, and high standards of propriety and probity in the stewardship of our funds and management of our affairs;
- we are fully accountable in the application of the fees and grant monies entrusted to us and that these are properly safeguarded, and are used economically, efficiently and effectively.

HOW WE WORK (continued)

Openness, Integrity and Accountability (continued)

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

FINANCIAL REVIEW

Summary

We are a not-for-profit organisation. Until 2020, where we received more funding (from grants or licence fees) than we required in any particular year, the surplus income was deferred to the next year. Following the separation from JCRA, GCRA has taken the opportunity to review its accounting policies. Together with adopting Section 1A of FRS 102, applicable to small entities, we have changed the accounting policy relating to the deferral of income. Any aggregate surplus or deficit is carried as a reserve in the Statement of Financial Position. All of the activities we undertake are separately funded, by island and by sector: cross-subsidisation is not permitted, and common costs are shared between sectors. A working capital balance and an appropriate level of reserves are maintained at all times.

We set a budget for GCRA of £1,194k for 2020 to cover the expected costs of our regulatory and competition law activities in the Bailiwick of Guernsey.

Delivering our duties and value for money

The work we undertake each year varies significantly and is dependent on a range of factors, but we always aim to ensure that we work efficiently both in time and expenditure.

For 2020, the income needed to cover our costs was £1,016k, 14.8% below budget. The shortfall of the grants and licence fees we received will be offset against the surpluses accumulated in past years which were retained for future use. The remaining surplus will be retained in order to allow us to maintain appropriate working capital and reserves.

Expenditure is closely controlled through maintaining strict internal guidelines for purchasing including tendering for services which, combined with appropriate best practice corporate governance, helps to ensure that GCRA is run as an effective and efficient organisation. Independent internal auditors audit policies and procedures annually, to ensure that high standards are maintained and that appropriate processes are in place.

Grant funding

Grant funding is received from the Committee *for* Economic Development in Guernsey to cover the costs of administering and enforcing the competition laws. Basic funding has remained at £140k per annum in Guernsey since 2013.

We recognise the financial constraints faced by government and have continued to take active measures to reduce our fixed and administrative overheads, rather than restrict our work administering and enforcing competition law.

In addition to grant funding, we receive fees from parties making applications for approval of notifiable mergers and acquisitions. During 2020, these fees amounted to £20k in Guernsey. These applications and costs are by their nature unpredictable. Any costs in excess of fees received are funded through the competition law grant.

FINANCIAL REVIEW (continued)

Grant funding (continued)

In total, the cost for all competition law activity during 2020 was £322k. Grant income in excess of costs is, with the agreement of the States department, either voluntarily returned to that department after the year end or held to fund future work.

While we will continue to seek further efficiencies, in the near term, when faced with continued grant freezes, there will be a direct impact on our effectiveness and the impact we can have as the island's competition body. We will continue engagement with government officials in this regard.

Licence fees

Sector-specific regulation is funded through licence fees paid by licensed operators in each of the telecoms, postal and ports sectors.[1] The licence fees are calculated based on the forecasted cost of regulating the sector for the year in question.

Any surplus licence fees above costs are either returned to operators after the year end or held to fund future work.

A breakdown of the licence fees charged, the cost of regulating the sector and the surplus for the year is provided below. Amounts returned to licensees are also shown.

£'000	Telecoms		Postal		Electricity	
	2020	2019 (restated)	2020	2019 (restated)	2020	2019 (restated)
Licence and application fees - charged in year	614	585	-	-	120	11
Costs	(576)	(532)	-	-	(150)	(39)
Surplus/(loss) for the year	38	53	-	-	(30)	(28)
Returned to licensees	-	-	-	-	-	-

[1] The electricity sector in Guernsey has also required some work recently, notwithstanding an extant decision of the States of Deliberation to remove electricity from regulation by GCRA.

ACCOUNTABILITY REPORT

ACCOUNTABILITY REPORT – THE GCRA BOARD



1



2



3



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5

1. Chris Bolt - Chairman

Chris Bolt is an economist who has worked in the field of economic regulation in the UK for more than thirty years, holding senior roles in both the public and private sectors. His experience has included senior roles in Ofwat, the Office of the Rail Regulator, where he was for a short period interim Rail Regulator, and Transco plc. He was the first statutory Arbiter for the London Underground Public-Private Partnership Agreements (2002-2011), and the first Chairman of the Office of Rail Regulation (2004-2009).

He was a member, and subsequently chairman, of the UK Regulators Network Expert Advisor Panel from 2014 to 2018. He was regulation adviser to the London law firm Bryan Cave Leighton Paisner for ten years and was an independent non-executive director of Affinity Water Ltd from 2015 to 2019.

Chris was made a Companion of the Order of the Bath (CB) in the New Year Honours 2010.

Chris was appointed as Treasurer and a Trustee of the Kennet and Avon Canal Trust in January 2019.

2. Michael Byrne - Chief Executive

Michael has extensive experience in the UK and Channel Islands of applied economic regulation in the energy, ports and telecoms sectors. He has over 25 years of experience in the field of competition law across a range of industries in the UK, and the Channel Islands.

He holds a diploma in Company Direction from the IoD, an MBA from the University of Warwick, a post-graduate qualification in UK and European Competition Law, and a Bachelor of Science postgraduate degree in Mathematical Statistics.

Before moving to Guernsey Michael's roles included, Head of Economic Assessment at the macro economic statistics division of the Office for National Statistics, leading regulatory reviews and competition investigations in the UK's public and commercial television sectors at the Independent Television Commission, and prior to coming to Guernsey he was Head of Retail Energy Markets at the UK's energy regulator, Ofgem.

3. Caroline Chan – Non-Executive Director

Caroline is a Guernsey Advocate and has practised as a corporate lawyer for over 30 years. She has particular experience in advising on corporate and commercial transactions, financings, investment funds and stock exchange listings.

Caroline joined the GCRA Board in May 2020 after her retirement as a Partner at Mourant Ozannes. She was a Partner in the corporate team at Ogier from 2008 to 2015.

Having grown up in Guernsey, Caroline attended The Ladies' College, before studying law at St Anne's College, Oxford. She spent nearly 9 years with Allen & Overy, working in their corporate finance teams in London and Hong Kong after qualifying with them as a solicitor in both jurisdictions (now both non-practising). She returned to the Island in 1998 and was admitted to the Guernsey Bar in 2003.

Caroline is currently a non-executive Director of Round Hill Music Royalty Fund Limited, a London listed Guernsey investment fund, and Chair of the Board of Governors of The Ladies' College.

4. John Curran – Non-Executive Director

John is a former Chief Executive of GCRA and led the integration of the Guernsey and Jersey regulators in 2010. He was Director General of the Guernsey Office of Utility Regulation from January 2005 before being asked to also head up the JCRA in 2010.

John is currently a Non-Executive Director of the Channel Islands Financial Ombudsman and of the Guernsey Data Protection Authority. He is Chairman of Guernsey Employment Trust.

Before moving to Guernsey in 2003, John worked with the largest telecoms provider in Australia, Telstra, and the Irish telecoms regulator, Comreg, where he was involved with the introduction of competition to the communications market there.

5. Philip Marsden – Non-Executive Director

Dr Philip Marsden has over 30 years of experience enforcing financial services and competition law and devising new frameworks of regulation. His current portfolio includes academic, government and private sector roles. Philip is Deputy Chair of the Bank of England's Enforcement Decision Making Committee and case decision maker at the Financial Conduct Authority, the Payment Systems Regulator and OFGEM. He is also Professor of Law and Economics at the College of Europe, Bruges, teaching the core Masters in Law.

ACCOUNTABILITY REPORT – THE GCRA TEAM



Sarah Livestro – Legal Director

Competition

Jill Perkins – Office Manager

Administration





Richard Harrington – In-House Counsel

Competition and regulatory laws, legal practice and procedure

Fergus Reid – In-House Counsel

Competition and regulatory laws, legal practice and procedure



ACCOUNTABILITY REPORT – GOVERNANCE STATEMENT

The Governance Structure

Whilst GCRA is not subject to the UK Corporate Governance Code, the Board is committed to maintaining a high standard of Corporate Governance. The Board follows the Corporate Governance Handbook which is based on the best practice principles of the UK Corporate Governance Code, issued by the Financial Reporting Council, where it is appropriate and practical to do so.

GCRA

GCRA is a statutory body corporate, the Guernsey Competition and Regulatory Authority, under Section 1 of the Guernsey Competition and Regulatory Authority Ordinance, 2012.

The Board

GCRA is led by a Board. Legislation requires GCRA to comprise, as a minimum, three Members, with one as Chair. As at 31 December 2020 the Board consisted of a Chair, three non-executive Members and one executive Member. The Board leads the organisation. Its core activities include:

- Establishing and maintaining GCRA's vision, mission and values
- Setting and monitoring the overall strategy and structure
- Acting as the decision-making Authority as established in law
- Board and executive management and succession planning
- Defining GCRA's appetite for risk
- Obtaining assurance that material risks to GCRA are identified and that appropriate systems of risk management and control exist to mitigate such risks

The Board believes that Members have, between them, a wide range of experience which ensures an effective Board to lead and control GCRA.

The non-executive Members comprise a majority of the Board.

The Board considers all the non-executive Members to be independent of management and free of any business or other relationship which could materially interfere with the exercise of their judgment. However, should circumstances arise which suggest an actual or perceived conflict of interest, appropriate action is taken to ensure that independence is maintained.

Appointments to the Board

The Chair is appointed as Chair of the GCRA by the States of Deliberation in Guernsey on the recommendation of the Committee *for* Economic Development. Members are appointed to the Board of the GCRA after consultation with the Chair. Customarily, appointments are for periods of three years although periods of up to five years are provided for in legislation and shorter appointments may be made when appropriate.

ACCOUNTABILITY REPORT – GOVERNANCE STATEMENT (continued)

The Chair

The Board is led by the Chair, who manages the Board to ensure that:

- GCRA has appropriate strategic objectives and an effective forward work programme
- The Executive Directors and senior management are able to deliver against the strategic objectives and forward work programme
- Procedures are in place to inform the Board of performance against the strategic objectives and forward work programme
- A structure is in place to allow the effective contribution of all Members
- The Audit and Risk Committee is properly established, composed and operated
- GCRA is operating in accordance with the highest standards of corporate governance

Meetings

The Board meets regularly. Customarily, there are eight scheduled meetings each year with additional meetings when circumstances require it. During 2020, the GCRA board met on 9 occasions. The table below details meetings and attendances for 2020.

	BOARD	AUDIT AND RISK
Chris Bolt	4/4	
Caroline Chan	5/5	
John Curran	9/9	2/2
Philip Marsden	6/6	
Paul Masterton	1/1	2/2
Hannah Nixon	4/4	1/2
Michael Byrne	9/9	2*/2

*In attendance only

Board Committees

Legislation allows GCRA to establish committees, which it has done through the establishment of an Audit and Risk Committee. The Members of this Committee are the non-executive members, excluding the Chair; they are appointed by the Board. John Curran succeeded Hannah Nixon as committee Chair in August 2020. Executive Members attend Committee meetings in an advisory capacity. The key duties of the Committee are to:

- consider certain matters relating to the external audit, including reviewing the financial statements prior to their consideration by the board.
- review the mechanisms for ensuring the effectiveness of internal controls
- review and agree the internal auditor's work plan, monitor and review the effectiveness of internal audit work, and review all reports produced, monitoring the response to the findings and recommendations
- meet with the internal and external auditors at least once per year without the presence of the Executive.
- review annually the application of corporate governance best practice

ACCOUNTABILITY REPORT – REMUNERATION REPORT

In preparing the remuneration report the Board has given consideration to, and adopts the provisions of, the UK Corporate Governance Code where it considers it is appropriate, proportionate and applicable.

General policy

The Board believes that GCRA should, within the constraints of being a public body, provide rewards that will attract and retain the high-calibre management necessary for GCRA to fulfil its statutory remit and responsibilities. This overall approach is not expected to change in the coming year.

The remuneration paid to Executive Members and the fees paid to non-executive Members are set with the agreement of the Committee *for* Economic Development in Guernsey.

Components of remuneration

The main components of Executive Members' remuneration are salary and other benefits.

Executive Members are members of the Authority and employees of GCRA.

Executive Members receive no fees as members of the Authority.

The basic salary for Executive Members is determined by taking into account each individual's responsibilities, performance and experience together with market trends. All basic salaries are reviewed annually, effective 1 January, by the non-executive members. Recommended changes are notified to the Committee *for* Economic Development in Guernsey for approval.

Non-executive Members' remuneration

Fees are determined by the Committee *for* Economic Development in Guernsey. Until 30 June 2020, each Member's fees were split equally between the GCRA and JCRA.

AUDITED FINANCIAL STATEMENTS

Members' Report to the Financial Statements For the Year Ended 31 December 2020

The Members present their report and the audited annual financial statements for the Guernsey Competition and Regulatory Authority ("GCRA") for the year ended 31 December 2020.

Members

The Members in office during the year are shown on pages 16 to 17.

Events during the reporting period

As at 30 June 2020 the governments of Jersey and Guernsey enacted a decision to revert back to separate independent insular island authorities.

Operationally there has been little impact on GCRA with the basic work of the GCRA remaining unchanged. Financially, the income streams of both entities were already separate, but they no longer share costs or a Board in the way that they have since 2012.

John Curran assumed the interim Chairmanship and Paul Masterton and Hannah Nixon resigned from the Board. Philip Marsden was reappointed as a non-executive Board member and new non-executive; Caroline Chan was also appointed. Chris Bolt has been appointed as permanent Chairman.

There have been no events between the statement of financial position date and the date when the financial statements were authorised for issue that need to be disclosed or recognised in the financial statements.

Members' disclosure

As far as each Member is aware, there is no relevant audit information of which the auditor has not been made aware. All reasonable steps have been taken by each Member in order to make themselves aware of any relevant audit information to establish that the auditor is aware of this information.

Members' responsibilities

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

The Guernsey Competition and Regulatory Authority Ordinance, 2012, requires Members to keep proper accounts and proper records in relation to those accounts. The Members therefore consider themselves responsible for keeping adequate accounting records that are sufficient to show and explain the GCRA's transactions and disclose with reasonable accuracy, at any time, the financial position of the GCRA and which enable them to ensure that these financial statements comply with the Ordinance. They also consider that they are responsible for safeguarding the assets of the GCRA and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Ordinance also requires Members to prepare accounts in respect of each financial year, and once audited by auditors appointed by the States of Guernsey on the recommendation of the Public Accounts Committee, to submit to the Committee for Economic Development a statement of account giving a true and fair review of the state of the GCRA's affairs together with the auditor's report. The Committee for Economic Development, in turn, must submit the accounts and the auditor's report thereon to the States of Guernsey.

Members' Report to the Financial Statements
For the Year Ended 31 December 2020

Members' responsibilities (continued)

The Members have elected to prepare the financial statements in accordance with Section 1A of Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland, as applicable to small entities ("FRS 102").

In preparing the financial statements the Members are required to:

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

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

Change of Accounting Policy

As a result of the dissolution of CICRA, the Board has taken the opportunity to review the accounting policies adopted by the Authority. The Board has decided to adopt Section 1A of FRS 102 which is applicable to small entities (small being defined by the UK Companies Act 2006) and remove the Statement of Cash Flows from the financial statements.

Furthermore, the accounting policy relating to the recognition of income has been amended to reflect that the fees charged to licensees are no longer deferred. The change in accounting policy has been applied retrospectively and the comparatives have been restated. Refer to note 10 to the financial statements for details of the effect on the financial statements.

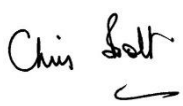
Independent auditor

The auditor, BDO Limited, which was appointed in accordance with Section 13(4)(a) of The Guernsey Competition and Regulatory Authority Ordinance, 2012, has indicated its willingness to continue in office as auditor.

Approval

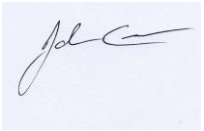
This report was approved by the Members and signed on their behalf by:

Chris Bolt



Chairman

John Curran



Chairman - ARC

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

Opinion on the financial statements

In our opinion, the financial statements of the Guernsey Competition and Regulatory Authority ("the Authority"):

- give a true and fair view of the state of the Authority's affairs as at 31 December 2020 and of its surplus for the year then ended;
- have been properly prepared in accordance with Section 1 A of Financial Reporting Standard 102, The Financial Reporting Standard in the UK and Republic of Ireland ("FRS 102"); and
- have been properly prepared in accordance with the requirements of the Guernsey Competition and Regulatory Authority Ordinance, 2012.

We have audited the financial statements of the Authority for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and FRS 102.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ("FRC's") Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the Members with respect to going concern are described in the relevant sections of this report.

Other information

The Members are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE GUERNSEY COMPETITION AND REGULATORY AUTHORITY (continued)

Responsibilities of Members

As explained more fully in the Members' responsibilities statement within the Members' Report, the Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Members are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Members either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We have held discussions with the board regarding their knowledge or awareness of any fraud or any instances of non-compliance with the Ordinance. This has been communicated via the planning and the final report issued to those charged with governance.

We have also reviewed and evaluating the effectiveness of the controls in place which are designed to prevent and mitigate irregularities. We have conducted this via conducting control walkthroughs with the appropriate personnel and obtained supporting evidence of the control effectiveness.

We have reviewed journal entries posted within the financial year to identify any potential characteristics of any potential fraud which may have occurred. We have reviewed the board and audit committee meetings to identify any instances of irregularities which management may have been aware of.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available at the FRC's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE GUERNSEY COMPETITION AND REGULATORY AUTHORITY (continued)

Use of our report

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

BDO Limited

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

Date: 1 June 2021

Statement of Comprehensive Income
For the Year Ended 31 December 2020

	Notes	2020 £	2019 (restated) £
INCOME			
Telecommunications licence and application fees		613,828	582,734
Electricity licence and application fees		120,500	10,500
Competition law grant		286,407	140,000
Mergers and acquisitions fees		20,000	11,000
		1,040,735	744,234
EXPENDITURE			
Salaries and staff costs		423,601	369,214
Board Members' fees and expenses		58,300	63,367
Consultancy fees		251,400	88,568
Operating lease rentals		63,838	62,033
Travel and entertainment		5,692	19,895
Conference and course fees		27,155	17,904
Depreciation	4	14,206	17,067
Administration expenses		12,125	9,577
Legal and professional fees		44,601	(1,500)
Audit and accountancy fees		26,736	8,653
Advertising and publicity		12,165	11,849
Repairs and maintenance		59,340	22,800
Heat, light and water		2,138	2,501
Recruitment		28,587	21,094
General expenses		19,604	14,470
		1,049,488	727,492
(LOSS)/SURPLUS FOR THE FINANCIAL YEAR	7	(8,753)	16,742

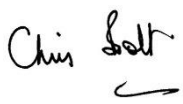
The notes on pages 30 to 37 form an integral part of these financial statements.

Statement of Financial Position
As at 31 December 2020

	Notes	2020 £		2019 (restated) £
FIXED ASSETS				
Tangible assets	4	16,559		29,746
CURRENT ASSETS				
Debtors	5	263,763		129,725
Cash at bank		268,727		393,304
		532,490		523,029
CURRENT LIABILITIES				
Creditors: amounts falling due within one year	6	119,999		114,972
Net current assets		412,491		408,057
NET ASSETS		429,050		437,803
RETAINED RESERVE	7	429,050		437,803

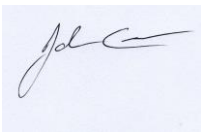
The financial statements on pages 28 to 37 were approved on 26 May 2021 and authorised for issue by the Members, and signed on their behalf by:

Chris Bolt



Chairman

John Curran



Chairman - ARC

The notes on pages 30 to 37 form an integral part of these financial statements.

Notes to the Financial Statements
For the Year Ended 31 December 2020

1. GENERAL INFORMATION

Guernsey Competition and Regulatory Authority ("GCRA") is a statutory body corporate, the Guernsey Competition and Regulatory Authority under Section 1 of the Guernsey Competition and Regulatory Authority Ordinance, 2012. The principal activity of the GCRA is administering competition law and sector-specific regulation in Guernsey. The registered address of the GCRA is Suite 4, 1St Floor, La Plaiderie Chambers, La Plaiderie, St Peter Port, Guernsey, GY1 1WG.

2. ACCOUNTING POLICIES

a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless specifically stated in the accounting policies, and in accordance with Section 1A of Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland, applicable to small entities ("FRS 102").

The presentation currency of these financial statements is sterling with all amounts rounded to the nearest whole pound.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Members to exercise judgement in applying the accounting policies.

The following principal accounting policies have been consistently applied:

b) Going concern

The Board confirms its assumption that GCRA is a going concern, and that no significant uncertainty exists in this respect. The assumption is based on its incorporation and relation with Government which is established in law.

c) Income

Income is received from a government grant and other fees raised in respect of the GCRA's responsibilities as the administrator and enforcer of Guernsey's competition law, as well as through fees raised through the licensing regime in place for certain sectors.

Further details are given below:

i) Grants and other fees

Grants received are of a revenue nature and are recognised in the Statement of Comprehensive Income in the same period as the related expenditure. The annual grant received for 2020 was £140,000 (2019:£140,000) and additional grants of £146,407 (2019: £nil) were received for specific cases in the year.

Notes to the Financial Statements
For the Year Ended 31 December 2020

2. ACCOUNTING POLICIES (CONTINUED)

c) Income (continued)

i) Grants and other fees (continued)

'Mergers and acquisitions fees' comprise fees received for the assessment of certain notifiable mergers and acquisitions. These fees are recognised in the Statement of Comprehensive Income once the proposed transaction has been formally registered with the GCRA. Fees received in 2020 were £20,000 (2019: £11,000).

Any unused funds at the financial year end are either retained or repaid to the Committee *for* Economic Development ("C*f*ED"). Any deficits are funded from agreed releases of reserves or recovered from future grants. The deficit of grant income for the year amounted to £12,829 (2019: £3,407).

ii) Licence fees

Licence fees across regulated sectors are set on the basis of cost recovery in accordance with sector-specific legislation and are recognised in the period to which they relate.

The GCRA's costs are estimated on an annual basis and these are recovered either by applying a percentage to the licensed revenue of each licensed operator (in the case of telecoms) or through charging an annual fee (in the cases of post and electricity).

If fee income exceeds costs the balance is transferred to retained reserve but segregated by class. License fee percentages / charges and reserve balances are set out below:

	2020	2019
	Licence fee % / charge	*Licence fee % / charge*
Telecoms	1.2% of relevant turnover	1.2% of relevant turnover
Post	-	-
Electricity	£120,500	£10,500

d) Expenditure

Expenditure is accounted for on an accruals basis and is measured at its transaction price.

e) Lease commitments

All leases entered into by the GCRA are operating leases. Rentals payable under operating leases are charged in the statement of comprehensive income on a straight-line basis over the lease term.

f) Taxation

Under section 12 of The Guernsey Competition and Regulatory Authority Ordinance, 2012, the GCRA is exempt from Guernsey income tax.

Notes to the Financial Statements (Continued)
For the Year Ended 31 December 2020

2. ACCOUNTING POLICIES (CONTINUED)

g) Tangible assets

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

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

Assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

h) Debtors

Short term debtors are measured at transaction price, less any impairment.

i) Cash at bank

Cash at bank include current bank accounts and deposits with original maturity dates of no more than three months and are readily convertible to known amounts of cash with insignificant risk of change in value.

j) Creditors

Short term creditors are measured at transaction price.

k) Retained reserve

The retained reserve represents cumulative surpluses and losses.

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2020

3. SIGNIFICANT JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the GCRA's accounting policies, which are described in note 2, the Members are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on an ongoing basis. The critical judgements made by management that have a significant effect on the amounts recognised in the financial statements are described below:

- Determine the split of general expenses incurred for work undertaken under the aegis of the Channel Islands Competition and Regulatory Authorities ("CICRA"). These decisions depend on an assessment of resource allocation, including that of staff time.
- Legal costs relating to decision appeals are carried by the Authority as an expense in the period incurred as the outcome of any appeal is uncertain until judgement is received. Dependent on the outcome of the appeal the Authority may seek to recover these from the appellant in whole or in part in the period when judgement is received.

4. TANGIBLE ASSETS

	Leasehold improvements £	Computer equipment £	Website £	Fixtures & fittings £	Office equipment £	Total £
Cost						
As at 1 January 2020	34,761	22,935	17,001	20,093	605	95,395
Additions	-	-	-	1,019	-	1,019
As at 31 December 2020	34,761	22,935	17,001	21,112	605	96,414
Depreciation						
As at 1 January 2020	25,277	7,856	13,576	18,440	500	65,649
Charge for the year	6,106	3,693	3,425	960	22	14,206
As at 31 December 2020	31,383	11,549	17,001	19,400	522	79,855
Net book value						
As at 31 December 2020	3,378	11,386	-	1,712	83	16,559
As at 31 December 2019	9,484	15,079	3,425	1,653	105	29,746

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2020

5. DEBTORS

	2020 £	2019 £
Licence fee and other debtors	240,640	51,963
Prepayments	23,123	15,706
Amount due from the Jersey Competition Regulatory Authority	-	62,056
	263,763	129,725

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £	2019 (restated) £
Bank overdraft	3,708	-
Trade creditors	54,964	1,843
Accruals	58,825	20,600
Amounts due to the Jersey Competition and Regulatory Authority	2,502	92,529
	119,999	114,972

7. MOVEMENT ON RETAINED RESERVE

	General £	Electricity £	Grant £	M & A £	Post £	Telecoms £	Total £
At 1 January 2019 (as previously stated)	**200,002**	**-**	**-**	**-**	**-**	**-**	**200,002**
Change in accounting policy (note 10)	-	50,120	88,578	-	20,989	61,372	221,059
At 1 January 2019 (as restated)	**200,002**	**50,120**	**88,578**	**-**	**20,989**	**61,372**	**421,061**
(Loss)/surplus for the year (as restated)	-	(27,933)	(3,407)	(4,813)	(77)	52,972	16,742
At 31 December 2019 (as restated)	**200,002**	**22,187**	**85,171**	**(4,813)**	**20,912**	**114,344**	**437,803**
(Loss)/surplus for the year	-	(30,022)	(12,829)	(4,167)	-	38,265	(8,753)
At 31 December 2020	**200,002**	**(7,835)**	**72,342**	**(8,980)**	**20,912**	**152,609**	**429,050**

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2020

8. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2020, the GCRA had commitments under non-cancellable operating leases as set out below:

	Buildings 2020 £		2019 £
Amounts payable under operating leases:			
Not later than one year	27,880		58,150
In more than one year but less than five years	-		27,880
	27,880		86,030

In February 2015, with the consent of the CfED, the GCRA entered into a six and a half-year lease at a cost of £54,000 per annum, including service charge and parking for office accommodation at La Plaiderie Chambers, La Plaiderie, St Peter Port, Guernsey. The rental amount increased to £58,150 per annum in February 2018. The lease comes to an end on 24 June 2021. As at 31 December 2020 the GCRA has agreed to renew the lease but the terms had yet to be agreed. Subsequent to the year-end terms have been agreed for a new six-year lease ending 24 June 2027 which has a break clause at 24 June 2024 and a starting rent of £52,000pa.

9. RELATED PARTY DISCLOSURES

a) The GCRA and the Committee for Economic Development ("CfED")

The GCRA acts independently of the States of Guernsey but is accountable to the States of Guernsey through the CfED for funding received to administer and enforce Guernsey's competition law, which is also covered by a service level agreement. The CfED acts as a conduit for requests from other States departments which may request the GCRA to carry out projects. The GCRA reports formally to the States of Guernsey through the CfED on an annual basis.

In 2020, the CfED provided £286,407 (2019: £140,000) in funding to the GCRA to finance the administration and enforcement of The Competition (Guernsey) Ordinance, 2012, under the provisions contained within that legislation. The fixed grant of £140,000 was enhanced by pre-agreed additional funding which could be drawn upon if certain specific work needed to be done. At 31 December 2020 £146,407 had been invoiced of which £120,535 was outstanding. The funding deficit for the year ended 31 December 2020, which has been notified to CfED as required under the service level agreement, amounted to £12,829 (2019: deficit £3,407). The accumulated reserve attributed to grant income at the year-end was £72,342 (2019: £85,171).

Notes to the Financial Statements
For the Year Ended 31 December 2020

9. RELATED PARTY DISCLOSURES (CONTINUED)

b) The GCRA and the Jersey Competition Regulatory Authority ("JCRA")

The GCRA and the JCRA worked together until 30 June 2020 under the aegis of CICRA, sharing a board, resources and expertise between the islands, whilst retaining their own separate legal identities. Recharges were made for expenses incurred (including staff costs) on a no gain no loss basis.

During 2020, £128,012 (2019: £43,830) was invoiced by the GCRA to the JCRA and £168,250 (2019: £224,806) was invoiced by the JCRA to the GCRA. At the statement of financial position date, the amount owed by the GCRA to the JCRA was £2,502 (2019: £92,529) and the amount owed by the JCRA to the GCRA was £Nil (2019: £62,056). Subsequent to the year end this amount has been settled.

c) Key management personnel

Key management personnel include all members of the GCRA who together have authority and responsibility for planning, directing and controlling the Authority's activities. The total compensation paid to key management personnel for services provided to the GCRA was £183,337 (2019: £181,201).

d) Controlling party

Throughout the year, the GCRA was under the control of the Members acting in concert. In the opinion of the Members there is no controlling party as no party has the ability to direct the financial and operating policies of the GCRA with a view to gaining economic benefit from their direction.

10. CHANGE IN ACCOUNTING POLICY

As a result of the dissolution of CICRA the Board has taken the opportunity to review the accounting policies adopted by the Authority. The Board has decided to change the accounting policy relating to the deferral of income.

Previously, fee income was recognised in the same period as the related expenditure and any income that was in excess of expenditure was deferred to the next financial period. Due to the change in accounting policy, the fees are no longer deferred and are recognised in the financial period to which they relate. The change in accounting policy has been applied retrospectively. A summary of the impact of the changes is included in note 7 and in the tables below:

Reconciliation of retained reserve	At 1 January 2019 £	At 31 December 2019 £
Retained reserve (as previously stated)	**200,003**	**200,002**
Reversal of deferred income	237,800	221,059
Retained reserve (as restated)	**437,803**	**421,061**

Notes to the Financial Statements
For the Year Ended 31 December 2020

10. CHANGE IN ACCOUNTING POLICY (continued)

Reconciliation of surplus or loss	Year ended 31 December 2019 £
Surplus for the year (as previously stated)	**1**
Reversal of deferred income	16,741
Surplus for the year (as restated)	**16,742**

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THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

INTERNATIONAL CRIMINAL COURT
– EXTENSION OF RELEVANT PROVISIONS OF UK ACT OF PARLIAMENT

The States are asked to decide:-

Whether, after consideration of the Policy Letter entitled 'International Criminal Court – Extension of relevant provisions of UK Act of Parliament', dated 28th July, 2021, they are of the opinion:-

1. to agree that an Order in Council be made to extend to the Bailiwick, to such extent, and with such modifications, as appear to Her Majesty in Council to be appropriate following consultation with the Committee *for* Home Affairs, Sections 23(5), 44, 45 and 83 of and Schedule 10 to the International Criminal Court Act, 2001, and

2. to signify their agreement to the substance of the proposed Order in Council (a copy of the latest draft of which is attached as an Appendix to the Policy Letter) for the purposes of Article 72A of the Reform (Guernsey) Law, 1948, as amended.

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.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

INTERNATIONAL CRIMINAL COURT
– EXTENSION OF RELEVANT PROVISIONS OF UK ACT OF PARLIAMENT

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

28th July, 2021

Dear Sir

1 Executive Summary

1.1 In 2013, the States of Deliberation approved the principles of giving effect to requests for assistance from the International Criminal Court and extending the Rome Statute to the Bailiwick; having considered a Policy Letter from the then Home Department. The States then approved the International Criminal Court (Bailiwick of Guernsey) Law ('the ICC Law') in 2019. The ICC Law was then sent to the Ministry of Justice for onward transmission to the Privy Council, using the usual procedures. A draft Order in Council ('ICC Order') intended to extend certain provisions of the UK's International Criminal Court Act 2001 ('the Act') to the Bailiwick was also sent to the Ministry of Justice at that time. It was intended that, together, the ICC Law and the ICC Order would form a package of legislative measures necessary to implement the States' decisions.

1.2 Soon after those documents were sent to the Ministry of Justice, an additional section of the Reform Guernsey Law, 1948, came into force ('Article 72A'). Consequently, the legislative process was paused. One of the effects of Article 72A is that, when an Order in Council is to be made extending a provision of a UK Act of Parliament to Guernsey, the States of Deliberation must agree to the substance of that Order before the Order is registered in the Royal Court; unless the Policy & Resources Committee ('the Committee') is of the view that such consideration by the States is unnecessary.

1.3 The Committee is referring the matter to the States to fulfil the requirements of Article 72A of the Reform Law and the States is recommended to approve that the relevant parts of the Act be extended to the Bailiwick and to signify its agreement to the corresponding Order in Council.

2 Background

The International Criminal Court and the Rome Statute

2.1 "The International Criminal Court is a permanent supranational court based in The Hague, which tries individuals for genocide, crimes against humanity and war crimes. … At a United Nations conference in Rome in 1998, a statute creating an international court was approved ('the Rome Statute'). … The [International Criminal Court] was established with the coming into force of the Rome Statute on 1st July, 2002. It exists to create a powerful deterrent to potential perpetrators of atrocities, to end accusations of selective justice, and to ensure a swift response to alleged crimes by removing the need to establish a new tribunal every time a court hearing is required."[1]

2.2 "The [International Criminal Court] is intended to be complementary to national courts. Under the terms of the Rome Statute, if states have jurisdiction in respect of particular crimes under their domestic laws, they will retain such jurisdiction unless they are unable or unwilling genuinely to investigate and prosecute those crimes."

2.3 The UK enacted the International Criminal Court Act 2001 to implement the provisions of the Rome Statute into its domestic law.

Previous States of Deliberation decisions regarding the International Criminal Court

2.4 In 2013[2], the States of Deliberation approved the principles of giving effect to requests for assistance from the International Criminal Court and extending the Rome Statute to the Bailiwick. The States then approved the ICC Law in 2019[3]. The ICC Law is intended to make provisions for the Bailiwick corresponding to the Act, so that the Rome Statute can be implemented in the Bailiwick.

2.5 The ICC Law was drafted following Resolutions made by the States of Deliberation in 2013[4]. Those Resolutions were:

[1] Paragraphs 2.1-2.2 taken from, and Paragraph 2.3 adapted from, advice from HM Procureur published in section 2 of the Home Department's Policy Letter 'Criminal Justice Legislation International Criminal Court' as in Billet d'État XV of 2013 (Volume 2)
[2] Billet d'État XV of 2013 (Volume 2) and Resolutions of 24th September, 2013
[3] Billet d'État XVIII of 2019 (Volume 1) and Resolutions of 26th September, 2019
[4] Billet d'État XV of 2013 (Volume 2) and Resolutions of 24th September, 2013

"1. To approve the drafting of legislation to implement the Rome Statute, as described in paragraph 2 of that Report [dated 15th April 2013, of the Home Department], in the Bailiwick.

2. To direct the preparation of such legislation as may be necessary to give effect to the above decision."

2.6 Paragraph 2 of the Report, on which Resolution 1 was based, (a copy of advice from HM Procureur) set out various requirements needed to give effect to the Rome Statute. In that paragraph, HM Procureur recommended that Bailiwick legislation similar to the Act be enacted to implement the Rome Statute within the Bailiwick. That paragraph does not explicitly refer to the necessity to extend sections of the UK Act to the Bailiwick by way of a UK statutory instrument (the draft ICC Order). However, Resolution 2 directs the preparation of such legislation as may be necessary to give effect to the States' decision to implement the Rome Statute in the Bailiwick.

2.7 The Law Officers of the Crown have advised that it is necessary to extend certain parts of the Act to the Bailiwick as part of the package of legislative measures to implement the Rome Statute in the Bailiwick. The International Criminal Court Act 2001 (Guernsey) Order 2021 ('the ICC Order') was drafted accordingly (a copy of the draft Order is attached in the Appendix to this Policy Letter). The ICC Order makes provision so that the relevant UK Secretary of State can exercise powers (with the Bailiwick's consent) to enable certain actions required for the functioning of the Rome Statute. These powers relate to the overriding of any state or diplomatic immunity attaching to any person in the context of an International Criminal Court investigation and to the movement of prisoners between the Bailiwick and the United Kingdom. The ICC Order would extend certain provisions of the UK Act (specifically Sections 23(5), 44, 45 and 83 and Schedule 10) to the Bailiwick and has been proposed at the request of the Bailiwick. The same provisions of the Act have already been extended to the Isle of Man and to Jersey.

2.8 The provisions of the Act to be extended to the Bailiwick (with any necessary modifications) are summarised in Section 3 below.

<u>The legislative process</u>

2.9 In accordance with usual procedures, following approval by the States, the ICC Law was sent to the Ministry of Justice for onward transmission to the Privy Council. A draft Order in Council (the ICC Order) intended to extend certain provisions of the Act to the Bailiwick was also sent to the Ministry of Justice at that time.

2.10 However, soon after those documents had been sent to the Ministry of Justice, the Reform (Guernsey) (Amendment) Law, 2019 was registered and immediately came into force in Guernsey; it introduced a new provision amending the Reform Law (Article 72A, as in Section 4 below). One of the effects of Article 72A is that, when an Order in Council is to be made extending a provision of a UK Act to Guernsey, the States of Deliberation must agree to the substance of that Order before it is registered in the Royal Court, unless the Policy & Resources Committee is of the view that such consideration by the States is unnecessary.

2.11 After Article 72A of the Reform Law came into force in Guernsey (on 4th November, 2019), the Ministry of Justice was requested to pause the process towards Royal Sanction of the ICC Law and approval of the Order in Council to allow consideration about how to fulfil the requirements of the Reform Law.

2.12 Following due consideration, the Committee decided to refer the making of the International Criminal Court Act 2001 (Guernsey) Order, 2021 to the States of Deliberation, to fulfil the requirements of Article 72A of the Reform Law.

3 Sections of the UK's International Criminal Court Act, 2001 to be extended to the Bailiwick by an Order in Council

3.1 Section 23(5) of the 2001 Act facilitates the implementation of any resolution of the United Nations Security Council which has the effect of overriding any state or diplomatic immunity attaching to any person in the context of an International Criminal Court investigation. This is achieved by modifying a power in the United Nations Act 1946 which is itself exercisable by the Secretary of State by Order in Council. It is therefore necessary to extend the statutory modification to the Bailiwick by Order in Council.

3.2 Sections 44 and 45 enable the transfer of International Criminal Court prisoners between different parts of the UK which is effected by order of the relevant UK Minister. As applied to Guernsey, the provisions will enable the Secretary of State to order such transfers between the Bailiwick and the United Kingdom (hence the necessity for an Order in Council) but no such order will be made without the agreement of the Committee *for* Home Affairs.

3.3 Section 83 and Schedule 10 are extended in so far as they repeal certain provisions of the specified United Kingdom Acts in their application to the Bailiwick. This is to ensure consistency with the effects of the 2001 Act and could not be achieved by Bailiwick domestic legislation.

3.4 The legislation makes provision for any privileges and immunities to be extended to the International Criminal Court, as required.

4 Article 72A of the Reform (Guernsey) Law, 1948

4.1 Article 72A (1) and (2) of the Reform (Guernsey) Law, 1948 provide:

"**Duty to refer certain matters to the States of Deliberation.**

72A. (1) Where it is proposed that -

(a) a provision of a draft Act of the Parliament of the United Kingdom should apply directly to Guernsey, or

(b) an Order in Council should be made -

(i) extending to Guernsey a provision of an Act of the Parliament of the United Kingdom,

(ii) extending to Guernsey a Measure, pursuant to the Channel Islands (Church Legislation) Measures 1931 and 1957, or

(iii) that is otherwise expressed to have effect in, or to be applicable to or otherwise binding upon, Guernsey,

the Policy and Resources Committee shall, unless that Committee considers it unnecessary, submit the proposal to the States of Deliberation, in order that the States may signify their views on it.

(2) Where, upon transmission of -

(a) an Act of the Parliament of the United Kingdom containing a provision described in paragraph (1)(a), or

(b) an Order in Council described in paragraph (1)(b),

to the Royal Court for registration, it appears to the Royal Court that the States of Deliberation have not signified their agreement to the substance of the provision or Order in Council -

(i) the Royal Court shall refer the provision or Order in Council, as the case may be, to the Policy and Resources Committee, and

(ii) the Policy and Resources Committee shall, unless that Committee considers it unnecessary, submit it to the States in accordance with paragraph (1)."

4.2 Article 72A(1)(b)(i) requires the Policy & Resources Committee to submit to the States of Deliberation any proposal for an Order in Council to be made to extend to Guernsey provisions of Acts of Parliament of the UK, in order that the States can signify their views on it. The Policy & Resources Committee is submitting this Policy Letter to fulfil that obligation.

4.3 The Committee recommends that the States signify their agreement to the proposed ICC Order, so that when the Order in Council is made and transmitted to the Royal Court for registration in due course, the Royal Court can register that ICC Order without delay and without further reference to the Policy & Resources Committee, in accordance with Article 72A(2)(b).

4.4 Following this, the Bailiwick will seek the extension of the Rome Statute Treaty

once the legislation is in place to ensure compliance.

5 Consultation with Alderney and Sark

5.1 The ICC Law is a Bailiwick-wide law. Consequently, as explained in the 2013 Policy Letter, the States of Alderney and Chief Pleas of Sark were consulted and were supportive of the proposals. Similarly, Alderney and Sark's governments have been advised about the intention to extend the relevant provisions of the Act to the Bailiwick to complete the relevant package of legislative measures (as in Paragraph 2.7) and to bring the matter to the attention of the States of Deliberation to fulfil the obligations of Article 72A.

5.2 Alderney's authorities had no comment on the proposal to refer the matter to Guernsey's parliament. There is currently no equivalent legislation in Alderney to Article 72A of the Reform (Guernsey) Law and, therefore, no need for similar consideration there.

5.3 Sark has recently enacted the Reform (Sark) (Amendment) Law, 2020, and introduced S63A, a provision which is similar in effect to Article 72A, when UK legislation is extended. On 18th May 2021, in anticipation of S63A coming into force, Sark's Policy & Finance Committee decided that it was not necessary to refer the ICC legislation to Chief Pleas and agreed for the ICC legislation to be extended to Sark.

6 Compliance with Rule 4

6.1 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.

6.2 In accordance with Rule 4(1), the Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.

6.3 In regard to Rule 4(3) of the Rules of Procedure of the States of Deliberation and their Committees, no additional resources will be required to fulfil the Propositions of this Policy Letter.

6.4 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.

6.5 In accordance with Rule 4(5) of the Rules of Procedure of the States of Deliberation and their Committees, the Propositions relate to the duties of the Policy & Resources Committee because its mandate includes exercising powers

and performing duties conferred on it by extant legislation (in this case, those in Article 72A of the Reform (Guernsey) Law).

6.6 The Committee *for* Home Affairs' ('C*f*HA') mandate includes responsibilities to advise the States and develop and implement policies on matters including crime prevention, law enforcement and justice policy. The Home Department (C*f*HA's predecessor) brought the original Policy Letter entitled 'Criminal Justice Legislation International Criminal Court' to the States of Deliberation in 2013. C*f*HA brought the ICC Law to the States for approval in 2019. C*f*HA was advised that the Policy & Resources Committee was drafting a Policy Letter to fulfil the requirements of Article 72A and was consulted on this Policy Letter.

6.7 Except for the engagement with Alderney and Sark outlined in Section 5, it has not been necessary for the Policy & Resources Committee to consult with other parties within the Bailiwick before this Policy Letter is published, as the Reform (Guernsey) Law only applies to Guernsey and the requirements of Article 72A are to bring the proposed extension of the relevant provisions of the International Criminal Court Act, 2001 (and the substance of the proposed Order in Council) to the States for consideration.

Yours faithfully

Policy & Resources Committee

P T R Ferbrache
President

H J Soulsby
Vice-President

M A J Helyar
J P Le Tocq
D J Mahoney

2021 No. *

INTERNATIONAL CRIMINAL COURT

International Criminal Court Act 2001

(Guernsey) Order 2021

Made

Coming into force in accordance with Article 1

At the Court at Buckingham Palace, the * day of *

Present,

The Queen's Most Excellent Majesty in Council

Her Majesty, in exercise of the powers conferred upon Her by section 79(3) of the International Criminal Court Act 2001[a], is pleased, by and with the advice of Her Privy Council, to make the following Order:

1. This Order may be cited as the International Criminal Court Act 2001 (Guernsey) Order 2021 and shall come into force on the same day as the International Criminal Court (Guernsey) Law 2021 comes into force.

2. The following provisions of the International Criminal Court Act 2001 shall extend to the Bailiwick of Guernsey –

(a) section 23(5) (extension of powers under United Nations Act

---

[a] 2001 c.17

1946[b]);

(b) sections 44 and 45 (transfer of prisoners), subject to the modifications set out in the Schedule to this Order, and

(c) section 83 and Schedule 10 (repeals), so far as they relate to section 1(4) of the Geneva Conventions Act 1957, the Genocide Act 1969 and section 1(5) of the Geneva Conventions (Amendment) Act 1995.

SCHEDULE

MODIFICATIONS OF CERTAIN PROVISIONS OF THE 2001 ACT IN THEIR EXTENSION TO THE BAILIWICK OF GUERNSEY

1. In section 44 (Transfer to another part of the United Kingdom: transfer of ICC sentence) –

(a) in the heading omit the words "another part of";

(b) in subsections (1) and (3), for the words "the relevant Minister" substitute "Secretary of State";

(c) in subsection (1), for the words "to another part of the United Kingdom" substitute "from the Bailiwick of Guernsey to any part of the United Kingdom";

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b 1946 c.45.

(d) for subsection (2) substitute –

"(2) No such order shall be made without the agreement of the States Committee for Home Affairs; and no such order shall be made for the transfer of the prisoner to Scotland without the agreement of the Scottish Ministers."; and

(e) omit subsections (4), (5) and (6).

2. In section 45 (Transfer to another part of the United Kingdom: transfer for temporary purposes) –

(a) in the heading omit "another part of";

(b) in subsections (1), (2) and (4), for the words "relevant Minister" substitute "Secretary of State";

(c) in subsection (1)(a) and (b), for the word "another" substitute "any";

(d) for subsection (3) substitute –

"(3) No such order shall be made without the agreement of the States Committee for Home Affairs; and no such order shall be made for the transfer of the prisoner to Scotland without the agreement of the Scottish Ministers."; and

(e) omit subsections (5) and (6).

EXPLANATORY NOTE

(This note is not part of the Order)

This Order extends to the Bailiwick of Guernsey specified provisions of the International Criminal Court Act 2001 (c.17) (the 2001 Act) subject to the modifications set out in the Schedule.

In particular, section 23(5) of the 2001 Act enables United Nations Security Council (UNSC) resolutions which might, depending on their wording, override any immunities attaching to representatives of all States, including non-parties, to be implemented in the Bailiwick, where the UNSC refers a situation to the International Criminal Court (ICC) for investigation and prosecution. Section 44 of the 2001 Act enables the transfer of prisoners between the United Kingdom and the Bailiwick to serve the remainder of an ICC sentence. Section 45 of the 2001 Act provides for the temporary transfer of a prisoner in custody between United Kingdom jurisdictions and the Bailiwick for the purpose, for example, of attending criminal proceedings against the prisoner.

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THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

AMENDMENTS TO LEGISLATION RELATING TO IMPLEMENTATION OF INTERNATIONAL SANCTIONS MEASURES

The States are asked to decide:-

Whether, after consideration of the Policy Letter dated 2nd August, 2021 of the Policy & Resources Committee, they are of the opinion:-

1. To agree to remove from the Sanctions (Bailiwick of Guernsey) Law, 2018, the power to implement sanctions measures enacted by the European Union and other provisions relating to the implementation of such measures; the power to amend the definition of sanctions measures by Ordinance (as set out in section 3);

2. To agree to clarify the scope of the criminal offences in the Sanctions (Bailiwick of Guernsey) Law, 2018 for breaching sanctions measures or for providing false or misleading information (as set out in section 4); and

3. To direct the preparation of such legislation as may be necessary to give effect to the foregoing.

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)(c) of the Rules of Procedure of the States of Deliberation and their Committees.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

AMENDMENTS TO LEGISLATION RELATING TO IMPLEMENTATION OF INTERNATIONAL SANCTIONS MEASURES

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

2nd August, 2021

Dear Sir

1 Executive summary

1.1 The purpose of this Policy Letter is to recommend some amendments to the Sanctions (Bailiwick of Guernsey) Law, 2018 (the Sanctions Law).

1.2 Some amendments arise as a result of the United Kingdom (UK) leaving the European Union (EU) and bringing into force its own sanctions measures. These amendments concern the removal of provisions relating to the implementation within the Bailiwick of sanctions measures enacted by the EU.

1.3 Other amendments clarify the application of criminal offences under the Sanctions Law.

2 Background

2.1 The Sanctions Law enables the Policy & Resources Committee (the Committee) to give effect to sanctions measures throughout the Bailiwick by regulations. The Sanctions Law also provides that breach of prohibitions or requirements of sanctions measures that have been implemented in this way is a criminal offence.

2.2 Sanctions measures for these purposes are defined as EU sanctions imposed under certain treaties, United Nations (UN) sanctions imposed under the UN

Charter and UK sanctions imposed under the Sanctions and Anti-Money Laundering Act 2018 (SAML Act). This definition reflects the fact that when the Sanctions Law was introduced, the UK was still a member of the EU and therefore had an ongoing obligation to implement EU sanctions. This meant in turn that the Sanctions Law had to make provision for both the implementation of EU sanctions until the point when the UK left the EU, and any sanctions that the UK might make under the SAML Act thereafter.

2.3 UN sanctions are included in the definition of sanctions measures to ensure that the Bailiwick has a legal mechanism in place under which it can take direct action to meet its obligations under the UN Charter if required. However, it has not been necessary to invoke that mechanism to date. This is because UN sanctions have been given effect as part of the sanctions regimes enacted by both the EU and now by the UK (see below).

2.4 The Sanctions Law does however provide for the automatic but temporary implementation in the Bailiwick of new UN sanctions, whether new regimes or new listings under existing regimes, pending their adoption by the EU. This interim provision was needed because under the EU's internal processes, there is a delay between the enactment of a new UN measure and its adoption by the EU. The temporary implementation provisions in the Sanctions Law effectively replicate measures taken by the UK to remove any gaps in complying with UN obligations in that intervening period. This is on the basis that by the end of the temporary period, the EU would invariably have enacted its own sanctions measure to implement the new UN sanctions regime and those measures would in turn be implemented domestically.

2.5 The Sanctions Law has been relied on to give effect to a number of EU regimes. However, as a result of the UK leaving the EU with effect from 31st December, 2020, all measures giving domestic effect to EU sanctions have been repealed. This includes Ordinances made under the European Communities (Implementation) (Bailiwick of Guernsey) Law, 1994, regulations made under the Sanctions Law in the period before the UK left the EU and provisions of the Sanctions Law giving temporary effect to new UN listings related to existing EU sanctions. These measures have been replaced by regulations giving effect to UK sanctions that are broadly in line with the corresponding EU sanctions. These are now the only sanctions applicable in the Bailiwick, although as indicated above, they include UN sanctions within their scope.

2.6 There is no longer any need to provide for temporary implementation of new UN listings under existing regimes, as these are incorporated automatically within the relevant UK sanctions. With regard to new UN regimes, these can be implemented directly if required by the Committee using its regulation making power referred to above. However, this is unlikely to be necessary save in

exceptional circumstances, such as where the UN enacts a new regime and there is an urgent operational need to give effect to it in the Bailiwick before the UK has enacted the necessary regulations under the SAML Act.

3 EU sanctions

3.1 As indicated above, before the UK had left the EU the Bailiwick needed the power in the Sanctions Law to implement EU sanctions, so as to ensure that the Bailiwick's sanctions regime could mirror that applicable to the UK as an EU member state. This mirroring of the UK position was not only in line with the longstanding constitutional position on foreign policy issues, but at a practical level it meant that Bailiwick businesses with UK links would not have to apply a sanctions regime which differed from that applicable to their UK counterparts. In addition, implementing EU sanctions was an effective way of meeting the Bailiwick's obligations under the UN Charter. These reasons no longer apply now that compatibility with the UK's position and the implementation of UN sanctions measures has been achieved by giving effect to UK sanctions.

3.2 In expectation of this, at the time when the Sanctions Law was introduced it was envisaged that once the UK had left the EU the Bailiwick would no longer implement EU sanctions or retain the power to do so. It was recognised that in addition to being unnecessary, there were strong policy arguments against the Bailiwick seeking to implement EU sanctions in future.

3.3 This was on the basis that implementation of EU sanctions could be incompatible with the UK position. This would cause not only a deviation from UK foreign policy but also confusion and practical difficulties for Bailiwick businesses with close ties to the UK. That expectation has been confirmed by the autonomous sanctions that the UK has enacted, because although they are broadly in line with the EU sanctions that they replace, they are not identical to them. There are differences not only at a technical level (for example as to the scope of restrictive measures and licensing criteria) but also at a practical level, because not all parties listed by the EU have been listed by the UK. There may well be further divergences in future.

3.4 Similar considerations arise in respect of the power to amend the definition of sanctions measures by Ordinance in the Sanctions Law. Its purpose was to enable the swift removal of the reference to EU sanctions as appropriate once the UK had left the EU. This power will therefore no longer be required once the reference to EU sanctions has been removed. Leaving the power in place could cause difficulties from a constitutional perspective, at least theoretically, as it would open up the possibility of the Bailiwick making significant foreign policy changes by secondary legislation without reference to the UK. The undesirability of both this situation and the retention of the power to

implement EU sanctions after Brexit was underlined by the UK authorities in discussions before the Sanctions Law received royal assent.

3.5 Therefore, it is proposed that the power to implement EU sanctions (including to give temporary effect to new UN regimes pending their adoption by the EU) and to amend the definition of sanctions measures by Ordinance should be removed. This would have the dual benefits of giving certainty to financial services businesses and other sectors about the scope of the Bailiwick's sanctions regime, and allaying any concerns that might otherwise arise about the Bailiwick adopting a different foreign policy position from that in the UK in future.

4 Criminal Offences

4.1 Section 3 of the Sanctions Law provides that contravention of any of the prohibitions or requirements of sanctions measures implemented in the Bailiwick is a criminal offence. This does not explicitly cover the situation where a prohibition or requirement is contained in an underlying instrument such as a licence or a direction that has been issued under a sanctions measure. The Committee has been advised by the Law Officers that while a prohibition or requirement contained in an underlying instrument is implicitly covered by section 3, it would be beneficial to amend the Sanctions Law to put the issue beyond doubt.

4.2 The Law Officers have further advised that it would be beneficial to clarify that the offences at section 17 of the Sanctions Law, which relate to the provision of information, apply to information provided voluntarily in relation to a UK sanctions measure (for example in connection with an application for a licence) in the same way as to information provided in response to a specific request from the Committee.

4.3 It is therefore proposed that the scope of these offences is clarified as advised by the Law Officers.

5 Consultation

5.1 The Law Officers have been consulted and raise no legal objection to the proposals in this Policy Letter.

6 Alderney and Sark

6.1 The Committee has consulted with the Policy and Finance Committee of the States of Alderney and the Policy and Finance Committee of the Chief Pleas of Sark. The committees support the proposals in this Policy Letter.

7 Resources

7.1 The Committee does not consider there to be any resource implications associated with the implementation of these proposals.

8 Recommendations

8.1 The States are asked to decide whether they are of the opinion:

- To agree to remove from the Sanctions (Bailiwick of Guernsey) Law, 2018, the power to implement sanctions measures enacted by the European Union and any provisions relating to the implementation of such measures; the power to amend the definition of sanctions measures by Ordinance;

- To agree to clarify the scope of the criminal offences in the Sanctions (Bailiwick of Guernsey) Law, 2018 for breaching sanctions measures or for providing false or misleading information; and

- To direct the preparation of such legislation as may be necessary to give effect to the foregoing.

9 Compliance with Rule 4

9.1 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.

9.2 In accordance with Rule 4(1)(a), the Propositions contribute to Priority 2 of the Government Work Plan by enabling the Bailiwick to manage the effects of Brexit and meet international obligations.

9.3 In accordance with Rule 4(1)(b), the consultation undertaken with relevant stakeholders in the preparation of the Propositions is detailed in sections 5 and 6 of this Policy Letter.

9.4 In accordance with Rule 4(1)(c), the Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.

9.5 In accordance with Rule 4(1)(d), there should be no additional financial implications to the States of Guernsey of carrying the proposals into effect.

9.6 In accordance with Rule 4(2)(a), the Propositions relate to the Committee's responsibilities for the policy framework for the regulation of financial services.

9.7 In accordance with Rule 4(2)(b), it is confirmed that the Propositions accompanying this Policy Letter are supported unanimously by the Policy & Resources Committee.

Yours faithfully

P T R Ferbrache
President

H J R Soulsby MBE
Vice-President

J P Le Tocq

M A J Helyar

D J Mahoney

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THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

THE HUMAN RIGHTS (BAILIWICK OF GUERNSEY) LAW, 2000
– AMENDMENT OF LEGISLATION

The States are asked to decide:-

Whether, after consideration of the Policy Letter entitled '' The Human Rights (Bailiwick of Guernsey) Law- amendment of legislation" dated 4th August, 2021, they are of the opinion:-

1. to agree to amend section 9(2) of the Human Rights (Bailiwick of Guernsey) Law, 2000, to enable a court to award compensation to a person in respect of a judicial act done in good faith, in the circumstances set out in paragraph 2.5 of that Policy Letter.

2. to direct the preparation of such legislation as may be necessary to give effect to the above decision.

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.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

THE HUMAN RIGHTS (BAILIWICK OF GUERNSEY) LAW, 2000
– AMENDMENT OF LEGISLATION

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

4th August, 2021

Dear Sir

1 Executive Summary

1.1 In the 2016 judgment in the case of Hammerton v UK[1], the European Court of Human Rights found that the UK, as the State party to the case, had breached certain rights of the applicant, Mr Hammerton, under the European Convention of Human Rights[2] (the Convention). The breach related to a statutory bar in the Human Rights Act 1998[3] (the UK legislation) which prevented damages being awarded in the circumstances of a judicial act done in good faith, except to compensate a person in respect of any deprivation of liberty. The UK, under the terms of the Convention and as a Member of the Council of Europe, is obliged to implement judgments in cases to which it is party. Accordingly, the UK Government has now amended the Human Rights Act 1998 to address the lack of domestic remedy available.

1.2 The Convention was extended and given effect in the Bailiwick with the enactment of the Human Rights (Bailiwick of Guernsey) Law 2000[4] (the Bailiwick legislation). The Bailiwick legislation largely mirrors the UK legislation and, in a similar way, includes a statutory bar against the provision of damages being awarded in the circumstances arising in the Hammerton case.

[1] Hammerton v The United Kingdom 6287/10- Judgment of the European Court of Human Rights
[2] European Convention on Human Rights (also known as The Convention for the Protection of Human Rights and Fundamental Freedoms)
[3] The Human Rights Act 1998
[4] The Human Rights (Bailiwick of Guernsey) Law, 2000

1.3 Constitutionally, due to the Bailiwick's historic relationship with the Crown, the UK has responsibility for the Bailiwick's international relations and for ensuring that it meets human rights obligations and compliance with the Convention. In practice, it is for the Bailiwick to make legislation and policies to fulfil its international obligations. The UK Government has invited the Bailiwick authorities to consider amending its domestic human rights legislation in a similar way to the UK to ensure compliance. The UK Government would wish to see the alignment of the Bailiwick's position with the UK's to ensure that the UK and Bailiwick continue to meet their international obligations.

1.4 The Policy & Resources Committee recommends that the required legislative changes should be made to fulfil these obligations for Guernsey.

1.5 As the legislation applies Bailiwick-wide, consultation has taken place with Alderney and Sark. The relevant committees in those islands agree that the legislative changes should be made and that this Policy Letter will be used for consideration and decision making by the three Bailiwick parliaments.

1.6 If approved by the three Bailiwick parliaments, a Projet de Loi will be required to introduce the legislative changes.

2 Background

2.1 The circumstances in the case of Hammerton v UK related to domestic child contact proceedings brought in the English courts, which resulted in Mr Hammerton's committal to prison following his breaches of an undertaking and an injunction. In 2016, the European Court of Human Rights found that Mr Hammerton's Article 6[5] right to a fair trial under the Convention had been breached, as he had been committed to prison for a longer period than he would otherwise have been, due to a judicial act which did not allow him certain rights under Article 6. This judicial act deprived him of legal representation when deciding whether to commit him to prison. However, section 9(3) of the UK's Human Rights Act 1998 operated as a statutory bar to an award of damages, in that it did not permit Mr Hammerton to claim damages in the domestic courts in respect of a judicial act done in good faith (the principle of judicial immunity), except to compensate to the extent required by Article 5(5) of the Convention[6] in respect of a person's deprivation of liberty.

2.2 Mr Hammerton then applied to the European Court of Human Rights due to the lack of domestic remedy available. The European Court of Human Rights determined that the statutory bar in Section 9(3) of the Human Rights Act 1998, which prevented a remedy being obtained as a result of a judicial act in good

[5] European Convention on Human Rights, Article 6 pages 9-10
[6] European Convention on Human Rights, Article 5 page 8

faith, was a breach of Article 13 of the Convention[7], regarding a person's right to obtain an effective remedy.

2.3 The UK remains committed to the Convention. The EU-UK Trade and Cooperation Agreement[8] agreed following the UK's withdrawal from the EU, includes provisions relating to these continuing obligations. The Council of Europe's Committee of Ministers monitors the implementation process for judgments by the European Court of Human Rights for Member States. The UK, under the terms of the Convention, as a Member State of the Council of Europe and as the State Party to Convention, is obliged to implement judgments in cases to which it is party. Accordingly, in order to implement the Hammerton judgment, the UK government decided to amend its Human Rights legislation by removing the statutory bar on the award of damages in these circumstances.

2.4 Following scrutiny by the Houses of Parliament's Joint Committee of Human Rights of the proposed amendment, as set out in the Joint Committee's Report in November 2018[9], the final amendment introduced by the UK Government provided for a slightly wider scope for an award of damages to be made than originally proposed.[10] The UK Government has now completed the process to amend its legislation and the amended legislation came into force in October 2020.

2.5 The amendment to the UK legislation makes the following changes in terms of remedies. In addition to the existing a provision for compensation under Article 5(5) of the Convention for deprivation of liberty, the amendment now enables the UK courts to award damages to compensate a person in respect of a judicial act done in good faith where:

- the judicial act is incompatible with Article 6, and
- the breach of Article 6 causes the person to be

(i) detained when they would not otherwise have been, or
(ii) subjected to a longer period of detention than they would otherwise have been.

2.6 The UK Government has now invited the Bailiwick authorities to consider amending its domestic human rights legislation in a similar way. This would be amended by including a provision to amend S9(2) of the Human Rights (Bailiwick of Guernsey) Law, 2000.

[7] European Convention on Human Rights, Article 13 page 13
[8] Trade and Cooperation Agreement between the United Kingdom of Great Britain and Northern Ireland, of the one part, and the European Union and the European Atomic Energy Community, of the other part – signed in Brussels and London 30 December 2020, full text available on gov.uk, Article 524
[9] Joint Committee on Human Rights Report published 21 November 2018
[10] Draft Human Rights Act 1998 (Remedial) Order 2019 published 15 October 2019

3 Previous States of Deliberation and Bailiwick decisions regarding the European Convention of Human Rights

3.1 Following the consideration by the States of Deliberation in April 2000 and the making of relevant resolutions to introduce human rights legislation for the Bailiwick[11], the European Convention of Human Rights was extended and given effect in the Bailiwick by way of enactment of the Human Rights (Bailiwick of Guernsey) Law, 2000. The Bailiwick legislation came into force in September 2006.[12]

3.2 The Bailiwick legislation largely mirrors the UK legislation. Section 9(2) of the Human Rights (Bailiwick of Guernsey) Law, 2000 follows the wording of the unamended UK legislation regarding judicial acts and, therefore, no damages nor effective remedy would be available in respect of a breach resulting from a judicial act done in good faith should a similar case to Hammerton come before the Bailiwick courts in the future.

3.3 The Law Officers of the Crown have advised that the Bailiwick legislation should be amended in a similar way to the UK's legislation, to remedy the current incompatibility of the legislation with the Convention. If the States recommends that the changes are introduced, a Projet de Loi would need to be prepared to amend the legislation as the amendment will introduce new provisions.

3.4 The UK Government wishes the Bailiwick's position to be aligned to ensure that the UK continues to meet its international obligations and in order to protect its reputation. The UK has a responsibility for the international relations of the Bailiwick, including monitoring compliance with the Convention. If the Bailiwick refused to make similar provision to the UK by not amending its legislation and a situation like Hammerton arose, with one of the Bailiwick jurisdictions found to be in contravention of the Convention, this would potentially place the UK, as a Member of the Council of Europe, in breach of its Convention obligations.

4 Engagement and Consultation

4.1 The Law Officers have been consulted and have provided advice, as set out in this Policy Letter.

4.2 The Human Rights (Bailiwick of Guernsey) Law, 2000 is a Bailiwick-wide law. Consultation has taken place with Alderney and Sark regarding the proposed amendment. Alderney and Sark's Policy & Finance Committees[13] have confirmed

[11] Policy Letter "Incorporation of the European Convention for the Protection of Human Rights and Fundamental Freedoms into Bailiwick Legislation" by the States Advisory and Finance Committee, Billet d'État IX of 2000 and Resolutions of 5th April, 2000 (not available online)

[12] The Human Rights (Bailiwick of Guernsey) Law 2000, (Commencement) Ordinance, 2006

[13] Sark P&F Committee decision 18 May 2021, Alderney P&F Committee decision 20 May 2021

their agreement to the amendment of the Bailiwick legislation. These Committees have also agreed that they are content for the same Policy Letter to be used for the three jurisdictions parliaments, at or about the same time.

4.3 Discussions are taking place with the Ministry of Justice, at officer level, as the UK Government Department responsible for the implementation of judgments of the European Court of Human Rights and with responsibility for managing the UK's constitutional relationship with the Bailiwick, regarding the steps being taken to amend the Bailiwick legislation.

5 Conclusion and Recommendations

5.1 It is recommended that the Bailiwick legislation is amended in a similar way to the UK legislation, as outlined in Section 2.5 of this Policy Letter, to provide a remedy in those defined circumstances and to ensure that the Bailiwick continues to meet its Convention obligations.

6 Compliance with Rule 4

6.1 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.

6.2 Rule 4(1)(a) - The Propositions for this Policy Letter relate to the States' objectives and policy plans for managing the States' international obligations[14], by ensuring compliance with the Convention obligations.

6.3 Rule 4(1)(b) - The Committee's engagement and consultation with other parties is outlined in section 4, in accordance with Rule 4(1)(b).

6.4 Rule 4(1)(c) - The Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.

6.5 Rule 4(1)(d) - There are no financial implications from these proposals and no additional resources will be required to fulfil these Propositions.

6.6 Rule 4(2)(a) - The Propositions relate to the purpose, policy responsibilities and duties of the Policy & Resources Committee in terms of its responsibilities for external relations and international and constitutional affairs, which includes the Island's constitutional position.

6.7 Rule 4(2)(b) - It is confirmed that the Propositions have the unanimous support

[14] Policy & Resources Committee - Government Work Plan 2021-2025 Billet d'État XV of 2021 (Stage 2 of GWP) (including pages 18-20, 40 and 41) and Resolutions of 23rd July, 2021

of the members of the Committee.

Yours faithfully

Policy & Resources Committee

P T R Ferbrache
President

H J Soulsby
Vice-President

M A J Helyar
J P Le Tocq
D J Mahoney

Guernsey Legal Aid Service – 2020 Annual Report



New Jetty,
White Rock, St Peter Port GY1 2LL

This Report covers the period 1st January 2020 to 31st December 2020

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GUERNSEY LEGAL AID SERVICE ANNUAL REPORT 2020

Introduction

The principal purpose of the Legal Aid (Bailiwick of Guernsey) Law 2003 is:-

"For the efficient provision (at reasonable cost to the States, the States of Alderney, the Chief Pleas of Sark, and any other provider of financial assistance under this law) of legal assistance throughout the Bailiwick with a view, when the interests of justice so require, to helping persons who might otherwise be unable to obtain that assistance on account of their means."

Legal Aid provides access to free or reduced cost legal advice in criminal and civil cases arising in the Bailiwick of Guernsey (i.e. the Islands of Guernsey, Alderney, Herm and Sark) for those who cannot otherwise afford an Advocate.

The Guernsey Legal Aid Service is the office that administers the Legal Aid schemes under the direction of the Legal Aid Administrator.

The Legal Aid Administrator is an independent statutory official appointed by the States of Guernsey on a five year term basis. She has full discretion to grant or refuse Legal Aid within the terms of the scheme which the States prescribes.

Background and Governance

The Guernsey Legal Aid Service ("GLAS") came into existence on 1st September 2001, at first offering assistance in criminal matters only, broadly modelled on the voluntary scheme already in operation.

The Legal Aid Administrator ("the Administrator") was appointed by the then Advisory and Finance Committee to bring the schemes into effect on an extra-statutory basis.

The scheme for assistance with civil matters commenced on 1st January 2002. There had been no previous voluntary scheme in place.

It was recognised from the outset that it would take some time to develop this new and potentially complex service, to establish and refine procedures, set up an office, negotiate arrangements with the Guernsey Bar and, in particular, to take account of constantly evolving legislation which would have an impact on the service and its scope. Accordingly, it was decided to initially operate the schemes for civil and criminal legal aid on an extra-statutory basis, pending development and review of the schemes and the subsequent drafting and States' approval of the Ordinance.

The Legal Aid (Bailiwick of Guernsey) Law 2003 ("The Legal Aid Law") was brought into effect in 2005 and the Legal Aid (Guernsey and Alderney) (Schemes and Miscellaneous Provisions) Ordinance 2018 ("the Ordinance") on 1st January 2019 which set up the various Statutory Schemes. As Sark was undertaking a general

review, it was decided that the Ordinance should not extend to Sark at that time which, as a consequence remains extra –statutory.

Since May 2016, the responsibility for political oversight of legal aid has fallen within the mandate of the Committee for Employment and Social Security, having transferred from the Policy Council.

The Ordinance also created the Office of the Legal Aid Commissioner who, when requested, reviews the decisions of the Administrator.

There is a legislative requirement to produce an annual report since the Legal Aid Law came into effect but in practice it was accepted that these would not be prepared as the Administrator had no schemes to administer until the Ordinance was implemented on 1st January 2019.

The Legal Aid Office and Staffing

The Legal Aid Office is located at New Jetty, White Rock, St Peter Port, Guernsey. GLAS

There are 5 full time members of Staff:

Legal Aid Administrator

Deputy Legal Aid Administrator

Administration & Finance Manager

Senior Executive Officer

Executive Assistant

Legal Aid Schemes

Under the Ordinance, three main Legal Aid Schemes were established, each specified by Rules of the Committee which came into effect on 1st November 2019:

- **The Legal Aid, Advice and Assistance Scheme – "the Green Form Scheme"**
- **The Criminal Legal Aid Scheme**
- **The Civil Legal Aid Scheme**

The legal matters that are funded by GLAS are categorised into two areas: Civil and Criminal.

Civil matters: The civil scheme covers such areas as:

- private law family matters such as the future arrangements for the children where parents have separated – primarily applications made under Section 17 of The Children (Guernsey and Alderney) Law 2008 - divorce and ancillary relief proceedings
- public law proceedings (children being removed from the care of their parents)
- affiliation & maintenance proceedings when supported by Employment and Social Security
- personal injury and medical negligence claims
- confiscation proceedings relating to proceeds of crime and drug trafficking
- appeals to the Mental Health Review Tribunal
- evidential hearings arising from the Child Youth and Community Tribunal ("CYCT") and in exceptional circumstances legal representation at the CYCT.

Criminal matters: The criminal scheme provides free legal advice from a Duty Advocate for anyone who has been detained by the Guernsey Police or Guernsey Border Agency or any person attending the police/border agency as a volunteer in respect of a matter for which they could otherwise be arrested. Apart from in the Royal Court and the Traffic Court, the Duty Advocate is also available at Court to provide assistance and representation for defendants who have been charged and who have not yet instructed their own Advocate.

The scheme also provides funding under a full legal aid certificate for certain criminal proceedings that meet the legal merits criteria. Some matters (e.g. minor motoring offences) are excluded from receiving legal aid for representation in court unless the applicant is unable to conduct their own defence due to language difficulties, mental/physical disability or other.

The Green Form Scheme: This provides applicants up to 2 hours advice and assistance for both criminal and civil matters. The Legal Aid Rules set out those legal matters that are generally included and excluded from the Scheme.

Eligibility for Green Form and other legal aid services is subject to the financial eligibility criteria. Financial eligibility is assessed by the Advocate at their office. There are no such criteria for the Duty Advocate advice, public law proceedings and appeals to the Mental Health Tribunal, which are provided at no charge to the individual.

For the services where the financial eligibility criteria applies, some applicants may be required to pay a contribution towards their costs and should any applicant recover or preserve assets in proceedings, they are required to reimburse GLAS all their costs in full.

In terms of Alderney, there are special arrangements with specific Guernsey Law Firms for the provision of legally aided services in Alderney including a Duty Advocate.

How the Legal Aid Process Works

An applicant who requires legal advice and assistance will initially see their Advocate under a 2 hour Green Form. The Advocate's office assesses whether the applicant is financially eligible for Green Form advice. If the Advocate is of the opinion that an application for a full legal aid certificate (which most commonly funds court proceedings) they will submit an application to GLAS.

When an application for a legal aid certificate is submitted to GLAS via the applicant's Advocate, the financial eligibility of the applicant is firstly assessed by the Senior Executive Officer or Executive Assistant. Financial assessment is undertaken over a period of 13 weeks prior to the date of the application. The applicant is required to produce evidence of all sources of income, capital, bank statements and evidence of rent/mortgage payments. If an applicant is in receipt of Income Support they are automatically financially eligible for legal aid. The file is then passed onto the Administrator or Deputy Administrator to check the financial eligibility assessment and to determine whether the application meets the legal merits criteria. If both criteria are met a Legal Aid Certificate is granted. Some applications involve very complex issues. Others do not meet the legal merits criteria (or the applicant is financially ineligible) and are refused.

If an application is refused because it does not meet the legal merits criteria, an Applicant can request the matter be referred to the Legal Aid Commissioner for a review of that decision.

Once a Legal Aid Certificate is granted, it continues to be monitored by GLAS. Should an applicant's financial circumstances change, they are reassessed to determine continued eligibility. In addition, for civil legal aid certificates, an Advocate can only undertake work within the limit authorised by GLAS. Any request for additional time needs to be justified by the Advocate and approved by GLAS. Any intended disbursements over £100 also require prior approval by GLAS.

At the conclusion of the case that is being funded under a legal aid certificate, the Advocate submits their files to GLAS to undertake the process of taxation. This is an assessment of the reasonableness of the costs claimed by the Advocate throughout the court proceedings (or matter that is being funded) to ensure they are correctly claimed and in accordance with the costs criteria laid down. Most cases are taxed by GLAS but large cases are sent to the UK to be assessed by a Costs Draftsman.

An agreement/compromise is usually reached with the Advocate as to the level of reductions but in the event the matter cannot be agreed, it is referred to the Costs Judge for Taxation on the Papers. If matters are still not agreed, an Oral Taxation Hearing is requested.

Administrator's Comments

This is the second annual report of the Guernsey Legal Aid Service which covers the period 1st January 2020 to 31st December 2020.

GLAS expenditure comprises a fixed Administration budget and a formula led budget. Formula led means that, whilst there is a budget based on reasonable predictions and other criteria, legal aid continues to be granted even if that budget has been exceeded, as is consistent with the interests of justice.

In 2020 there was an overall underspend of £449,000 for formula led expenditure compared to the budget. This is broken down to an underspend of £322,000 for civil expenditure and £127,000 for criminal expenditure.

It is difficult to pinpoint the exact reasons for our unusually large underspend but inevitably the period of lockdown from March to June 2020 was an influencing factor.

For criminal matters at the beginning of lockdown we saw a drop in the number of applications received but activity gradually increased from the middle of lockdown onwards. However, there was also a noticeable increase in the funding of drug related matters and this trend continued throughout 2020.

For civil matters the most active area over the past years (and this continues to be the case) is the provision of funding for family proceedings in the Domestic Proceedings Magistrates Court. This area of expenditure consists mostly of applications made under Section 17 of the Children (Guernsey and Alderney) Law, 2008 i.e. for Residence and Contact Orders in addition to Specific Issue Orders and Prohibited Steps Orders concerning children whose parents have separated and are unable to reach an agreement as to the future arrangements of their child/children. In addition, we fund a number of Affiliation and Maintenance Proceedings against the non-resident parent but only when supported by Employment & Social Security, plus Domestic Violence Injunctions. Whilst it is clear the Courts seek to avoid delay where possible, some Section 17 proceedings can be lengthy sometimes spanning 1 or 2 years and often involve the funding of experts reports such as psychological assessments of the parties which have been ordered by the Court.

There was a marked decrease in the number of applications to fund family matters received during lockdown. We were expecting to be inundated with applications once lockdown was lifted but this did not occur and this trend continued during 2020.Over all we processed less applications in 2020 compared with 2019.

We were also expecting to receive a large volume of applications for Domestic Violence Injunctions during the lockdown period as a result of family units spending more time together under the same roof but, again, this was not the case.

In terms of the funding of experts approved by us in both civil and criminal court proceedings, owing to the restrictions on entering the island through the majority of 2020, there was a reduction in expenses claimed by the experts in that we were only funding their professional fees. Some experts were undertaking assessments of parties and giving evidence at court hearings via videolink/skype/zoom but other assessments were deemed inappropriate to be undertaken remotely and were

postponed until the expert could meet a party in person. This resulted in us not having to fund the usual travel and accommodation expenses required for the expert to visit Guernsey from the UK.

The majority of applications for a full legal aid certificate are granted but some are refused. For those matters that are refused, we receive minimal annual requests for a review of the Administrator's decision. Only one matter was referred to the Legal Aid Commissioner for a review in 2020 who upheld our initial decision to refuse legal aid funding in those particular circumstances.

In terms of taxation of Advocate's costs, whilst personnel intensive, this is nevertheless an important process and helps to ensure the taxpayer receives value for money. Every year a number of reductions are made. In 2020, the net reductions in costs claimed by Advocates overall amounted to approximately £113,389.00.

Should an Advocate dispute the proposed reductions to their costs on taxation, they can request the matter be referred to the Costs Judge for Taxation on the Papers. No taxations disputes were referred to the Costs Judge in 2020.

In addition to processing applications for full legal aid, in 2020 we received 569 Green Forms for civil and criminal matters. This was a considerable reduction compared with 813 processed in 2019. We also processed 598 Detention Forms and 134 Duty Advocate invoices . All these require checking and processing for payment by the GLAS team.

Generally in 2020:

As with everyone, the lockdown period brought its various challenges but the Legal Aid office remained open throughout with staff on a rota so as to ensure social distancing requirements were met.

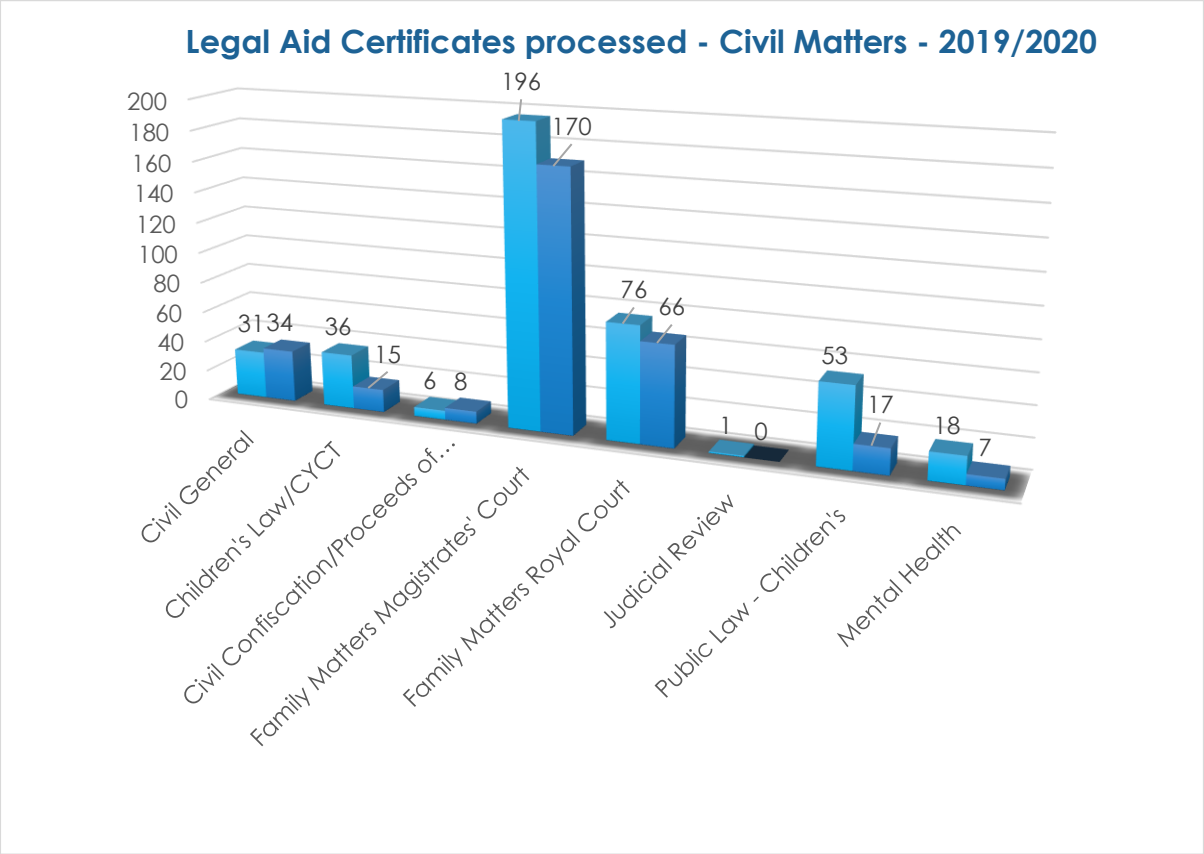
Various heads of Legal Aid in the home jurisdictions of the UK, Scotland, Northern Ireland, Southern Ireland, the Isle of Man, and Guernsey annually attend a Joint Consultative Committee meeting to exchange information. Guernsey was due to host this meeting in 2020 but owing to covid travel restrictions this has been postponed to 2021,providing the travel restrictions have lifted. Jersey who are reviewing their legal aid provision, will also attend.

Lockdown and other matters taking priority has led to a delay in our website going live but we hope to have this up and running by the end of 2021.

Summary of applications in 2020

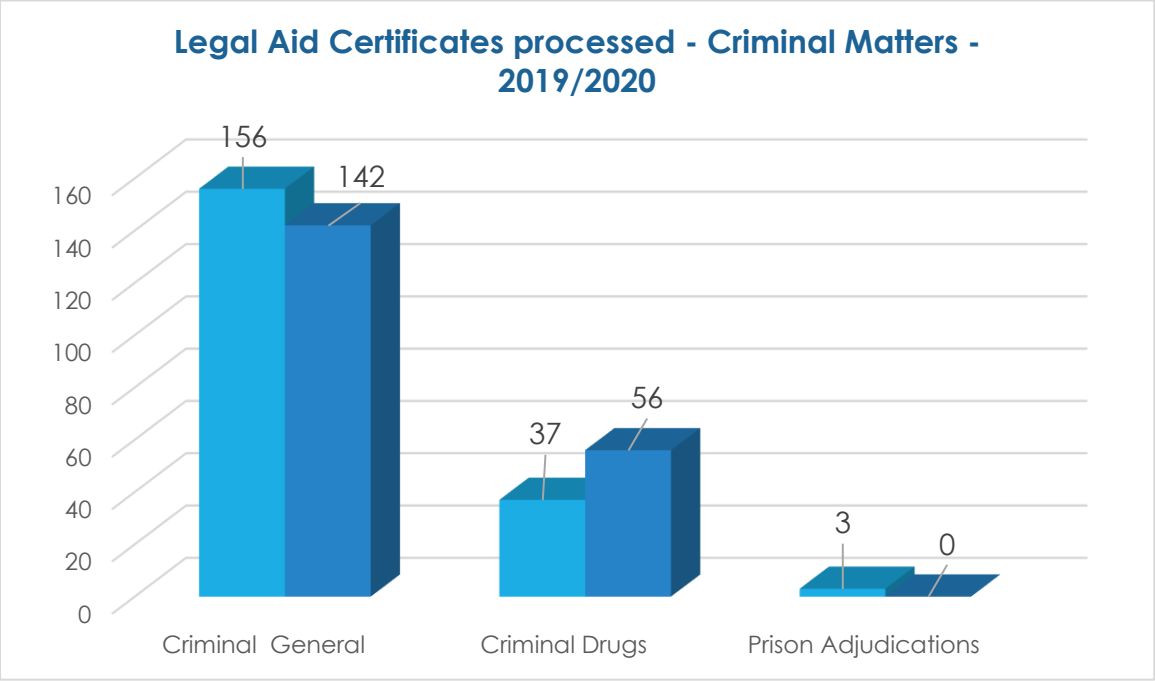
Civil Matters

During 2020 the Guernsey Legal Aid Service approved 317 Civil certificates, compared with 417 in 2019. The graph below breakdowns the various types of court proceedings that were funded.



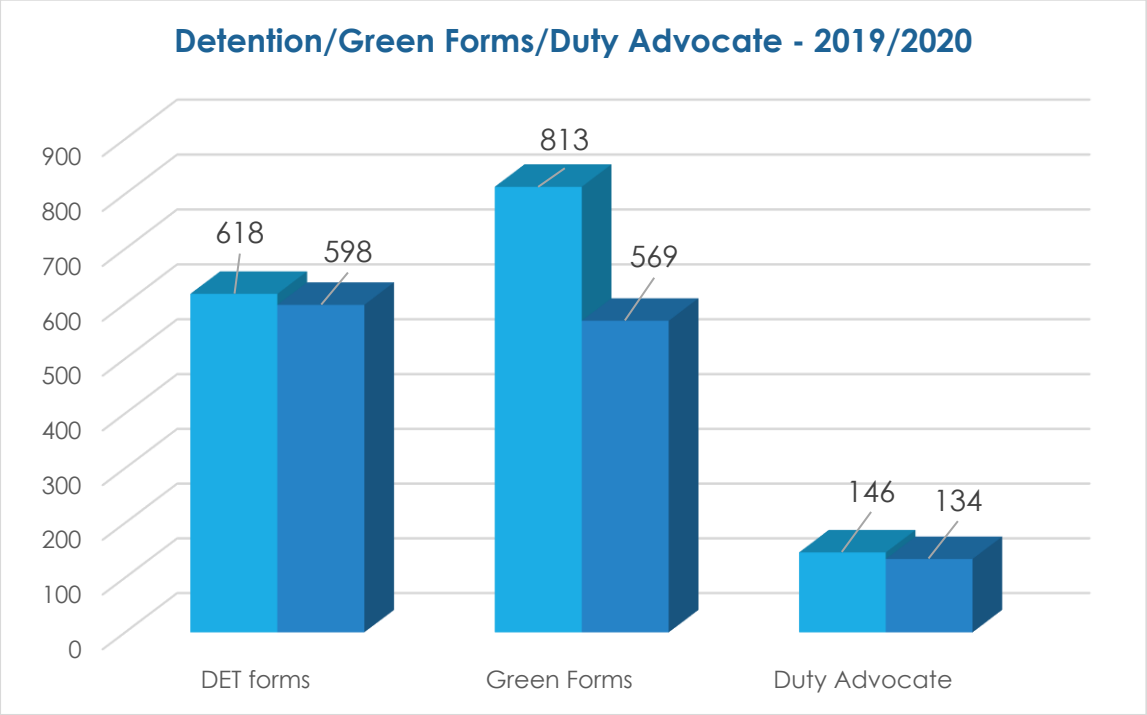
Criminal Matters

During 2020, 198 Criminal certificates were granted in Guernsey, compared with 196 in 2019.



Green Forms/Detention Forms and Duty Advocate Invoices

Funding was also provided for 598 Detention forms (where an individual has been detained by the Police or Border Agency and receives free legal advice from the Duty Advocate)in 2020 compared to 615 in 2019, 569 Green Form cases (in respect of both civil and criminal matters) and 134 Duty Advocate invoices for representation at Court (an individual appearing in court unrepresented in most cases is able to use the Duty Advocate to assist them) in 2020 compared to 813 Green Forms & 146 Duty Advocate invoices in 2019.



Alderney and Sark

The Guernsey Legal Aid Service covers all of the Bailiwick. The numbers of certificates approved in Alderney and Sark in 2019/20 were as follows:

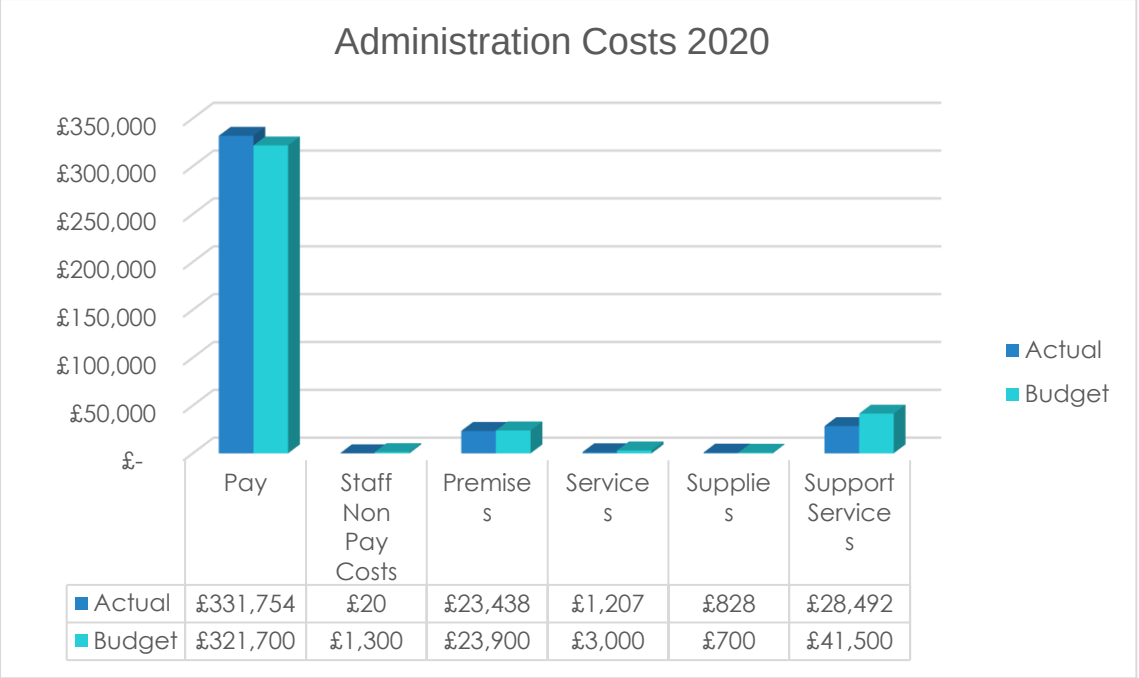
	2019		2020	
	Civil	Criminal	Civil	Criminal
Alderney	0	6	6	9
Sark	0	0	3	0

Summary of Legal Aid Expenditure in 2020

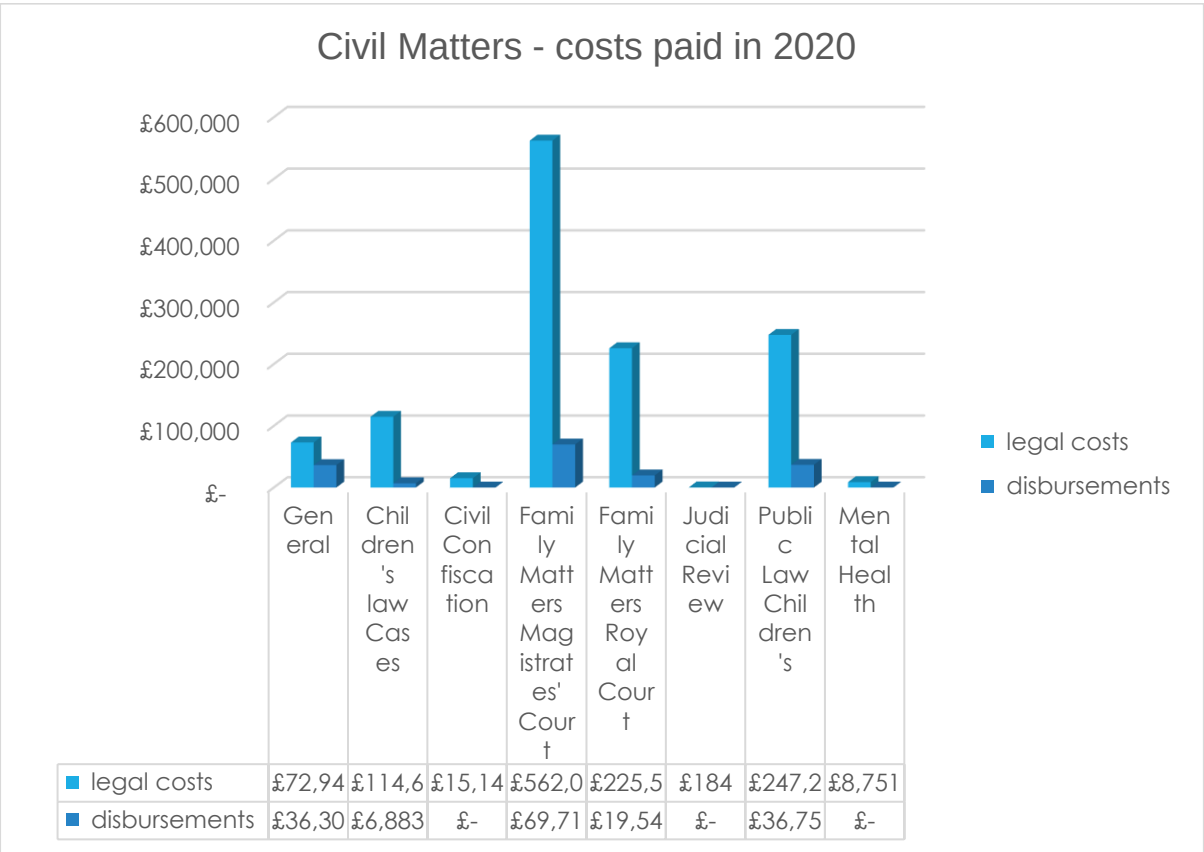
The cost of the Legal Aid Service in 2020 was £2,378,000 which was a £454,000 underspend compared to the budget of £2,832,000.

2020 Original Budget £'000s	2020 Total Authorised £'000s		2020 Actual £'000s	2019 Actual £'000s
		Formula-Led Expenditure:		
		Legal Aid		
1,620	1,620	*Civil Legal Aid*	1,299	1,531
820	820	*Criminal Legal Aid*	693	1000
2,440	2,440		1,992	2,531
		Non Formula-Led		
386	392	Administration	386	368
2,826	**2,832**	**Total Net Expenditure**	**2,378**	**2,899**

The budget is split into two discrete parts, £392,000 covers the costs of running the Legal Aid office and £2,440,000 relates to demand led expenditure i.e. the funding of legal fees for advocates (including disbursements such as court and experts fees).



	Pay	Staff Non Pay Costs	Premises	Services	Supplies	Support Services
Actual	£331,754	£20	£23,438	£1,207	£828	£28,492
Budget	£321,700	£1,300	£23,900	£3,000	£700	£41,500



	General	Children's law Cases	Civil Confiscation	Family Matters Magistrates' Court	Family Matters Royal Court	Judicial Review	Public Law Children's	Mental Health
legal costs	£72,94	£114,6	£15,14	£562,0	£225,5	£184	£247,2	£8,751
disbursements	£36,30	£6,883	£-	£69,71	£19,54	£-	£36,75	£-



	General	Drugs related	Prison Adjudication
legal costs	£469,748	£243,106	£1,704
disbursements	£6,910	£8,210	£-

Due to the length of time it can take for court proceedings to conclude there is no particular correlation between the costs paid in 2020 and the number of Certificates granted in 2020. Some court proceedings last a few months, others a few years.

Lucy Haywood

Legal Aid Administrator

July 2021

GUERNSEY POLICE COMPLAINTS COMMISSION

2019 & 2020 Annual Report

Date of publication: 20th August 2021

CHAIRMAN'S FOREWORD

It is with pleasure that I present my first annual report, though I do this also on behalf of Mr Stewart Chisholm who was Chairman for the 2019 reporting period. Mr Chisholm retired in early 2020 having served as Chairman from when the Law came into force, in July 2011. Mr Chisholm was dedicated to his role, respectful and considerate of others and I hope to be able to follow in his footsteps ensuring that matters are dealt with in a timely and professional manner.

I must also acknowledge the resignation of two of my fellow Commissioners; Nigel Ward who resigned in 2019 and Ann Nippers who resigned at the end of 2020, both having served on the Commission since its inception. The Commission is indebted to both Mr Ward and Mrs Nippers for their valuable contribution, insight, attention to detail and due process; both having and played a key role in identifying improvements that could be made to the complaints process.

The Commission welcomed Mrs Judith Watson to the Commission in 2020 and there are two vacant memberships at the time of writing; a recruitment campaign is underway.

2020 was certainly an interesting year and the Commission has been impressed by the way that Bailiwick Law Enforcement have responded to the pandemic.

The Commission is disappointed to report that there has been little progress made on securing the legislative changes which we have been anticipating for a number of years now. The Commission acknowledge that there have been pressures, including the impact of Brexit and a UK Policing Review, which have led to delays in progressing this work and other non-statutory improvements to the process.

The Commission looks forward to working with the new Committee *for* Home Affairs and the Guernsey Police in 2021 to ensure that we have a robust system in place locally to provide public confidence in the police complaints process. We all agree that changes are necessary to make the complaints process fit for purpose and to re-assure members of the community that complaints about the conduct of police officers are dealt with fairly, confidentially and efficiently.

Finally, I must acknowledge and thank my fellow Commissioners who have continued to approach their roles with professionalism and integrity and who have fully supported me in my new role as Chairman.

Robert Jordan
Chairman
Police Complaints Commission

INTRODUCTION TO THE POLICE COMPLAINTS PROCESS

The Police Complaints Commission was established under the Police Complaints (Guernsey) Law, 2008 ("the Law") and provides independent oversight of the investigation of complaints made against the police with the aim of increasing public confidence and trust in the police and the complaints system as a whole.

The Commission does not carry out investigations itself as, in introducing the legislation it was the view of the States that the investigation of complaints against the police is most appropriately carried out by the police, where necessary with the assistance of an independent Force.

The Commission has sight of all complaints made against the police – these complaints are recorded in a register which the Commission reviews on a regular basis. The Commission:

- **Must** supervise the investigation of any complaint alleging the conduct of a police officer resulting in the death or serious injury of a person
- **Must** supervise the investigation of any complaint relating to the conduct of a senior officer (Superintendent or above)
- **May** supervise the investigation of any complaint if it considers that it is desirable in public interest to do so
- **May** supervise the investigation of any matter which is not subject to a complaint but has been referred to the Commission by reason of its gravity, public importance or any other exceptional circumstances.

Each investigation is overseen by three Commissioners - this mechanism is useful in allowing the Commission to benefit from members' varying expertise and also enabling Commissioners to remain familiar with the process whilst maintaining the impartiality of other Commissioners to supervise appealed decisions.

When supervising an investigation within the remit of the current legislation, the Commission is looking to satisfy itself that the statutory process has been appropriately followed. At the conclusion of a supervised investigation, the Commission is required to prepare a statement detailing whether the investigation has been completed to its satisfaction, in terms of its compliance with the processes established by the Law and the Police Complaints (Conduct Proceedings and Investigations) (Guernsey) Regulations, 2011 ("the Regulations"), if the Commission is not satisfied then it must state its reasons. The Commission is prohibited from making a statement, at this stage of the process that it agrees (or disagrees) with the conclusion of the investigator's report.

The Commission must refrain from taking a view on the outcome, findings, conclusions and recommendations made, as it plays an important role under Part V of the Regulations as the appeal body for a complainant who is dissatisfied with the Appropriate Authorities determination. Regulation 56 gives the complainant the right to appeal the determination made in respect of the assessment of conduct and information provided in respect of that decision and Regulation 60 gives the complainant rights of appeal against a whole range of findings, decisions and actions

identified by the investigating officer or the appropriate Authority. The Commission must be impartial and independent to preserve the integrity of the appeal function.

REPORTING PERIOD 2019 AND 2020

The role of the Commission is to provide independent oversight of the investigation of complaints made against police officer conduct. In undertaking this role, the Commission has sight of all of the complaints made to the police and actively supervises the most serious, those which might constitute misconduct or gross misconduct, and those where it is in the public interest to do so.

Further, the Commission has a statutory role in considering appeals in respect of the complaints process, including after the initial assessment of the severity of the complaint which determines how the matter will be progressed and, when there has been an investigation.

In 2019, the Commission was notified about two complaints that were to be investigated and it agreed to supervise both. The Commission registered seven appeals in 2019. None of which were upheld. An application was made for a judicial review of one of these appeal decisions however the application was later withdrawn.

In 2020, the Commission was notified about two complaints that were to be investigated and agreed to supervise both. The Commission registered four appeals, none of which were upheld.

Confidentiality restricts the Commission in providing specific details of individual complaints and the Commission is of the view that to provide even brief summaries could potentially risk identifying the complainant, or the officer concerned. This is compounded by the low number of complaints supervised which is also reflective of the low-level of serious complaints received by the force, that is those which, if proven would amount to misconduct or gross misconduct.

The Commission is mindful that the number of complaints formally supervised, and appeals conducted, is not the best or indeed most accurate reflection of the Commission's work. The amount of time taken to supervise each case varies and is ultimately dependent upon the nature of the complaint and the complexity of the resultant investigation. Some investigations undertaken are adequately considered by Commissioners within a single meeting whilst other complaints require active supervision by Commissioners over a longer period of time.

In 2019, Commissioners met with shift police officers and delivered a short presentation on the role of the Commission which gave the officers an opportunity to ask questions. These sessions were championed by Mr Chisholm who was keen for the Commission to have visibility within the Force and for the officers on the beat to recognise that complaints present an opportunity for learning and development and should be seen as an opportunity for the organisation to examine their practices as a whole, for the benefit of the community.

The Commission attended a practical session, delivered by the Guernsey Police, on use of force which included information about the deployment and use of firearms and tazer. The session was of benefit to increase our awareness of how officers are trained

to use force and what the acceptable methods are. The Commission engaged in open discussion about the various techniques and explored their use in various settings.

The session also covered the use of spit-guards by officers, which is a controversial issue and the Commission on balance were in favour of their use should senior management consider that this tool would benefit officers' safety when excising their duties.

The Commission attended a presentation on the National Decision-Making Model which is now established locally and used by officers to inform their decision-making during incidents. The Code of Ethics is central to this Model and is based on the Nolan Principles[1], which as a public body, the Commission also subscribes to. Overall, the session was very informative and there was an opportunity for discussion about the UK's review of its Police Misconduct Procedures.

RECOMMENDATIONS FOR THE FUTURE

As noted previously, the previous Committee *for* Home Affairs (2016-2020) have acknowledged the Commission's concerns in relation to the limitations of its statutory role in supervising investigations. We continue to believe that there is scope for enhancing the Commission's responsibility to better support the original objectives of the police complaints process; that is to ensure public confidence in the complaints process and the Force in general.

In the meantime, the Commission is committed to increasing the accessibility of the complaints process and hopes to be able to produce information to assist complainants through the process. The Commission consider that it could do a better job of supporting those who wish to express dissatisfaction about the service they receive without risking the integrity of the process.

The Commission have a unique insight in to the Force and recognise that complaints often help to identify learning and development opportunities for the Force. The Commission is keen to work with the Head of Law Enforcement to consider how it may support any new processes and importantly how the public might be more informed of how the issues they raise contribute to change.

SUPPORT AND COST OF THE COMMISSION

The Commission is funded from the general revenue of the Committee *for* Home Affairs and is supported by staff from the Office *of the* Committee *for* Home Affairs. Whilst the Commission recognises that receiving administrative and technical support from staff employed by the Committee responsible for police is not ideal, the Commission firmly believes that the support it receives is delivered impartially and objectively. The Commission recommends that the current arrangement should be considered alongside the legislative review.

The Police Complaints Commission receives remuneration for meetings attended. The complaints supervised in the reporting period differed in terms of complexity and requirement in terms of Commissioner input. The Committee *for* Home Affairs

[1] https://www.gov.uk/government/publications/the-7-principles-of-public-life

provided £4,360 of remuneration for the Commissioner's time in 2019 and £2,581.20 in 2020. This sum does not include estimations for the cost of time given by Home Affairs staff to support the Commission nor does it include the time given by Law Officers when they are consulted on specific police complaints cases.

COMMISSIONERS

Commissioners are appointed by the States of Deliberation on the recommendation of the Committee *for* Home Affairs. Members and their respective dates of appointment along with the end of their current term of office, appear below. There are currently two vacant positions.

Name	**Position**	**Appointed**	**Expiry of current term/ *Retirement***
Mr Stewart Chisholm	*Chairman*	*July 2011*	*28th February 2020*
Mr Robert Jordan	Chairman	February 2020	25th January 2024
Mr Nigel Ward	*Ordinary Member*	*July 2011*	*31st July 2019*
Mrs Bonita Hamilton	Ordinary Member	July 2011	30th June 2025
Mrs Ann Nippers	*Ordinary Member*	*July 2011*	*31st Dec 2020*
Mrs Alison Leonard	Ordinary Member	January 2013	31st March 2025
Mrs Judith Watson	Ordinary Member	November 2020	24th November 2024

If further information is required in relation to any matter contained within this Report please write to the Chairman of the Police Complaints Commission c/o Sir Charles Frossard House, La Charroterie, St Peter Port, GY1 1FH
or email PoliceComplaintsCommission@gov.gg