



# BILLET D'ÉTAT

WEDNESDAY, 11<sup>th</sup> DECEMBER, 2019

XXIV  
2019

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# **BILLET D'ÉTAT**

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**TO  
THE MEMBERS OF THE STATES  
OF THE ISLAND OF GUERNSEY**

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I hereby give notice that a Meeting of the States of Deliberation will be held at **THE ROYAL COURT HOUSE**, on **WEDNESDAY**, the **11<sup>th</sup> December, 2019** at **9.30 a.m.**, to consider the items listed in this Billet d'État which have been submitted for debate.

**R. J. COLLAS**  
Bailiff and Presiding Officer

The Royal Court House  
Guernsey

2<sup>nd</sup> December, 2019

**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**COMMITTEE *FOR* HOME AFFAIRS**

INDEPENDENT MONITORING PANEL:  
APPOINTMENT OF MEMBERS

The States are asked to decide: -

Whether, after consideration of the Policy Letter dated 28<sup>th</sup> October 2019, of the Committee *for* Home Affairs, they are of the opinion:

- (a) To confirm the appointment of Joanna Susan Hunter as a member of the Independent Monitoring Panel for a period of four years with immediate effect.
- (b) To confirm the appointment of Jared Harvey as a member of the Independent Monitoring Panel for a period of four years with immediate effect.

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**

INDEPENDENT MONITORING PANEL:  
APPOINTMENT OF MEMBERS

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

28<sup>th</sup> October 2019

Dear Sir

**1. Executive Summary**

1.1. The purpose of this Policy Letter is to obtain confirmation from the States of the appointment by the Committee *for* Home Affairs of 2 additional members to the Independent Monitoring Panel (“the Panel”).

**2. Background**

2.1. The Panel is an independent body made up of members of the public who make unannounced visits to Guernsey Prison. Members provide independent oversight of the day-to-day operations of the Prison and prison conditions, monitor the administration of the prison, the treatment of prisoners and whether the statutory objectives of the prison system are being met, and serve to protect the well-being of prisoners.

2.2. At their meeting on 17<sup>th</sup> July 2019<sup>1</sup> the States confirmed the re-appointment of 6 Panel Members and noted the resignation of one Member. The Committee has recently appointed 2 additional Members in order that there are a sufficient number of Members available properly to discharge the functions of the Panel.

2.3. The Committee would like to take this opportunity to put on record its thanks and appreciation to Panel Members for their work and dedication to their roles.

**3. Appointment of New Members to the Panel**

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<sup>1</sup> Item V on Billet d'État No. XIII of 2019

- 3.1. Under section 17 of the Prison (Guernsey) Ordinance, 2013 Panel Members must be appointed by the Committee, subject to confirmation by the States. Appointment is for a period of four years or less. When making Panel appointments, pursuant to paragraph 1(3) of Schedule 3 to the Ordinance, the Committee must have particular regard to the need to “ensure that Panel members have a strong commitment to human rights, have a strong sense of integrity, are able to maintain confidentiality, and have effective communication and listening skills.”
- 3.2. An advertising campaign for the recruitment of panel members was undertaken and designed to reach as many areas of the population as possible.
- 3.3. No formal qualifications are required for membership to the Panel, but the advertisements looked to attract individuals who were fair, objective and non-judgemental. It was expected that potential members would have experience of working with confidential material and the ability to deal with a wide variety of people from different backgrounds.
- 3.4. Following an open and transparent recruitment process, interviews were held and the Committee was impressed with the number, quality, experience and enthusiasm of all candidates. Further to the interview process, the Committee appointed the following individuals as ordinary members of the Panel.

#### **4. Ordinary members – 4 year appointment**

- 4.1. Mrs Joanna Susan Hunter has been a special needs teaching assistant for 20 years at Oakvale and Le Murier Schools, and it at present working in a part-time position at Le Murier. Mrs Hunter is a good listener and her experience working with young people with various needs will be of benefit to the Panel. Mrs Hunter demonstrated sound judgement and presented as an approachable person who can communicate confidently and effectively to people of all ages and backgrounds.
- 4.2. Mr Jared Harvey is one of the youngest people to have been recommended for appointment by the Panel. Mr Harvey has recently completed a Business Management undergraduate degree at the University of Birmingham, he has since moved to Guernsey to live with his family on licence. Mr Harvey has an interest in criminal justice reform and is an advocate of rehabilitation. Mr Harvey demonstrated compassion, sensitivity and a sense of justice and fairness and presented a diligent in his duties now at work and previously whilst studying.
- 4.3. Both of the individuals named above were able to identify the challenges facing the prison locally and demonstrated a strong commitment to supporting the role of the Panel and the vision for the prison. The Committee also considers that the

above applicants greatly exceed the criteria in paragraph 1(3) of Schedule 3 to the Ordinance (detailed in paragraph 3.1 above), and it is believed that they will effectively supplement the skills of existing Panel Members to form a cohesive and resilient and professional panel.

## **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 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 / other.
- 5.3 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.
- 5.4 In accordance with Rule 4(5), the Propositions relate to the duties of the Committee to advise the States and to develop and implement policies on matters relating to its purpose including imprisonment, parole, probation and rehabilitation.

Yours faithfully

M M Lowe  
President

M P Leadbeater  
Vice-President

V S Oliver  
P R Le Pelley  
J C S F Smithies

**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**POLICY & RESOURCES COMMITTEE**

**ELECTION OF BARONESS COUTTIE AS AN ORDINARY MEMBER OF THE GUERNSEY  
FINANCIAL SERVICES COMMISSION**

The States are asked to decide:-

Whether, after consideration of the Policy Letter dated 15<sup>th</sup> October, 2019,  
of the

Policy & Resources Committee, they are of the opinion:-

1. To appoint Philippa Marion Roe (the Baroness Couttie) as an ordinary member of the Guernsey Financial Services Commission for a three year term with effect from 1st January 2020.

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**

ELECTION OF BARONESS COUTTIE AS AN ORDINARY MEMBER OF THE GUERNSEY  
FINANCIAL SERVICES COMMISSION

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

15<sup>th</sup> October, 2019

Dear Sir

**1 Executive Summary**

- 1.1 Howard Emerson Flight's (Lord Flight, of Worcester) term as an ordinary member of the Guernsey Financial Services Commission (GFSC) comes to an end on 31<sup>st</sup> January 2020.
- 1.2 In order to ensure continuity of experience, this report proposes the election of Philippa Marion Roe (the Baroness Couttie) as an ordinary member of the GFSC for a three year term with effect from 1st January 2020.

**2 Report**

- 2.1 Baroness Couttie has extensive experience in governance, financial services and financial strategy and, more broadly, in addressing external initiatives and influences from domestic, regional and international perspectives. Her biography is attached as an appendix to this policy letter.
- 2.2 Baroness Couttie has been a member of the House of Lords since 2016 and is a member of the Lords European Union Select Committee and the Lords sub-Committee on Financial Services.
- 2.3 From 2014 to 2016, she was a board member of the London Local Enterprise Partnership and of the Infrastructure Delivery Board. The partnership was tasked with delivering and maintaining London's globally pre-eminent position, while

the task force was responsible for identifying the infrastructure needs to deliver that vision and developing the strategy for financing those needs. From 2012 to 2017, she led the Westminster City Council, which is responsible for the most important economic region of the UK. In July 2019, she was appointed to Lords EU Select Committee and the Lords Sub Committee on Financial Services, on which she currently sits. She is also a Non-Executive Director of Mitie Plc, and is a member of its Audit Committee and Nominations Committee, and the Chair of its Corporate and Social Responsibility Board Committee.

### **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 significant professional experience, the Policy & Resources Committee is of the opinion that Baroness Couttie meets the criteria of the Law and is pleased to nominate her for appointment as an ordinary member of the GFSC.

### **4 Recommendation**

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

To elect Philippa Marion Roe (the Baroness Couttie) as an ordinary member of the Guernsey Financial Services Commission for a three year term with effect from 1st January 2020.

### **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 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.
- 5.3 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 accompanying this policy letter is supported unanimously by the Policy & Resources Committee. In accordance with Rule 4(5) of the Rules, the proposition relates to the power of the Committee to nominate persons for election by the

States as members of the Commission under paragraph 1(2) of Schedule 1 to the Financial Services Commission (Bailiwick of Guernsey) Law, 1987.

Yours faithfully

G A St Pier  
President

L S Trott  
Vice-President

A H Brouard  
J P Le Tocq  
T J Stephens

**BARONESS COUTTIE**

**Full title:** The Baroness Couttie

**Name:** Philippa Marion Roe

**Joined the Lords:** 5 September 2016

**Party/group:** Conservative

**UK Parliament**

<b>Committee</b>	<b>House</b>	<b>Date</b>
EU Financial Affairs Sub-Committee	Lords	Jul 2019 -
European Union Committee	Lords	Jul 2019 -
Political Polling and Digital Media Committee	Lords	Jun 2017 - Mar 2018

**Political Life**

<b>Job Title</b>	<b>Organisation</b>	<b>Date</b>
Executive Member	Association of Conservative Peers	2018 -
Party Whip	Conservative Party	2017 -
Board Member	London Local Enterprise Partnership	2014 - 2016

Deputy Leader	Local Government Association	2014 - 2017
Member of the infrastructure Delivery Board	London Local Enterprise Partnership	2014 - 2016
Chair	West End Partnership	2013 - 2017
Deputy Leader	London Councils	2013 - 2017
Leader	Westminster City Council	2012 - 2017
Cabinet Member for Finance	Westminster City Council	2011 - 2012
Cabinet Member for Housing	Westminster City Council	2008 - 2011
Councillor	Westminster City Council	2006 -
Chair	David Cameron's Public Sector Efficiency Subgroup	2006 - 2007
Head of Treasury team	James Committee	2004 - 2005
Head of Education Team	Private Finance Panel	1997 - 1999

### **Professional Life**

<b>Job Title</b>	<b>Organisation</b>	<b>Date</b>
Non Exec Senior Advisor	FTI Consulting	2014 - 2017
Board Member	Royal Parks	2012 - 2017
Council Member	Imperial College	2006 - 2014
Chair	Imperial College Audit Committee	2006 - 2014
Director	Citigroup	2000 - 2006
Associate Director	J Henry Schroder	1999 - 2000
Proprietor and CEP	PR Consultants	1992 - 1999

Managing Director	Cornerstone Communications	1990 - 1992
Joint Managing Director	CPP Brussels	1990 - 1992

**ELECTIONS OF A TRUSTEE AND A MEMBER OF THE  
PRIAULX LIBRARY COUNCIL**

The States are asked:

- (1) To elect a Trustee of the Priaulx Library Council, who need not be a member of the States, to replace the late Mr William Robilliard, in accordance with Rule 16 of the Rules of Procedure of the States of Deliberation.
  
- (2) To elect a member of the Priaulx Library Council, who need not be a member of the States, to replace Deputy Paul Le Pelley whose term of office will expire on the 31<sup>st</sup> December 2019 but who is eligible for re-election, in accordance with Rule 16 of the Rules of Procedure of the States of Deliberation.

- N.B.*
1. *Nominations may be made from the floor of the Assembly.*
  
  2. *The proposers of candidates who are not Members of the States must also comply with the relevant provisions of Rule 36 of the Rules of Procedure which state:*

“... where a person nominated is not a sitting Member of the States the proposer shall provide to Members of the States, no later than the start of the Meeting at which the election is to be held, a full report in writing containing background information about the candidate, including a statement that the proposer had seen a Declaration of Interest from the candidate and was satisfied that there would be no conflict of interest if the candidate were appointed, or if there was potentially one it could be managed, the candidate’s willingness to seek election and the reasons for his or her name having been put forward. The Declaration in respect of the successful candidate shall be lodged with the Greffier and published by him as if the person concerned was subject to the provisions of Rule 29.”



Bringing local history to life

The Bailiff  
Bailiffs Chambers  
The Royal Court  
St Peter Port  
GUERNSEY  
GY1 2NZ

26th November 2019

Dear Sir

I am writing at the request of the Priaulx Library Council which would be grateful if you would request the States of Deliberation to appoint Mrs Sandra Platts as a Trustee of the Priaulx Library to replace the late Bill Robilliard.

The Council believe that Mrs Platts given her considerable knowledge and experience in senior banking roles over the last 30 years has the very necessary skills required by the Council to help develop the Library particularly in relation to governance, setting policy, overseeing strategic growth, and financial management. In addition the Council are of the opinion that Mrs Platts would add considerably to the skills available to the Council particularly in relation to her in depth knowledge of corporate governance the need for transparency and regulation.

Further her involvement with Les Bourgs Hospice and particularly with the Guernsey Community Foundation indicates a strong commitment to the charitable sector within the Bailiwick.

Mrs Platts has demonstrated that she is interested in the work of the Library having taken on the position of Chair of the Library Finance and General Purposes Sub-Committee early in 2019 following the retirement from that post of former Deputy Allister Langlois.

This nomination continues the transition of the Council into a multi skill cross function group of professionals who will be able to direct the Library to meet the increasing challenges facing States funded non-profit organizations.

Mrs Platts has confirmed her willingness to be appointed as a Trustee and would be honoured if the States of Deliberation would act favourably upon this nomination.

It is understood that Deputy Michelle Le Clerc would be happy to act as Mrs Platts proposer.

Yours faithfully

Claire Le Pelley

Chair and Trustee





Bringing local history to life

The Bailiff  
Bailiffs Chambers  
The Royal Court  
St Peter Port  
GUERNSEY  
GY1 2NZ

26<sup>th</sup> November 2019

Dear Sir

I am writing at the request of the Priaulx Library Council which would be grateful if you would request the States of Deliberation to reappoint Deputy Paul Le Pelley for a further two year term as a member of the Priaulx Library Council. Deputy Le Pelley's current two year term of office is due to expire on the 31<sup>st</sup> December 2019.

Since his appointment Deputy Le Pelley has demonstrated his considerable depth of knowledge of Guernsey's history particularly relating to the Occupation of the Island a topic in which he has a special interest. This has added to the knowledge of the Council has assisted the Library staff and helped to promote the Library as a centre for local studies. In addition since being appointed to the Council Deputy Le Pelley has become a member of the Library and Collections Sub-Committee together with assisting the Finance and General Purposes Sub-Committee. Further his knowledge of the States of Deliberation and the Civil Service of the States of Guernsey has been a valuable resource to the Council and its Sub-Committees.

Deputy Le Pelley has confirmed his willingness to be reappointed as a Council member and would be honoured if the States of Deliberation would act favourably on this nomination and appoint him for a further two years.

It is understood that Deputy Lyndon Trott is happy to act as Deputy Le Pelley's proposer for this appointment.

Yours faithfully

Claire Le Pelley

Chair and Trustee



## **STATUTORY INSTRUMENTS LAID BEFORE THE STATES**

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

No. 105 of 2019

### **The Health Service (Benefit) (Limited List) (Pharmaceutical Benefit) (Amendment No. 6) Regulations, 2019**

In pursuance of sections 10 and 35 of the Health Service (Benefit) (Guernsey) Law, 1990, made by the Committee *for* Employment & Social Security on 29<sup>th</sup> October, 2019 are laid before the States.

#### EXPLANATORY NOTE

These Regulations add a drug to the list of drugs that may be prescribed as pharmaceutical benefit.

These Regulations come into force on the 30<sup>th</sup> October, 2019.

No. 106 of 2019

### **The Legal Aid (Guernsey and Alderney) Rules, 2019**

In pursuance of sections 30(2) and (3) and 31 of the Legal Aid (Bailiwick of Guernsey) Law, 2003, and sections 4, 5, 6, 8, 9, and 10 of the Legal Aid (Guernsey and Alderney) (Schemes and Miscellaneous Provisions) Ordinance, 2018, made by the Committee *for* Employment & Social Security on 29<sup>th</sup> October, 2019, are laid before the States.

#### EXPLANATORY NOTE

These Rules are made under the Legal Aid (Bailiwick of Guernsey) Law, 2003, and Legal Aid (Guernsey and Alderney) (Schemes and Miscellaneous Provisions) Ordinance, 2018, and specify Circulars issued by the Administrator for the purposes of various matters under the Legal Aid Schemes established further to the 2003 Law.

The Circulars are as follows:

Circular 1 - The Legal Aid Schemes: Assessment of Financial Means of Applicants

Circular 2 - The Civil Legal Aid Scheme: Scope and Legal Merits

Circular 3 - The Criminal Legal Aid Scheme: Scope and Legal Merits

Circular 4 - The Legal Aid, Advice and Assistance (“Green Form”) Scheme

Circular 5 - Interest Payable under the Legal Aid Schemes

Circular 6 - Remuneration of Fee Earners under the Legal Aid Schemes

Circular 7 - Costs Assessment Criteria under the Legal Aid Schemes

Circular 8 - Appeals Procedures Regarding Assessment of Costs under the Legal Aid Schemes

These Rules come into force on 1st November 2019.

No. 108 of 2019

**THE STATES REFORM (PERFORMANCE OF FUNCTIONS) (PUBLIC TRANSPORT) REGULATIONS,  
2019**

In pursuance of sections 3(1) and 4 of the States (Reform) (Guernsey) Law, 2015 and all other powers enabling them in that behalf, "The States Reform (Performance of Functions) (Public Transport) Regulations, 2019", made by the Committee for Home Affairs on 14<sup>th</sup> October 2019 and the Committee for the Environment and Infrastructure on 24<sup>th</sup> October 2019 are laid before the States.

**EXPLANATORY NOTE**

These Regulations make provision, for the purpose of section 3 of the States Reform (Guernsey) Law, 2015, for the functions of the Committee for Home Affairs ("Home Affairs") under the Public Transport Ordinance 1986 to be exercised by the Committee for the Environment & Infrastructure acting as the Passenger Transport Licensing Authority ("Environment & Infrastructure"). This applies to section 10(1)(a)(v) which requires, as a condition of the issue of a public service vehicle licence, that the vehicle has been examined and granted a certificate of fitness: this examination will henceforth be carried out by Environment & Infrastructure rather than Home Affairs. The Regulations also consequentially suspend the effect of section 2 of the Ordinance which requires Home Affairs to give its views on road service licence applications – the functions will now all be vested in Environment & Infrastructure and so section 2 is otiose while the arrangement is in force.

These Regulations came into force on the 4<sup>th</sup> November, 2019.

The full text of the legislation can be found at:

<http://www.guernseylegalresources.gg/article/90621/Statutory-Instruments>

**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**THE INCOME TAX (GUERNSEY) (AMENDMENT) (NO. 2) ORDINANCE, 2019**

The States are asked to decide:-

Whether they are of the opinion to approve the draft Ordinance entitled "The Income Tax (Guernsey) (Amendment) (No. 2) Ordinance, 2019", and to direct that the same shall have effect as an Ordinance of the States.

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

**EXPLANATORY MEMORANDUM**

Section 2 of this Ordinance amends paragraph (b) of Section 5C of the Income Tax (Guernsey) Law, 1975 with effect from the 1 January, 2019 to clarify that, when a person elects to pay the standard charge, his or her liability to pay tax on his non-Guernsey income in that year of charge is satisfied by the payment of the standard charge. This change to the existing text is purely for clarification and does not change the legal position or the liability of the tax payer. Its purpose, as set out in paras 6.39 to 6.41 of the Policy Letter, is to ensure that a person who is resident only for income tax purposes can continue to benefit from the double taxation provisions with the UK which came into force in the UK in April, 2019.

Sections 3, 4 and 5 amend the Sixth Schedule to the Income Tax (Guernsey) Law, 1975, in implementation of paragraph 6.42 of the Policy Letter, so as to exclude from the tax cap: triviality payments paid from an approved pension scheme, retirement annuity scheme and retirement annuity trust scheme which are paid in full commutation of or in lieu of a pension where the fund value does not exceed a specified sum; and lump sums paid out of such a scheme to the extent that they are above the tax-free limit, in each case to the extent only that the sums paid relate to Guernsey tax-relieved contributions. In such cases, the effect of exclusion from the tax cap in Schedule 6 is that tax will be paid on such amounts over and above the amount of the limit otherwise specified as the tax cap.



**The Income Tax**  
**(Guernsey) (Amendment)**  
**(No. 2) Ordinance, 2019**

THE STATES, in pursuance of their Resolution of the 5<sup>th</sup> November, 2019<sup>a</sup>, and in exercise of the powers conferred on them by sections 203A and 208C of the Income Tax (Guernsey) Law, 1975<sup>b</sup>, and all other powers enabling them in that behalf, hereby order:-

**Amendment of 1975 Law.**

1. The Income Tax (Guernsey) Law, 1975 is amended as follows.
2. For paragraph (b) of section 5C, substitute -

"(b) his liability to pay tax on his income arising or accruing elsewhere than in Guernsey in that year of charge is satisfied by his payment of the standard charge,".

3. In paragraph 1 of the Sixth Schedule (individuals resident in Guernsey (but not in Alderney)), for the sentence beginning "However, notwithstanding the preceding provisions of this Schedule" (including items (i) and

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<sup>a</sup> Billet d'État No. XXI of 2019 (propositions 15 and 16).

<sup>b</sup> Ordres en Conseil Vol. XXV, p. 124; the Sixth Schedule was substituted in accordance with a Resolution of the States on Billet d'Etat No. XX of 2017 (proposition 10); and amended by Ordinance No. LI of 2019. Section 5C was inserted by Order in Council No. IX of 2011. There are other amendments not relevant to this Ordinance.

(ii) of that sentence), substitute -

"However, notwithstanding the preceding provisions of this Schedule, an individual resident in Guernsey in receipt of non-qualifying income may, within a period of six years immediately after the end of any year of charge, elect to pay in respect of that year of charge in respect of both qualifying and non-qualifying income, other than non-qualifying income arising or accruing in the circumstances set out below (the tax on which is, for the avoidance of doubt, payable in addition to the amount of the limit on tax specified in this Schedule), a maximum of £260,000 in tax, and in that case -

- (a) the maximum figure specified above of £130,000 in tax in the year of charge in respect of qualifying income does not apply, and
- (b) the individual shall pay in respect of that year of charge in respect of both qualifying and non-qualifying income, other than non-qualifying income arising or accruing in the circumstances set out below (the tax on which is, for the avoidance of doubt, payable in addition to the amount of the limit on tax specified in this Schedule) a maximum of £260,000 in tax.

The circumstances referred to above are that the non-qualifying income arises or accrues from the ownership of land and buildings situate in Guernsey, or arises -

- (i) from the payment of a lump sum out of or under the provisions of an approved scheme in full

commutation of or in lieu of a pension under section 153A(1),

(ii) from the payment of a lump sum out of or under the provisions of an approved retirement annuity scheme or approved retirement annuity trust scheme in full commutation of or in lieu of a pension under section 157CA(1),

(iii) from the payment of a lump sum out of or under the provisions of an approved scheme in commutation of or in lieu of a pension as referred to in section 153(1) to the extent to which such lump sum is not exempted from tax under section 153(2),

(iv) from the payment of a lump sum under the terms of -

(A) an approved retirement annuity scheme by way of commutation of part of an annuity in accordance with the proviso to section 157A(2)(c), or

(B) an approved retirement annuity trust scheme in accordance with that proviso as it has effect in relation to a retirement annuity trust scheme by virtue of section 157A(4),

to the extent to which such lump sum is not exempted from tax under section 157A(5B),

to the extent only, in relation to income arising in the circumstances set out in items (i) to (iv) above, that the payment referred to relates to contributions which have been the subject of any allowance or relief (or would have been had there been no limitation on the amounts so available in the relevant year of charge) against sums which would otherwise have been assessable to tax under this Law."

4. In paragraph 2 of the Sixth Schedule (individuals resident in Alderney), for the definition of "**Alderney non-qualifying income**" substitute -

""**Alderney non-qualifying income**" means -

- (a) income arising or accruing from the ownership of lands and buildings situate in Guernsey (including, for the avoidance of doubt, Alderney), and
- (b) income arising -
  - (i) from the payment of a lump sum out of or under the provisions of an approved scheme in full commutation of or in lieu of a pension under section 153A(1),
  - (ii) from the payment of a lump sum out of or under the provisions of an approved retirement annuity scheme or approved retirement annuity trust scheme in full commutation of or in lieu of a pension under section 157CA(1),

(iii) from the payment of a lump sum out of or under the provisions of an approved scheme in commutation of or in lieu of a pension as referred to in section 153(1) to the extent to which such lump sum is not exempted from tax under section 153(2),

(iv) from the payment of a lump sum under the terms of -

(A) an approved retirement annuity scheme by way of commutation of part of an annuity in accordance with the proviso to section 157A(2)(c), or

(B) an approved retirement annuity trust scheme in accordance with that proviso as it has effect in relation to a retirement annuity trust scheme by virtue of section 157A(4),

to the extent to which such lump sum is not exempted from tax under section 157A(5B),

to the extent only, in relation to income arising in the circumstances set out in items (i) to (iv), that the payment referred to relates to contributions which have been the subject of any allowance or relief (or would have been had there been no limitation on the amounts so available in the relevant year of charge) against sums which would otherwise have been assessable to tax under this Law,

and such income shall not be subject to the limit (and, for the avoidance of doubt, the tax on such income is payable in addition to the amount of the limit on tax specified in this Schedule).".

5. In paragraph 3 of the Sixth Schedule (open market property), for the sentence commencing "The open market tax cap shall apply" substitute -

"The open market tax cap shall apply in respect of both qualifying and non-qualifying income as defined in paragraph 1, other than non-qualifying income arising or accruing in the circumstances set out below (the tax on which is, for the avoidance of doubt, payable in addition to the amount of the limit on tax specified in this Schedule).

The circumstances referred to above are that the non-qualifying income arises or accrues from the ownership of land and buildings situate in Guernsey, or arises -

- (i) from the payment of a lump sum out of or under the provisions of an approved scheme in full commutation of or in lieu of a pension under section 153A(1),
- (ii) from the payment of a lump sum out of or under the provisions of an approved retirement annuity scheme or approved retirement annuity trust scheme in full commutation of or in lieu of a pension under section 157CA(1),
- (iii) from the payment of a lump sum out of or under the provisions of an approved scheme in commutation of

or in lieu of a pension as referred to in section 153(1) to the extent to which such lump sum is not exempted from tax under section 153(2),

(iv) from the payment of a lump sum under the terms of -

(A) an approved retirement annuity scheme by way of commutation of part of an annuity in accordance with the proviso to section 157A(2)(c), or

(B) an approved retirement annuity trust scheme in accordance with that proviso as it has effect in relation to a retirement annuity trust scheme by virtue of section 157A(4),

to the extent to which such lump sum is not exempted from tax under section 157A(5B),

to the extent only, in relation to income arising in the circumstances set out in items (i) to (iv) above, that the payment referred to relates to contributions which have been the subject of any allowance or relief (or would have been had there been no limitation on the amounts so available in the relevant year of charge) against sums which would otherwise have been assessable to tax under this Law."

**Citation.**

6. This Ordinance may be cited as the Income Tax (Guernsey) (Amendment) (No. 2) Ordinance, 2019.

**Commencement.**

7. This Ordinance shall come into force as follows -
  - (a) section 2 shall be deemed to have come into force on the 1<sup>st</sup> January, 2019, and
  - (b) the remainder of this Ordinance shall come into force on the 1<sup>st</sup> January, 2020.

**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**THE INCOME TAX (ZERO 10) (COMPANY HIGHER RATE) (AMENDMENT) (GUERNSEY)  
ORDINANCE, 2019**

The States are asked to decide:-

Whether they are of the opinion to approve the draft Ordinance entitled "The Income Tax (Zero 10) (Company Higher Rate) (Amendment) (Guernsey) Ordinance, 2019", and to direct that the same shall have effect as an Ordinance of the States.

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

**EXPLANATORY MEMORANDUM**

This Ordinance amends the Income Tax (Guernsey) Law, 1975 ("the Law") to provide for the taxation of income from –

- (a) the business of licensed cultivation or licensed use of cannabis plants, and
- (b) the business of licensed production or licensed use of controlled drugs, where such production or use is prescribed by regulations of the Policy & Resources Committee.

Section 2 of this Ordinance amends section 2(2)(bb) of the Law to provide for the taxation of a company's income from the business of the cultivation or use of cannabis plants, or the business of the prescribed production or prescribed use of controlled drugs.

Sections 3, 4, 5 and 7 add references to the new classes of company income to other sections of the Law which refer to the taxation of companies.

Section 6 of this Ordinance inserts several definitions in section 209(1) of the Law. The "business of cultivation of the cannabis plant" is defined by reference to cultivation of cannabis plants under the authority of a licence issued by the Committee for Health & Social Care under the Misuse of Drugs (Bailiwick of Guernsey) Ordinance, 1997. The "business of use of the cannabis plant" is defined by reference to the use of those plants or parts of those plants for the production of industrial hemp, supplements, cannabidiol, fibre, medicinal products or any other products or any other processing, activity or other use, where the production, processing, activity or other use is licensed

under the Misuse of Drugs (Bailiwick of Guernsey) Law, 1974 or the Misuse of Drugs (Bailiwick of Guernsey) Ordinance, 1997.

The "prescribed production of controlled drugs" is defined by reference to the production of controlled drugs under a licence issued under the Misuse of Drugs (Bailiwick of Guernsey) Ordinance, 1997, if prescribed by regulations of the Policy & Resources Committee. The "prescribed use of controlled drugs" is defined by reference to the use of those controlled drugs or parts of those controlled drugs for any production, processing, activity or other use where that production, processing, activity or other use is licensed under the Misuse of Drugs (Bailiwick of Guernsey) Law, 1974 or the Misuse of Drugs (Bailiwick of Guernsey) Ordinance, 1997 and prescribed by regulations of the Policy & Resources Committee.

Section 8 applies section 6(3A) of the Law (which brings a new accounting period for companies into operation when their rate of tax is amended) to companies to which the higher rate is applicable under this Ordinance.

Sections 9 and 10 deal with citation and commencement.

**The Income Tax (Zero 10)**  
**(Company Higher Rate)**  
**(Amendment) (Guernsey) Ordinance, 2019**

THE STATES, in pursuance of their Resolution of the 5<sup>th</sup> November, 2019<sup>a</sup>, and in exercise of the powers conferred on them by sections 203A and 208C of the Income Tax (Guernsey) Law, 1975<sup>b</sup> and all other powers enabling them in that behalf, hereby orders:-

**Amendment of 1975 Law.**

1. The Income Tax (Guernsey) Law, 1975 is amended as follows.
2. After section 2(2)(bb)<sup>c</sup> insert the following paragraphs -

"(bc) income from the business of the cultivation or use of the cannabis plant,

(bd) income from the business of the prescribed production or prescribed use of controlled drugs,".

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<sup>a</sup> Billet d'État No. XXI of 2019 (proposition 11).

<sup>b</sup> Ordres en Conseil Vol. XXV, p. 124; section 203A was inserted by Order in Council No. XVII of 2005 and section 208C was inserted by Order in Council No. V of 2011. There are other amendments not material to this Ordinance.

<sup>c</sup> Section 2(2)(bb) was inserted by the Income Tax (Zero 10) (Company Higher Rate) (Amendment) (Guernsey) Ordinance, 2015 (Ordinance No. LI of 2015).

3. In section 7BA<sup>d</sup>, in the heading and in the body of the section, for "and large retail business" substitute ", large retail business, business of the cultivation or use of the cannabis plant and business of the prescribed production or prescribed use of controlled drugs".

4. After section 47G(bb)<sup>e</sup> insert the following paragraphs -

"(bc) business of the cultivation or use of the cannabis plant carried on in Guernsey,

(bd) business of the prescribed production or prescribed use of controlled drugs carried on in Guernsey,".

5. After section 139(8)<sup>f</sup> insert the following subsection -

"(9) In addition, subsection (2) does not apply in any year of charge to the losses of a company where -

(a) in the year of charge 2019 the company's income fell within class 2(2)(d),

(b) the company is carrying on the same business as

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<sup>d</sup> Section 7BA was inserted by the Income Tax (Zero 10) (Company Higher Rate) (Amendment) (Guernsey) Ordinance, 2015 (Ordinance No. LI of 2015).

<sup>e</sup> Section 47G(bb) was inserted by the Income Tax (Zero 10) (Company Higher Rate) (Amendment) (Guernsey) Ordinance, 2015 (Ordinance No. LI of 2015).

<sup>f</sup> Section 139(8) was added by the Income Tax (Zero 10) (Company Intermediate Rate) (Amendment) (Guernsey) Ordinance, 2018.

it was carrying on in the year of charge 2019, and

- (c) the company's income falls within class 2(2)(bc) or (bd).".

6. In section 209(1) insert the following definition at the appropriate place-

""**business of**" -

- (a) **the "cultivation of the cannabis plant"** means the business of the cultivation of plants of the genus *Cannabis* carried on under the authority of a licence issued by the Committee for Health & Social Care under section 11 of the Misuse of Drugs (Bailiwick of Guernsey) Ordinance, 1997,
- (b) **the "use of the cannabis plant"** means the business of the use of plants or any part of plants of the genus *Cannabis* cultivated under the authority of a licence mentioned in paragraph (a) for -
  - (i) the production of industrial hemp, supplements, cannabidiol, fibre, medicinal products or any other products, or
  - (ii) any processing, any other activity or any other use,

where the production, processing, activity or other use is carried on under the authority of a licence issued by the Committee for Health & Social Care under the Misuse of Drugs (Bailiwick of Guernsey) Law, 1974 or the Misuse of Drugs (Bailiwick of Guernsey) Ordinance, 1997,

- (c) **the "prescribed production of controlled drugs"** means the business of the production of controlled drugs carried on under the authority of a licence issued by the Committee for Health & Social Care under section 4 of the Misuse of Drugs (Bailiwick of Guernsey) Ordinance, 1997, where such production is prescribed by regulations of the Policy & Resources Committee, and
  
- (d) **the "prescribed use of controlled drugs"** means the business of the use of controlled drugs or any part of controlled drugs produced under the authority of a licence mentioned in paragraph (c), for any production, processing, activity or other use -
  - (i) carried on under the authority of a licence issued by the Committee for Health & Social Care under the Misuse of Drugs (Bailiwick of Guernsey) Law, 1974 or the Misuse of Drugs (Bailiwick of Guernsey) Ordinance, 1997, and
  - (ii) prescribed by regulations of the Policy & Resources Committee."

7. In the Fifth Schedule in the table therein insert the following entry immediately below the entry relating to "Income from large retail business"<sup>8</sup> –

"2(2)(bc)	Income from the business of the cultivation or use of the cannabis plant	company higher rate	20%
2(2)(bd)	Income from the business of the prescribed production or prescribed use of controlled drugs	company higher rate	20%".

**Year of computation: special provision.**

8. Section 6(3A) of the Law applies to any company where the applicable rate of taxation of that company's income is altered by the provisions of this Ordinance *mutatis mutandis*.

**Citation.**

9. This Ordinance may be cited as the Income Tax (Zero 10) (Company Higher Rate) (Amendment) (Guernsey) Ordinance, 2019.

**Commencement.**

10. This Ordinance shall come into force on the 1<sup>st</sup> January, 2020.

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<sup>8</sup> The Fifth Schedule was inserted by the Income Tax (Zero 10) (Guernsey) Law, 2007 (Order in Council No. V of 2011).



**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**THE INCOME TAX (ZERO 10) (COMPANY INTERMEDIATE RATE) (AMENDMENT)  
(GUERNSEY) ORDINANCE, 2019**

The States are asked to decide:-

Whether they are of the opinion to approve the draft Ordinance entitled "The Income Tax (Zero 10) (Company Intermediate Rate) (Amendment) (Guernsey) Ordinance, 2019", and to direct that the same shall have effect as an Ordinance of the States.

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

**EXPLANATORY MEMORANDUM**

This Ordinance amends the Income Tax (Guernsey) Law, 1975 to apply the company intermediate income tax rate (10%) to income from the operation of an aviation registry.



**The Income Tax (Zero 10)**  
**(Company Intermediate Rate)**  
**(Amendment) (Guernsey) Ordinance, 2019**

THE STATES, in pursuance of their Resolution of the 5<sup>th</sup> November, 2019<sup>a</sup>, and in exercise of the powers conferred on them by sections 203A and 208C of the Income Tax (Guernsey) Law, 1975<sup>b</sup> and all other powers enabling them in that behalf, hereby orders:-

**Amendment of 1975 Law.**

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

2. Immediately after section 2(2)(ai), insert the following paragraph -

"(aj) income from the operation of an aviation registry,".

3. In section 7C, in the heading and in the text of the section, for the words "the operation of an investment exchange and compliance and other related activities" substitute "the operation of an investment exchange, compliance and other related activities, and the operation of an aviation registry."

4. Immediately after section 47G(ai), insert the following paragraph -

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<sup>a</sup> Billet d'État No. XXI of 2019 (proposition 12).

<sup>b</sup> Ordres en Conseil Vol. XXV, p. 124; section 203A was inserted by Order in Council No. XVII of 2005 and section 208C was inserted by Order in Council No. V of 2011. There are other amendments not material to this Ordinance.

"(aj) the operation of an aviation registry in Guernsey,".

5. Immediately after section 139(9)<sup>c</sup>, insert the following subsection -

"(10) In addition, subsection (2) does not apply in any year of charge to the losses of a company where -

(a) in the year of charge 2019 the company's income fell within class 2(2)(d),

(b) the company is carrying on the same business as it was carrying on in the year of charge 2019, and

(c) the company's income falls within class 2(2)(aj).".

6. In section 209(1), after the definition of "**oath**" insert the following definition -

**""operation of an aviation registry"** means operating an aviation registry in accordance with the Aviation Registry (Guernsey) Law, 2013,".

7. For the heading to the Fourth Schedule substitute the following -

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<sup>c</sup> Section 139(9) was added by the Income Tax (Zero 10) (Company Higher Rate) (Amendment) (Guernsey) Ordinance, 2019.

**“FOURTH SCHEDULE**

**Section 2(2)**

**BANKING AND OTHER DESCRIPTIONS OF BUSINESS”.**

8. In the Fifth Schedule in the table therein insert the following entry immediately below the entry relating to "Income from compliance and other related services" -

"2(2)(aj)	Income from the operation of an aviation registry	company intermediate rate	10%”.
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**Year of computation: special provision.**

9. Section 6(3A) of the Law applies to any company where the applicable rate of taxation of that company's income is altered by the provisions of this Ordinance *mutatis mutandis*.

**Citation.**

10. This Ordinance may be cited as the Income Tax (Zero 10) (Company Intermediate Rate) (Amendment) (Guernsey) Ordinance, 2019.

**Commencement.**

11. This Ordinance shall come into force on the 1<sup>st</sup> January, 2020.



**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**THE ASIAN INFRASTRUCTURE INVESTMENT BANK (PRIVILEGES AND IMMUNITIES)  
(BAILIWICK OF GUERNSEY) ORDINANCE, 2019**

The States are asked to decide:-

Whether they are of the opinion to approve the draft Ordinance entitled "The Asian Infrastructure Investment Bank (Privileges and Immunities) (Bailiwick of Guernsey) Ordinance, 2019", and to direct that the same shall have effect as an Ordinance of the States.

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

**EXPLANATORY MEMORANDUM**

This Ordinance specifies the Asian Infrastructure Investment Bank as an international organisation under section 1 of the Privileges and Immunities (Bailiwick of Guernsey) Law, 2004. It also confers certain privileges and immunities to be enjoyed by the Bank and its personnel under Bailiwick law by providing that Chapter IX of the Articles of Agreement of the Bank shall have force of law in the Bailiwick.

A formal request for extension to the Bailiwick of the United Kingdom's ratification of the Articles of Agreement of the Bank has been submitted. This Ordinance will come into force on the same date that that extension to the Bailiwick comes into force.



# **The Asian Infrastructure Investment Bank (Privileges and Immunities) (Bailiwick of Guernsey) Ordinance, 2019**

**THE STATES**, in pursuance of their Resolution of the 28<sup>th</sup> February 2019<sup>a</sup>, and in exercise of the powers conferred on them by sections 1 and 3 of the Privileges and Immunities (Bailiwick of Guernsey) Law, 2004<sup>b</sup>, hereby order:-

## **Asian Infrastructure Investment Bank – privileges and immunities.**

1. The Asian Infrastructure Investment Bank (the "**Bank**")<sup>c</sup> is specified for the purpose of section 1(a) of the Privileges and Immunities (Bailiwick of Guernsey) Law, 2004, and the agreement specified in section 2 has force of law in the Bailiwick for the purpose of conferring the privileges and immunities to be enjoyed by -

- (a) the Bank, and
- (b) any Governor, Director, Alternate Governor, Alternate Director, President, Vice-President, officer or employee of the Bank, and any expert or consultant performing missions or services for the Bank.

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<sup>a</sup> Article VII of Billet d'État No. III of 2019.

<sup>b</sup> Order in Council No. XII of 2005.

<sup>c</sup> An international organisation of which the United Kingdom and other sovereign powers are members.

**Agreement to have force of law in the Bailiwick.**

2. The agreement referred to in section 1 is Chapter IX of the Articles of Agreement of the Bank<sup>d</sup> (reproduced at the schedule to this Ordinance).

**Interpretation.**

3. References in this Ordinance to the agreement specified in section 2 are references to it as from time to time amended, but only if the amendment has been ratified by, or otherwise has effect in the law of, the United Kingdom.

**Extent.**

4. This Ordinance has effect throughout the Bailiwick.

**Citation.**

5. This Ordinance may be cited as the Asian Infrastructure Investment Bank (Privileges and Immunities) (Bailiwick of Guernsey) Ordinance, 2019.

**Commencement.**

6. This Ordinance shall come into force on the date that there comes into force the extension to the Bailiwick of the United Kingdom's ratification of the Articles of Agreement of the Bank.

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<sup>d</sup> Signed at Beijing on the 29<sup>th</sup> June 2015 and entering into force for the United Kingdom on 25<sup>th</sup> December 2015.

## SCHEDULE

Section 2

### CHAPTER IX OF THE ARTICLES OF AGREEMENT OF THE ASIAN INFRASTRUCTURE INVESTMENT BANK

"CHAPTER IX – STATUS, IMMUNITIES, PRIVILEGES AND EXEMPTIONS

#### **Article 44 - Purposes of Chapter**

1. To enable the Bank to fulfil its purpose and carry out the functions entrusted to it, the status, immunities, privileges and exemptions set forth in this Chapter shall be accorded to the Bank in the territory of each member.
2. Each member shall promptly take such action as is necessary to make effective in its own territory the provisions set forth in this Chapter and shall inform the Bank of the action which it has taken.

#### **Article 45 - Status of the Bank**

The Bank shall possess full juridical personality and, in particular, the full legal capacity:

- (i) to contract;
- (ii) to acquire, and dispose of, immovable and movable property;
- (iii) to institute and respond to legal proceedings; and
- (iv) to take such other action as may be necessary or useful for its purpose and activities.

#### **Article 46 - Immunity from Judicial Proceedings**

1. The Bank shall enjoy immunity from every form of legal process, except in cases arising out of or in connection with the exercise of its powers to raise funds, through borrowings or other means, to guarantee obligations, or to buy and sell or underwrite the sale of securities, in which cases actions may be brought against the Bank only in a court of competent jurisdiction in the territory of a country in which the Bank has an office, or has appointed an agent for the purpose of accepting service or notice of process, or has issued or guaranteed securities.

2. Notwithstanding the provisions of paragraph 1 of this Article, no action shall be brought against the Bank by any member, or by any agency or instrumentality of a member, or by any entity or person directly or indirectly acting for or deriving claims from a member or from any agency or instrumentality of a member. Members shall have recourse to such special procedures for the settlement of controversies between the Bank and its members as may be prescribed in this Agreement, in the by-laws and regulations of the Bank, or in the contracts entered into with the Bank.

3. Property and assets of the Bank shall, wheresoever located and by whomsoever held, be immune from all forms of seizure, attachment or execution before the delivery of final judgment against the Bank.

#### **Article 47 - Immunity of Assets and Archives**

1. Property and assets of the Bank, wheresoever located and by whomsoever held, shall be immune from search, requisition, confiscation, expropriation or any other form of taking or foreclosure by executive or legislative action.

2. The archives of the Bank, and, in general, all documents belonging to it, or held by it, shall be inviolable, wheresoever located and by whomsoever held.

#### **Article 48 - Freedom of Assets from Restrictions**

To the extent necessary to carry out the purpose and functions of the Bank effectively, and subject to the provisions of this Agreement, all property and assets of the Bank shall be free from restrictions, regulations, controls and moratoria of any nature.

#### **Article 49 - Privilege for Communications**

Official communications of the Bank shall be accorded by each member the same treatment that it accords to the official communications of any other member.

#### **Article 50 - Immunities and Privileges of Officers and Employees**

All Governors, Directors, Alternates, the President, Vice-Presidents and other officers and employees of the Bank, including experts and consultants performing missions or services for the Bank:

- (i) shall be immune from legal process with respect to acts performed by them in their official capacity, except when the Bank waives the immunity and shall enjoy inviolability of all their official papers, documents and records;
- (ii) where they are not local citizens or nationals, shall be accorded the same immunities from immigration restrictions, alien registration requirements and national service obligations, and the same facilities as regards exchange regulations, as are accorded by members to the representatives, officials and employees of comparable rank of other members; and

- (iii) shall be granted the same treatment in respect of travelling facilities as is accorded by members to representatives, officials and employees of comparable rank of other members.

#### **Article 51 - Exemption from Taxation**

1. The Bank, its assets, property, income and its operations and transactions pursuant to this Agreement, shall be exempt from all taxation and from all customs duties. The Bank shall also be exempt from any obligation for the payment, withholding or collection of any tax or duty.

2. No tax of any kind shall be levied on or in respect of salaries, emoluments and expenses, as the case may be, paid by the Bank to Directors, Alternate Directors, the President, Vice-Presidents and other officers or employees of the Bank, including experts and consultants performing missions or services for the Bank, except where a member deposits with its instrument of ratification, acceptance, or approval a declaration that such member retains for itself and its political subdivisions the right to tax salaries, and emoluments, as the case may be, paid by the Bank to citizens or nationals of such member.

3. No tax of any kind shall be levied on any obligation or security issued by the Bank, including any dividend or interest thereon, by whomsoever held:

- (i) which discriminates against such obligation or security solely because it is issued by the Bank; or
- (ii) if the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by the Bank.

4. No tax of any kind shall be levied on any obligation or security guaranteed by the Bank, including any dividend or interest thereon, by whomsoever held:

- (i) which discriminates against such obligation or security solely because it is guaranteed by the Bank; or
- (ii) if the sole jurisdictional basis for such taxation is the location of any office or place of business maintained by the Bank.

#### **Article 52 - Waivers**

1. The Bank at its discretion may waive any of the privileges, immunities and exemptions conferred under this Chapter in any case or instance, in such manner and upon such conditions as it may determine to be appropriate in the best interests of the Bank."



**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**THE CRIMINAL JUSTICE (INTERNATIONAL CO-OPERATION) (BAILIWICK OF GUERNSEY)  
(AMENDMENT) ORDINANCE, 2019**

The States are asked to decide:-

Whether they are of the opinion to approve the draft Ordinance entitled "The Criminal Justice (International Co-operation) (Bailiwick of Guernsey) (Amendment) Ordinance, 2019", and to direct that the same shall have effect as an Ordinance of the States.

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

**EXPLANATORY MEMORANDUM**

This Ordinance amends the Criminal Justice (International Co-operation) (Bailiwick of Guernsey) Law, 2001 by enabling H.M. Procureur to delegate his or her powers and functions under that Law to a Crown Advocate or other Advocate of the Royal Court. This mirrors H.M. Procureur's existing power of delegation under the Forfeiture of Money, etc. in Civil Proceedings (Bailiwick of Guernsey) Law, 2007.



# **The Criminal Justice (International Co-operation) (Bailiwick of Guernsey) (Amendment) Ordinance, 2019**

THE STATES, in pursuance of their Resolution of \*\* November, 2019<sup>a</sup>, and in exercise of the powers conferred on the States by sections 9A and 9B of the Criminal Justice (International Co-operation) (Bailiwick of Guernsey) Law, 2001<sup>b</sup>, and all other powers enabling them in that behalf, hereby order:-

## **Amendment of the Law.**

1. (1) The Criminal Justice (International Co-operation) (Bailiwick of Guernsey) Law, 2001 is amended as set out below.

(2) After section 9B, insert the following -

### **"Functions of Her Majesty's Procureur.**

9C. (1) Her Majesty's Procureur may, either generally or for the purposes of a particular case or class of cases, arrange for any of his or her functions under this Law, other than this power of delegation, to be exercised in his or her name by a Crown Advocate or other Advocate of the Royal Court; and references in this Law to Her Majesty's Procureur shall be construed accordingly.

(2) A function exercised by a Crown Advocate or other

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<sup>a</sup> Article IV of Billet d'État No. XXII of 2019.

<sup>b</sup> Order in Council No. VII of 2001; as amended by Order in Council No. IX of 2008; No. XXXVIII of 2010; and No. XXIX of 2013.

Advocate pursuant to an arrangement under subsection (1) is for all purposes exercised by Her Majesty's Procureur; and every decision taken or other thing done by the Crown Advocate or other Advocate pursuant to the arrangement has the same effect as if taken or done by Her Majesty's Procureur.

(3) An arrangement under subsection (1) for the exercise of a function by a Crown Advocate or other Advocate -

(a) may be varied or terminated at any time by Her Majesty's Procureur, but without prejudice to anything done pursuant to the arrangement or to the making of a new arrangement,

(b) does not prevent the exercise of the function by Her Majesty's Procureur while the arrangement subsists.

(4) Any requirement imposed by or under this Law (however expressed) to provide or produce material to Her Majesty's Procureur, or to give Her Majesty's Procureur access to any material or premises, includes a requirement to provide or produce the material, or to give access to the material or premises, to any person nominated by Her Majesty's Procureur or otherwise acting for him or her and on his or her behalf.

(5) For the purposes of subsection (4) "**material**" includes documents and information.

(6) References in this Law to a person authorised by Her Majesty's Procureur are references to a person, or a member of a class or description of persons, authorised by him or her either generally or for the purposes of a particular case or class of cases.

(7) This section is without prejudice to any other enactment or rule of law."

**Extent.**

2. This Ordinance has effect throughout the Bailiwick of Guernsey.

**Citation.**

3. This Ordinance may be cited as the Criminal Justice (International Co-operation) (Bailiwick of Guernsey) (Amendment) Ordinance, 2019.

**Commencement.**

4. This Ordinance shall come into force on the 12<sup>th</sup> December, 2019.



**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**THE DRUG TRAFFICKING (BAILIWICK OF GUERNSEY) (AMENDMENT) ORDINANCE,  
2019**

The States are asked to decide:-

Whether they are of the opinion to approve the draft Ordinance entitled "The Drug Trafficking (Bailiwick of Guernsey) (Amendment) Ordinance, 2019", and to direct that the same shall have effect as an Ordinance of the States.

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

**EXPLANATORY MEMORANDUM**

This Ordinance amends the Drug Trafficking (Bailiwick of Guernsey) Law, 2000 by enabling H.M. Procureur to delegate his or her powers and functions under that Law to a Crown Advocate or other Advocate of the Royal Court. This mirrors H.M. Procureur's existing power of delegation under the Forfeiture of Money, etc. in Civil Proceedings (Bailiwick of Guernsey) Law, 2007.



# **The Drug Trafficking (Bailiwick of Guernsey) (Amendment) Ordinance, 2019**

THE STATES, in pursuance of their Resolution of \*\* November, 2019<sup>a</sup>, and in exercise of the powers conferred on them by sections 71A and 72 of the Drug Trafficking (Bailiwick of Guernsey) Law, 2000<sup>b</sup>, and all other powers enabling them in that behalf, hereby order:-

## **Amendment of the Law.**

1. (1) The Drug Trafficking (Bailiwick of Guernsey) Law, 2000 is amended as set out below.

(2) After section 72, insert the following –

*"Functions of Her Majesty's Procureur*

## **Functions of Her Majesty's Procureur.**

72A. (1) Her Majesty's Procureur may, either generally or for the purposes of a particular case or class of cases, arrange for any of his or her functions under this Law, other than this power of delegation, to be exercised in his or her name by a Crown Advocate or other Advocate of the Royal Court; and references in this Law to Her Majesty's Procureur shall be

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<sup>a</sup> Article IV of Billet d'État No. XXII of 2019.

<sup>b</sup> Order in Council No. VII of 2000; as amended by Order in Council No. II of 2005; Nos. XVI and XVII of 2007; No. XVII of 2008; No. XIII of 2010; Ordinance No. XXXIII of 2003; No. XXXVIII of 2008; Nos. XV and XXV of 2010; No. XVI of 2014; and No. IX of 2016.

construed accordingly.

(2) A function exercised by a Crown Advocate or other Advocate pursuant to an arrangement under subsection (1) is for all purposes exercised by Her Majesty's Procureur; and every decision taken or other thing done by the Crown Advocate or other Advocate pursuant to the arrangement has the same effect as if taken or done by Her Majesty's Procureur.

(3) An arrangement under subsection (1) for the exercise of a function by a Crown Advocate or other Advocate -

(a) may be varied or terminated at any time by Her Majesty's Procureur, but without prejudice to anything done pursuant to the arrangement or to the making of a new arrangement,

(b) does not prevent the exercise of the function by Her Majesty's Procureur while the arrangement subsists.

(4) Any requirement imposed by or under this Law (however expressed) to provide or produce material to Her Majesty's Procureur, or to give Her Majesty's Procureur access to any material or premises, includes a requirement to provide or produce the material, or to give access to the material or premises, to any person nominated by Her Majesty's Procureur or otherwise acting for him or her and on his or her behalf.

(5) For the purposes of subsection (4) "**material**" includes documents and information.

(6) References in this Law to a person authorised by Her Majesty's Procureur are references to a person, or a member of a class or description of persons, authorised by him or her either generally or for the purposes of a particular case or class of cases.

(7) This section is without prejudice to any other enactment or rule of law."

**Extent.**

2. This Ordinance has effect throughout the Bailiwick of Guernsey.

**Citation.**

3. This Ordinance may be cited as the Drug Trafficking (Bailiwick of Guernsey) (Amendment) Ordinance, 2019.

**Commencement.**

4. This Ordinance shall come into force on the 12<sup>th</sup> December, 2019.



**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**THE CRIMINAL JUSTICE (PROCEEDS OF CRIME) (BAILIWICK OF GUERNSEY)  
(AMENDMENT) ORDINANCE, 2019**

The States are asked to decide:-

Whether they are of the opinion to approve the draft Ordinance entitled "The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) (Amendment) Ordinance, 2019", and to direct that the same shall have effect as an Ordinance of the States.

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

**EXPLANATORY MEMORANDUM**

This Ordinance amends the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999 by enabling H.M. Procureur to delegate his or her functions under that Law to a Crown Advocate or other Advocate of the Royal Court. This mirrors H.M. Procureur's existing power of delegation under the Forfeiture of Money, etc. in Civil Proceedings (Bailiwick of Guernsey) Law, 2007.



# **The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) (Amendment) Ordinance, 2019**

THE STATES, in pursuance of their Resolution of \*\* November, 2019<sup>a</sup>, and in exercise of the powers conferred upon them by sections 53A and 54 of the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999<sup>b</sup>, and all other powers enabling them in that behalf, hereby order:-

## **Amendment of the Law.**

1. (1) The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999 is amended as set out below.

(2) After section 54, insert the following -

*"Functions of Her Majesty's Procureur*

## **Functions of Her Majesty's Procureur.**

54A. (1) Her Majesty's Procureur may, either generally or for the purposes of a particular case or class of cases, arrange for any of his or her functions under this Law, other than this power of delegation, to be exercised

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<sup>a</sup> Article IV of Billet d'État No. XXII of 2019.

<sup>b</sup> Order in Council No. VIII of 1999; as amended by Order in Council No. II of 2005; No. XV of 2007; No. XIII of 2010; No. XI of 2011; Ordinance No. XXVIII of 1999; No. XII of 2002; No. XXXIII of 2003; No. XLVII of 2007; No. XXXVII of 2008; No. XVI of 2010; No. XXXIV of 2010; No. XVII of 2014; No. IX of 2016; No. XVIII of 2017; No. XLIV of 2018; G.S.I. No. 33 of 2007; G.S.I. Nos. 48 and 73 of 2008; G.S.I. No. 12 of 2010; G.S.I. No. 14 of 2013; G.S.I. No. 45 of 2016; and certain sections of the Law are modified in their application to external confiscation orders by Ordinance No. XXXIII of 1999.

in his or her name by a Crown Advocate or other Advocate of the Royal Court; and references in this Law to Her Majesty's Procureur shall be construed accordingly.

(2) A function exercised by a Crown Advocate or other Advocate pursuant to an arrangement under subsection (1) is for all purposes exercised by Her Majesty's Procureur; and every decision taken or other thing done by the Crown Advocate or other Advocate pursuant to the arrangement has the same effect as if taken or done by Her Majesty's Procureur.

(3) An arrangement under subsection (1) for the exercise of a function by a Crown Advocate or other Advocate -

(a) may be varied or terminated at any time by Her Majesty's Procureur, but without prejudice to anything done pursuant to the arrangement or to the making of a new arrangement,

(b) does not prevent the exercise of the function by Her Majesty's Procureur while the arrangement subsists.

(4) Any requirement imposed by or under this Law (however expressed) to provide or produce material to Her Majesty's Procureur, or to give Her Majesty's Procureur access to any material or premises, includes a requirement to provide or produce the material, or to give access to the material or premises, to any person nominated by Her

Majesty's Procureur or otherwise acting for him or her and on his or her behalf.

(5) For the purposes of subsection (4) "**material**" includes documents and information.

(6) References in this Law to a person authorised by Her Majesty's Procureur are references to a person, or a member of a class or description of persons, authorised by him or her either generally or for the purposes of a particular case or class of cases.

(7) This section is without prejudice to any other enactment or rule of law."

**Extent.**

2. This Ordinance has effect throughout the Bailiwick of Guernsey.

**Citation.**

3. This Ordinance may be cited as the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) (Amendment) Ordinance, 2019.

**Commencement.**

4. This Ordinance shall come into force on the 12<sup>th</sup> December, 2019.



**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**THE DISCLOSURE (BAILIWICK OF GUERNSEY) (AMENDMENT) ORDINANCE, 2019**

The States are asked to decide:-

Whether they are of the opinion to approve the draft Ordinance entitled "The Disclosure (Bailiwick of Guernsey) (Amendment) Ordinance, 2019", and to direct that the same shall have effect as an Ordinance of the States.

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

**EXPLANATORY MEMORANDUM**

This Ordinance amends the Disclosure (Bailiwick of Guernsey) Law, 2007 in three ways. First, it enables H.M. Procureur to delegate his or her powers and functions under that Law to a Crown Advocate or other Advocate of the Royal Court. This mirrors H.M. Procureur's existing power of delegation under the Forfeiture of Money, etc. in Civil Proceedings (Bailiwick of Guernsey) Law, 2007. Second, it extends existing prohibitions on tipping off to all requests for information made by the Financial Intelligence Service at the Guernsey Border Agency. Third, it permits the Director of the Revenue Service to disclose information to a police officer (which includes a customs officer) for the purposes of civil forfeiture.



# The Disclosure (Bailiwick of Guernsey) (Amendment) Ordinance, 2019

THE STATES, in pursuance of their Resolutions of the 18<sup>th</sup> April 2018<sup>a</sup> and \*\* November, 2019<sup>b</sup>, and in exercise of the powers conferred on them by sections 14 and 16 of the Disclosure (Bailiwick of Guernsey) Law, 2007<sup>c</sup>, and all other powers enabling them in that behalf, hereby order:-

## Amendment of the Law.

1. (1) The Disclosure (Bailiwick of Guernsey) Law, 2007 is amended as set out below.

(2) In section 9(2) –

(a) in paragraph (d), delete "or",

(b) in paragraph (e), for "." substitute "," and

(c) after paragraph (e), insert -

"(f) any investigation or proceedings that come within section 8(2)(da)(i) or (ii), as the case

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<sup>a</sup> Article III of Billet d'Etat No. XI of 2018.

<sup>b</sup> Article IV of Billet d'État No. XXII of 2019.

<sup>c</sup> Order in Council No. XVI of 2007; as amended by Ordinance No. XXXIX of 2008; No. VII of 2009; Nos. XIV, XIX and XXXVII of 2010; Nos. XVI and LIII of 2014; No. XXXIX of 2015; No. IX of 2016; Nos. XXVI, XXVII, XLVII and XLIX of 2018.

may be,

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

(3) In section 11A(2), after the words "11(2) and (3)", insert "and section 4".

(4) After section 15, insert -

**"Functions of Her Majesty's Procureur.**

**15A.** (1) Her Majesty's Procureur may, either generally or for the purposes of a particular case or class of cases, arrange for any of his or her functions under this Law, other than this power of delegation, to be exercised in his or her name by a Crown Advocate or other Advocate of the Royal Court; and references in this Law to Her Majesty's Procureur shall be construed accordingly.

(2) A function exercised by a Crown Advocate or other Advocate pursuant to an arrangement under subsection (1) is for all purposes exercised by Her Majesty's Procureur; and every decision taken or other thing done by the Crown Advocate or other Advocate pursuant to the arrangement has the same effect as if taken or done by Her Majesty's Procureur.

(3) An arrangement under subsection (1) for the exercise of a function by a Crown Advocate or other Advocate -

(a) may be varied or terminated at any time by Her Majesty's Procureur, but without prejudice to anything done pursuant to the arrangement or to the making of a new arrangement,

(b) does not prevent the exercise of the function by Her Majesty's Procureur while the arrangement subsists.

(4) Any requirement imposed by or under this Law (however expressed) to provide or produce material to Her Majesty's Procureur, or to give Her Majesty's Procureur access to any material or premises, includes a requirement to provide or produce the material, or to give access to the material or premises, to any person nominated by Her Majesty's Procureur or otherwise acting for him or her and on his or her behalf.

(5) For the purposes of subsection (4) "**material**" includes documents and information.

(6) References in this Law to a person authorised by Her Majesty's Procureur are references to a person, or a member of a class or description of persons, authorised by him or her either generally or for the purposes of a particular case or class of cases.

(7) This section is without prejudice to any other enactment or rule of law."

**Extent.**

2. This Ordinance has effect throughout the Bailiwick of Guernsey.

**Citation.**

3. This Ordinance may be cited as the Disclosure (Bailiwick of Guernsey) (Amendment) Ordinance, 2019.

**Commencement.**

4. This Ordinance shall come into force on the 12<sup>th</sup> December, 2019.

**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**THE TERRORISM AND CRIME (BAILIWICK OF GUERNSEY) (AMENDMENT) ORDINANCE,  
2019**

The States are asked to decide:-

Whether they are of the opinion to approve the draft Ordinance entitled "The Terrorism and Crime (Bailiwick of Guernsey) (Amendment) Ordinance, 2019", and to direct that the same shall have effect as an Ordinance of the States.

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

**EXPLANATORY MEMORANDUM**

This Ordinance amends the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002 in two ways. First, it enables H.M. Procureur to delegate his or her functions under that Law to a Crown Advocate or other Advocate of the Royal Court. This mirrors H.M. Procureur's existing power of delegation under the Forfeiture of Money, etc. in Civil Proceedings (Bailiwick of Guernsey) Law, 2007. Second, it extends existing prohibitions on tipping off to all requests for information made by the Financial Intelligence Service at the Guernsey Border Agency.



# **The Terrorism and Crime (Bailiwick of Guernsey) (Amendment) Ordinance, 2019**

THE STATES, in pursuance of their Resolution of \*\* November, 2019<sup>a</sup>, and in exercise of the powers conferred on them by sections 81A and 82 of the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002<sup>b</sup>, and all other powers enabling them in that behalf, hereby order:-

## **Amendment of the Law.**

1. (1) The Terrorism and Crime (Bailiwick of Guernsey) Law, 2002 is amended as set out below.

(2) In section 15D(2), after the words "15C(2) and (3)", insert "and section 40".

(3) After section 77, insert the following -

## **"Functions of Her Majesty's Procureur.**

77A. (1) Her Majesty's Procureur may, either generally or for the purposes of a particular case or class of cases, arrange for any of his or her

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<sup>a</sup> Article IV of Billet d'État No. XXII of 2019.

<sup>b</sup> Order in Council No. XVI of 2002; as amended by No. XIII of 2006; No. XIII of 2010; No. XI of 2011 and No. XIV of 2012; Ordinance No. I of 2000; No. XXXIII of 2003; No. VII of 2005; No. XLVI of 2007; Nos. XIII, XX and XXXVI of 2010; Nos. XXIX and LIV of 2014; No. IX of 2016; and Nos. XXVI and XLV of 2018; G.S.I. No. 41 of 2005; G.S.I. No. 16 of 2003; and G.S.I. No. 5 of 2017.

functions under this Law, other than this power of delegation or the powers and functions of Her Majesty's Procureur under section 47 and Schedule 5, to be exercised in his or her name by a Crown Advocate or other Advocate of the Royal Court; and references in this Law to Her Majesty's Procureur shall be construed accordingly.

(2) A function exercised by a Crown Advocate or other Advocate pursuant to an arrangement under subsection (1) is for all purposes exercised by Her Majesty's Procureur; and every decision taken or other thing done by the Crown Advocate or other Advocate pursuant to the arrangement has the same effect as if taken or done by Her Majesty's Procureur.

(3) An arrangement under subsection (1) for the exercise of a function by a Crown Advocate or other Advocate -

(a) may be varied or terminated at any time by Her Majesty's Procureur, but without prejudice to anything done pursuant to the arrangement or to the making of a new arrangement,

(b) does not prevent the exercise of the function by Her Majesty's Procureur while the arrangement subsists.

(4) Any requirement imposed by or under this Law (however expressed) to provide or produce material to Her Majesty's Procureur, or to give Her Majesty's Procureur access to any material or

premises, includes a requirement to provide or produce the material, or to give access to the material or premises, to any person nominated by Her Majesty's Procureur or otherwise acting for him or her and on his or her behalf.

(5) For the purposes of subsection (4) "**material**" includes documents and information.

(6) References in this Law to a person authorised by Her Majesty's Procureur are references to a person, or a member of a class or description of persons, authorised by him or her either generally or for the purposes of a particular case or class of cases.

(7) This section is without prejudice to any other enactment or rule of law."

**Extent.**

2. This Ordinance has effect throughout the Bailiwick of Guernsey.

**Citation.**

3. This Ordinance may be cited as the Terrorism and Crime (Bailiwick of Guernsey) (Amendment) Ordinance, 2019.

**Commencement.**

4. This Ordinance shall come into force on the 12<sup>th</sup> December, 2019.



**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**STATES' ASSEMBLY & CONSTITUTION COMMITTEE**

**GENERAL ELECTION 2020 – SECOND POLICY LETTER**

The States are asked to decide whether, after consideration of the policy letter entitled "General Election 2020 – Second Policy Letter" dated 11<sup>th</sup> November, 2019, they are of the opinion:-

1. To agree that a candidate manifesto booklet containing a maximum of two sides of A4 sized paper per candidate will be produced by the States of Guernsey and delivered to all homes on the Electoral Roll.
2. To agree that the maximum sum a candidate in an election for the office of People's Deputy may expend in respect of such an election (subject to any assignment to a political party made pursuant to Proposition 3) shall be £9,000 (the candidate's "permitted electoral expenditure").
3. To agree that expenditure by a political party on promotion of the party and its policies in an election for the office of People's Deputy is 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 £9,000 in total.
4. To agree the following arrangements for polling stations:
  - (a) to set the opening hours of all polling stations (including advance polling stations and the super polling stations) in the Island at 8 a.m. until 8 p.m.;
  - (b) to establish an advance polling station at Beau Sejour Leisure Centre on Saturday 13<sup>th</sup> June and Sunday 14<sup>th</sup> June 2020;
  - (c) to establish a super polling station at Beau Sejour Leisure Centre on Tuesday 16<sup>th</sup> and Wednesday 17<sup>th</sup> June 2020; and
  - (d) to establish the Parish polling stations on Tuesday 16<sup>th</sup> and Wednesday 17<sup>th</sup> June, 2020 as set out in the table at paragraph 5.14.
5. To agree that legislation be prepared to provide that an application for a postal vote should be made not less than five clear days before the date when votes may be cast at a polling station, and that the application period for postal votes is closed on Friday 5<sup>th</sup> June, 2020 for the 2020 General Election; and to make appropriate provision to give effect to the other administrative changes set out in section 6 of this policy letter.

6. To agree that one or more observers of the 2020 General Election will be appointed.
7. To approve the transfer of £550,000 from the 2020 Budget Reserve to the Royal Court budget (which funds the expenditure of the States' Assembly & Constitution Committee) to fund the costs of managing the 2020 election.
8. To direct the Policy & Resources Committee to use its delegated authority to transfer funding of a maximum of £190,000 from the Budget Reserve to the Royal Court budget to fund, if necessary, a manual count (and, if necessary, recount) of the votes cast at the 2020 election.
9. To direct the preparation of such legislation as may be necessary to give effect to the above decisions.

The above Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.

**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**STATES' ASSEMBLY & CONSTITUTION COMMITTEE**

**GENERAL ELECTION 2020 – SECOND POLICY LETTER**

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

11<sup>th</sup> November, 2019

Dear Sir

**1 Executive Summary**

- 1.1 The States' Assembly & Constitution Committee ('the Committee') is mandated to advise the States on, and to develop and implement policies in relation to, elections to the office of People's Deputy.
- 1.2 The Committee presented propositions and a policy letter<sup>1</sup> at the April 2019 States' Meeting primarily to propose amendments to the Reform (Guernsey) Law, 1948 ('the Reform Law') to enable all 38 Deputies to be elected on an Island-wide basis and all voters to have up to 38 votes at the General Election in June 2020, to give effect to the results of the Referendum held in October 2018. The States approved the *Projet de Loi* entitled "The Reform (Guernsey) (Amendment) (No. 2) Law, 2019"<sup>2</sup> on 26<sup>th</sup> September 2019, and authorised the Bailiff to present a most humble petition to Her Majesty praying for Her Royal Sanction thereto.
- 1.3 The policy letter considered by the States in April highlighted that there were a number of areas relating to the General Election 2020 which required further consideration by the States of Deliberation but as these did not require amendments to the Reform Law they would be covered in a policy letter to be presented to the States later in 2019.

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<sup>1</sup> [States Meeting on 24 April 2019 \(Billet d'État VII\): States' Assembly & Constitution Committee - General Election 2020 \(P.2019/22\)](#)

<sup>2</sup> [States Meeting on 25<sup>th</sup> September 2019 \(Billet d'État XVIII\): States' Assembly & Constitution Committee - The Reform \(Guernsey\) \(Amendment\) \(No. 2\) Law, 2019 \(P2019/78\)](#)

- 1.4 The purpose of this policy letter is to seek the States’ agreement on a number of areas including: the candidate manifesto booklet, spending limits for candidates and parties, polling station arrangements, changes to postal voting, arrangements for international observers and the budget for delivering the Election. It also provides information regarding the vote count, guidance for candidates and induction for States’ Members.

## 2 Introduction

- 2.1 The policy letter will be divided into sections for ease of reference:

Topic	Pages
3. Grants vs benefits-in-kind provided to candidates	4 to 13
4. Expenditure limits for candidates and parties	13 to 16
5. Polling Stations	16 to 20
(a) Advance polling stations	
(b) Voting on 16th & 17th June, 2020: Parish and Super polling stations	
6. Postal Voting	21 to 23
7. Vote Count	23 to 24
8. Election Observers	25 to 26
9. Communication initiatives	26 to 28
10. Information for candidates	28 to 29
11. Induction programme for States’ Members	29 to 30
12. Political Parties	30
13. Secondary legislation	30 to 31
14. Resources	31 to 33
15. Compliance with Rule 4	33 to 34

## 3 Grants vs benefits-in-kind provided to candidates

- 3.1 The 2015 policy letter entitled ‘[General Election 2016](#)’<sup>3</sup> provided information about the grants given to candidates between 2004 and 2016, and the relevant extracts were repeated in the ‘[General Election 2020](#)’ policy letter considered by the States of Deliberation in April, 2019.
- 3.2 As stated in its previous policy letter, the Committee gave careful consideration to this issue and concluded that instead of giving a grant to each individual candidate, the States should provide and fund certain ‘benefits-in-kind’ for all

<sup>3</sup> [States Assembly and Constitution Committee - General Election 2016 \(Billet d’État XI 2015\)](#)

candidates, which would give the opportunity for each candidate to be equally promoted via information disseminated from the States of Guernsey including:

- the production of a candidates' manifesto booklet delivered to all households on the Electoral Roll;
- information uploaded onto a website (e.g. contact details, manifestos etc.); and
- short candidate videos uploaded onto the States of Guernsey website.

3.3 The system above has worked in Jersey for the last three General Elections and the Committee believes it could be successfully adopted in Guernsey. For the 2018 General Election, the States of Jersey produced a 'candidate manifesto booklet', a 64 page document issued to all homes on the Electoral Roll which allocated half an A4 page for the 17 Senators, 58 Deputies and 4 Connétables (79 candidates in total).

3.4 As stated in the previous policy letter, producing a candidate manifesto booklet would have the following benefits:

- the voter would not be overwhelmed by a large number of separate manifestos being delivered to their homes;
- the voter could refer to a single booklet when assessing potential candidates;
- it would minimise the cost to the Island in comparison to the States of Guernsey giving a grant to each candidate;
- the candidates can be equally promoted in the booklet and their manifesto will reach everyone on the Electoral Roll; and
- it could increase inclusivity for all candidates.

**a) Grants**

3.5 In the Committee's previous policy letter, it highlighted that in the 2004 and 2008 General Elections the States defrayed 50% of the cost of postage (at the minimum local postage rate) for each candidate who wished to send, on one occasion only, letters, manifestos and/or other communications through the post to each elector in the electoral district where that candidate was standing, subject to certain provisos.

3.6 The minimum local postage rate in 2019 is 48p. If the States were to follow the 2004 & 2008 model, and defray 50% of the cost of postage to each home on the Electoral Roll (typically between 17,000 and 18,000 homes), this would equate to a cost of up £4,320 per candidate. If a similar number of candidates stood as in previous elections, this would cost the Island between £300,000 and £400,000.

- 3.7 In 2016, all candidates could claim a grant of £600, which represented just over 25% of the electoral expenditure limit (£2,300 per candidate). If the States followed the 2016 model, it would arguably need to increase those figures seven-fold, to represent the move from seven electoral districts to one. This would create an expenditure limit of £16,100 per candidate and a grant of £4,025 per candidate. As above, if a similar number of candidates stood as in previous elections, this would cost the Island between £300,000 and £400,000.
- 3.8 The Committee does not believe that either covering postage costs, or significantly increasing the grant available to candidates, would be appropriate or affordable in the context of an Island-wide election. Given the potential number of candidates and households on the Roll, this would come at considerable cost to the Island and would not assist the voter in managing the manifestos received.
- 3.9 The Committee also considers that benefits-in-kind are a far more effective way of ensuring a fair Election than grants or subsidies, which are only available once initial costs have been incurred. An Island-wide Election will inevitably lead to a higher spending limit for candidates than at present (discussed in Section 4 below), which will put candidates who cannot mobilise large amounts of resources up-front at a more marked disadvantage than in previous Elections, unless something is done to counter-balance that. The provision of certain core benefits-in-kind to all candidates offers a natural solution.

#### **b) Candidate manifesto booklet and other benefits-in-kind**

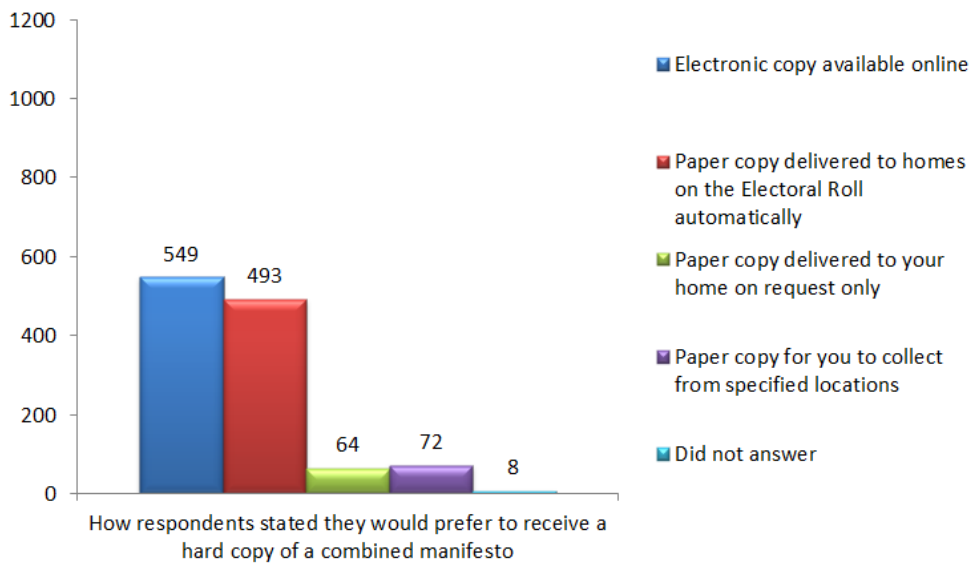
- 3.10 Before determining its next steps in respect of the proposed candidate manifesto booklet, the Committee was keen to learn how the general public would like to receive information from the States of Guernsey about candidates in the lead up to the General Election 2020. It published a short questionnaire running for almost six weeks from the start of July, 2019.
- 3.11 The questionnaire received a positive response with 1,186 responses received. A report on the questionnaire results is included as Appendix A.
- 3.12 The first three questions in the questionnaire related to the production of a booklet including all of the candidates' individual manifestos. The Committee was interested to learn:
- how the public would prefer to have a copy;
  - what they would prefer to see in the booklet – full manifestos or a summary or other; and
  - how many pages each manifesto should be?
- 3.13 There was a fairly even split between respondents wishing to have the booklet

electronically or in hard copy delivered to their home automatically:

- 46% of respondents wanted an electronic copy available online.
- 42% of respondents wanted a paper copy delivered to their home automatically.

3.14 5% of respondents said that the paper copy should be delivered on request only and 6% wanted the option of collecting it from specified locations.

**Q. If a combined booklet of manifestos was produced by the States of Guernsey, how would you prefer to get a copy?**



3.15 In the comments section, some respondents supported the suggestion that the paper copy should automatically be delivered to every home. Others stated that the focus should be online, with paper copies provided on request or to be collected from convenient locations in the Island (e.g. the Douzaine Rooms, the Guille Allès Library, Beau Sejour etc.).

3.16 Environmental concerns were raised by some respondents, noting the significant volume of printing that would be required to produce a candidate manifesto booklet for all households on the Electoral Roll. On the other hand, it was noted by a number of respondents that some people would not have internet access and needed to be catered for with hard copies.

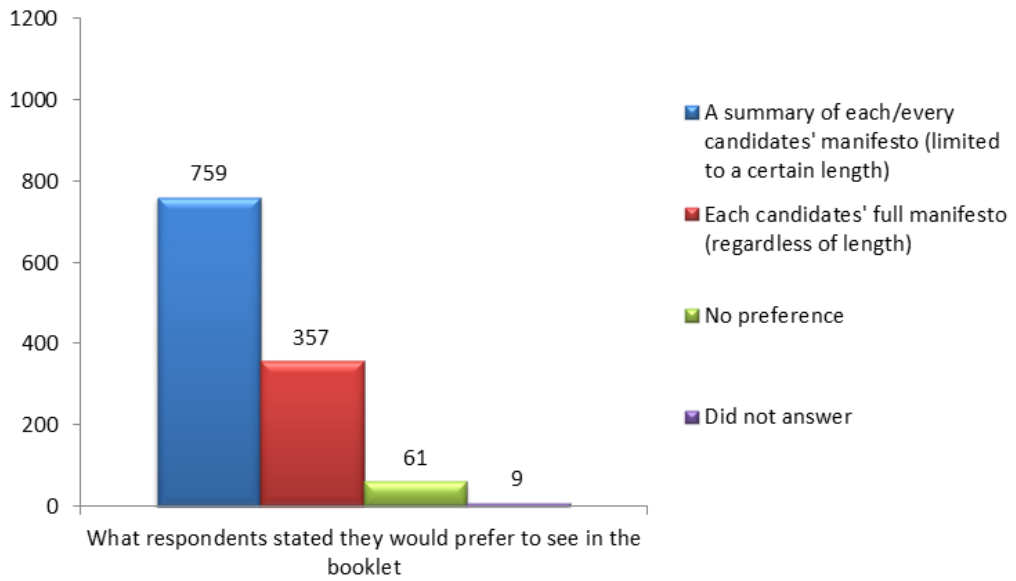
3.17 The Committee wished to understand how much information the public wanted to receive on each candidate in the candidate manifesto booklet.

3.18 It is clear from the responses that a majority of respondents do not wish to see lengthy manifestos as part of the booklet. 64% of respondents stated they wanted a summary of every candidate’s manifesto limited to a certain length.

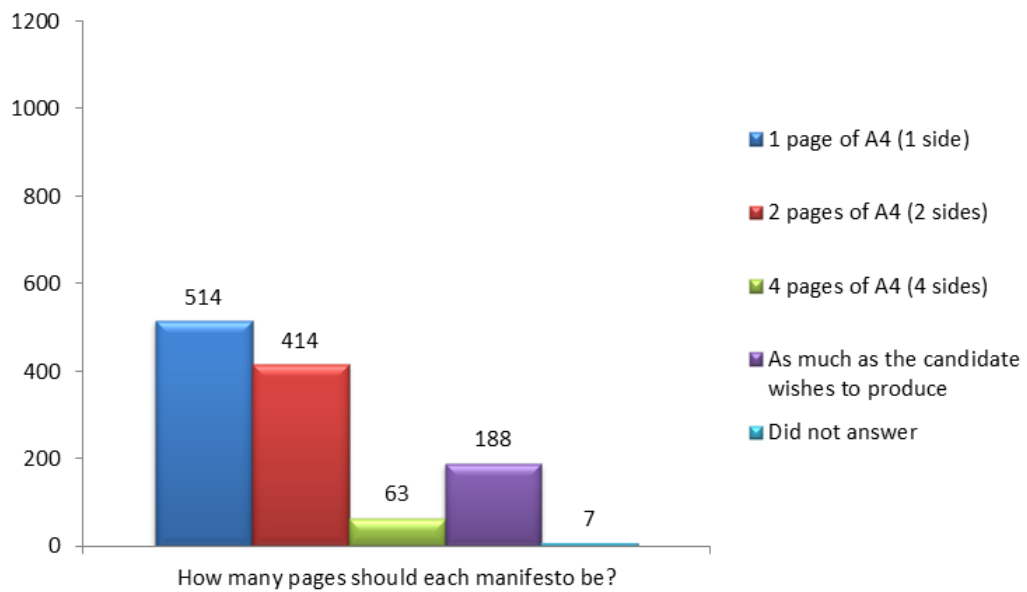
Only 30% wanted to see every candidate’s full manifesto, regardless of length.

3.19 43% of respondents wanted the manifesto to be one side of A4 and 35% wanted it to be two sides of A4 (i.e. 78% wanted the length limited to one or two sides). Only 16% of respondents were happy for candidates to submit manifestos of any length. The two following graphs showed the questions asked and responses received:

**Q. We would like to understand what you would prefer to see in the booklet**



**Q.How many pages should each manifesto be?**



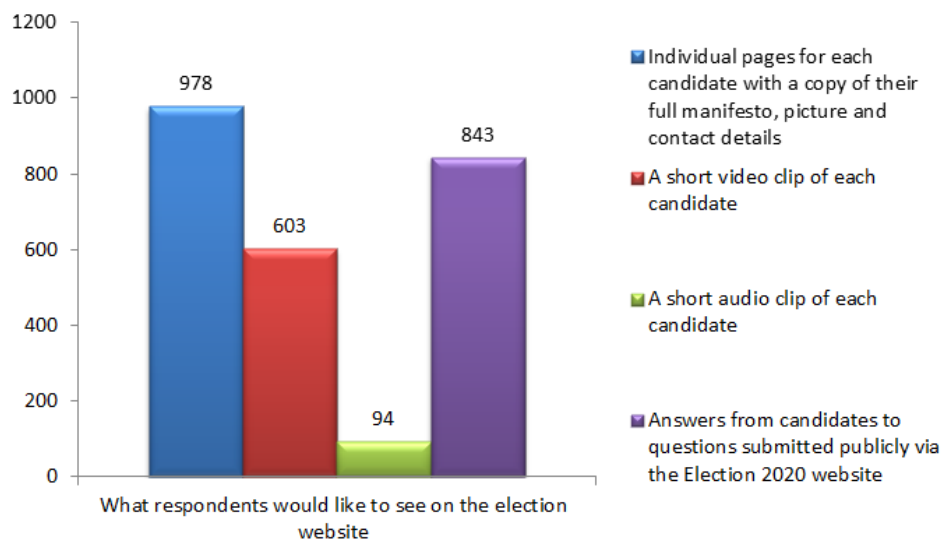
3.20 Some respondents wanted to see the manifestos set out in a uniform format to be easily digestible. Others felt it was important that the style was left to the candidates. A number of respondents had suggestions regarding what manifestos should include, as detailed in the report at Appendix 1.

3.21 As part of the questionnaire, the Committee also asked the public what candidate information they would like to see on the Election website. It put forward the following suggestions:

- Individual pages for each candidate with a copy of their full manifesto, picture and contact details
- A short video clip of each candidate
- A short audio clip of each candidate
- Answers from candidates to questions submitted publicly via the Election 2020 website

The results were as follows:

**Q. What would you like to see on the election website (tick as many options as you would like to see):**



3.22 82% of respondents wanted to see individual pages for each candidate with a copy of their full manifesto, picture and contact details. It was also suggested that people should be able to contact candidates through this page and that candidates should be able to provide updates on this page.

3.23 Just over half of respondents wanted to see a short video clip of each candidate at around two to three minutes in length and for such videos to be shared via social media. It was highlighted such videos should also contain a subtitle option. It was also suggested for uniformity of the style and length of videos,

this initiative should be undertaken by the States of Guernsey.

- 3.24 There was limited enthusiasm for short audio clips of each candidate. Many respondents wished candidates to receive coverage on traditional radio – with suggestions for brief recordings of candidates, phone-ins and hustings included.
- 3.25 71% of respondents wanted there to be a Q&A page on the website to enable the public to ask all candidates questions and for these responses to be published. There was a range of views on this proposal – some respondents thought questions should be limited to around ten whereas others wished for up to 30 questions to be asked. Some wished to see a ‘yes/no’ or graded (i.e. 1 – Strongly agree, 5 – strongly disagree) questionnaire submitted on ‘hot’ or ‘important’ topics whereas others wished there to be the opportunity for candidates to respond to specific questions within a word limit. It was suggested that a question could be given to candidates on a daily basis to respond on the website or via social media.
- 3.26 As well as members of the public posing questions, it was suggested that third sector organisations could be encouraged to produce questions. The ability to sort by subject and to compare responses from candidates was raised as important by a number of respondents. It was also suggested that the questions should also be published on social media for accessibility.

#### Options to produce and distribute a candidate manifesto booklet

- 3.27 The Committee has carefully considered the options for producing a candidate manifesto booklet, in light of the consultation responses and the practicalities of collating and printing such a document. It also listened to feedback from current Members who felt that significantly limiting the space available (e.g. to half an A4 page as operated in Jersey) would not enable a candidate to adequately represent themselves.
- 3.28 The Committee recommends a maximum of two sides of A4 sized paper per candidate in the booklet, having noted that a total of 78% of respondents wanted 2 sides at most. If 80 – 100 candidates stood, this would result in a candidate manifesto booklet of 180 – 220 pages (allowing for additional cover pages and general information about the Election).
- 3.29 The Committee believes two sides per candidate would provide reasonable space for the candidates to represent themselves without overwhelming the voter. This would not prevent candidates from producing a longer manifesto, if they felt this was necessary, and publishing it online or distributing it themselves.
- 3.30 The Committee gave careful consideration as to the distribution of the

manifesto, having noted the relatively even split in the questionnaire response between people wishing to have the booklet electronically or in hard copy.

The Public 'opting-in' or 'opting-out' of receiving a printed copy of the booklet

- 3.31 In its first policy letter, the Committee stated it would explore whether it was possible to enable individuals to 'opt out' from receiving hard copies should a voter wish to access electronic documents only.
- 3.32 The Registrar-General of Electors has advised the Committee that inviting people to 'opt in' or 'opt out' of receiving election material would be problematic for the following reasons:
- A blanket "opt-out" would not be appropriate: Ensuring the integrity of the Electoral Roll means that some of the communications are not ones where an opt-out would be suitable. For example, after registering, a card is sent to advise electors that their names have been entered on the Roll. Although no response is requested unless anything appears incorrect, this is an important means of validating the submissions. It helps reveal if an address is non-existent or a named person is not known at the given address.
  - It is also anticipated that by the time the States debate this policy letter, including the cost and distribution options for manifestos, approximately a quarter of those signing up onto the Electoral Roll will have already done so. It may be possible to ask people, at a later date, if they would like to opt out of receiving the candidate manifesto booklet. However, within the same household, there may well be differing views over whether they want anything delivered or not. Creating choice in this area will come at a cost and require resources to process the responses, although if a significant number opt not to receive a printed copy of a candidate manifesto booklet that could be partially offset by lowering print and postal costs of the final circulation.
  - The Committee has been advised that an untargeted delivery of an item of post does not breach data protection laws. However, where someone has expressed a preference either to receive, or not receive, material, a failure to act in accordance with their wishes creates a potential breach. In addition a person can seek to change their preference at any time and this has to be respected. If a person has opted-out and receives an unsolicited but personally addressed delivery this can be challenged as junk mail.
- 3.33 The Committee believes the voter being able to 'opt in' or 'opt out' from receiving a candidate manifesto booklet would have been the optimum

solution for the distribution of hard copies of the booklet. However, having listening to operational advice, it is not recommending this option for 2020.

- 3.34 The following options were therefore considered:
- a) A candidate manifesto booklet delivered to all homes on the Electoral Roll; or
  - b) A candidate manifesto booklet delivered to all homes on the Post Office's Register of Homes; or
  - c) A leaflet delivered to all homes and the candidate manifesto booklet being available for collection.
- 3.35 In deciding what to recommend, the Committee had to consider the logistics of receiving submissions from candidates, collating, printing and distributing a candidate manifesto booklet of up to 220 pages on an Island-wide basis.
- 3.36 There is a narrow timeframe, between close of nominations on Friday 15<sup>th</sup> May and the final day of voting on Wednesday 17<sup>th</sup> June, for this process to be undertaken in time to enable the voter to have a copy of the document, and to be able to digest its contents, before they cast a vote. The Committee also notes that, given the size and number of documents that will need to be printed, it is likely that the documents will need to be printed off-Island and returned.
- 3.37 While the process of printing and delivering the candidate manifesto booklet will inevitably take some time, the Committee notes that it should be possible to make a digital version available online within a much shorter timeframe.

### **c) Recommendation**

- 3.38 The Committee's consideration of the above three options is detailed in Appendix 2, which lists the advantages and disadvantages of each option. After careful consideration, the Committee agreed to recommend that the candidate manifesto booklet is sent to all homes on the Electoral Roll and Proposition 1 reflects this. The booklet will be delivered to homes by 4<sup>th</sup> June, 2020 (just under two weeks before the General Election).
- 3.39 The benefits of this proposal are as follows:
- It will specifically target people who have registered to vote.
  - Everyone on the Roll will have access to a set of manifestos delivered to their door.
  - It will ensure all candidates are equally represented to the public.
  - It will minimise the environmental impact of printing the candidate manifesto booklet (in comparison to a blanket household drop).

- 3.40 In recommending this option, the Committee is conscious that a number of people who would prefer to access the document electronically only will receive a hard copy. However, given the advice of the Registrar-General against offering an ‘opt-in’ or ‘opt-out’ system, it believes that delivering to all homes on the Electoral Roll will ensure everyone who intends to vote has the opportunity to access sufficient information regarding candidates.
- 3.41 An estimate for the production and distribution of the candidate manifesto booklet is set out below, and the Committee is requesting the budget to support its production.

Action	Est. Cost
Cost for production of the candidate manifesto booklet	£15,000
Labelling the candidate manifesto booklet for delivery	£7,000
Print x <b>18,000</b> (includes spare copies for the Douzaines, public buildings, States’ buildings etc.)	£23,000
Delivery of up to 18,000 to all homes on the Electoral Roll	£37,000
<b>Total Cost</b>	<b>£82,000</b>

- 3.42 It also proposes that, as a further benefit-in-kind for the candidates, that the Election website should contain:
- Individual pages for each candidate with a copy of their full manifesto, picture and contact details
  - A short video clip of each candidate
  - Answers from candidates to questions submitted publicly via the Election 2020 website
- 3.43 The Committee has requested a ‘printable shortlist’ function to assist voters in identifying and keeping a note of the candidates they may wish to vote for, if this is possible to facilitate.
- 3.44 The Committee has been advised in order to provide the Election website content as requested, alongside appropriately testing the website, and other relevant requirements, a budget of £38,000 will be required and it has included this in its budget request.

#### **4 Expenditure limits for candidates and parties**

- 4.1 Section 9, ‘Candidate Expenditure and Grants<sup>4</sup>’ and Section 10 ‘Political Parties’ in the Committee’s previous policy letter provided some of the Committee’s initial thoughts on candidate and party expenditure.

<sup>4</sup> [States Meeting on 24 April 2019 \(Billet d’État VII\): States’ Assembly & Constitution Committee - General Election 2020 \(P.2019/22\)](#)

#### a) Basis for setting candidate spending limits

4.2 In proposing the level of candidate spending limits, the Committee is guided by the view of the Electoral Commission<sup>5</sup> which concluded that such limits should:

- allow candidates to communicate with voters, so the voter is engaged and able to participate meaningfully in the process;
- deter excessive spending, to prevent the perception of undue influence over the outcome of the election; and
- not be set so low as to detrimentally constrain reasonable levels of expenditure, which could impact on trust in the system.

4.3 The Committee's starting point was to propose an expenditure limit that will enable a candidate to reach every household on the Electoral Roll with their own manifesto, should they wish to do so.

4.4 In researching its proposals, the Committee considered the systems in place in other jurisdictions for setting expenditure limits and the costs of printing and distributing individual manifestos. Estimated costs of different options are set out in Appendix 3.

4.5 On 4th October 2018, the Electoral Roll contained the names of 31,865 people. Using the Jersey and Isle of Man models, and rounding up the number on the Electoral Roll to 32,000, this would produce the following expenditure limits for candidates:

	<b>Base figure</b>	<b>Amount x voter</b>	<b>Total</b>
Isle of Man	£2,000	£16,000.00 (32,000 x 50 p)	<b>£18,000</b>
Jersey (Senators)	£2,800	£3,520.00 (32,000 x 11 p)	<b>£6,320</b>

4.6 The Committee evaluated the potential printing and distribution costs for individual candidates wishing to distribute their manifestos directly to homes on the Electoral Roll. Details of this evaluation are set out in Appendix 3. It is important to caveat that these are estimated figures based on information available to the Committee at this time and that these figures do not include potential agency costs for the creation of the manifesto.

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<sup>5</sup> [The Electoral Commission, Candidate spending limit review: Draft recommendations for consultation \(November, 2013\), p.9](#)

- 4.7 The cheapest financial option considered by the Committee would be to deliver a 2 page manifesto to every home in Guernsey which would cost approximately £6,000. The most expensive option would be to deliver an 8-page manifesto to all homes on the Electoral Roll which would cost up to approximately £15,000.
- 4.8 Having considered the options, the Committee is recommending an expenditure limit of £9,000. Using this limit, a candidate who wished to reach all voters with a separate, personal manifesto (in addition to the manifesto the candidate can have included in the candidate manifesto booklet) could produce a 4-page manifesto and have it delivered to all Island homes, and still retain nearly £2,000 for any other digital or face-to-face engagement with voters they wished to pursue. This is comparable to the spending limit for candidates for Senator in Jersey, who have a larger population to reach.
- 4.9 The spending limit will be significantly higher than in previous Elections, although candidates will also have access to the benefits-in-kind offered by the States. The limit needs to be set at a level that balances the need for all candidates to be able to reach all voters and express themselves effectively, against the risk of creating an unfair advantage for candidates who have greater personal wealth or more access to resources. The Committee considers that £9,000 represents a fair compromise and has drafted Proposition 2 to this effect.

**b) Basis for setting political party spending limits**

- 4.10 At the April States' Meeting, the States agreed that the Committee should propose a maximum spending limit for political parties in elections which:
- is made available by virtue of party-affiliated candidates assigning a proportion of their own allowance to their party; and
  - does not exceed the expenditure limit available to an individual candidate.
- 4.11 Given the Committee is proposing that the maximum for electoral expenditure shall be prescribed as £9,000 per candidate, the maximum for electoral expenditure that a political party can spend will also be set at £9,000.
- 4.12 However, as explained in the previous policy letter:

*The Committee ... considered a scenario whereby party members who were being endorsed for election by a party could assign a proportion of their individual spending for promotion of the party generally. The benefits of this approach is that it provides a clear link between the candidate and their party, and it gives that candidate the flexibility to decide how they apportion their election funds (within the set limit) in order to promote themselves as both individual candidates and members of a party collective. The Committee felt*

*that to keep the 'split' spending equitable, a cap of 50% should be set as the maximum amount of an individual candidate's spending limit that can be used for party promotion.*

- 4.13 This is provided for in the Reform (Guernsey) (Amendment) (No 2) Law, 2019 by an amendment to Article 44 (Expenditure by candidates and political parties), whereby the following provision has been inserted.

*(1A) An Ordinance under paragraph (1) may make provision in respect of expenditure by political parties, and by candidates in an election who are members of, or otherwise affiliated to, political parties and restrictions thereon; and such an Ordinance may set permitted levels of expenditure by candidates and by political parties, and make other related provision, including (but not limited to) allowing for candidates to transfer a defined percentage of their permitted expenditure as candidates to a political party, for that party to spend on promotion of the party and its policies.*

- 4.14 The Committee will therefore return to the States with a draft Ordinance setting the permitted level of expenditure by candidates at £9,000 and that expenditure by a political party on promotion of the party and its policies in an election for the office of People's Deputy is only permissible by virtue of candidates affiliated to that party assigning a maximum of 50% of their permitted level of expenditure as candidates to a political party, for that party to spend on promotion of the party, and that such expenditure by a political party in any election may not exceed £9,000 in total. Proposition 3 relates.

## **5 Polling Stations**

- 5.1 In April 2019 the States agreed that every eligible voter should be entitled to vote at an advance polling station and that relevant arrangements should be introduced.
- 5.2 The policy letter stated that it was intended that polling stations should be opened on Tuesday 16th and Wednesday 17th June, 2020 (Election Day). It recommended that, on those two days, voters should be able to vote at either a 'super polling station' or a polling station in their own Parish.
- 5.3 The Committee is conscious that Island-wide voting will present new logistical challenges. 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.
- 5.4 The Election Team will promote the benefits of postal voting in the lead up to the General Election. Further information on postal voting, and improving the

process, is contained in Section 6. An advance polling station (i.e. pre-polling) is also being introduced, as detailed in the following section, to increase the number of polling days and therefore increase the opportunity to vote. It has been agreed that the following voting targets should be set and an appropriate communication plan put in place to support these aims:

- Postal Voting 30%
- Advance Polling Stations 20%
- Parish Polling and Super Stations (16<sup>th</sup> June) 25%
- Parish Polling and Super Stations (17<sup>th</sup> June) 25%

#### **(a) Advance Polling Station**

- 5.5 The Committee has consulted with the Douzaines and the Island's 'Access Groups'<sup>6</sup> to identify the most appropriate venue(s) to be used for advance polling station(s).
- 5.6 The Registrar-General of Electors advised that given the finite staff resources available, he is not in a position to guarantee that the Election Team would be in a position to facilitate more than four days of voting i.e. Saturday 13<sup>th</sup>, Sunday 14<sup>th</sup>, Tuesday 16<sup>th</sup> and Wednesday 17<sup>th</sup>. It was stated that this was primarily due to the operational logistics of the Election Team assisting the Polling Stations in dealing with queries regarding the Electoral Roll throughout the full four days and other requests for advice from polling station officers, queries from members of the public and matters that need to be referred to the Registrar-General for decisions.
- 5.7 The Registrar-General advised that there were approximately five staff with the requisite knowledge built up over several years of elections, by-elections and the referendum. He highlighted that from the close of the nomination period through to the vote count, these staff will be working long days (c. 14 hours on polling days) and having four polling days instead of one will be stretching the staff resource and creates attendant risks.
- 5.8 The Registrar-General proposed that the advance polling station on Saturday 13<sup>th</sup> and Sunday 14<sup>th</sup> June is held at Beau Sejour Leisure Centre from 8 a.m. to 8 p.m. The Committee has considered and accepted the advice of the Registrar-General and agreed to recommend this.

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<sup>6</sup> The Access Groups include representatives from the Guernsey Disability Alliance, Age Concern Guernsey LBG and Access for All.

**(b) Polling Stations on 16th & 17th June, 2020**

5.9 In 2016, under the then seven-district system, the following 17 polling stations were used in the General Election:

District	Polling Station
<b>St. Peter Port South</b>	1. The Constables' Office, Lefebvre Street 2. St. Stephen's Community Centre, St. Stephen's Lane
<b>St. Peter Port North</b>	1. Beau Séjour Leisure Centre, Amherst 2. Performing Arts Centre, Le Ozouets
<b>St. Sampson</b>	1. La Chambre de la Douzaine, Le Mûrier 2. Church Schools, Grandes Maisons Road
<b>Vale</b>	1. The Douzaine Room, Rue Maritaine 2. Island Scout Headquarters, Rue Mainguy
<b>Castel</b>	1. La Chambre de la Douzaine, Les Beaucamps 2. Cobo Community Centre, Rue de la Lande
<b>West</b>	1. St Saviour's Community Centre, Neuf Chemin, St. Saviour 2. The Evangelical Church School Hall, Longue Rue 3. La Salle Paroissiale, Les Buttes 4. La Chambre de la Douzaine, Rue du Belle, Torteval 5. La Chambre de la Douzaine, Rue des Landes, Forest
<b>South-East</b>	1. La Salle Paroissiale, Grande Rue, St. Martin 2. The Douzaine Room, Route de St. André, St. Andrew

5.10 The Committee was conscious that the introduction of Island-wide voting may present some logistical issues for polling stations used historically. Given that, even for those voters who attend with a pre-prepared list of candidates they wish to vote for, it will take some time to complete the ballot paper, this needs to be factored into preparations.

5.11 Some of these issues were raised in the Committee's 2010 policy letter:

*At present the smaller polling stations have just one polling booth whilst some of the larger polling stations have eight polling booths. This could mean that the smaller polling stations would need three or four polling booths with the larger polling stations needing perhaps 30 or more.*

*This would result in several of the existing polling stations being of inadequate size. A further consequence of electors taking longer to complete their voting*

*papers is that more people means more cars – and car parking is already an issue at some polling stations under the present system.*

*Ballot papers would be substantially larger than present ballot papers. Existing ballot boxes would clearly not be sufficient...*

- 5.12 The factors above, combined with the need for the polling stations to be accessible to all Members of the community, were factored into the Committee’s deliberations when considering the locations for polling stations.
- 5.13 The Election Team has proposed significantly increasing the number of polling booths at the polling stations as far as is practicable to do so. It has also estimated the number of ballot boxes required to accommodate polling on four days with a larger ballot paper.
- 5.14 The Committee and the Election Team has consulted with the Douzaines and the Island’s Access Groups to identify the most appropriate polling stations in each Parish on 16<sup>th</sup> and 17<sup>th</sup> June, and it is proposed the following polling stations are established in the Parishes:

<b>District</b>	<b>Polling Station</b>
<b>Castel</b>	1. La Chambre de la Douzaine, Les Beaucamps 2. KGV, Rue Cohu
<b>Forest</b>	1. La Chambre de la Douzaine, Rue des Landes
<b>St. Andrew</b>	1. The Douzaine Room, Route de St. André
<b>St. Martin</b>	1. La Salle Paroissiale, Grande Rue
<b>St. Peter Port</b>	1. The Constables’ Office, Lefebvre Street 2. Beau Séjour Leisure Centre, Amherst 3. Performing Arts Centre, Les Ozouets
<b>St. Pierre du Bois</b>	1. Community Hall, Les Brehaut
<b>St. Sampson</b>	1. La Chambre de la Douzaine, Le Mûrier 2. St Sampson Community Centre, Potters Corner, Grandes Maisons Road
<b>St. Saviour</b>	1. St Saviour’s Community Centre, Neuf Chemin
<b>Torteval</b>	1. Church Hall, Rue du Belle
<b>Vale</b>	1. The Douzaine Room, Rue Maraitaine

- 5.15 The polling stations will be open on both 16<sup>th</sup> and 17<sup>th</sup> June 2020 from 8 a.m. to 8 p.m. It is important to reiterate that only residents of the Parish will be able to vote in their Parish polling station.

**(c) Super Polling Station on 16<sup>th</sup> & 17<sup>th</sup> June**

- 5.16 The Committee has also consulted with the Douzaines and the Island’s ‘Access

Groups' to identify the most appropriate polling station to act as the 'super polling station' on Tuesday 16th & Wednesday 17th June, 2020. Voters on the Electoral Roll will be able to vote at the 'super polling station' on the 16<sup>th</sup> & 17<sup>th</sup> June, regardless of where they live.

- 5.17 The super polling station will be open on both days from 8 a.m. to 8 p.m. at Beau Sejour Leisure Centre. Anyone on the Electoral Roll will be able to vote at this polling station.
- 5.18 In summary, the Committee is recommending:
- a. to set the opening hours of all polling stations (including advance polling stations and the super polling stations) in the Island at 8 a.m. until 8 p.m.
  - b. to establish an advance polling station at Beau Sejour Leisure Centre on Saturday 13<sup>th</sup> June and Sunday 14<sup>th</sup> June 2020.
  - c. to establish a super polling station at Beau Sejour Leisure Centre on Tuesday 16<sup>th</sup> and Wednesday 17<sup>th</sup> June 2020.
  - d. to establish the Parish polling stations on Tuesday 16<sup>th</sup> and Wednesday 17<sup>th</sup> June, 2020 as set out in the table at paragraph 5.14;
- 5.19 Proposition 4 sets out the proposal above. The Polling Stations will be established by the Registrar-General in accordance with the subsequent resolution of the States. Under the Law, the Registrar-General may provide for the establishment of such additional polling stations as he may deem convenient to the voter, should the need arise.

#### **(d) Administration costs**

- 5.20 Moving from one single day of polling to a system of advance polling stations, super polling stations and Parish polling stations over four days has an administrative cost. In 2016, an administration budget of £25,000 was granted for the administrative costs of the Election.
- 5.21 The Election Team has identified the costs of running four days of polling stations which includes the hire of polling stations, additional polling booths, new ballot boxes and the secure transport of ballot boxes etc.
- 5.22 A budget of £50,000 has been recommended to cover the costs of running polling stations and holding other incidental meetings (e.g. the training of polling station officials etc.). Provision has also been included in the staffing budget recommended for the payment of polling station staff, if required.
- 5.23 A budget of £10,000 has also been recommended for printing costs to cover a range of items including provision for Ballot Paper pads, the printing of the Electoral Roll, various guides, posters and instructions for polling stations etc. A budget of £10,000 has also been included for various additional postage costs.

## 6 Postal voting

- 6.1 The 2018 referendum saw over 9% of the Electoral Roll (2,906 people) opt for a postal vote which was an increase of 970 applications from the 2016 General Election. There are no restrictions on who can opt for a postal vote. Given the number of votes that can be cast by the voter in the 2020 General Election, it is highly likely there will be a substantial demand for postal votes in 2020.
- 6.2 The issuing of postal votes is labour intensive, and subject to strict procedures as laid down in the law, and to facilitate a potential significant increase in the number of people who will use this option, consideration has been given to how this process could be streamlined and improved.
- 6.3 The previous policy letter had highlighted that the States of Guernsey would need to allocate appropriate resources to cover the postal voting application period. A potential postal vote service has been identified which could automate the process of issuing postal votes, thus increasing the speed with which these will be delivered and freeing up human resources to focus on other matters. The estimated cost of processing postal votes in-house is £35,000 (including potential staff costs). The automated process is estimated to be a similar cost therefore the Committee believe it is prudent to request these funds to cover the costs of either an automated or manual process.
- 6.4 Article 15A (1) of the Reform (Amendment)(Guernsey) Law, 1972 enables the States to make provisions by Ordinance as it sees fit in relation to postal voting and other means of voting, whether or not involving attendance at a polling station, at elections for the office of People's Deputy. In April 2019, the States agreed the rules be amended and directed the preparation of such legislation to give effect to enable:
- (i) eligible voters to be able to vote at advance polling stations
  - (ii) a postal voter to be able to return their vote to a polling station; and
  - (iii) the Registrar-General to re-issue or cancel postal ballot packs in specific circumstances, namely:
    - to replace an irrevocably damaged postal ballot pack
    - to replace a lost or not received postal ballot pack
    - to correct a procedural error
- 6.5 The Registrar-General has also requested that the deadline for applications for postal votes is amended. At present, the Law states that an individual who wishes to vote by post shall submit an application not less than five days before the date appointed for the holding of the election. The States agreed that the General Election of People's Deputies will be held on Wednesday, 17<sup>th</sup> June

2020. The deadline for applications under the current provisions would therefore be Friday, 12<sup>th</sup> June.

- 6.6 It is reported that the timeframe has consistently proved problematic and challenging for previous Election Teams when dealing with a fraction of the applications expected for this Election.
- 6.7 Given the introduction of advance polling on Saturday 13<sup>th</sup> June, the Registrar-General has to finalise the Electoral Roll (showing the names of those who have applied for postal votes with a line through their name) in advance of polling opening. There will still be a requirement for printed copies of the Electoral Roll for each polling station, and adequate collation and printing time needs to be allowed.
- 6.8 It is therefore suggested that an application for a postal vote should be made not less than five clear days before the date when votes may be cast at a polling station, rather than the date appointed for the holding of the Election.
- 6.9 Time also needs to be allowed to ensure any last minute postal vote applications are processed, issued and have adequate time to be returned by 17<sup>th</sup> June.
- 6.10 In light of these factors, the Registrar General has recommended on this occasion that the application for postal votes is closed at 23:59 on Friday 5<sup>th</sup> June to enable the timely processing of these applications and the printing of the Electoral Roll. Accordingly, appropriate legislative provision will need to be made.
- 6.11 Some necessary, consequential changes are required to the 1972 Law further to the move to an Island-wide electoral system and the changes to the 1948 Law, including:
- reflecting the change to one Island-wide district;
  - removing the reference to the district from the ballot paper counterfoil and the pre-paid envelopes;
  - amending references to the Returning Officer to the Central Returning Officer;
  - reflecting the change from the vote count taking place in polling stations to a central location; and
  - other such changes as may be identified.
- 6.12 Further administrative changes to the 1972 Law may be required if the processing of postal votes is out-sourced to the identified postal vote service. Further research is being undertaken by the Election Team before a decision will be reached on this matter.

- 6.13 The Committee agrees that such changes are appropriate to facilitate the smooth operation of the postal voting process and therefore recommends that legislation be prepared including the changes set out in this section. Proposition 5 relates.

## **7 Vote Count**

- 7.1 Historically, under the district system, the Parishes voluntarily carried out the manual vote count in each district, with the Returning Officer for each district causing the votes cast to be counted, including the postal votes received; and communicating the result of the vote count to the Presiding Officer of the States, and exhibiting the result at each polling station in the District.

- 7.2 In 2020, the vote count will be carried out under the supervision of a Central Returning Officer in a central location on the day following Election Day. Arrangements will be put in place to ensure the secure transport of the ballot boxes to the central location.

- 7.3 In the 2010 report<sup>7</sup> on Island-wide voting, the then Committee commented as follows:

*Whilst a manual count would not be impossible, it would take so long that the introduction of Island-wide voting effectively makes it essential to employ electronic equipment to count the votes. Electronic counting is used by some U.K. authorities but, because the machines are used relatively infrequently, they are hired rather than purchased. There are a number of U.K. companies that specialise in hiring out such equipment which may include peripheral items such as special ballot boxes which ensure that ballot papers are not folded (creased ballot papers are prone to being rejected by the machinery and as a consequence have to be processed manually).*

- 7.4 Since late 2018, the Committee, with the assistance of IT, has investigated options for employing electronic equipment to count the votes, given the significant increase in the number of votes that are likely to be cast under the new electoral system.

- 7.5 The 2010 Committee estimated the vote count would cost £25,000. However, further to research undertaken in 2018 to 19, given the complexity of the vote count to be undertaken under Island-wide voting, this figure does not accurately reflect the real costs of such a count.

- 7.6 Given the volume of votes to be cast, a manual vote count would be labour-intensive and time-consuming. It would require hundreds of volunteers to

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<sup>7</sup> [States Assembly and Constitution Committee – Island Wide Voting – 3rd Report \(Billet D’État III 2011\)](#)

administer and a significant space to accommodate, and if a manual vote count was required, the States of Guernsey would need to provide the resources and facilities to enable this. This would have an impact on the States of Guernsey and the delivery of its services around the Election given a significant number of staff would need to be redeployed for the count. If a recount was requested, this would further stretch the resources required.

- 7.7 Using an e-counting system will have a number of benefits. Given the volume of votes to be counted, the system will be undoubtedly quicker. Such a system – which will be thoroughly tested prior to the Election – should provide confidence in the accuracy of the count. It will also assist in managing any recount that may be requested.
- 7.8 In 2019, a market analysis of three vote counting solutions was undertaken. Three vendors responded with the set of requirements requested. Further to analysis of the options, one supplier met the needs of the project in terms of the services provided and affordability.
- 7.9 It is proposed that an optical scanner will be used to read marked ballot papers and tally the results. The identified supplier offers a central count scanning solution, with the ballot papers being designed and produced by the supplier (in consultation with the Committee who will set out the minimum requirements e.g. font size and layout) so that they will meet the needs of the election process and the scanning solution. The proposed solution can scan up to a 100 ballots per minute. It can identify ballot papers where there are ‘over votes’ or votes which are not clear and will need adjudication from the Central Returning Officer. It is auditable and the system has been tested in a number of elections.
- 7.10 Given the clear benefits of an electronic vote count solution, the Committee is requesting a budget of £100,000 to cover the solution (and to provide an adequate contingency for unforeseen costs). This will cover the costs of the scanners, adjudication machines, networking, ballot papers, shipping costs, a mock vote and staff for training and technical support.
- 7.11 Other costs for the delivery of the electronic vote count, principally the venue facilities, total £10,000. The Committee is therefore requesting a total of £110,000 for delivery of the electronic count.
- 7.12 The project board is also looking at how a manual count, and potential recount, could take place, if this was required. An estimate of £190,000 has been provided to cover the venue, facilities, equipment and staffing costs. Given the Committee believes an electronic vote count is possible, it is therefore asking for this budget separately in Proposition 8 to enable the Policy & Resources Committee to use its delegated authority to transfer this funding if required.

## 8 Election Observers

- 8.1 The Committee proposed in its earlier 2019 policy letter that observers should be invited to participate in an Election observation exercise in respect of the 2020 General Election and/or to have the opportunity to do so in future elections. The States agreed to insert the necessary provisions into legislation to facilitate this and such provisions were included in the Reform (Guernsey) (Amendment) (No. 2) Law, 2019 approved by the States in September, 2019.
- 8.2 The Committee believes that independent Election observers help to assure the legitimacy of the Election process, and considers this especially important as a new system of Island-wide voting is introduced for the first time. The mission will provide independent scrutiny to ensure that the Island is complying with international obligations and standards for elections, and for it to receive feedback to make improvements in the future.
- 8.3 Guernsey has been a full member of the Commonwealth Parliamentary Association (the 'CPA') since 1953. The [UK CPA Handbook for Election Observation Missions](#) sets out the aim and importance of election observation:
- Credible election observation involves a comprehensive, independent and impartial assessment of an electoral process to evaluate the extent to which it complies with international obligations, commitments and standards for democratic elections. Through this, it can promote transparency and accountability, deter fraud and enhance public confidence and participation in the electoral process.*
- 8.4 There are a number of processes undertaken in the lead up to an Election Observation Mission, as set out in the 'CPA UK Handbook for Election Observation Missions'<sup>8</sup>.
- 8.5 If the States approves Proposition 6 to agree that one or more observers of the 2020 General Election will be appointed, the Committee will, after consultation with the Policy & Resources Committee, appoint one or more observers. As soon as possible after making such an appointment, the Committee will lodge an appendix report with HM Greffier informing the States of the appointment.
- 8.6 In the lead up to a Mission, CPA UK appoints a head of mission and recruits mission members. It organises the practical arrangements for the deployment of the mission. A core team is sent to prepare for the opening of the mission, hold introductory meetings and to observe voting, counting and tabulation. A preliminary report is produced immediately after the Election and in the following months a final report and recommendations is produced.

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<sup>8</sup> [www.uk-cpa.org/media/2159/cpa-uk-eom-handbook\\_print\\_final\\_update.pdf](http://www.uk-cpa.org/media/2159/cpa-uk-eom-handbook_print_final_update.pdf)

8.7 The Committee therefore asks the States to agree that it shall appoint one or more observers of a public election and agrees a budget up to a maximum of £50,000.

## **9 Communication initiatives**

9.1 The Committee acknowledges that the introduction of Island-wide voting represents a significant change to the process of General Elections in Guernsey – for the voters, candidates and those who administer the system.

9.2 The information in section three of this policy letter sets out how the Committee believes the States of Guernsey should assist voters in ensuring they have adequate information about the candidates to make an informed decision.

9.3 One of its top priorities is also to ensure the public is fully informed of key matters in the lead up to the General Election, including information on how, where and when to vote. A comprehensive communication plan covering all aspects of the Election, from information about registering to vote through to post-Election arrangements, has been prepared.

9.4 This communication plan will run from the opening of the Electoral Roll until the vote count has been completed and will ensure that all sections of the population are reached using appropriate communication approaches. A budget for advertising is included in section 14 to support many of the initiatives in the communication plan.

### **a) Information on the 'Election' website**

9.5 As has been the case in the lead up to previous Elections, a specific website will be created dedicated to the General Election to provide all the information voters need to know about the election, including registering on the Electoral Roll, applying for postal votes, polling stations and FAQs.

9.6 The Committee is looking at using various means of providing information on its website, including downloadable guidance and videos and ensuring this information is accessible to the widest possible audience.

### **b) Community engagement**

9.7 The Committee is conscious that whilst information can be communicated to a large section of voters online, it is important that communication initiatives are also targeted at members of the public who may not, or do not, use computers. It is committed to ensuring there is a traditional media campaign and targeted community outreach events to ensure all of the community is engaged with,

particularly traditionally 'hard to reach' groups.

**c) Face to Face engagement: hustings etc.**

- 9.8 The Committee has given thought to how candidates can engage in person with voters. In the seven district system, 'walking the Parish' was a tradition many candidates undertook. Under the Island-wide system it would be very difficult for every candidate to visit every voter and even if they could, it is unlikely that many electors would welcome visits from such a high volume of candidates.
- 9.9 According to the Committee's 2010 'Island-wide voting - 3rd report', in the 1994 and 1997 Island-wide elections of Conseillers some candidates did carry out door-to-door canvassing. However, it appears candidates targeted certain areas rather than attempting to visit every elector as some candidates do in the existing district elections.
- 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.
- 9.12 The Committee has considered other methods by which candidates could interact with the public. Options could include holding one-to-one 'surgeries' in Parishes or holding a full-day or half-day event where all candidates would be invited to attend and the public would be invited to drop-in. Such events could incorporate a 'speed-dating' style of hustings.
- 9.13 As part of its July/August questionnaire, the Committee asked the public what it would like the States of Guernsey to do to enable the public to meet with candidates. 837 responses were received and a number of suggestions put forward.
- 9.14 A number of respondents did not believe that the States should do anything to facilitate this, stating the onus was on the candidate to meet the voters. A number of respondents stated they did not wish to receive house visits from candidates, stating the information in the manifesto and videos should suffice.

9.15 However, a large number of people wished to see the retention of some form of hustings, although the practical difficulty of achieving this with a large number of candidates was also acknowledged by many. It was stated on a number of occasions that hustings could be televised, streamed online and broadcast on the radio to facilitate engagement from voters who would not be able to attend all hustings. It was suggested that hustings could be organised by topics or by Parish.

9.16 Other suggestions for public engagement include:

- All day event(s) with all candidates: stalls where the public can sit down and speak to candidates and where general information about the election could also be provided.
- Drop-in sessions: it was suggested this could be set up in the weeks leading up to the General Election in different locations around the Island.
- Surgeries.
- 'Speed-dating' style sessions with candidates.
- Roadshow event in each Parish.
- Parish based meetings.
- Virtual meetings.
- The use of Facebook Live for Q&As and presentations.
- Ability to make appointments to meet with candidates (including via the website).
- Webinars.
- Candidates being available in town on a Saturday to meet with the public.

9.17 The information above has been passed to the Election Team to consider the options for public events. The Committee will endeavour to ensure that the Election period will include at least one 'meet the candidates' event, although the eventual format remains to be determined.

9.18 It is also intended to work closely with all of the traditional media given their important role in disseminating candidates' views, and general information about the Election, to the voter.

## **10 Information for candidates**

10.1 The States, further to considering the 'Improving Governance in the States of Guernsey' report in 2012, resolved that:

- 1x. *A reasonable period of time before each General Election, the States Assembly and Constitution Committee, in conjunction with the Policy*

*Council, should publish for the assistance of potential candidates for election a guide to the States to include an explanation of:*

- *the General Election process;*
- *the various roles and responsibilities of a States member, such as the constituency, parliamentary, executive and scrutiny functions;*
- *the internal election process; and*
- *the functions of the different layers of the legislature and the government.*

*If considered necessary, the Policy Council should propose a minor extension to the mandate of the States Assembly and Constitution Committee to incorporate this matter;*

- 10.2 In 2016, the Committee produced the guidance note [‘Information for prospective candidates in the 2016 General Election of People’s Deputies’](#). The Committee, working with the Policy & Resources Committee as appropriate, is producing updated guidance to be published in early 2020.
- 10.3 The Committee is also working to produce guidance on the various roles and responsibilities of a States’ Member; on the internal election process; and the functions of the different layers of the legislature and the government.
- 10.4 Given the introduction of legislation relating to registration of political parties, donations/loans and expenditure limits for political parties, the Committee will also be publishing guidance on these specific topics.
- 10.5 Further to feedback from States’ Members, the Committee has agreed that information sessions should be convened for prospective candidates in advance of the nomination period.

## **11 Induction programme for States’ Members**

- 11.1 The Committee is working with the Policy & Resources Committee to produce a comprehensive ‘on-boarding’ and ongoing development programme for States’ Members, tailored to their needs and developed from the experiences of current Members. It held a workshop in September 2019 with a number of existing States’ Members to receive feedback as to what has worked well in the past and to identify areas where further training is required.
- 11.2 The Committee continues to work with other Committees and Members to develop an induction and ongoing development programme appropriate for Members’ needs. It is intended that a significant amount of training will be delivered in-house, using skills available within the public sector, wherever

appropriate, to provide information and guidance on matters such as IT, data protection, Rules of Procedure of the States of Deliberation and their Committees, audit and financial reporting, internal controls and policies, risk etc.

- 11.3 However, there will be areas where it would not be appropriate for the public sector to 'train' elected Members. In such cases, external providers will need to be sought and funded. Matters such as improving governance, training as a board member, media training etc. are areas where Members may benefit from externally provided training. In order to facilitate this, a budget request was made and as a result a budget of £55,000 was allocated from the 2020 Budget.

## **12 Political Parties**

- 12.1 When the Reform (Guernsey) (Amendment) (No.2) Law, 2019 is in force, political parties will be required to register at the Greffe if they meet the definition of a political party, as set out in Schedule 2 of the Law. The Greffe will publish an application for registration form which will be available to download on the website and in hard copy from the Greffe. The Committee will prescribe a fee by regulations in early 2020 – which will not exceed £200 – to cover the administrative costs of processing an application.

- 12.2 The application for registration will be determined by HM Greffier who will register the political party if he is satisfied that it has provided the information required under Schedule 2 to the Law. A 'Register of Political Parties' will be established and maintained by HM Greffier and available for inspection at the Greffe.

- 12.3 The Committee is conscious that the potential establishment of political parties may require changes to 'The Rules of Procedure of the States of Deliberation and their Committees' and the 'Code of Conduct for Members of the States of Deliberation'. Before the end of this political term, the Committee intends to undertake a 'wash-up' review of the Rules to consider any changes required before the new political term, and will consider this issue. The Committee also intends to present a policy letter to the States on its review of the Code of Conduct for Members of the States which also consider whether any changes are required.

## **13 Secondary legislation**

- 13.1 There are a number of pieces of secondary legislation which will need to be drafted and submitted to the States to support the Election taking place. As stated in Section 6, legislation will be brought to the States in relation to changes to postal voting and other means of voting.

- 13.2 The [Electoral Roll Ordinance, 2019](#) has been lodged with HM Greffier which will cause the cessation of the current Electoral Roll on 30<sup>th</sup> November and for the application forms to be distributed to the Island. At the time of submission of this policy letter, it was scheduled for consideration at the meeting on 27<sup>th</sup> November.
- 13.3 Other pieces of legislation, which have been required for past Elections, will need to be drafted, setting out the date of the Election, the closure of entries to the Electoral Roll, the expenditure limits and the polling stations. Rules will also be drafted governing such matters as the public inspection of the Electoral Roll, availability of the Electoral Roll, the presence of candidates at the vote count.

## 14 Resources

### (a) Human Resources

- 14.1 A General Election Project Board has been established to put in place the necessary arrangements for the 2020 General Election. The board is made up of the Registrar-General of Electors, the Lead Election Officer and staff from the Committee for Home Affairs, the States' Assembly & Constitution Committee, IT and the Communications Team. The Board is providing regular updates to the two Committees and the Chief Executive.

- 14.2 As stated in the Committee for Home Affairs policy letter dated 11<sup>th</sup> March, 2019:

*It is ... critical that the creation of a new Electoral Roll and the delivery of a new electoral system should be approached as a single project. It is recommended that this is delivered by a dedicated team, headed by a Lead Election Officer.*

*The team will be responsible for leading the Election 2020 project, providing advice and support to both Committees and a central point of contact for all stakeholders ... The Team will complete the administrative functions associated with the compilation of the Electoral Roll and the delivery of the 2020 General Election.*

- 14.3 A dedicated Election Team is in place to undertake the administrative functions associated with the compilation of the Electoral Roll and the delivery of the 2020 General Election.
- 14.4 As stated in the 2017 policy letter<sup>9</sup> entitled, 'Referendum on Guernsey's Voting System':

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<sup>9</sup> [States Meeting on 21st June 2017 \(Billet d'Etat XIV\): States' Assembly & Constitution Committee - Referendum on Guernsey's Voting System \(P.2017/49\)](#)

*“It should be noted that the parishes voluntarily carry out a significant part of the running of general elections, including providing venues for hustings and voting (for which any costs incurred are reimbursed by the States) and people to administer polling stations and count votes. The Committee wishes to place on record its appreciation of the invaluable assistance of the parishes and their volunteers. The costs borne by the States would be increased should the assistance of the parishes ever be withdrawn under any of the options A to E. It may be that this would become more likely under the options which move furthest away from the present electoral system”.*

- 14.5 The Committee again wishes to place on record its appreciation of the assistance of the Parishes, and for their assistance and co-operation since the referendum in October, 2018 and in the development of this policy letter. However, whilst the Committee will seek volunteers to assist with polling stations and to count votes, it is conscious that this cannot be guaranteed, and adequate provisions must be put in place to fund staff for the four days of polling and the vote count. It has therefore recommended a budget to cover staffing costs in the following section.

#### **(b) Budget**

- 14.6 In 2016<sup>10</sup>, the entire budget for the holding of the General Election was included in the then Home Department’s policy letter ‘Preparation of a New Electoral Roll’.
- 14.7 The Committee for Home Affairs presented its policy letter entitled [‘Preparation for a New Electoral Roll’](#) to the April 2019 States’ Meeting. The policy letter and propositions set out the funding that would be required to cover the preparation of an Electoral Roll at a cost of £120,000, and an Election Team at a cost of £260,000. The relevant propositions were approved by the States on 26<sup>th</sup> April, 2019. The policy letter stated that the costs associated with the delivery of the Election would be detailed separately by the States’ Assembly & Constitution Committee.
- 14.8 The Committee has already publicly stated that moving to an Island-wide electoral system will substantially increase the costs of the General Election. New initiatives such as an electronic count solution, inviting election observers, introducing four days of polling, seeking to accommodate a likely increase of the number of postal votes and expanding the options on the website will increase the cost of the election in comparison with previous years.
- 14.9 As highlighted through the relevant sections of this policy letter, the Committee

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<sup>10</sup> Home Department ‘Preparation of a New Electoral Roll’ report dated 18<sup>th</sup> August 2014 ([Billet d’État XXIV – States’ Meeting 26<sup>th</sup> November, 2014](#))

recommends the following budget to fund the 2020 costs of managing the election process:

<b>Election Budget</b>	<b>2020</b>
Candidate manifesto booklet	£82,000
Administration – meetings etc.	£50,000
Advertising	£24,000
Printing	£10,000
Postal voting	£35,000
Postage (general)	£10,000
IT – hardware / website	£38,000
Election Observation Mission	£50,000
E-Count Solution	£110,000
Staffing of Polling Stations and Vote Count	£91,000
Sub-Total	£500,000
<i>10% contingency</i>	<i>£50,000</i>
<b>Total</b>	<b>£550,000</b>

14.10 Given the electoral system is new, and unforeseen costs will arise, the Committee is conscious to build in flexibility to the budget and is therefore requesting a 10% contingency amount.

14.11 The Committee is asking the States to approve the transfer of £550,000 from the 2020 Budget Reserve to the Royal Court budget (which funds the expenditure of the States’ Assembly & Constitution Committee) to fund the costs of managing the 2020 election (Proposition 7).

14.12 As set out in Section 7, the Committee is also asking the States to direct the Policy & Resources Committee to use its delegated authority to transfer funding of a maximum of £190,000 from the Budget Reserve to the Royal Court budget to fund, if necessary, a manual count (and, if necessary, recount) of the votes cast at the 2020 election. (Proposition 8).

## **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 have

the unanimous support of the Committee.

15.4 In accordance with Rule 4(5), the Propositions relate to the duties of the Committee *“to advise the States and to develop and implement policies 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:

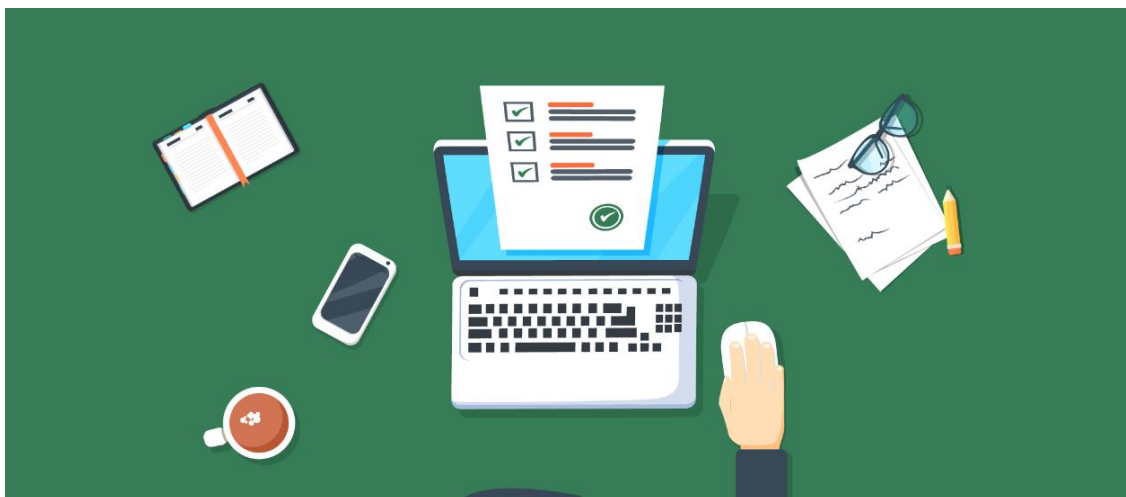
- Registrar-General of Electors
- Law Officers of the Crown.
- Douzaines

Yours faithfully

N. R. Inder  
President

J S Merrett  
Vice-President

P T R Ferbrache  
J P Le Tocq  
E A McSwiggan

 States' Assembly &  
Constitution Committee**Receiving information from the States of Guernsey  
about candidates in the lead up to the 2020 General Election**

The States' Assembly & Constitution Committee launched a questionnaire in July 2019 to help it understand how the public would like to receive information from the States of Guernsey about candidates in the lead up to the General Election in June 2020.

The Committee had provisionally considered the following options to assist voters and candidates:

- producing a 'combined manifesto booklet' that incorporates all of the candidate manifestos into one document; and
- the creation of video and audio clips for candidates to broadcast their message; and
- enabling the general public to submit questions to candidates online.

It wished to find out the public views on the above and give the option for further suggestions to be put forward. The consultation ran from 3<sup>rd</sup> July to 14<sup>th</sup> August, 2019 and **1186** people responded. The Committee is grateful to everyone who took the time to complete the questionnaire, provide additional feedback and for providing such a good response.

The attached report summarises the findings of the questionnaire. The consultation responses will help inform the Committee's next policy letter which will be presented to the States of Deliberation in 2019.

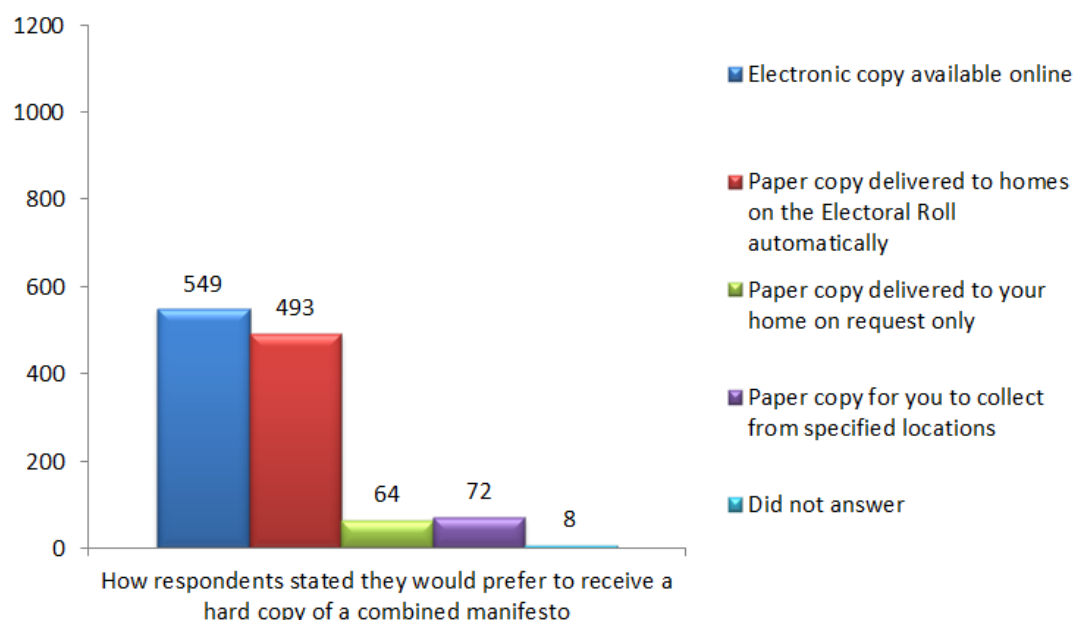
## General Election 2020: Questionnaire response

The first three questions related to the production of a booklet including all of the candidate's individual manifestos. The Committee was interested to learn:

- how the public would prefer to have a copy; and
- what they would prefer to see in the booklet – full manifestos or a summary or other; and
- how many pages each manifesto should be.

### How the public would prefer to receive a copy of a manifesto booklet

Q. If a combined booklet of manifestos was produced by the States of Guernsey, how would you prefer to get a copy?



There was a fairly even split between respondents wishing to have the booklet electronically or in hard copy delivered to their home automatically:

- 46% of respondents wanted an electronic copy available online.
- 42% of respondents wanted a paper copy delivered to their home automatically.

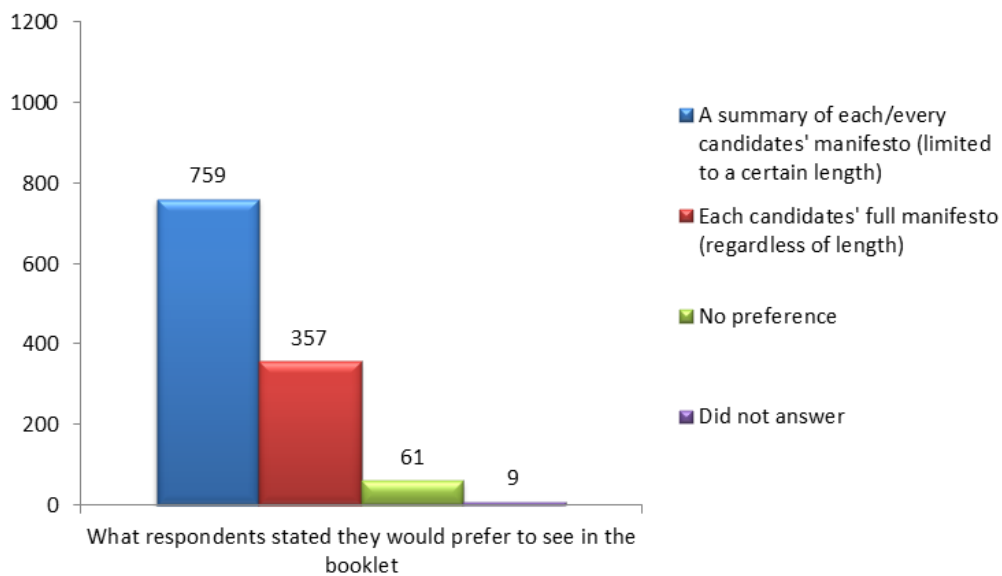
Only 5% of respondents wished to have a paper copy delivered to their home on request only and only 6% wanted the option of collecting it from specified locations.

In the comments section, some respondents supported the suggestion that the paper copy should automatically be delivered to every home. Others stated that the focus should be online and paper copies provided on request or to be collected from convenient locations in the Island (e.g. the Douzaine Rooms, the Guille Allès Library,

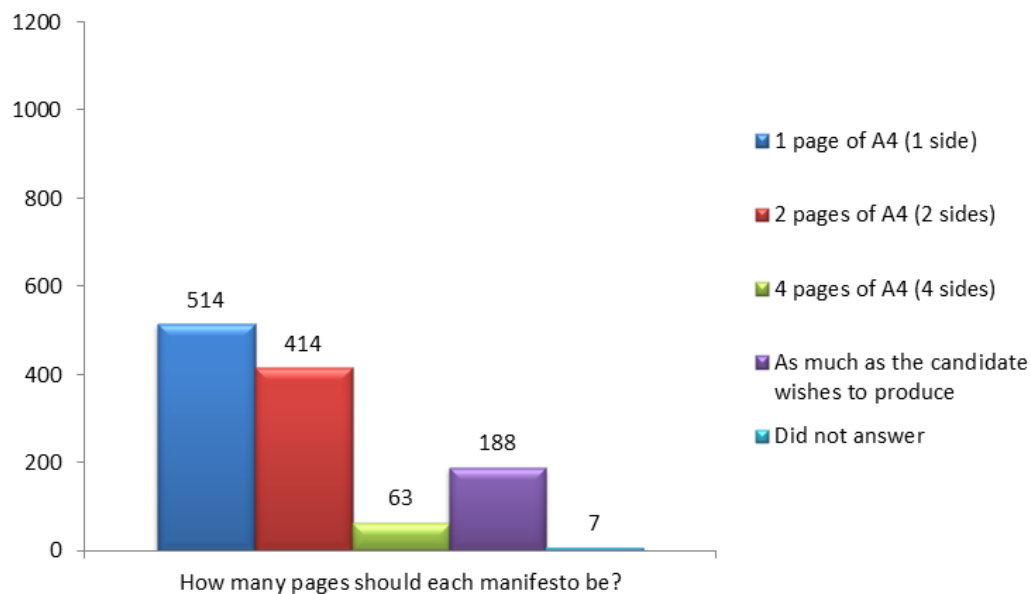
Beau Sejour etc.). Environmental concerns were raised by some respondents, noting the significant volume of printing that would be required to produce such a document at such a volume. It was noted by a number of respondents that a number of people would not have internet access and needed to be catered for with hard copies.

## The length of manifestos in the booklet

**Q. We would like to understand what you would prefer to see in the booklet**



**Q. How many pages should each manifesto be?**



The Committee wished to understand how much information the public wanted to receive on each candidate in the combined manifesto. The two questions above were asked to understand this.

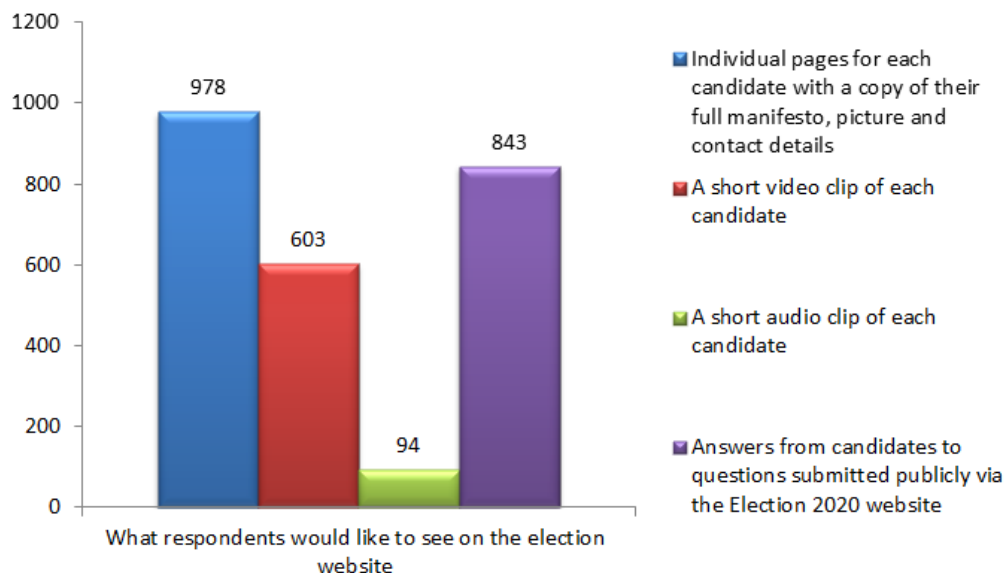
It is clear from the findings that a majority of respondents do not wish to see lengthy manifestos as part of the combined booklet. 43% of respondents wanted the manifesto to be 1 side of A4 and 35% wanted it to be 2 sides of A4 (i.e. 78% want the length limited to 1 or 2 sides). Only 16% of respondents were happy for candidates to submit manifestos of any length.

64% of respondents stated they wanted a summary of every candidate’s manifesto but limited to a certain length. Only 30% wanted to see every candidate’s full manifesto, regardless of length.

Some respondents wished to see the manifestos set out in a uniform format to be easily digestible. Others felt it was important that the style was left to the candidates. A number of respondents had suggestions regarding what manifestos should include, which will be briefly detailed later in this document.

### What information should be on the election website?

**Q. What would you like to see on the election website (tick as many options as you would like to see):**



82% of respondents wanted to see individual pages for each candidate with a copy of their full manifesto, picture and contact details. It was also suggested that people should be able to contact candidates through this page and that candidates should be able to provide updates on this page.

Just over half of respondents wanted to see a short video clip of each candidate at around 2 – 3 minutes in length and for such videos to be shared via social media. It was highlighted such videos should also contain a subtitle option. It was also suggested for uniformity of the style and length of videos, this initiative should be undertaken by the States of Guernsey.

There was limited enthusiasm for short audio clips of each candidate. Many respondents wished candidates to receive coverage on traditional radio – with suggestions for brief recordings of candidates, phone-ins and hustings included.

71% of respondents wanted there to be a Q&A page on the website to enable the public to ask **all** candidates questions and for these responses to be published. There was a range of views on this proposal – some respondents thought questions should be limited to around ten whereas others wished for up to 30 questions to be asked. Some wished to see a ‘yes/no’ or graded (i.e. 1 – Strongly agree, 5 – strongly disagree) questionnaire submitted on ‘hot’ or ‘important’ topics whereas others wished there to be the opportunity for candidates to respond to specific questions within a word limit. It was suggested that a question could be given to candidates on a daily basis to respond to on the website or via social media.

As well as members of the public posing questions, it was suggested that third sector organisations could be encouraged to produce questions. The ability to sort by subject and to compare responses from candidates was raised as important by a number of respondents.

It was also suggested that the questions should also be published on social media for accessibility.

## Other suggestions received

### Further initiatives

People were asked if they had any suggestions regarding initiatives the States of Guernsey could carry out to further inform people about candidates and provided a comment box to put forward ideas. 451 responses were received to this request. Some of the suggestions put forward are summarised below:

- Matrix of key issues: A number of respondents wished to have the means to compare and contrast candidates on a number of key topics and to have a format/grid whereby this was possible.
- Social Media: Effective use of Social Media (Facebook, Twitter, Instagram and YouTube) was raised by a number of respondents. It was suggested a specific 2020

General Election page be set up on social media to provide a one-stop shop for information.

- Online discussion forum: It was suggested that an online forum for discussion would be useful, however noted that this would not be suitable for all candidates. It was also suggested that online meetings could be facilitated.
- Printed press: It was suggested that a pull-out supplement on all the candidates was produced as part of the Guernsey Press, as has been produced in previous elections.
- TV: Segments on the BBC Spotlight and ITV Channel news were suggested, including having TV debates or videos shown.
- Radio: Having short audio clips of candidates summarising their manifesto on BBC Radio Guernsey or Island FM was also suggested. Radio debates and phone-in's was also put forward.
- Mobile apps: Some respondents thought the development of an Election App with all the candidates' information on would be helpful.
- Information from candidates: A number of respondents listed some of the information they would wish to see from candidates/to be included in their manifesto. This included:
  - A CV including relevant experience and qualifications.
  - Declarations of Interest.
  - Whether the candidate is affiliated to a party.
  - The candidates' aims if elected.
  - An indication of the Committees they wished to serve on.
  - How many hours the candidate would dedicate to the role.
  - Voting records (for existing Members) i.e. how they voted on key issues.
- Information for candidates: It was suggested that workshops and information for candidates should be provided in advance of the General Election to assist in their preparation.

Some respondents did not believe the States of Guernsey should provide any assistance to candidates above what it had suggested. The need to ensure the 'hard to reach' and those without computer access was raised regularly, particularly in regard to older voters.

## Meeting the candidates

The Committee asked what people would like the States of Guernsey to do to enable the public to meet with candidates. 837 responses were received and a number of suggestions put forward.

A number of respondents did not believe that the States should do anything to facilitate this, stating the onus was on the candidate to meet the voters. A number of respondents stated they did not wish to receive house visits from candidates, stating the information in the manifesto and videos should suffice.

A large number of people wished to see the retention of some form of hustings, although the practical difficulty of achieving this with a large number of candidates was also acknowledged by many. It was stated on a number of occasions that hustings could be televised, streamed online and broadcast on the radio to facilitate engagement from voters who would not be able to attend all hustings. It was suggested that hustings could be organised by topics or by parish.

Other suggestions for public engagement include:

- All day event(s) with all candidates: stalls where the public can sit down and speak to candidates and where general information about the election could also be provided.
- Drop-in sessions: it was suggested this could be set up in the weeks leading up to the General Election in different locations around the Island.
- Surgeries.
- 'Speed-dating' style sessions with candidates.
- Roadshow event in each Parish.
- Parish based meetings.
- Virtual meetings.
- The use of Facebook Live for Q&As and presentations.
- Ability to make appointments to meet with candidates (including via the website).
- Webinars.
- Candidates being available in town on a Saturday to meet with the public.

## Conclusion

The States' Assembly & Constitution Committee is very grateful to everyone who completed and returned the questionnaire. It is giving careful consideration to all of the feedback provided to assist it in developing its proposals.

**07.10.2019**

## 2019 General Election Questionnaire Results

<b>Q. If a combined booklet of manifestos was produced by the States of Guernsey, how would you prefer to get a copy?</b>		
<b>Preference</b>	<b>%</b>	<b>No.</b>
Paper copy delivered to homes on the Electoral Roll automatically	42%	493
Paper copy delivered to your home on request only	5%	64
Paper copy for you to collect from specified locations	6%	72
Electronic copy available online	46%	549
Did not answer question	1%	8
		<b>1186</b>
<b>Q. We would like to understand what you would prefer to see in the booklet</b>		
<b>Preference</b>	<b>%</b>	<b>No.</b>
Each/every candidates' full manifesto ( <i>regardless of length</i> )	30%	357
A summary of each/every candidates' manifesto ( <i>limited to a certain length</i> )	64%	759
No preference	5%	61
Did not answer	1%	9
		<b>1186</b>
<b>Q. How many pages should each manifesto be?</b>		
<b>Preference</b>	<b>%</b>	<b>No.</b>
1 page of A4 (1 side)	43%	514
2 pages of A4 (2 sides)	35%	414
4 pages of A4 (4 sides)	5%	63
As much as the candidate wishes to produce	16%	188
Did not answer	1%	7
		<b>1186</b>
<b>Q. What would you like to see on the election website (tick as many options as you would like to see):</b>		
<b>Preference</b>	<b>%</b>	<b>No.</b>
Individual pages for each candidate with a copy of their full manifesto, picture and contact details	82%	978
A short video clip of each candidate	51%	603
A short audio clip of each candidate	8%	94
Answers from candidates to questions submitted publicly via the Election 2020 website	71%	843
		<b>1186</b>

# The Candidate Manifesto Booklet

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## 1 Introduction

1.1 As set out in section 3 of this policy letter, the following options were considered for the production of a candidate manifesto booklet:

- a) A candidate manifesto booklet delivered to all homes on the Electoral Roll; or
- b) A candidate manifesto booklet delivered to all homes on the Post Office's Register of Homes; or
- c) A leaflet delivered to all homes and the candidate manifesto booklet being available for collection.

1.2 Each of the options are premised on one candidate manifesto booklet **per household**, with the expectation that voters within a household will share the document. The costs and environmental impact of producing a candidate manifesto booklet for each registered voter would be seriously prohibitive.

## 2 Options considered by the Committee

2.1 The advantages and disadvantages of each of the options are set out below:

### (a) The candidate manifesto booklet sent to all homes on the Electoral Roll

2.2 This option has a lower print cost than option (b) but a higher distribution cost as a labelled delivery (even to a reduced number of properties) is more expensive than a blanket drop to all homes on the Island. The advantages of this option are that:

- It will specifically target people who have registered to vote.
- Everyone on the Roll will have access to a set of manifestos delivered to their door.
- It will ensure all candidates are equally represented to the public.
- It will minimise the environmental impact of printing the candidate manifesto booklet.

2.3 The disadvantages to this option are as follows:

- A number of people who would prefer to access the document electronically will receive a hard copy.
- It is the most expensive option with considerable postage costs incurred.
- Given the print and distribution timeframes provided to the Committee, it

will be delivered to homes on 4<sup>th</sup> June (just under two weeks before the General Election).

2.4 The costs of this option have been estimated as follows:

Action	Est. Cost
Cost for production of the candidate manifesto booklet	£15,000
Labelling the candidate manifesto booklet for delivery	£7,000
Print x <b>18,000</b> (includes spare copies for the Douzaines, public buildings, States' buildings etc.)	£23,000
Delivery of up to 18,000 to all homes on the Electoral Roll	£37,000
<b>Total Cost</b>	<b>£82,000</b>

**(b) The candidate manifesto booklet sent to all homes on the Post Office's Register of Homes**

2.5 This option has the highest print cost but the lowest distribution cost as a blanket drop to all homes on the Island would be less expensive than a labelled delivery. The advantages of this option are that:

- It may encourage individuals who were previously uninterested in the Election to sign up to the Supplementary Electoral Roll.
- Everyone on the Island will have the opportunity to be informed about the General Election and its candidates.
- It will ensure all candidates are equally represented to the public.
- It has a lower postage cost than option (a).

2.6 However, there are significant disadvantages to this option:

- People who are ineligible to vote or who do not wish to vote will be sent a sizeable document which they will likely automatically dispose of.
- Given the print and distribution timeframes provided to the Committee, it cannot guarantee delivery to all homes until 10<sup>th</sup> June, 2020 (1 week before the General Election)
- A number of booklets will have been printed unnecessarily.
- A number of people who only wish to access the document electronically will receive a hard copy.
- It will have the highest environmental cost out of the options.
- It will have the highest print cost out of the options.

2.7 The costs of this option have been estimated as follows:

Action	Est, Cost
Cost for production of the candidate manifesto booklet	£15,000

Print x <b>28,000</b> (includes spare copies for the Douzaines, public buildings, States' buildings etc.)	£ 30,000
Deliver <b>27,400</b> to all homes	£17,000
<b>Total Cost</b>	<b>£62,000</b>

**(c) A leaflet being sent to all homes and the candidate manifesto booklet being available for collection.**

2.8 The Committee explored an alternative solution which would ensure that everyone was fully informed of the General Election, but did not receive a large candidate manifesto booklet they might not wish to have. This would involve the States producing a leaflet, with a blanket drop to every household in the Island which would:

- Provide general information about the Election; and
- List headline information (likely names, photographs and contact details) of all the candidates; and
- Contain instruction on where the candidate manifesto booklet could be obtained online and in hard copy.

2.9 Printed copies of the candidate manifesto booklet could be made available at convenient locations for members of the public to collect, should they so wish. If individuals were physically unable to collect a copy, a request could be made to the Election Team for a copy to be delivered. The advantages of this option are that:

- The leaflet will likely have a quicker turnaround time, thus providing initial information about the General Election and about candidates in advance of the printed candidate manifesto booklet being available.
- It enables people to choose to access the candidate manifesto booklet electronically or in hard copy.
- It will significantly reduce postage costs in comparison with the other options.
- Targeting all households with the leaflet may encourage individuals who were previously uninterested in the Election to sign up to the Supplementary Electoral Roll.

2.10 The disadvantages of this option are as follows:

- It does not deliver all the manifestos to the voters' home (for voters who want or need to receive hard copies).
- There is a risk some people may judge candidates on name/face recognition

from the leaflet alone rather than read their manifestos.

- It requires people to collect the manifesto from specified points.
- It has no overall environmental benefit, as it will still be necessary to produce enough printed manifestos to meet potential demand.

Action	Est. Cost
Print x <b>18,000 of the candidate manifesto booklet</b> (includes spare copies for the Douzaines, public buildings, States' buildings etc.)	£23,000
Delivery to key points in the Island (estimate)	£2,000
Print x <b>28,000 leaflets</b> (includes spare copies for the Douzaines, public buildings, States' buildings etc.)	£15,000
Deliver <b>27,500 leaflets</b> to all homes	£5,000
<b>Total Cost</b>	<b>£45,000</b>

### 3 Recommendation

- 3.1 As set out in section 3 of this policy letter and Proposition 1, the Committee is recommending a candidate manifesto booklet is published and distributed to all homes on the Electoral Roll.

# Candidate Expenditure Limit

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## 1 Introduction

- 1.1 The Committee's April 2019 policy letter included a section on, 'Candidate Expenditure and Grants'<sup>11</sup> and Section 4 of this policy letter sets out the Committee's recommendation for the candidate expenditure limit in 2020.
- 1.2 As stated, the Committee's starting point was to propose an expenditure limit that will enable a candidate to reach every household on the Electoral Roll with their own manifesto, should they wish to do so.
- 1.3 In researching its proposals, the Committee considered the systems in place in other jurisdictions for setting expenditure limits and the costs of printing and distributing individual manifestos.

## 2 Limits in other jurisdictions

- 2.1 In Jersey, under the [Public Elections \(Expenditure and Donations\) \(Jersey\) Law 2014](#), where the candidate is a Senator (i.e. someone elected on an Island-wide basis), a candidate's election expenses may not exceed £2,800 plus 11p for each person entitled to vote in the election. In the 2018 General Election, Jersey had an Island wide turnout of 43.38%, a total poll of 26,947 and total electorate of 62,123. This meant that Senators could spend a total of £9,633.53.
- 2.2 In the Isle of Man, under [The Representation of the People Act 1995](#), the maximum amount that can be spent on a campaign from the moment a candidate makes a public declaration is £2,000 plus 50p for each registered elector in the relevant constituency. As an estimate, the limit may equate to £4,500 to £5,000. The size of constituencies in the Isle of Man in 2019 vary from approximately 4,500 – 6,300<sup>12</sup>.
- 2.3 In the 2017 UK General Election<sup>13</sup>, the spending limit was calculated by adding together a base amount (£8,700) and a variable top up taking into account the number of registered electors in the constituency (6p per registered parliamentary elector). Given the dominance of political parties in the UK, and noting that borough constituencies are at least two to three times the size of the Guernsey electorate, the Committee will not be using the UK system as a

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<sup>11</sup> [States Meeting on 24 April 2019 \(Billet d'État VII\): States' Assembly & Constitution Committee - General Election 2020 \(P.2019/22\)](#)

<sup>12</sup> Information taken from the official Isle of Man Government website on the [Electoral Registration data page](#).

<sup>13</sup> The Electoral Commission - [UK Parliamentary general election 2017 Great Britain - Guidance for candidates and agents Part 3 of 6 – Spending and donations](#)

comparator.

- 2.4 On 4th October 2018, the Electoral Roll contained the names of 31,865 people. Using the Jersey and Isle of Man models, and rounding up the number on the Electoral Roll to 32,000, this would produce the following expenditure limits for candidates:

	<b>Base figure</b>	<b>Amount x voter</b>	<b>Total</b>
Isle of Man	£2,000	£16,000.00 (32,000 x 50 p)	<b>£18,000</b>
Jersey (Senators)	£2,800	£3,520.00 (32,000 x 11 p)	<b>£6,320</b>

### **3 Print and distribution of individual manifestos**

- 3.1 In the 2016 General Election, the size of manifestos produced by candidates varied from one side of A5 sized paper to eight sides of A4 sized paper. In 2018, the number of homes on the Electoral Roll stood at 17,142.
- 3.2 Given the number of homes on the Electoral Roll for 2020 will be unknown until the Roll closes in 2020, the Committee has used 18,000 as a baseline to work from, to allow an increase to the number of homes on the Electoral Roll, and to provide some flexibility for additional costs which candidates could incur when preparing for the General Election.
- 3.3 The Communications Team was asked to provide costs for the printing of a number of different sizes up to an 8 page colour manifesto (the maximum length a candidate is expected to produce given evidence from previous elections). The estimated costs for printing 18,000 copies (i.e. a document printed for every home on the Electoral Roll) and 27,500 (i.e. a document printed for every domestic dwelling in the Island) were obtained:

	<b>Print cost for 18,000 documents</b>	<b>Print cost for 27,500 documents</b>
2 pages	£1,050	£1,250
4 pages	£2,000	£2,450
8 pages	£3,700	£4,500

3.4 The estimated costs of Guernsey Post delivering manifestos to homes on the Electoral Roll were also considered. There are effectively two basic options that can be used by candidates:

- Door 2 Door (unaddressed)
- Standard letter post services (labelled)

Door 2 Door (unaddressed)

3.5 This option would include delivering a single manifesto to every property in Guernsey (c. 26,370), rather than just those on the Electoral Roll. Given it is unaddressed the Post Office would not be able to distinguish people or addresses on the Electoral Roll and the manifestos would therefore go to every household – including people not on the Roll and people ineligible to vote. The Committee has been advised of the following estimated prices:

Size	Weight	Price per item	Total cost
A5 leaflet	Under 50g	11.5 p	£3,032.55
A4 leaflet	Under 50g	17.5 p	£4,614.75

Standard letter post services

3.6 Guernsey Post has advised for the use of standard letter post services it would offer a 20% discount on its tariff on the basis that the items could be delivered over the course of a week.

Size	Tariff	Price per item	Total cost for 17,000 homes	Total cost for 17,500 homes	Total cost for 18,000 homes
A5 leaflet	0.48	0.38	£6,460	£6,650	£6,840
A4 leaflet	0.66	0.53	£9,010	£9,275	£9,540

Labelled drop to homes on the Electoral Roll

Pages	Number	Cost	Label/Envelope	Post cost per item	Total postage	Total
2	18,000	£1,050	£2,000	£0.38 or £0.53	£6,840 or £9,540	£9,890 or £12,590

4	18,000	£2,000	£2,000	£0.38 or £0.53	£6,840 or £9,540	£10,840 or £13,540
8	18,000	£3,700	£2,000	£0.38 or £0.53	£6,840 or £9,540	£12,540 or £15,240

Drop to every Guernsey Post registered home on the Island

Pages	Number	Cost	Label/ Envelope	Post cost per item	Total postage	Total
2	27,500	£1,250	n/a	£0.175	£4,950	£6,200
4	27,500	£2,450	n/a	£0.175	£4,950	£7,400
8	27,500	£4,500	n/a	£0.175	£4,950	£9,450

**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**STATES' ASSEMBLY & CONSTITUTION COMMITTEE**

**GENERAL ELECTION 2020 – SECOND POLICY LETTER**

The President  
Policy & Resources Committee  
Sir Charles Frossard House  
La Charroterie  
St Peter Port

11<sup>th</sup> November, 2019

Dear Deputy St Pier,

**Preferred date for consideration by the States of Deliberation**

In accordance with Rule 4(2) of the Rules of Procedure of the States of Deliberation and their Committees, the States' Assembly & Constitution Committee requests that the policy letter entitled 'General Election 2020 – Second Policy Letter' be considered by the States of Deliberation at its meeting on 11<sup>th</sup> December, 2019.

The policy letter needs to be considered by the States of Deliberation at this meeting to enable the budget to be in place to support preparations for the General Election in 2020.

Yours sincerely,

N. R. Inder  
President

J S Merrett  
Vice-President

P T R Ferbrache  
J P Le Tocq  
E A McSwiggan



**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**THE COMMITTEE *FOR* ECONOMIC DEVELOPMENT**

PROPOSED AMENDMENTS TO THE GUERNSEY COMPETITION AND REGULATORY AUTHORITY  
ORDINANCE, 2012 AND APPOINTMENT OF THE CHAIRMAN

The States are asked to decide:-

Whether, after consideration of the Policy Letter, entitled "Proposed Amendments to the Guernsey Competition and Regulatory Authority Ordinance, 2012 and Appointment of the Chairman", dated 6<sup>th</sup> November 2019, of the Committee *for* Economic Development (the "**Committee**"), they are of the opinion:-

1. To amend Schedule 1 to the Guernsey Competition and Regulatory Authority Ordinance, 2012 (the "**Ordinance**"), so that:
  - (a) the Committee shall in future appoint the Chairman, as well as the ordinary members of the Guernsey Competition and Regulatory Authority (the "**GCRA**");
  - (b) any such appointments shall be laid before a meeting of the States, who shall have the power to annul the appointments, but without prejudice to anything done by the GCRA or any such member during their appointment; and
  - (c) the Committee, rather than the States, may revoke the appointment of the Chairman, in the circumstances currently provided in the Ordinance.
2. To appoint the current Chairman, Mr. Paul Masterton, as Chairman for the period, from 1<sup>st</sup> January 2020 to 30<sup>th</sup> June 2020.
3. To direct the preparation of such legislation, as may be necessary, to give effect to the above decisions.

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

**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**COMMITTEE FOR ECONOMIC DEVELOPMENT**

PROPOSED AMENDMENTS TO THE GUERNSEY COMPETITION AND REGULATORY  
AUTHORITY ORDINANCE, 2012 AND APPOINTMENT OF THE CHAIRMAN

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

6<sup>th</sup> November 2019

Dear Sir

**1 Executive Summary**

- 1.1 The Guernsey Competition and Regulatory Authority (“**GCRA**”) is a statutory body, with responsibility for enforcing competition law in Guernsey.
- 1.2 The GCRA is governed by the Guernsey Competition and Regulatory Authority Ordinance, 2012 (the “**Ordinance**”).
- 1.3 Pursuant to the Ordinance:
  - 1.3.1 the GCRA consists of a minimum of 3 members (the “**Members**”), one of whom is the Chairman;
  - 1.3.2 the Committee *for* Economic Development (the “**Committee**”) is responsible for the appointment of the Members; and
  - 1.3.3 the States of Deliberation (the “**States**”), on recommendation of the Committee, are responsible for the appointment of the Chairman.
- 1.4 An area for amendment of the Ordinance has been identified, by the Committee, to enhance efficiency in respect of the appointment of Members.
- 1.5 This Policy Letter details proposed amendments to the Ordinance, which the States are asked to approve.
- 1.6 The Committee also recommends that the States appoint Mr. Paul Masterton as Chairman of the GCRA for the period 1<sup>st</sup> January 2020 to 30<sup>th</sup> June 2020.

## **2 Proposed amendments to the Ordinance**

- 2.1 It is proposed that Schedule 1 to the Ordinance be amended so that:
- 2.1.1 the Committee shall in future appoint the Chairman, as well as the ordinary members of the GCRA;
  - 2.1.2 any such appointments shall be laid before a meeting of the States, who shall have the power to annul the appointments, but without prejudice to anything done by the GCRA or any such member during their appointment; and
  - 2.1.3 the Committee, rather than the States, may revoke the appointment of the Chairman, in the circumstances currently provided in the Ordinance.
- 2.2 These proposed amendments would simplify the appointment process. The amendments are also consistent with the mechanism for appointment in relation to other statutory bodies, such as the Guernsey Banking Deposit Compensation Scheme Board, with which the Committee has oversight.

## **3 Appointment of Chairman**

- 3.1 The term of appointment for the current Chairman is due to expire on 31<sup>st</sup> December 2019.
- 3.2 Pursuant to paragraph 1(2) of Schedule 1 to the Ordinance, the States currently appoints the Chairman of the GCRA, on the recommendation of the Committee.
- 3.3 The Chairman of the GCRA is also appointed as Chairman of the Jersey Competition and Regulatory Authority (the “**JCRA**”).
- 3.4 In Jersey, appointment of the Chairman of the JCRA is a matter for that island’s States Assembly, on the recommendation of the relevant Minister, in this case the Minister for Economic Development, Tourism, Sport and Culture.
- 3.5 A recruitment process for appointment of a new Chairman was commenced in August 2019. A pan-Channel Islands selection panel was formed, comprising officer-level representatives of the Committee in Guernsey and the Minister’s Department for Economic Development, Tourism, Sport and Culture in Jersey, and a representative of the Jersey Appointments Commission.
- 3.6 The role was advertised locally in the Guernsey Press and Jersey Evening Press, and their associated websites. A number of applications were received for the post, and the selection panel identified two applicants for interview. Due to the withdrawal of one of the applicants, from the process, it was felt appropriate for a second round of recruitment to be effected.

- 3.7 It is intended to commission a consultant to assist in the recruitment process.
- 3.8 To ensure operational continuity, and whilst the recruitment process is ongoing, it is the recommendation of the Committee that the States appoint Mr. Paul Masterton, as Chairman for the period, from 1<sup>st</sup> January 2020 to 30<sup>th</sup> June 2020. It is anticipated that this short term appointment will allow for the recruitment process to be completed and a preferred candidate to be identified and appointed.

#### **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 In accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the proposition above has been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.
- 4.3 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.
- 4.4 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 Committee including competition, innovation, diversification and regulation in the economy.

Yours faithfully

C N K Parkinson  
President

A C Dudley-Owen  
Vice-President

D de G de Lisle  
N R Inder  
J I Mooney

The President  
Policy & Resources Committee  
Sir Charles Frossard House  
La Charroterie  
St Peter Port  
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7<sup>th</sup> November, 2019

Dear Deputy St Pier,

**Preferred date for consideration by the States of Deliberation**

In accordance with Rule 4(2) of the Rules of Procedure of the States of Deliberation and their Committees, the Committee *for* Economic Development (the “**Committee**”) requests that the Policy Letter, entitled “Proposed Amendments to the Guernsey Competition and Regulatory Authority Ordinance, 2012 and Appointment of the Chairman” be considered at the States’ meeting to be held on 11<sup>th</sup> December 2019.

The term of appointment for the current Chairman is due to expire on 31<sup>st</sup> December 2019. The Committee requests that the Policy Letter be considered by the States at the earliest opportunity, in order to maintain continuity and the effective functioning of the Guernsey Competition and Regulatory Authority.

Yours sincerely,



**Deputy Charles Parkinson**  
President



**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**STATES' TRADING SUPERVISORY BOARD**

**GUERNSEY POST LIMITED – ANNUAL REPORT AND ACCOUNTS**

The States are asked to decide:-

Whether, after consideration of the policy letter entitled 'Guernsey Post Limited – Annual Report and Accounts' dated 24 October, 2019, they are of the opinion:-

1. To note the Annual Report and Accounts of Guernsey Post Limited for the year ended 31<sup>st</sup> March 2019.

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 POST LIMITED – ANNUAL REPORT AND ACCOUNTS

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

24<sup>th</sup> October, 2019

Dear Sir

**1 Executive Summary**

1.1 The Annual Report and Accounts of Guernsey Post Limited are hereby presented to the States.

**2 Guernsey Post – 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 Guernsey Post's Annual Report and Accounts to the States for their consideration.

2.2 Guernsey Post's Annual Report and Accounts for the year ended 31<sup>st</sup> March, 2019, are therefore appended to the policy letter.

2.3 The Company made an operating profit of £1,368,000 for the financial year ended 31<sup>st</sup> March, 2019, compared to £1,269,000 for the previous year.

**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. She

has advised that there is no reason in law why the Propositions should not to be put into effect.

- 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 propositions above have the unanimous support of the Board.
- 3.4 In accordance with Rule 4(5), the Propositions relate 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 T R Ferbrache  
President

J C S F Smithies  
Vice-President

J Kuttelwascher  
Member

S J Falla MBE  
Non-States Member

J C Hollis  
Non-States Member



**Annual Report and Financial Statements  
for the year ended 31 March 2019**



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**Directors:**

Simon Milsted (Chairman)  
*(appointed 24 September 2018)*  
Andrew Duquemin  
*(retired 24 September 2018)*  
Boley Smillie (Chief Executive)  
Steve Sheridan (Finance)  
Jill Thomas (Commercial)  
Steve Hannon (Non-Executive)  
*(retired 24 September 2018)*  
Stuart Le Maitre (Non-Executive)  
Richard Digard (Non-Executive)  
Peter Shaefer (Non-Executive)  
*(appointed 28 November 2018)*  
Mark Dunster (Non-Executive)  
*(appointed 28 November 2018)*

**Auditor:**

Deloitte LLP  
Regency Court  
Gategny Esplanade  
St Peter Port  
GUERNSEY  
GY1 3HW

**Actuaries:**

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

**Registered Office:**

Envoy House  
La Vrangue  
St Peter Port  
GUERNSEY  
GY1 1AA

**Company Number:**

38693



# CHAIRMAN'S STATEMENT

*“ The Board continues to approach all aspects of our business activities with the ambition of providing the highest quality value for money services, all of which, I believe, are at the core of our success. The financial effect of the ongoing decline in traditional mail demands that we are innovative in the pursuit of efficiencies, together with establishing a clear agenda for continued development and growth. ”*

### ANOTHER BUSY YEAR

At the outset and on behalf of the Board, I would like to express our sincere thanks to my predecessor Andrew Duquemin, who retired as Chairman in September 2018. Andrew joined the Board as a Non-Executive Director in 2007 and was then appointed Chairman in 2015. During Andrew's time on the Board, the Company successfully dealt with a number of business defining challenges, including the liberalisation of the parcels market, the loss of low value consignment relief and the reform of the Company's pension scheme. The fact that the Company successfully navigated through that period, whilst continuing to deliver excellent financial results, is a tribute to Andrew's considered guidance and leadership.

In my first year as Chairman of Guernsey Post, I am pleased to present the financial statements for the year ended 31st March 2019. Despite another challenging period for the postal industry as a whole, our efforts resulted in a healthy operating profit for the Company of £1.4m and profit before tax of £1.9m.

The Board continues to approach all aspects of our business activities with the ambition of providing the highest quality value for money services, all of which, I believe, are at the core of our success. The financial effect of the ongoing decline in traditional mail demands that we are innovative in the pursuit of efficiencies, together with establishing a clear agenda for continued development and growth. We continue to design products and services that are relevant in the context of our customers' changing purchasing habits and that are expected from a modern efficient postal service.

Our agenda for growth is demonstrated perfectly in the highly competitive parcels market. We have again enjoyed strong organic growth in the last year whilst, at the same time, developing new and successful partnerships with UK carriers. Our success in this sector is underpinned by the service enhancements that we have launched. Our new **Safeplace** service and, in particular, the introduction of our letter box **smart tag** have greatly improved our ability to provide convenience to our customers. The letter box **smart tag** works in conjunction with our handheld scanners

using state of the art communication technology to provide our postal staff with important information about alternative delivery preferences. This has significantly reduced both the number of customer visits to our mail collection counter and the need for costly redeliveries. Our **smart tag** project is an excellent example of our drive to improve choice and service to our customers. There are yet further enhancements on the way.

Over the past year, the Board has continued the expansion into electric powered vehicles, which has recently resulted in our home delivery fleet now being 100% electric. The transition from diesel to electricity has resulted in our CO2 production falling by over 50% in the past three years. In financial terms, the gains are equally remarkable in terms of cost savings in servicing, maintenance and fuel.

Following recent planning approval, in conjunction with Guernsey Electricity, we will be commencing work on installing the largest solar array in the Channel Islands on the roof of Envoy House. The electricity generated by this installation will enable the business to achieve a carbon neutral footprint in relation to its delivery operations. In this regard, we are also delighted to have been recognised for our achievements at the UK Motor Transport Association Awards, in which we were announced as winners of the prestigious 2019 'Low Carbon Award'.

During the past year, Guernsey Post has also successfully retained its Investors in People Gold level standard, remaining one of the top accredited organisations across the UK. This continues to be a great privilege and a direct acknowledgement to the hard work and collective commitment of our management, staff and our unions in continually adapting and improving the way we work.

Guernsey Post continues to play an active part in the wider community. This year, the Company has helped support the Channel Islands Air Search through its BATIF Bureau de Change business and has again been a committed and proud supporter of the St Peter Port Christmas Lights Charity, St James, the Saffery Rotary Walk and the Guernsey Literary Festival. All are much valued and worthwhile causes within our island community directly benefiting from our financial and practical support.

## DIVIDEND

In the context of the overall financial position of the business, combined with strong underlying operational performance, the Board is pleased to propose an ordinary dividend in respect of the year ended 31 March 2019 of £560k.

Furthermore, in view of the current strength of the Company's balance sheet, its disciplined capital investment policy and healthy liquidity levels, the Company is pleased to propose a further one-off special dividend of £500k in respect of the same period.

## THE BOARD

Peter Shaefer and Mark Dunster joined the Board during the last financial year and they bring with them significant commercial, financial, legal and regulatory skills and experience.

Peter is a Member of the Chartered Institute of Public Finance and Accountancy and the Institute of Directors and holds a number of executive and non-executive positions. Peter's skills include managing strategic change, project management, corporate governance and risk management.

Mark is a partner at Carey Olsen, specialising in litigation, compliance and financial regulatory matters and acts as both an executive and non-executive director on a number of companies. Mark undertakes a wide variety of commercial and civil litigation work and advises institutions on corporate governance structure and regulatory matters, including anti-money laundering, data protection, and employment law.

This year, the Company will be saying goodbye to Stuart Le Maitre. Stuart has served the Board for the past 8 years, during which time he held the position of Chairman of the Nominations and Remunerations Committees. During his tenure, Stuart's contribution has been invaluable and instrumental to the continued success of the Company, for which my fellow Board members and I would like to place on record our sincere gratitude.

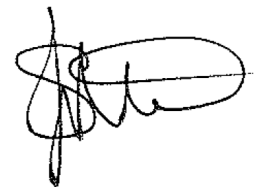
## THE FUTURE

The outlook for the year ahead and beyond remains challenging, in the context of the sustained and negative impact of digital substitution on our core revenues and underlying profitability.

The challenges we face as a postal business are not unique to Guernsey, with mail volumes continuing to see annual double digit declines globally. Expected growth in our parcel delivery sector, both organically and through the securing of new delivery contracts, should go some way to offsetting core volume decline. But only 'some way'. We recognise the need to do more to secure our position as a premier postal service.

The Board remains fully committed to ensuring Guernsey Post is well equipped to meet the challenges ahead and will continue to pursue its strategy of identifying and exploiting growth and diversification opportunities in both new and existing markets. The Company is continuing its investment in technology to enhance existing and develop new and innovative communication and transactional channels to maintain its 'Best in Class' customer service.

In conclusion, I must again make special mention to our highly committed and professional workforce who continue to set us apart within the community and, indeed, our industry. Our team at every level within our business continue to be a key factor in enabling Guernsey Post to achieve its excellent performance, financial and otherwise, over the past twelve months.



S J Milsted, *Chairman*  
July 2019



Guernsey Post, Smith Street Collection.

# Business Review for the Year

## OUR RESULTS

Guernsey Post is pleased to report an operating profit of £1.4m for the year ended 31 March 2019, an increase on the prior year profit performance of £0.1m (8%).

## PROFIT AND LOSS

**Turnover** for the year was £30.7m, an increase of £0.6m (2%) in the year. Underlying growth in the Company's bulk customer business, was partially offset by a reported decline in core letter and parcel revenues in the year.

**Expenditure** for the year was £29.3m, an increase of £0.5m (2%) on the prior year.

Direct costs of £13.8m, associated with servicing revenues, were well managed, experiencing an increase of less than 1% in the year.

Staff related expenditure for the year was £12.5m, representing an increase of just £0.4m on prior year, notwithstanding a small uplift in the number of full-time equivalent employees.

Depreciation costs increased by £0.2m during the year, due to the ongoing upgrade of the Company's transport fleet, complimented by the transition from diesel to electrically powered vehicles.

**Profit on ordinary activities before Taxation** for the year was £1.9m, an identical result when compared to the prior year.

## BALANCE SHEET

Shareholders' funds were £23.5m, an increase of £0.7m in the year. The Company continues to operate with a strong Balance Sheet and a healthy liquidity position. At the year end, the Company reported a cash balance of £1.1m, alongside separate short-term investment balances held with States Treasury of £11.1m and £4.0m of current assets, supported by a £11.9m fixed assets base. Reported current liabilities and provisions were £4.4m and £0.1m, respectively.

## CASHFLOW STATEMENT

The Company had net inwards cash movements of £0.4m during the year, with net cash generated from operations contributing £2.0m in the year.

The primary cash flow adjustments related to £1.1m paid out in dividends during the year, £0.4m in investment returns on funds invested by the States Treasury on the Company's behalf and £0.2m on taxation paid in the period.

Capital spend in the year was £0.8m, the primary investment being £0.6m in the replacement and increase of the vehicle fleet as part of our ongoing fleet replacement programme and the Company's wider combined letters and parcels delivery strategy. A further capital investment of £0.2m was made in respect of upgrading the Company's IT infrastructure.

“  
*Guernsey Post is pleased to report an operating profit of £1.4m for the year ended 31st March 2019*  
 ”

OPERATIONAL SUMMARY

The total number of mail items handled during the year was approximately 39m, a reduction from 41m in the prior year. Notwithstanding growth in inward parcel volumes, total inward mail delivered was down 6% on prior year, impacted by the ongoing decline seen in inward letters volumes.

Total outward mail was up 2% on prior year, primarily because of an increase in outward bulk volumes during the period, alongside pleasing growth in the volumes of special delivery products.

With the exception of mail posted in the UK but delivered in Guernsey and mail posted in Guernsey but delivered in Jersey, elements of which were both outside of our control, quality of service performance results for the year have exceeded the set targets and continue to be a demonstration of our commitment in ensuring a timely delivery of mail across our network.





**Simon Milsted**  
CHAIRMAN

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

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

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

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



**Boley Smillie**  
CHIEF EXECUTIVE

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

July 2010, he was appointed interim Chief Executive before taking the role on a permanent basis in September 2010.

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



**Steve Sheridan**  
FINANCE DIRECTOR

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

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

His next role took him to Credit Suisse, where he

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

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

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



**Stuart Le Maitre**  
NON-EXECUTIVE

Stuart Le Maitre was born and educated in Guernsey. Following a brief period of employment at the Guernsey Post Office, he studied in Bristol and obtained a degree in Education and a post graduate qualification in careers guidance. He held a senior position in the Careers Service at Buckinghamshire County Council for five years before returning to join the Civil Service in Guernsey, where he held senior positions for the next 20 years. During this time, his responsibilities included the development and oversight of departments responsible for industrial relations and employment legislation, trading standards and consumer affairs, health and safety in the work place and initiatives to support the development of the non-finance sector of the Island's economy. Having worked on the development of the regulatory framework for

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

On leaving the Civil Service, Stuart undertook a variety of consultancy assignments and in 2006 was appointed as Chief Operating Officer with responsibility for the set up phase of a new local mobile telephone Company. More recently, he held the position of Chief Executive of the Medical Specialist Group in Guernsey until he resigned from this post in June 2013. He has recently taken up the position of Douzaine Representative for the Vale Parish and holds other local board positions. Stuart was appointed Deputy Industrial Disputes Officer in January 2017.



**Richard Digard**  
NON-EXECUTIVE

Richard Digard is a career journalist, editor and newspaper management specialist who has extensive experience at director level of running the Channel Islands' two daily newspapers plus other titles and digital publications.

Locally born and educated at Elizabeth College and Coventry University, Richard became the first news editor of the Guernsey Press and Star in 1987. He was appointed Marketing Manager at Sun Alliance International Life in 1994, where he ran its marketing division, serving teams in the UK, Europe, Africa and the Far East.

He returned to the Guernsey Press and Star in 1997, and was appointed Editor in 2000. He subsequently joined the Board of the Guernsey Press Co. Ltd and then Guiton Publishing, a group board committee

responsible for the strategic direction and performance of its two Channel Islands newspapers. These experiences include a strong trading background with a hands-on approach to the challenges and opportunities created for established industries by new technology.

Since retirement in 2014, he has been a member of the Independent Review Panel appointed by the States to consider States Members' remuneration and served as a Member of the States Scrutiny Management Committee until early 2017. Richard is also a non-executive Director of a locally-based captive insurance company and has been a douzener of the Vale Parish since 2016.



**Jill Thomas**  
COMMERCIAL  
DIRECTOR

Jill grew up in the East Midlands, graduating from Aston University with a Combined Honours Degree in French and Business.

After leaving University, Jill worked for 12 years within various divisions of the Coats Viyella Group, both in the UK and Paris, primarily managing procurement and product development for the textile group.

Jill then moved to a corporate uniform company based in Oxfordshire, as their Head of Procurement in 2001. She was promoted to Procurement Director

and, in 2005, took on the role of Managing Director which she held until she moved to Guernsey with her husband in 2009.

With more than 20 years experience in commercial businesses, Jill joined Guernsey Post in 2010, initially managing BATIF, Guernsey Post's foreign exchange division. The following year, Jill took on responsibility for retail services and post office counters. Jill's remit was increased to include key customers and customer service in 2013 and she was appointed to the Board in July 2017.



**Peter Shaefer**  
NON-EXECUTIVE

Although born and raised in the North West of England, Peter has worked and lived in many countries including Holland, Switzerland, France and now Guernsey. He is a Member of the Chartered Institute of Public Finance and Accountancy and the Institute of Directors and holds a degree in Geology with Industrial Management from the University of Liverpool. He currently holds a number of executive and non-executive positions including Chairman of PRTM AG (a global luxury baggage company) and is a non-executive Director of Guernsey Electricity Limited.

Peter has enjoyed a varied career, including:

- \* The global beauty company, Coty Inc, which he joined in 2000 and culminated in his appointment as Senior Vice President of Business Transformation in 2014 with responsibility for overseeing a company-wide reorganisation and restructuring programme.

His previous roles with Coty Inc included CFO Europe and Asia and Senior Vice President, Business Development, with responsibility for Mergers & Acquisitions and accelerating international development;

- \* Japan Tobacco International, undertaking a number of roles across the globe, including General Auditor and Senior Finance Director;

- \* The oil industry, working in a variety of finance and audit roles;

- \* The Audit Commission, where he qualified as a Chartered Accountant.

Peter's skills include managing strategic change and international development, project management, corporate governance and risk management, developing business and financial strategy and financial planning and analysis.



**Mark Dunster**  
NON-EXECUTIVE

Advocate Dunster is a partner at Carey Olsen specialising in litigation, compliance and financial regulatory matters. He undertakes a wide variety of commercial and civil litigation work and advises institutions on regulatory matters, including anti-money laundering, data protection, employment law, e-Gambling and renewable energy.

In 1994, Mark was called as a barrister and practised in London before returning to his native Guernsey, where he qualified as an advocate in 1997. He has been a partner at Carey Olsen since 2001 and became a Notary Public in 2006.

Mark acts as both an executive and non-executive director on a number of Guernsey (and non-Guernsey) companies in sectors as wide as trust and fiduciary services, electronic gaming, credit card payment processing, commercial real estate and investment holding.

Mark is a current member of the States of Guernsey legislative review committee, advising on the

implementation and drafting of new laws and ordinances. He is also the past Chairman of the Guernsey Association of Compliance Officers and the former Chairman of the Guernsey Bar Association.

Between 2004 and 2008, Mark was a member of Guernsey's Health and Social Services Department. He was formally Connétable of St Pierre du Bois and is now a Douzenier for that Parish.

Mark has a breadth of commercial experience with some very large and complex organisations. This experience includes reviews of corporate governance structures, developing strategy and evaluating the deployment of capital and resources between competing opportunities. He holds the Institute of Directors Chartered Director status.

# Corporate Governance Report

## COMPLIANCE

Guernsey Post Limited's corporate governance arrangements are based on the proportionate application of good practice principles in corporate governance, predominantly those contained within the UK Corporate Governance Code published in July 2018 ('the Code'), where relevant. Guernsey Post is committed to the development of a sustainable and profitable business that benefits all stakeholders, which includes achieving the highest standards of corporate governance for our Shareholder, the States of Guernsey.

Guernsey Post has signed a Memorandum of Understanding with the States' Trading Supervisory Board that sets out the rights, expectations and duties of both parties and includes the requirement to comply with best practice on corporate governance. Guernsey Post has continued to work on its corporate governance programme during the financial year ended 31 March 2019, and the achievements are summarised in this report.

## THE BOARD

### DIRECTORS

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

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

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

There were eight board meetings held during 2018/19. If a Board member cannot attend a meeting, he or she receives a copy of the agenda and the accompanying papers in advance of the meeting and is invited to comment on the matters to be discussed.

The names of the members of the Board Committees are set out on pages 12-13, (\*16-17) together with details of their background. The Board Committees have authority to make decisions according to their terms of reference.

### CHAIRMAN AND CHIEF EXECUTIVE

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

Simon Milsted spends, on average, one day per week in his role as Chairman. He holds a number of other external Directorships but the Board considers that his external Directorships do not make conflicting demands on his time as Chairman.

Stuart Le Maitre is the Senior Independent Director and is also available to talk to our Shareholder, if it has any issues or concerns.

### BOARD BALANCE AND INDEPENDENCE

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

There are currently five Non-Executive Directors and three Executive Directors on the Board.

## APPOINTMENTS TO THE BOARD

Recommendations for appointments to the Board are the responsibility of the Nominations Committee. The appointment of Non-Executive Directors has to be ratified by the States of Deliberation.

The Nominations Committee meets 2-3 times a year to consider the balance of the Board, job descriptions and objective criteria for Board appointments and succession planning.

## INFORMATION AND PROFESSIONAL DEVELOPMENT

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

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

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

## ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

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

ATTENDANCE AT BOARD COMMITTEE MEETINGS (A)				
	Board	Audit and Risk Management Committee	Nominations Committee	Remuneration Committee
Boley Smillie	8/8			
Steve Sheridan	8/8			
Jill Thomas	8/8			
Steve Hannon (retired 24 September 2018)	4/4		2/2	2/2
Andrew Duquemin (retired 24 September 2018)	3/4			
Simon Milsted	7/8			
Stuart Le Maitre	8/8		2/2	2/2
Richard Digard	8/8	2/2		
Peter Shaefer (appointed 28 November 2018)	2/2	1/1		
Mark Dunster (appointed 28 November 2018)	2/2			

(A) The first figure represents attendance and the second figure the possible number of meetings e.g. 7/8 represents attendance at 7 out of a possible 8 meetings. Where a Director stepped down from the Board, or a Board Committee, during the year, or was appointed during the year, only meetings before stepping down, or after the date of appointment, are shown.

Non-Executive Directors and determines remuneration levels and specific packages appropriate for each Executive Director, taking into account the Company's annual salary negotiations. No Director is permitted to be present when his own remuneration is being discussed, or to vote on his own remuneration. The Remuneration Committee considers that the procedures in place provide a level of remuneration for the Directors, which is both appropriate for the individuals concerned and in the best interests of the Shareholder.

## ACCOUNTABILITY AND AUDIT

### FINANCIAL REPORTING

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

## PERFORMANCE EVALUATION

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

## ELECTION AND RE-ELECTION OF DIRECTORS

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

Non-Executive Directors serve the Company under letters of appointment, which are generally for an initial three year

term. Their appointment is also ratified by the States of Deliberation.

In accordance with the Articles of Association, Simon Milsted and Stuart Le Maitre are due to retire by rotation. Simon, being eligible, has offered himself up for re-election at the forthcoming Annual General Meeting. Stuart has indicated that he wishes to step down from the Board at the forthcoming Annual General Meeting.

## REMUNERATION

The Board recognises the importance of Executive Directors' remuneration in recruiting, retaining and motivating the individuals concerned. Executive Directors' remuneration consists of basic salary, benefits in kind, bonus and retirement benefits. Fees for the Chairman and Non-Executive Directors are determined by the States' Trading Supervisory Board, and, at the request of those Board members, had remained unchanged from 2010 until April 2017. Since then, fees for Non-Executive Directors have been subject to bi-annual review.

The Remuneration Committee, which is chaired by Stuart Le Maitre, consists of two

## INTERNAL CONTROL AND RISK MANAGEMENT

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

In 2012, the Audit & Risk Management Committee considered the need for an internal audit function and concluded that the financial position, size and complexity of the Company could not justify the expense, which the Board ratified. The Board is happy to continue relying on the strength of the internal control environment through updates on

risk management and internal control, health and safety reports, AML and CFT compliance, monthly management information and representations from the Executive Team. This approach is further complimented by external third party assurance reviews where and when appropriate.

## AUDIT & RISK MANAGEMENT COMMITTEE AND AUDITOR

The Board has delegated responsibility to the Audit & Risk Management Committee for reviewing an effective system of internal control and compliance, accurate external financial reporting, fulfilling its obligations under the law and the Code, and managing the Company's relationship with the Company's external auditor. The Committee members comprise independent Non-Executive Directors. Peter Shafer, who is a qualified accountant, was appointed as the Chairman of the Audit & Risk Management Committee and the Board is satisfied that Peter has recent and relevant financial experience to enable the duties of the Committee to be fully discharged. Richard Digard is the other member of the Audit & Risk Management Committee.

The Company placed the audit out to tender during 2018, with the recommendation of the Audit and Risk Management Committee being to appoint Deloitte as the Company's Auditors. This recommendation was approved by the Board and ratified by the Shareholder at the Annual General Meeting held on 24 September 2018.

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

## SHAREHOLDER RELATIONS

The Board believes that good communication with the Shareholder is a priority. There have been regular quarterly meetings between the Chairman, Chief Executive and the Finance Director of Guernsey Post, and senior staff of the States' Trading Supervisory Board. The Company presents its strategic plan to our Shareholder for approval every year.

Following changes to the Constitution of the States of Deliberation, with effect from 1 May 2016, the role of Shareholder representative passed to the States' Trading Supervisory Board.

The Chairman and Senior Independent Director are available to meet with our

Shareholder should there be unresolved matters that our Shareholder believes should be brought to its attention. The Executive Team and the Non-Executive Directors meet with our Shareholder at the Annual General Meeting ('AGM').

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

## COMMITTEES OF THE BOARD AND MAIN TERMS OF REFERENCE

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

Stuart Le Maitre is the Chairman of the Nominations Committee, supported by Steve Hannon, until his retirement on 24 September 2018, and then Mark Dunster. The main terms of reference of this Committee are to regularly review the structure, size and composition of the Board and to make recommendations on the role and nomination of Directors for appointment to the Board, Board Committees and as holders of any executive office, as well as ensuring that appropriate succession plans are in place for the Board and the Executive Team. The Committee met twice in 2018/19 and all members of the Committee were present.

Stuart Le Maitre is also the Chairman of the Remuneration Committee, supported by Steve Hannon until his retirement on 24 September 2018, and then Mark Dunster. The main terms of reference of this Committee are to determine and agree with the Board the remuneration policy for the Company's Executive Team, to approve the design of, and determine targets for, any performance related pay schemes operated by the Company and to determine the policy for, and scope of, pension arrangements for each Executive Director. The Committee met twice in 2018/19 and all members of the Committee were present.

# DIRECTORS' REPORT

## DIRECTORS' REPORT

The Directors present their annual report, together with the financial statements, for the year ended 31 March 2019.

## PRINCIPAL ACTIVITIES

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

## SIGNIFICANT EVENTS

There were no significant events of note during the 2018/19 financial year.

## RESULTS

The results for the year are shown in the profit and loss account on page 16 (\*23)

## DIVIDEND

The Directors recommend a dividend of £560k based upon the profits for the year ended 31 March 2019 (2018: £600k).

In addition, the Directors recommend a one off special dividend of £500k (2018: £500k).

## FIXED ASSETS

Fixed asset movements for the year are disclosed in note 6 to the financial statements.

## DIRECTORS

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

**A Duquemin** (retired 24 September 2018)

**B Smillie**

**S Sheridan**

**J Thomas**

**S Hannon** (retired 24 September 2018)

**S Le Maitre**

**S Milsted** (appointed Chairman 24 September 2018)

**R Digard**

**P Shaefer** (appointed 28 November 2018)

**M Dunster** (appointed 28 November 2018)

No Director has an interest, either beneficially or non beneficially, in any shares of the Company (2018: no interest

beneficially, or non beneficially).

In accordance with the Articles of Association, Simon Milsted and Stuart Le Maitre are due to retire by rotation. Simon, being eligible, has offered himself up for re-election at the forthcoming Annual General Meeting. Stuart has indicated that he wishes to step down from the Board at the forthcoming Annual General Meeting.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Companies (Guernsey) Law, 2008 requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under Company Law, the Directors must not approve the financial statements unless they are satisfied that they 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose, with reasonable accuracy at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of 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. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## DISCLOSURE OF INFORMATION TO AUDITORS

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

## AUDITORS

The Company placed the audit out to tender during 2018, with the recommendation of the Audit and Risk Management Committee being to appoint Deloitte as the Company's Auditors.

This recommendation was approved by the Board and ratified by the Shareholder at the Annual General Meeting held on 24 September 2018.

Deloitte have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.



B Smillie  
Chief Executive



S J Milsted  
Chairman

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GUERNSEY POST LIMITED

### Report on the audit of the financial statements

#### OPINION

In our opinion the financial statements of Guernsey Post Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and

- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements which comprise:

- the profit and loss account and other comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

## 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 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 (the '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

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

## OTHER INFORMATION

The directors 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 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

## RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report..

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies (Guernsey) Law, 2008 we are required to report in respect of the following matters if, in our opinion:

- proper accounting records have not been kept; 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.

We have nothing to report in respect of these matters.

## 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.

Deloitte LLP,

St Peter Port, Guernsey

22 July 2019

## PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	31 March 2019 £'000	31 March 2018 £'000
<b>Turnover</b>		<b>30,683</b>	30,118
<b>Expenses</b>	2	<b>(29,315)</b>	(28,849)
<b>Operating Profit</b>		<b>1,368</b>	1,269
<b>Other income</b>			
Investment returns		<b>387</b>	441
Interest income		<b>3</b>	1
Rental income		<b>121</b>	120
Revaluation of Investment Property	7	<b>(25)</b>	25
<b>Profit on ordinary activities before taxation</b>		<b>1,854</b>	1,856
<b>Tax credit on profit on ordinary activities</b>	3	<b>8</b>	131
<b>Profit for the financial year</b>		<b>1,862</b>	1,987
<b>Other comprehensive income for the year</b>		-	-
<b>Total comprehensive income for the year</b>		<b>1,862</b>	1,987

All activities derive from continuing operations

The notes on pages 20 to 29 (\* 27-39) form an integral part of these financial statements

\* These page numbers refer to the original Financial Statement documents approved by the auditors.

## BALANCE SHEET

At 31 March 2019

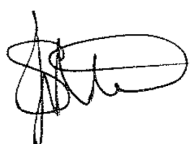
	Notes	31 March 2019 £'000	31 March 2018 £'000
<b>Non-current assets</b>			
Intangible fixed assets	5	-	-
Tangible fixed assets	6	10,780	10,816
Investment property	7	975	1,000
Investment in subsidiaries	8	-	-
Debtors greater than one year - Deferred tax	10	178	170
		<b>11,933</b>	11,986
<b>Current assets</b>			
Cash at bank and in hand		1,126	1,868
Balances with States Treasury	11,15	11,081	9,906
Debtors	9	3,756	3,015
Stock		203	245
		<b>16,166</b>	15,034
<b>Creditors: Amounts falling due within one year</b>	12	<b>(4,458)</b>	(3,934)
<b>Net current assets</b>		<b>11,708</b>	11,100
<b>Total assets less current liabilities</b>		<b>23,641</b>	23,086
<b>Provisions</b>	16	<b>(93)</b>	(300)
<b>Net assets</b>		<b>23,548</b>	22,786
<b>Capital and reserves</b>			
Shareholder's capital	13	7,886	7,886
Profit and loss account		15,662	14,900
		<b>23,548</b>	22,786

The financial statements were approved by the Board of Directors and authorised for issue on 22 July 2019.

They were signed on its behalf by:



**B Smillie**  
Chief Executive



**S J Milsted**  
Chairman

**The notes on pages 20 to 29 (\* 27-39) form an integral part of these financial statements.**

\* These page numbers refer to the original Financial Statement documents approved by the auditors.

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Shareholders Capital	Profit and Loss Account	Total Equity
	£,000	£'000	£'000
<b>Balance at 1 April 2017</b>	7,886	14,477	<b>22,363</b>
<i>Total comprehensive income for the year</i>			
Profit for the year	-	1,987	<b>1,987</b>
<b>Total comprehensive income for the year</b>	-	1,987	<b>1,987</b>
Dividends	-	(1,564)	<b>(1,564)</b>
<b>Total contributions by and distributions to owners</b>	-	(1,564)	<b>(1,564)</b>
<b>Balance at 31 March 2018</b>	7,886	14,900	<b>22,786</b>
<b>Balance at 1 April 2018</b>	7,886	14,900	<b>22,786</b>
<i>Total comprehensive income for the year</i>			
Profit for the financial year	-	1,862	<b>1,862</b>
<b>Total comprehensive income for the year</b>	-	1,862	<b>1,862</b>
Dividends	-	(1,100)	<b>(1,100)</b>
<b>Total contributions by and distributions to owners</b>	-	(1,100)	<b>(1,100)</b>
<b>Balance at 31 March 2019</b>	7,886	15,662	<b>23,548</b>

The notes on pages 20 to 29 (\* 27-39) form an integral part of these financial statements.

\*These page numbers refer to the original Financial Statement documents approved by the auditors.

# CASH FLOW STATEMENT

For the year ended 31 March 2019

	Notes	31 March 2019 £'000	31 March 2018 £'000
<b>Operating activities</b>			
Profit for the financial year		1,862	1,987
<i>Adjustments for:</i>			
Depreciation and amortisation		842	737
Profit on disposal of fixed assets		(18)	(3)
Interest receivable and similar income		(511)	(562)
Revaluation of investment property		25	(25)
Write off of fixed assets to P&L		-	25
Taxation		(8)	(131)
Decrease / (increase) in stocks		41	(58)
(Increase) / decrease in debtors		(580)	509
Increase / (decrease) in creditors		320	(141)
<b>Net cash generated from operations</b>		<b>1,973</b>	<b>2,338</b>
Interest received		3	1
Rent received		121	120
Tax Paid		(162)	(191)
		(38)	(70)
<b>Net cash inflow from operating activities</b>		<b>1,935</b>	<b>2,268</b>
<b>Investing activities</b>			
Purchase of tangible fixed assets		(806)	(568)
Investment returns		386	504
Proceeds from sale of tangible fixed assets		18	3
<b>Net cash outflow from investing activities</b>		<b>(402)</b>	<b>(61)</b>
<b>Cash flows from financing activities</b>			
Dividend paid	4	(1,100)	(1,564)
<b>Net cash outflow from financing activities</b>		<b>(1,100)</b>	<b>(1,564)</b>
<b>Net increase in cash and cash equivalents</b>		<b>433</b>	<b>643</b>
Increase in cash balances		433	643
Cash and cash equivalents at 1 April		11,774	11,131
<b>Cash at bank and investments held as at 31 March</b>		<b>12,207</b>	<b>11,774</b>
<b>Represented by:</b>			
Balances with States Treasury		11,081	9,906
Cash		1,126	1,868
		12,207	11,774

The notes on pages 20 to 29 (\* 27-39) form an integral part of these financial statements.

\* These page numbers refer to the original Financial Statement documents approved by the auditors.

## NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2019

### 1. Significant accounting policies

#### Reporting entity

Guernsey Post Limited (the "Company") commenced trading on 1 October 2001 and is registered in Guernsey. The Company's registered address is Envoy House, La Vrangue, St Peter Port, Guernsey, GY1 1AA. The Company is governed by the provision of the Companies (Guernsey) Law, 2008. The principal activity of the Company is the provision of Postal Services throughout the Bailiwick.

#### Basis of accounting

The financial statements give a true and fair view, comply with the Companies (Guernsey) Law, 2008 and were prepared in compliance with the UK Accounting Standards, including FRS 102- The Financial Reporting Standard applicable in the UK and Ireland. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

#### Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

##### a. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:-

- Note 3 - Taxation - Basis for determining classification of Regulated and Non Regulated profits
- Note 6 - Tangible Fixed Assets - Depreciation - determination of depreciation policy for tangible fixed assets
- Note 16 - Provisions - dilapidations

##### b. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to amounts reported in the financial statements for the year ending 31 March 2019 is included in the following notes:-

- Note 7 - Investment Property - determination of fair value of investment property
- Note 10 - Deferred Tax - recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used
- Note 16 - Provisions - dilapidations - reinstatement obligations related to the Smith Street leasehold property

#### Basis of measurement

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain assets.

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

#### Turnover

Sales of stamps and the crediting of franking machines are accounted for on a receipt of funds basis and no provision is made for postal

services expected to be provided for stamps in circulation, as the Directors deem this to be immaterial. All other income from goods and services supplied are accounted for on an accruals basis.

#### Other income

Rental income is recognised on a straight line basis over the term of the lease. Interest and investment income is recognised in the Profit and Loss Account on an accruals basis.

#### Expenses

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

#### Taxation

The Company, as a Guernsey Utility Company regulated by the Channel Islands Competition and Regulatory Authority (CICRA), is subject to the higher rate of income tax of 20% on its regulated income and 0% on its non regulated income. The basis of assessment to Guernsey tax continues to be on an actual current year basis. Income from Guernsey land is also subject to the higher rate of income tax of 20%.

#### Deferred Taxation

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

#### Dividends

Dividends paid are recognised when the obligation to pay has been established and once approved by the Board.

#### De-recognition of assets

Non-financial assets are removed from the Balance Sheet, either on disposal, or when they are withdrawn from use and no future economic benefits are expected from their use. In this event, any carrying amount is written off to the Profit and Loss Account.

#### Impairment of non-financial assets

At each reporting date, non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. In the event that there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the Profit and Loss Account.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Profit and Loss Account.

## NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2018

### 1. Significant accounting policies - continued

#### Stock

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

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

#### Intangible assets - goodwill

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

#### Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful economic life. A full year's depreciation is charged in the year of acquisition, whilst none is charged in the year of disposal.

There are periodic reviews of fixed assets and any adjustments required will be recognised in the Profit and Loss Account, as and when identified.

	Estimated useful life in years	Depreciation %per annum
Freehold Land	N/A	Nil
Buildings	8 - 50	2 - 12.5
Plant and Equipment	15	6.67
Furniture & Fittings	3 - 13	7.7 - 33.3
Postal Machinery	8 - 15	6.67 - 12.5
Motor Vehicles	5 - 10	10 - 20

#### Basic Financial Instruments

Cash at bank and in hand comprises cash balances, call deposits and short and medium term investments held with the States of Guernsey Treasury.

Debtors are initially recognised at transaction price less attributable transaction costs. Doubtful debts are recognised when collection of the full amount is no longer probable, with the amount of the expected loss recognised in the Profit and Loss Account. These are monitored on an ongoing basis.

Creditors are initially recognised at transaction price.

#### Investment in subsidiary

The investment in subsidiary is stated at fair value through the Profit and Loss Account. In accordance with FRS 102 section 9.3 (g) and

section 244 of the Companies (Guernsey) Law, 2008, the Company does not prepare consolidated financial statements.

#### Foreign currency

Foreign currency held in any bank account is translated at the exchange rate prevailing at the Balance Sheet date. In the event of any gains or losses arising, these are taken to the Profit and Loss Account at the time of translation. All foreign trading transactions are translated into sterling using the prevailing rate on the date of the transaction.

#### Pension costs

From 1 August 2016, the Company established a new defined contribution pension scheme, for which all eligible staff had the option of joining. Both the Company and its employees pay contributions into this independently administered fund. The cost of providing these benefits is recognised within the Profit and Loss Account, and comprise both the amount of contributions payable to the scheme and associated scheme administration costs for the year.

#### Investment property

The Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in the Profit and Loss Account.

#### Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, where it is more likely than not that an outflow of resources will be required to settle the obligations and the amount has been readily estimated. Changes in the estimated timing or amount of the expenditure are recognised in the Profit and Loss Account when the changes arise.

## NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2019

### 2. Expenses

	<b>31 March 2019 £'000</b>	31 March 2018 £'000
Direct costs	<b>13,752</b>	13,693
Staff costs	<b>11,065</b>	10,918
Directors' remuneration	<b>677</b>	606
Other staff expenditure	<b>795</b>	605
Support costs	<b>2,184</b>	2,290
Depreciation	<b>842</b>	684
Amortisation of goodwill	-	53
<b>Total</b>	<b>29,315</b>	28,849

Pension scheme payments made into the defined contribution scheme, included within the staff costs heading, were £1,112k (2018: £1,104k)

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

	<b>31 March 2019</b>	31 March 2018
Operational staff, including postal workers, post office counter staff and philatelic production staff	<b>178</b>	179
All other staff	<b>55</b>	51
<b>Total</b>	<b>233</b>	230

## NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2019

### 3. Taxation

	Note	31 March 2019 £'000	31 March 2018 £'000
Current year tax		-	-
Prior year tax		-	(141)
Deferred tax credit for the year	10	(8)	10
<b>Total</b>		<b>(8)</b>	<b>(131)</b>

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

Income from Guernsey land is also subject to the higher rate of income tax of 20%

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

	31 March 2019 £'000	31 March 2018 £'000
Profit on ordinary activities before taxation	<b>1,854</b>	1,856
Tax at 20%	<b>371</b>	371
<b>Effects of adjusting items:</b>		
Timing differences	<b>10</b>	(11)
Sundry adjustment to prior years' tax	-	(141)
Disallowed expenses	<b>3</b>	7
Rate differences on current tax	<b>(444)</b>	(434)
Non-utilised losses	<b>60</b>	67
Adjustment for pension costs	-	-
Current tax credit	-	(141)
Deferred tax - pension deficit	-	-
Deferred tax - timing differences	<b>(8)</b>	10
<b>Profit and loss taxation credit</b>	<b>(8)</b>	<b>(131)</b>

Sundry adjustment to prior year's tax relates, in part, to the recovery of overpaid tax from 2018 year of charge

### 4. Dividends on equity shares

Amounts recognised as distribution to equity holders in the period.

	31 March 2019 £'000	31 March 2018 £'000
Final dividend of 13.9p per share paid in this financial year in respect of the year ended 31 March 2018	<b>1,100</b>	1,564

(Final dividend paid last year in respect of the year ended 31 March 2017: 19.8p per share).

The Board is proposing a final dividend of £560k in respect of the year ended 31 March 2019. (2018: £600k).

The Board is also proposing a one off special dividend of £500k in respect of the year ended 31 March 2019 (2018: £500k)

## NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2019

<b>5. Intangible fixed assets</b>	<b>31 March 2019</b>	31 March 2018
	<b>Goodwill</b>	Goodwill
	<b>£'000</b>	£'000
Opening cost	<b>543</b>	543
Opening accumulated amortisation	<b>(543)</b>	(490)
Opening carrying amount	-	53
Amortisation charge for the year	-	(53)
Closing carrying amount	-	-
Represented by:		
Closing cost	<b>543</b>	543
Closing accumulated amortisation	<b>(543)</b>	(543)
Total	-	-

The goodwill arose on the acquisition of the trade and net assets of BATIF Bureau de Change Limited in 2008 and was fully amortised as at 31 March 2018.

**6. Tangible fixed assets**

	Motor Vehicles	Land & Buildings	Plant & Equipment	Postal Machinery	Furniture & Fittings	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000	<b>£'000</b>
Opening cost as at 1 April 2018	1,783	11,661	2,662	2,289	1,985	<b>20,380</b>
Opening accumulated depreciation as at 1 April 2018	(1,127)	(3,129)	(2,662)	(1,276)	(1,370)	<b>(9,564)</b>
Opening Carrying amount as at 1 April 2018	656	8,532	-	1,013	615	<b>10,816</b>
Additions	559	12	-	1	234	<b>806</b>
Depreciation	(245)	(186)	-	(187)	(224)	<b>(842)</b>
Disposals - Cost	(239)	-	-	-	(10)	<b>(249)</b>
Disposals - Accumulated Depreciation	239	-	-	-	10	<b>249</b>
<b>Closing carrying amount as at 31 March 2019</b>	<b>970</b>	<b>8,358</b>	<b>-</b>	<b>827</b>	<b>625</b>	<b>10,780</b>
Represented by:						
Closing cost as at 31 March 2019	2,103	11,673	2,662	2,290	2,209	<b>20,937</b>
Closing accumulated depreciation as at 31 March 2019	(1,133)	(3,315)	(2,662)	(1,463)	(1,584)	<b>(10,157)</b>
	<b>970</b>	<b>8,358</b>	<b>-</b>	<b>827</b>	<b>625</b>	<b>10,780</b>

Freehold land with a cost of £2,505,000 (2018: £2,505,000) is not depreciated.

## NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2019

### 7. Investment property

	<b>Market Value 31 March 2019</b>	Market Value 31 March 2018
	<b>£'000</b>	£'000
Reconciliation of carrying amount	<b>£'000</b>	£'000
Balance at 1 April	<b>1,000</b>	975
Change in fair value	<b>(25)</b>	25
<b>Balance at 31 March</b>	<b>975</b>	1,000

Investment property comprises a single property, which is leased to tenants, comprising part residential and part commercial occupancy. Leases for the residential tenants are reviewed annually, whereas the commercial tenant is subject to a 20 year lease with triennial reviews.

Changes in fair value are recognised as gains in profit and loss and included in 'Other Income'. All gains or losses are unrealised.

The fair value of the investment property was determined by an external independent property valuer with recognised professional qualifications and recent experience in the location and category of the property being valued on 28 March 2019. The valuation was undertaken by Wing Lai, MRICS, and Joanna Watts, MRICS, from Watts and Co. Limited.

### 8. Investment in subsidiaries

	<b>31 March 2019</b>	31 March 2018
	<b>£'000</b>	£'000
BATIF Bureau de Change Limited	-	-
<b>Balance at 31 March</b>	<b>-</b>	-

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

### 9. Debtors

	<b>31 March 2019</b>	31 March 2018
	<b>£'000</b>	£'000
Trade debtors	<b>3,170</b>	2,358
Other debtors	<b>8</b>	15
Prepayment and accrued income	<b>289</b>	515
Tax debtors	<b>289</b>	127
<b>Total</b>	<b>3,756</b>	3,015

## NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2019

**10. Deferred Tax**

	<b>Deferred taxation - Accelerated Capital Allowances</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
At 1 April 2018	170	<b>170</b>
Credit to profit and loss account	(8)	<b>(8)</b>
At 31 March 2019	178	<b>178</b>

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

**11. Balance 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 and uses a broad range of investments in which to do so. The investment fund retains a proportion of liquid assets which are made available on call. Variable returns are allocated to the fund dependent upon investment performance.

**12. Creditors**

	<b>31 March 2019</b>	31 March 2018
	<b>£'000</b>	£'000
Amounts falling due within one year		
Trade creditors	<b>2,566</b>	1,826
Other creditors	<b>837</b>	744
Provisions (See Note 16)	<b>202</b>	730
Accruals and deferred income	<b>820</b>	601
Rental income paid in advance	<b>33</b>	33
Total	<b>4,458</b>	3,934

Of the £2,566k of Trade Creditors, £2,109k is owed to Royal Mail as part of our ongoing contracted arrangements with them (2018: £1,251k)

## NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2019

### 13 . Shareholder's capital

	<b>31 March 2019</b>	31 March 2018
	<b>£'000</b>	£'000
<b>Authorised</b>		
40,000,000 ordinary shares of £1 each	<b>40,000</b>	40,000
	No of shares	£'000
<b>Allotted and fully-paid</b>	7,886,258	7,886
Opening share capital at 1 April 2018	7,886,258	7,886
As at 31 March 2019	7,886,258	7,886

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

Shareholder's capital - represents the nominal value of shares that have been issued.

## NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2019

**14. Operating Leases**

**Non-cancellable operating lease rentals are payable as follows:**

	<b>Land and buildings</b> <b>31 March 2019</b> <b>£'000</b>	Land and buildings 31 March 2018 £'000
Less than one year	<b>90</b>	89
Between one and five years	<b>47</b>	128
More than five years	-	-
	<b>137</b>	217

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

The Company leases two properties in St Peter Port to run one of its retail outlets and also its foreign exchange business. In addition, the company leases property to fulfil its postal operation in Alderney.

**15. Related party transactions**

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

Through the normal course of its business activity, the Company both purchases from and provides services to its Shareholder, or entities, under the controlling influence of the Shareholder body. These entities include States Trading Companies, companies whose equity is wholly owned by the States, States Departments and Committees operated by the States. All such transactions have been on an arm's length basis. The total value of the sales for the year ended 31 March 2019 amount to £737,916 or 2.4% of total turnover (2018: £615,170 or 2.1%). The total value of purchases for the year amounted to £840,315 or 2.9% of total expenses (2018: £829,278 or 2.9%) .

The States also provides, through its Policy & Resources Department, management of the Company's liquid funds in excess of short term needs. At 31 March 2019, the balance held was £11,081,309 (2018: £9,905,705).

Director's remuneration is shown in note 2.

## NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2019

### 16. Provisions

	<b>Pension Liability</b>	<b>Dilapidations</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance at 1 April 2018	937	93	<b>1,030</b>
Provision released during the year	(734)	-	<b>(734)</b>
Provision reversed during the year	(1)	-	<b>(1)</b>
Balance at 31 March 2019	202	93	<b>295</b>
Non-current	-	93	<b>93</b>
Current	202	-	<b>202</b>
	202	93	<b>295</b>

#### **Pension liability**

The pension liability provision relates to deferred commitments associated with, and intrinsic to, the successful exit of the States of Guernsey Public Servants Pension Scheme from 31 July 2016 and will be fully extinguished by 31 July 2019.

#### **Dilapidations**

This provision is in respect of the reinstatement obligations related to the Smith Street leasehold property and will be utilised within two years.

#### **Contingent obligations - Financial Guarantee Contracts**

Guernsey Post has financial guarantee contracts in place with States of Guernsey Customs and Excise and HM Revenue and Customs for £20,000, and £200,000, respectively. These contingent obligations are in place to provide security in the event that import and export duties paid to Guernsey Post from its customer base are not subsequently paid on to the respective authorities. Guernsey Post does not carry any liability to either the States of Guernsey Customs and Excise, or HM Revenue and Customs, in the event that customers directly withhold payment of import and export duties to Guernsey Post.

### 17. Subsequent events

There have been no significant events between the year-end and the date of approval of these financial statements, which would require a change to, or disclosure in, the financial statements.







**Guernsey Post Limited**

Envoy House, La Vrangue, St Peter Port, Guernsey GY1 1AA

Telephone: 726241 Facsimile: 712082



INVESTOR IN PEOPLE



**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 24 October, 2019, they are of the opinion:-

1. To note the annual report and accounts of Guernsey Electricity Limited for the year ended 31<sup>st</sup> March 2019.

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

24<sup>th</sup> October, 2019

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 year ended 31<sup>st</sup> March, 2019, are therefore appended to the policy letter.

2.3 The Annual Report notes that as part of GEL's ongoing management of the funding risks associated with its membership of the States of Guernsey pension scheme, the Company decided to close its CARE scheme to new members in 2017. The Report goes on to explain that, as a continuance of the strategy to mitigate the future financial risks of funding the scheme and with the support of the STSB, the Policy & Resources Committee (P&RC) agreed the Company's request to transfer the pension liabilities of all retired and deferred members as at 30 June 2018 from its actuarial account to the Combined Pool (both within the Superannuation Fund). The accompanying transfer value was calculated based on actuarial assumptions determined by the P&RC. The effect of this transfer has been to significantly reduce the risks of future pension provision and to generate a settlement gain of £18.2m. It should be noted that this

follows similar arrangements put in place for the Guernsey Financial Services Commission and Guernsey Post Limited.

- 2.4 The Annual Report goes on to note that the Company made an operating loss of £7,751,000 for the financial year ended 31<sup>st</sup> March, 2019. However, following an adjustment for the pension settlement gains, the Company recorded an operating profit of £10,443,000.

### **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. She has advised that there is no reason in law why the Propositions should not to be put into effect.

- 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 propositions above have the unanimous support of the Board.

- 3.4 In accordance with Rule 4(5), the Propositions relate 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 T R Ferbrache  
President

J C S F Smithies  
Vice-President

J Kuttelwascher  
Member

S J Falla MBE  
Non-States Member

J C Hollis  
Non-States Member



# Powering towards a smarter future

*Report and financial statements  
2018/19*



## Directors, officers and professional advisers

<b>Directors:</b>	IA Hardman	<i>(Non-Executive Chairman)</i>
	AM Bates	<i>(Chief Executive Officer)</i>
	JPC Turner	<i>(Chief Financial Officer and Deputy Chief Executive Officer)</i>
	S-A David	<i>(Chief Operating Officer)</i>
	RP Lawrence	<i>(Non-Executive)</i>
	RJ Dutnall	<i>(Non-Executive)</i>
	CM Holmes	<i>(Non-Executive) retired by rotation on 23 October 2018</i>
	GM Browning	<i>(Non-Executive) appointed on 26 September 2018</i>
	P Shaefer	<i>(Non-Executive) appointed on 26 September 2018</i>
	RL Denton	<i>(Non-Executive) appointed on 26 September 2018</i>

<b>Secretary:</b>	SB Pattimore	<i>Retired on 25 September 2018</i>
	SL Walden	<i>Appointed on 25 September 2018</i>

<b>Bankers:</b>	Barclays Bank Plc PO Box 41 Le Marchant House St Peter Port Guernsey, GY1 3BE
	Royal Bank of Scotland International Royal Bank Place 1 Gategny Esplanade St Peter Port Guernsey, GY1 4BQ
	HSBC Bank Plc Arnold House St Julian's Avenue St Peter Port Guernsey, GY1 3NF

<b>Legal advisers:</b>	Mourant Ozannes Royal Chambers St Julian's Avenue St Peter Port Guernsey, GY1 4HP
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<b>Independent auditor:</b>	Ernst & Young LLP Royal Chambers St Julian's Avenue St Peter Port Guernsey, GY1 4AF
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<b>Registered office:</b>	PO Box 4 Electricity House North Side Vale Guernsey, GY1 3AD
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<b>Company number:</b>	38692
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## Board members



**Ian Hardman**  
Non-Executive Chairman

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**  
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**  
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** – appointed on 26 September 2018  
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** – appointed on 26 September 2018  
Non-Executive Director

Peter has an honours degree in Geology and is 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** – appointed on 26 September 2018  
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.



**Christine Holmes** – retired by rotation on 23 October 2018  
Non-Executive Director

Christine has a post-graduate diploma in Marketing and has had an extensive career at a senior level in marketing and public relations. She has held a number of marketing posts at management level within the construction industry and in 1997 was appointed as Corporate Marketing Manager for Jersey Electricity Plc. Following a period as Group Head of Marketing for the Dandara property group, Christine now operates her own marketing and public relations company, Profile Project Management Limited. She became a Non-Executive Director of Guernsey Electricity Limited in 2013.



**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.

## Chairman's statement

Guernsey needs to continue to have reliable and affordable energy supplies, but more than ever needs to consider the environmental impact and the future sustainability of fossil fuels on the island.

For Guernsey Electricity Limited ("Guernsey Electricity", "GEL", or the "company") this requires a clear focus on reducing reliance on our island-based electricity generation. For the wider energy market, this needs to extend to the use of fossil fuels in households, businesses or in vehicles with an absolute focus of reducing our emissions significantly.

The energy system of the future will not look like it does today. The scale of change over the next 10 to 20 years will be considerable and, whilst we don't know exactly what this change will look like, we do know some of the key change drivers that will be important.

One thing seems certain: consumers will play a key role in driving change as their energy needs for warmth, light, power and, increasingly, transport, change. The energy businesses of the future will provide those services in a clean, affordable, efficient and environmentally conscious manner, by taking advantage of new energy technology and digital enablers.

Energy Policy remains critical to ensure the energy transition journey for Guernsey is strategically managed such that the outcome is in the best interests of energy consumers and the island.

What is Guernsey Electricity doing to offset and reduce greenhouse gas emissions?

- **Increasing the capacity and security of our low carbon imported electricity supplies**

We continue to explore reinforcing our subsea cable electricity infrastructure by moving forward with a cable direct from France to Guernsey – this will support the imperative of providing the island with a reliable, sustainable and affordable electricity supply. Our imported electricity from France is produced from sustainable low carbon nuclear power and renewable hydroelectricity.

- **Supporting electric transport which will undoubtedly be recognised as a key enabler to a low carbon future on the island**

Within the next 10 years we will see the electric transport market transformed. The opportunity of a fully electrified transport market in Guernsey would equate to around

20% of current electricity demand. Guernsey should be at the forefront of this technology – after all we are only a small island and electric vehicles can already travel in excess of 200 miles on a single charge. Battery technology is ever improving with 'fast charging' facilities becoming more widely available.

- **Promoting the decarbonisation of domestic and commercial heating**

With one third of Guernsey's current energy demand being heating using fossil fuels, the decarbonisation of heat must become a major focus. The installation of electric central heating, especially when combined with renewable generation and storage, is positive for the environment and reduces local carbon emission.

- **Promotion of local renewable generation using solar energy**

Technology is moving forward every day and as the Channel Islands are amongst the sunniest places in the UK we should have more community-based solar panel (PV) systems. Having larger solar farms rather than individuals purchasing their own panels spreads the benefits and makes it fair for all islanders. Not everyone can afford to purchase PV systems and there are households without their own roof (flats/apartments) or which have a roof that faces the wrong way, or the property is listed and there are a significant number of rental properties on the island. We believe we should explore all opportunities to create these community-scale systems to benefit all islanders.

- **Renewable energy sources should be introduced and used in conjunction with the electricity supplied through our cable connections to France**

Key to local renewable generation will be the battery storage capability and this technology is moving forward quickly. Guernsey Electricity continues to explore and monitor storage technology and believes an opportunity for the island to have its first grid-scale installation will be available in the future.

The cable links to France are essential for security of electricity supply but we can and should develop local renewable generation to provide further security and independence for Guernsey.



GEL continues to expect renewable self-generation and storage to be adopted more as technology develops and we need to facilitate this in a fair way. This will result in customers using less electricity from the grid, however GEL will still need to invest and maintain the same level of capacity in the grid. This is because even though customers will be using less electricity, GEL will still need to maintain the grid as a back-up supply for customers, if required, for when their own generation or storage is not available. However, a large proportion of the company's costs will remain fixed and will not be affected by the reduction in the amount of electricity used. Our current tariff structure will not allow these costs to be recovered in the future in a fair way and therefore tariffs need to change.

In summary, the cable links to France are essential for security of electricity supply but we can and should develop local renewable generation to provide further security and independence for Guernsey. Fossil fuels will be gradually phased out with electric vehicles coming to the fore – the future is electric!

**The Board of Guernsey Electricity** – Leading Guernsey Electricity is a positive and rewarding experience with great responsibilities and expectations placed on the directors. Ensuring proper governance at Board level ensures excellent customer experience and enhances the value of Guernsey Electricity to the island. For the Board, evaluating and controlling risk is an essential part of that activity. It is well understood by the Board that, in order to fund the business, without significantly increasing prices to consumers, a level of risk needs to be accepted. For us to provide 100% supply reliability would require significant investment into assets that would rarely be used and result in expensive, unaffordable tariffs. The role of the Board is therefore to decide where that level of risk lies and then to ensure it is effectively managed.

The directors of Guernsey Electricity have an increasingly difficult task in that they have to manage complex issues with uncertain outcomes, including major capital expenditure around 'security of supply' – the cable to France, overlay of the existing cable to Jersey, Brexit, exchange rates, regulation and stronger competition in the energy market.

Guernsey Electricity has experienced and competent Non-Executive Directors and expects them to complete their role in an effective manner, putting the best interest of our customers and the island at the forefront of all Board decisions they take. I would like to take this opportunity to thank Christine Holmes, who stepped down as a Non-Executive this year, and welcome three new Non-Execs to the Board, these being Gillian Browning, Peter Shaefer and Rick Denton. Christine added valued contribution to the Board, having extensive experience in marketing and PR, and our new Non-Execs come with a wealth of relevant experience which will add significant future value to the Board.

Finally, I would like to thank all my fellow directors, Company Secretary and colleagues in Guernsey Electricity for their hard work and contribution to the success of the company. I would also like to thank the political and non-political members of the States Trading Supervisory Board ("STSB") – our shareholder – for their support and advice throughout the year.

**Ian Hardman**  
Chairman

# Chief Executive Officer's report

## CEO Review of the year

Almost all businesses in their annual report mention the challenges they have faced in the year, with some reflecting on the impact these challenges have had on the performance of the organisation. Guernsey Electricity has likewise over the years had events which have challenged the operational and financial performance of the business and created uncertainty for the strategic outlook of the electricity sector.

However, the events of 2018 have resulted in an almost unprecedented scenario.

Whether it was the immediate operational and financial impact of the third failure of the subsea cable GJ1, this occurring with no warning of failure from the cable monitoring systems, the subsequent strategic realisation that this critical asset now needed to be replaced immediately, or the inability of the business to manage revenue to recover costs due to the continuing regulatory uncertainty, the outcome of these events has resulted in substantial volatility and uncertainty for the business which have been extremely damaging financially and environmentally. The resultant short-term impact on Guernsey Electricity's performance is at a level with no parallel in its 118-year history.

That said, the reliability and affordability of today's electricity supply is not set by Boardroom decisions today, but by those made a quarter of a century ago. This is the nature of investment strategy decision making in a long-term asset intensive business. The business today, however, should be judged on its response to these challenges and its commitment to planning for the island's future energy needs, in the long-term best interests of its customers.

We are proud of the successful repair of GJ1, which was completed within two months of the failure. This demonstrates the experience and knowledge of our employees. It was more than disappointing to then discover further inherent design and manufacturing issues which significantly reduced the import capacity of the cable. The need to replace the cable rather than continuing to repair became evident following further testing and investigation by Guernsey Electricity and the cable manufacturer.

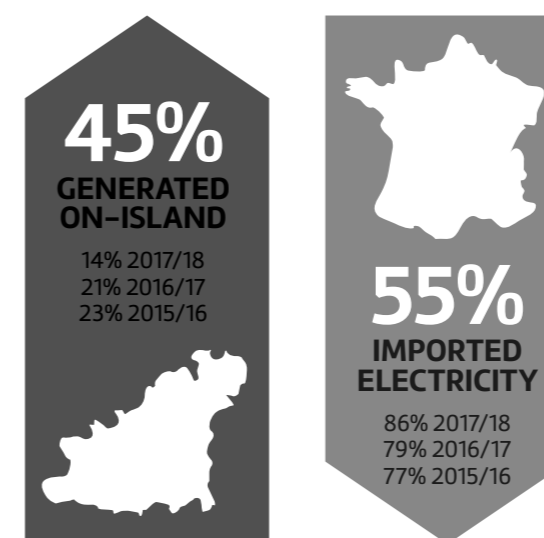
Once again, the team responded at an incredible pace with a revised tactical and strategic plan. The tactical plan developed an operational approach to importation that maintained stability on the importation of electricity from France to balance risks between financial cost, security of supply and environmental impact. With the cable operating at 25% capacity, GEL has still imported over 55% of the island's electricity demand. The dedication and loyalty of all the teams to achieve this should be recognised. Strategically, the planned replacement of GJ1 was brought forward from 2030 and an opportunity was taken to secure the installation of a replacement cable in late 2019. This involved completing all the procurement and contractual activities in an extremely short period.

The Board's decision to replace was based on the continued risk of supply failure and the impact this would have on customer reliability and affordability. There is a significant opportunity to reduce operational cost by early replacement. Without a reliable cable connection to France, security of electricity supply to the island would continue to be adversely affected and the additional cost of generating on-island would be between £11m and £17m a year, with an associated 216,000 tonnes of carbon dioxide produced. If these additional costs had to be passed on to customers, it would have resulted in over a 20% increase in tariffs. Even if the cable was repaired again, at a cost of between £5m to £8m, there was no certainty that it would provide a reliable supply. The Board's view was that this was a totally unacceptable operational and financial position, and the alternative approach of replacing the cable, which provided certainty about security and price of electricity, was the only appropriate way forward. On this basis, discussions commenced with the original cable manufacturer to obtain an appropriate commercial settlement for the ongoing reliability issues. The replacement cable will be funded by long-term debt, using both commercial loan facilities as well as the States of Guernsey Bond. By financing the replacement in this way, the impact on today's consumers in terms of operational and capital costs is optimised.

With the replacement cable in operation, much needed maintenance and replacement of assets at the power station can go ahead. The role of these on-island generation assets continues to be assessed to align with both energy policy and the strategic intention to install a second subsea cable to the island. However, until these investment decisions can be made to align with energy policy in terms of security of supply, the power station will continue to provide the necessary back-up service to the island in the event of imported supply disruptions, as it has for the last six months.

The recent failure of GJ1 does again reinforce the importance of securing a diverse and sustainable supply of electricity for the island and reducing further our reliance on fossil fuels. Clear and concise energy policy direction from the States is now crucial and will be pivotal in defining the diversity and security of the island's future energy supply, including local renewable generation and storage.

### Import vs on-island generation 2018/19



## Strategic outlook

Whilst the financial, operational and environmental results are far from our target levels this year, the strategic direction set will resolve the issues and return the overall operational and financial performance back to previous levels and build a solid foundation upon which to develop the future island aspirations for energy supply and security.

The contract to replace the subsea cable GJ1, and to continue securing a second cable connection, comes as the majority of other European traditional utility companies are having to make significant investment decisions of their own as they find themselves in a battle for survival in a rapidly changing energy market. Multiple threats to the previous industry business models are starting to test every part of the chain in which today's energy utilities operate – from electricity generation, to transmission and distribution networks and supply to customers. With this as a backdrop, Guernsey Electricity must steer a course that is affordable and sustainable in the future for a very small island and customer base. The search for value in this future, whilst mitigating the cost of stranded assets, will feature in many government deliberations on energy policy directions and interventions, with the outcome ultimately directing all the local energy companies.

The aspiration of energy policies in other jurisdictions to decarbonise the energy sector is creating a resultant pressure to drive the uptake of micro-renewable technologies on the island. This technology expectation must be strategically managed in an appropriate way to prevent the unintended consequence of increasing customers' bills, and the potential flooding of the market with more expensive electricity when the wind or sunshine is plentiful.

## Chief Executive Officer's report - continued

### Strategic outlook - continued

However, there will be an optimum time when macro-renewable generation will work for Guernsey, and benefit all in our society. This larger scale decentralised generation, as a community-based approach, will move Guernsey from being reliant on the centralised power station model at the Vale, to a future where more generation from renewables and storage will bypass parts of the distribution network and be closer to where it is used. This will create new challenges for Guernsey Electricity as we will increasingly need to deal with two-way flows of electricity back into the grid, making the control of the system far more complex. This issue is expected to get more complex as more drivers buy electric vehicles and use their batteries as a way of storing electricity and then discharging it when demand is high. A future of "peer to peer" trading - where homeowners could trade electricity directly with their neighbours or family using their own renewable generation or storage is already being trialled in other jurisdictions.

At the same time there is a social expectation to maintain, or even lower, energy prices to consumers. These technology and market factors are making traditional utilities think again about their future business models and which parts of the vertically integrated model they should operate in. This will result in the island's utilities branching out into new technologies and services. Many now believe the future is in the service model, whether that's fixing electric boilers or supplying app-controlled smart appliances. Such future services could also include helping customers install their own generation and storage, and then managing those assets for them. In this future world energy supply is only one of the services to provide, and whilst the supply is a very important proposition, it will not be enough on its own and customers will want many other things to be provided with it. For Guernsey Electricity, energy policy needs to direct, and where necessary, control the elements of this future that cannot be market or technology led on a small island. This is to prevent the market introducing additional stranded cost that the island can ill afford.

Added to these changes is the potential emergence, through energy policy, of further competition in the generation and supply of electricity. This will further disrupt the Guernsey market and may create additional cost through unneeded economic leakage from the island. This should remain a concern where the future energy journey is already bordering on being unaffordable for a small jurisdiction.

Guernsey Electricity supports competition in our small market where the value to customers in terms of price and service is improved, but not where the cost to provide such improvements far outweighs the value achieved for consumers of energy.

What is clear is that the energy market vision to be provided by the new energy policy needs to work for all customers. This means the structure of the energy markets needs to allow for those who want to engage with the opportunity to benefit from new and innovative technology, while ensuring customers who do not want to engage, or who cannot engage, are not left behind and disadvantaged. To achieve this balance, the way in which the future energy market is regulated should be reviewed to ensure that innovative services and products that customers may want, do not face unnecessary barriers to entry, whilst maintaining natural monopolies as financially sustainable entities. Any partial liberalisation of the market must not increase total cost by over investment in core infrastructure assets - we only need one grid and one power station for security.

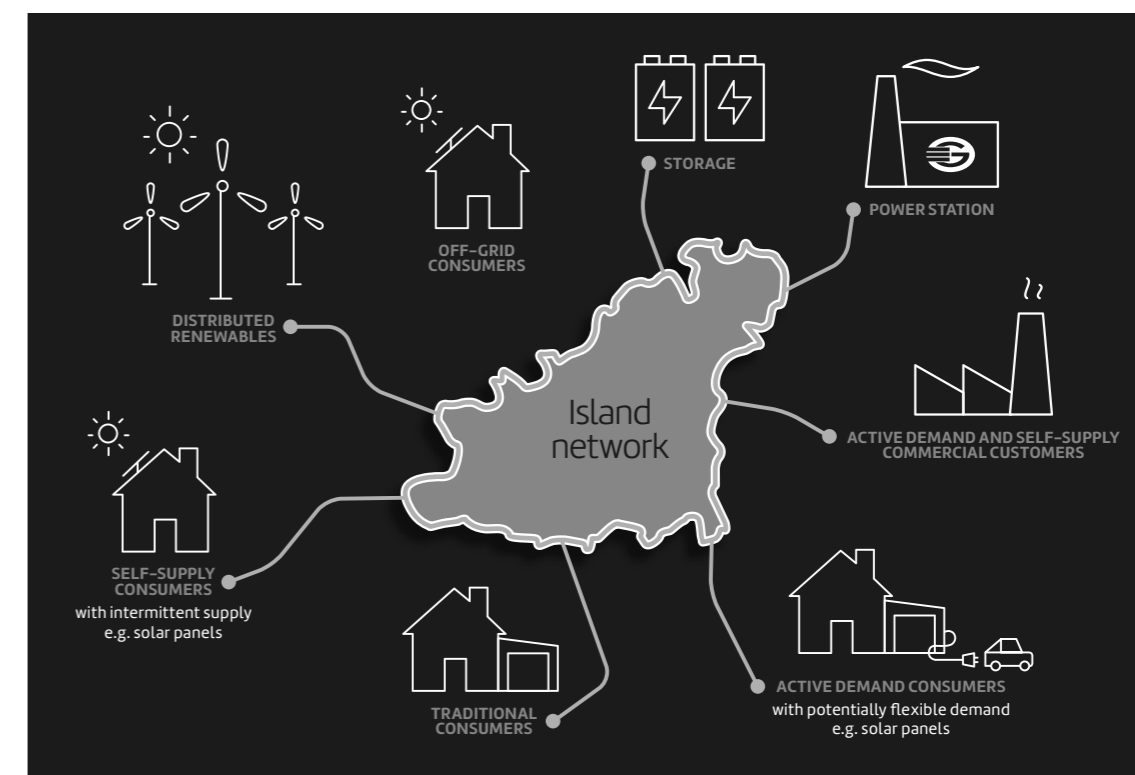
At the same time, it is likely that customers in financially vulnerable circumstances will continue to need support to ensure they remain protected. To facilitate this fairness and equity in the future market Guernsey Electricity has carried out engagement and consultation on how future electricity tariffs should be structured to ensure costs are reflected and fairly recovered from homes and businesses. Any change in the way we charge for electricity should also provide complete transparency on the actual costs of electricity generation to put into context the remaining cost to provide the network and security of supply service to the island. Two key messages

have already been drawn from consumer feedback to the consultation. These relate to the protection of more financially vulnerable customers and whether the island's energy policy will align with other larger jurisdictions and facilitate the adoption of new technology through electricity tariff structures, or through other tax incentives. Guernsey Electricity will work with the relevant government bodies to ensure social and energy policy are aligned to any changes in the structure of future tariffs.

Guernsey Electricity understands and accepts that each part of our traditional energy market is continuing to experience rapid change and as a business it needs to remain adaptable and agile to continue to provide a secure, sustainable and

Guernsey Electricity supports competition in our small market where the value to customers in terms of price and service is improved, but not where the cost to provide such improvements far outweighs the value achieved for consumers of energy.

reliable electricity service to the island. Further engagement and policy development needs to look to the energy system in a decade's time and how as an island community we can create a low carbon energy system that customers see as fair to all and which delivers excellent service, choice and value for money to homes and businesses.



## Chief Executive Officer's report - continued

### Regulation

Guernsey Electricity has for many years openly stated that in our opinion independent price regulation of the electricity sector added little value and imposed an 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 process to be removed from regulation is taking following the States of Guernsey resolutions in 2016 to remove Guernsey Electricity and Guernsey Post from sector specific regulation. In the intervening time between the last price control in 2011, Guernsey Electricity has not operated unchecked and an appropriate level of supervision and oversight has been achieved at an affordable cost for the island by the Shareholder. However, the ensuing regulatory vacuum has unfortunately resulted in an inability to recover costs at the times they are incurred. With no regulatory environment to direct electricity price control any managed evolution of tariffs is not possible, and an environment of historic cost pass-through will continue to have the unintended consequence of shocking the market for short periods. Guernsey Electricity continues to support a smoother tariff evolution model which facilitates customers making behavioural and appliance changes to manage any cost increases.

As raised in the 2018 annual report the world of energy is changing more quickly and more fundamentally than at any point since the Industrial Revolution. Given the critical importance of the energy sector to our functioning society, and the need to ensure we deliver the best outcomes for Guernsey during the energy transition, there may need to be elements of the future energy market that remain natural monopolies and will require a form of regulatory oversight. On this basis Guernsey Electricity supports the intention to align future regulation to the requirements of energy policy direction, however now considers it critical that an interim basis for price control is agreed as soon as possible to allow investment planning to continue and an understandable tariff evolution to be presented to customers.

Guernsey Electricity has not operated unchecked and an appropriate level of supervision and oversight has been achieved at an affordable cost for the island by the Shareholder.

### Business performance

Despite the significant cost for the additional generation on-island after the failure of GJ1, I can report that the financial performance of the business is an Operating loss before pension settlement gains of £7.8m (2018: Operating profit of £1.2m). The financial details are covered further in Financial Performance. However, as raised last year this financial performance and level of profitability continues to be significantly below the level required to continue to fund necessary investments in the island's electricity infrastructure. This remains a significant issue as we plan for future capital investments. This financial year we have reinvested £11.4m of cash back into our business activities, whilst maintaining tariff levels unchanged for the seventh year.

One of the key non-financial business performance metrics for Guernsey Electricity that has been significantly affected by the subsea cable issues is the level of importation of electricity from France and the associated carbon intensity of the business. The level of import had been increasing due to further investment in the Channel Islands Electricity Grid ("CIEG") with importation being the preferred source based on both economic and environmental factors. The importation levels for the previous four years have been 86% (2018) 79% (2017), 77% (2016) and 58% (2015) of our total supply to the island. This clearly showed that with the cable in reliable service we were continuing to improve since the subsea cable failures in 2012. Our strategic plan is for imports to meet or exceed 85% of our supply and is facilitated in terms of capacity through our investments in the CIEG. Importation is now only limited by the capacity of the Guernsey to Jersey based assets with a calculated maximum import level of over 90% of the island's electricity annual demand possible if required.

Unfortunately, Guernsey Electricity has achieved for this financial year an importation level of only 55% of total island demand due to ongoing reliability issues with the importation infrastructure. This has resulted in a carbon intensity of 347gCO<sub>2</sub>equiv./kWh (2018: 118gCO<sub>2</sub>equiv./kWh) to our customers. It is worth noting that without the cable issues in October 2018 our forecasted position was 91% imported electricity and a carbon intensity of 72gCO<sub>2</sub>equiv./kWh.

This financial year we have reinvested £11.4m of cash back into our business activities, whilst maintaining tariff levels unchanged for the seventh year.

Over the year we have seen a 2.2% decrease in electricity usage by our customers which has led to a decrease in electricity sales of £1.6m compared to last year. We believe that adjusting for the weather, underlying demand is continuing the downward trajectory of previous years, which is reflecting energy efficiency improvements in our customer base.

In terms of our service to our customers, I unfortunately have to report a significant deterioration in reliability with customers, both domestic and commercial, experiencing 66.81 minutes loss of supply on average compared to 18.34 minutes lost during the previous financial year. The high level of average minutes lost was associated with the single incident on 1 October 2018 when the subsea cable failed leaving Guernsey disconnected from the CIEG and having to rely on on-island generation for eight weeks. Without this single event the figure for the year would have been 35.13 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 has transferred the pension liabilities of all retired and deferred members as at 30 June 2018 to the States of Guernsey Combined Pool. The effect of this transfer has been to significantly reduce the risks of pension provision and to generate a settlement gain of £18.2m.



## Chief Executive Officer's report - continued

### Financial performance

The reported Operating loss before pension settlement gains was £7.8m (2018: Operating profit £1.2m). This loss is after GJ1 failure costs of £6.5m and cable link impairment costs of £3.4m following the Board decision to replace the GJ1 interconnector. We have seen a continuance of the foreign exchange pressures on the business directly impacting our euro imports meaning that underlying operating profit remains under significant pressure and, in the absence of tariff increases, is at a level which is below what is needed to support business. Aside from the ongoing cost pressures faced by the business, a cable failure in October 2018 and the consequential restricted ability to import electricity has by far been the largest impact on financial performance. The additional generation on-island has cost £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. Whilst this hedging provides some protection against exchange rate volatility, it does not eliminate it completely. Despite both the cable failure and the foreign exchange headwinds, the normalised underlying business performance is very creditable and is reflective of the continued strong execution of business transformation initiatives and the taking of bold decisions 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 and 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") has approved an historic cost recovery of 6.8%, effective from 1 July 2019 and applied for three years, to cover increased foreign exchange and commodity costs. This rise will enable Guernsey Electricity to recover the last two years' uncontrollable costs created by increases in external costs to import electricity and generate on-island.

The increase is associated with historic changes in the price of commodities and foreign exchange rates and does not recover other costs which have increased, or the need to maintain or replace assets. This will be the first change in electricity tariffs since 2012.

However, as noted before, we consider that agreement and implementation of a forward-looking agreed tariff model is now pressing, particularly in light of significant future capital spend, including GJ1 replacement, which will need to be properly funded and recovered.

The Board is mindful of the continuing cost pressures on the business, particularly accentuated by the impact of Brexit on our foreign exchange costs.

The company continues to benefit from a strong statement of financial position with our non-current asset base of £133.9m, the largest changes being the completion of our investment in our GJ1 replacement cable and our ERP replacement business system. The net cash inflow for the year is largely attributable to a further net drawdown on the medium-term credit facility of £8.0m. Cash inflow from operating activities showed a decline compared to the prior year due to the adverse trading conditions particularly surrounding the £:€ exchange rate. At the year-end, we had net debt of £13.6m compared to £7.2m last year. This comprised £22.0m loans and closing cash balances of £8.4m; these amounts include balances held with the States of Guernsey of £7.3m (2018: £6.1m).

The Shareholder's funds have increased by £16.3m, from £91.8m to £108.1m. This was primarily the result of the actuarial gain in the pension scheme, net of the movement in deferred tax relating to the pension deficit of £8.9m together with pension settlement gains of £18.2m.

### 5 year performance summary

	2019 Actual £m	2018 Actual £m	2017 Actual £m	2016 Actual £m	As Restated* 2015 Actual £m
<b>Income</b>					
Sales of electricity	50	52	50	52	52
Other sales income	5	4	4	4	4
<b>Total for income</b>	<b>55</b>	<b>56</b>	<b>54</b>	<b>56</b>	<b>56</b>
<b>Expenses</b>	63	55	50	52	58
<b>Operating profit/(loss) before net unrealised gains/(losses) on derivatives at fair value</b>	(8)	1	4	4	(2)
Pension settlement gains	18	-	-	-	-
Unrealised net gains/(losses) on derivatives at fair value	-	-	-	1	-
Finance income/(cost)	(1)	(1)	-	(1)	(1)
<b>Profit/(loss) pre tax</b>	9	-	4	4	(3)
Earnings before interest, tax, depreciation and amortisation	3	9	12	12	4
Net (debt)/cash	(14)	(7)	(8)	4	(3)
Capex (cashflow value)	12	9	20	8	9
Pension deficit**	(9)	(35)	(41)	(26)	(27)
Total units generated & imported (GWh)	369	372	371	372	375
% Import	55%	86%	79%	77%	58%
% Generation	45%	14%	21%	23%	42%
Customer minutes lost	35****	18	30***	26	32

\* 2015 results have been restated under new accounting standard FRS102 comparable to 2016 results.

\*\* Pension deficit shown gross of related deferred tax.

\*\*\* Excluding the Liberation Day fault.

\*\*\*\* Excluding the October 2018 cable failure.

## Chief Executive Officer's report - *continued*

### Our community

At Guernsey Electricity we understand that we have a responsibility to play an active role in our community and give back to the island. We have again supported the Safety Calling initiative which teaches students key safety skills including electrical safety, fire safety and also how to make a 999 call.

In July, we sponsored a group of three local children to take part in the kids' race of the Tour des Ports de la Manche Yacht Race in Cherbourg, France. The children performed well in their first international competition, and finished 3rd, 4th and 6th overall out of 15 sailors.



Two black bin bags of rubbish and one of recyclable items were collected from Bordeaux Harbour beach in September during our annual beach clean as part of the national Beachwatch initiative. Employees were pleasantly surprised how clean the beach was compared to previous years.

In January, we announced our commitment to minimising our impact on the local environment by reducing waste and increasing recycling

throughout the company. As part of this initiative we have provided reusable 500ml water bottles to all employees, centralised recycling in-house and replaced all single use kitchen items. If every employee used a plastic bottle on each working day of 2019 that would be more than 53,000 bottles used in one year, so we are sure we can make a big difference to the environment through these reusable water bottles.



### The team



This year has been extremely challenging for the team at Guernsey Electricity. Again, I would like to thank all of my colleagues who have engaged with and taken the company forward to deliver outstanding contributions to the organisation. I also appreciate how all the company's employees continue to operate professionally and remain loyal and committed to the company and bring our values to life through their behaviours. This year has seen a milestone reached in terms of Health and Safety performance with 978 days and 955,335 hours being achieved by the end of this financial year. The 1,000,000 hours milestone was subsequently achieved on 18 May 2019. This performance provides a good indication to the changing culture of the organisation and commitment of colleagues to ensure a safe working environment.



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.

I would stress that the company and its employees remain dedicated to providing a high level of service to its customers and that we will continue to deal with the future challenges we face whilst striving to improve what we do today.

## Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2019. 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 32 to 57.

### 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 year (2018: £749,000 paid), representing £nil per share (2018: £0.00712 per share paid). The company will not be proposing a dividend at the 2019 Annual General Meeting (2018: £nil proposed).

### Customers

The number of customers as at 31 March 2019 is 30,678 (2018: 30,483).

### Units

Importation through the cable link between Guernsey, Jersey and the European grid provided 55% (2018: 86%) of the island's electricity needs in the year ended 31 March 2019 and 45% (2018: 14%) was generated on the island, as shown by the units analysis below:

	2019	2018
Units imported MWh	<b>203,968</b>	318,572
Units generated MWh	<b>165,043</b>	53,794
<b>Total units imported/generated MWh</b>	<b>369,011</b>	372,366

### Average price

The average price per kWh sold in the year ended 31 March 2019 was 14.54 pence (2018: 14.69 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 year ended 31 March 2019, customers lost 31.68 minutes due to generation/importation activity (2018: nil minutes) and 35.13 minutes were lost per customer in respect of distribution (2018: 18.34 minutes).

### Directors and their interests

The directors of the company, who served during the year 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) were appointed auditor at last year's Annual General Meeting following a formal competitive tendering process. A resolution for the re-appointment of auditor will be proposed at the forthcoming Annual General Meeting.

For and on behalf of the Board of Directors.



**IA Hardman**

Director



**AM Bates**

Director

23 July 2019

## 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 aligned to the principles of the UK Corporate Governance Code.

### 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

#### Chairman

Ian Hardman, the Chairman, 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 Chairman. Robert Lawrence is the Deputy Chairman 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 year 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.

Christine Holmes retired from the Board on 23 October 2018. Gillian Browning, Peter Shaefer and Rick Denton all joined the Board on 26 September 2018.

#### Information and professional development

For each scheduled Board meeting the Chairman 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 year for Board meetings is given in the table below:

Director	Meetings attended	Total meetings held
<b>IA Hardman</b>	<b>10</b>	<b>10</b>
<b>AM Bates</b>	<b>10</b>	<b>10</b>
<b>JPC Turner</b>	<b>10</b>	<b>10</b>
<b>S-A David</b>	<b>10</b>	<b>10</b>
<b>RP Lawrence</b>	<b>10</b>	<b>10</b>
<b>RJ Dutnall</b>	<b>8</b>	<b>10</b>
<b>CM Holmes</b>	<b>3</b>	<b>5</b>
<b>RL Denton</b>	<b>3</b>	<b>5</b>
<b>GM Browning</b>	<b>5</b>	<b>5</b>
<b>P Shaefer</b>	<b>5</b>	<b>5</b>

## Corporate governance - continued

### 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 year were:

- Energy Transition/Energy Policy
- Guernsey to Jersey interconnector cable replacement (GJ1)
- Guernsey to France interconnector cable (GF1)
- Network investment programme
- Recruit key skills to deliver the Energy Transition

### 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 Robert Lawrence, 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 four Remuneration & Nominations Sub-Committee meetings held in the year.

The membership of this Sub-Committee during the financial year was as follows.

**Chairman:** RP Lawrence  
**Members:** IA Hardman  
 GM Browning (appointed 26 September 2018)  
 CM Holmes (retired 23 October 2018)

### 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. Bob Dutnall is the Chairman 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 six Audit & Risk Sub-Committee meetings in the year, 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 year was as follows:

**Chairman:** RJ Dutnall  
**Members:** IA Hardman  
 RL Denton (appointed 26 September 2018)  
 P Shaefer (appointed 26 September 2018)

## Corporate governance - *continued*

### Land & Property Sub-Committee

Julian Turner is the Chairman 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 Chairman of the Board together with all of the Executive Directors. There were seven Land & Property Sub-Committee meetings held in the year.

### 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 year. 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;
- 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 year ended 31 March 2019, 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 31 March 2019 and of the Company's profit for the year 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 25, 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

26 July 2019

## Statement of comprehensive income

for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
<b>Revenue</b>	4	<b>54,920</b>	56,343
<b>Cost of sales</b>		<b>(52,216)</b>	(44,069)
<b>Gross profit</b>		<b>2,704</b>	12,274
<b>Net operating expenses</b>		<b>(10,455)</b>	(11,105)
<b>Operating (loss)/profit before pension settlement</b>		<b>(7,751)</b>	1,169
<b>Pension settlement gains</b>	21	<b>18,194</b>	-
<b>Operating profit after pension settlement</b>	5	<b>10,443</b>	1,169
Net losses on derivatives at fair value	20	<b>(464)</b>	(378)
Finance income	6	<b>167</b>	371
Finance cost	6	<b>(257)</b>	(252)
Other finance cost	21	<b>(568)</b>	(1,039)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>9,321</b>	(129)
Taxation	7, 13	<b>(1,746)</b>	84
<b>Profit/(loss) for the financial year after taxation</b>		<b>7,575</b>	(45)
<b>Other comprehensive income:</b>			
Effective portion of changes in fair value of cashflow hedges	20	<b>(103)</b>	(34)
Remeasurement of net defined benefit liability	13, 21	<b>8,906</b>	6,953
<b>Total comprehensive income for the financial year</b>		<b>16,378</b>	6,874

All activities derive from continuing operations.

The notes on pages 32 to 57 form an integral part of these financial statements.

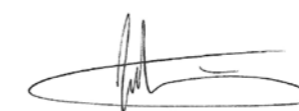
## Statement of financial position

at 31 March 2019

	Note	2019 £'000	2018 £'000
<b>Non-current assets</b>			
Property, plant and equipment	9	<b>133,852</b>	127,630
Investments	10	<b>5</b>	5
		<b>133,857</b>	127,635
<b>Current assets</b>			
Inventories	11	<b>6,963</b>	5,686
Trade and other receivables	12	<b>12,669</b>	17,102
Balances with States Treasury	14	<b>7,295</b>	6,115
Cash		<b>1,125</b>	727
		<b>28,052</b>	29,630
<b>Current liabilities</b>			
Trade and other payables: amounts falling due within one year	15	<b>(18,905)</b>	(26,176)
<b>Net current assets</b>		<b>9,147</b>	3,454
<b>Total assets less current liabilities</b>		<b>143,004</b>	131,089
<b>Non-current liabilities</b>			
Trade and other payables: amounts falling due after more than one year	16	<b>(26,264)</b>	(4,254)
<b>Pension deficit</b>	21	<b>(8,601)</b>	(35,074)
<b>Net assets including pension deficit</b>		<b>108,139</b>	91,761
<b>Equity</b>			
<b>Share capital</b>	17	<b>105,209</b>	105,209
<b>Reserves</b>		<b>2,930</b>	(13,448)
<b>Total equity</b>		<b>108,139</b>	91,761

The financial statements on pages 28 to 57 were approved by the Board of Directors on 23 July 2019.

Signed on behalf of the Board of Directors



IA Hardman Director



AM Bates Director

The notes on pages 32 to 57 form an integral part of these financial statements.

## Statement of changes in equity

for the year ended 31 March 2019

	Share capital £'000	Reserves £'000	Total equity £'000
<b>1 April 2017</b>	<b>105,209</b>	<b>(19,573)</b>	<b>85,636</b>
Loss for the financial year	-	(45)	(45)
<b>Other comprehensive income for the year</b>			
Remeasurement of net defined benefit liability	-	6,953	6,953
Effective losses on hedging instruments in a cash flow hedge	-	(34)	(34)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>6,874</b>	<b>6,874</b>
<b>Transactions with owners recognised directly in equity</b>			
Dividend (note 8)	-	(749)	(749)
<b>Total transactions with owners recognised directly in equity</b>	<b>-</b>	<b>(749)</b>	<b>(749)</b>
<b>31 March 2018</b>	<b>105,209</b>	<b>(13,448)</b>	<b>91,761</b>
Profit for the financial year	-	7,575	7,575
<b>Other comprehensive income for the year</b>			
Remeasurement of net defined benefit liability	-	8,906	8,906
Effective losses on hedging instruments in a cash flow hedge	-	(103)	(103)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>16,378</b>	<b>16,378</b>
<b>31 March 2019</b>	<b>105,209</b>	<b>2,930</b>	<b>108,139</b>

## Cash flow statement

for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
<b>Net cash inflow from operating activities</b>	18	<b>5,130</b>	10,509
<b>Cash flow from investing activities</b>			
Finance income		168	484
Payments to acquire property, plant and equipment		(11,612)	(9,199)
Proceeds of disposal of property, plant and equipment		18	13
Customers' contributions towards capital expenditure		58	271
<b>Net cash outflow from investing activities</b>		<b>(11,368)</b>	(8,431)
<b>Cash flow from financing activities</b>			
Finance cost		(159)	(249)
Amounts drawn under medium-term credit facility		22,000	-
Amounts repaid under medium-term credit facility		(14,000)	-
Dividends paid	8	-	(749)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>7,841</b>	(998)
Increase in cash and cash equivalents during the year		1,603	1,080
<b>Cash and cash equivalents at the beginning of the year</b>		<b>6,842</b>	5,766
Exchange losses on cash and cash equivalents		(25)	(4)
<b>Cash and cash equivalents at the end of the year</b>		<b>8,420</b>	6,842
<b>Cash and cash equivalents consists of:</b>			
Balances with States Treasury		7,295	6,115
Cash		1,125	727
		<b>8,420</b>	6,842

Movements in balances with States Treasury and the other income are deemed cash equivalents in accordance with section 7 of FRS 102 (Statement of Cash Flows).

The notes on pages 32 to 57 form an integral part of these financial statements.

# Notes to the financial statements

## Year ended 31 March 2019

### 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 years presented, unless otherwise stated.

#### *Basis of preparation*

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. During the year, the company entered into a five-year, £20m revolving credit loan facility with RBS International to refinance a previous revolving credit facility held with HSBC which expired on 3 October 2018. 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. As at 31 March 2019, £22m had been drawn on this facility (2018: £14m under the previous HSBC facility). This facility expires on 2 October 2023. The company has entered into a significant capital expenditure commitment with the project to replace the Guernsey to Jersey interconnector cable (as at 31 March 2019, total commitments for GJ1 amounted to £24.8m). This project will be funded partly by the revolving credit facility and through an additional commercial loan facility secured with RBS International of £15m together with utilisation of proceeds of the States of Guernsey Bond. The company has a strong statement of financial position as at the end of the financial year and a net assets position of £108.1m (2018: £91.8m).

The reported Operating loss before pension settlement gains was £7.8m which followed GJ1 failure costs of £6.5m and cable link impairment costs of £3.4m. The Guernsey Competition and Regulatory Authority ("GCRA") has approved an historic cost recovery of 6.8%, effective from 1 July 2019 and applicable for three years, to cover increased foreign exchange and commodity costs. This rise will enable Guernsey Electricity to recover the last two years' uncontrollable costs created by increases in external costs to import electricity and generate on-island. 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 the annual 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 year 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.

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 year 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.

## Notes to the financial statements - *continued*

### Year ended 31 March 2019

#### 3. Principal accounting policies - *continued*

##### 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".

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 10 members as at 31 March 2019 (31 March 2018: nil 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 year 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.

##### 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 year 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.

## Notes to the financial statements - continued

### Year ended 31 March 2019

#### 3. Principal accounting policies - continued

##### Property, plant and equipment - continued

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

##### 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.

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.

## Notes to the financial statements - *continued*

### Year ended 31 March 2019

#### 3. Principal accounting policies - *continued*

##### *Foreign exchange - continued*

###### 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.

###### 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 elected to introduce hedge accounting for its foreign exchange hedging of the Euro exposure for the import of electricity during the previous financial year, from 1 October 2017. These relationships have been 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.

###### 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.

## Notes to the financial statements - continued

### Year ended 31 March 2019

#### 3. Principal accounting policies – continued

##### 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 year end 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.

##### 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 – see note 21

##### (iv) Financial instrument derivatives – see note 20

##### (v) Deferred tax/unrelieved trading losses – see note 7

#### 4. Revenue

	2019 £'000	2018 £'000
Sales of electricity	50,182	51,848
Sale of goods, commercial and hire purchase	4,048	3,861
Rental income	247	262
Deferred income	182	177
Other income	261	195
	<b>54,920</b>	<b>56,343</b>

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, each year an estimate of the unbilled units as at 31 March is determined.

The value of unbilled units included in sales of electricity above is £6,706,000 (2018: £7,164,000).

#### 5. Operating profit

Operating profit is after charging/(crediting)

	2019 £'000	2018 £'000
Depreciation (note 9)	7,736	8,214
Impairment (note 9)	3,367	-
Pension settlement gain (note 21)	(18,194)	-
Rentals under operating leases	124	77
Auditor's remuneration		
	- statutory audit	46
	- non-audit services	24
Bad debts	100	59
Director fees, salaries and other benefits	930	922
Regulatory costs		
	- external	-
	- internal	40
Loss on disposal of assets	45	77

The amount of inventories recognised as an expense during the period is as follows:

	2019 £'000	2018 £'000
Inventory write-offs	19	87
Inventory discrepancies	5	48
Inventory provision	10	43

## Notes to the financial statements - continued

### Year ended 31 March 2019

#### 6. Finance and income cost

	2019 £'000	2018 £'000
Finance income:		
Deposits with banks and States Treasury	23	230
Hire purchase	144	141
	<b>167</b>	371
Finance cost:		
Medium-term credit facility	255	251
Other interest payable	2	1
	<b>257</b>	252

#### 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 year basis. The assessable profits for the current year have been offset against the unrelieved trading losses and excess capital allowances carried forward from prior years. Consequently, all tax is deferred and there is no tax payable for the current year.

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 15.0178% (2018: 18.1328%) 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 year ended 31 March 2019.

The deferred tax charge/(credit) in the statement of comprehensive income for the year is:

	2019 £'000	2018 £'000
Timing differences on capital allowances and depreciation	(283)	550
Short-term timing differences (pension)	3,502	(374)
Short-term timing differences (other)	46	(21)
Movement on unrelieved trading losses	(1,519)	(239)
	<b>1,746</b>	(84)

#### 8. Dividend

No dividend was paid during the year (2018: £749,000 paid), representing £nil per share (2018: £0.00712 per share paid). The company will not be proposing a dividend at the 2019 Annual General Meeting (2018: £nil proposed).

#### 9. Property, plant and equipment

Cost	1 April 2018 £'000	Additions £'000	Written off/ disposals £'000	31 March 2019 £'000
Land and buildings	35,251	62	6	<b>35,307</b>
Cable link	55,933	10,723	-	<b>66,656</b>
Plant and machinery:				
- Generation	62,518	628	8	<b>63,138</b>
- Distribution	14,098	1,032	-	<b>15,130</b>
Distribution network	39,330	3,055	207	<b>42,178</b>
Motor vehicles, furniture and equipment, minor plant	7,166	1,887	181	<b>8,872</b>
	<b>214,296</b>	<b>17,387</b>	<b>402</b>	<b>231,281</b>

Depreciation	1 April 2018 £'000	Charge for the year £'000	Written off/ disposals £'000	31 March 2019 £'000
Land and buildings	14,071	1,071	6	<b>15,136</b>
Cable link	22,205	2,161	-	<b>24,366</b>
- Impairment	-	3,367	-	<b>3,367</b>
Plant and machinery:				
- Generation	27,158	2,667	9	<b>29,816</b>
- Distribution	4,601	434	-	<b>5,035</b>
Distribution network	14,509	786	144	<b>15,151</b>
Motor vehicles, furniture and equipment, minor plant	4,122	617	181	<b>4,558</b>
	<b>86,666</b>	<b>11,103</b>	<b>340</b>	<b>97,429</b>
<b>Net book value</b>	<b>127,630</b>			<b>133,852</b>

Included above are assets in the course of construction of £14,627,000 (2018: £1,246,000), which are not depreciated. Impairment costs above totalling £3.4m relate to the full impairment of the company's investment in the GJ1 and N2 cable link interconnectors following the decision to replace the GJ1 interconnector.

## Notes to the financial statements - continued

Year ended 31 March 2019

### 10. Investments

	2019 £'000	2018 £'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

	2019		2018	
	£'000	£'000	£'000	£'000
Fuel inventories		3,215		2,655
Purchased goods for resale	245		260	
Provision	(8)	237	(5)	255
Other inventories	5,486		4,869	
Provision	(2,240)	3,246	(2,233)	2,636
Work in progress		265		140
		<b>6,963</b>		<b>5,686</b>

The replacement cost of inventories was (lower)/greater than the statement of financial position carrying amounts as follows:

	2019 £'000	2018 £'000
Fuel inventories	(38)	95

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

	2019 £'000	2018 £'000
Estimated value of unbilled units	6,706	7,164
Customer accounts outstanding	4,166	4,819
Other receivables	494	287
Prepayments	864	785
Deferred tax asset (note 13)	401	3,713
Derivative financial instruments (note 20)	38	334
	<b>12,669</b>	<b>17,102</b>

Included in "Customer accounts outstanding" is an amount totalling £172,000 (2018: £326,000) 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

<b>Deferred tax assets comprise of:</b>	2019 £'000	2018 £'000
Deferred taxation:		
Balance at 1 April	3,713	5,161
Statement of comprehensive income (charge)/ credit	(1,746)	84
Statement of other comprehensive income	(1,566)	(1,532)
<b>Balance at 31 March</b>	<b>401</b>	<b>3,713</b>
Which comprises:		
Capital allowances in excess of depreciation	8,917	9,200
Short-term timing differences (other)	(242)	(288)
Unrelieved loss for tax purposes	(7,784)	(6,265)
Deferred tax liability	891	2,647
<b>Deferred tax asset on pension deficit (note 21)</b>	<b>(1,292)</b>	<b>(6,360)</b>
Net deferred tax assets (note 12)	<b>401</b>	<b>3,713</b>

## Notes to the financial statements - continued

### Year ended 31 March 2019

#### 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

	2019 £'000	2018 £'000
Trade payables	9,907	4,234
Customer payments received in advance	6,651	5,728
Employee taxes and Social Security	194	194
Deferred income	182	177
Accruals and other payables	1,594	1,738
Derivative financial instruments (note 20)	377	105
Amount drawn under medium-term credit facility (note 20)	-	14,000
	<b>18,905</b>	<b>26,176</b>

The company has a £1m overdraft facility with Barclays Bank Plc (2018: £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 31 March 2019, £nil was drawn on the Barclays Bank Plc overdraft facility (2018: £nil).

#### 16. Trade and other payables: amounts falling due after more than one year

	2019 £'000	2018 £'000
Deferred income	4,264	4,254
Amount drawn under medium-term credit facility (note 20)	22,000	-
	<b>26,264</b>	<b>4,254</b>

#### 17. Share capital

	2019 £'000	2018 £'000
<i>Authorised:</i>		
125,000,000 ordinary shares of £1 each	<b>125,000</b>	125,000
<i>Issued and fully paid:</i>		
105,208,844 ordinary shares of £1 each	<b>105,209</b>	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 profit to net cash flow from operating activities

	2019 £'000	2018 £'000
Profit/(loss) for the financial year	7,575	(45)
Tax on profit/(loss) on ordinary activities	1,746	(84)
Net finance costs	658	920
Net losses on derivatives at fair value	464	378
Operating profit	<b>10,443</b>	<b>1,169</b>
Depreciation charge	7,736	8,214
Impairment	3,367	-
Loss on disposal of non-current assets	45	77
Exchange loss on cash and cash equivalents	25	4
Pension service cost	2,394	2,664
Pension settlement gain	(18,194)	-
Employer's pension cash contributions	(809)	(855)
Pension administration costs	41	37
Deferred income	(182)	(177)
(Increase)/decrease in inventories	(1,277)	661
Decrease/(increase) in receivables	825	(1,922)
Increase in payables	716	637
	<b>5,130</b>	<b>10,509</b>

## Notes to the financial statements - continued

### Year ended 31 March 2019

#### 19. Commitments

Capital commitments, for which no provision has been made in these financial statements, amounted to £32,150,000 (of which £24,804,000 relates to the GJ1 cable link overlay project) as at 31 March 2019 (2018: £6,726,000). 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 2020 this results in a total commitment for Guernsey Electricity Limited of €8.9m, equating to £7.7m at the Sterling/Euro rate at 31 March 2019 of 1.1595, (2019: €11.1m, equating to £9.7m at the Sterling/Euro rate at 31 March 2018 of 1.1410).

##### Operating lease commitments

Commitments to make payments in respect of operating leases are as follows:

	2019 £'000	2018 £'000
Operating leases which expire:		
Within one year	110	110
Between one to five years	248	358

#### 20. Financial instruments and associated risk management

(i) The categories of financial assets and financial liabilities, at the reporting date, in total, are as below:

	Note	2019 £'000	2018 £'000
<b>Financial assets at fair value through profit or loss</b>			
Derivative financial instruments:	12		
- Interest rate cap		36	-
- Forward foreign currency contracts		2	334
<b>Financial assets that are debt instruments measured at amortised cost</b>			
Estimated value of unbilled units	12	6,706	7,164
Customer accounts outstanding	12	4,166	4,819
Other receivables	12	494	287
Cash and cash equivalents		8,420	6,842
<b>Financial liabilities measured at amortised cost</b>			
Trade payables	15	9,907	4,234
Customer payments received in advance	15	6,651	5,728
Deferred income	15,16	4,446	4,431
Accruals and other payables	15	1,594	1,738
Amount drawn under medium-term credit facility	15,16	22,000	14,000
<b>Financial liabilities measured at fair value through profit or loss</b>			
Derivative financial instruments – Forward foreign currency contracts	15	377	105

## Notes to the financial statements - continued

### Year ended 31 March 2019

#### 20. Financial instruments and associated risk management - continued

##### 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. During the year, the company entered into a five-year interest rate cap to hedge part of the interest rate risk associated with the refinanced £20m revolving credit facility. An interest rate cap of 1.75% has been applied to a notional amount of £13m and is referenced against the three-month sterling LIBOR rate. The valuation of this instrument as at 31 March 2019 was £36,000 and this gain is included within the profit and loss account. A ten-year interest rate cap was entered into after the financial year end, 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 £15m and is also referenced against the three-month sterling LIBOR rate.

##### 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.

(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 commitment - revolving credit facility

The company entered into a five year, £20m revolving credit loan facility with RBS International to refinance a previous revolving credit facility held with HSBC which expired on 3 October 2018. 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 is charged at LIBOR plus an agreed premium. A commitment fee is payable on any undrawn amount in line with the terms of the arrangement. As at 31 March 2019, the company had utilised £22m of the loan (2018: £14m under the previous HSBC facility). The drawn amount has been classified as a financial liability measured at amortised cost. This facility expires on 2 October 2023.

##### 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 2018 was as follows:

Maturity	Notional amount €'000	Average hedged rate
Less than one year	15,760	1.1495
Greater than one year and less than two years	6,600	1.1230

As at the 31 March 2019, the company is holding the following euro forward and participating forward contracts to hedge the exposure on its electricity import over the next 15 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	12,770	1.1193
Greater than one year and less than two years	1,575	1.1023

The impact of hedging instruments designated in cash flow hedging relationships as of 31 March 2019 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	400	2
Trade and other payables: amounts falling due within one year	13,945	(377)

## Notes to the financial statements - continued

### Year ended 31 March 2019

#### 20. Financial instruments and associated risk management - continued

As at 31 March 2019, the outstanding contracts for import all mature within 15 months of the year end. These contracts are measured at fair value utilising the third-party market valuations provided by the relevant counterparties. The loss included within the profit and loss account was an expense of £464,000 (2018: The loss included within the profit and loss account was an expense of £378,000). A £103,000 expense (2018: £34,000 expense) was recognised in Other Comprehensive Income during the period reflecting the effective change in value of hedging instruments designated for hedge accounting. A number of the hedges designated for hedge accounting were pre-existing at the date of the change in accounting policy last financial year. These hedges therefore have an inherent element of ineffectiveness as only movements from the point of change in policy are eligible to be effective. Hedges transacted after this date are anticipated to be effective.

A total of £39,000 (2018: £nil) has been reclassified from Equity to the Statement of Comprehensive Income during the year. 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

The 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, the actuarial account was closed to new members during the financial year to 31 March 2018.

The most recent triennial 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 31 March 2019.

#### 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.

#### Actuarial account amendments

The liabilities in respect of non-active members of the actuarial account as at 30 June 2018 were transferred to the Combined Pool on that date. A transfer value was paid to the Combined Pool in relation to these liabilities. This resulted in a settlement gain of £16,686,000 on 30 June 2018. This was inclusive of a settlement gain of £337,000 on 30 June 2018 as a result of a payment from the Combined Pool to the actuarial account in relation to the historic transfer of liabilities where members of the Superannuation Fund have moved between the employment of the company and the States of Guernsey.

There was also a settlement gain of £1,508,000 on 31 March 2019 in relation to a transfer of liabilities in relation to active leavers over the period from 1 July 2018 to 31 March 2019. 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:

	2019 £'000	2018 £'000
Fair value of actuarial assets	32,747	65,620
Present value of funded obligations	(41,348)	(100,694)
Net underfunding in actuarial account	(8,601)	(35,074)
Related deferred tax asset (note 13)	1,292	6,360
Net defined pension liability	(7,309)	(28,714)

The amounts recognised in the statement of comprehensive income are as follows:

	2019 £'000	2018 £'000
Service cost	2,394	2,664
Settlement gains	(18,194)	-
Net interest on net defined benefit liability	568	1,039
(Income)/expense recognised in the statement of comprehensive income	(15,232)	3,703

## Notes to the financial statements - continued

### Year ended 31 March 2019

#### 21. Pension scheme - continued

The net interest on net defined benefit liability is comprised as follows:

	2019 £'000	2018 £'000
Interest on obligation	1,611	2,650
Interest on assets	(1,043)	(1,611)
Net interest on net defined benefit liability	<b>568</b>	1,039

The amounts recognised as remeasurements in other comprehensive income are as follows:

	2019 £'000	2018 £'000
Return on assets (not included in interest)	606	2,437
Actuarial gains on obligation	9,866	6,048
Total remeasurements recognised in other comprehensive income	<b>10,472</b>	8,485
Cumulative amount of remeasurements recognised in other comprehensive income	7,149	(3,323)
Actual return on actuarial account assets	1,649	4,048

The following other costs will also need to be charged in the relevant sections of the accounts.

	2019 £'000	2018 £'000
Administration expenses paid from actuarial account	41	37
Other items	41	37

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 £809,000 to the actuarial account over the year from 1 April 2018 to 31 March 2019. Members of the actuarial account contributed £506,000 to the actuarial account over the same period.

The company expects to contribute £795,000 to the actuarial account over the next year from 1 April 2019 to 31 March 2020. Contributions by members of the actuarial account are expected to total £498,000 over the same period.

Changes in the present value of the actuarial account's defined benefit obligation are as follows:

	2019 £'000	2018 £'000
Opening defined benefit obligation	100,694	102,975
Service cost	2,394	2,664
Contributions by members	506	534
Liabilities extinguished on settlements	(53,205)	-
Benefits paid	(785)	(2,081)
Interest on obligation	1,611	2,650
Experience losses/(gains)	270	(3,945)
Gains from changes in assumptions	(10,137)	(2,103)
Closing defined benefit obligation	<b>41,348</b>	100,694

The weighted average duration of the liabilities of the actuarial account was 27 years as at 31 March 2019.

Changes in the fair value of actuarial account assets are as follows:

	2019 £'000	2018 £'000
Opening fair value of actuarial account assets	65,620	62,301
Interest on assets	1,043	1,611
Return on assets (not included in interest)	606	2,437
Assets distributed on settlements	(35,011)	-
Contributions by employer	809	855
Contributions by members	506	534
Benefits paid	(785)	(2,081)
Administration expenses	(41)	(37)
Closing fair value of actuarial account assets	<b>32,747</b>	65,620

## Notes to the financial statements - continued

### Year ended 31 March 2019

#### 21. Pension scheme - continued

The major categories of actuarial account assets as a percentage of the total are as follows:

	2019 %	2018 %
Equities & alternatives	75	76
Bonds & fixed interest securities	14	14
Property	6	7
Other assets	5	3

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:

	31 March 2019 % p.a.	31 March 2018 % p.a.
Discount rate at end of year	2.40	2.50
Discount rate at start of year	2.50	2.60
Inflation	2.40	3.30
Rate of increase in pensionable salaries	3.15	4.05
Rate of increase in deferred pensions	2.40	3.30
Rate of increase in CARE benefits	2.40	3.30
Rate of increase in pensions in payment	2.40	3.30

#### Mortality assumptions

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member aged 65 will live on average until age 87 if they are male and until age 89 if female. For a member currently aged 45, the assumptions are that if they attain age 65 they will live on average until age 88 if they are male and until age 90 if female.

Amounts for the current and previous period are as follows:

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Defined benefit obligation	41,348	100,694	102,975	80,848	81,903
Actuarial Account assets	32,747	65,620	62,301	54,726	54,889
Deficit	(8,601)	(35,074)	(40,674)	(26,122)	(27,014)
Actuarial gains/(losses) on Actuarial Account assets	606	2,437	6,937	(1,987)	2,508
Experience (losses)/gains on Actuarial Account liabilities	(270)	3,945	3,487	859	1,916
Gains/(losses) from changes in assumptions	10,137	2,103	(23,316)	4,241	(6,454)
Total Actuarial gains/(losses) on Actuarial Account liabilities	9,866	6,048	(19,829)	5,100	(4,537)

#### 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 year. See note 5 for disclosure of directors' remuneration.

#### 24. Subsequent events

##### GJ1 cable overlay project funding

In order to fund the project to overlay the existing Guernsey to Jersey interconnector the company has entered into a new ten-year loan facility, together with interest rate protection, commencing on 31 May 2019, with RBS International which offers a credit line of £15m. In addition, the company has agreement for a loan from the proceeds of the States of Guernsey Bond issue for this project.

##### Tariff change

The Guernsey Competition and Regulatory Authority published its Statutory Notice of Final Decision, CICRA 19/23, allowing Guernsey Electricity to increase its unit tariffs by 6.8%, to be in place for three years from 1 July 2019. This tariff rise is to facilitate the recovery of historic uncontrollable costs incurred during the preceding two-year period relating to the importation and generation of electricity, which are primarily related to the price of oil and exchange rate movements.

##### Change in accounting period

The Board has approved a change in financial fiscal date from 31 March to 30 September with effect from 1 April 2019. The next accounting period will therefore be a transitional 18-month period from 1 April 2019 to 30 September 2020. The change in fiscal date aids business forecasting and reduces year end unbilled revenue estimation as the higher winter consumption periods move towards the beginning of the financial year.

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Guernsey Electricity Limited  
PO Box 4  
Electricity House  
North Side  
Vale  
Guernsey GY13AD



**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**POLICY & RESOURCES COMMITTEE**

INTERNATIONAL TAX MEASURES – MISCELLANEOUS AMENDMENTS TO THE INCOME TAX  
LEGISLATION

The States are asked to decide:-

Whether, after consideration of the Policy Letter entitled “International Tax Measures – Miscellaneous Amendments to the Income Tax Legislation” dated 8<sup>th</sup> November, 2019, they are of the opinion:-

That the Income Tax (Guernsey) Law, 1975, as amended (“the Law”), and regulations thereunder, should be revised to:

- (a) Provide the Revenue Service with the power to undertake onsite visits in respect of business premises from which a person is or may be operating, for the purposes of reviewing compliance with the Common Reporting Standard (“CRS”) and any other matters relating to income tax or international tax measures;
- (b) Place a requirement for all financial institutions, operating in Guernsey, to register with the Revenue Service and, when doing so, detailing their classification for the purposes of CRS and the Foreign Account Tax Compliance Act (“FATCA”);
- (c) Enable the Revenue Service to issue a notice to a financial institution to complete corrective remedial actions, related to CRS and/or FATCA reporting and in the case of significant non-compliance to be required at its own cost to appoint a suitably qualified independent person for the purposes of determining the full extent of the non-compliance, overseeing the repair, validating that the corrective measures have moved the financial institution into a compliant position, and making a relevant disclosure to the Revenue Service confirming this position;
- (d) Require financial institutions to report to the Revenue Service all account holders where they have been unable to obtain valid self-certification for the purposes of CRS and/or FATCA due diligence procedures. To then enable the Revenue Service

to serve a notice to the financial institution to require them to freeze the account, until such time as the accountholder provides valid self-certification;

- (e) Amend section 193 of the Law (as modified in the relevant CRS and FATCA Regulations) to make it clear these penalties are applied only in respect of the late filing of reports;
- (f) Amend the provisions contained within section 193(1) and section 200 of the Law, to make it clear that where a person has failed to deliver a return, other than a return of income, by the filing deadline, the Revenue Service may automatically impose a penalty, without the requirement to issue a notice stating the grounds of their belief and providing the person with a reasonable opportunity to state their case (without prejudice to the person's right of appeal);
- (g) Enable the Revenue Service to impose increased levels of daily penalties, in the exceptional cases where a person continues for more than 30 days after the imposition of the original penalty not to meet any of its reporting or filing obligations under the Law;
- (h) Enable the Revenue Service to impose specific penalties for the submission of CRS/FATCA returns which are incorrect or incomplete in a material particular where the maximum penalty to be imposed is based on a percentage of the balance or value of accounts, that were not reported;
- (i) Amend section 190 of the Law so that where a company fails to deliver a return of income within the filing deadline, the current maximum penalty of £50 where the company, for example, has no income or profits in the period for which the return is required will no longer apply;
- (j) make necessary amendments to the Income Tax (Guernsey) Law, 1975, in order to be able to implement the provisions of the Assistance in Collection Article contained in the Double Taxation Agreement between Guernsey and the United Kingdom.

That the Policy & Resources Committee be instructed to:

- (k) make Regulations, to be laid before the States, in accordance with section 75CC of the Law, to implement the Mandatory Disclosure Rules relating to CRS Avoidance Arrangements and Opaque Offshore Structures, as published by the OECD; and

That -

- (l) the MDR shall, in accordance with section 75CC(1C) of the Income Tax (Guernsey) Law, 1975, be specified for the purposes of that Law as an international tax measure (the provisions of which may accordingly be implemented by regulations of the Policy & Resources Committee under section 75CC(1A) of that Law).

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

**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**POLICY & RESOURCES COMMITTEE**

INTERNATIONAL TAX MEASURES – MISCELLANEOUS AMENDMENTS TO THE INCOME TAX  
LEGISLATION

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

8<sup>th</sup> November, 2019

Dear Sir

**1. Executive Summary**

This policy letter proposes a number of amendments to income tax legislation in order to meet the international tax commitments that Guernsey has made, as set out below:

**Common Reporting Standard – Financial Institution Compliance Framework**

1.1. When Guernsey committed to implement (what was then) the new international standard in respect of tax transparency (the Standard for Automatic Exchange of Financial Account Information in Tax Matters, which is referred to as “the Common Reporting Standard” or “CRS”) in 2014 it included a requirement that:

“A jurisdiction must have rules and administrative procedures in place to ensure effective implementation of, and compliance with, the reporting and due diligence procedures ...”.

1.2. The Revenue Service (being the Service Area that deals with the administration and exchange of information under the CRS) has implemented the framework in a phased approach. Initially, since 2016, this has focussed on providing education and a robust computer system which enabled financial institutions to submit reports of the required financial data in a format that complied with the specific template requirements, which in turn enabled the Revenue Service to then monitor and carry out relevant compliance activities in respect of those financial institutions that failed to file the required reports by the filing deadline.

- 1.3. Now that the Revenue Service has completed the third annual cycle of receiving and transmitting data, it is necessary to transition to the next phase of the implementation of the CRS. This involves a far more focussed approach on ensuring Guernsey financial institutions are meeting their CRS obligations. In preparing for this phase it has been recognised that further enhancements to the income tax legislation are required in order to ensure that Guernsey has a robust, effective, compliance framework that balances the need to ensure the CRS is being implemented correctly, whilst seeking to limit, insofar as possible, the extent of the additional compliance burden on Guernsey financial institutions.
- 1.4. The OECD, Global Forum on Transparency and Exchange of Information for Tax Purposes (“the Global Forum”) agreed to put in place a framework to monitor and review the implementation of the CRS by all committed jurisdictions (a peer review process) which, given the size and complexity of the CRS, has been split into three parts, those being:
- Legal framework;
  - Effectiveness in practice; and
  - Data safeguarding and confidentiality (which extends beyond the CRS and affects other tax transparency measures, also implemented by Guernsey, such as Country by Country Reporting (“CbCR”).
- 1.5. All of the jurisdictions that committed to implementing the CRS for reporting commencing in 2017 or 2018 have already been subject to the initial peer review process in respect of the legal framework. The peer review of Guernsey’s legal framework resulted in only one recommendation to correct a perceived deficiency in the legislation (this is now in the process of being amended) and a number of notes which will be considered in the next stage of the peer review process, which will look at the effectiveness of the CRS regime, as it works in Guernsey in practice.
- 1.6. A significant aspect of this next stage of the peer review process will focus on how the Revenue Service will ensure Guernsey Financial Institutions are complying with their legal obligations, including that all relevant financial institutions that have a reporting requirement are registered with the Revenue Service and are making reports and that those reports are complete and accurate. Ultimately the peer review process is intended to result in each jurisdiction receiving a rating of its level of compliance with CRS.
- 1.7. This Policy Letter recommends a number of amendments to the income tax legislation which are intended to ensure the Revenue Service has the relevant ability to conduct compliance reviews and take appropriate action in any cases of non-compliance.

## **Mandatory Disclosure Rules on CRS Avoidance Arrangements and Opaque Offshore Structures**

1.8. Guernsey made a political commitment, in response to the European Union (“EU”) Code of Conduct Group’s investigation of tax policies of third countries to the EU, as detailed in the 2019 Budget Report. One aspect of that political commitment was to introduce Mandatory Disclosure Rules (“MDR”) and the 2019 Budget Report detailed the position as follows:

“5.37 It is also proposed that a commitment is given to introduce legislation for mandatory disclosure rules by 31 December 2019 (the timescale that countries within the EU are working towards) aligned to the OECD work on mandatory disclosure rules for CRS Avoidance Arrangement[s] and Opaque Offshore Structures ...”.

1.9. The MDR framework is designed to require those persons involved in either the promotion, design, marketing, implementation or management of a relevant arrangement or structure in Guernsey, to be legally obligated to report the existence of the arrangement or structure and the users of it to the Revenue Service. The Revenue Service will then exchange the relevant information with those jurisdictions in which the users are resident, subject to the relevant international exchange relationships being in place.

1.10. The MDR is, therefore, a further automatic exchange of information framework (i.e. similar to the CRS) which Guernsey will enter into under the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (or an appropriate Tax Information Exchange Agreement or Double Taxation Agreement, as the case may be) all such agreements having been specified as “approved international agreements” in accordance with section 75C(1) of the Income Tax (Guernsey) Law, 1975, as amended (“ the Income Tax Law”).

1.11. This Policy Letter recommends that the States of Deliberation declare that the MDR is an international tax measure, in accordance with section 75CC(1C) of the Income Tax Law and instruct the Policy & Resources Committee to make such Regulations that are necessary to implement the provisions of the MDR in Guernsey.

## **Assistance in Collection**

1.12. Assistance in Collection is a provision that can be included in international tax agreements which, based on the OECD Model text, provides for the parties to the agreements to assist one another in collecting delinquent tax debts.

1.13. The only international tax agreement Guernsey has which includes an Assistance in Collection Article is the Double Taxation Agreement between Guernsey and the United Kingdom (“the Guernsey/UK DTA”), that Agreement having been recognised in accordance with section 172(1) of the Income Tax Law on the 12 December 2018

(Billet d'État XXVII of 2018, Article 23) and specified as an approved international agreement for the purposes of that Law by Ordinance of the States.

- 1.14. The Policy Letter dated 2<sup>nd</sup> October 2018 (included in Billet d'État XXVII, Article 23) explained that the Assistance in Collection Article would only have effect from the date specified in an exchange of letters (giving both parties the opportunity to introduce any necessary legislation). At that time, discussions between officers of the Revenue Service and HM Revenue and Customs (“HMRC”) were ongoing, in order to determine the mode of application of the Article. These discussions have progressed to such a stage that it is now possible to provide further details.
- 1.15. This Policy Letter recommends amendments be made to the Income Tax Law, in order to be able to implement the provisions of the Assistance in Collection Article contained in the Double Taxation Agreement between Guernsey and the United Kingdom.

## **2. Background**

### **Common Reporting Standard (and Foreign Account Tax Compliance Act) – Financial Institution Compliance Framework**

#### **History of the Common Reporting Standard**

- 2.1. In 2014, the OECD together with the G20 countries, EU and other stakeholders concluded the development of the CRS. This was in response to the G20 call for the facilitation of cross-border tax transparency on financial accounts held abroad. Introduction of the CRS has progressed to the extent that over 100 jurisdictions have committed to its implementation.
- 2.2. Guernsey had issued a joint statement with 36 other countries in 2013, supporting the work on developing the CRS and then a further statement in 2014 with a further 44 countries committing to the early adoption of the CRS.
- 2.3. In 2015, the Income Tax (Approved International Agreements) (Implementation) (Common Reporting Standard) Regulations, 2015 (“the CRS Regulations”) were introduced, the CRS Regulations provided the framework by which the CRS was implemented in Guernsey, with the first reporting from Guernsey financial institutions taking place in June 2017 (providing 2016 data).
- 2.4. The Revenue Service has recently completed the third successful year of exchanging financial account information, with the expanding list of committed jurisdictions, under the CRS. Globally the CRS is now becoming embedded and committed jurisdictions are transitioning from the implementation phase (covering awareness and education) to carrying out compliance reviews in respect of the completeness and the accuracy of the reports received from their respective financial institutions.

2.5. This is a necessary function of the Revenue Service, because, when Guernsey committed to implementing the Standard, included within Section IX of the CRS is a requirement to ensure its “Effective Implementation” which includes:

“A jurisdiction must have rules and administrative procedures in place to ensure effective implementation of, and compliance with, the reporting and due diligence procedures set out above ...”.

2.6. Subsequently, in late 2018, the Global Forum endorsed the framework for the full Automatic Exchange of Information (“AEOI”) Reviews Terms of Reference. This is the framework upon which all of the jurisdictions, that have committed to implement the CRS, will be subject to a periodic comprehensive peer review.

2.7. The Terms of Reference of the peer review process are set out in three Core Requirements of the CRS, which are:

- Core Requirement 1 – Jurisdictions should ensure all Reporting Financial Institutions apply due diligence procedures which are in accordance with the CRS to review Financial Accounts they maintain, and collect and report the information required by the CRS;
- Core Requirement 2 – Jurisdictions should exchange information with all Interested Appropriate Partners in accordance with the CRS, in a timely manner, ensuring it is sorted, prepared, validated and transmitted in accordance with the CRS; and
- Core Requirement 3 – Jurisdictions should keep the information exchanged confidential and properly safeguarded, and use it in accordance with the exchange agreement under which it was exchanged.

2.8. The overarching Core Requirements are then supplemented by Sub-Requirements, which set out the more specific detailed requirements that jurisdictions are expected to adopt in their implementation of the CRS. Both the Core Requirements and Sub-Requirements are separated to enable the assessment process to determine whether a jurisdiction has:

- The legal framework in place for each element; and
- The practical framework implemented by the jurisdiction ensures the effectiveness of the regime.

2.9. The Global Forum’s methodology of the full comprehensive AEOI peer review process is still being finalised. However, all committed jurisdictions have undergone the preliminary assessment of their legislation that they have introduced to implement the CRS. The next aspect of the review will focus on the practical framework, which includes a requirement for all committed jurisdictions to

complete a detailed questionnaire by 31 March 2020 explaining the compliance strategy and compliance activities they have put in place to identify, broadly, whether all financial institutions:

- Have correctly assessed whether or not they have a reporting requirement under the CRS Regulations;
- Having established that they do have a reporting obligation, are then reporting all relevant financial accounts; and
- Have reported accurately and completely, including correctly identifying account holders (and Controlling Persons<sup>1</sup> of accounts held by Entities) based on the required client due diligence procedures.

2.10. At the conclusion of the AEOI peer review process each jurisdiction will receive a determination (a rating) of the extent to which it has met the commitment it entered into when adopting the CRS. This is similar to the process that jurisdictions are subject to under other OECD led international standards, such as the longstanding exchange of information on request (where, in the last round of peer reviews, Guernsey achieved a rating of Compliant, the highest rating).

2.11. A negative rating in the AEOI peer review process would result in reputational damage to Guernsey, given the long track record as a transparent and cooperative jurisdiction. Furthermore, Criterion 1.2 of the EU Code of Conduct Group on Business Taxation's ongoing monitoring of jurisdictions meeting tax good governance principles includes:

"...Membership of the Global Forum on transparency and exchange of information for tax purposes and satisfactory rating ...".

It would, therefore, be reasonable to conclude that a negative rating from the Global Forum, in respect of the AEOI peer review, would trigger the EU Code of Conduct to review whether Guernsey continued to meet Criterion 1.2 and such a failure would ultimately result in Guernsey being listed as non-cooperative, which would undermine the work undertaken throughout 2018 and 2019 in introducing economic substance requirements for all legal persons carrying on geographically mobile activities.

### Compliance Strategy and methodology

2.12. In light of this, the Revenue Service has been developing its compliance strategy in respect of Guernsey financial institutions' compliance with the CRS ("the AEOI FI Compliance Strategy") that seeks to ensure Guernsey can demonstrate that the Revenue Service's compliance review activities (in combination with effective

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<sup>1</sup> Terms which are capitalised in the Policy Letter and not defined are terms used and defined in the CRS

working with other government agencies and the Guernsey Financial Services Commission) are sufficiently robust to meet the CRS. This strategy also covers compliance with the Foreign Account Tax Compliance Act (“FATCA”) upon which the CRS was based, and which Guernsey committed to, with the United States of America, in 2013.

- 2.13. The AEOI FI Compliance Strategy is designed using a risk based approach and the Revenue Service Information Gateway Online Reporter (“IGOR”) software that is used for CRS reporting is being developed to further enhance the Revenue Service’s ability to view and analyse the CRS reports in order to identify and profile potential risks.
- 2.14. It is recognised that a large part of ensuring a financial institution is meeting their CRS obligations depends on the accuracy and completeness of the policies and procedures the financial institution has adopted and whether they have consistently applied those policies and procedures. Whilst the Revenue Service already has a broad suite of information gathering powers, contained in Part VIA of the Income Tax Law, these powers lend themselves to the traditional methods that the Revenue Service has used when making enquiries, namely, calling for records and information to be produced, then if necessary requiring a customer to provide further explanation in relation to the records produced.
- 2.15. Whilst this approach will continue to be utilised and will continue to be effective, the Revenue Service is conscious that in order to progress the Revenue Service compliance reviews as efficiently as possible, with financial institutions, it would be beneficial if duly authorised Revenue Service officers were able to conduct part of the compliance review at the business premises of the financial institution (“an onsite visit”). In doing so, this will reduce the need for financial institutions to have to arrange for copies of their underlying CRS records to be delivered to the Revenue Service and then having to deal with follow up enquiries. Instead, it is envisaged that Revenue Service officers will meet with the representatives of the financial institution, at the relevant business premises, and would be able to review the relevant records in situ and discuss any immediately identified concerns.
- 2.16. The ability to carry out such onsite visits also formed part of the compliance strategy in respect of the more recently introduced economic substance requirements (the relevant provisions were included in Regulation 17 of the Income Tax (Substance Requirements) (Implementation) Regulations, 2018). The proposal is to introduce similar provisions into the Income Tax Law legislation for CRS and FATCA, and have all of the same safeguards and restrictions contained within it.
- 2.17. Those safeguards and restrictions will include that the Revenue Service will only be entitled to enter business premises for the purposes of inspecting business documents. It will also be necessary for the occupier of the premises to provide consent, or for the Revenue Service to have provided 7 days written notice or that the entry and inspection has been approved by the Bailiff.

- 2.18. Whilst initially the main purpose of the onsite visits will be focussed on addressing CRS and FATCA compliance, as the Revenue Service continues to modernise the way in which it ensures compliance with the filing of domestic income tax returns, the Revenue Service anticipates that it would also be permitted to use the new provision to enter business premises and inspect documents (subject to similar safeguards and restrictions) in the performance of all of its functions under the Income Tax Law.
- 2.19. Another key element of the AEOI FI Compliance Strategy is determining that the Revenue Service have a level of assurance that all financial institutions in Guernsey have considered their obligations under CRS and FATCA and, where necessary, are carrying out the relevant reporting. At present the legislative requirements only require a financial institution to register with the Revenue Service when they have determined that they have a reporting requirement (and are classified as a Reporting Financial Institution).
- 2.20. This existing registration process, via IGOR, has been extremely useful in enabling the Revenue Service to carry out relevant enforcement action in respect of the minority of financial institutions that have failed to submit their relevant reports by the filing deadline. However, the existing process does not give the Revenue Service the visibility of those financial institutions that have determined (possibly erroneously) that they do not have a reporting requirement, so further enhancements are needed.
- 2.21. The benefits of introducing an additional registration requirement is twofold; firstly it will enable the Revenue Service to factor the registration details into the risk parameters, using other sources where necessary. This will help the Revenue Service refine its existing risk activities to better focus resources on financial institutions that appear to exist in Guernsey but have not registered (“ghost FIs”) and/or potential cases of mis-classification. Secondly, at present, the Revenue Service are unsighted as to whether a financial institution has not registered to report for FATCA or CRS purposes, either because it has classified itself as a Non-Reporting Financial Institution, or it has simply failed to comply with its legal obligations (and so is potentially a ghost-FI). At present where the Revenue Service identifies an entity that appears as if it is a financial institution that is not registered on IGOR, it is necessary to make enquiries to that financial institution to determine its status, whereas, with the introduction of the additional registration process the Revenue Service will be able to refine this element of the compliance activities to only make enquiries where a classification on the register is flagged as a risk or there remains a risk of a ghost-FI (i.e. there is an indication that there is a financial institution in Guernsey that has failed to comply with the additional registration process). This refined approach will, therefore, reduce the number of enquiries that would have otherwise had to have been made to financial institutions operating in Guernsey.
- 2.22. It is proposed that the relevant legislative amendments will be made to enable the Revenue Service to require all financial institutions to register with the Revenue

Service, via the IGOR system, and that registration process will include a requirement for the financial institution to specify its classification for the purposes of FATCA and the CRS (determining whether it is a Reporting Financial Institution, and if so what type, or a Non-Reporting Financial Institution, and if so what type). It is further proposed that this registration process will be followed by an annual validation, to confirm that current registration details are accurate and complete and to ensure any changes to a financial institutions classification are reported to the Revenue Service in a timely manner.

- 2.23. Whilst this additional registration process does not impose an additional compliance burden on financial institutions (insofar as financial institutions will have had to make these determinations when FATCA and CRS were introduced and ensured they have maintained accurate records of those determinations), it is nonetheless recognised that there will be an additional requirement for slightly more information than is currently being provided to be extracted from their core systems and submitted to the Revenue Service. In view of this it is proposed that the additional requirement, for all financial institutions to register, will not come into effect until 1 January 2021 at the earliest.
- 2.24. As a result of the compliance reviews that the Revenue Service will be carrying out it is not unreasonable to conclude that the Revenue Service may discover cases where there are significant failings in respect of a financial institution meeting their legal obligations, under the FATCA and CRS reporting frameworks. Such a failure could include failing to carry out the relevant customer due diligence or account classification requirements under the frameworks, and could span the entirety of the financial institution's book of business.
- 2.25. Where there has been a failure to comply with legal obligations, the affected financial institution will be required to remediate the failings. However, in order to ensure Guernsey financial institutions are adhering to their obligations, the Revenue Service will need a level of assurance that the corrective measures put in place are a satisfactory resolution of the failings.
- 2.26. Whilst the Revenue Service has been allocated additional human resources to perform the required compliance reviews in respect of the international commitments, these activities are more akin to a regulatory role than those the Revenue Service has historically been required to perform. Therefore, whilst it is acknowledged that the Revenue Service, in this regulatory role, will focus on activities that seek to assist Guernsey financial institutions in complying with their obligations, where it is identified that there are significant failings it is proposed that relevant legislation be introduced to enable the Revenue Service to direct a non-compliant financial institution to appoint (at the cost of the institution) a suitably qualified independent person to oversee the remediation of the significant failings. This person would then be required to make a full disclosure to the Revenue Service detailing the full extent of the failings and the measures introduced to correct the reports previously submitted (if applicable) and give assurance that

future reporting, based on the revised policies and procedures, will be accurate and complete.

- 2.27. Both the CRS and FATCA frameworks include requirements for financial institutions to undertake due diligence procedures that are designed to determine whether a financial account that they maintain is held by a reportable person (being a person tax resident in a reportable jurisdiction). The due diligence procedures include the financial institution reviewing its own records (for CRS this is limited to accounts opened before 1 January 2016) to determine indicators of where the account holder appears to be resident and the financial institution requiring the account holder to provide certification of their jurisdiction(s) of tax residence (referred to as “self-certification”). The self-certification requirement is mandatory for all financial accounts opened after 1 January 2016.
- 2.28. The OECD, Global Forum have continually raised concerns regarding the possibility of financial institutions failing to obtain the self-certification from the account holder where they are obliged to, and account holders potentially providing false self-certifications (for example, stating that they are tax resident in a jurisdiction that is not considered to be a reportable jurisdiction, in order to avoid details of their financial account ultimately being reported to the jurisdiction where they are actually tax resident).
- 2.29. These concerns are included in the original commentary that formed part of the CRS published by the OECD, which included “... given that obtaining a self-certification for New Accounts is a critical aspect for ensuring that the CRS is effective, it is expected that jurisdictions have strong measures in place to ensure that valid self-certifications are always obtained for New Accounts ...”. This has also been reflected in the Terms of Reference for the AEOI Peer Review.
- 2.30. The existing Regulations that implement FATCA and CRS include provisions which would enable the Revenue Service to refer any person who was suspected of providing a financial institution with a false self-certification to Her Majesty’s Procureur for consideration of prosecution under the Income Tax Law. However, in order to enhance the strong measures that are in place it is proposed that in the circumstances where a financial institution has either chosen to, or is required to, rely on self-certification from the account holder and:
- The financial institution is unable to obtain a valid self-certification from the account holder; or
  - The financial institution, having received a self-certification from the account holder, and then having completed the required validation of the accuracy of the self-certification (referred to as the “reasonableness test”) have reason to know that the self-certification is incorrect or unreliable,

the legislation will be amended to require the financial institution to notify the Revenue Service of this matter, the Revenue Service may then issue a notice to the financial institution requiring them to freeze the account until such time as a valid self-certification was received.

#### Enforcement in relation to non-compliance

- 2.31. The AEOI peer review Terms of Reference include a requirement that committed jurisdictions must have “effective enforcement mechanisms in place to address non-compliance by Reporting Financial Institutions”. At present the Regulations that implement FATCA and the CRS utilise the existing civil penalties contained in section 193 of the Income Tax Law (with separate provisions covering criminal penalties for false statements). As the Revenue Service are developing the compliance strategy they have identified a number of areas where the existing legislation is not ideal, and could be improved to increase the effectiveness.
- 2.32. As an example, the existing provisions of section 193 of the Income Tax Law (as modified for the purposes of the CRS and FATCA by the respective Regulations) are sufficiently broad and, therefore, cover the ability for the Revenue Service to impose penalties for both late filing of a CRS or FATCA return and for the filing of an inaccurate CRS or FATCA return. There is, however, a nuance to CRS and FATCA reporting which the Revenue Service have had to consider when seeking to adopt a pragmatic and consistent approach to enforcement action in cases of non-compliance.
- 2.33. Taking a CRS report as an example, each financial institution is required to submit a report by 30 June each year, detailing all financial accounts that it maintains and which fall within the scope of the CRS. If a financial institution fails to submit its report by 30 June it is necessary for the Revenue Service to commence enforcement action. In accordance with the existing provisions of section 193 of the Income Tax Law this involves the imposition of an initial penalty of up to £300, followed by a continuing daily penalty of £50. The rationale being that the continuing nature of the penalty provides the non-compliant financial institution with an incentive to submit the outstanding return.
- 2.34. This penalty has to be applied at the “report level”, since at the time of imposition the Revenue Service has no idea how many “accounts” will ultimately be included in the report when it is submitted.
- 2.35. The same section of the Income Tax Law would currently be applied in a case where the Revenue Service discovered a CRS report had been received that was materially incorrect or incomplete (where the maximum penalty is £1,000 in the case of negligence and £5,000 for fraud, with no recurring daily penalty). However, in this case, the Revenue Service would impose a penalty at the “account level” in respect of each incorrect or incomplete account. Therefore, in the case of an inaccurate CRS report, where 10 accounts were identified as being inaccurately reported, as a

result of negligence, the maximum penalty that could be applied would be £10,000 (despite all of those inaccuracies being contained in one CRS report). The difference in the level at which the penalty is applied, whilst falling within the scope of the existing provisions of the Income Tax Law, could lead to confusion.

2.36. Furthermore, in cases of inaccurate returns, as a result of negligence, the existing legislation requires the Revenue Service to have issued a notice convening a penalty hearing and if a financial institution were to submit a corrected report prior to the issue of such a notice no penalty can then be imposed. From a practical perspective, this would mean that the Revenue Service could carry out a compliance review, identify inaccuracies in the CRS reports, require the financial institution to quantify the number of affected accounts, and if they then did so, and provided a corrected report before the Revenue Service issued a notice convening a penalty hearing, then no penalty would be able to be applied.

2.37. In order to enable Guernsey to demonstrate that it has a robust framework to ensure compliance with the requirements under the Income Tax Law it is intended that the legislation will be amended, as follows:

- Section 193(1) of the Income Tax Law (as modified in the relevant CRS and FATCA Regulations) will be further modified to make it clear these penalties are applied only in respect of the late filing of reports;
- Section 193(1) of the Income Tax Law be amended to align it with section 190(1) so that it is no longer necessary to hold a hearing in advance of issuing a penalty notice for the late submission of a return, not being a return of income (and section 200 should be modified in consequence). For the avoidance of doubt, a customer's ability to appeal any such penalty notice (under either section 190 or section 193) would remain unchanged.
- To introduce a new provision to enable the Revenue Service to impose a higher daily penalty (up to a maximum of £1,000 per day) in circumstances where the person has failed to provide the required reports following 30 days of the imposition of the initial £300 penalty (and subsequent daily penalties of £50).
- To introduce a new, specific, penalty provision, to be applied at the account level, in the case of inaccurate or incomplete reports as a result of negligence or fraud. The new provision would, in the case of negligence, have a proviso that no penalty would be imposed if at any time before the Revenue Service institutes enquiries (including notification of an onsite compliance review) the financial institution makes a full and complete disclosure of inaccuracies or omissions contained in a report and provides a corrected report. Where a penalty is to be imposed in respect of negligence, the maximum penalty would be based on 0.5% of the balance or value of the account(s), or where this was as a result of fraud, it would be based on 1% of the balance or value of the account(s). In the case of accounts that were closed in a reportable period,

when submitting CRS or FATCA reports, no account balance or value is reported. In this scenario the maximum penalties in respect of each of those accounts would be £1,000 in respect of negligence and £5,000 for fraud.

- Section 190 of the Income Tax Law be amended to repeal the provisions which, in certain circumstances, result in companies only being liable to a maximum penalty of £50 for late delivery of their returns of income. Instead all companies which fail to submit a return on time will incur the maximum penalties of £300, plus £50 per day for each day of continuing non-compliance.

2.38. The above recommended amendments to the Income Tax Law and regulations thereunder seek to ensure Guernsey has in place the relevant strong measures, which are commensurate with the seriousness of the failure, necessary to meet the international tax commitments made and provides the sufficient legislative basis for the required compliance frameworks. The practical application of the compliance strategies will continue to be developed, learning from experience and engagement with industry, and to that end the Revenue Service are in the process of liaising with relevant industry professional associations to obtain expressions of interest to join a Working Party for that purpose.

### **Mandatory Disclosure Rules**

2.39. Despite the introduction and implementation of the CRS which created even greater transparency and cooperation between tax administrations across the globe, there remains concerns (following academic studies and results from the OECD's disclosure initiative) that arrangements and schemes exist globally which seek to circumvent CRS reporting, consequently further preventative controls have been considered.

2.40. Following a call from the G7 Finance Ministers in May 2017, the OECD Committee of Fiscal Affairs approved the Mandatory Disclosure Rules for CRS Avoidance Arrangements and Opaque Offshore Structures ("MDR") in March 2018. Whilst not being endorsed as an international standard, these rules are considered a best practice based on the principles of the Base Erosion and Profit Shifting initiative ("BEPS") Action 12 Report.

2.41. The objective of the MDR is to bolster the integrity of the CRS by introducing measures to discourage advisors and intermediaries promoting certain avoidance schemes. The method chosen to achieve this objective is through an obligation to disclose information on the schemes, their users and suppliers to the relevant competent authority in the jurisdiction where they reside.

2.42. In May 2018, the EU issued EU Directive 2018/822, known as DAC6. The Directive included amendments to Directive 2011/16/EU as regards the mandatory automatic exchange of information in the fields of taxation in relation to reportable

cross-border arrangements. The result is that there are two model frameworks, one published by the OECD, the other being implemented by the 28 EU Member States.

- 2.43. There are significant distinctions between the DAC6 reporting requirements and the MDR, fundamentally these include the circumstances where a requirement to make a disclosure would be triggered, which are summarised as follows:

DAC6	MDR (CRS & Opaque Offshore Structures)
Hallmark A – Generic hallmarks linked to the main benefit test (broadly, schemes that are marketed for tax avoidance)	Rule 1.1 – CRS Avoidance Arrangements (any arrangement where it is reasonable to conclude it is designed to circumvent the CRS)
Hallmark B – Specific hallmarks linked to the main benefit test (broadly, schemes that involve structuring in order to achieve tax avoidance)	Rule 1.2 – Opaque Offshore Structures (a legal person or arrangement that does not carry on substantive economic activity where the beneficial ownership is unclear)
Hallmark C – Specific hallmarks related to cross-border transactions (includes deductible cross-border transactions to a jurisdiction that has a 0% or almost 0% of tax)	
Hallmark D – Specific hallmarks concerning AEOI and beneficial ownership (being the equivalent of the MDR, CRS & Opaque Offshore Structures model published by the OECD)	
Hallmark E – Specific hallmarks concerning transfer pricing (including arrangements involving hard to value intangibles)	

- 2.44. Guernsey made a political commitment, in response to the EU Code of Conduct Group’s investigation of the tax policies of third countries to the European Union, to introduce, by 31 December 2019, legislation that will enable the implementation of MDR (in alignment with the timescale that countries within the EU are working towards). This followed public consultation, in August 2018, on both economic substance requirements and the introduction of MDR. A similar commitment was given by the other Crown Dependencies with whom the development of an approach has been co-ordinated.
- 2.45. As detailed above, the MDR framework is designed to require those persons involved in either the promotion, design, marketing, implementation or management of a relevant arrangement or structure in Guernsey, to be legally obligated to report the existence of the arrangement or structure and the users of

it to the Revenue Service. The Revenue Service will then exchange the relevant information with those jurisdictions in which the users are resident, subject to the relevant international exchange relationships being in place.

2.46. A main driver for introducing a disclosure regime in Guernsey is to meet part of the obligations Guernsey had made when adopting the CRS, as this is a framework that assists in determining the existence of CRS avoidance arrangements, which forms part of the AEOI FI Compliance Strategy. It is therefore intended to implement the OECD MDR. It is expected that this will also be the preference in the other Crown Dependencies.

2.47. As the MDR is a published best practice from the OECD, there are already Model Rules, which include the following:

- The Hallmarks that trigger a requirement to make a disclosure;
- A definition of an intermediary segregated into i) Promoters and ii) Service Providers;
- When and what information is to be disclosed; and
- Details of a requirement to ensure there is a framework for enforcement mechanisms to deal with cases of non-compliance.

2.48. Whilst the model rules also contain commentary which seeks to elaborate further on the defined terms, it is acknowledged that the Revenue Service will need to provide some Guidance Notes. It is intended that such guidance will, where possible, be aligned across the Crown Dependencies on a principles basis.

2.49. The Revenue Service published a Briefing Note concerning MDR on 1 October 2019 to reiterate the commitment that Guernsey had made and raise awareness of further developments that the Crown Dependencies had established, following discussions with the OECD over the summer, regarding the practical application of the MDR. A specific webpage has also been created to provide the public with updates concerning the implementation of the MDR (<https://www.gov.gg/mdr>).

2.50. The Briefing Note summarised a number of the key elements, such as:

- The definitions of “Promoter” and “Service Provider” being the persons that will be required to make reports of any relevant arrangements or structures;
- The definition of a “CRS Avoidance Arrangement” and a “Passive Offshore Vehicle” (the existence of which would trigger a reporting requirement);

- Highlighting that determining whether an arrangement or structure sought to avoid the CRS would require “a reasonable to conclude test” and included some scenarios, as examples;
  - Explained that any disclosures would be required to be made within 30 days of the date an intermediary makes a CRS Avoidance Arrangement or Opaque Offshore Structure available, or first provides Relevant Services to such an arrangement or structure;
  - Highlighted that the Model Rules included only one element of legacy reporting, namely a requirement specifically for Promoters. This applies in respect of any CRS Avoidance Arrangements created on or after 29 October 2014 and before the effective date of the MDR coming into force in Guernsey. Any Promoter who made such an arrangement available would be required to disclose the details within 180 days of the MDR coming into force. There is however a de minimis threshold suggested in the MDR, which means that if immediately prior to the arrangement being implemented the Promoter has documentary evidence to confirm the aggregate balance of value of the Financial Account was less than US\$1,000,000, the arrangement would not need to be disclosed; and
  - It is intended that relevant intermediaries who have to make disclosures to the Revenue Service would do so in the required electronic template using the Revenue Service’s existing software solution (IGOR), which will be further developed for this purpose.
- 2.51. Whilst it will be necessary to introduce the relevant legislation implementing MDR by 31 December 2019, in order to meet the commitment made to the EU, it is intended to coordinate the approach to the timing of the first disclosures to be made in step with the other Crown Dependencies to enable an aligned implementation across each island.
- 2.52. The Revenue Service will continue their engagement with industry via the existing Working Group that deals with the implementation of economic substance and the new Working Group that is in the process of being created to deal with the practical application of Revenue Service compliance strategies.
- 2.53. It is, therefore, recommended that the States of Deliberation declare that the MDR is an international tax measure, in accordance with section 75CC(1C) of the Income Tax (Guernsey) Law, 1975, as amended and instruct the Policy & Resources Committee to make such Regulations that are necessary to implement the provisions of the MDR in Guernsey.

## **Assistance in Collection (Article 27 of the Guernsey/UK Double Taxation Agreement)**

- 2.54. The inclusion of an Article covering Assistance in Collection in the Guernsey/UK DTA was previously detailed in the Policy Letter dated 2<sup>nd</sup> October 2018 (Billet d'État XXVII, Article 23), in which it was explained that the text was based on OECD Model text, which is designed to enable each territory to assist the other in collecting delinquent tax debts, and was the biggest departure from DTAs previously entered into by Guernsey.
- 2.55. Whilst the Guernsey/UK DTA was ratified in the December 2018 States meeting, and the relevant exchange of letters was subsequently concluded between Guernsey and United Kingdom, resulting in the DTA entering into force in Guernsey on 1 January 2020, the provisions of Article 28 of the Agreement meant that the Assistance in Collection provision (Article 27) would only come into effect from a date specified in a separate exchange of letters. This was necessary to allow both territories to discuss the practicalities regarding the Article and to also ensure legislation permitting the collection of tax for another territory was in place.
- 2.56. The Policy Letter dated 2<sup>nd</sup> October 2018 explained that, at that time, discussions with HMRC were ongoing and it would also be necessary to consult with the Law Officers.
- 2.57. The discussions with HMRC have advanced to a stage where a Memorandum of Understanding between the Revenue Service and HMRC ("the MOU") concerning the Assistance in Collection Article is nearing completion. During the course of the drafting of the MOU both parties have agreed the following practical aspects of the application of the Article:
- The Article and MOU will be applied in accordance with the OECD Commentaries on the OECD Model Tax Convention and the OECD Manual on Assistance In Collection of Taxes, ensuring we will be applying the provisions in a consistent fashion;
  - In respect of UK tax debts that Guernsey will assist with the collection of, those debts may arise from any of the taxes arising under the UK Taxes Acts (therefore, will include Income Tax, Corporation Tax, Capital Gains Tax, VAT and Excise duties). For the Guernsey tax debts, that the UK will assist with the collection of, these will be any debts arising under the Income Tax Law;
  - In order to ease the administrative burden neither party will ask the other for assistance where the taxpayer's debt (either a single debt or consolidated debts) is less than £10,000;
  - Furthermore, neither party will ask for assistance in cases where the debt is more than 5 years old;

- In accordance with the Assistance in Collection Article, the revenue claim has to be such that the debtor cannot, at the time of requesting assistance, prevent its collection under the laws of the territory making the request. This means that it is not necessary for the requesting party to have obtained a court judgment in their jurisdiction prior to being able to make a request for assistance. Both parties will include in the requests for assistance a document referred to as an Instrument Permitting Enforcement, which will provide the relevant assurances concerning the enforceability of the debt; and
  - It has been agreed that the issue of costs will follow the same basis as that of the Tax Information Exchange Agreement (“TIEA”) with the UK, therefore the ordinary costs of providing assistance will be borne by the party providing assistance and any extraordinary costs (such as legal costs for carrying out a procedure that is not ordinarily used to collect debt) will be borne by the party requesting the assistance (but before any extraordinary costs are incurred the requested party must check with the requesting party to ensure consent is obtained to do so).
- 2.58. The discussions with HMRC have been extremely helpful in clarifying that neither party is, when providing assistance in collection, expected to apply measures over and above those that are available when seeking to collect its own debt. In fact, once a request for Assistance in Collection is accepted, the debt is then considered a domestic debt, and so in Guernsey’s context, the enforcement action undertaken to assist the UK, will replicate the action the Revenue Service would carry out for any other Guernsey tax debt.
- 2.59. In order for the UK tax debt to be recognised in Guernsey, it is proposed that the Income Tax Law should provide for the Revenue Service to issue a notice to that effect. As the debt will then be treated as a Guernsey tax debt, the Revenue Service will consider the priority of its collection as it would with any domestic debt (i.e. so in the case of a Guernsey resident customer, with a Guernsey income tax debt and a UK tax debt, which was subject to a request for assistance in collection, the debt collection activities will be prioritised based on the age of the debt, with the oldest debt being collected first).
- 2.60. Treating the debt as a Guernsey debt, and not being required to undertake measures that it would not pursue for its own debt, means that the Revenue Service would only pursue debt collection measures such as saisie proceedings at the request of HMRC and where it would be capable to do so for its own debt, based on factors such as the value of the debt and the expected amount of available assets from which the debt could be collected (and whether HMRC had given consent to meeting the potential extraordinary costs that may be incurred).
- 2.61. The provisions of paragraph 3 of Article 27 of the Guernsey/UK DTA sets out that “... When a revenue claim of a Territory is enforceable under the laws of that Territory and is owed by a person who, at that time, cannot, under the laws of that Territory, prevent its collection, that revenue claim shall, at the request of the

competent authority of that Territory, be accepted for the purposes of collection by the competent authority of the other Territory ...". Paragraph 6 of Article 27 further clarifies "... Proceedings with respect to the existence, validity or the amount of a revenue claim of a Territory shall not be brought before the courts or administrative bodies of the other Territory ...".

2.62. This mirrors the framework for the exchange of (tax) information on request where, for example, the OECD Model Agreement on Exchange of Information on Tax Matters, details (in the Article dealing with the exchange of information) that "... The competent authority of the requested Party shall provide upon request information for the purposes referred to in Article 1 ..." and in the Article which covers the grounds for possibly declining a request for the exchange of information includes "... A request for information shall not be refused on the ground that the tax claim giving rise to the request is disputed ...".

2.63. In view of the these complimentary frameworks that govern both the Assistance in Collection and the Exchange of (Tax) Information on Request, it is proposed that section 75C of the Income Tax Law will be amended to:

- In section 75C(1) detail that the Director shall exercise her information gathering powers and the relevant framework to implement Assistance in Collection, pursuant to an approved international agreement. Currently the section provides that the Director "may" exercise her powers and this element of discretion may cause issues in Guernsey meeting its international obligations.
- Section 75C(2) will be repealed as in light of recent experience the provisions of this subsection have been interpreted in a way that it was not intended and which could be considered to be contradictory to the relevant international agreements (including the Assistance in Collection Article of the OECD Model Tax Convention and the OECD Model Agreement on Exchange of Information on Tax Matters), where, for example, the commentary in the latter states that "... Paragraph 1 provides the general rule that the competent authority of the requested Party must provide information upon request for the purposes referred to in Article 1 ..." and reiterates that "Paragraph 5 clarifies that an information request must not be refused on the basis that the tax claim to which it relates is disputed ...". The result of this amendment would mean that for both Exchange of (Tax) Information on Request and Assistance in Collection there was no ambiguity that the Revenue Service must provide the relevant assistance upon receipt of a valid request, in accordance with the international agreements that Guernsey has committed to.

2.64. This Policy Letter also recommends amending the Income Tax Law to enable the Revenue Service to implement the provisions of the Assistance in Collection Article contained in the Guernsey/UK DTA, which will include:

- Introducing the relevant provisions to enable the Revenue Service to issue a Notice (including by electronic means) of the debt, such a document being conclusive for the purposes of any court proceedings;
- Introducing an appeal right against a Notice of Debt, specifically limiting the grounds of appeal so as to ensure a dispute as to the amount of debt cannot be subject to appeal in Guernsey and only the validity of the Notice of Debt can be appealed (taking into consideration the existing provisions of section 208D of the Income Tax Law regarding formal defects not to invalidate assessments, etc). Such appeals being before the Guernsey Tax Tribunal;
- Amending section 83 of the Income Tax Law to enable the Revenue Service to obtain valid service of court summons by post, to the last known address of the person.
- All such other consequential and ancillary amendments as are necessary to give effect to the AIC provisions.

### **3. Recommendations**

It is recommended that the Income Tax (Guernsey) Law, 1975, as amended (“the Law”), and regulations thereunder, should be revised to:

- 3.1. Provide the Revenue Service with the power to undertake onsite visits in respect of business premises from which a person is or may be operating, for the purposes of reviewing compliance with the Common Reporting Standard (“CRS”) and any other matters relating to income tax or international tax measures;
- 3.2. Place a requirement for all financial institutions, operating in Guernsey, to register with the Revenue Service and, when doing so, detailing their classification for the purposes of CRS and the Foreign Account Tax Compliance Act (“FATCA”);
- 3.3. Enable the Revenue Service to issue a notice to a financial institution to complete corrective remedial actions, related to CRS and/or FATCA reporting and in the case of significant non-compliance to be required at its own cost to appoint a suitably qualified independent person for the purposes of determining the full extent of the non-compliance, overseeing the repair, validating that the corrective measures have moved the financial institution into a compliant position, and making a relevant disclosure to the Revenue Service confirming this position;
- 3.4. Require financial institutions to report to the Revenue Service all account holders where they have been unable to obtain valid self-certification for the purposes of CRS and/or FATCA due diligence procedures. To then enable the Revenue Service to serve a notice to the financial institution to require them to freeze the account, until such time as the accountholder provides valid self-certification;

- 3.5. Amend section 193 of the Law (as modified in the relevant CRS and FATCA Regulations) to make it clear these penalties are applied only in respect of the late filing of reports;
- 3.6. Amend the provisions contained within section 193(1) and section 200 of the Law, to make it clear that where a person has failed to deliver a return, other than a return of income, by the filing deadline, the Revenue Service may automatically impose a penalty, without the requirement to issue a notice stating the grounds of their belief and providing the person with a reasonable opportunity to state their case (without prejudice to the person's right of appeal);
- 3.7. Enable the Revenue Service to impose increased levels of daily penalties, in the exceptional cases where a person continues for more than 30 days after the imposition of the original penalty not to meet any of its reporting or filing obligations under the Law;
- 3.8. Enable the Revenue Service to impose specific penalties for the submission of CRS/FATCA returns which are incorrect or incomplete in a material particular where the maximum penalty to be imposed is based on a percentage of the balance or value of accounts, that were not reported;
- 3.9. Amend section 190 of the Law so that where a company fails to deliver a return of income within the current maximum penalty of £50 where the company, for example, has no income or profits in the period for which the return is required will no longer apply; and
- 3.10. make necessary amendments to the Income Tax (Guernsey) Law, 1975, in order to be able to implement the provisions of the Assistance in Collection Article contained in the Double Taxation Agreement between Guernsey and the United Kingdom.

That the Policy & Resources Committee be instructed to:

- 3.11. make Regulations, to be laid before the States, in accordance with section 75CC of the Law, to implement the Mandatory Disclosure Rules relating to CRS Avoidance Arrangements and Opaque Offshore Structures, as published by the OECD; and

That –

- 3.12 the MDR shall, in accordance with section 75CC(1C) of the Income Tax (Guernsey) Law, 1975, be specified for the purposes of that Law as an international tax measure (the provisions of which may accordingly be implemented by regulations of the Policy & Resources Committee under section 75CC(1A) of that Law).

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

#### **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. In accordance with Rule 4(1), the Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.
- 4.3. In accordance with Rule 4(3), there are no Propositions which request the States to approve funding.
- 4.4. In accordance with Rule 4(4), it is confirmed that the Propositions attached to this Policy letter have the unanimous support of the Committee.
- 4.5. In accordance with Rule 4(5), the Propositions relate to the duties of the Committee in raising and collecting taxes and revenues and executing and requesting the extension of international agreements to which the Island is invited to acquiesce.

Yours faithfully

G A St Pier  
President

L Trott  
Vice-President

A Brouard  
J Le Tocq  
J Stephens



**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**COMMITTEE FOR HOME AFFAIRS**

**BAILIWICK SECURITY POLICY**

The States are asked to decide: -

Whether, after consideration of the 'Bailiwick Security Policy' Policy Letter dated 28<sup>th</sup> October, 2019, they are of the opinion:-

1. To endorse the Bailiwick Security Policy.

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* HOME AFFAIRS**

**BAILIWICK SECURITY POLICY**

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

28<sup>th</sup> October, 2019

Dear Sir

**1 Executive Summary**

1.1 The purpose of this policy letter is to request the States to endorse the Committee *for* Home Affairs' ('the Committee') Bailiwick ('national') Security Policy, which is attached as an Appendix to this policy letter.

**2 Background**

2.1 Providing security for the Bailiwick and safeguarding our citizens and our way of life, remains a critical responsibility of government.

2.2 The Committee's primary purpose is to ensure that our Bailiwick is a safe and secure place to live and do business. This is reflected in our key governmental priorities as set out in the Policy & Resource Plan. This sets out 23 policy priorities approved by the States of Deliberation in June 2018 (Policy & Resource Plan (2017 Review and 2018 Update), Billet d'État XV of 2018<sup>1</sup>).

**3 Bailiwick Security Policy**

3.1 The Policy & Resource Plan (2017 Review and 2018 Update) advised that the Committee would be producing an overarching 'Bailiwick Security Policy' which would serve as a high level statement from the Bailiwick of our jurisdiction's commitment to keep Islanders, visitors and businesses safe and secure.

3.2 The Bailiwick Security Policy was approved by the Committee at its meeting on

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<sup>1</sup> <https://gov.gg/CHttpHandler.ashx?id=112947&p=0>

28<sup>th</sup> October, 2019.

- 3.3 The Bailiwick Security Policy is a high level statement of our Committee's commitment to keep islanders, visitors and businesses safe and secure. The policy objectives highlight the broader security environment and will need to mature over time. These high-level policy objectives will be delivered in conjunction with stakeholders within and outside of the Committee, and will be developed and supported by more detailed plans.
- 3.4 The Bailiwick Security Policy sets out the core overarching security framework currently in place and includes the UK government's responsibility for our national defence, and the Bailiwick Law Enforcement's responsibility for our physical and border security.
- 3.5 The UK's withdrawal from the EU (whenever and however it may occur) has the potential to further complicate national and regional security but both parties are already alert to that possibility and are seeking to work together to ameliorate any negative effects. Notwithstanding Brexit, the UK will remain a permanent member of the UN Security Council and remains committed to its membership of NATO. We will maintain our links to the United Nations and NATO through the UK.

#### **4 Conclusion**

- 4.1 In light of this we are asking States to endorse the Bailiwick Security Policy. This will serve as a high level statement from the Bailiwick of our jurisdiction's commitment to keep Islanders, visitors and businesses safe and secure.

#### **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 In accordance with Rule 4(1), the Propositions has 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 Proposition should not be put into effect.
- 5.3 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. However, Deputy Oliver and Deputy Smithies were not present when the policy letter was considered.
- 5.4 In accordance with Rule 4(5), the Proposition relates to the duties/purpose of

the Committee. The overarching Bailiwick Security Policy accords with the Committee's mandated responsibilities:

'To support a high standard of living and quality of life by maintaining and promoting a safe, stable and equitable society which values public protection and justice and respects the rights, responsibilities and potential of every person.'

5.5 The Bailiwick Security Policy aligns with the four themes within the 'Policy & Resource (P&R) Plan' approved by the States of Deliberation in November 2016 (The Policy & Resource Plan – Phase One, Billet d'État XXVIII of 2016<sup>2</sup>:

- Our Community: Inclusive and committed to social justice; Lifelong learning
- Our Quality of Life: Safe and secure place to live; Healthy community
- Our Place in the World: Mature international identity; Centre of excellence and innovation
- Our Economy: Strong, Sustainable and growing economy; Sustainable public finances

5.6 In accordance with Rule 4(5), the Committee consulted with the following States' Committees: Policy & Resources; Economic Development; Environment & Infrastructure; Education, Sport and Culture; Employment and Social Security; Health and Social Care; the Scrutiny Committee and the States Assembly and Constitution Committee; as well as the States of Alderney and Chief Pleas of Sark. The following external bodies were consulted: the Channel Island Competition and Regulatory Authority, the Guernsey Financial Services Commission, and the Office of the Data Protection Authority.

5.7 In view of the benefits of aligning high level pan-island policies and strategies in the future, and the current close working partnership of staff with cyber responsibilities, this Bailiwick Security Policy has been shared with the States of Jersey's Department for Justice and Home Affairs.

Yours faithfully  
M M Lowe  
President

M P Leadbeater  
Vice-President

V S Oliver

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<sup>2</sup> <https://gov.gg/CHttpHandler.ashx?id=104768&p=0>

P R Le Pelley  
J C S F Smithies

**BAILIWICK OF GUERNSEY SECURITY POLICY**

- 1.1 In recent years there have been rapid and profound changes to the international 'landscape' which has given rise to new security challenges.
- 1.2 The threat environment has expanded and evolved from its traditional focus on threats from national armed forces, to include terrorism, weapons of mass destruction, pandemics, cyber-crime and other transnational crime. Other security threats arise from wider international instability and conflict.
- 1.3 The fast changing nature of these security challenges requires a dynamic and robust assessment of the strategic threats, as well as an ongoing evolution and adaptation of governmental approaches to national security.
- 1.4 Technology has delivered significant benefits with wider choices of goods and services, increases in capital flows and trade opportunities, and increased productivity and wealth.
- 1.5 Within the Bailiwick, economic and social wellbeing of members of the community generally remains strong. However, this can make the Bailiwick of interest to individuals, organisations or governments who either wish to disrupt or destroy or find other ways to share unlawfully in our prosperity. Prosperity and financial stability are critical for security and the Bailiwick must remain a safe and secure place to live and work.
- 1.6 In response to this changed UK and Bailiwick security landscape, a new set of national security policy statements has been developed. These are expressed through the following assertions:
  - a) Providing security for the Bailiwick of Guernsey ('the Bailiwick') to safeguard our citizens and our way of life will remain a critical responsibility of the whole of government.
  - b) The UK has constitutional responsibility for the 'defence' and international representation, of the Bailiwick through our longstanding constitutional relationship with the Crown.
  - c) No state will be allowed to threaten the Bailiwick. The UK will continue to provide high-level security and we will continue to rely on the operational deployment of the UK armed forces for support. The Committee for Home Affairs ('The Committee') will continue to work closely with the relevant authorities to ensure our interests are taken into account and understood.
  - d) The UK is responsible for representing our Bailiwick internationally, this

includes ensuring the safety of our British nationals when overseas and ensuring access to consular assistance through the UK embassies. The Committee will continue to work with the UK Government, and the Foreign and Commonwealth Office as necessary.

- e) The relationship of UK with European Union may change following any exit from the EU. The Bailiwick will continue to engage with the UK, on the UK's security cooperation with the EU and its continued commitment to NATO.
- f) The Bailiwick will remain committed to meeting our United Nations obligations, including United Nations Security Council resolutions, in particular regarding international sanctions. We will continue to take part in relevant international initiatives that enhance our security and contribute to international peace and security. For example, through rigorous adherence to Financial Action Task Force standards on Anti-Money Laundering and Countering the Financing of Terrorism, and through cooperation with international bodies such as the International Criminal Court. The Committee recognises the role it has to play in meeting these obligations.
- g) Regulatory bodies will continue to provide security and stability in their respective areas of control. These include: financial services, data protection, licensing of telecoms and critical national infrastructure ('CNI') providers, and regulation of safety and security of our main travel links, air and sea, as well as flagged vessels and aircraft.
- h) The Bailiwick will continue with the various national and international partnerships and agreements which ensure continued cooperation with other Crown Dependencies and key stakeholders on national security matters. This includes CNI, and similar service providers and suppliers.
- i) Within the Islands, security will continue to be delivered primarily by Bailiwick Law Enforcement ('BLE'). The physical borders of the Bailiwick (including the territorial seas) will continue to be monitored and guarded and BLE will support the continuation of legally enforceable links to similar/corresponding agencies in the United Kingdom and Europe.
- j) The States of Guernsey will continue to recognise its role and responsibility to resource and maintain critical functions to protect our economy. Discharging this responsibility is effected through the key objectives and activities of the following: the Committee, the Civil Contingencies Authority ('CCA'), Policy & Resources, the Committee, the Committee *for* Economic Development, and the States Trading Supervisory Board.
- k) In the event of an emergency, the CCA will fulfil its mandate to set security standards and ensure security and wellbeing in an emergency and will, when

necessary, exercise its powers under the Civil Contingencies Law 2012.

- l) The importance of technology to the future prosperity, security and economic sustainability of the Bailiwick will continue to be recognised. The Committee will seek to set standards for cyber and telecommunications supply chain security on behalf of the States of Guernsey. The Bailiwick will remain committed to working with business, CNI and government bodies to safeguard the technological borders, and to protect the security of the Bailiwick's internet and communication services and the data held therein.

**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**COMMITTEE FOR HOME AFFAIRS**

**TELECOMMUNICATIONS SUPPLY CHAIN SECURITY FRAMEWORK**

The States are asked to decide: -

Whether, after consideration of the 'Telecommunications Supply Chain Security Framework' Policy Letter dated 28<sup>th</sup> October, 2019 they are of the opinion:-

1. To endorse the Telecommunications Supply Chain Security Framework.

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 HOME AFFAIRS**

TELECOMMUNICATIONS SUPPLY CHAIN SECURITY FRAMEWORK

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

28<sup>th</sup> October, 2019

Dear Sir

**1 Executive Summary**

- 1.1 In tandem with the submission of this policy letter, the States are being asked to endorse, through a separate policy letter, the proposed approach of the Committee for Home Affairs ('the Committee') to the Bailiwick Security Policy.
- 1.2 This policy letter outlines the proposed approach together with a proposed Telecommunications Supply Chain Security Framework (TSCSF), for setting Bailiwick telecommunications (telecoms) security standards, and it serves as a subset of the overarching Bailiwick Security Policy. The TSCSF document is attached as an Appendix to this policy letter.
- 1.3 It seeks to explain this framework and how it will be used to guide the telecoms regulator, the Channel Islands Competition and Regulatory Authority (CICRA) and the licenced telecoms operators in ensuring the Bailiwick Security Policy is upheld.

**2 Background**

- 2.1 The Committee's primary purpose through all its policies is to ensure the Bailiwick remains safe and secure. However, safety and security takes various forms. No longer is security determined by the height of fences, or the strength of the padlock, or the might of the security guard but it is increasingly associated with the need to protect data, digital connectivity and telecom networks generally, and minimising any vulnerabilities.
- 2.2 As a community the Bailiwick has become reliant on digital technology both in business and private life. It is a backbone to all modern communications and it is

therefore imperative that the telecoms network operates to appropriate standards of security which ensure the wellbeing of the Bailiwick's community. Ultimately this wellbeing is considered of greater importance than the commercial interests of the telecoms operators. At this time the Bailiwick is well served by a number of licensed operators and the proposed TSCSF document, appended to this policy letter, seeks to provide greater clarity and certainty to all operators as they consider and make their future investment decisions.

2.3 The Committee openly acknowledges the highly technical and complex nature of the telecoms industry and recognises the importance of reflecting standards elsewhere. It is important that our response to these new threats aligns with the UK Government's position regarding the use of new technology, for example, that required to enable the roll out of 5G network technology. To provide appropriate assurance, the TSCSF has been created. This comprises a framework document setting out the States' supply chain objectives, and a supporting Telecommunications Infrastructure Security Guidance (TISG) document detailing the supply chain security practices and standards required by government. We have engaged with Law Enforcement, P&R and the Committee for Economic Development on the development of this framework.

2.4 The TSCSF takes account of the findings of the UK Government Department of Digital, Culture Media and Sport's UK Telecoms Supply Chain Review Report, as well as advice and guidance issued by the National Cyber Security Centre (NCSC). As a matter of principle it will seek to ensure security standards in the Bailiwick are as high as those in the UK. The TISG will also be revised and updated as necessary to ensure that it reflects the States' current supply chain security requirements.

2.5 As addressed in the separate policy letter regarding the Bailiwick Security Policy there are technological borders which also need to be guarded

'The importance of technology to the future prosperity, security and economic sustainability of the Bailiwick will continue to be recognised. The Committee will seek to set standards for cyber and telecommunications supply chain security on behalf of the States of Guernsey. The Bailiwick will remain committed to working with business, CNI and government bodies to safeguard the technological borders, and to protect the security of the Bailiwick's internet and communication services and the data held therein.'

2.6 Telecommunications operators are licensed to ensure their systems, policies, procedures and the technology used provide integrity, reliability and security. CICRA applies licence conditions as appropriate to ensure the Bailiwick's internet and communications services are at least as secure as economic hubs elsewhere in the UK.

- 2.7 These licence conditions are also informed by advice from the UK's NCSC, from which we also take guidance on cyber security. The NCSC also provides incident response capability in the event of a significant UK cyber-attack that impacts locally. The Office of the Data Protection Authority is the Bailiwick's independent data protection regulator and it has statutory enforcement functions and powers to ensure due notification and reporting of any data breaches.
- 2.8 As well as relying on law enforcement and our close relationship with UK Security Agencies we will rely on local regulators to lead on defending in areas of potential vulnerabilities affecting the regulated business markets. In this regard, CICRA will need to ensure that it is satisfied that the telecoms supply chain systems, policies, procedures and the technology used provide the required level of security and assurance. This requires ensuring that all licensing, including the forthcoming 5G spectrum allocation, is in accordance with good practice.
- 2.9 The Committee is aware that, as part of its mandate, and subject to the States' endorsement of the Bailiwick Security Policy, it could have ultimate responsibility for subsets of the main Bailiwick Security Policy. This would include, for example, the TSCSF. Nonetheless, the Committee recognises that telecoms is integral to every aspect of life and that the levels of investment required by telecoms operators are significant. It therefore wants to be transparent to all and to share the proposed TSCSF approach with the States before it is introduced and the requirements of the TISG applied by CICRA through its licensing regime.
- 2.10 It is to be emphasised that this is a framework, rather than a hard and fast set of rules. It will need to evolve over the course of time and in light of experience. It is anticipated that this evolution will take place in dialogue with the telecoms operators, but always with the caveat that in this area of critical national infrastructure if there are conflicting pressures between the safety and security of the Bailiwick, and the commercial considerations of operators, the former will carry the greater weight.
- 2.11 The Committee asks the States to endorse the proposed approach (set out in the TSCSF) in respect of setting supply chain standards for telecoms operators.

### **3 Conclusion**

- 3.1 In light of this we are asking the States to endorse the proposed TSCSF approach. This will set Bailiwick telecoms security standards, and guide CICRA and the licensed telecoms operators in ensuring the Bailiwick Security Policy is upheld.

#### 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 In accordance with Rule 4(1), the Proposition has been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.
- 4.3 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. However, Deputy Oliver and Deputy Smithies were not present when the policy letter was considered.
- 4.4 In accordance with Rule 4(5), the Proposition relates to the duties/purpose of the Committee *for* Home Affairs. The TSCSF accords with the Committee's mandated responsibilities:  
'To support a high standard of living and quality of life by maintaining and promoting a safe, stable and equitable society which values public protection and justice and respects the rights, responsibilities and potential of every person.'
- 4.5 The TSCSF forms part of the overarching Bailiwick Security Policy. The Bailiwick Security Policy aligns with the four themes within the 'Policy & Resource (P&R) Plan' approved by the States of Deliberation in November 2016 (The Policy & Resource Plan – Phase One, Billet d'État XXVIII of 2016)<sup>1</sup>.
- Our Community: Inclusive and committed to social justice; Lifelong learning
  - Our Quality of Life: Safe and secure place to live; Healthy community
  - Our Place in the World: Mature international identity; Centre of excellence and innovation
  - Our Economy: Strong, Sustainable and growing economy; Sustainable public finances

Yours faithfully

M M Lowe  
President

M P Leadbeater  
Vice-President

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<sup>1</sup> <https://gov.gg/CHttpHandler.ashx?id=104768&p=0>

V S Oliver  
P R Le Pelley  
J C S F Smithies

**BAILIWICK OF GUERNSEY  
TELECOMMUNICATIONS SUPPLY CHAIN SECURITY FRAMEWORK**

**1 Policy Alignment**

- 1.1 The development and introduction of a Telecommunications Supply Chain Security Framework (TSCSF) document aligns with four themes within the States of Guernsey 'The Policy & Resource Plan – Phase One':
- Our Community: Inclusive and committed to social justice; Lifelong learning
  - Our Quality of Life: Safe and secure place to live; Healthy community
  - Our Place in the World: Mature international identity; Centre of excellence and innovation
  - Our Economy: Strong, Sustainable and growing economy; Sustainable public finances
- 1.2 As outlined in the Committee *for* Economic Development's 'Future Telecoms Strategy', the widespread deployment of 5G and fibre networks for consumers and businesses is a primary objective of the States of Guernsey.
- 1.3 The deployment of 5G and full fibre networks provides the enabling infrastructure that will assist with future economic growth. The next few years will see increased investment in these networks, with the first 5G consumer services due to be launched in 2020 with island wide coverage within 2-3 years.
- 1.4 These new technologies are set to deliver significant economic and social benefits. They are expected to transform the way we live, work and travel. However, an increased reliance on these new networks will increase the potential impact of any network disruption. 5G network architecture may pose a higher level of risk compared to that in older networks.
- 1.5 The Bailiwick can only realise the economic and social benefits of 5G and full fibre digital connectivity if the underpinning infrastructure is secure and resilient. If these networks are judged to be insecure, their usage and economic value will be significantly reduced. It is therefore in the Bailiwick's economic and reputational interest to ensure the security of these networks.
- 1.6 However, the range of security risks and threats that the global threat environment poses to telecommunications (telecoms) networks is expanding. The continuing technological evolution requires a security framework that is fit for purpose and ensures that our critical national infrastructure (CNI) is safe and secure, both now and in the future. This requires a more robust security response capability than is currently in place. There is also a need to strengthen policy and

regulation to ensure that telecoms operators maintain secure and resilient networks and manage their supply chains appropriately.

## **2 Overarching Governance**

2.1 The States of Guernsey is responsible for taking the necessary measures to ensure the protection of the Bailiwick's security interests.

2.1 The Bailiwick Security Policy is the key strategic document from which the States' approach to cyber security and telecoms supply chain security is derived. At a high level, the Bailiwick Security Policy asserts that the Committee *for* Home Affairs ('the Committee') seeks to set standards for cyber and telecoms supply chain security on behalf of the States of Guernsey.

2.2 The responsibility for the management of pan-Island telecoms security and resilience risks is currently shared between the States of Guernsey, the telecoms regulator (the Channel Islands Competition and Regulatory Authority - CICRA) and the telecoms operators. CICRA is responsible for ensuring that telecoms operators take appropriate measures to safeguard the security and resilience of the Bailiwick's telecoms networks and services.

## **3 Telecoms Supply Chain Security**

3.1 The Bailiwick TSCSF comprises of this TSCSF document and an associated document, the Telecommunications Infrastructure Security Guidance (TISG). This combined approach will be necessary to manage security threat and risk. Together these will act as a guide to ensure the regulation of telecoms security and to provide a basis for subsequent legislation that defines and enforces telecoms security.

3.2 This framework provides a high-level summary of how the States intend to ensure that telecoms operators build and operate secure and resilient networks, and manage their supply chains, assess network security and resilience, and ensure that proportionate and targeted controls are developed, applied and enforced to mitigate supply chain risks.

3.3 The framework addresses the following three objectives:

1. How should Guernsey incentivise telecoms operators to improve security standards and practices in 5G and full fibre networks?
2. How should Guernsey address the security challenges posed by vendors?
3. How should Guernsey ensure sustainable diversity in the telecoms supply chain?

3.4 Guernsey is able to meet these three objectives as it already has in place a number of mechanisms that provide pre-conditions for telecoms security,

namely:

- An established framework through CICRA and the UK Office of Communications (OFCOM), that can be enhanced;
- An established and strong link with a world-class cyber security agency (the National Cyber Security Centre - NCSC) that works closely with telecoms operators and vendors to mitigate risk;
- Telecoms operators with the expertise and resources to meet new security requirements; and,
- Telecoms networks that are of sufficient scale to enable technical risk mitigations.

3.5 The new framework is based on the following three security pillars:

1. Aligning with new Telecoms Security Requirements (TSR);
2. Establishing an enhanced legislative framework for security in telecoms; and,
3. Managing the security risks posed by telecoms vendors.

#### **4 Aligning with New Telecoms Security Requirements**

4.1 Higher cyber security standards and practices are a necessary requirement for the introduction of secure 5G and full fibre networks.

4.2 The UK government's new security approach is set out in the July 2019 Department for Digital, Culture, Media and Sport (DCMS) 'UK Telecoms Supply Chain Review Report'. This report follows a UK Telecoms Supply Chain Review in November 2018.

4.3 The DCMS report sets out the foundations for a new set of TSR. Adoption of these TSR is designed to mitigate network security and resilience risks. The intention of the TSR is to ensure that telecoms operators take appropriate and proportionate measures to prevent, remove or manage security risks.

4.4 These new requirements will seek to ensure that business and governance processes, how networks are built and managed, and vendor procurement and ongoing management supports and enhances network security.

4.5 The additional intention is that these will be minimum requirements and telecoms operators will be expected to exceed them and continuously innovate to enhance security. This will raise the security bar and provide clarity to industry on what is expected in terms of network security.

4.6 The Bailiwick TSR will be created along these or similar lines, as relevant and appropriate to our local telecoms environment. They will require telecoms operators, overseen by regulators, the UK Government and the States of

Guernsey, to design and manage their networks to meet these new requirements.

- 4.7 The Bailiwick TSR will ensure that operators take appropriate and proportionate risk mitigation. This includes preventing, removing or managing risks to the security of networks and services. Specifically, this is designed to ensure:
- That networks and services are accessible and available to customers;
  - The confidentiality of communications and data;
  - The integrity and authenticity of networks, systems, and communications, and sent, received or stored data; and,
  - The protection of networks and services from unauthorised access or interference.
- 4.8 The TSR will be developed and phased-in over time. They will be subject to periodic and ongoing review to continue to ensure that they adapt and keep pace with the changing threat and technology landscape.
- 4.9 These TSR will be used to inform the content and detail set out in our guidance, and their finalisation and ongoing development will be carried out in conjunction with the UK Government, CICRA and telecoms operators.

## **5 Establishing an Enhanced Legislative Framework for Telecoms Security**

- 5.1 The new requirements will be underpinned by a robust legislative framework. The States of Guernsey will pursue legislation at the earliest opportunity to provide CICRA with stronger powers to allow for the effective enforcement of the TSR and to establish stronger national security backstop powers for the States of Guernsey.
- 5.2 This legislation will need to enable the regulatory regime to require compliance and will assist with compliance monitoring, reporting, non-compliance investigation, and enforcement activity.
- 5.3 Until the new legislation is put in place, the States of Guernsey and CICRA will work closely and cooperatively with all telecoms operators to ensure adherence to the new TSR on a co-operative basis. This is on the understanding that the TSR, as defined in our guidance document, will be legally enforceable when the legislation is in place.

## **6 Managing the Security Risks posed by Vendors**

- 6.1 With regard to managing the risks posed by telecoms vendors, the DCMS Review concluded that there should be a 'three lines of defence' approach.

- 6.2 The States of Guernsey will ensure this through the following:
- Telecoms operators will be required to ensure that there is rigorous oversight of vendors. This will be effected through the procurement and contract management process. This involves telecoms operators requiring all their vendors to adhere to the new TSR;
  - Telecoms operators will be required to work closely with vendors to ensure effective assurance testing for equipment, systems and software, and support ongoing verification arrangements; and
  - The presence of certain types of vendors, which pose significantly greater security and resilience risks to telecoms, will be subject to additional controls. In considering what those controls should be, it is necessary to address the identified security risks, whilst seeking to minimise the costs to industry and the wider economy.

## **7 Guidance**

- 7.1 This TSCSF document sets out the way it is proposed to ensure appropriate security standards are maintained. This will be supported by a TISG document that will provide more specific and detailed guidance for the telecoms regulator and telecoms operators. This will improve clarity on the cyber standards and practices expected of industry.
- 7.2 This approach will create flexibility and enable the guidance to be revised as risks, threats and technology change and evolve and if controls need to be strengthened. This will allow the States to respond, by changing, and, if necessary, strengthening controls in response to changes to threats, risks and technology. CICRA has also confirmed that it will have regard to this guidance in determining licensing and spectrum allocation conditions.
- 7.3 This guidance will:
- Ensure that operators build and operate secure and resilient networks, and manage their supply chains accordingly;
  - Assess the risk vendors pose to network security and resilience and apply proportionate and targeted controls to mitigate risk; and,
  - Provide clarity, and potentially improve, the cyber standards and practices that are expected of industry.
- 7.8 CICRA will pursue proactive application of the guidance, however, in the short-term this will be non-binding. In due course it is intended that this guidance will be enshrined in legislation that requires operators to comply with it. This will enable CICRA to pursue proactive application and full enforcement.
- 7.9 There will be consultation with the regulator and operators on the proposed guidance. We will keep this new security framework under regular review to

ensure it remains current, and in alignment with UK government security approaches, as relevant and appropriate.

- 7.10 Guernsey and Jersey are working closely together to develop a common TSCSF approach as we share the same telecoms supply chain security objectives.

The Health Improvement Commission for  
Guernsey & Alderney LBG

Bailiwick Drug & Alcohol Strategy  
2018 Report

## READER INFORMATION

Title	Drug & Alcohol Strategy 2018 Report
Document purpose and key uses	To summarise the work undertaken during 2018 and chart progress against the strategy KPIs
Date	July 2019
Target audience	Health Improvement Commission Board, Health Improvement Commission Patrons, Director of Public Health, Corporate Management Team, Committee <i>for</i> Health & Social Care, Committee <i>for</i> Home Affairs
Circulation list	Health Improvement Commission Board, Committee <i>for</i> Health & Social Care, Committee <i>for</i> Home Affairs, Corporate Management Team, Health Improvement Commission Senior Management Team, Drug & Alcohol Action Group, Misuse of Drugs Advisory Group
Data sources	Cited within report
Reporting frequency	Annual

# Bailiwick Drug & Alcohol Strategy 2018 Report

## Executive Summary

2018 saw the operational delivery of the Bailiwick Drug & Alcohol Strategy (BDAS) transition from Public Health to the Health Improvement Commission for Guernsey and Alderney LBG (The Commission) as part of the Policy and Resources Plan to develop The Partnership of Purpose under the Committee for Health & Social Care. Under a Service Level Agreement, the BDAS Coordinator was seconded full time to the Commission and relocated office and the existing BDAS budget was transferred to the Commission.

The transition to the Commission, whilst working closely with HSC and other States bodies, will allow more operational independence for the BDAS including the development of further prevention and early intervention initiatives facilitated by the ability of the Commission as a charity to raise funds from external sources. This will supplement the majority of the BDAS's funding which is largely committed to treatment services in the criminal justice system, the community and supporting Young People with complex needs involving drugs and alcohol.

The governance of the BDAS has also changed due to its transition to the Commission. The former Bailiwick Drug and Alcohol Strategy Group (BDASG) has been replaced by a BDAS Technical Team. The Technical Team is chaired by Public Health and provides credible, transparent and up-to-date advice to the Commission's Board, Senior Management Team (SMT) and Action Teams in respect of the planning, delivery and evaluation of the Bailiwick Drug & Alcohol Strategy.

The Technical Team's membership includes the following; Primary Care Education, Law Enforcement, Tobacco Control Strategy, 3<sup>rd</sup> Sector and the Public Health, Community Drug and Alcohol Team, Health Intelligence, Service user based in the Community, the Health Improvement Commission CEO and the BDAS Coordinator. Experts within their own field can be co-opted for input on a specific programme or project and the membership will be reviewed annually.

During 2018 and progressing into 2019 the Technical Team has been providing technical advice to support the Joint Strategic Needs Assessment for the development of a Combined Substance Misuse Strategy, which will include Drugs, Alcohol and Tobacco. Further information will be included in 2019's annual report.

The community services provided by CDAT, In-Dependence (formerly Drug Concern) and GAAS continue to provide an important range of treatment options for individuals with drug and/or alcohol dependence. Progress has been made in some services with regards to developing outcomes monitoring and with transition to the Commission, this report attempts to draw in more depth on available local data.

The British Irish Council has continued to be a valuable resource to the BDAS sharing their knowledge and experience including topics such as Minimum Unit Pricing, New Psychoactive Substances, Performance and Outcome Measurement and medically supervised drug consumption centres.

Working with four local “experts by lived experience” and the Community Drug & Alcohol Team (CDAT) the BDAS continued important work on building a local Recovery Community. The Recovery Fayre held in Shiloh Community Church in June 2018 was attended by 90 people and was very well received.

A comprehensive independent research report was commissioned by the BDAS on Opiate Substitute Treatment to investigate:

- Phasing out of Dihydrocodeine and replacing it with a robustly supervised Methadone program;
- Potential review of Branded Buprenorphine prescribing
- The Development of a self-sustaining Recovery culture to allow patients to move on, through detoxification, into living opioid free lives
- Improvements in the use of the Secondary services and Primary care services.

The report’s recommendations were agreed by the Clinical Management Team and this workstream has now moved to the Community Drug & Alcohol Team for implementation.

The BDAS Training Programme was delivered after consulting with operational staff from drug and alcohol services, mental health, children services and domestic abuse workers ensuring that it was responsive to local trends. The BDAS always takes a multi-agency approach as it is imperative that all health professionals both directly and indirectly working with drug and alcohol issues should have effective, current and relevant training.

## Introduction

The BDAS (2015 – 2020) was agreed by the States of Deliberation in 2015. The 2015-2020 Strategy (Figure 1) identified the following areas of focus:

- Reducing supply and demand;
- Supporting children, young people and families;
- Working in partnership;
- Providing treatment;
- Encouraging responsible choice; and
- Monitoring work streams through training, data collection, monitoring and evaluation.

This report provides an update on initiatives and workstreams within the areas of focus (Figure 1). Progress towards the Key Performance Indicators are in Appendix 1.

Figure 1: Drug & Alcohol Strategy Framework 2015 - 2020

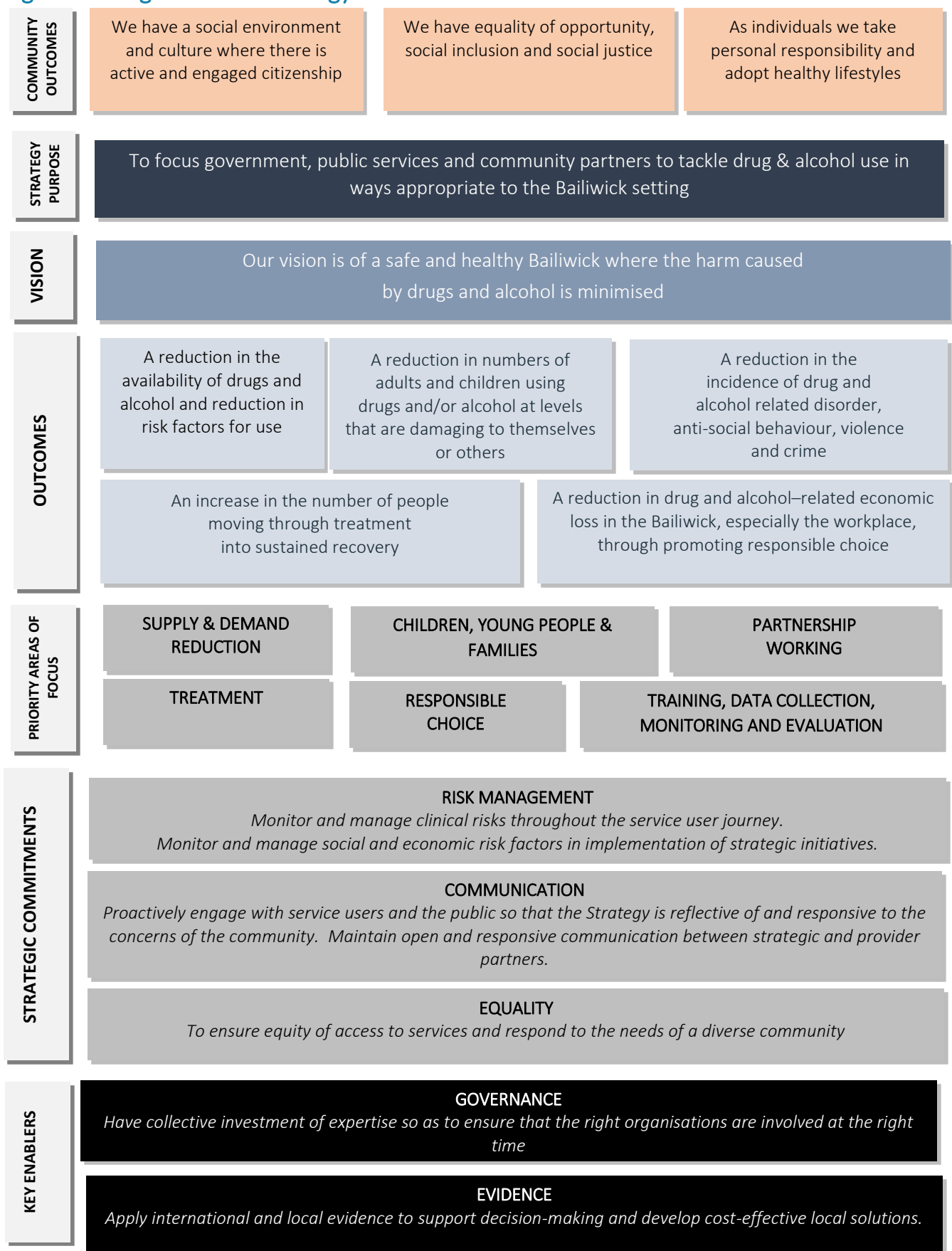


Figure 2: Distribution of Funding and Service Providers

<p>Criminal Justice Treatment Services £121,000</p>	<p>Prison/Community Substance Misuse Service – In-dependence Criminal Justice Substance Misuse Service – In-dependence These services are specialist treatment services designed to meet individual client needs within the Criminal Justice system. * in May 2019 Drug Concern changed the name of their organisation to In-dependence</p>
<p>Community Treatment (Predominantly adults) £222,000</p>	<p>Core Services (Information, skilled advice, support), service user engagement – In-dependence Core Services (Information, skilled advice, support), service user engagement – GAAS Clinical interventions, information, skilled advice, support, service user engagement – Community Drug and Alcohol Team (CDAT) Promotion of a recovery community – All agencies</p>
<p>Treatment/Education Services for Young People and prevention/awareness packages £211,000</p>	<p>Drug &amp; Alcohol Education Service in Junior, Secondary and 6th form schools and colleges – Action for Children (AfC) Young People’s Substance Misuse Service - AfC Contribution to Young People’s Outreach Service - AfC Intervention and Prevention packages e.g. REACH, Social media initiatives, awareness /media campaigns: Drink Drive Campaign, Alcohol and the Brain – Public Awareness campaign</p>

## Reducing Supply and Demand

The BDAS has continued to support a reduction in the supply of, and demand for drugs. The Addictive Prescription Only Drugs Group continues to support the BDAS in areas such as the reduction in opiate prescribing, the diversion of prescribed drugs and the use of opioids substitutes. The shared care model within the Community is still under consideration and the “returns policy” for Fentanyl continues to work well (See KPI 1:2 for data).

The BDAS continues to work closely with Law Enforcement in targeting drug syndicates, resulting in successful prosecutions, along with the conviction of principal dealers and the confiscation of financial assets. Law Enforcement has reported that there were 20 seizures of Class A drugs in comparison to 26 in 2017 with a value of £7,770.85 (£113,930 in 2017). The Bailiwick Drug & Alcohol Strategy Action Group met quarterly with an average of 11 agencies represented each meeting. In accordance with information sharing protocols members were able to gain and share information and intelligence.

The BDAS has continued to have a proactive and positive relationship with the local media, coordinated through the Misuse of Drugs Advisory Group, with the support of the Committee *for* Health & Social Care and the Committee *for* Home Affairs. This allowed the communication of information in respect of the risks and effects associated with particular substances, especially in relation to Spice, which has had a substantial negative impact in the UK and other New Psychoactive Substances (NPS).

## Supporting children, young people and families

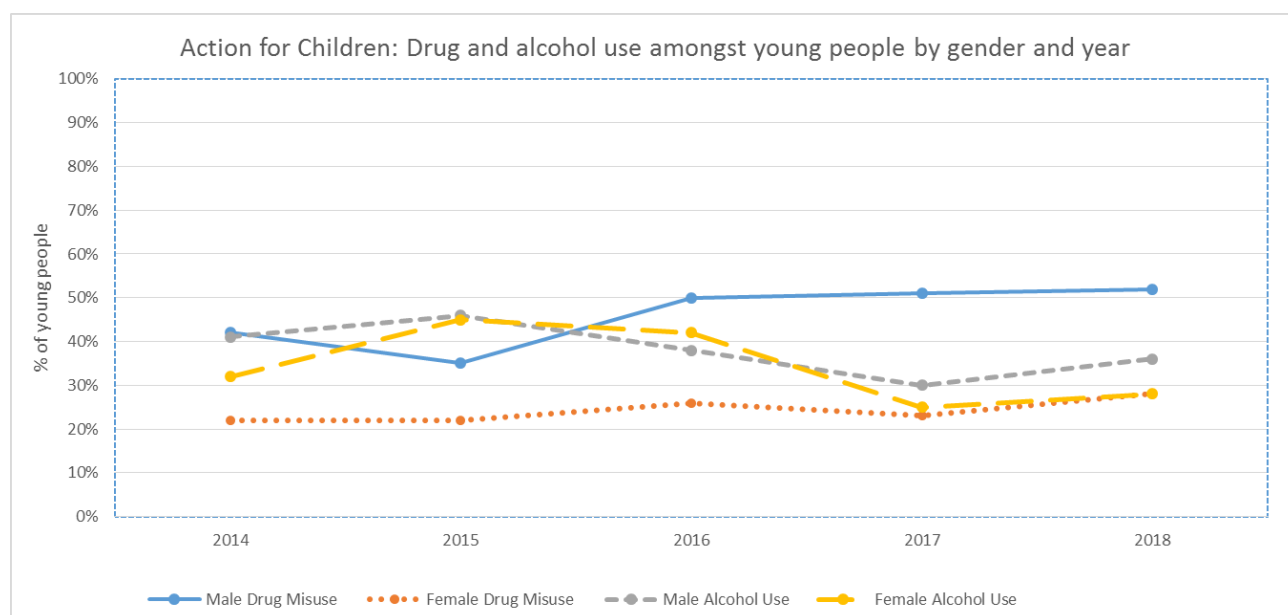
### Action for Children (AfC)

AfC provide the Young Peoples’ Substance Misuse Service (YPSMS) which is for young people under the age of 25, with a primary focus on those post 16 years and the more vulnerable groups dealing with any issues around drug/and or alcohol use or misuse. They will take any referrals from the local health professionals and families who have young people in need of a targeted intervention as well as making referrals to structured treatment providers where appropriate.

In 2018, 209 young people accessed the service. 101 (48%) reported drug and/or alcohol issues, and this was more prevalent in males, 60 (59%) than females 41 (41%). Referrals to AfC were from Criminal Justice Services, MASH, Looked After Children’s Services, and Family/Self.

Figure 1. shows drug and alcohol usage rates amongst AfC service users by gender since 2014. Amongst young people reporting substance use on service entry, female drug use has remained relatively constant over time (22-28%) although the 2018 figure of 28% is the highest since 2014. Amongst males, after a rise to 50% in 2016, drug use has remained relatively stable. Alcohol usage rates declined since 2015 and have remained stable at approximately 30% in 2018.

**Figure1.**



*Note: Base N is the number of young people reporting drug and/or alcohol issues on entering the service.*

The table below shows the number of males and females reporting drug and alcohol misuse on entering the Action for Children service.

	2014	2015	2016	2017	2018
	N (%)	N (%)	N (%)	N (%)	N (%)
<b>Male Drug Misuse</b>	44 (22)	59 (21)	66 (27)	63 (28)	52 (25)
<b>Female Drug Misuse</b>	21 (11)	25 (9)	29 (12)	24 (11)	30 (14)
<b>Male Alcohol Use</b>	43 (22)	78 (28)	51 (21)	37 (16)	31 (15)
<b>Female Alcohol Use</b>	30 (15)	51 (18)	46 (19)	26 (12)	30 (14)

*Note: Percentages based on the total number of young people entering the Action For Children service per year.*

46 Outcome Stars were completed by young people, 20 young people used the Drug & Alcohol Screening and/or the AUDIT (alcohol) tool. 29 (29%) young people received intensive interventions (complex caseload) and 16 (16%) received clinical treatment from specialist agencies. 53 (25%) Young Parents were supported within AfC and of those 30% had drug and/or alcohol issues. 9 adults were also engaged with the Service who were supporting substance misusing young people.

### Quality outcomes

Outcome	2018	Target
Exiting the complex care service with agreed exits	74 (75%)	84 (85%)
Reducing their substance use	58 (59%)	59 (60%)
Harm reduction: Behaviour change / reduced risk status from treatment start to treatment exit*	71 (72%)	84 (85%)
Individuals with noted substance misuse issues no longer reporting a housing problem at exit	87 (88%)	No Target set

\* (e.g. unsafe drug use, offending, self-harm, sexual exploitation and unsafe sex)

The Table below shows the quality outcomes for AfC with a baseline figure from 2018. These will be compared year on year in future annual reports.

What we will do	How will we do this	Outcome	2018 baseline figures
Build strong therapeutic relationships with the young people	Using the 'Keeping Myself Safe' toolkit, Teentalk resources (see appendices), DANOS and NICE and QUADS guidance	% year-on-year reduction of unplanned treatment exits from service from the current baseline	6 (6%) unplanned exits
100% of young people have a high quality assessment of needs	Using and reviewing Audit PC and the Drug and Alcohol Strategy Screening tool, AfC assessment tool or Treatment Outcomes Profile for over 16s (see appendix; safeguarding audits	100% of young people receive appropriate treatment interventions, including onward referral within 5 working days if required (mental health, sexual health, social care, Housing)  80% of young people screened show a reduction in use/safer use by treatment exit	100%  50%
100% of young people have SMART Care Plan	Use the Outcomes Star, measure progress bi-monthly through E-aspire database; file audits	62% of young people engaging in the treatment service will improve at least one area of need within first 3 months  60% of young people improve in at least two areas of need within 6 months	52%  60%
100% of young people are offered weekly/bi-weekly psychosocial key working sessions	Brief interventions, Motivational Interviewing, TeenTalk, AfC toolkits	80% of young people are actively engaged in service ( <i>identify periphery clients</i> )	83%
100% of Young people with high risk scores are offered twice weekly key working sessions	Offer a bespoke intensive treatment package	70% of high-risk young people reduce their risk score by treatment exit (Complex case list)	72%

### Young Parents' Programme (YPP)

Action for Children began a pilot of the YPP programme in 2017. This is an intervention designed by AfC which can be delivered locally. The aim was to pilot an accessible and supportive pre- & post-natal qualification to vulnerable young parents who were AfC service users. The pilot involved 8 parents (62% of those invited) and underwent its first quality assessment by the training provider.

The evaluation noted that the confidence of parents raised and there were improvements and confidence in parenting skills. There was also evidence of increased awareness of unhealthy relationships and a transition to healthy relationships. New personal and professional networks have been formed by the participants including sign posting to other agencies. Three children were no longer on the child protection register. AfC are now ready to promote the service further. The licence that AfC hold to deliver this training also gives access to a range of other learning opportunities including employability modules, well-being and mental health modules and life skills which will be explored again in 2019.

### Drug & Alcohol Education Service

The BDAS part funds the PSHCE (Personal, Social Health and Citizenship Education) Advisor who reports annually to the BDAS Coordinator and submits an annual report to the Education Department. The Drug & Alcohol Education service is delivered by AfC within the PSHE curriculum. 2,650 (3,120 in 2017) students were reached in 2018, (721 primary and 1,929 secondary). The reduction in numbers is due an amendment to the Alcohol Education delivery which now delivers “Let’s talk about Alcohol” an alcohol prevention education programme comprising 4 lessons in Year 8 (12 – 13yrs) and 2 follow up lessons in Year 9 (rather than 1 lesson to each year group). This was first delivered in 2017 – 18 school year and the evaluation will be reported in 2019.

A total of 2877 (1237 in 2017) students received drug education, (406 primary, 2,471 secondary). Each secondary school year group has one lesson a year from Year 7 (11 – 12yrs) to Year 11 (15 – 16yrs) covering factual, up-to-date information which is relevant to the needs of the students living in the local community.

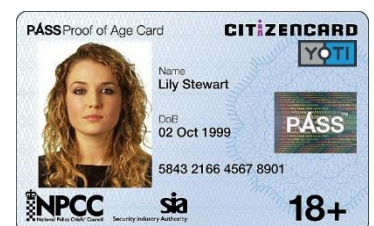
AfC delivered an additional 25 sessions at the College of Further Education and supported the BDAS Coordinator in delivering drug and alcohol awareness training to professional organisations such as Law Enforcement and School Nurses.

Evaluation of the school-based service provision by young people (N = 96 Year 5 pupils & N = 57 Year 9 students) was undertaken. In primary school, 80% of children “like outside agencies coming into the school to deliver the PSHE” and 86% correctly answered a multiple-choice questionnaire about alcohol. In 2 of the 3 schools involved, AfC’s alcohol and drugs lessons were cited as the subjects where they had learnt the most. In secondary school, when asked to give two consequences of smoking cannabis 56% answered 2 correctly and 33% gave one correct answer, only 11% did not provide a correct answer. Students felt that alcohol was the subject in which they learnt most followed by the drugs lesson.

### **YotiCitizencard**

This is a voluntary initiative between Education, the BDAS and Citizencard UK. Each student in Year 12 is offered a free 18 + proof of age card which is recognised nationally with over 4 million distributed in the UK. There are now over 2,500 in Guernsey, with 320 being issued in 2018.

This is the only identity card that is accepted by the local public houses, nightclubs and licensed premises. Since 2018 Citizencard has joined up with YOTI (Your Own True Identity) which is an app that allows young people to use their mobile phone to prove their age and identity to businesses and verify the details of people online.



### **Alderney Provision for Young People**

AfC provide drug and alcohol education in St. Anne’s School delivering lessons to all students usually over a 2-day period. Dependent on need they will visit Alderney to assist the Youth Commission in specific programmes.

The Youth Commission, via the resident part-time Youth Worker, provide advice and support for those young people dealing with issues around drug/alcohol use but will signpost to AfC if a targeted intervention is needed. In 2018, the Alderney Youth Worker conducted a survey to provide an audit

of need in regard to the use of drugs and/or alcohol amongst young people of Alderney. This will provide the evidence for a multi-agency approach to supporting the Young People of Alderney in 2019 and is reported below

## **Youth Commission**

In November 2018, in partnership with the Youth Commission and part-funded by the BDAS, the Youth Worker in Alderney surveyed students within St Anne's School to explore their relationship with drugs and alcohol, as well as their emotional health and wellbeing. 39 (75% of students) completed the survey (67% female) with ages ranging from 11 to 17 years.

85% of young people said they had tried alcohol (67% stating occasional, 8% stating regular use). Cider, Beer and Vodka were most popular. 79% of young people reported that some or all of their friends drank alcohol. 33% of students knew family members who misused alcohol and 8% reported that their family was significantly affected by the use of alcohol. With regards to drugs, 30% students reported having used cannabis, magic mushrooms or ecstasy. 80% of these reported occasional use.

Young people reported a range of family-based risk factors such as alcohol misuse, known drug use and no supportive adult and personal risk factors including criminal activity, low self-esteem, unhappiness, self-harm and anxiety.

The Youth Commission in conjunction with the BDAS aim to undertake further work to understand the needs of young people in Alderney. This will be reported on in the 2019 Annual Report.

## **Providing treatment**

### **Guernsey Alcohol Advisory Service (GAAS)**

During 2018 GAAS saw 80 clients, a 33% increase on 2017. 37 (49%) clients chose abstinence as the intervention/therapeutic process and 38 (51%) clients chose controlled/reduced alcohol consumption. 5 were returning clients who wanted continued support with maintaining abstinence in the community and 1 had relapsed and wished to re-engage, with abstinence as the desired outcome. The majority (77%) of service users are male and between 30 – 50 years old.

Whilst all clients accessed the service for support for alcohol use as their main drug of choice 2018 data suggests that the GAAS caseload may be becoming more complex. For example, 51% were misusing prescription drugs (an increase on 2017 25%) and 29% of clients were using illegal drugs as well as alcohol in comparison to 5 (8%) clients in 2017.

The majority of clients were seen on a weekly basis for approximately one hour, although this can increase especially if they have recently ceased drinking. The average number of client sessions is 11 (range = 2 to 49) over an average 3-4-month intervention period. The caseload is usually between 18 and 21 clients in any given week. GAAS also provides support to significant others as part of a therapeutic process with existing clients or as a concerned individual. Six were supported in 2018.

37 clients presented with abstinence as their eventual goal. 47% exited the service abstinent, 17% reduced their alcohol consumption and 7 disengaged. 10 remained in treatment and continued into

2019. 38 clients presented wanting to control or reduce their alcohol consumption. 76% exited with a reduced drinking outcome and plan, 8% disengaged and 16% remain in treatment.

### **In-dependence (formerly Drug Concern)**

In-dependence's aim is to help people whose lives are affected by drug or alcohol use providing a confidential, non-judgemental service. They work with individuals and families; those who are using and those who are affected by someone's drug or alcohol use.

### **Support Services (community)**

Support services are specifically designed to help people who are struggling to change behaviour. The focus is on problem identification and management, motivational work in relation to reduction of drug/alcohol use and specific relapse prevention techniques for those who have already made changes to substance use. In 2018, 25 Community Clients were seen; 64% of Clients were male. 18% became abstinent and 13% reduced their usage. Nearly all achieved some measure of beneficial change, through increased motivation (13%), reduction in risk (13%), improved coping skills (18%), or at least a greater awareness of their problem (26%). There was no change in 3 (10%) of the clients

### **Criminal Justice Substance Service.**

The Criminal Justice Substance Service (CJSS) is a partnership between In-dependence and the Probation Service to provide treatment for people (clients) who are referred by a Probation Officer or an Order from the Court Proceedings and for whom drug or alcohol use is considered as a contributing factor in their offending behaviour. The service aims to reduce their contact with the criminal justice system, criminal activity and their problematic substance use.

There were 37 (25% decrease from 2017) referrals to the CJSS with 16 (12) orders granted in 2018. 14 (18) were not granted by the Courts and 3 (4) were not suitable after assessment. 14 (18) were on the caseload at the end of Dec 2018. The Court Orders were for varying periods of time (months to years). 8 completed their order; 1 from 2016, 5 from 2017 and 2 from 2018.

In-dependence undertook an evaluation of service users' experiences of attending, to improve service provision. Service users felt the service generally met their needs. The evaluation highlighted that with the support of CJSS they had been able to make changes to their use of substances or felt that



the service was an important factor in being able to maintain their current lifestyles. Key factors were getting group support, developing self-esteem, being mindful of actions, and goal setting (See below).  
Overview of Criminal Justice Substance Service qualitative evaluation findings

### **Prison Substance Misuse Service**

There were 44 new entrants into the Prison Substance Misuse Service which focuses on drug and alcohol misuse and acts as a conduit to the community-based services upon release.

Inside Out is an evidence-based group recovery programme which considers the importance of motivation, how cravings and triggers to substance use can be better managed; how thoughts, feelings and behaviours can be modified to reduce the chance of relapsing into substance misuse and how living a balanced life is key for maintaining change. Six groups were delivered throughout 2018 and 25 prisoners completed the programme.

Outcomes were measured using a pre and post questionnaire, with self-scoring from a scale of 0-10. The questions focused on readiness to change, improvement in knowledge of triggers for using, and confidence in not relapsing. 88% of prisoners experienced change in one or more areas.

In addition to inside out, general support was offered to prisoners who were detoxing and unable to engage in any structured work. Individual recovery work was also provided for clients who wanted to refresh their recovery skills prior to release or who were unable to participate in group programmes.

### **Needle Exchange - Independence**

The needle exchange service is delivered specifically as a harm reduction measure. Its introduction was a response to concerns that a growing number of users were injecting drugs, often with used or shared injecting equipment, potentially increasing the risk of transmission of blood borne viruses.

The needle exchange provides a space for users to collect clean injecting equipment and to talk about any related concerns or problems. In return they receive safer injecting advice and more general support and signposting to relevant services. The number of injecting drug users remains stable, although there is an increasing number of people reporting to be using performance enhancing substances.

Similar to previous years, the majority of clients are male and aged >30. 2018 saw an increase in the needle return rate (94%), from 89% in both 2016 and 2017.

### **Community Drug & Alcohol Team**

The Community Drug & Alcohol Team (CDAT) is part of mental health services and provides clients in Guernsey and Alderney with clinical interventions which cannot be provided in Primary Care or by other treatment agencies. It is the only treatment service on the island which offers substitute prescribing, although GPs working in private practice may also prescribe substitute opioids. CDAT also provide adult clinical and therapeutic treatment service provision to Alderney. Clients will either travel to Guernsey or will receive support via phone, Skype etc. dependent on need.

The number of people entering CDAT remains consistent (102 in 2018, 101 in 2017), the majority (67%) are male. The majority of new clients in 2018 used alcohol only, followed by opiate use.

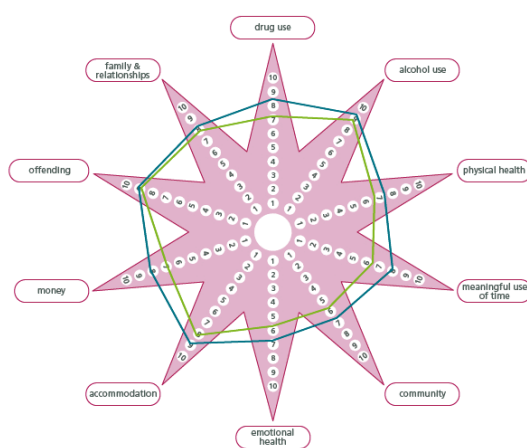
### Substance use by gender in CDAT 2018

	Female N (%)	Male N (%)
Opiate user	8 (26%)	27 (38%)
Non-Opiate user	0 (0%)	1 (1%)
Non-Opiate/other with Alcohol	3 (10%)	7 (10%)
Alcohol only	20 (64%)	36 (51%)
Total	31 (100%)	71 (100%)

“My life has been transformed since going on suboxone and not taking any codeine for nearly 3 months (worker) and (worker) have been amazing. The support I get from (worker) is so helpful I am able to be honest and open with them. Thank you to the whole team.”

‘I have so much respect for (worker) in the way she deals with things and the way she has helped me and also my children I can honestly say hand on heart that if it wasn't for (worker) I for one wouldn't be here and neither would my children cause I'd have gone a long time ago so they wouldn't have been born but with the support of (worker) through the years of bad times and good I am where I am today and I will always be grateful for all she has done.’

CDAT use the Drug & Alcohol Outcome Star which is a tool for supporting and measuring change when working with clients. It focusses on ten core areas that have been found to be critical in Service user feedback from clients (as shown above) having used the various interventions within the service has been very positive enabling them to progress towards and maintain a life free from drug misuse and problem drinking. Whilst analysing average scores from outcome stars may decrease the variation seen at individual level, they do show improvements in all scales.



**Figure 2.** Average progress on Star scales for CDAT services users Jan-Dec 2018 (Green line = first measure, blue line = second measure).

### Opiate Substitute Treatment (OST)

In Guernsey the local drug scene is complex and associated with significant risk. This is in part due to the effectiveness of the controls on importation, meaning that supplies of classic drugs of recreational abuse – cannabis, amphetamines ecstasy and cocaine - are erratic or non-existent. The local drug using population will be attracted to prescribed medication, which will generally be sourced legitimately, but then diverted. The most commonly diverted/abused medication are opiates and benzodiazepines.

Over the last 5 years, statutory and non-statutory drug services have worked with colleagues in Primary Care, aiming to reduce the prescription of these drugs (in particular Fentanyl), with reasonable success. However, a large number of individuals have developed addiction to prescribed medication, primarily opiates.

In May 2018 the BDAS commissioned an external, independent review of Guernsey's options for opiate substitution which was carried out by Jan Melichar from the Community Addiction Unit, Cardiff and Vale UHB, NHS Wales. The report reviewed use of OST in other countries and the advantages and risks, the role of OST in substance misuse recovery, the need for accompanying support and clinical systems for different forms of OST and the comparison between OST available in Guernsey (Suboxone/Dihydrocodeine) and those not used, including the risks and benefits. Local conditions were also considered (drug scene; service arrangements; resourcing).

The reports proposed changes to the OST programme were agreed by the Clinical Management Team and the HSC Committee were asked to note the update on the recommendations which was submitted for information.

Implementation of the recommendations is under the leadership of the Community Drug and Alcohol Team during 2019/20:

- More supervised consumption of OST products reducing the risk of diversion
- Brings local OST prescribing practice in line with the evidence base, which will involve the introduction of alternative substitutes and gradual withdrawal of Dihydrocodeine as an OST.
- Safer prescribing patterns and continued control by CDAT and prison medical staff along with the FMO in the first phase.
- Primary Care may become involved once the scheme is established for stable patients. This will not be considered in the first 12 months of the introduction of methadone (or alternative substitutes) to OST.
- Engage the Community pharmacies to participate in this programme.
- It is proposed that within 6 months of the introduction of alternative substitutes, the prescribing of Dihydrocodeine for OST will be cease to be supported.

## **Recovery Fayre 2018**

Since 2016 Guernsey has achieved much within the Recovery Community but there is still a lot to do to continue to grow and thrive. Demonstrating the BDAS success in involving service users, the Recovery Fayre was co-developed with services users who then took ownership and drove the idea of a Fayre to celebrate their success, raise awareness of local services and support and take the next steps together.

100 people attended the Shiloh Community Church with the theme of the day and the bulk of the organisation and delivery being driven by the Recovery Community of Guernsey. Mental health and other addiction services were included.



Three speakers from the UK and five members of the Community in recovery told their stories to both motivate those who wanted to make a change in their lives and their relatives, friends and carers.

The afternoon workshops (e.g., Mindfulness, Decider Skills and Confidence Coaching) were born out of stakeholder engagement. The Fayre received good media coverage and it is intended that this kind of event may be repeated again in 2020.



## Encouraging responsible choice

### Drink Drive Campaign



2018 was the last year of the 3 year partnership with TPA. The Summer Campaign focused on a play on words using cocktails as the theme and reminding the Community that being over the limit if drinking alcohol whilst driving may result in a custodial sentence. The Christmas campaign was led by Law Enforcement, using the Police Facebook page to post pictures of officers performing spot checks and notifying the Community when an individual had been caught. 581 people (692 in 2017) were breathalysed with 89, 15% (76, 11%) being convicted of an offence.



## **The Collective – Year 9 drama production**

For the first time in 2018, 600 students across the island from all secondary schools and colleges attended a drama performance ‘The Collective’ by local theatre company Tinwhistle Productions (In previous years a UK company had been used).

Set in the year 3018 students were invited into the world of The Collective where they debated the reintroduction of alcohol into society. Exploring Historic Memories from 2018 and guided by the performers, learners engaged in an interactive show where they ultimately had the final say. Students relived scenarios that demonstrated the risks surrounding alcohol misuse such as sexting, drink driving, non-consensual sexual intercourse, binge drinking and “normalised alcohol misuse”.

The aims of this production was to stimulate conversations around societal norms as well as challenge perceptions. Students were able to articulate their own thoughts and attitudes towards drinking and it provided opportunities to self-reflect on their attitudes around alcohol. This production also provided teaching staff an insight into other issues that may need additional support in PSHE sessions such as sexual health, domestic abuse as well as clearly identifying attitudes around the risks of drinking.

## **Summer Shows**

The Late Night Bus initiative for the West and North shows have been running for the last 3 years with a £1 fare to all individuals. It has become part of the Summer Drink Drive Campaign and encourages people to leave their car and get home safely if they are under the influence and aims to reduce alcohol related anti-social behaviour. The total passengers carried at the West Show were 816 (862 in 2017). The North Show reported lower passenger numbers (167) than in 2017 (340). Following a debrief meeting the Committees from both Shows have committed to promoting the service utilising social media.

## **Training, data collection, monitoring and evaluation**

### **Monitoring system for Drug & Alcohol Services**

Due to ongoing difficulties with IT systems and the transfer of DAISY 1 to DAISY 2 (a data system used by Probation) managed by the Committee *for* Home Affairs, a monitoring system for the Single Treatment System could not be designed to accommodate the Strategy’s needs as it became too focussed on criminal justice.

Work was undertaken in 2018 to find a system that was fit for purpose and could potentially be rolled out to all agencies outside the States System. Working with In-dependence, CORE Net was identified. CORE Net is used throughout Public Health England and is an outcomes management system for psychological therapies. It allows services to track patients from the time they enter the treatment system to the time they disengage with the service on a number of common, validated metrics.

It is anticipated that all community drug and alcohol services will be advised via the future Service Level Agreements to employ CORE Net as this will have significant positive implications for the quality

and consistency and equality of evidence with which to monitor service performance. The system will also help the services demonstrate impact and also to improve their services.

### **Training/Workforce development**

Three training programmes were offered to all drug & alcohol services as well as mental health and other charitable organisations that are associated with our targeted services.

In partnership with AfC, a four-day foundation course was offered in Solution Focussed Practice by the organisation BRIEF in January. It was also the foundation for the Signs of Safety approach to safeguarding children. 28 participants from 11 different agencies attended. The BDAS intends to fund further training in 2019 to enable individuals to become certified in this practice.

In September, 8 drug and alcohol workers attended the NADA Acudetox Training Workshop to enable them to practice Auricular Acupuncture within their workplace. This therapy is used to help clients address their problems, help reduce withdrawal symptoms and cravings, help clients remain in treatment and reduce criminal behaviour.

In November a 2-day beginner's course in Motivational Interviewing was offered, followed by a 2-day advanced course for those who had already attended the beginners' or wanted a refresher. 32 people attended the training and evaluated it positively, averaging 8/10 for overall content and fulfilling learning objectives.

### **Working in Partnership**

As is evident from the report, partnership working between the public sector, third sector, private sector and community is central to the delivery of the BDAS and a significant area of success. Beyond local partnership, the BDAS continues to collaborate closely with the British and Irish Council and national experts on elements of the Strategy.

#### **British Irish Council**

The BDAS Coordinator attended two meetings during 2018 (London & Edinburgh). Policy approaches to Cannabis was kept on the Work Plan in order to monitor and update on the impacts of the change in legislation across the Member Administrations.

Two new topics of focus for the group are; 'Financial mechanisms to reduce the consumption of alcohol' and 'The Health Outcomes from the effectiveness of Addiction Services and Harm Reduction'. After scoping papers were produced, one of these topics will be discussed in 2019 and developed for the BIC Ministerial in that year.

Presentations were also included in the meetings delivered by experts from the local area. London topics covered; Information sharing to Tackle Violence, Drugs Report Illicit Drug Reactions, Serious Violence Strategy including discussions round County Lines. Edinburgh's presentation highlighted the work of the Dundee Drugs Commission. The Commission invited evidence, undertook research such as an online survey in Drug Deaths, and focussed on other key areas such as mental health, leadership and governance along with treatment and support. The other presentation was on the early findings of Minimum Unit Pricing in Scotland. The collective view at this time was that it was too early to make

significant conclusions but the Compliance Report is due in September 2019 with the final report in 2023.

## **Conclusion**

During 2018 a more unified approach to substance misuse locally has been supported by the transfer of responsibility for the BDAS to the Committee *for* Health & Social Care (and the transference of the operational delivery of the BDAS to the Health Improvement Commission) reflecting a growing acceptance that reducing drug supply alone is not sufficient to tackle the drug problem, and that a public health approach, which embraces prevention, treatment and rehabilitation is needed. A similar approach is needed for alcohol harm reduction.

Partnership working across a diverse range of stakeholders remains a significant strength of the BDAS operational delivery including close working relationships with service providers, charities, education and States Committees. The BDAS remains flexible to operational challenges and opportunities and alongside business-as-usual for core services, particular highlights of 2018 include the successful transition to the Health Improvement Commission, completion of the OST review, a stronger focus on needs of young people in Alderney, improved outcomes monitoring for In-dependence, and the support for the Recovery Community.

The siting of the Bailiwick Drug and Alcohol Strategy and the Tobacco Control Strategy within HSC raised the question as to whether these two strategies could be unified into a single Substance Misuse Strategy. HSC considered these matters on the 13<sup>th</sup> June 2018 and concluded that they would wish to pursue the option of a Joint Strategic Needs Assessment to support the development of a Combined Substance Misuse Strategy. They also directed that this should include a review of the medicinal use of cannabis, together with a review of the interaction of the Health and Justice Systems in relation to the possession of small amounts of drugs for personal use. These projects are being led by Public Health with the support of the BDAS Coordinator and the Commission's key stakeholders and commenced in the latter months of the 2018.

In presenting the 2018 Report, the BDAS Coordinator and the Health Improvement Commission would like to thank the Committee *for* Health and Social Care for the support they have given as lead Committee.

Andrea Nightingale  
Drug & Alcohol Strategy Coordinator  
July 2019

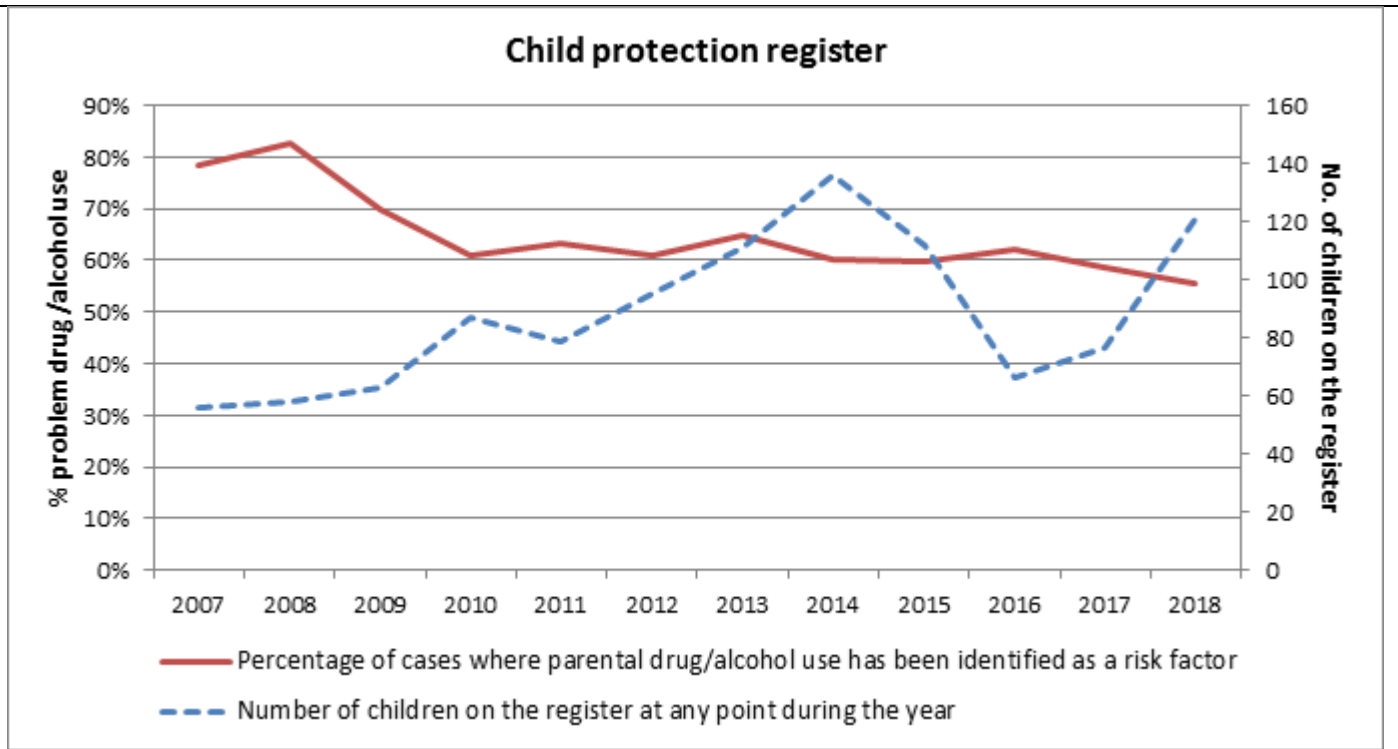
Appendix 1 – Progress against the Bailiwick Drug & Alcohol Strategy KPIs

KPI		Progress					
<b>Outcome 1 – Supply and Demand Reduction</b>							
The Strategy seeks to support a reduction in the supply of, and demand for drugs through a combination of robust responses to substance related offending and proactive informative awareness campaigns.							
1.1	No significant* decrease annually in Bailiwick drug street prices <i>*significant; market price change per commodity of greater than 20%</i>	There has been no significant change in drug street prices for the Bailiwick of Guernsey during 2018. Prices across commodities have remained stable as evidenced through investigations and intelligence collected by Law Enforcement locally during the past year.					
1.2	% reduction in the prescribing of drugs of concern (hypnotics, benzodiazepines, all opioids including fentanyl and oxycodone)	<b>Drug Class</b>	<b>Prescriptions dispensed Q/E-Dec 2011</b>	<b>Prescriptions dispensed Q/E Dec 2015</b>	<b>Prescriptions Dispensed Q/E Dec 2016</b>	<b>Prescriptions dispensed Q/E Dec 2017</b>	<b>Prescriptions dispensed Q/E Dec2018</b>
		Hypnotics and anxiolytics	7050	5864	5365	5675	4971
		All opioids	4124	4254	3878	3743	3345
		All Fentanyl	677	502	519	485	409
		Fentanyl “100microgram” patches	67	24	41	35	31
		Oxycodone	203	256	250	232	191

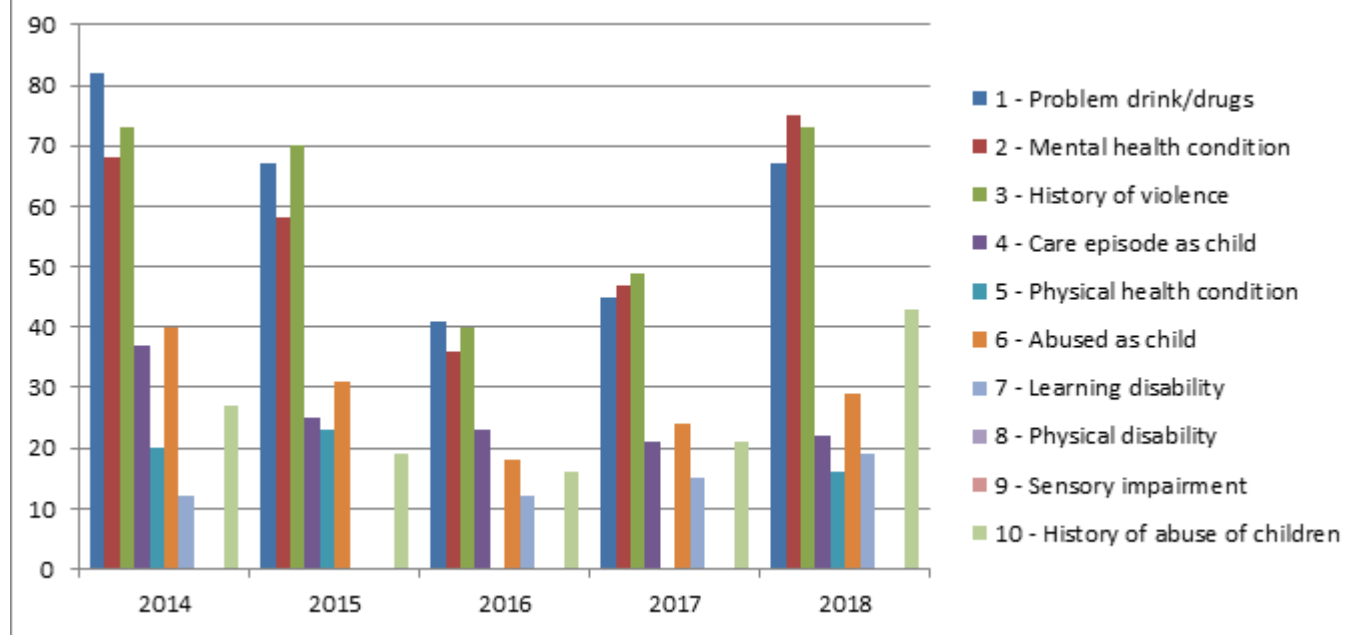
		<p>Data is (as always) for Primary Care Practices in Guernsey.</p> <p><i>There was a reduction in the prescribing of hypnotics and anxiolytics by Primary Care Practices. A significant proportion of this is due to the reduction in the use of melatonin. This agent is less harmful to the community than Benzos and “Z” drugs, but it has been a very expensive option for islanders with insomnia. The cost saving, mainly attributable to a reduction in the use of unlicensed Melatonin specials, is about £8,000 per month in drug costs. The significant reduction in the prescribing of all opioids, all Fentanyl, highest strength Fentanyl patches and all Oxycodone follows a trend seen in the last three to four years. This (i.e. the long-term trend) is likely to have been due to a long-standing culture of engagement and collaboration between Primary and Secondary Care. Balancing the wants and needs of the individual and the community and costs is not always easy.”</i></p>										
1.3	Reduction in alcohol consumption per capita	<table border="1"> <thead> <tr> <th>2014</th> <th>2015</th> <th>2016</th> <th>2017</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>10.86</td> <td>10.83</td> <td>10.64</td> <td>10.67</td> <td>10.62</td> </tr> </tbody> </table> <p>The figure for 2017 has been restated due to a revision in the number of short term licences which were granted in 2017.”</p>	2014	2015	2016	2017	2018	10.86	10.83	10.64	10.67	10.62
2014	2015	2016	2017	2018								
10.86	10.83	10.64	10.67	10.62								
1.4	Number of licensing offences resulting in convictions	There have not been any licensing offences that resulted in convictions in 2018 and no offences have been recorded since the beginning of the 2015 – 2020 Strategy										

1.5	A successful evidence-based programme emerging from definitions of risk factors identified through input from service users	<p><b>Custodial Services</b> Six groups were delivered throughout 2018, a total of 25 prisoners completed the programme.</p> <p>3 SMART groups (Self-Management and Recovery Training) are held weekly and prisoners can access the groups when they feel they need the support</p> <p><b>Community Programmes</b> Adult friends and family members of drug/alcohol users were given one – to –one support Weekly “Drop In” sessions for service users</p>
<b>KPI</b>		<b>Progress</b>
<p><i>Outcome 2 – Children, Young People and Families</i> The Strategy aims to reduce the number of adults and children using drugs and/or alcohol at levels which are damaging to themselves or others.</p>		
2.1	A reduction in the age standardised rate of premature mortality from liver disease per 100,000 population from a baseline of 11.4 in 2013 – 15	This data is not collected annually. It will be reported on in 2020
2.2	<p>A reduction over a ten year period in the percentage of 14-15 year olds who regularly drink alcohol from a baseline in 2007.</p> <p>The survey is carried out every 3 years</p>	The Young People’s Survey will be carried out in 2019 and will be reported on in 2020

2.3	<p>A reduction over a ten year period in the percentage of 14-15 year olds who use cannabis from a baseline in 2007.</p> <p>The survey is carried out every 3 years</p>	<p>The Young People’s Survey will be carried out in 2019 and will be reported on in 2020</p>																																																				
2.4	<p>A reduction over a ten year period in the percentage of children on the Child Protection Register with drug or alcohol using parents from a baseline in 2007</p>	<table border="1" data-bbox="658 571 1733 874"> <thead> <tr> <th>Parental factors</th> <th>2007</th> <th>2008</th> <th>2009</th> <th>2010</th> <th>2011</th> <th>2012</th> <th>2013</th> <th>2014</th> <th>2015</th> <th>2016</th> <th>2017</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td><b>Total No. on register</b></td> <td>56</td> <td>58</td> <td>63</td> <td>87</td> <td>79</td> <td>95</td> <td>111</td> <td>136</td> <td>112</td> <td>66</td> <td>77</td> <td>121</td> </tr> <tr> <td>Problem drink/drugs</td> <td>44</td> <td>48</td> <td>44</td> <td>53</td> <td>50</td> <td>58</td> <td>72</td> <td>82</td> <td>67</td> <td>41</td> <td>45</td> <td>67</td> </tr> <tr> <td><b>% with problem drink/drugs</b></td> <td>79%</td> <td>83%</td> <td>70%</td> <td>61%</td> <td>63%</td> <td>61%</td> <td>64%</td> <td>60%</td> <td>60%</td> <td>62%</td> <td>58%</td> <td>55%</td> </tr> </tbody> </table> <p>Absolute numbers of children on the register at any point during the year in 2018 increased to 121 from 77 in 2017 and the number of cases where drug and/or alcohol use was identified as a parental risk factor also increased from 45 to 67. However, as a percentage of overall registration figures this represents a decrease and follows a generally downward trend since 2007.</p>	Parental factors	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	<b>Total No. on register</b>	56	58	63	87	79	95	111	136	112	66	77	121	Problem drink/drugs	44	48	44	53	50	58	72	82	67	41	45	67	<b>% with problem drink/drugs</b>	79%	83%	70%	61%	63%	61%	64%	60%	60%	62%	58%	55%
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Where parental use of drink or drugs is identified as an issue, it is normally in combination with other parental risk factors such as mental health issues or known history of violence. Parental drink or drug use was identified as a single risk factor in two of the 67 cases.



The figure above illustrates that parental use of drink or drugs remains one of the most regularly identified risk factors in child protection assessments, although it has fallen over the last five years in relation to the other most commonly cited risk factors: parental mental health condition and known history of violence. 2018 saw an increase in the prevalence of problem drink/drugs use in this group (>65%) relative to previous two years (40-50%). Data gathered in the future will help determine whether this is a cohort effect or an increase that is maintained.

2.5	A reduction over a ten year period in the percentage of adults self-reporting drinking at increasing and high risk levels from a baseline in 2008	Data collection for the Seventh Guernsey and Alderney Lifestyle Survey will be conducted in 2018/19 and will be reported on in 2019
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KPI		Progress																																								
<p><b>Outcome 3 - Partnership Working</b>            Within this Pillar, the Strategy is working towards a reduction in the incidences of drug and alcohol related disorder, anti-social behaviour, violence and crime in the Community.</p>																																										
3.1	A reduction over a ten year period in the number of drug related convictions from a baseline in 2010	Number of drug related convictions from 2010 <table border="1" data-bbox="660 478 1646 590"> <thead> <tr> <th>Year</th> <th>2010</th> <th>2011</th> <th>2012</th> <th>2013</th> <th>2014</th> <th>2015</th> <th>2016</th> <th>2017</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>Convictions</td> <td>118</td> <td>105</td> <td>119</td> <td>113</td> <td>117</td> <td>119</td> <td>117</td> <td>217</td> <td>156</td> </tr> </tbody> </table>	Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	Convictions	118	105	119	113	117	119	117	217	156																				
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3.2	A reduction over a ten year period in the percentage of alcohol related offences from a baseline in 2010	<table border="1" data-bbox="660 654 1624 997"> <thead> <tr> <th></th> <th>2010</th> <th>2011</th> <th>2012</th> <th>2013</th> <th>2014</th> <th>2015</th> <th>2016</th> <th>2017</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>Total Number of Custody Records</td> <td>2049</td> <td>1971</td> <td>1717</td> <td>1509</td> <td>1464</td> <td>1443</td> <td>1132</td> <td>1397</td> <td>1354</td> </tr> <tr> <td>Alcohol Related Incidents*</td> <td>930</td> <td>1018</td> <td>709</td> <td>623</td> <td>655</td> <td>675</td> <td>435</td> <td>490</td> <td>533</td> </tr> <tr> <td>Percentage of Records</td> <td>45%</td> <td>51%</td> <td>41%</td> <td>41%</td> <td>44%</td> <td>46%</td> <td>38%</td> <td>35%</td> <td>39%</td> </tr> </tbody> </table> <p>*to the extent that the individual arrested was readily identifiable as being under the influence</p>		2010	2011	2012	2013	2014	2015	2016	2017	2018	Total Number of Custody Records	2049	1971	1717	1509	1464	1443	1132	1397	1354	Alcohol Related Incidents*	930	1018	709	623	655	675	435	490	533	Percentage of Records	45%	51%	41%	41%	44%	46%	38%	35%	39%
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3.3	A reduction over a five year period in the number of people entering prison with substance dependence issues not previously known to community from a baseline in 2015.	<p>In 2018 there were 165 admissions (140 in 2017)</p> <p>Of the 165 admissions, 50, 30% (2017: 45, 32%) were prescribed OST (suboxone &amp; DHC) and / or Benzodiazapines by either CDAT, GP or Police prior to reception. These were all positive when drug tested.</p>																																								

	KP3.3 will be revised to provide a baseline from 2017.	Of the 165 admissions, 106, 64% (2017: 95, 68%) prisoners were positive on admission to one or more of the 8 substances (drug) tested and/or alcohol when tested via an alcometer.  59, 36% (45, 32%) individuals had a negative drug urinalysis screen to substances tested on admission.																																								
3.4	A reduction over a five year period in the percentage of children referred to the Youth Justice Service who have misused drug/alcohol from a baseline in 2015	<table border="1"> <thead> <tr> <th>Year</th> <th>2016</th> <th>2017</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>Referrals</td> <td>124</td> <td>136</td> <td>148</td> </tr> <tr> <td>Number of young people with drug/alcohol misuse</td> <td>40</td> <td>35</td> <td>40</td> </tr> <tr> <td>% of referrals</td> <td>32%</td> <td>25.7%</td> <td>27%</td> </tr> </tbody> </table> <p>Of 148 referrals, 27% young people referred in 2018 for offending behaviour were known to have been influenced by drugs or alcohol. This is an increase from last year with an increase in cannabis offences but also an increase in offences involving girls under the influence of alcohol. Individuals have only been counted once even if they have offended multiple times.</p>	Year	2016	2017	2018	Referrals	124	136	148	Number of young people with drug/alcohol misuse	40	35	40	% of referrals	32%	25.7%	27%																								
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3.5	A reduction over a six year period in the percentage of people who consider alcohol and drugs as a major cause of crime from a baseline in 2013	The Crime & Justice Survey has been completed in 2018. The Data will be available to report in 2019																																								
3.6	A reduction over a ten year period in the number of drink-driving offences a baseline in 2010	<table border="1"> <thead> <tr> <th>Year</th> <th>2010</th> <th>2011</th> <th>2012</th> <th>2013</th> <th>2014</th> <th>2015</th> <th>2016</th> <th>2017</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>Individuals Convicted</td> <td>123</td> <td>116</td> <td>91</td> <td>97</td> <td>68</td> <td>96</td> <td>65</td> <td>76</td> <td>89</td> </tr> <tr> <td>Breathalysed</td> <td>763</td> <td>935</td> <td>746</td> <td>797</td> <td>763</td> <td>950</td> <td>851</td> <td>692</td> <td>581</td> </tr> <tr> <td>% convicted</td> <td>16%</td> <td>12%</td> <td>12%</td> <td>12%</td> <td>9%</td> <td>10%</td> <td>8%</td> <td>11%</td> <td>15%</td> </tr> </tbody> </table>	Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	Individuals Convicted	123	116	91	97	68	96	65	76	89	Breathalysed	763	935	746	797	763	950	851	692	581	% convicted	16%	12%	12%	12%	9%	10%	8%	11%	15%
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KPI		Progress												
<p><b>Outcome 4 – Providing Treatment</b> This Pillar seeks to increase the amount of people moving through treatment into sustained recovery.</p>														
4.1	An increase in the number of new entrants to structured treatment	<p>Those who entered structured treatment during 2018 are as follows            GAAS – 78 (2017 – 67)            In-dependence, Community – 25 (2017 – 25)            CDAT – 54 (2017 – 57)            In-dependence, CJSS – 38 (2017 – 65. The service included alcohol use for the first time and became the Criminal Justice Substance Service)            In-dependence, Prison – 44 (2017 – 75)</p>												
4.2	The percentage of service users exiting structured treatment with successful completion to stand at 60% or more	<p>In-dependence Community – 48%            In-dependence Criminal Justice Substance Service 59%            CDAT – 99%            GAAS – 57%</p>												
4.3	An increase in the number of people commencing community pharmacy supervised consumption of opioid substitute therapy	<p>Suboxone is the only drug able to be consumed under supervision in the Community            5 pharmacies take part in the Community project</p> <table border="1"> <thead> <tr> <th>Date</th> <th>No. prescribed Suboxone</th> <th>Suboxone supervised daily in pharmacies</th> <th>No. prescribed dihydrocodeine</th> </tr> </thead> <tbody> <tr> <td>Jan 2018 (2017)</td> <td>78 (86)</td> <td>10 (16)</td> <td>75 (63)</td> </tr> <tr> <td>Dec 2018 (2017)</td> <td>67 (78)</td> <td>No data (10)</td> <td>91 (75)</td> </tr> </tbody> </table>	Date	No. prescribed Suboxone	Suboxone supervised daily in pharmacies	No. prescribed dihydrocodeine	Jan 2018 (2017)	78 (86)	10 (16)	75 (63)	Dec 2018 (2017)	67 (78)	No data (10)	91 (75)
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4.4	An increase in the number of Service Users contributing to treatment development	<p>Feedback via service user surveys on average 12 surveys per agency are being used as a valuable resource for service development, all agencies now completing as part of their SLA's</p> <p>SMART recovery groups are being run in the Community by ex-service users and no numerical data on attendance is collected.</p>												

	KPI	Progress															
5.1	Reduction in the number of short term sickness benefit claims related to drug and alcohol use over the life of the Strategy (5 years)	<table border="1"> <thead> <tr> <th>Short term benefit</th> <th>Number of people</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>7 out of 415</td> <td>1.69%</td> </tr> <tr> <td>2016</td> <td>5 out of 386</td> <td>1.29%</td> </tr> <tr> <td>2017</td> <td>6 out of 397</td> <td>1.51%</td> </tr> <tr> <td>2018</td> <td>2 out of 423</td> <td>0.47%</td> </tr> </tbody> </table> <p>Please note above data</p> <ul style="list-style-type: none"> <li>• data are only as reliable as provided on the medical certificate and manually input</li> <li>• If a person has comorbidity of conditions, information stats only extract one of the listed diagnosis</li> <li>• Some of the other diagnosis listed (such as mental health disorders, anxiety etc.) may be related to drug or alcohol misuse but not recorded as such</li> </ul>	Short term benefit	Number of people	%	2015	7 out of 415	1.69%	2016	5 out of 386	1.29%	2017	6 out of 397	1.51%	2018	2 out of 423	0.47%
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5.2	Reduction in the number of long term sickness benefit claims related to drug and alcohol use over the life of the Strategy (5 years)	<table border="1"> <thead> <tr> <th>Long term benefit</th> <th>Number of people</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>30 out of 856</td> <td>1.50%</td> </tr> <tr> <td>2016</td> <td>30 out of 851</td> <td>3.53%</td> </tr> <tr> <td>2017</td> <td>27 out of 854</td> <td>3.16%</td> </tr> <tr> <td>2018</td> <td>24 out of 872</td> <td>2.80%</td> </tr> </tbody> </table> <p>Please note above data</p> <ul style="list-style-type: none"> <li>• data is only as reliable as provided on the medical certificate and manually input</li> <li>• If a person has comorbidity of conditions, information stats only extract one of the listed diagnosis</li> <li>• Some of the other diagnosis listed (such as mental health disorders, anxiety etc.) may be related to drug or alcohol misuse but not recorded as such</li> </ul>	Long term benefit	Number of people	%	2015	30 out of 856	1.50%	2016	30 out of 851	3.53%	2017	27 out of 854	3.16%	2018	24 out of 872	2.80%
Long term benefit	Number of people	%															
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5.3	A reduction over a five year period of the number of unemployed people in treatment for drug and	Data was not collected in 2018 by Community Drug and Alcohol Team in relation to this KPI.															

	alcohol issues from a baseline in 2014	
5.4	Number of population-based and targeted campaigns delivered	Dry January – to reduce or abstain from alcohol for the month of January Provision of night buses for the West and North Shows Drink Drive Campaigns (Summer and Winter)
5.5	Increase in the numbers of Identification and Brief Advice interventions delivered in many settings	The Single Treatment Service Monitoring System has not been implemented and therefore data for this KPI has not been collected.